



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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

DIRECTORS

Ron Gajewski
Andrew Beckwith
Rhett Brans

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 increasing demand within the electric battery sector and other new-age disruptive technologies, together with the gold and copper resource sector.

The Company is focussed on advancing the Kikagati Tin Project in southern Uganda and the Grey Dam Nickel Project in Western Australia. During the year exploration drilling activities have advanced both projects with drilling undertaken on both projects.

- **Kikagati Tin Project**, potential Tier 1 tin project. Carnavale has completed over 2,000m of diamond drilling, mapping and trenching and has earned the right to 51% of the project and has the further right to earn an additional 19% for a total of 70% over the next 5 years by completing a feasibility study.
- **Grey Dam Nickel Cobalt Project**, a new JORC 2012 shallow laterite Ni-Co resource established during the period. Exploration continues to target Ni-Cu-Co sulphide potential along the 10km of the prospective stratigraphy.

Figure 1 Carnavale Project areas



Kikagati Tin Project, Southern Uganda (Carnavale earning up to 70%)

The Kikagati Tin Project, located in southern Uganda, represents a potential Tier 1 scale exploration project with two large outcropping tin systems, the main Kikagati Hill and the Hippo Hill prospects. To date, Carnavale has completed 2,084m of diamond drilling, mapping and trenching and has earned the right to 51% of the project. All parties have agreed to target completion of the full Earn-in Agreement and Carnavale’s initial 51% equity in APRU as soon as possible. Upon finalisation Carnavale will own 51% of African Panther Resources Limited Uganda (APRU) with the right to earn an additional 19% in APRU for a total of 70% over the next 5 years by completing a feasibility study.

Kikagati Hill

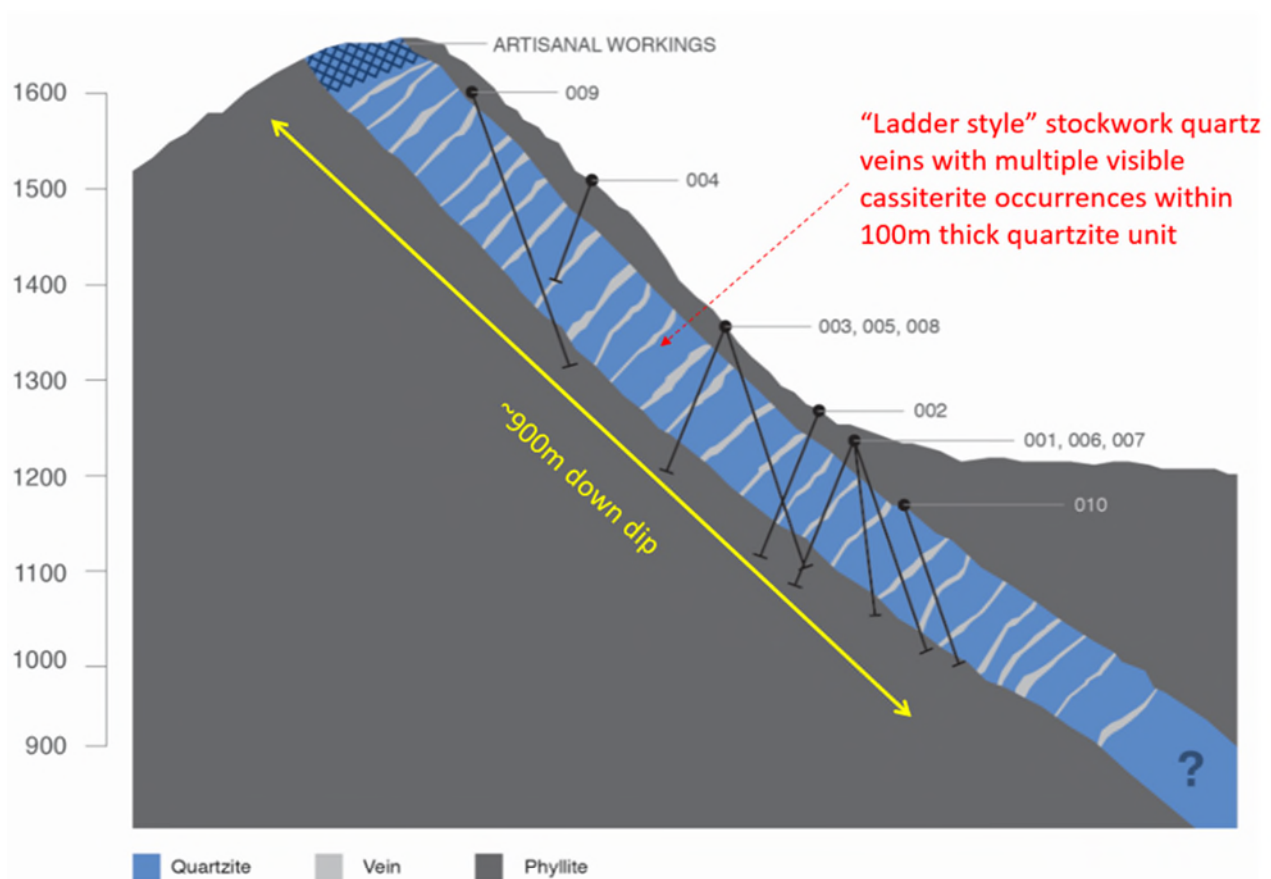
At the main Kikagati Hill, outcropping tin mineralisation is extensive with continuous artisanal workings mapped over +3km of strike length and drilling has shown 900m down dip potential highlighting the large scale nature of the project with substantial open pit potential. Work completed during the period by Carnavale, has confirmed and demonstrated high grade tin mineralisation occurs associated with a set of high frequency of quartz veins hosted by a 100m thick quartzite unit and shearing. The prospect is located on a granted mining lease and is well located adjacent to a sealed bitumen road, river and adjacent in-river hydropower generation site.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

The diamond drilling and mapping shows the quartz veins form a ladder style system within the 100m thick quartzite unit with the veins comprising between 14% to 22% of the host quartzite unit by volume. The +3km strike length and mineralisation potential are strongly supported by continuous and extensive artisanal workings along the entire strike length to an estimated depth of 30m. The large scale dimensions, high tin grades and conducive geometry for potential open pit mining ranks favourably against other tin projects around the world and warrant continued evaluation.

- **Quartz veins show peak grade to 10% Sn and average 1.2% Sn**
- **Large scale target dimensions (Tier 1)**
- **Vein density ranging from 14 - 22% by volume**
- **Significant open pit potential from surface**

Figure 2 Geometry potentially conducive to open pit mining with low overburden.



The tin mineralisation occurs as very coarse grained cassiterite with crystals ranging from 1mm to 60mm in drilling through to 40cm in previous hand-specimens taken from the workings. The mineralisation occurs within a stockwork of stacked “ladder style” quartz veins and is associated with intense muscovite and tourmaline alteration. The average tin grade of samples with visible cassiterite averages 1.23% Sn (using a zero lower cut-off grade) and 1.8% Sn (using a 0.1% Sn lower cut-off grade). The cassiterite is highly nuggetty by nature which implies all quartz veins have potential to host tin mineralisation, even if no significant mineralisation was reported in a sample. In general, the visible cassiterite noted in the core and mapped in the artisanal workings occurs along the margins of the quartz veins, in brecciated veins within the intense muscovite-tourmaline alteration selvages (Figure 3) or associated with shearing parallel to bedding.

The planned exploration programs at Kikagati Hill will focus on resource definition RC drilling. The drilling is planned to test a 1km strike length of the mineralised system with the detailed RC drilling on 5 sections 200m apart. The RC drilling is planned to provide detailed geology and mineralisation wireframes on each section and the larger sample volumes will be used to provide volume comparisons to test the effects of the nuggety nature of the tin mineralisation. This drilling is expected to be completed during the December quarter 2019.

**CARNAVALE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Table 1 Samples with quartz veins and visible cassiterite logged in drill core

HoleID	SampleID	From (m)	To (m)	Sn (PPM)	Sn (%)
KKDD003	A7296	109.04	109.23	4,180	0.418
KKDD006	A7465	87	87.4	1,850	0.185
KKDD006	A7475	95.4	96	60	0.006
KKDD006	A7476	96	96.35	6,970	0.697
KKDD006	A7498	132.4	132.7	6,890	0.689
KKDD007	A7533	125.27	125.57	130	0.013
KKDD007	A7534	125.57	126	4,730	0.473
KKDD007	A7589	176.85	177.35	16,700	1.67
KKDD007	A7597	184.31	184.53	9,020	0.902
KKDD007	A7610	201.35	201.46	130	0.013
KKDD009	A7743	102.27	102.51	220	0.022
KKDD009	A7744	102.51	102.76	9,610	0.961
KKDD009	A7751	117.87	118.01	99,600	9.96
Average				12,315	1.23

Figure 3 Visible coarse grained cassiterite crystals in drill core

1. Cassiterite alongside a small quartz vein with lesser amounts of mica, tourmaline and arsenopyrite.
2. A small "bleb" of mica, graphite and some cassiterite within the quartzite.
3. Large cassiterite crystal approximately 5cm across within a quartz vein.
4. Cassiterite within a milky quartz vein with very little associated mica or tourmaline.



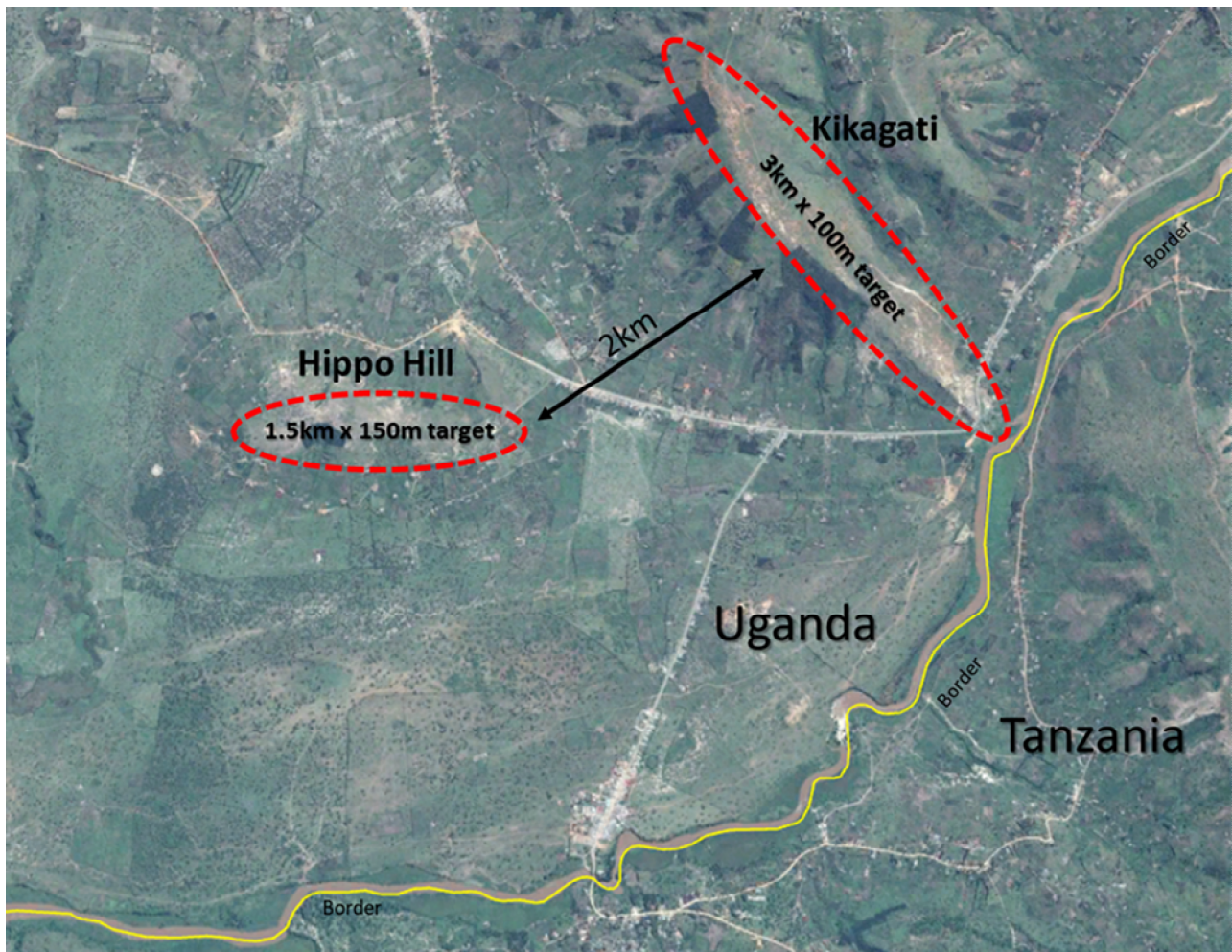
CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Hippo Hill

The Hippo Hill prospect is located 2km to the west of the main Kikagati Hill (Figure 4) and is another large 1.5km long x 150m wide target zone of subcropping alteration and lesser historic artisanal workings.

Recent work has included a program of diamond drilling and trenching along one section in the eastern portion of the prospect area where historic workings and outcropping quartz veining occurs. Additional mapping and orientation soil sampling has also been undertaken to assess the preferred surface sampling method. All results remain pending, however initial observations show visible cassiterite occurs in the drilling associated with a stockwork of smaller quartz veins. Mapping shows a series of artisanal workings along a 1.5km strike length and a potential stockwork corridor up to 150m wide.

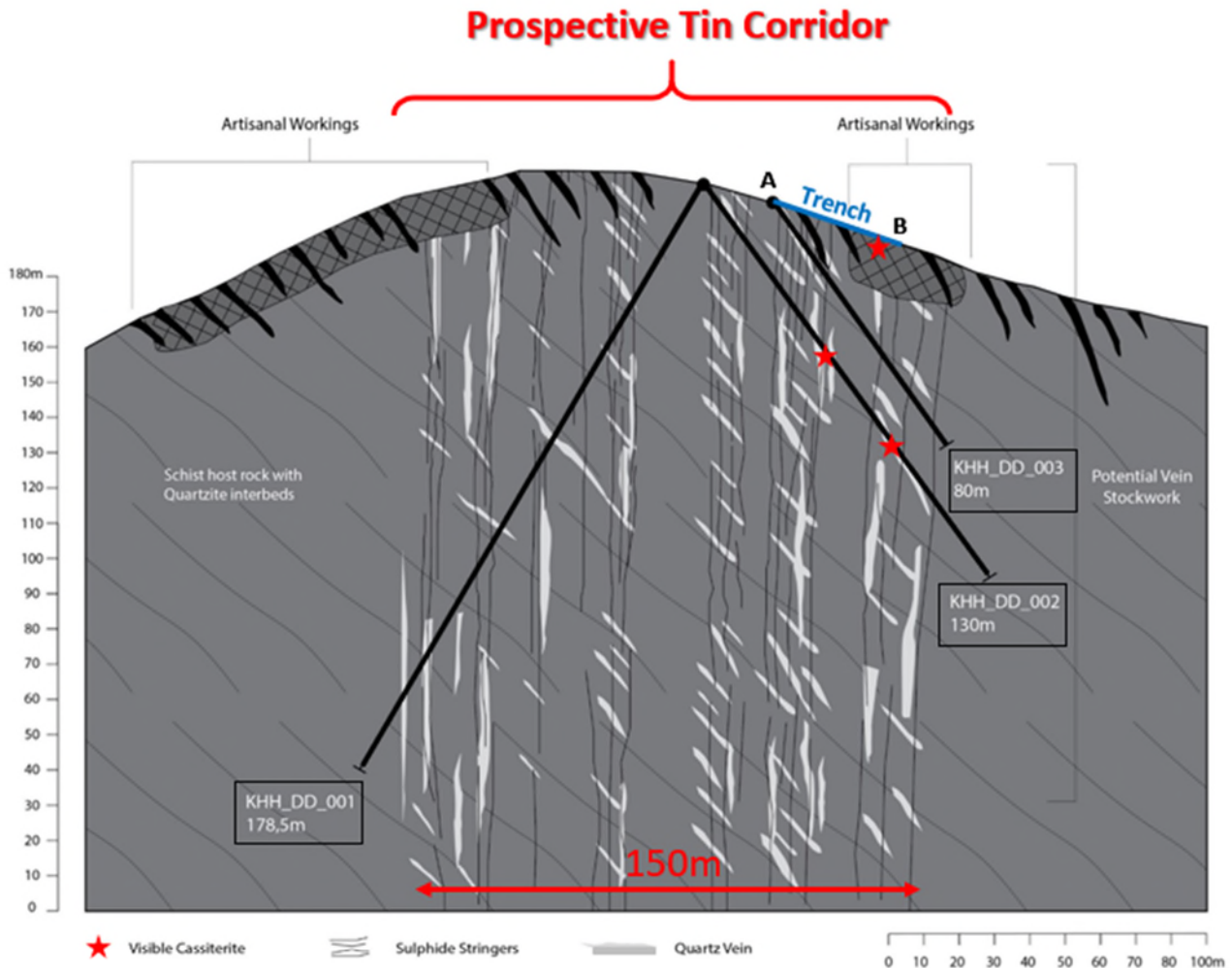
Figure 4 Hippo Hill location plan



The recent exploration activities comprised 3 diamond drill holes completed for a total of 388.5m, limited short trenching adjacent to the drilling section, mapping and orientation soil sampling along the 1.5km target. The drilling targeted outcropping quartz veins with mica alteration that has been mined by the local artisanal miners. The trenches were established upon identification of the visible cassiterite in drill hole KHHDD002 at 60m and 97m depth. Mapping of the trench has identified further finer grained cassiterite crystals in the selvage of thin quartz veins and in the weathered colluvium just above bedrock. Follow-up exploration activities are to be planned upon assessment of the outstanding results.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Figure 5 Hippo Hill section showing prospective quartz stockwork corridor and visible cassiterite.



Grey Dam Ni-Co Project, WA, Australia

(Carnavale 100% of M28/378 and E28/1477 and option to acquire 80% of E28/2587)

The Grey Dam Project, is well located approximately 80km east of Kalgoorlie, Western Australia and hosts a newly established JORC 2012 shallow laterite Ni-Co resource with approximately 10km under explored prospective ultramafic sequences that are considered prospective for Ni-Co sulphide mineralisation in the fresh rocks at depth (Figure 1).

During the period, the Company completed infill and extension RC drilling on the 100% owned granted mining lease (M28/378) and surrounding exploration licence E28/1477 (Figure 6). The RC drilling was completed on a nominal 100m x 50m hole spacing with selected 50m infill sections providing strong continuity to the shallow oxide mineralisation and the resource is summarised below:

Grey Dam Ni-Co Project - Total Mineral Resource (JORC 2012), February 2019

Total	14.6Mt @ 0.75% Ni and 0.049% Co for 110,000t Ni metal and 7,200t Co metal
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)

- 71% in Indicated category.
- Shallow flat lying blanket of Ni-Co mineralisation
- 1.3km x 1.0km x 20-40m thick.
- Internal high grade Co blanket averaging 0.12% Co.
- Potential for simple open pit mining methods

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

The resource forms a large (1.0km x 1.3km) and shallow zone of flat lying nickel and cobalt mineralisation (Figure 7 and 8) and includes internal high grade Ni-and Co domains from surface to 30m depth. The shallow and flat lying nature of the mineralisation lends itself to low strip ratio and simple open pit mining methods.

Shallow High-Grade Nickel Domain (using 0.8% Ni cut-off)

Total 6.7Mt @ 0.95% Ni and 0.061% Co for 64,200t Ni metal and 4,100t Co metal

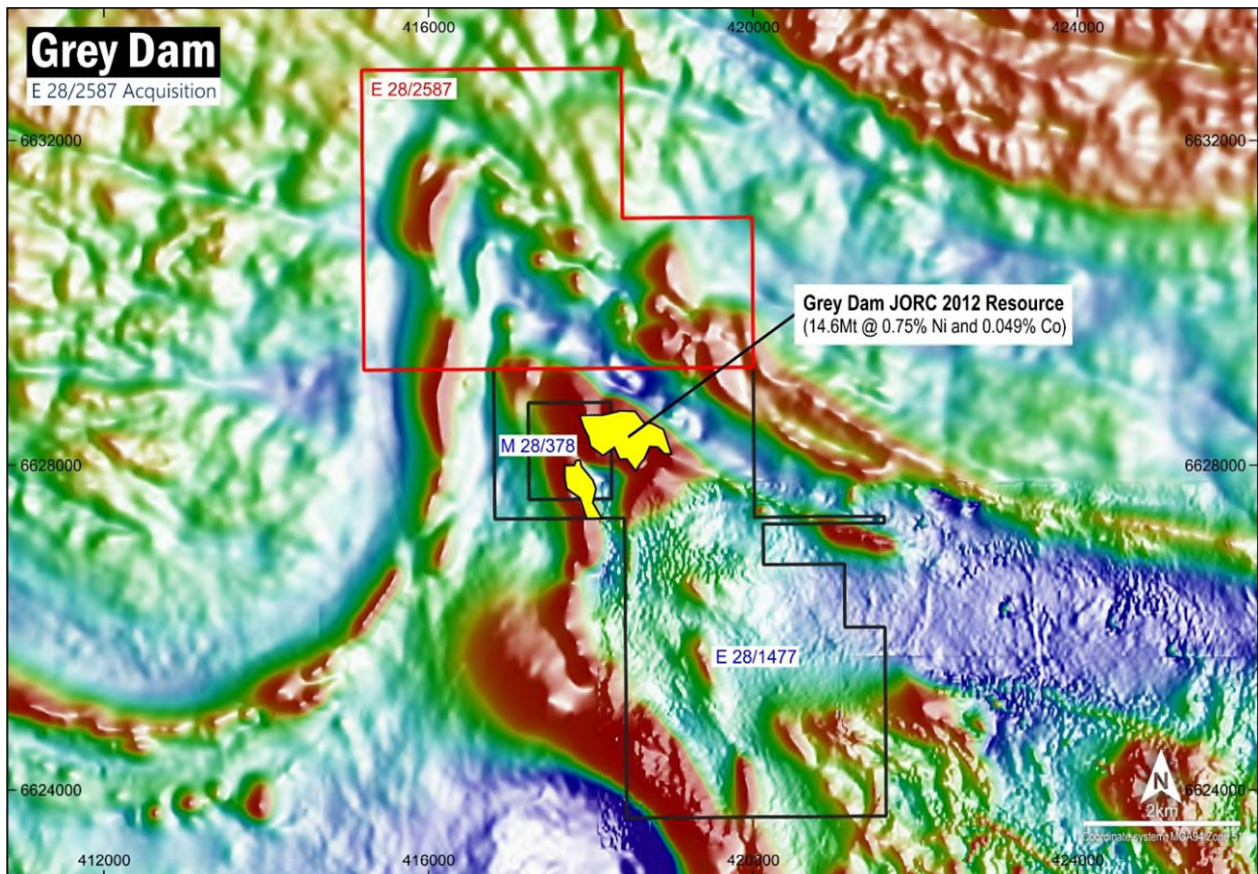
- 57% of total nickel metal and 54% of cobalt metal in 45% of resource tonnes
- Shallow flat lying mineralisation from surface to approximately 40m depth.

Shallow High-Grade Cobalt Domain (using 0.05% Co cut-off)

Total 2.6Mt @ 0.122% Co for 3,100t Co metal (with 0.86% Ni for 21,900t Ni metal)

- Substantially increased high-grade cobalt mineralisation at 0.12%
- Contains 46% of the cobalt and 20% of the nickel in only 19% of the resource.

Figure 6 Grey Dam Project showing prospective magnetics trends and Ni-Co resource area.



**CARNAVALE RESOURCES LIMITED
REVIEW OF OPERATIONS**

Figure 7 Total Resource Nickel wireframe (0.4% Ni) looking NE

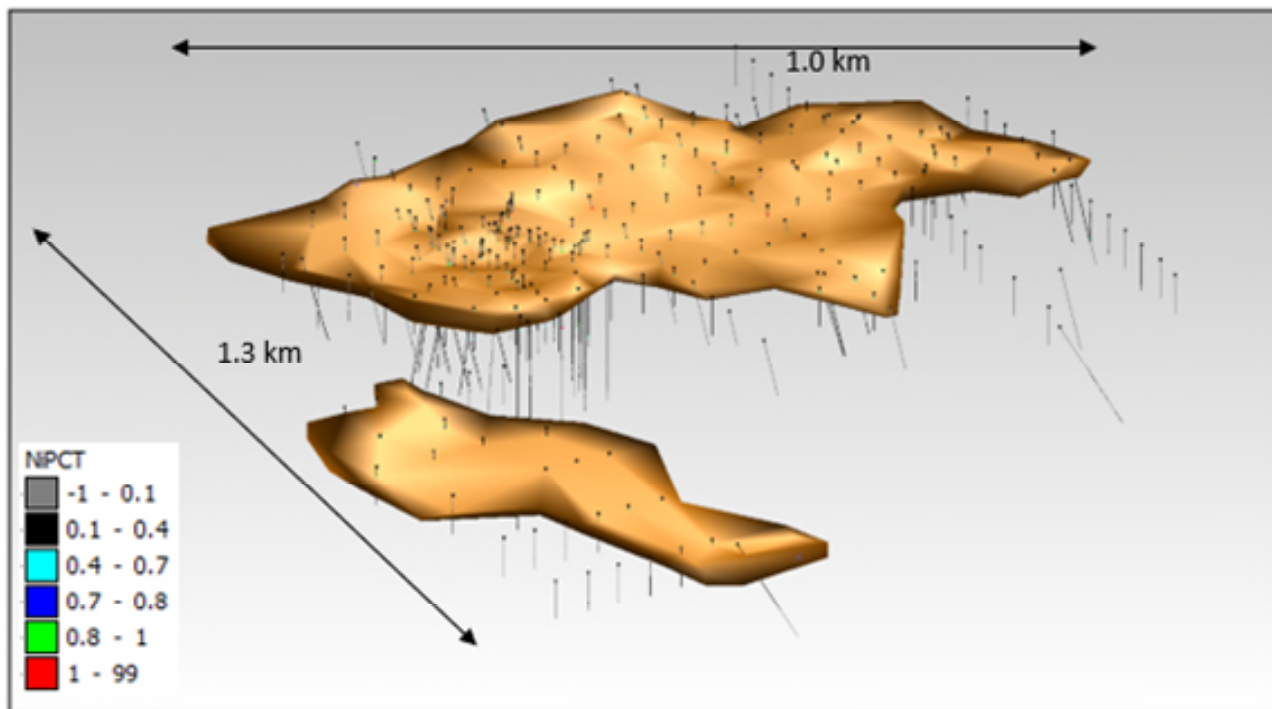
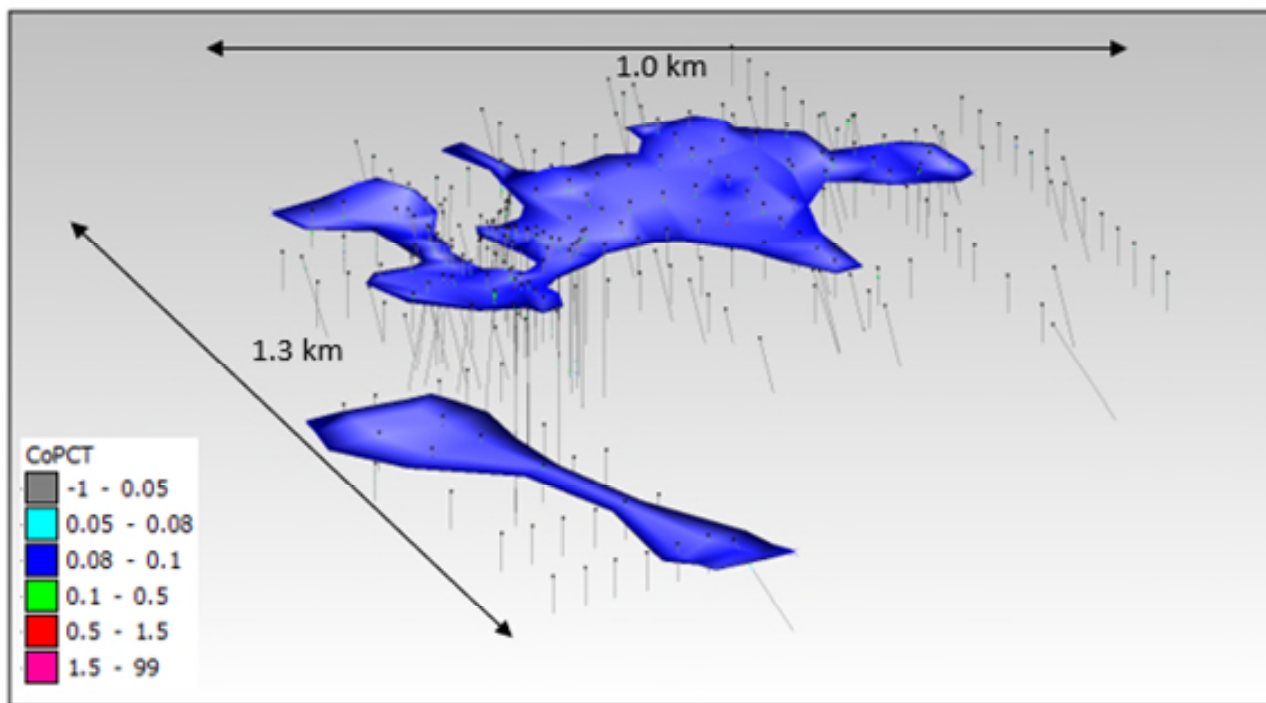


Figure 8 Total Resource Cobalt wireframe (0.04% Co) looking NE



The flat lying mineralisation is interpreted to represent remobilised oxide Ni and Co sourced from the weathering of a larger and deeper sulphide style Ni-Cu-Co orebody in the underlying and nearby ultramafic sequences.

CARNAVALE RESOURCES LIMITED

REVIEW OF OPERATIONS

In June 2019, Carnavale secured an option to acquire up to 80% of the adjacent tenement E28/2587 (refer Figure 6). This tenement covers lateral extensions of the same ultramafic sequences considered prospective for the sulphide Ni-Cu-Co mineralisation. Under the terms of the agreement, Carnavale may explore the tenement area and may elect to earn 80% of the tenement within a period of 3 years and payment of \$80,000. At the vendors election, Carnavale may earn an additional 10% interest by sole funding further expenditure of \$1,000,000. Upon Carnavale earning 90% of project, the vendor will have a 10% free carried interest until a decision to mine with funding pro-rata thereafter.

Exploration programs during 2019/2020 field season are aimed at targeting sulphide Ni-Cu-Co mineralisation in the fresh ultramafic sequence across the project area. Initial review of all past exploration is underway and priority targets will then be tested with a ground based EM (electromagnetic) survey to define drill targets.

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 and Share issues

In August 2018, Carnavale, following receipt of shareholder approval, issued 6 million shares at \$0.017 each to nominees of directors, Mr Gajewski and Mr Beckwith raising \$102,000. The funds raised were used for ongoing exploration activities on its existing mineral interests, consideration of new business opportunities and for ongoing working capital.

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, in consideration for the grant of an extension for Carnavale to earn an initial 51% equity in APRU, Carnavale issued 10 million shares to the shareholders of APRU in December 2018.

In May 2019, the Company raised \$225,000 through a private placement to sophisticated and professional investors via the issue of 75 million fully paid shares at an issue price of \$0.003 each, together with 37.5 million attaching options (exercisable at \$0.007 on or before 30 September 2020). The 37.5 million attaching options were issued in July 2019 post completion of the Rights Issue detailed below.

Carnavale also announced that it would undertake a non-renounceable entitlement issue to existing shareholders on the basis of one share for every one share held at the record date at an issue price of \$0.003 per share to raise approximately \$2.229 million together with one free attaching option for every 2 shares issued (exercisable at \$0.007 on or before 30 September 2020) ("Rights Issue"). The Company lodged a prospectus for the Offer ("Prospectus") with ASX and ASIC on 28 June 2019.

The Rights Issue closed on 19 July 2019 and the Company advised that shareholders subscribed for 389,827,255 shares and 194,913,609 options raising \$1.169 million. In August 2019, under the terms of the Rights Issue, the Company advised that it had placed the majority of the Shortfall Securities raising a further \$1.058 million through the issue of 352,576,814 shares and 176,288,402 options.

The funds raised will be applied towards ongoing exploration activities at the Company's Kikagati Tin Project in Uganda, Grey Dam Project in Western Australia and for working capital.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

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:

- New Cobalt Acquisition in Western Australia dated 19 March 2018.
- Carnavale to Acquire Large-Scale Tin Project, Uganda, dated 24 April 2018.
- Carnavale advances Kikagati Tin project Uganda, dated 30 August 2018.
- High grade Nickel-Cobalt defined at Grey Dam, dated 10 October 2018.
- Cassiterite (tin mineral) observed in drilling, Uganda, dated 27 November 2018.
- Grey Dam Ni-Co Mineral Resource Update dated 26 February 2019.
- Multiple visible cassiterite occurrences in drilling at the Kikagati Tin Project, Uganda dated 13 March 2019.
- High grade tin confirms large scale potential (Tier 1) at Kikagati Project, Uganda dated 23 May 2019.
- Visible cassiterite confirms second major tin target at Kikagati, Uganda dated 28 June 2019.
- Carnavale expands Nickel-Cobalt footprint at Grey Dam, WA dated 28 June 2019.

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 ("Group") for the year ended 30 June 2019 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 previously 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 geologist, with a career spanning 30 years across the Australian mining industry. Roles include senior technical and management roles within a range of companies from large gold producers to small explorers through to corporate positions in ASX listed companies including Managing Director at Westgold and Technical Director at De Grey Mining. He has been involved in many successful exploration teams including the early stages of the multi-million ounce Tropicana gold discovery (AngloGold Ashanti) and oversaw the growth in resources at Westgold, through a combination of organic exploration and corporate acquisition to established ~5.0M ounces in gold resources, which has gone on to become a leading Australian gold producer. More recently at De Grey, he has been intimately involved with the rapid growth of gold resources from 0.3Moz to the current 1.7Moz, through exploration and corporate acquisition.

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 more than 40 years of experience in project development of treatment plants and mine 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 and 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, graphite in Mozambique, gold, copper, coal and mineral sands in Australia. He has extensive experience as an owner's representative for several successful mine feasibility studies and project developments.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

During the past three years he has also served as a director of the following ASX 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 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	Listed Options	Unlisted Incentive Options	Performance Rights
R Gajewski	96,582,728	24,145,682	13,000,000	15,000,000
A Beckwith	31,361,370	2,000,000	4,000,000	15,000,000
R Brans	4,000,000	1,000,000	1,000,000	3,000,000

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

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 2019 was \$479,919 (2018: \$616,698). 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 0.07 cents (30 June 2018: 0.1 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 Group during the year ended 30 June 2019 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 Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than the matters referred to below.

- The Rights Issue closed on 19 July 2019 and the Company advised that shareholders subscribed for 389,827,255 shares and 194,913,609 options raising \$1.169 million. In August 2019, under the terms of the Rights Issue, the Company advised that it had placed the majority of the Shortfall Securities raising a further \$1.058 million through the issue of 352,576,814 shares and 176,288,402 options. In July 2019, the Company also allotted 37,500,000 options to sophisticated and professional investors who participated in the May 2019 placement of 75,000,000 fully paid shares at an issue price of \$0.003 each to raise \$225,000.
- In September 2019, the Company announced the appointment of Mr. Klaus Eckhof as a Corporate and Technical Advisor and agreed to issue Mr Eckhof a total of 99 million performance rights with an expiry date of 31 December 2020. Tranche 1, 2 and 3 performance rights (each tranche comprising 33 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least \$0.007, \$0.009 and \$0.011 respectively over a consecutive 15 trading days. Tranche 1 was issued in September 2019 and Tranches 2 and 3 will be issued after the Company's placement capacity under the ASX listing rules is refreshed, which is expected to occur at the Annual General Meeting of shareholders scheduled to be held in late November 2019.

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 2019 were:

<i>Name</i>	<i>Eligible to attend</i>	<i>Attended</i>
R Gajewski	6	6
A Beckwith	6	6
R Brans	6	6

There were 6 directors' meetings held during the year. However, Matters of Board business have also 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 Group 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 Group 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 Group. 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 2018 Annual General Meeting (AGM) – At the 2018 AGM, 94% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. 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 is entitled to charge consulting fees for services over and above his role as part-time executive Chairman as agreed by the Board.

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 Group 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 Group.

Remuneration of KMP:

Remuneration for the year ended 30 June 2019

	Short-term benefits		Post-employment Super-annuation	Equity-based compensation	Total	Proportion related to performance
	Directors' fees	Consulting fees				
	\$	\$	\$	\$	\$	%
Directors						
R Gajewski	36,000	12,000	-	38,811	86,811	44.7
A Beckwith	24,000	58,140	-	38,811	120,951	32.1
R Brans	24,000	-	2,280	7,762	34,042	22.8
Total	84,000	70,140	2,280	85,384	241,804	

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	36,000	36,000	-	-	72,000	-
A Beckwith	24,000	25,080	-	-	49,080	-
R Brans	24,000	-	2,280	-	26,280	-
Total	84,000	61,080	2,280	-	147,360	

Accounting, secretarial and corporate service fees of \$70,402 (2018: \$53,187) and rental fees of \$30,000 (2018: \$30,000) were paid or payable during the year ended 30 June 2019 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 2019

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

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

Performance Rights granted as part of remuneration for the year ended 30 June 2019

	Grant date	Number granted	Number vested at year end	Average fair value per performance right at grant date	Maximum total value of grant yet to vest	Expiry date
Directors						
R Gajewski	10 August 2018	15,000,000	-	\$0.0082	\$83,689	30 June 2021
A Beckwith	10 August 2018	15,000,000	-	\$0.0082	\$83,689	30 June 2021
R Brans	10 August 2018	3,000,000	-	\$0.0082	\$16,738	30 June 2021

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 the 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. Refer to note 13 (d) for details of the valuation of these performance rights.

Other than the above, no performance rights in Carnavale Resources Limited were granted to, were forfeited by, or were exercised by key management personnel of the Company (as part of their remuneration).

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

Shareholdings of key management personnel

Year ended 30 June 2019

	Balance at 1 July 2018	Granted as remuneration	Net other change (i)	Balance at 30 June 2019
Directors				
R Gajewski	43,960,000	-	4,331,364	48,291,364
A Beckwith	23,661,370	-	3,000,000	26,661,370
R Brans	2,000,000	-	-	2,000,000
Total	69,621,370	-	7,331,364	76,952,734

- (i) In March and August 2018, the Company completed a placement of 76 million shares at 1.7 cents per share to raise \$1,292,000. Having received shareholder approval for participation in the placement Mr Gajewski and Mr Beckwith each subscribed for 3 million shares. Mr Gajewski purchased 1,331,364 shares on-market in August 2018.

Option holdings of key management personnel

Year ended 30 June 2019

	Balance at 1 July 2018	Granted as remuneration	Net other change	Balance at 30 June 2019
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

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

Performance Rights holdings of key management personnel

Year ended 30 June 2019

	Balance at 1 July 2018	Granted as remuneration	Net other change	Balance at 30 June 2019
Directors				
R Gajewski	-	15,000,000	-	15,000,000
A Beckwith	-	15,000,000	-	15,000,000
R Brans	-	3,000,000	-	3,000,000
Total	-	33,000,000	-	33,000,000

Refer above for details of Performance Rights granted as part of remuneration for the year ended 30 June 2019.

End of Remuneration report

SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there are 408,702,011 Listed Options, 60,000,000 Unlisted Options and 135,000,000 performance rights on issue.

	Number	Exercise Price (cents)	Expiry Date
Listed Options (CAVOA)	408,702,011	0.7	30 September 2020
Unlisted Options	60,000,000	2	30 December 2019
Performance Rights	33,000,000	-	30 September 2020
Performance Rights	36,000,000	-	30 June 2021

These 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. Options issued after 30 June 2019 and up to the date of this report were as follows:

- In July and August 2019, the Company completed a non-renounceable entitlement issue to shareholders on the basis of one share for every one share held at an issue price of \$0.003 per share together with one free attaching option exercisable at \$0.007 each and an expiry date of 30 September 2020 for every 2 shares issued. 194,913,609 options were allotted in July 2019 and a further 176,288,402 options were allotted in August 2019 following placement of the Shortfall Securities.
- In July 2019, the Company allotted 37,500,000 options to sophisticated and professional investors who participated in the May 2019 placement of 75,000,000 fully paid shares at an issue price of \$0.003 each to raise \$225,000.

Performance Rights issued during the year were as follows:

- 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 the Company Secretary, 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.

Performance Rights issued after 30 June 2019 and up to the date of this report were as follows:

In September 2019, the Company announced the appointment of Mr. Klaus Eckhof as a Corporate and Technical Advisor and agreed to issue Mr Eckhof a total of 99 million performance rights with an expiry date of 31 December 2020. Tranche 1, 2 and 3 performance rights (each tranche comprising 33 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least \$0.007, \$0.009 and \$0.011 respectively over a consecutive 15 trading days. Tranche 1 was issued in September 2019 and Tranches 2 and 3 will be issued after the Company's placement capacity under the ASX listing rules is refreshed, which is expected to occur at the Annual General Meeting of shareholders scheduled to be held in late November 2019.

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 or vesting of the performance rights.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

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 Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as Officer or agent of the Group 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and forms part of the directors' report and can be found on page 29 of the annual report.

NON - AUDIT SERVICES

There have been no non-audit services provided by the Group's auditor during the year (2018: 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 27th day of September 2019.
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 2019 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 (e.g. 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 Limited for the year ended 30 June 2019, 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 audit;
and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
27 September 2019



L Di Giallonardo
Partner

hlb.com.au

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CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue	3	10,241	52,119
		<u>10,241</u>	<u>52,119</u>
Expenditure			
Administrative expenses		(358,639)	(422,154)
Exploration expenditure impaired	11	(18,608)	(225,232)
Due diligence expenses		(5,314)	(21,431)
Foreign exchange loss		(14,453)	-
Share-based payments expense	14	(93,146)	-
		<u>(479,919)</u>	<u>(616,698)</u>
Loss before related income tax benefit		(479,919)	(616,698)
Income tax benefit	5	-	-
		<u>(479,919)</u>	<u>(616,698)</u>
Net loss attributable to members of the parent entity		(479,919)	(616,698)
Other comprehensive income for the period, net of tax <i>Items reclassified to profit or loss</i>			
Derecognition of foreign currency translation reserve		-	(19,042)
		<u>(479,919)</u>	<u>(635,740)</u>
Total comprehensive loss for the year		<u>(479,919)</u>	<u>(635,740)</u>
Loss per share			
Basic – cents	16	<u>(0.07)</u>	<u>(0.10)</u>
Diluted – cents	16	<u>(0.07)</u>	<u>(0.10)</u>

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	Consolidated 2019 \$	2018 \$
Current assets			
Cash and cash equivalents	17(a)	191,201	1,919,037
Receivables	8	8,271	16,390
Other assets	9	10,850	9,902
Total current assets		<u>210,322</u>	<u>1,945,329</u>
Non-current assets			
Other assets	10	20,000	-
Exploration and evaluation expenditure	11	2,388,399	201,460
Total non-current assets		<u>2,408,399</u>	<u>201,460</u>
Total assets		<u>2,618,721</u>	<u>2,146,789</u>
Current liabilities			
Trade and other payables	12	463,886	64,236
Total current liabilities		<u>463,886</u>	<u>64,236</u>
Total liabilities		<u>463,886</u>	<u>64,236</u>
Net assets		<u>2,154,835</u>	<u>2,082,553</u>
Equity			
Issued capital	13	28,969,953	28,510,898
Reserves	14	1,556,106	1,462,960
Accumulated losses	15	(28,371,224)	(27,891,305)
Total equity		<u>2,154,835</u>	<u>2,082,553</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 2019

	Consolidated			
	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
	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2018	28,510,898	1,462,960	(27,891,305)	2,082,553
Loss attributable to members of the parent entity	-	-	(479,919)	(479,919)
Total comprehensive loss for the year	-	-	(479,919)	(479,919)
Shares and options issued during the year (net of issue costs)	459,055	-	-	459,055
Fair value of performance rights issued	-	93,146	-	93,146
Balance at 30 June 2019	28,969,953	1,556,106	(28,371,224)	2,154,835

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated
		2019 \$
		2018 \$
Cash flows from operating activities		
Payments to suppliers		(246,307)
Payments for due diligence and project generation expenses		(5,313)
Interest received		11,629
Other income		-
Net cash outflows from operating activities	17(b)	(239,991)
Cash flows from investing activities		
Payments for exploration and development expenditure		(1,558,484)
Payments for acquisition of exploration tenements		(228,055)
Payments for credit card bond		(20,000)
Net cash outflows from investing activities		(1,806,539)
Cash flows from financing activities		
Proceeds from issue of shares and options		327,000
Issue costs - shares and options		(4,563)
Net cash inflows from financing activities		322,437
Net (decrease) / increase in cash and cash equivalents held		(1,724,093)
Cash and cash equivalents at the beginning of the financial year		1,919,037
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(3,743)
Cash and cash equivalents at the end of the financial year	17(a)	191,201

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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.

Going Concern

The 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 year after tax of \$479,919 (2018: \$635,740) and experienced net operating and investing cash outflows of \$2,046,530 (2018: \$607,979). As at 30 June 2019, the Group had a net current asset deficiency of \$253,564.

In July and August 2019, Carnavale completed a non-renounceable entitlement issue to existing shareholders on the basis of one share for every one share held at the record date at an issue price of \$0.003 per share and raised \$2.227 million.

The Board recognises that additional funding is required to ensure that the Group can continue to fund its operations and further develop its mineral exploration and evaluation assets 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, sale of projects and managing cash flow in line with available funds. The Group's operations require the raising of capital on an on-going basis to fund its planned exploration program and to commercialize its projects.

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. Should this funding not be obtained, there exists a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

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

(b) Adoption of new and revised standards

In the year ended 30 June 2019, 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 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.

**CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised standards (continued)

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.

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 30 June 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.

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 2019. 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 2019 was authorised for issue in accordance with a resolution of the Directors on 27 September 2019.

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 2019**

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 2019 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.

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 2019

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 2019

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 2019**

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 instruments

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and are solely principal and interest. All other financial instrument assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income. For financial liabilities, the portion of the change in fair value that relates to the Group's credit risk is presented in other comprehensive income.

Hedge accounting requirements align the accounting treatment with the Group's risk management activities. The Group does not currently have any impaired financial assets, financial liabilities with changes in fair value due to credit risk presented in other comprehensive income, or financial instruments requiring hedge accounting.

Impairment of financial assets

Financial assets may be impaired based on an expected credit loss model to recognise an allowance. Such impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(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.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency translation (continued)

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.

(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 Group prior to the end of the financial year that are unpaid and arise when the Group 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 2019**

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) 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 2019

3. REVENUE

	Consolidated	
	2019	2018
	\$	\$
Other revenue		
Interest earned	10,241	20,841
Gain on derecognition of foreign currency reserve	-	19,042
Other income	-	12,236
	<u>10,241</u>	<u>52,119</u>

4. EXPENSES

	Consolidated	
	2019	2018
	\$	\$
Loss before income tax includes the following specific expenses:		
Exploration expenditure impaired	18,608	225,232
Due diligence expenses	5,313	21,431

5. INCOME TAX

- (a) **Prima facie tax benefit at 27.5% (2018: 27.5%) on loss from ordinary activities is reconciled to the income tax provided in the financial statements**

	Consolidated	
	2019	2018
	\$	\$
Loss before income tax	(479,919)	(616,698)
Prima facie income tax benefit at 27.5% (2018: 27.5%)	131,978	169,592
Tax effect of amounts which are not tax (deductible) / taxable in calculating taxable income:		
Due diligence / capital related costs	(1,902)	(18,287)
Exploration expenses incurred	538,693	27,818
Exploration expenses impaired	-	(61,939)
Tax effect of capitalised share issue costs	19,200	25,351
Share based payment expense	(25,615)	-
Other non-deductible items	-	(59)
Income tax benefit adjusted for non (deductible) / taxable items	<u>662,354</u>	<u>142,476</u>
Deferred tax asset not brought to account	<u>(662,354)</u>	<u>(142,476)</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	
	2019	2018
	\$	\$
Carry forward revenue losses	7,509,701	6,847,729
Carry forward capital losses	2,562,504	2,562,504
Capital raising costs	29,924	44,189
	<u>10,102,129</u>	<u>9,454,422</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 2019

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	
	2019	2018
	\$	\$
Deferred exploration and evaluation expenditure	563,845	25,152

6. AUDITOR'S REMUNERATION

	Consolidated	
	2019	2018
	\$	\$
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	24,364	24,000
	24,364	24,000

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)

(b) Compensation of key management personnel

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	154,140	145,080
Post-employment benefits	2,280	2,280
Share-based payments	85,384	-
	241,804	147,360

Information regarding individual directors' compensation is provided in the Remuneration report on pages 15 to 18.

(c) Other key management personnel transactions

Accounting, secretarial and corporate service fees of \$70,402 (2018: \$53,187) and rental fees of \$30,000 (2018: \$30,000) were paid or payable during the year ended 30 June 2019 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 2019

8. CURRENT RECEIVABLES

	Consolidated	
	2019	2018
	\$	\$
Other receivables	8,271	16,390
	<u>8,271</u>	<u>16,390</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	
	2019	2018
	\$	\$
Prepayments	10,850	9,902

10. OTHER ASSETS

	Consolidated	
	2019	2018
	\$	\$
Credit card bond	20,000	-

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2019	2018
	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest (i)	2,388,399	201,460
Opening balance	201,460	215,538
Acquisition costs – exploration licences	228,055	110,000
Exploration expenditure incurred	1,977,492	101,154
Exploration expenditure impaired (ii)	(18,608)	(225,232)
	<u>2,388,399</u>	<u>201,460</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 2019, the Directors decided that it was appropriate for a write down of exploration expenditure of \$18,608 (2018: \$225,232), attributable to the Lake Roe Project due to the relinquishment of E28/2303 and E28/2304.

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2019	2018
	\$	\$
Current		
Trade and other payables	463,886	64,236

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.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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

	2019 Number	2018 Number	2019 \$	2018 \$
Balance at beginning of period	641,999,560	571,999,560	28,510,898	27,400,254
Share placement at an issue price of 1.7 cents each in August 2018	6,000,000	-	102,000	-
Shares issued as facilitation fee in relation to the Kikagati Project in August 2018	10,000,000	-	90,000	-
Shares issued as option extension fee in relation to the Kikagati Project in December 2018	10,000,000	-	60,000	-
Share placement at an issue price of 0.3 cents each in May 2019	75,000,000	-	225,000	-
Share placement at an issue price of 1.7 cents each in March 2018	-	70,000,000	-	1,190,000
Transaction costs arising from issue of securities	-	-	(17,945)	(79,356)
Balance at end of period	<u>742,999,560</u>	<u>641,999,560</u>	<u>28,969,953</u>	<u>28,510,898</u>

(c) Share options

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

2019

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

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		<u>60,000,000</u>	<u>-</u>	<u>-</u>	<u>60,000,000</u>

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

13. ISSUED CAPITAL (continued)

(d) Performance rights

Performance rights in the capital of the Company have been granted as follows

2019	Grant Date	Expiry Date	Opening Balance 1 July 2018	Rights Issued 2018/2019	Rights Exercised / Expired 2018/2019	Closing Balance 30 June 2019
			Number	Number	Number	Number
	10 August 2018	30 June 2021	-	36,000,000	-	36,000,000
	Total		-	36,000,000	-	36,000,000

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

14. RESERVES

	Consolidated	
	2019	2018
	\$	\$
Share-based payments reserve (a)	1,556,106	1,462,960
Total	1,556,106	1,462,960

(a) 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.

	Consolidated	
	2019	2018
	\$	\$
Opening balance	1,462,960	1,462,960
Fair value of performance rights issued to directors and company secretary	93,146	-
Balance at end of year	1,556,106	1,462,960

15. ACCUMULATED LOSSES

	Consolidated	
	2019	2018
	\$	\$
Accumulated losses at the beginning of the year	(27,891,305)	(27,274,607)
Loss for the year	(479,919)	(616,698)
Accumulated losses at the end of the year	(28,371,224)	(27,891,305)

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16. LOSS PER SHARE

	Consolidated	
	2019	2018
	\$	\$
Net loss after income tax attributable to members of the Company	(479,919)	(616,698)
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	667,038,022	591,038,022
Effect of dilution	-	-
Weighted average number of ordinary shares for diluted earnings per share	667,038,022	591,038,022

Effect of Dilutive Securities - Share Options

The Company has 60,000,000 share options at 30 June 2019 (30 June 2018: 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	
	2019	2018
	\$	\$
Cash at bank	191,201	1,919,037
	191,201	1,919,037

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

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax	(479,919)	(616,698)
Exploration expenditure impaired / expensed	18,608	225,232
Net exchange differences	14,453	(19,042)
Share-based payments expense	93,146	-
(Increase) / decrease in assets		
Trade and other receivables	7,172	(8,400)
Increase / (decrease) in liabilities		
Trade and other payables	106,549	5,164
	(239,991)	(413,744)

(c) Non-cash investing activities

In August 2018, the Company issued 10 million shares as a facilitation fee at a deemed issue price of \$0.006 and in December 2018 the Company issued 10 million shares for an option extension fee at a deemed issue price of \$0.009 all in relation to the Kikagati Project.

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

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18. COMMITMENTS AND CONTINGENCIES (continued)

(a) Commitments (continued)

has an interest. The current annual minimum lease expenditure commitments on these tenements which covers the Grey Dam Project is \$107,373 (2018: \$91,883).

In April 2018, the Company signed an exclusive and binding Option to Earn-In Agreement (Agreement) with APRU to acquire 70% of the Kikagati Tin Project Uganda. During the financial year, the Company completed the required minimum drilling requirements of 2,000m under the Agreement and APRU were formally advised of Carnavale's election to advance to earn 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) within five (5) years and also agrees to drill a minimum of 2,500m of drilling on the Permits per year until the completion of the FS. Estimated yearly costs for this phase are estimated to be US\$770,790.

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 Group does not have any contingent liabilities at balance date other than as below:

During the financial year, the Company completed the required minimum drilling requirements of 2,000m under the Option to Earn-In Agreement (Agreement) with APRU, to acquire up to 70% of the Kikagati Tin Project. All parties have agreed to target completion of the full Earn-in Agreement and Carnavale's initial 51% equity in APRU as outlined in the Agreement as soon as possible. Upon execution of the full Earn-in Agreement Carnavale will be required to issue to the current owners of APRU a total of 30 million CAV shares.

19. EVENTS SUBSEQUENT TO BALANCE DATE

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

- The Rights Issue closed on 19 July 2019 and the Company advised in August 2019 that existing shareholders and new shareholders, through subscription to the Shortfall Securities, subscribed for a total of 742,404,069 shares and 371,202,011 options raising \$2.227 million.
- In September 2019, the Company announced the appointment of Mr. Klaus Eckhof as a Corporate and Technical Advisor and agreed to issue Mr Eckhof a total of 99 million performance rights with an expiry date of 31 December 2020. Tranche 1, 2 and 3 performance rights (each tranche comprising 33 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least \$0.007, \$0.009 and \$0.011 respectively over a consecutive 15 trading days. Tranche 1 was issued in September 2019 and Tranches 2 and 3 will be issued after the Company's placement capacity under the ASX listing rules is refreshed, which is expected to occur at the Annual General Meeting of shareholders scheduled to be held in late November 2019.

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.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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.

(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 2019, had the Australian dollar weakened / strengthened by 10% against the US dollar with all other variables held constant, equity for the year would be \$31,827 lower / \$26,041 higher, mainly as a result of the change in value of the foreign amounts payable held by the Group as at balance date.

At 30 June 2019, 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 2019		30 June 2018	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
United States dollar	1,277	287,722	808	-

(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 %
		\$	\$	\$	\$	%
2019						
Financial assets						
Cash and cash equivalents	17(a)	188,506	-	2,695	191,201	1.25
Trade and other receivables	8	-	-	8,271	8,271	
		188,506	-	10,966	199,472	
Financial liabilities						
Trade and other payables	12	-	-	463,886	463,886	
		\$	\$	\$	\$	%
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	
		1,892,536	-	42,891	1,935,427	
Financial liabilities						
Trade and other payables	12	-	-	64,236	64,236	

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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 2018.

Consolidated	Profit or (Loss)		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
30 June 2019				
Variable rate instruments	8,145	(8,145)	8,145	(8,145)
Cash flow sensitivity (net)	8,145	(8,145)	8,145	(8,145)
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)

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 2019

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.

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.

2019	Within 1 year	Between 1 and 5 years	After 5 years
Financial liabilities	\$	\$	\$
Trade and other payables	463,886	-	-
Total Financial Liabilities	463,886	-	-

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	-	-

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 2019 %	Equity holding 2018 %	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

(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 Africa and Australia and investing activities in Australia.

2019	Investing Australia \$	Mineral Exploration Australia / Africa \$	Eliminations \$	Consolidated \$
Business segments				
Revenue				
Other external revenue	10,241	-	-	10,241
Total segment revenue	10,241	-	-	10,241
Results				
Operating loss before income tax	(455,203)	(24,716)	-	(479,919)
Income tax benefit				-
Net loss				(479,919)
Assets				
Segment assets	230,322	2,388,399	-	2,618,721
Non-current assets acquired	-	2,137,492		2,137,492
Liabilities				
Segment liabilities	149,138	314,748	-	463,886
Other segment information				
Impairment of exploration and evaluation expenditure	-	18,608	-	18,608

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

2018	Investing Australia	Mineral Exploration Australia / Africa	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

23. PARENT ENTITY DISCLOSURES

(a) Summary financial information

Financial Position

	2019 \$	2018 \$
Assets		
Current assets	209,372	1,941,789
Non-current assets	2,400,046	192,780
Total assets	2,609,418	2,134,569
Liabilities		
Current liabilities	457,369	55,556
Total liabilities	457,369	55,556
Net assets	2,152,049	2,079,013
Equity		
Issued capital	28,969,953	28,510,898
Share-based payment reserve	1,556,106	1,462,960
Accumulated losses	(28,374,010)	(27,894,845)
Total equity	2,152,049	2,079,013

Financial performance

	2019 \$	2018 \$
Loss for the year after income tax	(479,165)	(632,116)
Other comprehensive income / (loss)	-	-
Total comprehensive loss	(479,165)	(632,116)

**CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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 2019 or 30 June 2018.

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

As at 30 June 2019 (30 June 2018 – \$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 Group's financial position as at 30 June 2019 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 2019.

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 27th day of September 2019
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Carnavale Resources Limited

Report on the Audit of the Financial Report*Opinion*

We have audited the financial report of Carnavale Resources Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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 2019 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.

Material uncertainty related to going concern

We draw attention to Note 2(a) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

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Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying value of exploration and evaluation expenditure Note 11 of the financial statements</p> <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 most 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 2020 and discussed with management the nature of planned ongoing activities; • We enquired with management and 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.

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 2019, 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 within the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Carnavale Resources Limited for the year ended 30 June 2019 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
27 September 2019



L Di Giallonardo
Partner

CARNAVALE RESOURCES LIMITED SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 26 September 2019.

1. Distribution of holders of equity securities

Size of holding	Ordinary Shares	Listed Options (\$0.007 @ 30-Sept-20)	Unlisted Options (\$0.02 @ 30-Dec-19)
1 - 1,000	49	9	-
1,001 - 5,000	52	8	-
5,001 - 10,000	55	4	-
10,001 - 100,000	211	22	-
100,001 and over	361	92	7
	728	135	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	96,582,728

4. Unmarketable parcels

As at 26 September 2019 there were 385 shareholders with unmarketable parcels of shares.

5. Top 20 shareholders (CAV)

The names of the twenty largest shareholders as at 26 September 2019, who hold 65.73% of the fully paid ordinary shares of the Company were as follows:

	Name of holder	Number of Shares	Percentage held
1	J P Morgan Nominees Australia Ltd	202,895,519	13.66
2	Walani Pty Ltd	93,655,436	6.31
3	Vienna Holdings Pty Ltd <Ronjen Super A/c>	92,582,728	6.23
4	Troca Enterprises Pty Ltd <Coulson Super A/C>	62,153,082	4.19
5	Bin Liu	58,266,666	3.92
6	Michael Lynch	56,636,000	3.82
7	Mark Gasson	55,274,509	3.72
8	Klaus Eckhof	42,000,000	2.83
9	Brennan Super (WA) Pty Ltd	39,000,000	2.63
10	Ocean View WA Pty Ltd	36,880,069	2.48
11	Flue Holdings Pty Ltd	31,000,000	2.09
12	McNeil Nominees Pty Ltd	30,077,898	2.02
13	Kobia Holdings Pty Ltd	30,000,000	2.02
14	Suzanne Maree Lynch	29,200,000	1.97
15	Peter Andrew Proksa	26,400,000	1.78
16	HSBC Custody Nominees Aust Ltd	22,976,454	1.55
17	Penand Pty Ltd < Beckwith Super A/c>	20,676,448	1.39
18	Talex Inv Pty Ltd	17,976,000	1.21
19	Calama Holdings Pty Ltd	16,666,667	1.12
20	Octifil Pty Ltd	11,666,666	0.79
		975,984,142	65.73

CARNAVALE RESOURCES LIMITED
SHAREHOLDER INFORMATION

6. Top 20 optionholders (CAVOA)

The names of the twenty largest optionholders as at 26 September 2019, who hold 77.18% of the listed options of the Company were as follows:

	Name of holder	Number of Options	Percentage held
1	J P Morgan Nominees Australia Ltd	52,115,921	12.75
2	Walani Pty Ltd	40,080,526	9.81
3	Vienna Holdings Pty Ltd <Ronjen Super A/c>	23,145,681	5.66
4	Bin Liu	29,333,333	7.18
5	Mark Gasson	21,666,666	5.30
6	Klaus Eckhof	19,000,000	4.65
7	Troca Enterprises Pty Ltd <Coulson Super A/C>	15,538,270	3.80
8	Michael Lynch	14,587,333	3.56
9	Peter Andrew Proksa	13,200,000	3.23
10	Flue Holdings Pty Ltd	10,000,000	2.45
11	Kobia Holdings Pty Ltd	10,000,000	2.45
12	Ocean View WA Pty Ltd	9,999,999	2.45
13	Brennan Super (WA) Pty Ltd	9,750,000	2.39
14	Calama Holdings Pty Ltd	8,333,333	2.04
15	McNeil Nominees Pty Ltd	7,519,474	1.84
16	Threebee Investment Group Pty Ltd	7,333,333	1.79
17	Suzanne Maree Lynch	7,300,000	1.79
18	Octifil Pty Ltd	5,833,333	1.43
19	Puntero Pty Ltd	5,666,666	1.39
20	Michael James Spencer	5,000,000	1.22
		315,403,868	77.18

7. Unquoted equity securities

Unquoted equity securities on issue at 26 September 2019 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
Performance Rights – expire 30 September 2020	33,000,000	1	3

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

Note 3: Holders of more than 20% of this class of performance rights:

Klaus Eckhof 33,000,000 performance rights.

CARNAVALE RESOURCES LIMITED

ANNUAL MINERAL RESOURCES STATEMENT

Annual Mineral Resources Statement

Review of Material Changes

In February 2019, a maiden JORC 2012 compliant Mineral Resource estimate was announced on the Grey Dam Ni-Co deposit. The estimate included all available historic drilling as well as 85 reverse circulation holes drilled by Carnavale during the 2018 calendar year. The total inventory for the Grey Dam Project now stands at 14.6 Mt at 0.75% Ni and 0.049% Co for 110,000t of nickel and 7,200t of cobalt.

Grey Dam June 2019 Mineral Resource Inventory

Domain	Class	Tonnes Mt	Ni %	Co %	Ni Metal Tonnes	Co Metal Tonnes
High Ni >0.5% Ni	Indicated	10.0	0.77	0.049	77,100	4,900
	Inferred	3.9	0.76	0.043	30,100	1,700
	Sub Total	14.0	0.77	0.048	107,300	6,700
Low Ni <0.5% Ni, >0.05% Co	Indicated	0.3	0.46	0.093	1,600	300
	Inferred	0.3	0.45	0.100	1,200	300
	Sub Total	0.6	0.46	0.092	2,800	600
Total >0.5% Ni or >0.05% Co	Indicated	10.4	0.76	0.050	78,700	5,200
	Inferred	4.2	0.74	0.047	31,300	2,000
	Sub Total	14.6	0.75	0.049	110,000	7,200

(Rounding discrepancies may occur in summary tables)

Governance and Internal Control

The Company's procedures for the sample techniques and sample preparation are regularly reviewed and audited by independent experts.

Assays are performed by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The exploration assay results database is maintained and appropriately backed-up internally.

The Mineral Resource estimate was undertaken independently by Payne Geological Services Pty Ltd.

COMPETENT PERSON STATEMENT

The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation prepared by Mr Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Payne Geological Services. Mr Payne has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Payne has approved this Mineral Resources Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

In relation to Mineral Resources, the Company confirms that all material assumptions and technical parameters that underpin the relevant market announcement continue to apply and have not materially changed.

CARNAVALE RESOURCES LIMITED
SCHEDULE OF MINERAL CONCESSION INTERESTS

Group mineral concession interests at 26 September 2019

<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>
<i>Location: Australia</i>				
Grey Dam Project	Tojo Minerals Pty Ltd	M28/378, E28/1477 E28/2587	100% -%	100% 80%
<i>Location: Uganda</i>				
Kikagati Project*	Carnavale Resources Limited	ML1433, EL 1380, EL 1771, EL1772, EL1855	-%	70%

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