



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018

CARNAVALE RESOURCES LIMITED
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**CARNAVALE RESOURCES LIMITED
CORPORATE DIRECTORY**

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COMPANY SECRETARY	Paul Jurman
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CARNAVALE RESOURCES LIMITED

REVIEW OF OPERATIONS

Introduction

Carnavale Resources Limited (“Carnavale” or “Company”) is an Australian based mineral exploration company with a strategy to acquire and explore high quality advanced exploration and development projects prospective for strategic minerals associated with the rapidly increasing demand within the electric battery sector and other new-age disruptive technologies, together with the gold and copper resource sector.

The increasing global demand for electric batteries is predicted to increase significantly over the next decade in various forms of new age batteries. Additional demand will come from robotics, renewable energy, energy storage and computer technology. A recent study reported to by, Rio Tinto Limited (ASX: RIO) and undertaken by Massachusetts Institute of Technology (“MIT”) identified 13 metals / minerals that are most likely to be positively impact by this growth demand including:

Tin, Lithium, Cobalt, Silver, Nickel, Gold, Tungsten, Vanadium, Graphite, Niobium, Zinc, Platinum group elements and Salt.

Carnavale has focussed on acquiring advanced exploration and near-term development projects where high impact programs can achieve above average returns for shareholders. The Company has focussed on projects where the earn-in agreements and cost is predominantly designed around “value add drilling programmes” as part of the equity earn-in phase rather than high upfront purchase costs.

During the period, the Company acquired rights to two projects, after meeting internal company hurdles:

- **Grey Dam Nickel Cobalt Project**, acquired 100% equity with existing, shallow 2004 JORC laterite Ni-Co resource with significant near-term exploration upside to the already defined resource and longer-term Ni-Cu-Co sulphide potential at depth. Project is well located within 1 hours drive of Kalgoorlie, in Western Australia.
- **Kikagati Tin Project**, Kikagati is a large-scale tin project, located in southern Uganda, with intense artisanal workings over 2.5km strike and up to 200m wide that has never been drill tested. Agreement to earn initial 51% equity under a commitment to drill. Additional 19% equity (Total 70%) can be earned through sole funding and completing a feasibility study within 5 years.

Grey Dam Project, WA, Australia (Carnavale 100%)

- **Historical Ni-Co resource – program commenced to report to JORC 2012**
- **Exploration upside remains to be tested**
- **RC drilling programme recently completed, results pending**

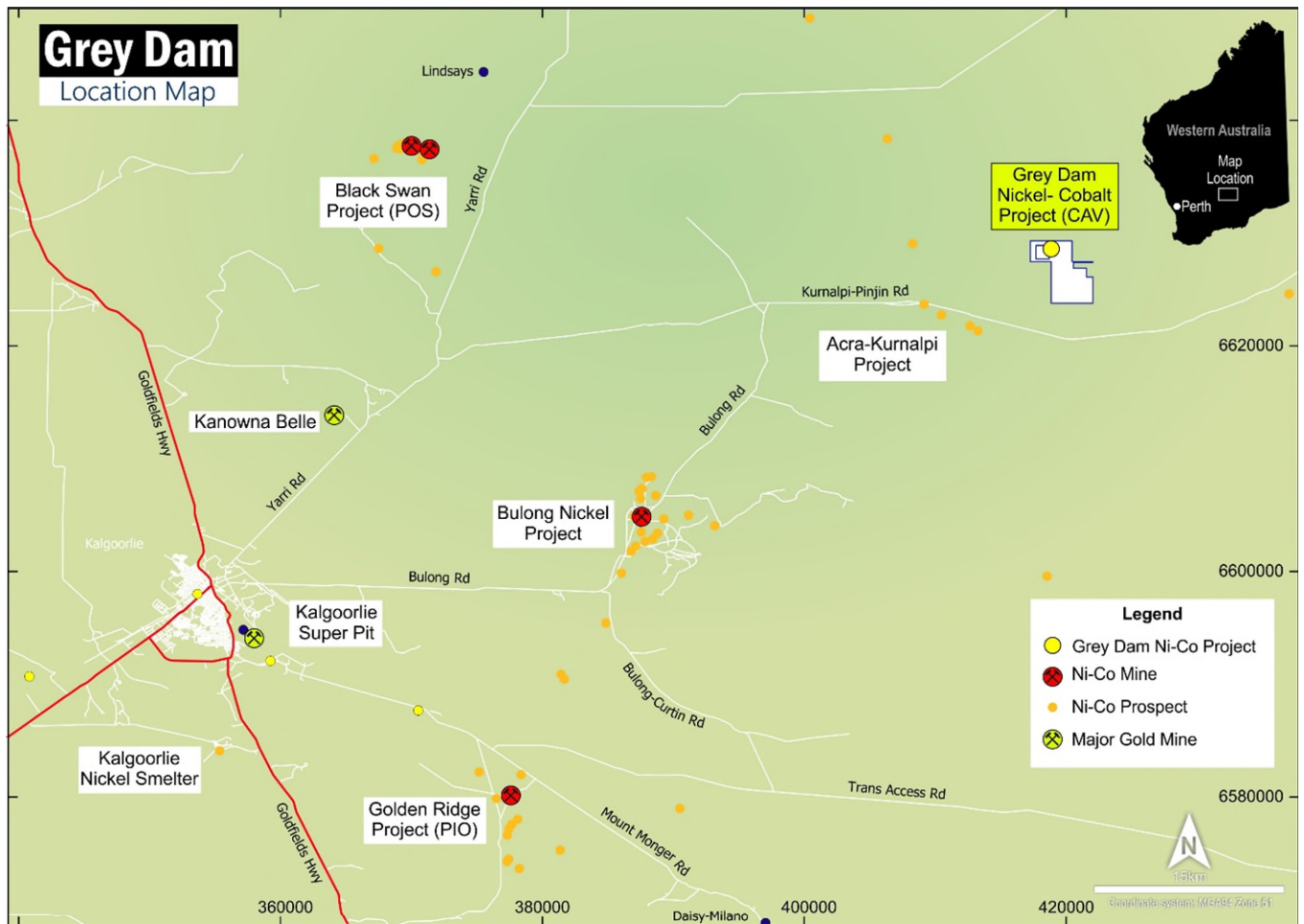
In late March 2018, Carnavale signed an agreement to acquire the Grey Dam Project, comprising E28/1477 and M28/378, for a total consideration of \$110,000 payable in cash. Project is well located within 1 hours drive of Kalgoorlie, in Western Australia (Figure 1).

The project hosts a shallow, oxide laterite nickel-cobalt resource reported by previous explorers with significant potential for near-term exploration upside to the existing mineralised zones and longer-term Ni-Cu-Co sulphide potential at depth.

Carnavale’s attraction to the project, centres on the extensive nickel and cobalt zones, many with high grades, defined within earlier RC and aircore drilling by previous explorers and the along strike exploration potential, with some 4km of prospective ultramafic sequence occurring on the project tenements.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Figure 1 Grey Dam Nickel - Cobalt Project Location



The reported mineralised zone straddles E28/1477 and M28/378 (Figure 2) and hosts shallow flat lying supergene Ni-Co mineralisation from surface to approximately 40m depth.

The supergene Ni-Co mineralisation occurs as remobilized sub-horizontal nickel and cobalt zones hosted within the highly weathered bedrock above a sequence of ultramafic rocks which are interpreted to represent the original bedrock source of the remobilized nickel and cobalt before weathering occurred. The ultramafic sequence is interpreted to extend over approximately 4km of strike within the tenement area, with areas remaining to be drill tested including the larger Southern Area target.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

2018 Grey Dam Exploration Strategy

Carnavale's 2018 exploration strategy was to undertake:

- Heritage survey to enable drilling to commence.
- RC infill drilling within the resource area to allow resource upgrade to JORC 2012 compliance.
- Drill test for immediate resource extensions to the Grey Dam resource area.
- Upgrade resource estimate including remodel the mineralisation with individual nickel(Ni) and cobalt (Co) domains to highlight and better define the internal high-grade Ni and Co domains.
- Commence initial metallurgical testwork focusing on potential low capex extraction processing.

Exploration activities during the period to the end of June 2018 include:

- Completion of a heritage survey.
- Submission of a RC drilling Program of Works (PoW).
- Review of previous resource model and exploration data.

Subsequent exploration activities completed after the reporting period include:

- PoW approval received 5 July 2018.
- Drill site preparation commenced 9 July 2018.
- RC drilling commenced 10 July 2018.
- 5,095m RC drilling programme completed during July 2018, results pending.

RC drilling Programme

Upon successfully completing the native title heritage survey and receiving the PoW) approval from the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS), the RC drilling programme commenced on 10 July 2018.

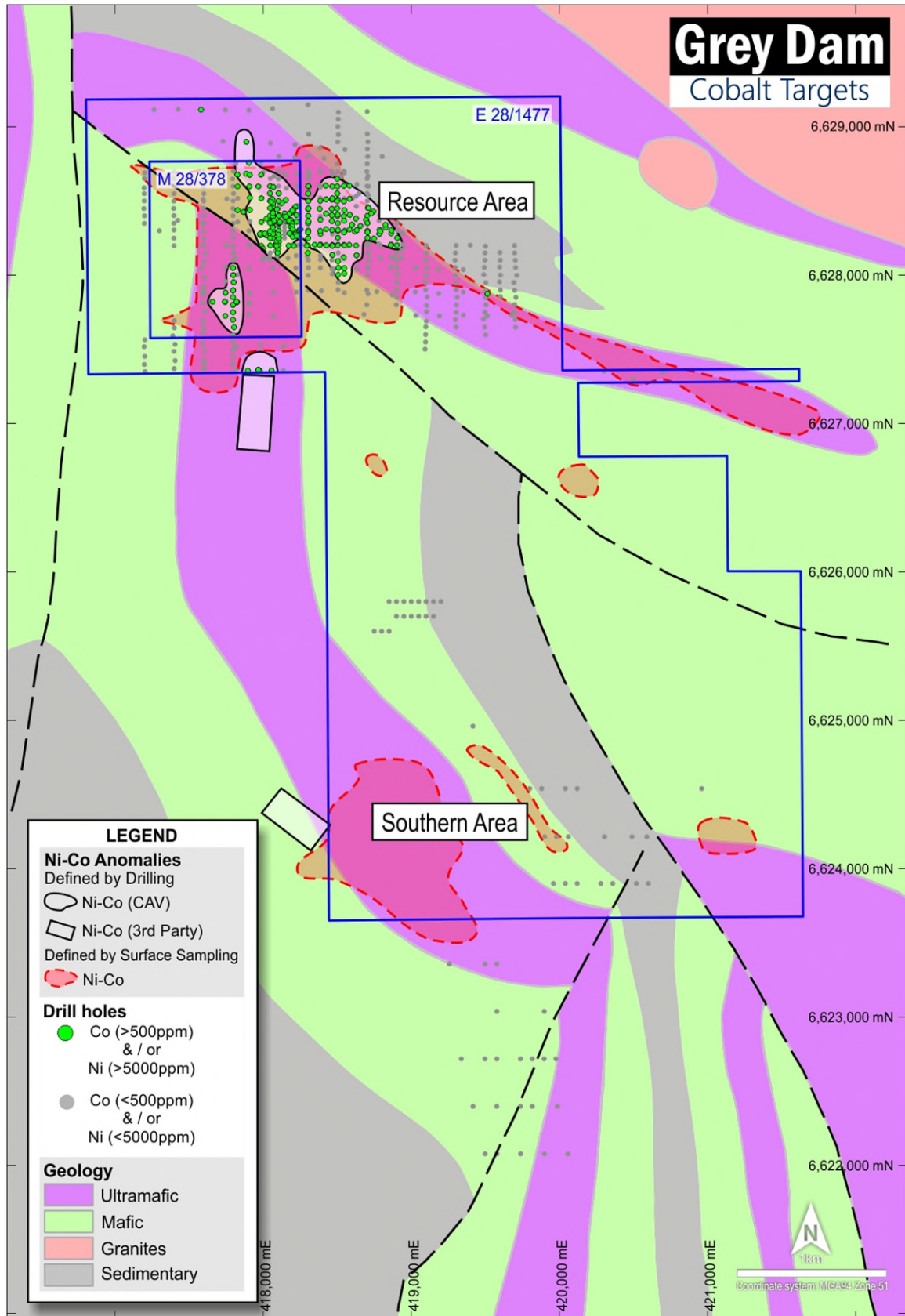
The RC drilling programme comprised of 82 vertical holes for an average depth of 56m for a total advance of 5,095m. Systematic sampling and geological logging has been completed on a 1m basis with results pending. This drilling has focused on infill RC drilling on 100m spaced sections and 50m spaced holes along each section within the Resource Area (Figure 2). The new RC drilling upgrades many areas where previous aircore drilling and coarser 4m composite sampling had previously been undertaken within the resource limits. Additional drilling targeted potential resources extensions to the south of the known resource limits immediately south of the M28/378 and within E28/1477.

The drilling confirms a typical lateritic weathering profile with a shallow laterite duricrust essentially from surface through saprolite clays into saprock and then into fresh bedrock. Most holes finished in saprock or fresh ultramafic rocks as expected.

Sampling has been completed through a cyclone splitter on a 1m basis. Results are expected to be received in October 2018.

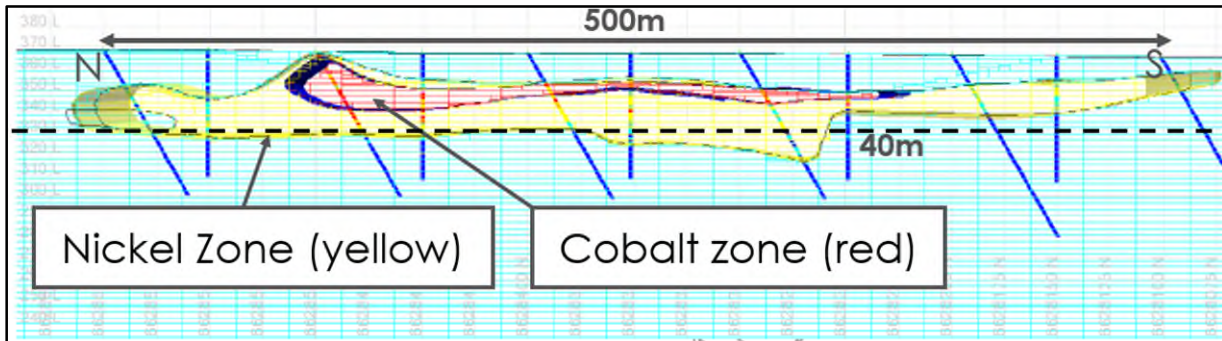
**CARNAVALE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Figure 2 Grey Dam drilling locations, showing high grade Ni and Co zones in drilling



CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Figure 3 Grey Dam representative Cross Section showing sub-horizontal nickel zone (yellow domain) with internal cobalt zone (red /domain).



Potential Economics

Carnavale considers the significant change in the cobalt metal price since 2009 (circa \$50,000/t) and even lower in period 2012-2013 (circa \$25,000/t) to the current spot price (circa \$80,000/t) and recent nickel price (circa \$16,000/t) provides for a significant in-ground value based on the previous resource model.

Carnavale considers the shallow nature of the cobalt and nickel mineralisation may represent a significant development opportunity with resultant low strip ratio. Further metallurgical testwork is planned to assess opportunities for a preferred low capex mining and processing operation. To test possible extraction processes and economics the Company plans to complete initial preliminary nickel and cobalt recoveries through various processing techniques.

Initial metallurgical testwork will be carried out on the residual RC drilling samples from the recent RC drilling programme. Subject to positive testwork results, diamond drilling is planned to be carried out to collect further detailed metallurgical sample material.

The potential economics will be driven by resource domain grades, recoveries of both cobalt and/or nickel, a low strip ratio due to the shallow flat lying nature of mineralisation and overall capex and operating costs.

2018/2019 Grey Dam Exploration Strategy

Carnavale's 2018/2019 exploration strategy is to:

- Finalise and announce RC drilling results.
- Upgrade resource estimate including remodeling the mineralisation with individual nickel(Ni) and cobalt (Co) domains to highlight and better define the internal high-grade Ni and Co domains.
- Preliminary metallurgical testwork on RC sample material.
- Subject to positive testwork, complete programme of diamond drilling for detailed metallurgical testwork samples.
- Assess the southern Area for drill testing.
- Assess potential for deeper sulphide Ni-Cu-Co mineralisation.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Kikagati Tin Project, Uganda, East Africa (Carnavale rights to earn up to 70%)

- **Large-scale walk-up drill target with significant resource potential**
- **2,000m diamond drilling programme commencing October**

In April 2018, the Company announced it had signed an exclusive and binding Option to Earn-In Agreement (Agreement) with African Panther Resources (U) Limited, a local Ugandan private company, to acquire 70% of the Kikagati (Isingiro) Tin (Sn) Project, located in Uganda along the southern border with Tanzania, Africa. Refer ASX announcement “Carnavale to Acquire Large-Scale Tin Project, Uganda” dated 23 April 2018.

The project covers an area of approximately 83km², comprising seven exploration permits and a mining lease which spans extensive surface and shallow underground artisanal workings over at least 2.5km of strike along the main Nyarubungo and Katanga ridges.

Carnavale considers that Kikagati represents a very large mineralised system with potential to host a large-scale tin resource. Importantly, there is no evidence of the project ever being drill tested providing scope to rapidly add value through drilling.

Figure 4 Kikagati Tin Project – Carnavale Chairman Ron Gajewski, Mark Gasson (geologist) and Dylan le Roux (project geologist), with 2.5km long Kikagati workings in background during due diligence inspection.



Kikagati Tin Mineralisation

The Kikagati Project shows extensive surface alluvial/eluvial artisanal workings, historic adits and bedrock vein workings open at surface, along at least 2.5km of strike length and up to 200m wide. The numerous workings form a semi-continuous to continuous zone of mineralisation that has been exploited for many years by the local miners.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

The tin occurs as coarse grained cassiterite within and along the margins of a series of stacked, steeply west dipping quartz-muscovite veins (Figure 5) and stockwork veinlets (Figure 6) hosted within a 100-200m thick quartzite unit that dips moderately to the east. Several horizons, layer parallel to the quartzite unit, are also interpreted as shear zones comprising almost all goethite rich clays and tourmaline crystal development. These shear structures are considered high fluid flow hydrothermal conduits for tin bearing mineralisation from a nearby granitic source.

Cassiterite mineralisation is associated with muscovite, and to a lesser extent tourmaline along vein boundaries and within vein fractures. Distinct selvages composed mainly of muscovite, tourmaline and in some cases, magnetite occur around brecciated lenses of the original vein. These are favourable sites for mineralisation where the cassiterite occurs as inter-grown crystals. In many instances there is evidence for brittle /ductile deformation occurring during the mineralisation development. Large crystals of cassiterite also occur within the primary massive milky white to clear quartz veins (Figure 7).

Figure 5 Kikagati Tin Project – Example of a typical larger quartz vein, approximately 2m wide, in one of the many historic workings.

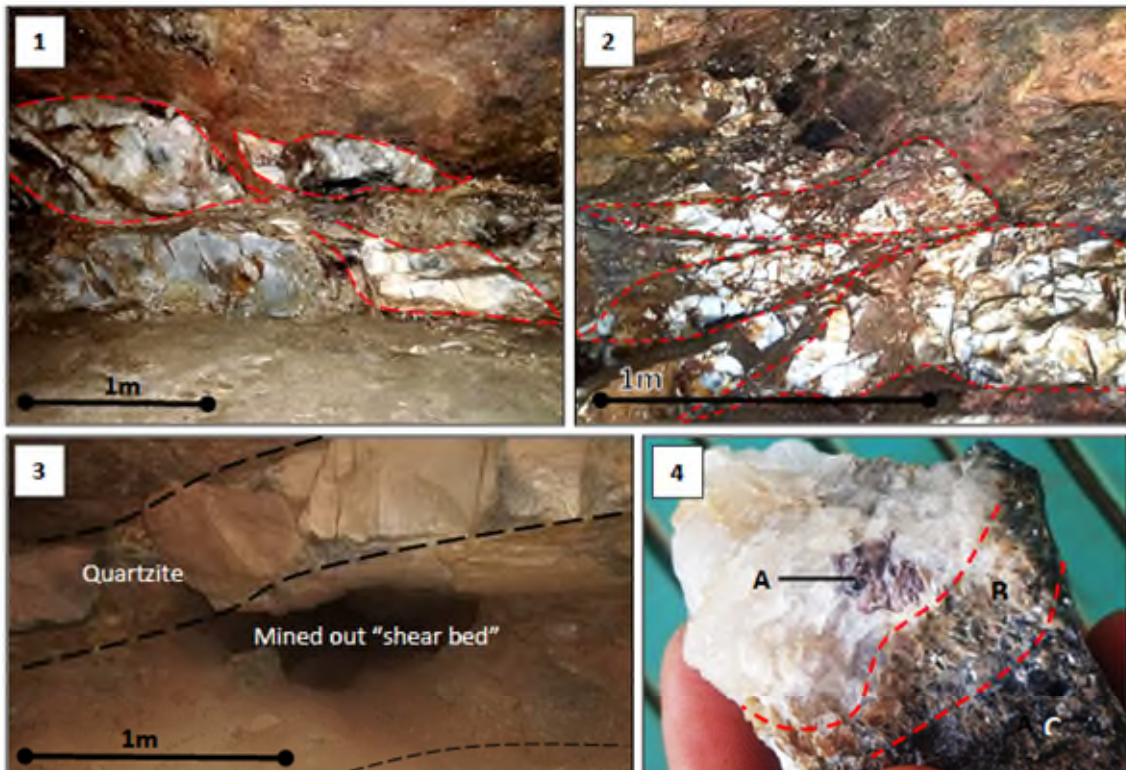


**CARNAVALE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Figure 6 Kikagati Tin Project – Example of a finer quartz-tourmaline vein stockwork in the host quartzite. (Field of view ~1.0m)



Figure 7 Kikagati Tin Project – (Photos 1+2) – Deformed and sheared primary quartz veins (see red stipples) with muscovite rich breccia type selvage (3) Photo looking up into a bedding plane. Most of the +80cm thick “shear bed” has been mined out. (4) Cassiterite (A) within a primary quartz vein adjacent to a muscovite selvage (B) on the quartzite (C) contact.



**CARNAVALE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Figure 8 Kikagati Tin Project – Artisanal workings in foreground along the 2.5km strike length. View looking south from Uganda to Tanzania on the other side of the river.



CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Summary of Agreement Details

Under the Agreement, signed in April 2018, Carnavale may earn 70% equity in APRU, the 100% owner of the Kikagati (Isingiro) Project tenements.

The Agreement is subject to:

- a six (6) month due diligence period (extended to 15 December 2018), where Carnavale has the right to complete legal and technical due diligence to Carnavale's satisfaction prior to electing to undertake a minimum of 2,000m of diamond drilling (estimated cost for this phase to be US\$450,000).
- Upon completion of the successful due diligence period including the diamond drilling Carnavale may elect to continue to "earn in".
- On Carnavale's election to continue and execution of a full Earn-In Agreement, Carnavale will have earned 51% of APRU.
- To earn an additional 19% equity in APRU, Carnavale is to sole fund: all exploration, resource definition, mine planning, metallurgical test work, project design, feasibility and project holding costs including maintenance of all mining, exploration and operating permits, site infrastructure and security to the conclusion of a bankable Feasibility Study (**FS**) with five (5) years.
- CAV also agrees to drill a minimum of 2,500m of drilling on the Permits per year until the completion of the FS.
- Permits include Mining Licence number ML1433 and Exploration Licence numbers EL1830, EL0653, EL1369, EL1333, EL1351, EL1356, EL1370.

Refer to CAV ASX release "Carnavale to acquire large scale tin project, Uganda" dated 2 April 2018

Subsequent to the period, Carnavale completed satisfactory corporate, legal and technical due diligence and has elected to earn-in via the 2,000m diamond drilling programme. This drilling programme is expected to commence during October 2018. The drilling will target fresh bedrock mineralisation beneath the artisanal workings.

The progression to drilling and targeting the potentially very large tin system aligns with Carnavale's strategy to acquire and explore high quality advanced exploration and development projects prospective for strategic minerals associated with the rapidly increasing demand within the electric battery sector and other new-age disruptive technologies.

2018/2019 Kikagati Exploration Strategy

Carnavale's 2018/2019 exploration strategy is to undertake:

- 2,000m of diamond drilling to test fresh bedrock tin mineralisation at the Kikagati Prospect.
- Assess mineralisation for large scale resource potential.
- Subject to positive drilling results, continue drilling to expand the resource limits.
- Preliminary resource estimate.
- Assess potential for additional tin targets within the larger tenement package.

CARNAVALE RESOURCES LIMITED

REVIEW OF OPERATIONS

Lake Roe Project, WA, Australia

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 and rehabilitation of the previous drilling areas with no new field work undertaken. As a consequence of the review, Carnavale elected to withdraw from the Lake Roe project.

Business Development

The Company continues to actively evaluate new projects ranging from early greenfields exploration to advanced near-term resource potential with a primary focus on Tin, Lithium, Cobalt, Silver, Nickel, Gold and Copper in prospective geological regions.

Corporate

Capital Raisings

In March 2018, the Company raised \$1,190,000 through a private placement to sophisticated and professional investors via the issue of 70 million fully paid shares at an issue price of \$0.017 each.

The funds raised were used to fund the acquisition of the Grey Dam projects, ongoing exploration activities on its existing mineral interests, consideration of new business opportunities and for ongoing working capital.

Information relating to Previous Disclosure

Information relating to Exploration Results and Mineral Resources associated with previous disclosures relating to the Grey Dam Project and the Kikagati Project in this report has been extracted from the following ASX announcements:

- ASX announcement titled “New Cobalt Acquisition in Western Australia” dated 19 March 2018; and
- ASX announcement titled “Carnavale to Acquire Large-Scale Tin Project, Uganda” dated 23 April 2018.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

Statements regarding Carnavale Resources’ plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Carnavale Resources’ plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Carnavale Resources’ will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Carnavale Resources’ mineral properties.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

The Directors of Carnavale Resources Limited submit herewith the annual financial report of Carnavale Resources Limited ("Company") and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30 June 2018 and the independent auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names and particulars of the directors of the Company during or since the end of the financial year are as follows.

Directors were in office for the entire period unless otherwise stated.

Ron Gajewski, BBus, CPA
Executive Chairman
Appointed 18 October 2006

Mr Gajewski is an accountant by profession, with many years of experience as a director of public listed companies and as a corporate advisor to public companies.

Mr Gajewski has held directorships with mining companies listed in both Canada and Australia.

Mr Gajewski holds no other listed company directorships and has held no other listed company directorships in the last 3 years.

Andrew Beckwith, BSc Geology, AusIMM
Managing Director
Appointed 29 July 2014

Mr Beckwith is a successful explorer whose past experience includes senior technical roles with AngloGold Ashanti, Acacia Resources, Helix Resources, Normandy NFM, North Flinders Mines, BP Minerals Australia and at Westgold Resources, where he led the team initially as exploration manager and then as Managing Director. Additionally, Mr Beckwith recently held the position of director of Bulletin Resources Limited until June 2014.

During his time with Westgold, he was intimately involved in the Explorer 108 Pb-Zn-Ag and the Au-Cu Rover 1 (1.2Moz) discoveries, both in the Northern Territory. Westgold was awarded the "2008 Explorer of the Year" for the Rover 1 discovery and also went on to acquire the Central Murchison Gold Project, in Western Australia, with growth from an initial 1.9Moz resource on acquisition to the current 5.0Moz with mining development currently underway by Metals X, which acquired Westgold in 2012. Westgold has since demerged from Metals X and is currently producing over 265,000 ounces per year and growing.

During the past three years he has also served as a director of the following listed companies:

Company	Date appointed	Date ceased
De Grey Mining Limited	26 October 2017	-

Rhett Brans, MIEAust CPEng
Independent Non-Executive Director
Appointed 17 September 2013

Mr Brans is a civil engineer with over 45 years' experience in project developments and an experienced director having fulfilled directorship responsibilities in a number of ASX listed mining companies since 2004.

Throughout his career, Mr Brans has been involved in the co-ordination of exploration programmes, management of scoping and feasibility studies and the design and construction of mineral treatment plants across a range of commodities and geographies including gold in Ghana, copper and lithium in the DRC and graphite in Mozambique. He has extensive experience as an owner's representative for several successful mine feasibility studies and project developments.

Earlier with Minproc, he was responsible for the management (both directly and indirectly) of the engineering design, procurement and construction management of 22 mineral extraction facilities.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

During the past three years he has also served as a director of the following listed companies:

Company	Date appointed	Date ceased
Australian Potash Limited	9 May 2017	-
AVZ Minerals Limited	5 February 2018	-
RMG Limited	19 January 2015	13 September 2016
Syrah Resources Limited	12 June 2013	31 December 2017

COMPANY SECRETARY

Paul Jurman, BCom, CPA
Appointed 22 November 2006

Mr Jurman is a Certified Practising Accountant with over 10 years experience and has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles. He is also company secretary of Nemex Resources Limited, Kangaroo Resources Limited and Platina Resources Limited.

Directors' interests

The relevant interests in the shares and options of the Company at the date of this report are as follows:

Name	Ordinary shares	Unlisted Incentive Options	Performance Rights
R Gajewski	48,291,364	13,000,000	15,000,000
A Beckwith	26,661,370	4,000,000	15,000,000
R Brans	2,000,000	1,000,000	3,000,000

No director has an interest, whether directly or indirectly, in a contract or proposed contract with the consolidated entity.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the year was acquiring and exploring mineral interests, prospective for precious metals and energy.

RESULTS AND DIVIDENDS

The consolidated loss after tax for the year ended 30 June 2018 was \$616,698 (2017: \$449,836). No dividends were paid during the year and the Directors do not recommend payment of a dividend.

LOSS PER SHARE

Basic loss per share for the year was 0.1 cents (30 June 2017: 0.09 cents).

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW

The Group is currently engaged in mineral exploration for metals in Australia and in Uganda. A review of the Group's operations, including information on exploration activity and results thereof, financial position, strategies and projects of the consolidated entity during the year ended 30 June 2018 is provided in this Annual Report and, in particular, in the "Review of Operations" section immediately preceding this Directors' Report. The Group's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

As an exploration entity, the Group has no operating revenue or earnings and consequently the Group's performance cannot be gauged by reference to those measures. Instead, the Directors consider the Group's performance based on the success of exploration activity, acquisition of additional prospective mineral interests and, in general, the value added to the Group's mineral portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Group, generic to the mining industry and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW (continued)

The Group's business strategy for the financial year ahead and, in the foreseeable future, is to continue exploration activity on the Group's existing mineral projects, identify and assess new mineral project opportunities throughout the world and review development strategies where individual projects have reached a stage that allows for such an assessment. Due to the inherent risky nature of the Group's activities, the Directors are unable to comment on the likely results or success of these strategies. The Group's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Group, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Group and its future performance include but are not limited to:

- Geological and technical risk posed to exploration and commercial exploitation success;
- Sovereign risk, change in government policy, change in mining and fiscal legislation;
- Prevention of access by reason of political or civil unrest, outbreak of hostilities, inability to obtain regulatory or landowner consents or approvals, or native title issues;
- force majeure events;
- change in metal market conditions;
- mineral title tenure and renewal risks; and
- capital requirement and lack of future funding.

This is not an exhaustive list of risks faced by the Group or an investment in it. There are other risks generic to the stock market and the world economy as a whole and other risks generic to the mining industry, all of which can impact on the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's objective is to maximise shareholder value through the discovery and delineation of significant cobalt, nickel, tin, gold, copper, silver and other mineral deposits throughout the world.

The Directors are unable to comment on the likely results from the Company's planned exploration activities due to the speculative nature of such activities.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has not been any significant changes in the state of affairs of the company and its controlled entities during the financial year, other than as noted in this Annual Report.

SUBSEQUENT EVENTS

No matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than the matters referred to below.

- In August 2018, the Company issued 6 million shares at 1.7 cents each to nominees of directors, Mr Gajewski and Mr Beckwith raising \$102,000, following receipt of shareholder approval on 26 July 2018.
- In August 2018 the Company issued a total of 36 million performance rights with an expiry date of 30 June 2021 as part of the remuneration packages of the Board and management, pursuant to shareholder approval received on 26 July 2018. Tranche 1, 2 and 3 performance rights (each tranche comprising 12 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least \$0.03, \$0.04 and \$0.05 respectively over a consecutive 10 trading days.
- In August 2018, the Company issued 10 million shares, and paid US\$50,000 to parties associated with facilitating the entering into of the Kikagati Tin Project transaction in Uganda.

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

CARNAVALE RESOURCES LIMITED

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of the Directors and the number of meetings attended by each Director during the year ended 30 June 2018 were:

<i>Name</i>	<i>Eligible to attend</i>	<i>Attended</i>
R Gajewski	2	2
A Beckwith	2	2
R Brans	2	2

There were 2 directors' meetings held during the year. However, matters of Board business have been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings of the Directors held to control, implement and monitor the Group's activities throughout the period.

At present, the Company does not have any formally constituted committees of the Board. The Directors consider that the Group is not of a size nor are its affairs of such complexity as to justify the formation of special committees.

REMUNERATION REPORT – AUDITED

Remuneration policy

The remuneration policy of Carnavale Resources Limited has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Carnavale Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

- The remuneration policy and setting the terms and conditions for the Executive Directors and other senior staff members is developed and approved by the Board based on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained when considered necessary to confirm that executive remuneration is in line with market practice and is reasonable within Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- The Consolidated Entity is an exploration entity and is, therefore, speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly as the Consolidated Entity moves from an exploration to a producing entity and key performance indicators such as profit and production and reserves growth can be used as measurements for assessing executive performance.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Executive Directors, in consultation with independent advisors, determine payments to the non-executive directors and review their remuneration annually, based on market practice, duties and accountability. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at a shareholders' meeting on 5 January 2007 when the shareholders approved an aggregate remuneration of \$200,000 per year. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Voting and comments made at the Company's 2017 Annual General Meeting (AGM) – At the 2017 AGM, less than 1% of the votes received did not support the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of specified key management personnel (KMP)

Directors

R Gajewski	Executive Chairman	Appointed 18 October 2006
A Beckwith	Managing Director	Appointed 29 July 2014
R Brans	Non-Executive Director	Appointed 17 September 2013

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

Executive Directors' remuneration and other terms of employment are reviewed annually by the non-executive directors having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

With effect from 1 July 2017, Mr Gajewski's remuneration arrangement was subject to a consulting fee of \$3,000 per month (plus GST) for his role as a part-time executive Chairman. Mr Gajewski was entitled to charge consulting fees for services over and above his role as part-time executive Chairman as agreed by the Board. From 1 April 2018, Mr Gajewski acted in a full time executive Chairman role and the Board agreed on a monthly fee of \$15,000 (plus GST). Subsequent to year end, Mr Gajewski has reverted back to a part-time executive Chairman role and charges a consulting fee of \$3,000 per month (plus GST).

Effective from 1 December 2015, Mr Beckwith reverted to a monthly director fee of \$2,000 per month (plus GST). Mr Beckwith is entitled to charge consulting fees for services over and above his role as part-time Managing Director as agreed by the Board.

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Consolidated Entity or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Consolidated Entity.

Remuneration of KMP:

Remuneration for the year ended 30 June 2018

	Short-term benefits		Post-employment Super-annuation	Equity-based compensation	Total	Proportion related to performance
	Directors' fees	Consulting fees				
	\$	\$	\$	\$	\$	%
Directors						
R Gajewski	72,000	-	-	-	72,000	-
A Beckwith	24,000	25,080	-	-	49,080	-
R Brans	24,000	-	2,280	-	26,280	-
Total	120,000	25,080	2,280	-	147,360	

Remuneration for the year ended 30 June 2017

	Short-term benefits		Post-employment Super-annuation	Equity-based compensation	Total	Proportion related to performance
	Directors' fees	Consulting fees				
	\$	\$	\$	\$	\$	%
Directors						
R Gajewski	96,000	12,000	-	-	108,000	-
A Beckwith	24,000	27,840	-	-	51,840	-
R Brans	24,000	-	2,280	-	26,280	-
A Chapman	20,000	-	1,900	-	21,900	-
Total	164,000	39,840	4,180	-	208,020	

Accounting, secretarial and corporate service fees of \$53,187 (2017: \$55,052) and rental fees of \$30,000 (2017: \$28,500) were paid or payable during the year ended 30 June 2018 on normal terms and conditions to Corporate Consultants Pty Ltd, a company in which Mr Gajewski is a director and has a beneficial interest.

Remuneration Options granted as part of remuneration for the year ended 30 June 2018

The Company has not granted any options during the financial year to any Directors or officers as part of their remuneration.

Performance Rights granted as part of remuneration for the year ended 30 June 2018

The Company has not granted any performance rights as part of remuneration during the financial year to any Directors or officers as part of their remuneration.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

Shareholdings of key management personnel

Year ended 30 June 2018

	Balance at 1 July 2017	Granted as remuneration	Net other change (i)	Balance at 30 June 2018
Directors				
R Gajewski	43,960,000	-	-	43,960,000
A Beckwith	23,661,370	-	-	23,661,370
R Brans	2,000,000	-	-	2,000,000
Total	69,621,370	-	-	69,621,370

Option holdings of key management personnel

Year ended 30 June 2018

	Balance at 1 July 2017	Granted as remuneration	Net other change	Balance at 30 June 2018
Directors				
R Gajewski	13,000,000	-	-	13,000,000
A Beckwith	4,000,000	-	-	4,000,000
R Brans	1,000,000	-	-	1,000,000
Total	18,000,000	-	-	18,000,000

End of Remuneration report

SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there are 60,000,000 Unlisted Options and 36,000,000 performance rights on issue.

	Number	Exercise Price (cents)	Expiry Date
Unlisted Options	60,000,000	2	30 December 2019
Performance Rights	36,000,000	-	30 June 2021

These Unlisted options and performance rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

There were no options issued during the financial year and up to the date of this report. During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

Since the end of the financial year, in August 2018 the Company issued a total of 36 million performance rights with an expiry date of 30 June 2021 as part of the remuneration packages of the Board and management, pursuant to shareholder approval received on 26 July 2018. The performance rights will vest subject to meeting specific performance conditions. Tranche 1, 2 and 3 performance rights (each tranche comprising 12 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least \$0.03, \$0.04 and \$0.05 respectively over a consecutive 10 trading days.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Consolidated Entity shall be indemnified out of the property of the Consolidated Entity against any liability incurred by him in his capacity as Officer or agent of the Consolidated Entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the period, the Company agreed to pay an annual insurance premium of \$9,082 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome.
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

**CARNAVALE RESOURCES LIMITED
DIRECTORS' REPORT**

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and forms part of the directors' report and can be found on page 29 of the financial report.

NON - AUDIT SERVICES

There have been no non-audit services provided by the Group's auditor during the year (2017: Nil).

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors.



ANDREW BECKWITH
Managing Director

Dated this 28th day of September 2018.
Perth, Western Australia

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2018, and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the *ASX Corporate Governance Principles and Recommendations (3rd edition)*.

The Company's website at www.carnavaleresources.com contains a corporate governance section that includes copies of the Company's corporate governance policies.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In performing its role, the Board's specific responsibilities include:

- endorsement of the strategic direction for Carnavale's business strategies and objectives;
- approving policies covering the management of business risks, safety and occupational health, community and environmental issues;
- monitoring Carnavale's operational and financial position and performance;
- identifying the principal risks faced by Carnavale and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
- ensuring that Carnavale's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- approving processes, procedures and systems to ensure that financial results are appropriately and accurately reported on a timely basis;
- ensuring that shareholders and the financial market as a whole are fully informed of all material developments in relation to Carnavale and its businesses;
- appointing and, where appropriate, removing the Managing Director, approving other key executive appointments including the Company Secretary, and planning for executive succession;
- overseeing and evaluating the performance of the Managing Director and other senior executives in the context of Carnavale's strategies and objectives;
- ensuring processes and procedures are in place for evaluating the performance of the Board and each Director;
- reviewing and approving executive remuneration and general salary and bonus policy;
- approving Carnavale's budgets and business plans and monitoring the progress of major capital expenditures, capital management, acquisitions and divestitures;
- reviewing and approving Carnavale's internal compliance and control systems and codes of conduct;
- approving processes, procedures and systems to ensure Carnavale's compliance with all laws, governmental regulations and accounting standards; and
- approving processes, procedures and systems to ensure that Carnavale conducts its business openly and ethically in accordance with the Company's code of conduct.

The Managing Director (MD) is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board.

The MD's specific responsibilities include:

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Establish and maintain effective and positive relationships with Board members, shareholders, the investment community and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place; and
- Select and appoint staff.

This statement of matters reserved for the Board and areas of delegated authority to the Managing Director is contained in the Board Charter posted on the Company's website.

Recommendation 1.2:

Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information about any candidate to enable an informed decision to be made on whether or not to elect or re-elect a director.

Recommendation 1.3:

Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

Mr Beckwith has a formal employment contract and the non-executive directors have a letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:

The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary has a direct reporting line to the Board, through the Chair.

Recommendation 1.5:

The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

The Company has three staff (comprising the three directors), none of whom are women. There are no women in senior executive positions or on the board.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

Recommendation 1.6:

The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducted an informal review during the financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The board considers that at this stage of the Company's development an informal process is appropriate.

Recommendation 1.7:

The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a review of the Managing Director's performance, at least annually, including setting the goals for the coming year and reviewing the achievement of these goals.

Performance has been measured to date by the efficiency and effectiveness of the enhancement of the Company's mineral interest portfolio, the designing and implementation of the exploration and development programme, maintenance of relationships with joint venture partners and the securing of ongoing funding so as to continue its exploration and development activities. This performance evaluation is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses.

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Chairman conducted an informal review process whereby he discussed with the Managing Director the approach toward meeting the short and long term objectives of the Company. The board considers that at this stage of the Company's development an informal process is appropriate.

Principle 2: Structure the board to add value

Recommendation 2.1:

The Board should establish a Nomination Committee which the majority should be independent directors (including the Chair).

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills.

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

The Constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

This selection, nomination and appointment process is detailed in the Board Charter on the company website.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

Recommendation 2.2:

The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

	Chairman	Managing Director	Non-executive Director	Company Secretary
Leadership	X	X	X	X
Strategy / Risk	X	X	X	X
Communication	X	X		
Fundraising	X	X	X	X
Mining Industry	X	X	X	X
Governance	X		X	X
Health, safety and environment		X	X	
Financial acumen	X	X	X	X

Each director has the right of access to all relevant company information and to the Company's employees and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

Recommendation 2.3:

The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

The names, experience and responsibilities of Directors of the Company in office at the date of this statement are set out in the Directors' Report (including names of the directors considered to be independent directors and length of service of each director).

Recommendation 2.4:

A majority of the Board of the Company should be independent directors.

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that of a total of three Directors, only Mr Rhett Brans is considered to be independent and therefore the Company does currently not have a majority of independent directors.

Mr Andrew Beckwith is the Managing Director of the Company and is not considered to be independent. Mr Gajewski is employed in an executive capacity by the Company and is not considered to be independent. The Company considers that each of the directors possesses the skills and experience suitable for building the Company and that the current composition of the Board is adequate for the Company's current size and operations.

Recommendation 2.5:

The Chair of the Board should be an independent director, and should not be the CEO of the Company.

The Chairman is responsible for leadership of the Board, for ensuring that the Board functions effectively, and for communicating the views of the Board to the public.

Mr Gajewski was appointed Executive Chairman from 28 February 2011 and therefore exercises the role of Chairman and Executive director. The Company therefore does not comply with ASX Corporate Governance Council Recommendation 2.5 which states the Chairman should be an independent director.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

Effective from 29 July 2014, Mr Andrew Beckwith was appointed as Managing Director and is responsible for implementing Company strategies and policies.

The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Company considers that each of the directors possess skills and experience suitable for building the Company. The Board takes the responsibilities of best practice in corporate governance seriously. It is the Board's intention to review its composition on a continual basis as the Company's expands its activities and greater demands and skills amongst directors become necessary.

Recommendation 2.6:

The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Board Charter provides for induction and professional development for the Board.

Principle 3: Promote ethical and responsible decision making

Companies should have a Code of Conduct for its directors, senior executives and employees.

The Company has developed a Code of Conduct (the Code), which has been endorsed by the Board and applies to all employees, Directors and officers. The Code may be amended from time to time as necessary to ensure it reflects the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders. The Code outlines the responsibility and accountability of Company personnel to report and investigate reports of unethical practices.

This Code of Conduct can be found on the company website.

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Board makes all Directors, officers and employees aware on appointment that it is prohibited to trade in the Company's securities whilst that Director, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report. Directors are required to report to the Company Secretary any movements in their holdings of Company securities, which are reported to ASX in the required timeframe prescribed by the ASX Listing Rules.

This Share Trading Policy can be found on the company website.

Principle 4: Safeguard Integrity in Financial reporting

Recommendation 4.1

The Board should have an Audit Committee.

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is HLB Mann Judd's policy to rotate audit engagement partners on listed companies at least every 5 years.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

Recommendation 4.2

The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board receives the necessary declaration in writing from the Managing Director and the Company Secretary/Financial Controller with respect to the financial records, the financial statements and the system of risk management and internal control before it approves the Company's financial statements for a financial period.

Recommendation 4.3

The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.

The Company invites the auditor or representative of the auditor to the AGM.

Principle 5: Making Timely and Balanced Disclosure

Recommendation 5.1:

Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act 2001 obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at a senior executive level for that compliance. All ASX announcements are to be posted to the Company's website as soon as possible after confirmation of receipt is received from ASX, including all financial reports.

Principle 6 – Respect the rights of security holders

Recommendation 6.1:

Companies should provide information about itself and its governance to investors via its website.

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by the ASX, the following are posted to the Company's website:

- relevant announcements made to the market via the ASX;
- notices of meetings;
- investment updates;
- company presentations and media releases;
- copies of press releases and announcements for (at least) the preceding three years; and
- copies of annual, half-yearly and quarterly reports including financial statements for (at least) the preceding three years.

Recommendations 6.2 and 6.3:

Companies should design and implement an investor relations program to facilitate two-way communication with investors.

Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Managing Director makes himself available to meet shareholders and regularly responds to enquiries made via telephone or email. The Managing Director also completes periodic investor presentations to facilitate engagement with investors and other financial market participants.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

The Board encourages full participation of shareholders at the Annual General Meeting. In preparing for general meetings of the Company, the Company drafts the notice of meeting and related explanatory information so that shareholders are provided with all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. The Company allows shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting. The external auditor of the Company is asked to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Important issues are presented to the shareholders as single resolutions. The shareholders are also responsible for voting on the appointment of Directors.

Recommendation 6.4:

Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Information about the Company is regularly emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses and on submitting information requests with the Company is available on the Company's website. Shareholders can receive communications from, and send communications to, the Company's security registry electronically.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

The Board should have a committee or committees to oversee risk.

The Company is not currently of a size to require the formation of committees to oversee risk. The full Board has the responsibility for the risk management, compliance and internal controls systems of the Company.

Management, through the Managing Director, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business. The Company adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The risks involved in a resources sector company and the specific uncertainties for the Company continue to be regularly monitored and the Managing Director regularly appraises the Board as to the effectiveness of the Company's management of its material business risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

Recommendation 7.2:

The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

The Board considers risks and discusses risk management at each Board meeting. Review of the risk management framework is an on-going process rather than an annual formal review. The Company's main areas of risk include:

- exploration;
- security of tenure including native title risk;
- joint venture management;
- new project acquisitions;
- environment;
- occupational health and safety;
- government policy changes;
- funding;
- commodity prices;
- retention of key staff;
- financial reporting; and
- continuous disclosure obligations.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

Recommendation 7.3:

The Company should disclose if it has an internal audit function.

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole regularly evaluates and improves the effectiveness of its risk management (refer above) and internal control processes.

Recommendation 7.4:

The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should have a Remuneration Committee.

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

Recommendation 8.2:

A company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company provides disclosure of the remuneration of all Directors and other key management personnel (if applicable) in its annual report.

The remuneration policy of Carnavale has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Carnavale believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company. Directors' remuneration is approved by resolutions of the Board. The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

Non-Executive Directors

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to the non-executive Directors are reviewed annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. Non-executive Directors are entitled to receive incentive options (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The value of shares and incentive options where they are granted to non-executive directors are calculated using the Black-Scholes-Merton option pricing model.

CARNAVALE RESOURCES LIMITED CORPORATE GOVERNANCE STATEMENT

Executives

The senior executive of the Company is the Managing Director. The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any incentive option issues with thresholds approved by shareholders; and
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. The value of shares and incentive options where they are to be granted to senior executives are calculated using the Black-Scholes-Merton option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, incentive share options and other incentive payments.

For details of remuneration paid to Directors and other key management personnel for the financial year please refer to the Directors' Report.

Recommendation 8.3:

A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.

The Company does not have an equity based remuneration scheme which is affected by this recommendation.

Recipients of equity-based remuneration (eg. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Carnavale Resources Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
28 September 2018



L Di Giallonardo
Partner

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 \$	2017 \$
Revenue	3	52,119	19,487
		52,119	19,487
Expenditure			
Administrative expenses		(422,154)	(413,425)
Exploration expenditure expensed	11	-	(45,581)
Exploration expenditure impaired	11	(225,232)	-
Due diligence expenses		(21,431)	(10,317)
Loss before related income tax benefit		(616,698)	(449,836)
Income tax benefit	5	-	-
Net loss attributable to members of the parent entity		(616,698)	(449,836)
Other comprehensive income for the period, net of tax <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain/(loss) arising on translation of foreign operations		-	(955)
<i>Items reclassified to profit or loss</i>			
Derecognition of foreign currency translation reserve		(19,042)	-
Total comprehensive loss for the year		(635,740)	(450,791)
Loss per share			
Basic – cents	16	(0.10)	(0.09)
Diluted – cents	16	(0.10)	(0.09)

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Consolidated 2018 \$	2017 \$
Current assets			
Cash and cash equivalents	17(a)	1,919,037	1,416,372
Receivables	8	16,390	9,871
Other assets	9	9,902	8,021
Total current assets		<u>1,945,329</u>	<u>1,434,264</u>
Non-current assets			
Plant and equipment	10	-	-
Exploration and evaluation expenditure	11	201,460	215,538
Total non-current assets		<u>201,460</u>	<u>215,538</u>
Total assets		<u>2,146,789</u>	<u>1,649,802</u>
Current liabilities			
Trade and other payables	12	64,236	42,153
Total current liabilities		<u>64,236</u>	<u>42,153</u>
Total liabilities		<u>64,236</u>	<u>42,153</u>
Net assets		<u>2,082,553</u>	<u>1,607,649</u>
Equity			
Issued capital	13	28,510,898	27,400,254
Reserves	14	1,462,960	1,482,002
Accumulated losses	15	(27,891,305)	(27,274,607)
Total equity		<u>2,082,553</u>	<u>1,607,649</u>

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated			
	Issued capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2016	26,709,760	1,482,957	(26,824,771)	1,367,946
Loss attributable to members of the parent entity	-	-	(449,836)	(449,836)
Exchange loss on translation of foreign operations	-	(955)	-	(955)
Total comprehensive loss for the year		(955)	(449,836)	(450,791)
Shares and options issued during the year (net of issue costs)	690,494	-	-	690,494
Fair value of options issued				
Balance at 30 June 2017	27,400,254	1,482,002	(27,274,607)	1,607,649
	Issued capital	Reserves	Accumulated losses	Total
	\$	\$	\$	\$
Balance at 1 July 2017	27,400,254	1,482,002	(27,274,607)	1,607,649
Loss attributable to members of the parent entity	-	-	(616,698)	(616,698)
Derecognition of foreign currency translation reserve	-	(19,042)	-	(19,042)
Total comprehensive loss for the year	-	(19,042)	(616,698)	(635,740)
Shares and options issued during the year (net of issue costs)	1,110,644	-	-	1,110,644
Fair value of options issued				
Balance at 30 June 2018	28,510,898	1,462,960	(27,891,305)	2,082,553

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated	
		2018 \$	2017 \$
Cash flows from operating activities			
Payments to suppliers		(425,119)	(436,203)
Payments for due diligence and project generation expenses		(21,431)	(10,317)
Interest received		20,495	19,610
Other income		12,311	-
Net cash outflows from operating activities	17(b)	<u>(413,744)</u>	<u>(426,910)</u>
Cash flows from investing activities			
Payments for exploration and development expenditure		(84,235)	(232,197)
Payments for acquisition of exploration tenements		<u>(110,000)</u>	-
Net cash outflows from investing activities		<u>(194,235)</u>	<u>(232,197)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		1,190,000	679,862
Issue costs - shares and options		<u>(79,356)</u>	<u>(4,368)</u>
Net cash inflows from financing activities		<u>1,110,644</u>	<u>675,494</u>
Net increase in cash and cash equivalents held		502,665	16,387
Cash and cash equivalents at the beginning of the financial year		<u>1,416,372</u>	<u>1,399,985</u>
Cash and cash equivalents at the end of the financial year	17(a)	1,919,037	1,416,372

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

Carnavale Resources Limited is a company limited by shares, incorporated in Australia. The Company's shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activity of the Group is mineral exploration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial statements have also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report is presented in whole Australian dollars.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Carnavale Resources Limited and its subsidiaries.

(b) *Adoption of new and revised standards*

In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period. It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 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 on the Group and, therefore, no change is necessary to Group accounting policies.

(c) *Statement of compliance*

The financial statement of Carnavale Resources Limited (the Company) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

**CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carnavale Resources Limited ('company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Carnavale Resources Limited and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

(e) Income tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Income tax (continued)*

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(f) *Exploration and evaluation expenditure*

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(g) *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(h) *Cash and cash equivalents*

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date (where applicable). Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred (where applicable).

(j) Impairment of assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired and makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether any previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Earnings / (loss) per share

Basic earnings / (loss) per share is calculated as net profit / (loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

(n) Financial assets

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

- (a) an entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit or loss.
- (b) doing so results in more relevant information, because either:
 - (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases; or
 - (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss.

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise:

- (a) loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method;
- (b) held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method; and
- (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

Available-for-sale financial assets are non-derivative financial assets which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial assets (continued)

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Regular purchases of financial assets are accounted for as follows:

- financial assets held for trading – at trade date
- held-to-maturity investments – at trade date
- loans and receivables – at trade date
- available-for-sale financial assets – at trade date

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method.

- (a) financial liabilities at fair value through profit and loss and derivatives that are liabilities measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or are accounted for using the continuing involvement approach.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectability.

(o) Foreign currency translation

Both the functional and presentation currency of Carnavale Resources Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Carnavale Resources Limited at the rate of exchange ruling at the balance date and its statement of financial performance is translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) *Plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 4 years

(q) *Trade and other payables*

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) *Issued capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(s) *Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Carnavale Resources Limited.

(t) *Critical accounting estimates and judgements*

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure is set out in Note 2 (f). The application of this policy necessarily requires the Board to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the expenditures are unlikely to be recoverable by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The Board determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

**CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Critical accounting estimates and judgements (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black-Scholes-Merton model, using various assumptions.

(u) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(v) Parent Entity Financial Information

The financial information for the parent entity, Carnavale Resources Ltd, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3. REVENUE

	Consolidated	
	2018	2017
	\$	\$
Other revenue		
Interest earned	20,841	19,487
Gain on derecognition of foreign currency reserve	19,042	-
Other income	12,236	-
	<u>52,119</u>	<u>19,487</u>

4. EXPENSES

	Consolidated	
	2018	2017
	\$	\$
Loss before income tax includes the following specific expenses:		
Exploration expenditure impaired	225,232	-
Due diligence expenses	21,431	10,317

5. INCOME TAX

- (a) **Prima facie tax benefit at 27.5% (2017: 27.5%) on loss from ordinary activities is reconciled to the income tax provided in the financial statements**

	Consolidated	
	2018	2017
	\$	\$
Loss before income tax	(616,698)	(449,836)
Prima facie income tax benefit at 27.5% (2017: 27.5%)	169,592	123,705
Tax effect of amounts which are not tax (deductible) / taxable in calculating taxable income:		
Due diligence / capital related costs	(18,287)	(10,066)
Exploration expenses incurred	27,818	50,851
Exploration expenses impaired	(61,939)	-
Tax effect of capitalised share issue costs	25,351	18,775
Share based payment expense	-	-
Other non-deductible items	(59)	-
Income tax benefit adjusted for non (deductible) / taxable items	<u>142,476</u>	<u>183,265</u>
Deferred tax asset not brought to account	<u>(142,476)</u>	<u>(183,265)</u>
Income tax benefit	<u>-</u>	<u>-</u>

(b) Deferred tax assets

The potential deferred tax asset arising from tax losses and temporary differences has not been recognised as an asset because recovery of tax losses is not yet considered probable.

	Consolidated	
	2018	2017
	\$	\$
Carry forward revenue losses	6,847,729	6,716,494
Carry forward capital losses	2,562,504	2,318,447
Capital raising costs	44,189	36,658
	<u>9,454,422</u>	<u>9,071,599</u>

The benefits will only be obtained if:

- (i) the companies in the Group derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5. INCOME TAX (continued)

(b) Deferred tax assets (continued)

- (ii) the companies in the Group continue to comply with the conditions for deductibility imposed by the Law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

(c) Deferred tax liabilities

The potential deferred tax liability arising from capitalised exploration expenditure has not been recognised as a liability. This would reduce the potential deferred tax asset noted at (b) above.

	Consolidated	
	2018	2017
	\$	\$
Deferred exploration and evaluation expenditure	25,152	50,851

6. AUDITOR'S REMUNERATION

	Consolidated	
	2018	2017
	\$	\$
The auditor of Carnavale Resources Limited is HLB Mann Judd.		
Amounts received or due and receivable by the Company's auditors for:		
Auditing or reviewing the Company's financial statements	24,000	23,200
	24,000	23,200

7. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Directors

R Gajewski (appointed 18 October 2006)
A Beckwith (appointed 29 July 2014)
R Brans (appointed 17 September 2013)
A Chapman (appointed 31 March 2015, resigned 1 May 2017)

(b) Compensation of key management personnel

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	145,080	203,840
Post-employment benefits	2,280	4,180
Share-based payments	-	-
	147,360	208,020

Information regarding individual directors' compensation is provided in the Remuneration report on pages 16 to 18.

(c) Other key management personnel transactions

Accounting, secretarial and corporate service fees of \$53,187 (2017: \$55,052) and rental fees of \$30,000 (2017: \$28,500) were paid or payable during the year ended 30 June 2018 on normal terms and conditions to Corporate Consultants Pty Ltd, a company in which Mr Gajewski is a director and has a beneficial interest.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8. CURRENT RECEIVABLES

	Consolidated	
	2018	2017
	\$	\$
Other receivables	16,390	9,871
	<u>16,390</u>	<u>9,871</u>

Other receivables represents amounts outstanding for goods and services tax (GST), which are non-interest bearing, with repayment terms applicable under the relevant government authorities.

9. OTHER CURRENT ASSETS

	Consolidated	
	2018	2017
	\$	\$
Prepayments	9,902	8,021
	<u>9,902</u>	<u>8,021</u>

10. PLANT AND EQUIPMENT

	Consolidated	
	2018	2017
	\$	\$
Plant and equipment, at cost	10,527	10,527
Less: accumulated depreciation	(10,527)	(10,527)
	<u>-</u>	<u>-</u>
Balance at beginning of year	-	-
Additions	-	-
Depreciation expense	-	-
	<u>-</u>	<u>-</u>

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2018	2017
	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest (i)	201,460	215,538
Opening balance	215,538	30,627
Acquisition costs – exploration licences	110,000	-
Exploration expenditure incurred	101,154	184,911
Exploration expenditure impaired (ii)	(225,232)	-
	<u>201,460</u>	<u>215,538</u>

- (i) The ultimate recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.
- (ii) During the year ended 30 June 2018, the Directors decided that it was appropriate for a write down of exploration expenditure of \$225,232, attributable to the Lake Roe Project due to the relinquishment of E 28/2303 and no further work planned for E28/2304.

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2018	2017
	\$	\$
Current		
Trade and other payables	64,236	42,153
	<u>64,236</u>	<u>42,153</u>

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

12. TRADE AND OTHER PAYABLES (continued)

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

13. ISSUED CAPITAL

(a) Issued capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in share capital

	2018 Number	2017 Number	2018 \$	2017 \$
Balance at beginning of period	571,999,560	458,000,000	27,400,254	26,709,760
Share placement at an issue price of 1.7 cents each in March 2018	70,000,000	-	1,190,000	-
Share placement at an issue price of 1.6 cents in July 2016	-	937,500	-	15,000
Share placement at an issue price of 0.6 cents in February 2017	-	113,000,000	-	678,000
Exercise of options	-	62,060	-	1,862
Transaction costs arising from issue of securities	-	-	(79,356)	(4,368)
Balance at end of period	<u>641,999,560</u>	<u>571,999,560</u>	<u>28,510,898</u>	<u>27,400,254</u>

(c) Share options

Options to subscribe for ordinary shares in the capital of the Company have been granted as follows:

2018						
Exercise Period	Exercise Price	Opening Balance 1 July 2017	Options Issued 2017/2018	Options Exercised / Expired 2017/2018	Closing Balance 30 June 2018	
		Number	Number	Number	Number	
On or before 30 December 2019	\$0.02	60,000,000	-	-	60,000,000	
Total		60,000,000	-	-	60,000,000	
2017						
Exercise Period	Exercise Price	Opening Balance 1 July 2016	Options Issued 2016/2017	Options Exercised / Expired 2016/2017	Closing Balance 30 June 2017	
		Number	Number	Number	Number	
On or before 30 November 2016	\$0.03	186,208,836	-	(186,208,836)	-	
On or before 30 December 2019	\$0.02	60,000,000	-	-	60,000,000	
Total		246,208,836	-	186,208,836	60,000,000	

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. ISSUED CAPITAL (continued)

(d) Performance shares

No Performance shares existed during the year ending 30 June 2018.

Performance shares in the Company granted during the year ended 30 June 2017:

Ex. price	Expiry date	Opening balance	Granted during the year	Vested and converted into shares during the year	Forfeited during the year	Balance at end of year	Vested and exercisable at end of the year
		Number	Number	Number	Number	Number	Number
Nil	13-Mar 19	21,000,000 ⁽ⁱ⁾	-	-	(21,000,000)	-	-
		21,000,000	-	-	(21,000,000)	-	-

- (i) 21 million Class B Convertible Performance Shares were redeemed by the Company following a decision to withdraw from the Red Hills Project.

14. RESERVES

	Consolidated	
	2018	2017
	\$	\$
Option reserve (a)	1,462,960	1,462,960
Foreign currency translation reserve (b)	-	19,042
Total	1,462,960	1,482,002

(a) Option reserve

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.

	Consolidated	
	2018	2017
	\$	\$
Total	1,462,960	1,462,960

(b) Foreign currency translation reserve

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

	Consolidated	
	2018	2017
	\$	\$
Opening balance	19,042	19,997
Currency translation differences arising during the year	-	(955)
Derecognition of foreign currency translation reserve	(19,042)	-
Balance at end of year	-	19,042

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15. ACCUMULATED LOSSES

	Consolidated	
	2018	2017
	\$	\$
Accumulated losses at the beginning of the year	(27,274,607)	(26,824,771)
Loss for the year	(616,698)	(449,836)
Accumulated losses at the end of the year	(27,891,305)	(27,274,607)

16. LOSS PER SHARE

	Consolidated	
	2018	2017
	\$	\$
Net loss after income tax attributable to members of the Company	(616,698)	(449,836)
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	591,038,022	504,595,212
Effect of dilution	-	-
Weighted average number of ordinary shares for diluted earnings per share	591,038,022	504,595,212

Effect of Dilutive Securities - Share Options

The Company has 60,000,000 share options at 30 June 2018 (30 June 2017: 60,000,000). Options are considered to be potential ordinary shares. However, in periods of a net loss, share options are anti-dilutive, as their exercise will not result in lower earnings per share. The options have therefore not been included in the determination of diluted earnings per share.

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

	Consolidated	
	2018	2017
	\$	\$
Cash at bank	1,919,037	1,416,372
	1,919,037	1,416,372

(b) Reconciliation of loss after tax to net cash outflows from operations

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax	(616,698)	(449,836)
Exploration expenditure impaired / expensed	225,232	45,581
Net exchange differences	(19,042)	(955)
(Increase) / decrease in assets		
Trade and other receivables	(8,400)	4,955
Increase / (decrease) in liabilities		
Trade and other payables	5,164	(26,655)
	(413,744)	(426,910)

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

In order to maintain current contractual rights concerning its mineral projects, the Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest. The current annual minimum lease expenditure commitments on these tenements which covers the Grey Dam Project is \$91,883. (2017: Lake Roe Projects: \$60,000).

In April 2018, the Company signed an exclusive and binding Option to Earn-In Agreement with APRU to acquire 70% of the Kikagati Tin Project Uganda. The terms of the Agreement included a six (6) month due diligence period, where the Company has the right to complete legal and technical due diligence prior to undertaking a minimum of 2,000m of diamond drilling (estimated cost for this phase to be US\$450,000). At balance date, the Company had not completed its due diligence but in order to earn an initial 51% in the Project it must complete the drilling and execute a full Earn-In agreement.

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer, or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

(b) Contingent liabilities

The consolidated entity does not have any contingent liabilities at balance date.

19. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than the matters referred to below.

- In August 2018, the Company issued 6 million shares at 1.7 cents each to nominees of directors, Mr Gajewski and Mr Beckwith raising \$102,000, following receipt of shareholder approval on 26 July 2018.
- In August 2018 the Company issued a total of 36 million performance rights with an expiry date of 30 June 2021 as part of the remuneration packages of the Board and management, pursuant to shareholder approval received on 26 July 2018. Tranche 1, 2 and 3 performance rights (each tranche comprising 12 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least \$0.03, \$0.04 and \$0.05 respectively over a consecutive 10 trading days.
- In August 2018, the Company issued 10 million shares, and paid US\$50,000 to parties associated with facilitating the entering into of Kikagati Tin Project transaction in Uganda.

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview

The activities of the Company expose it to a variety of financial risks, including:

- market risk;
- credit risk; and
- liquidity and capital risks.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. Carnavale will use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Australian dollar is the reporting currency for the Group and the functional currency for the parent company; however the Group currently holds foreign currency, namely US Dollars.

At 30 June 2018, had the Australian Dollar weakened / strengthened by 10% against the US Dollar with all other variables held constant, there will not be a material effect on profit or loss.

(ii) Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2018		30 June 2017	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
United States Dollar	808	-	4,057	-

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate %
		\$	\$	\$	\$	
2018						
Financial assets						
Cash and cash equivalents	17(a)	1,892,536	-	26,501	1,919,037	1.35
Trade and other receivables	8	-	-	16,390	16,390	
		<u>1,892,536</u>	<u>-</u>	<u>42,891</u>	<u>1,935,427</u>	
Financial liabilities						
Trade and other payables	12	-	-	64,236	64,236	
	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate %
		\$	\$	\$	\$	
2017						
Financial assets						
Cash and cash equivalents	17(a)	1,408,247	-	8,125	1,416,372	1.47
Trade and other receivables	8	-	-	9,871	9,871	
		<u>1,408,247</u>	<u>-</u>	<u>17,996</u>	<u>1,426,243</u>	
Financial liabilities						
Trade and other payables	12	-	-	42,153	42,153	

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

Consolidated	Profit or (Loss)		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
30 June 2018				
Variable rate instruments	15,448	(15,448)	15,448	(15,448)
Cash flow sensitivity (net)	15,448	(15,448)	15,448	(15,448)
30 June 2017				
Variable rate instruments	13,251	(13,251)	13,251	(13,251)
Cash flow sensitivity (net)	13,251	(13,251)	13,251	(13,251)

Financial assets

Trade receivables from other entities are carried at nominal amounts less any allowance for doubtful debts. Other receivables are carried at nominal amounts due. Interest is recorded as income on an accruals basis.

Financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the group.

Net fair value of financial assets and liabilities

The carrying amount of financial assets and liabilities approximates fair value because of their short-term maturity.

(iv) Commodity price risk

As Carnavale explores for a variety of minerals including gold, tin, copper and cobalt, it will be exposed to the risks of fluctuation in prices for those minerals. The market for all of these minerals has a history of volatility, moving not only with the standard forces of supply and demand, but also in the case of gold, to investment and disinvestment. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and investment deposits. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. The Group does not have significant exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(c) Liquidity and capital risk

The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Company's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt / equity ratio but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

(c) Liquidity and capital risk (continued)

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the Company anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities, then the decision on how the Company will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

2018	Within 1 year	Between 1 and 5 years	After 5 years
Financial liabilities	\$	\$	\$
Trade and other payables	64,236	-	-
Total Financial Liabilities	64,236	-	-

2017	Within 1 year	Between 1 and 5 years	After 5 years
Financial liabilities	\$	\$	\$
Trade and other payables	42,153	-	-
Total Financial Liabilities	42,153	-	-

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. INVESTMENT IN CONTROLLED ENTITIES

(a) Particulars in relation to subsidiaries

Entity	Country of incorporation	Equity holding 2018 %	Equity holding 2017 %	Class of Shares
Parent Entity				
Carnavale Resources Limited				
Subsidiaries				
Carnavale Petroleum Pty Ltd	Australia	100	100	Ord
Tojo Minerals Pty Ltd	Australia	100	100	Ord
Subsidiaries of Tojo Minerals Pty Ltd				
Rattler Holdings Inc.	USA	-	100	Ord
Rattler Minerals Nevada LLC	USA	-	100	Ord

Rattler Holdings Inc and Rattler Minerals Nevada LLC were liquidated in June 2018.

(b) Risk exposure

Refer to Note 20 for information on the Group's and parent entity's exposure to credit, foreign exchange and interest rate risk.

22. 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 year, Carnavale operated in the mineral exploration industry in USA and Australia and investing activities in Australia.

2018	Investing Australia \$	Mineral Exploration Australia / USA \$	Eliminations \$	Consolidated \$
Business segments				
Revenue				
Other external revenue	39,808	12,311	-	52,119
Total segment revenue	39,808	12,311	-	52,119
Results				
Operating loss before income tax	(366,487)	(250,211)	-	(616,698)
Income tax benefit				-
Net loss				(616,698)
Assets				
Segment assets	1,945,329	201,460	-	2,146,789
Non-current assets acquired	-	211,154		211,154
Liabilities				
Segment liabilities	47,317	16,919	-	64,236
Other segment information				
Impairment of exploration and evaluation expenditure	-	225,232	-	225,232

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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22. SEGMENT REPORTING (continued)

2017	Investing Australia \$	Mineral Exploration Australia / USA \$	Eliminations \$	Consolidated \$
Business segments				
Revenue				
Other external revenue	19,487	-	-	19,487
Total segment revenue	19,487	-	-	19,487
Results				
Operating loss before income tax	(376,389)	(73,447)	-	(449,836)
Income tax benefit				-
Net loss				(449,836)
Assets				
Segment assets	1,434,264	215,538	-	1,649,802
Non-current assets acquired	-	184,911		184,911
Liabilities				
Segment liabilities	42,153	-	-	42,153

23. PARENT ENTITY DISCLOSURES

(a) Summary financial information

Financial Position

	2018 \$	2017 \$
Assets		
Current assets	1,941,789	1,427,102
Non-current assets	192,780	215,538
Total assets	2,134,569	1,642,640
Liabilities		
Current liabilities	55,557	42,155
Total liabilities	55,557	42,155
Net assets	2,079,012	1,600,485
Equity		
Issued capital	28,510,897	27,400,254
Option premium reserve	1,462,960	1,462,960
Accumulated losses	(27,894,845)	(27,262,729)
Total equity	2,079,012	1,600,485

Financial performance

	2018 \$	2017 \$
Loss for the year after income tax	(632,116)	(449,645)
Other comprehensive income / (loss)	-	-
Total comprehensive loss	(632,116)	(449,645)

**CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

23. PARENT ENTITY DISCLOSURES (continued)

(b) Guarantees entered into by the parent entity in relation to the debts of its subsidiary

Carnavale Resources Limited has not entered into any guarantees in relation to the debts of its subsidiary.

(c) Contingent liabilities of the parent

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2018 (30 June 2017 – \$Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

CARNAVALE RESOURCES LIMITED DIRECTORS' DECLARATION

In the opinion of the Directors of Carnavale Resources Limited:

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year then ended; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- (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.
- (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the Directors made pursuant to s 295(5) of the Corporations Act 2001.

On behalf of the Board.



ANDREW BECKWITH
Managing Director

Dated this 28th day of September 2018
Perth, Western Australia

Independent Auditor's Report
to the Members of Carnavale Resources Ltd**REPORT ON THE AUDIT OF THE FINANCIAL REPORT****Opinion**

We have audited the financial report of Carnavale Resources Ltd ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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

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HLB Mann Judd (WA Partnership) is a member of  International, a world-wide organisation of accounting firms and business advisers

Key Audit Matter	How our audit addressed the key audit matter
Carrying value of exploration and evaluation expenditure Note 11 of the financial statements	
<p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>, the Group capitalises acquisition costs of rights to explore together with subsequent exploration and evaluation expenditure and applies the cost model after recognition.</p> <p>Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> • We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for 2019 and discussed with management the nature of planned ongoing activities; • We enquired with management, reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its areas of interest; and • We examined the disclosures made in the financial report.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Carnavale Resources Ltd for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 September 2018



L Di Giallonardo
Partner

CARNAVALE RESOURCES LIMITED SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2018.

1. Distribution of holders of equity securities

Size of holding	Ordinary Shares	Unlisted Options (\$0.02 @ 30-Dec-19)
1 - 1,000	55	-
1,001 - 5,000	49	-
5,001 - 10,000	67	-
10,001 - 100,000	227	-
100,001 and over	308	7
	706	7

2. Voting rights

There are no restrictions to voting rights attached to the ordinary shares. On a show of hands every member present in person will have one vote and upon a poll, every member present or by proxy will have one vote for each share held.

3. Substantial Shareholders

An extract of the Company's register of substantial shareholders is set out below.

Shareholder	Number of Shares
Vienna Holdings Pty Ltd and Redtown Enterprises Pty Ltd	48,291,364

4. Unmarketable parcels

As at 26 September 2018 there were 309 shareholders with unmarketable parcels of shares.

5. Top 20 shareholders

The names of the twenty largest shareholders as at 26 September 2018, who hold 58.53% of the fully paid ordinary shares of the Company were as follows:

	Name of holder	Number of ordinary fully paid shares held	Percentage held
1	J P Morgan Nominees Australia Ltd	80,453,908	12.23
2	Vienna Holdings Pty Ltd <Ronjen Super A/c>	46,291,364	7.04
3	Troca Enterprises Pty Ltd <Coulson Super A/C>	31,076,541	4.72
4	Michael Lynch	23,735,666	3.61
5	HSBC Custody Nominees Aust Ltd	21,990,387	3.34
6	Brennan Super (WA) Pty Ltd	19,500,000	2.96
7	Citicorp Nominees Pty Limited	18,631,251	2.83
8	Penand Pty Ltd < Beckwith Super A/c>	16,676,448	2.53
9	McNeil Nominees Pty Ltd	15,038,949	2.29
10	Suzanne Maree Lynch	14,600,000	2.22
11	Ocean View WA Pty Ltd	14,180,069	2.16
12	Mark Gasson	11,941,177	1.81
13	Flue Holdings Pty Ltd	10,500,000	1.60
14	Kobia Holdings Pty Ltd	10,000,000	1.52
15	Kingslane Pty Ltd <Cranston Super Pension A/c>	9,941,176	1.51
16	Walani Pty Ltd	9,344,384	1.42
17	G S Dellar Super Pty Ltd	8,333,333	1.27
18	Mr Jefferey McGlinn	8,333,333	1.27
19	Michael Lynch <Lynch Family A/c>	7,264,334	1.10
20	Andrew Beckwith	7,209,922	1.10
		385,042,242	58.53

CARNAVALE RESOURCES LIMITED SHAREHOLDER INFORMATION

6. Unquoted equity securities

Unquoted equity securities on issue at 26 September 2018 were as follows:

Class	Number	Number of Holders	Note
Unlisted Options exercisable at 2 cents each on or before 30 December 2019	60,000,000	7	1
Performance Rights – expire 30 June 2021	36,000,000	4	2

Note 1: Holders of more than 20% of this class of options:

Ron Gajewski 13,000,000 options.

Note 2: Holders of more than 20% of this class of performance rights:

Ron Gajewski 15,000,000 performance rights.

Andy Beckwith 15,000,000 performance rights

CARNAVALE RESOURCES LIMITED
SCHEDULE OF MINERAL CONCESSION INTERESTS

Group mineral concession interests at 26 September 2018

<i>Concession name and type</i>	<i>Registered Holder</i>	<i>File Number</i>	<i>Carnavale's current equity interest</i>	<i>Maximum equity interest capable of being earned</i>
Location: Australia				
Grey Dam Project	Tojo Minerals Pty Ltd	M28/378 and E28/1477	100%	100%
Location: Uganda				
Kikagati Project*	Carnavale Resources Limited	ML1433, EL1548, EL1380, EL 1771, EL1772, TN2577, TN2584	-%	70%

* Carnavale has the right to earn up to this level on expending the funds stated in the relevant Agreement.

The **Agreement** is subject to:

- a six (6) month due diligence period –(extended to 15 December 2018), where Carnavale has the right to complete legal and technical due diligence to Carnavale's satisfaction (completed) prior to electing to undertake a minimum of 2,000m of diamond drilling
- Upon completion of the successful due diligence period including the diamond drilling Carnavale may elect to continue to "earn in".
- On Carnavale's election to continue and execution of a full Earn-In Agreement, Carnavale will have earned 51% of APRU.
- To earn an additional 19% equity in APRU, Carnavale is to sole fund: all exploration, resource definition, mine planning, metallurgical test work, project design, feasibility and project holding costs including maintenance of all mining, exploration and operating permits, site infrastructure and security to the conclusion of a bankable Feasibility Study (**FS**) with five (5) years.
- CAV also agrees to drill a minimum of 2,500m of drilling on the Permits per year until the completion of the FS.