



carnavale  
resources ltd

**ABN 49 119 450 243**

**AND CONTROLLED ENTITIES**

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2018**

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## CONTENTS

---

	<i>Page</i>
Directors' Report .....	2
Auditor's Independence Declaration .....	9
Condensed Consolidated Statement of Comprehensive Income .....	10
Condensed Consolidated Statement of Financial Position .....	11
Condensed Consolidated Statement of Changes in Equity .....	12
Condensed Consolidated Statement of Cash Flows .....	13
Notes to the Condensed Consolidated Financial Statements .....	14
Directors' Declaration .....	21
Independent Auditor's Review Report .....	22

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

### DIRECTORS' REPORT

Your directors submit the financial report of Carnavale Resources Limited (the “Company”) and its controlled entities (the “Group”) for the half-year ended 31 December 2018. The directors report as follows:

#### Directors

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

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

#### Results

The consolidated loss for the half-year after tax was \$316,435 (2017: \$207,111).

#### Review of Operations

Carnavale 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 Company owns 100% of the Grey Dam Nickel (Ni) - Cobalt (Co) Project, located 100km east of Kalgoorlie, Western Australia and is in the process of earning up to 70% in the large scale Kikagati Tin (Sn) project, located in southern Uganda, Africa. A 2,000m diamond drilling programme is currently underway at the Kikagati Tin Project to confirm the scale of the mineralised system, continuity along strike and down dip plus provide an indication of grade potential.

#### Grey Dam Co-Ni Project, Australia (CAV 100%)

At Grey Dam, a new mineral resource estimate, 14.6Mt @ 0.75% Ni and 0.049% Co for 110,000t Ni metal and 7,200t Co metal, has recently been calculated. (refer ASX release dated 28 February 2019: Grey Dam Ni-Co Mineral Resource Update). This shallow flat lying resource is currently under metallurgical evaluation and represents a potential near-term development opportunity with longer term nickel-cobalt-copper sulphide potential.

During the period exploration activities have focussed on infill and extension RC drilling of the Grey Dam resource area to enable the resource definition and processing evaluation. A shallow drilling program comprising of 82 vertical holes for a total of 5,095m was completed in July 2018 and subsequent inter lab assays checks, resource modelling has culminated in the mineral resource estimate in February 2019.

The February 2019 Mineral Resource Estimate comprises:

<b>Total</b>	<b>14.6Mt @ 0.75% Ni and 0.049% Co for 110,000t Ni metal and 7,200t Co metal</b>
Indicated	10.4Mt @ 0.76% Ni and 0.050% Co for 78,700t Ni metal and 5,200t Co metal (71%)
Inferred	4.2Mt @ 0.74% Ni and 0.047% Co for 31,300t Ni metal and 2,000t Co metal (29%)

*(using >0.5% Ni or >0.05% Co cutoff)*

DIRECTORS' REPORT

Figure 1 Grey Dam Nickel – Nickel wireframe (0.4% Ni) looking NE

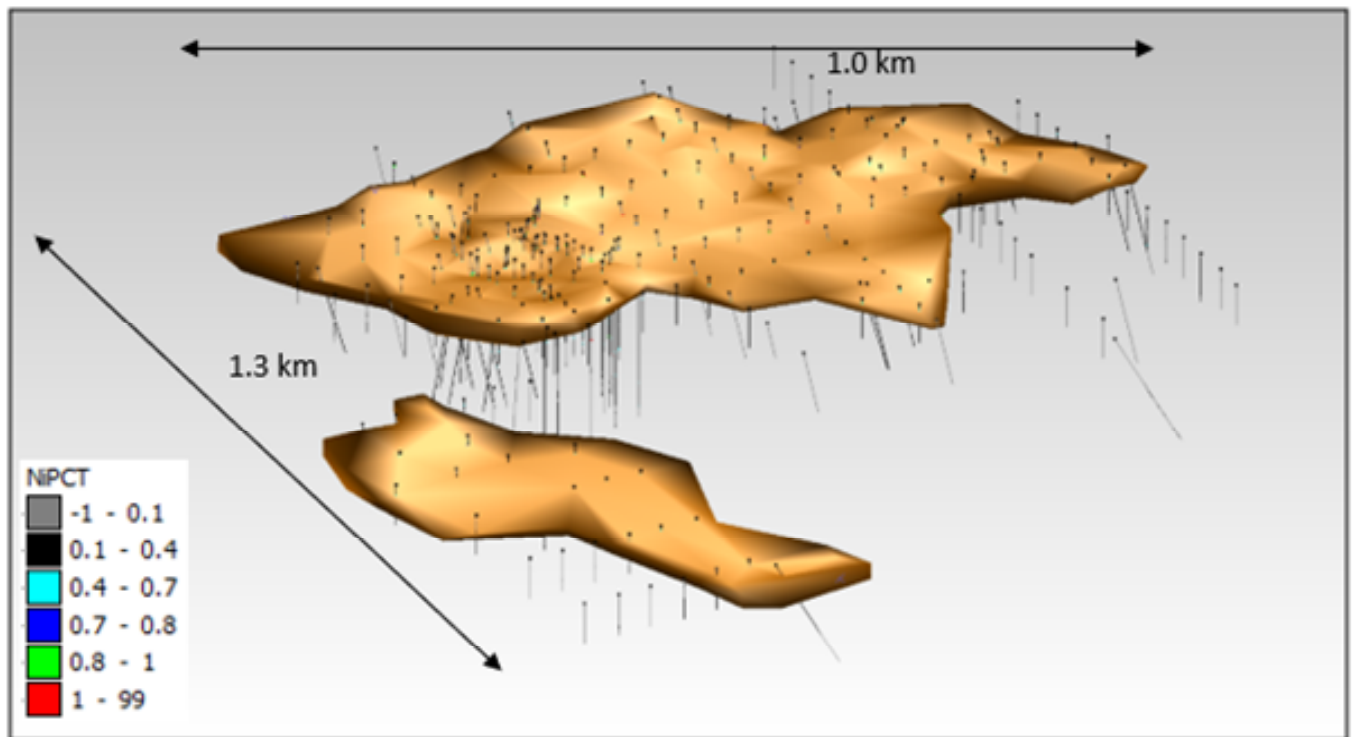
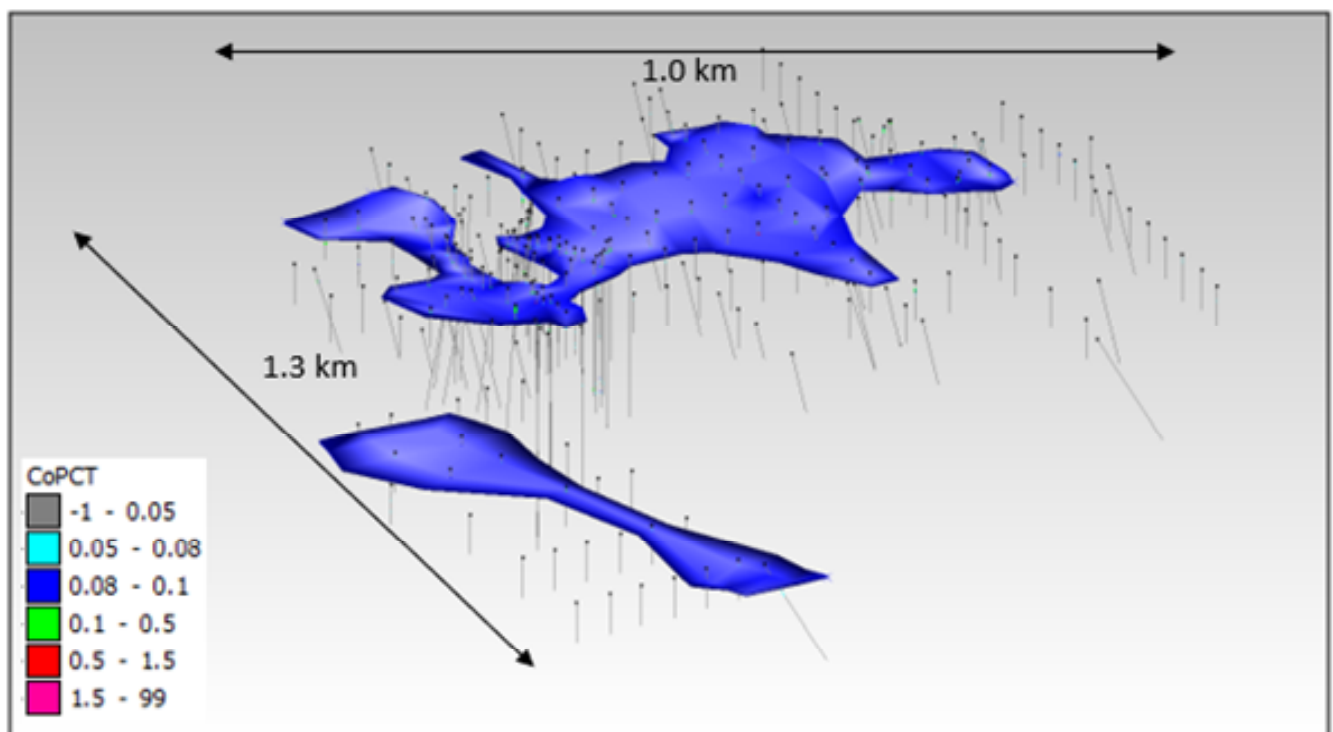


Figure 2 Cobalt wireframe (0.04% Co) looking NE





## DIRECTORS' REPORT

---

### **Kikagati Tin (Sn) Project, Uganda (CAV earning 70%)**

The Kikagati Tin project is a large “Tier 1” scale tin deposit target with over 3km of continuous strike length and 100m wide host quartzite unit that hosts tin bearing “ladder style” quartz veins. Artisanal miners have extracted tin in the form of cassiterite from the entire 3km strike length over many decades and the workings are estimated to go to approximately 40m depth. The prospect occupies an entire hill rising over 400m in vertical relief from the surrounding plain and is located adjacent to a sealed road along the southern border with Tanzania.

The Company is nearing the completion of a 2,000m diamond drilling programme designed to confirm:

- a. Scale of the mineralised system (3,000m strike x 600m down dip),
- b. Continuity of mineralisation along strike and down dip
- c. Grade potential.

Upon completion of the 2,000m drilling programme, Carnavale will have earned 51% of the Ugandan holding company African Panther Resources Uganda (APRU), with the right to increase to 70% by fulfilling certain conditions.

Tin mineralisation occurs generally as coarse cassiterite aggregates associated with a series of stacked quartz-muscovite-tourmaline veins within a sequence of component quartzite units with finer grained interbeds. The quartzite sequence dips approximately 45 degrees to the east and the mineralised quartz veins are perpendicular to the individual quartzite units and range from less than 1m to 4m in width (Figure 4).

The Company has completed geological mapping and eight diamond drill holes (KKD001 - 008) for a total of 1,353.5m to date. Drilling progress was impacted, with significant delays occurring due to issues in obtaining approvals to enter the country, which was beyond Carnavale's control. This delay was compounded by slow drilling rates and lack of required drilling materials on site whilst learning the drilling conditions. Subsequent drilling in the March 2019 quarter shows marked productivity improvement.

Geological mapping and the drilling completed to date has successfully confirmed the following:

#### **1. Large Scale of the mineralised system (3,000m strike x 600m down dip)**

Mapping has defined at least 3,000m of continuous artisanal workings along prospective quartzite unit. This prospective quartzite unit is up to over 100m thick with artisanal workings along the entire strike length. The drilling compliments the mapping and shows that the quartzite unit is present at depth and equates to 600m of down dip dimensions from the top of the hill to the lowermost drill intercept.

#### **2. Continuity of mineralisation along strike and down dip**

The surface artisanal workings are intense and continuous over at least 3,000m, which provides a strong indication of the continuous nature of mineralisation near surface. The recent drilling supports the similar style of stacked “ladder” quartz vein hosted mineralisation that continues down dip with frequent quartz veins and alteration with coarse grained cassiterite noted in logging of core. Assays for the quartz veins style mineralisation seen in drill core remain pending.

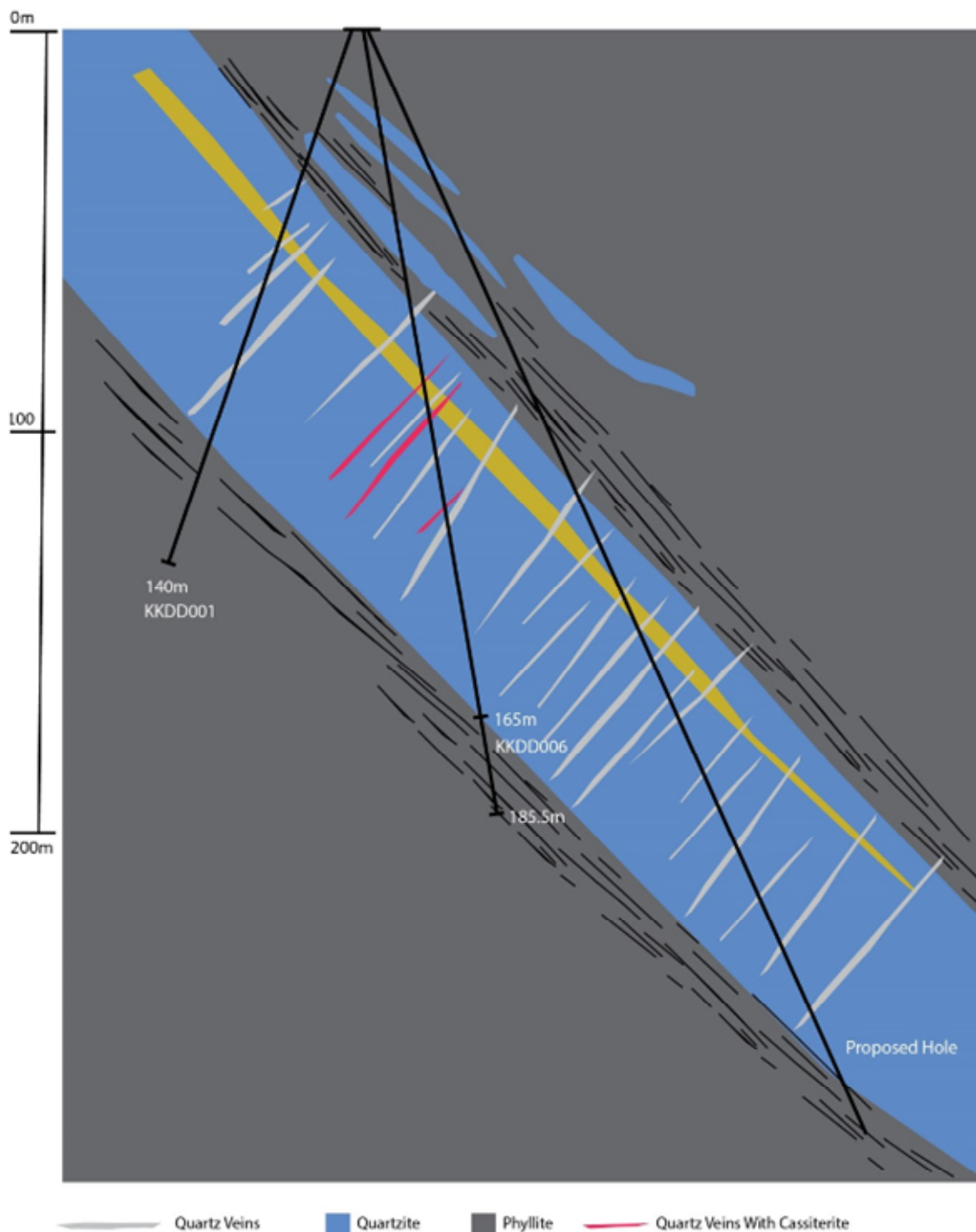
Additional layer parallel tin mineralisation, in the form of shear zone related mineralisation, remains to be proven. This mineralisation potential is identified as parallel to the quartzite unit. Assays for the shear zone hosted style mineralisation seen in drill core remain pending.

## DIRECTORS' REPORT

**3. Grade potential**

Visible coarse cassiterite crystals are noted in a number of quartz veins with intense muscovite and tourmaline rich alteration in drill core. The overall grade of the quartz veins and alteration remain to be defined and will be assessed upon receipt of all assays.

**Figure 4 Kikagati Tin Project – Southern Section showing drilling and simplified geology**



# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

Drill holes KKD001-KKD005 are positioned to test perpendicular to define the geology of the target. This drilling has successfully confirmed a relatively simple package of finer phyllite sediments, potential shear zones and more massive quartzite units as expected from the previous mapping.

Drill holes KKD006 and KKD008 are positioned to drill obliquely to the rock sequence and are aimed to intersect as many quartz veins as possible to confirm and define the mineralisation potential. Encouragingly, the expected quartz veining, alteration and occasional visible cassiterite has been observed in the core. Vein density indicates the frequency of veins is similar as mapped on surface which would suggest the veins represent between 5-10% of the quartzite volume. Detailed logging and sampling is underway and results will be reported as results are received and evaluated.

The simplified section in Figure 4, is an example of the drilling sections designed to test the geology and quartz veins. The shorter holes are designed perpendicular to geology and the longer oblique holes are planned to test quartz vein frequency, quartz vein grade and mineralisation potential.

### Planned Activities

The planned exploration activities for the next half year are focussed on the following

**Kikagati** - completion of the 2,000m drilling programme and demonstration of scale and grade of the project.

**Grey Dam** - undertake preliminary metallurgical assessment of the shallow laterite Ni-Co mineralisation and assess the deeper NI-Co-Cu sulphide mineralisation potential.

The Company also continues to assess new projects that can add value for shareholders. Focus remains on 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.

### CORPORATE

In August 2018, Carnavale, following receipt of shareholder approval on 26 July 2018 issued 6 million shares at 1.7 cents each to nominees of directors, Mr Gajewski and Mr Beckwith raising \$102,000.

In August 2018, Carnavale issued 10 million shares and paid US\$50,000 to parties associated with facilitating the Kikagati Project transaction.

In December 2018, Carnavale issued 10 million shares to the shareholders of African Panther Resources (U) Limited ("APRU"), the 100% owner of the Kikagati (Isingiro) Project tenements in consideration for the granting of an extension to 31 May 2019 for Carnavale to earn an initial 51% equity in APRU.



**DIRECTORS' REPORT**

---

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2018.

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



A Beckwith  
Managing Director  
Perth

Dated this 13<sup>th</sup> day of March 2019

**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:

- "Multiple visible cassiterite occurrences in drilling at the Kikagati Tin Project, Uganda", 13 March 2019
- "Cassiterite (tin mineral) observed in diamond drilling, Kikagati Project, Uganda", 27 November 2018
- "Carnavale advances Kikagati Tin Project, Uganda", 30 August 2018
- "Carnavale to acquire large-scale Tin Project, Uganda", 24 April 2018
- "Grey Dam Ni-Co Mineral Resource Update", 26 February 2019
- "High grade nickel-cobalt defined at Grey Dam", 10 October 2018
- "New Cobalt Acquisition in Western Australia", 19 March 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.

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Carnavale Resources Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia  
13 March 2019



**L Di Giallonardo**  
Partner

**hlb.com.au**

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Note	Consolidated 6 Months Ended 31 December 2018 \$	Consolidated 6 Months Ended 31 December 2017 \$
<b>REVENUE</b>			
Interest income		8,521	9,082
		<u>8,521</u>	<u>9,082</u>
<b>EXPENSES</b>			
Administrative expenses		(255,868)	(154,434)
Exploration expenditure impaired		(18,951)	(42,423)
Due diligence / project generation expenses		(5,289)	(19,336)
Foreign exchange loss		(1,435)	-
Share - based payments expense	5	(43,413)	-
		<u>(94,856)</u>	<u>(61,793)</u>
<b>Loss before income tax</b>	2	(316,435)	(207,111)
Income tax expense		-	-
		<u>-</u>	<u>-</u>
<b>Net loss for the period</b>		(316,435)	(207,111)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		-	(132)
		<u>-</u>	<u>(132)</u>
<b>Other comprehensive loss for the period</b>		-	(132)
		<u>-</u>	<u>(132)</u>
<b>Total comprehensive loss for the period</b>		<u>(316,435)</u>	<u>(207,243)</u>
Basic and diluted loss per share (cents per share)		(0.05)	(0.04)

The accompanying notes form part of these financial statements.

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2018

	Note	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		800,872	1,919,037
Receivables		17,588	16,390
Other assets		4,501	9,902
<b>Total Current Assets</b>		822,961	1,945,329
<b>Non-Current Assets</b>			
Exploration and evaluation expenditure	3	1,443,039	201,460
Other assets		20,000	-
<b>Total Non-Current Assets</b>		1,463,039	201,460
<b>Total Assets</b>		2,286,000	2,146,789
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		226,411	64,236
<b>Total Current Liabilities</b>		226,411	64,236
<b>Total Liabilities</b>		226,411	64,236
<b>Net Assets</b>		2,059,589	2,082,553
<b>Equity</b>			
Issued capital	4	28,760,956	28,510,898
Share-based payments reserve	5	1,506,373	1,462,960
Accumulated losses		(28,207,740)	(27,891,305)
<b>Total Equity</b>		2,059,589	2,082,553

The accompanying notes form part of these financial statements.

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half-year ended 31 December 2018

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

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Share-Based Payments Reserve</b>	<b>Total Equity</b>
<b>Balance at 1 July 2018</b>	28,510,898	(27,891,305)	1,462,960	2,082,553
Loss attributable to members of the parent entity	-	(316,435)	-	(316,435)
<b>Total comprehensive loss for the period</b>	-	(316,435)	-	(316,435)
Shares issued during the year (net)	250,058	-	-	250,058
Fair value of performance rights issued	-	-	43,413	43,413
<b>Balance at 31 December 2018</b>	28,760,956	(28,207,740)	1,506,373	2,059,589

The accompanying notes form part of these financial statements.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018

	Consolidated 6 Months Ended 31 December 2018 \$	Consolidated 6 Months Ended 31 December 2017 \$
<b>Cash flows from operating activities</b>		
Cash payments in the course of operations	(249,628)	(171,001)
Cash payments for due diligence and project generation expenses	(5,289)	(27,976)
Interest received	9,515	9,258
<b>Net cash used in operating activities</b>	<b>(245,402)</b>	<b>(189,719)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation expenditure	(951,386)	(8,846)
Payments for credit card security deposit	(20,000)	-
<b>Net cash used in investing activities</b>	<b>(971,386)</b>	<b>(8,846)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and options (net)	100,058	-
<b>Net cash provided by financing activities</b>	<b>100,058</b>	<b>-</b>
<b>Net decrease in cash held</b>	<b>(1,116,730)</b>	<b>(198,565)</b>
Cash at the beginning of the reporting period	1,919,037	1,416,372
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(1,435)	-
<b>Cash at the end of the reporting period</b>	<b>800,872</b>	<b>1,217,807</b>

The accompanying notes form part of these financial statements.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

---

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### **Statement of compliance**

The interim consolidated financial statements were authorised for issue on 13 March 2019.

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Carnavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

#### **Basis of preparation**

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

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

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

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2018, except for the impact of the new Standards and Interpretations effective 1 July 2018 as disclosed below.

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

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, except for the impact of the new Standards and Interpretations effective 1 July 2018 as disclosed below.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

---

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

#### Going Concern

The interim consolidated financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the commercial realisation of the Group's assets and the settlement of liabilities in the normal course of business.

The Group has incurred a loss for the period after tax of \$316,435 (2017: \$207,111) and experienced net operating and investing cash outflows of \$1,216,788. As at 31 December 2018, the Group has net current assets of \$596,550.

The Directors consider that additional funding will be required to enable the Group to continue as a going concern for a period of at least twelve months from the date of signing this financial report. Such additional funding is potentially available from a number of sources including further capital raisings.

However, should these funding initiatives be unsuccessful, there exists a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe the Group will obtain sufficient funding from one or more of the funding opportunities detailed above to enable it to continue as a going concern and therefore that it is appropriate to prepare the financial statements on a going concern basis.

#### Adoption of new and revised Standards

##### *Standards and Interpretations applicable to 31 December 2018*

In the half-year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for reporting periods beginning on or after 1 July 2018.

As a result of this review, the Directors have applied AASB 9 and AASB 15 from 1 July 2018.

##### *AASB 9 Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and makes changes to a number of areas including classification of financial instruments, measurement, impairment of financial assets and hedge accounting model.

Financial instruments are classified as either held at amortised cost or fair value.

Financial instruments are carried at amortised cost if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used where it was not possible to reliably measure the fair value of an unlisted entity has been removed.

Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available-for-sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expenses. Most financial instruments held at fair value are exempt from impairment testing.



# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

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

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 has not been restated.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

#### *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, including in respect of multiple element arrangements. The core principle of AASB 15 is that it requires identification of discrete performance obligations within a transaction and associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of goods or services is transferred, rather than on transfer of risks or rewards. Revenue received for a contract that includes a variable amount is subject to revised conditions for recognition, whereby it must be highly probable that no significant reversal of the variable component may occur when the uncertainties around its measurement are removed.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods and therefore, no material change is necessary to Group accounting policies.

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

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

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

### 2. LOSS BEFORE INCOME TAX EXPENSE

	<b>Consolidated 31 December 2018 \$</b>	<b>Consolidated 31 December 2017 \$</b>
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	8,521	9,082
Total	8,521	9,082
Expenses		
Impairment of capitalised exploration expenditure	(18,951)	(42,423)
Share based payments expense	(43,413)	-

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

### 3. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2018 (6 months) \$	Consolidated 30 June 2018 (12 months) \$
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at 1 July	201,460	215,538
Acquisition costs – exploration licences	68,055	110,000
Expenditure incurred	1,192,475	101,154
Exploration expenditure impaired	(18,951)	(225,232)
Balance at end of period	1,443,039	201,460

The impairment of exploration expenditure in both periods relates to carried forward expenditure in respect of relinquished tenements. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

### 4. ISSUED CAPITAL

	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
<b>(a) Issued and paid-up share capital</b>		
667,999,560 (30 June 2018: 641,999,560) ordinary shares, fully paid	28,760,956	28,510,898
<i>Movements in Ordinary Shares:</i>		
	\$	\$
Balance at the beginning of the period	28,510,898	27,400,254
Share placement at an issue price of 1.7 cents each in March 2018 – 70 million shares	-	1,190,000
Share placement at an issue price of 1.7 cents each in August 2018 – 6 million shares	102,000	
Shares issued in August 2018 as facilitation fee in relation to the Kikagati (Isingiro) Project – 10 million shares	90,000	-
Shares issued in December 2018 for option extension fee in relation to the Kikagati Project – 10 million shares	60,000	-
Transaction costs arising from issue of securities	(1,942)	(79,356)
Balance at the end of the period	28,760,956	28,510,898

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

### 4. ISSUED CAPITAL - continued

#### (b) Share options

Exercise Period	Exercise Price	Opening Balance	Options Issued	Options Exercised/ Expired	Closing Balance
		<b>1 July 2018</b>			<b>31 December 2018</b>
		<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
On or before 30 December 2019	\$0.02	60,000,000	-	-	60,000,000
<b>Total</b>		<b>60,000,000</b>	<b>-</b>	<b>-</b>	<b>60,000,000</b>

#### (c) Performance rights

Grant Date	Expiry Date	Opening Balance	Rights Issued	Rights Exercised/ Expired	Closing Balance
		<b>1 July 2018</b>			<b>31 December 2018</b>
		<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
10 August 2018	30 June 2021	-	36,000,000	-	36,000,000
<b>Total</b>		<b>-</b>	<b>36,000,000</b>	<b>-</b>	<b>36,000,000</b>

In August 2018 the Company issued 36 million performance rights with an expiry date of 30 June 2021 as part of the remuneration packages of the directors and company secretary, 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.

The performance rights have been valued using a trinomial barrier option methodology using the following inputs:

Share price on date of issue	1.2 cents
Expected volatility	104%
Risk-free interest rate	1.5%
Expiry date of rights	30 June 2021

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

### 5. SHARE-BASED PAYMENTS RESERVE

The share-based payments reserve represents amounts received in consideration for the issue of options to subscribe for ordinary shares in the Company and the value of options and performance rights issued to parties for services rendered.

	<b>Consolidated 31 December 2018 \$</b>	<b>Consolidated 30 June 2018 \$</b>
Share-based payments reserve	1,506,373	1,462,960
<i>Movements in share-based payments reserve</i>		
Opening balance	1,462,960	1,462,960
Fair value of performance rights issued to directors and company secretary	43,413	-
Balance at the end of the period	1,506,373	1,462,960

### 6. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date other than below:

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 month due diligence period, where the Company had the right to complete legal and technical due diligence prior to undertaking a minimum of 2,000m of diamond drilling.

The Company was granted an extension to 31 May 2019 for CAV to complete the 2,000m of diamond drilling due to operational issues with the previous drilling rigs used. In consideration for the grant of the extension, the Company issued 10 million shares to the shareholders of APRU in December 2018. If the Company elects to continue after 31 May 2019, the Company will issue a further 30 million shares to the shareholders of APRU.

### 7. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

No other matters or circumstances have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

### 8. SEGMENT REPORTING

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

	Investing	Mineral	Elimination	Consolidated
	\$	Exploration	s	\$
	\$	\$	\$	\$
<b>31 December 2018</b>				
<b>Business segments</b>				
<b>Revenue</b>				
Other external revenue	8,521	-	-	8,521
Total segment revenue	8,521	-	-	8,521
<b>Results</b>				
Operating loss before income tax	(291,617)	(24,818)	-	(316,435)
Income tax expense				-
Net loss				(316,435)
<b>31 December 2018</b>				
<b>Assets</b>				
Segment assets	842,961	1,443,039	-	2,286,000
<b>Liabilities</b>				
Segment liabilities	32,237	194,174	-	226,411
	Investing	Mineral	Elimination	Consolidated
	\$	Exploration	s	\$
	\$	\$	\$	\$
<b>31 December 2017</b>				
<b>Business segments</b>				
<b>Revenue</b>				
Other external revenue	9,082	-	-	9,082
Total segment revenue	9,082	-	-	9,082
<b>Results</b>				
Operating loss before income tax	(140,978)	(66,133)	-	(207,111)
Income tax expense				-
Net loss				(207,111)
<b>31 December 2017</b>				
<b>Assets</b>				
Segment assets	1,237,506	182,005	-	1,419,511
<b>Liabilities</b>				
Segment liabilities	19,061	44	-	19,105

### 9. FINANCIAL INSTRUMENTS

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

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

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

## **DIRECTORS' DECLARATION**

31 December 2018

---

In the opinion of the directors:

- (a) the financial statements and notes of the group, as set out on pages 10 to 20, are in accordance with the Corporations Act 2001 including:
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year then ended; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



A Beckwith  
Managing Director

Dated at Perth this 13<sup>th</sup> day of March 2019

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of Carnavale Resources Limited

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

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Emphasis of matter - material uncertainty related to going concern*

We draw attention to Note 1 in the half-year financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

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

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with

**hlb.com.au**

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

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

*HLB Mann Judd*

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

**Perth, Western Australia**  
**13 March 2019**

*L Di Giallonardo*

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