



December 2019 Quarterly Activities Report

Carnavale Resources Limited (“CAV”, “Company” or “Carnavale”) reports on activities completed during the quarter to 31 December 2019.

- **Expanded portfolio for Nickel-Cobalt-Copper-PGE sulphide style mineralisation.**
- **Increased footprint and targets at Grey Dam Ni-Co-Cu Project**
- **New Mt Alexander Ni-Cu-Co-PGE Project established.**

Exploration activities during the period focussed on expanding the exploration footprint of the Grey Dam Ni-Co-Cu Project, located near Kalgoorlie and establishing the new Mt Alexander Ni-Cu-Co-PGE Project located near Leonora, Western Australia.

Planned activities for the March 2020 Quarter are focused on defining direct drill targets for sulphide mineralisation at each project through a combination of EM surveys and soil sampling. Additional ongoing business development activities continue in the search for new project areas with a strong bias towards nickel and gold.

Grey Dam Nickel-Cobalt (Ni-Co-Cu) Project, Australia

- **Combined 30km of prospective Ni sulphide sequence secured at Grey Dam**
- **Three EM target areas defined**
- **EM surveys and soil sampling program to be carried out**

At Grey Dam, the Company secured the right to acquire up to 80% of the adjacent tenement portfolio held by Mithril Resources Limited (ASX: MTH or Mithril) in the Kurnalpi region approximately 80km east of Kalgoorlie, Western Australia. The expanded Grey Dam project now covers 108km² of prospective and contiguous tenure and 30km of bedrock ultramafic/mafic sequences prospective for Nickel Sulphide (NiS) style mineralisation (Figure 1).

NiS style of mineralisation is well known in the region with the nearby Black Swan and Silver Swan nickel mines and other deposits/mineralisation defined at Wellington, Acra, Pinnacles and Wyo Well. The host sequence at Black Swan is considered comparable to the two host sequences (A and B) at the Grey Dam Project (Figure 2). The large Bulong nickel and cobalt deposit is also evident of the shallow laterite style of deposit in the region and is a direct comparison of the Grey Dam laterite Ni-Co resource and provides longer term exploration potential.

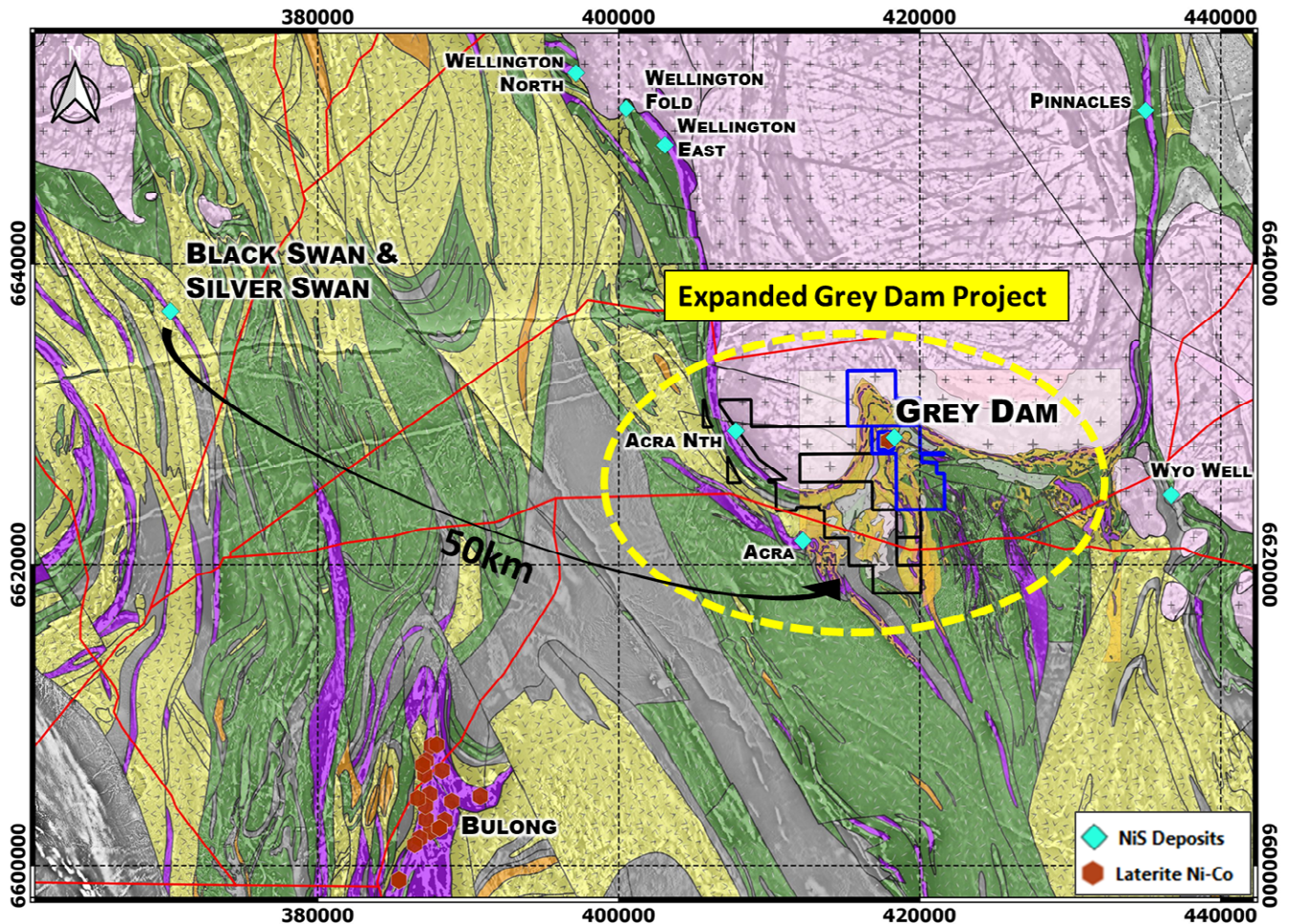
A detailed review of all previous exploration has now been completed across the project and defines two prospective ultramafic sequences that have demonstrated evidence of Ni sulphide mineralisation along strike and existing anomalous exploration targets highlighted.

Three target areas have been defined along Ni sequence A (Figure 2) where ground EM geophysical surveys are planned to be completed during the March quarter 2020. These three targets show anomalous Ni-Cu-Co-PGEs in previous drilling and positive examples of disseminated sulphide rich mineralisation within the sequence along strike. The EM survey areas are aimed to define direct drill targets.

Limited past exploration has been undertaken on Ni sequence B (Figure 2) within the project area. This sequence is known to host other sulphide style mineralisation along strike. Ultrafine fraction soil sampling is planned to test this sequence in order to prioritise targets for subsequent EM surveys. This work is also planned for the March 2020 quarter.



Figure 1 Regional setting of Carnavale's Grey Dam Project (Blue) and new tenement area (Black).



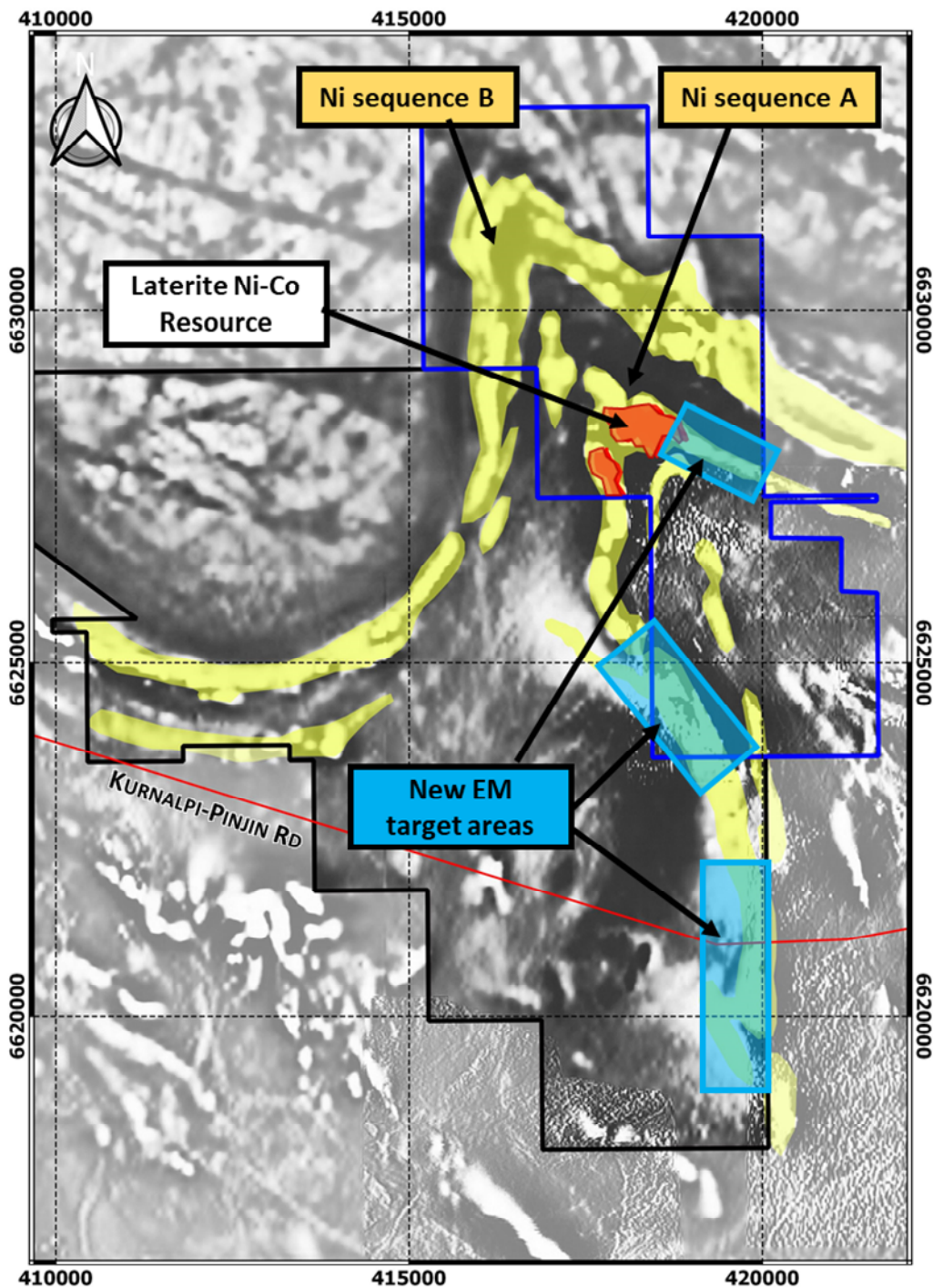
Carnavale secured an option to earn 80% of the prospective tenement package (E28/2567, E28/2682, E28/2760, and E28/2506) as outlined in the previous ASX release "Carnavale expands Nickel Sulphide potential at Grey Dam, WA" dated 11 November 2019, on the following terms:

- Upon signing of the agreement Carnavale paid a non-refundable Option Fee of \$20,000.
- Carnavale has a three (3) year period (Option Period) from signing the agreement during which Carnavale has the sole right to explore the tenements at its sole cost and risk.
- Carnavale has the right to withdraw from the agreement at any time by providing 30 business days written notice and leaving the tenements in good standing.
- Carnavale may elect to acquire 80% of the tenements by payment of \$250,000 to Mithril within 14 business days anytime within the Option Period.
- On Carnavale's decision to acquire 80% equity in the tenements, Mithril must elect within 30 business days to either:
 1. Transfer 100% equity in the tenements to Carnavale and receive a 1% NSR royalty on all commodities produced from the Tenements; or
 2. Enter into a formal Joint Venture agreement, based on the following key terms and conditions:
 - The initial interest of the parties shall be Carnavale 80% and Mithril 20%.
 - The parties are required to contribute to expenditure on a pro rata basis.
 - Carnavale shall be the initial joint venture manager.
 - Standard management and pre-emptive rights terms.



- Dilution formula based on 1% equity for every \$100,000 of expenditure when a party does not contribute. For example, a party would increase its Project interest by 10% by contributing \$1.0M of additional funding and the other party contributes \$nil. If a party dilutes below a 10% interest that party will be deemed to have withdrawn from the joint venture with no retained equity or interest in the Project.
- All significant matters will be decided by majority vote except for the following decisions which require a unanimous decision: to surrender or relinquish any Tenement (except for the purpose of applying for a new Tenement or where required by the applicable law) and to wind up the Joint Venture.

Figure 2 Expanded Grey Dam Project showing EM target areas and Ni prospective sequences



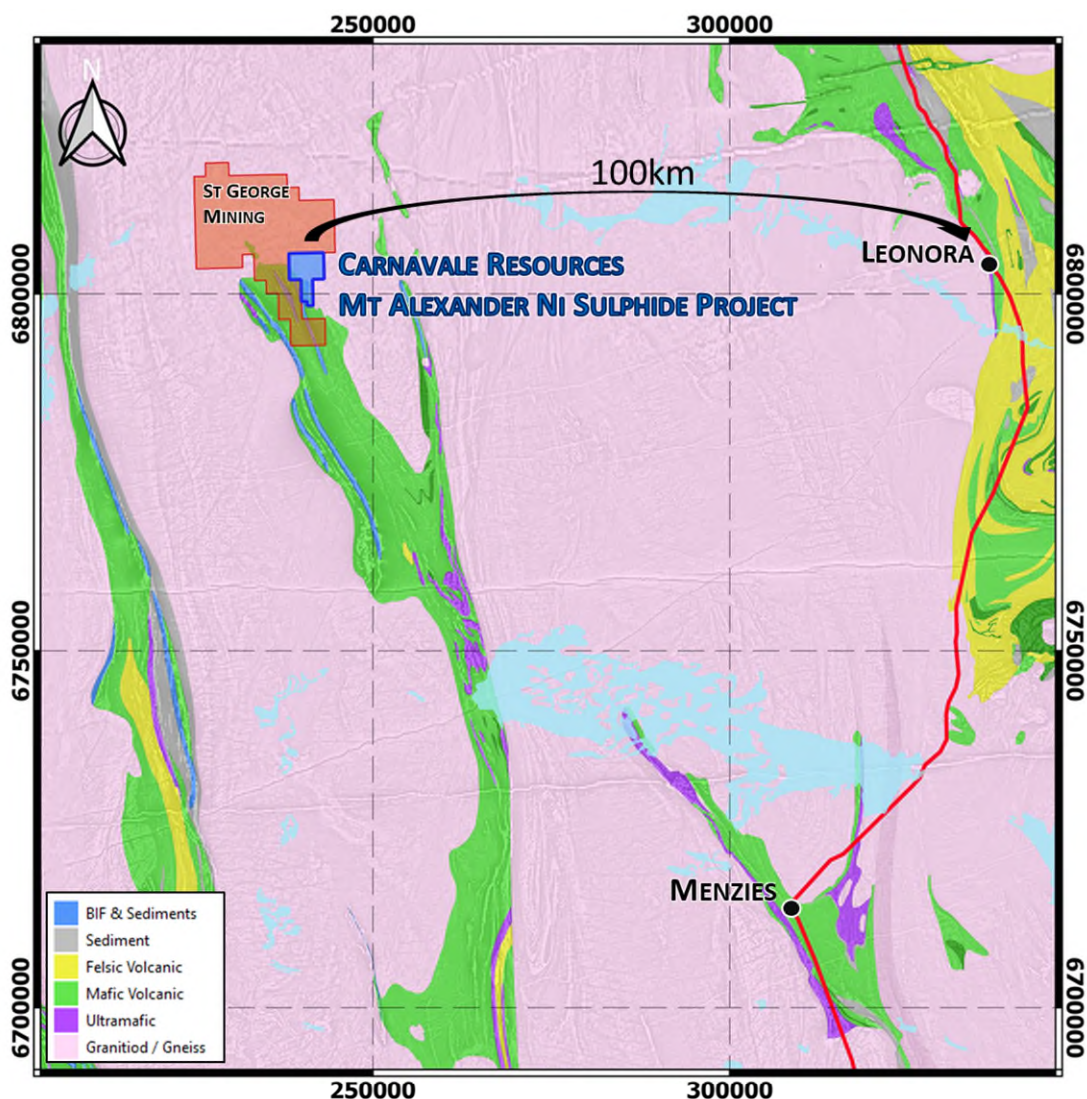


Mt Alexander (Ni-Cu-Co-PGE) Project, Australia

During the period, Carnavale secured the right to acquire up to 80% of the Mt Alexander Project, which covers approximately 24km² of the prospective granite greenstone belt that hosts the Cathedrals Ni-Cu-Co-PGE project, owned by St George Mining Limited (Figure 3) (refer previous ASX release “New Mt Alexander Nickel Sulphide Project, WA” dated 5 December 2019).

At Cathedral the massive nickel-copper-cobalt-PGE (platinum group elements) mineralisation is high grade and hosted by mafic intrusions within the poorly explored granite-greenstone belt. The intrusions have been emplaced along ENE trending structures and represents a new style of mineralisation in the region. Early low cost exploration activities, using a combination of mapping and surface rock chip sampling followed by EM geophysical surveys, has been highly successful in delineating direct drill targets along the Cathedrals Trend.

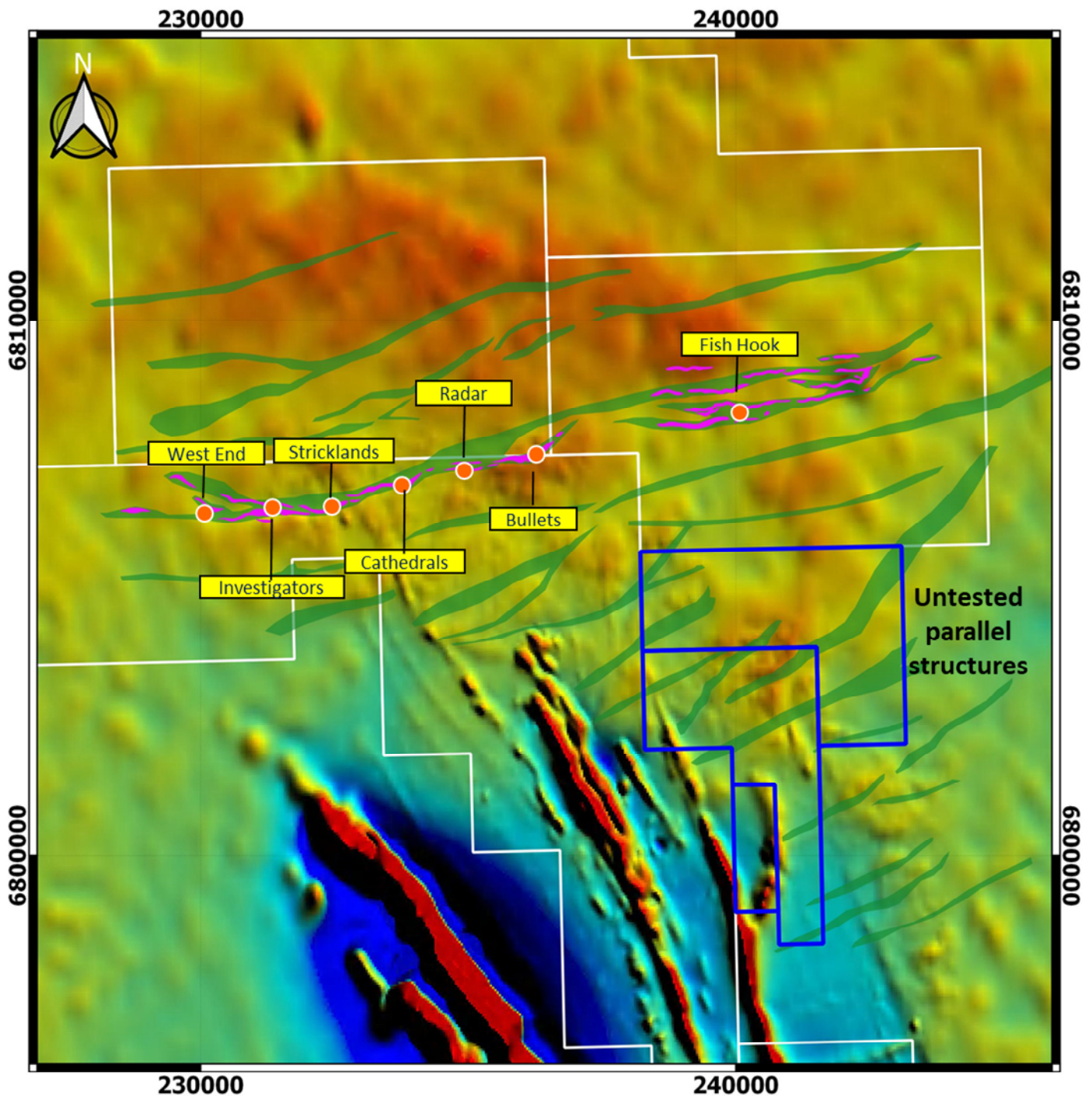
Figure 3 Location of Carnavale’s Mt Alexander Ni Sulphide Project, Western Australia.



Carnavale is planning to undertake initial mapping and surface soil sampling over the interpreted prospective ENE corridors (Figure 4) within the tenements during the March 2020 quarter. Subject to positive results subsequent EM surveys will be planned over priority targets to generate drill targets.



Figure 4 Carnavale's new Mt Alexander Ni Sulphide Project showing proximity to the Cathedrals Ni Sulphide Trend



The terms of the Option Agreement to acquire an 80% interest in E29/960, E29/961 and P29/2356 are summarised below:

- Carnavale paid a non-refundable Option Fee comprising \$10,000 cash and issued the vendor 10 million fully paid shares in Carnavale.
- Carnavale has a four (4) year period (Option Period) from signing the Agreement during which Carnavale has the sole right to explore the tenements at its sole cost and risk.
- Carnavale is required to maintain the tenements in good standing during the Option Period.
- Carnavale has the right to withdraw from the Agreement at any time by providing 30 business days



written notice and leaving the tenements in good standing.

- Carnavale may at any time during the Option Period elect to acquire 80% of the tenements by written notice (Option Exercise Notice) and payment of \$250,000 in cash or fully paid Carnavale shares at Carnavale's election. The calculation for the quantum of shares will be based on the 10 trading days VWAP of CAV shares preceding the date of Option Exercise Notice.
- Upon receipt of the Option Exercise Notice, the vendor will have 30 days to elect to either
 - retain 20% equity in the tenements on a pro rata contributing Joint Venture basis; or
 - transfer the remaining 20% equity in the tenements to Carnavale in exchange for the grant of a 1% Net Smelter Royalty on the tenements.
- Carnavale retains a first right of refusal to acquire the Royalty for \$750,000.

Kikagati Tin Project, Uganda

The Company withdrew from the Kikagati Tin Project in October 2019 (refer to ASX release "Carnavale withdraws from the Kikagati Tin Project" dated 16 October 2019).

New Opportunities

The Company continues to assess new opportunities for high demand metals, such as gold, tin, copper, nickel and cobalt, to supply the increasing demand for technology metals consumed in the rapidly growing batteries, electric motors and electronics industry.

This announcement was approved for release by Mr Andrew Beckwith, Managing Director of Carnavale Resources Limited.

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Chairman

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Andrew Beckwith

Director



Carnavale Competent Person Statement

The information in this report that relates to the exploration results is an accurate representation of the available data and studies for the project. This information has been assessed and reviewed by Mr. Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Beckwith is a director of Carnavale. Mr. Beckwith 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 Resource and Ore Reserves". Mr. Beckwith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled 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 Pty Ltd. 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.

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 Mt Alexander Project in this announcement has been extracted from the following ASX announcements:

- New Cobalt Acquisition in Western Australia dated 19 March 2018.
- High grade Nickel-Cobalt defined at Grey Dam, dated 10 October 2018.
- Grey Dam Ni-Co Mineral Resource Update dated 26 February 2019.
- Carnavale expands Nickel-Cobalt footprint at Grey Dam, WA dated 28 June 2019.
- Carnavale expands Nickel Sulphide potential at Grey Dam, WA dated 11 November 2019,
- New Mt Alexander Nickel Sulphide Project, WA dated 5 December 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 announcement.

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.

Appendix 1

Carnavale Resources Limited (ASX: CAV) provides the following addendum in relation to additional information required by Listing Rule 5.3.3.

Schedule of Mining Tenements, Beneficial Interests and agreements

Held as at the end of the Quarter

| Project/Location | Country | Tenement | Percentage held/earning |
|---|----------------|-----------------|--------------------------------|
| Grey Dam Project, Western Australia | Australia | M28/378 | 100% |
| | | E28/1477 | 100% |
| | | E28/2587 | Earning up to 80% |
| | | E28/2567 | Earning up to 80% |
| | | E28/2682 | Earning up to 80% |
| | | E28/2760 | Earning up to 80% |
| | | E28/2506 | Earning up to 80% |
| Mt Alexander Project, Western Australia | Australia | E29/960 | Earning up to 80% |
| | | E29/961 | |
| | | P29/2356 | |

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

Schedule of Mining Tenements, Beneficial Interests and agreements

Acquired during the Quarter

| Project/Location | Country | Tenement | Percentage held/earning |
|---|----------------|-----------------|--------------------------------|
| Grey Dam Project, Western Australia | Australia | E28/2567 | Earning up to 80% |
| | | E28/2682 | Earning up to 80% |
| | | E28/2760 | Earning up to 80% |
| | | E28/2506 | Earning up to 80% |
| Mt Alexander Project, Western Australia | Australia | E29/960 | Earning up to 80% |
| | | E29/961 | |
| | | P29/2356 | |

Schedule of Mining Tenements, Beneficial Interests and agreements

Disposed of during the Quarter

| Project/Location | Country | Tenement | Percentage held/earning |
|-------------------------|----------------|---|---------------------------------|
| Kikagati Project | Uganda | ML1433, EL1548, EL1380, EL 1771, EL1772, TN2577, TN2584 | Withdrawn with no interest held |