



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2019**

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of Carnavale Resources Limited (the “Company”) and its controlled entities (the “Group”) for the half-year ended 31 December 2019. The directors report as follows:

Directors

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

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

Results

The consolidated loss for the half-year after tax was \$2,149,817 (2018: \$316,435). The current half-year loss included an impairment expense of \$1,881,695 arising from the withdrawal from the agreement to acquire up to 70% of the Kikagati Tin Project.

Review of Operations

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

The Company is currently exploring and advancing the Grey Dam Nickel (Ni) - Cobalt (Co) Project, located 100km east of Kalgoorlie, Western Australia and during the period 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.

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

The Grey Dam Project hosts a near surface laterite resource and is also considered prospective for high value Ni-Cu sulphide style mineralisation. In late June 2019, Carnavale secured the rights to earn 80% in the adjoining tenement E28/2587 and in November 2019 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, increasing the Company's overall footprint at the Grey Dam Project. 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.

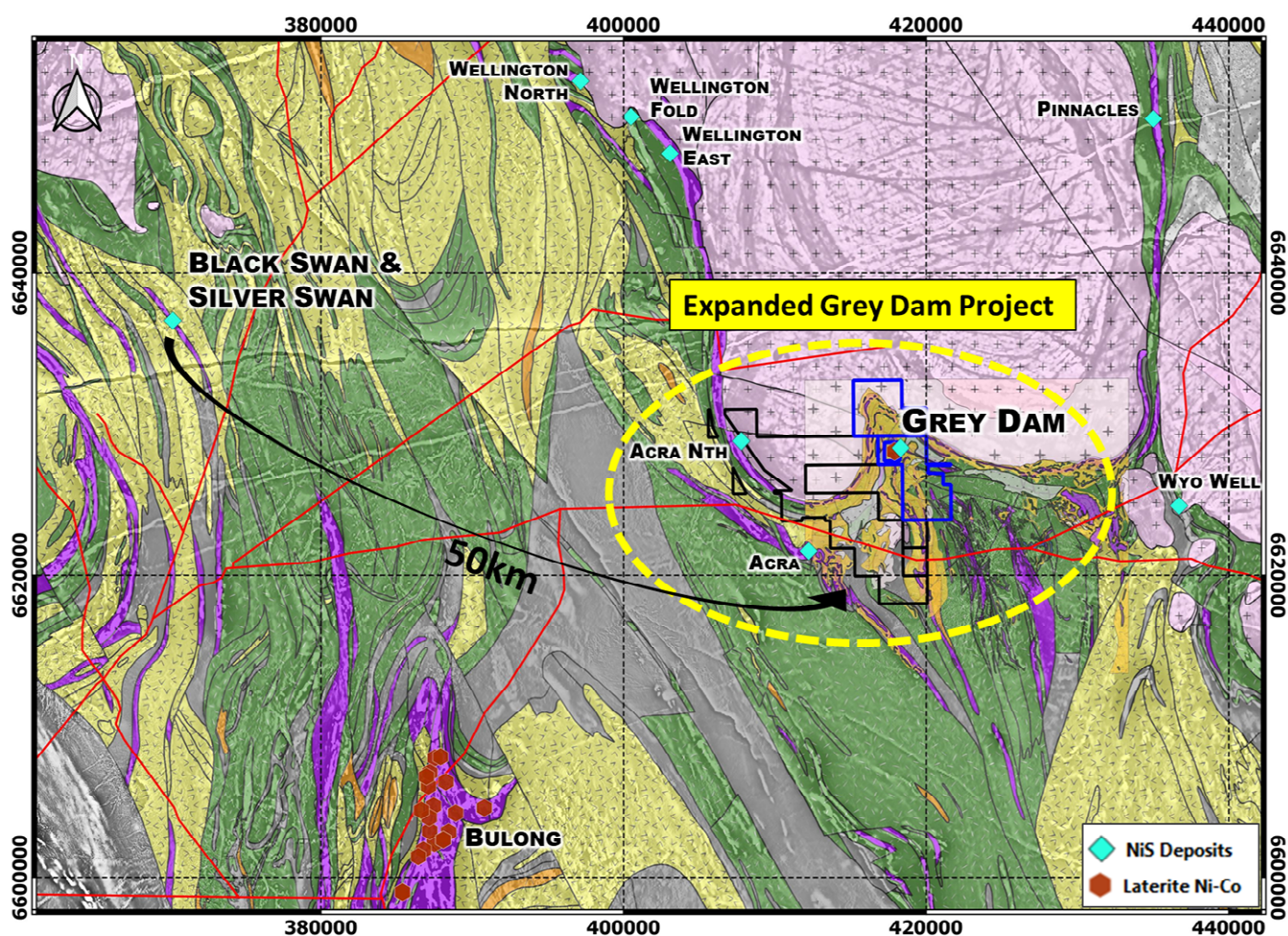
A detailed review of all previous exploration has now been completed across the project and defines two prospective ultramafic sequences that have demonstrated evidence of Ni sulphide mineralisation along strike and existing anomalous exploration targets highlighted.

DIRECTORS' REPORT

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 currently in progress with results expected during the March 2020 quarter.

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



Acquisition terms

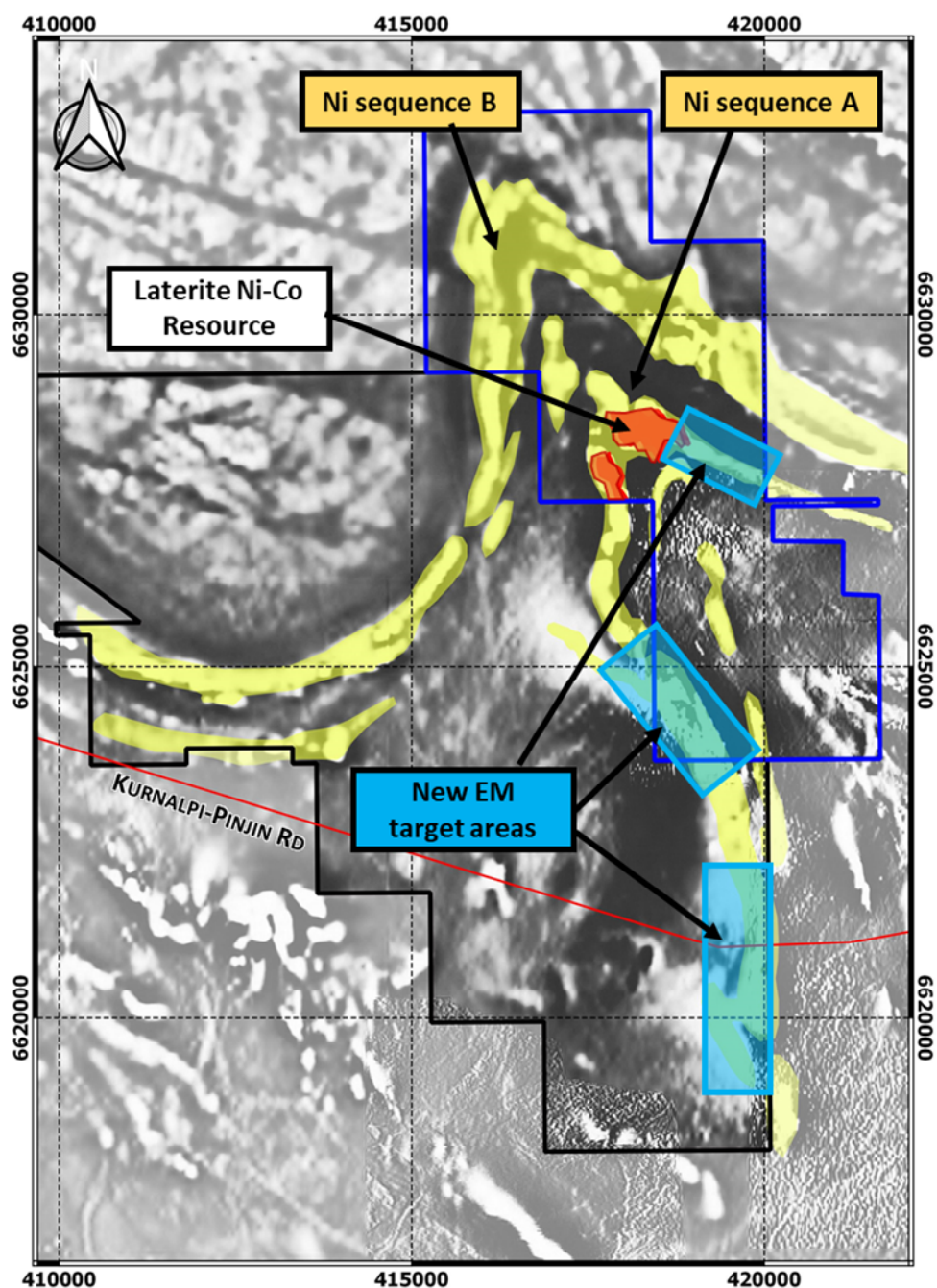
Carnavale secured an option to earn 80% of the prospective tenement package (E28/2567, E28/2682, E28/2760, and E28/2506) as outlined in the previous ASX release “Carnavale expands Nickel Sulphide potential at Grey Dam, WA” dated 11 November 2019, on the following terms:

- 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.

DIRECTORS' REPORT

- On Carnavale's decision to acquire 80% equity in the tenements, Mithril must elect within 30 business days to either:
 - Transfer 100% equity in the tenements to Carnavale and receive a 1% NSR royalty on all commodities produced from the Tenements; or
 - 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.

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



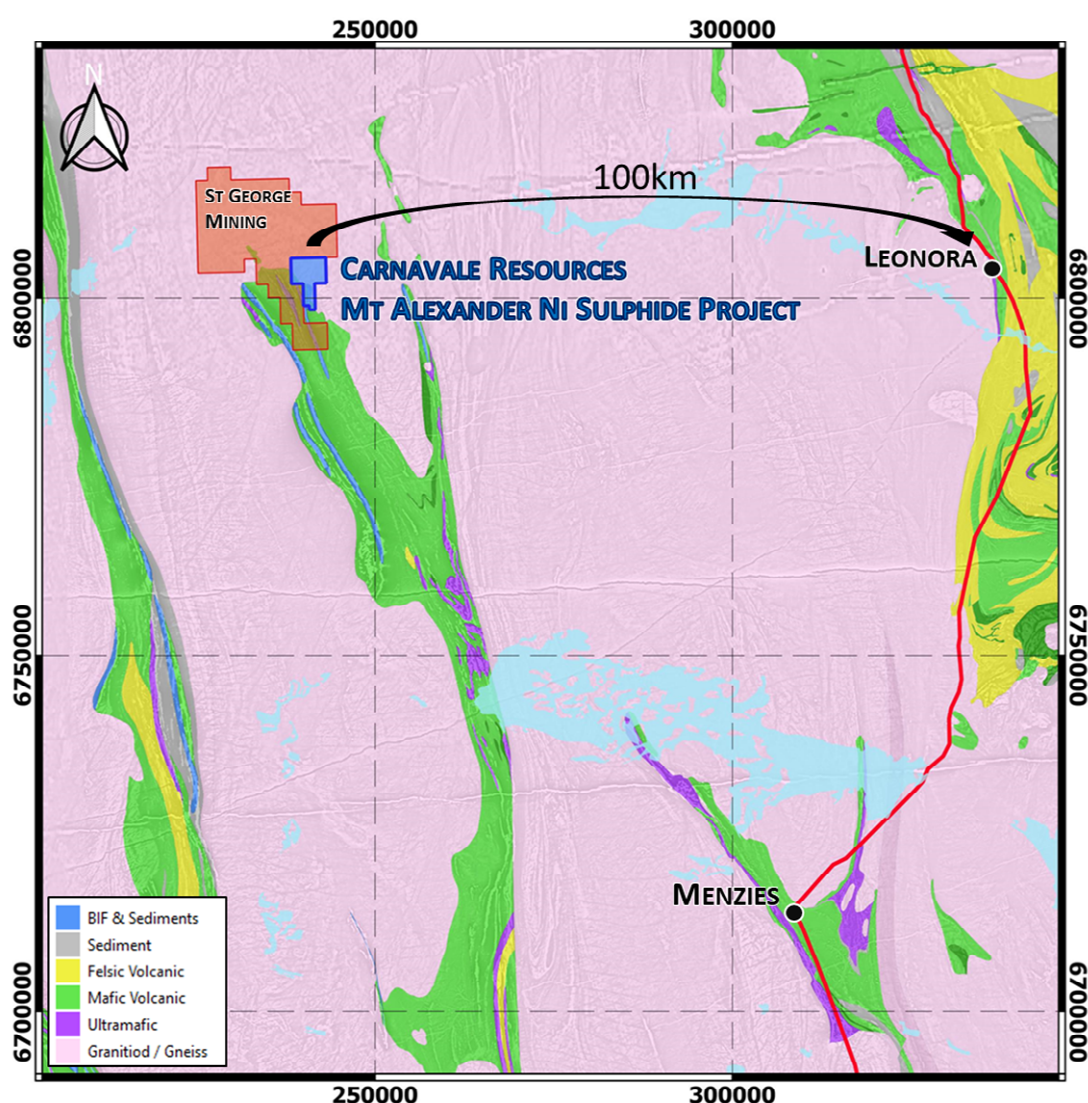
DIRECTORS' REPORT

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 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.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Acquisition terms

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 having reviewed the drilling data in detail and considered the highly nuggetty nature of the mineralisation and specific structural controls on mineralisation would make it difficult to define a JORC compliant resource capable of supporting a large scale, economic development.

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.

CORPORATE

In May 2019, Carnavale 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 0.3 cents per share to raise approximately \$2.229 million together with one free attaching option (exercise price 0.7 cents each, expiry date 30 September 2020) for every 2 shares issued ("Rights Issue").

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 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.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2019.

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



A Beckwith
Managing Director
Perth

Dated this 6th day of March 2020

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 announcements.

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

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Carnavale Resources Limited for the half-year ended 31 December 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
6 March 2020



L Di Giallonardo
Partner

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Note	Consolidated 6 Months Ended 31 December 2019 \$	Consolidated 6 Months Ended 31 December 2018 \$
REVENUE			
Interest income	2	4,985	8,521
		<u>4,985</u>	<u>8,521</u>
EXPENSES			
Administrative expenses		(185,238)	(255,868)
Exploration expenditure impaired	3	(1,881,695)	(18,951)
Due diligence / project generation expenses		-	(5,289)
Foreign exchange loss		(10,242)	(1,435)
Share - based payments expense	5	<u>(77,627)</u>	<u>(43,413)</u>
Loss before income tax		(2,149,817)	(316,435)
Income tax expense		<u>-</u>	<u>-</u>
Net loss for the period		(2,149,817)	(316,435)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		-	-
Other comprehensive loss for the period		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u>(2,149,817)</u>	<u>(316,435)</u>
 Basic and diluted loss per share (cents per share)		 (0.16)	 (0.05)

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$
Assets			
Current Assets			
Cash and cash equivalents		1,555,312	191,201
Receivables		18,016	8,271
Other assets		4,932	10,850
Total Current Assets		1,578,260	210,322
Non-Current Assets			
Exploration and evaluation expenditure	3	758,786	2,383,399
Other assets		20,000	20,000
Total Non-Current Assets		778,786	2,403,399
Total Assets		2,357,046	2,618,721
Liabilities			
Current Liabilities			
Trade and other payables		90,258	463,886
Total Current Liabilities		90,258	463,886
Total Liabilities		90,258	463,886
Net Assets		2,266,788	2,154,835
Equity			
Issued capital	4	31,154,096	28,969,953
Share-based payments reserve	5	1,633,733	1,556,106
Accumulated losses		(30,521,041)	(28,371,224)
Total Equity		2,266,788	2,154,835

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

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

Consolidated	Issued Capital	Accumulated Losses	Share-Based Payments Reserve	Total Equity
Balance at 1 July 2019	28,969,953	(28,371,224)	1,556,106	2,154,835
Loss attributable to members of the parent entity	-	(2,149,817)	-	(2,149,817)
Total comprehensive loss for the period	-	(2,149,817)	-	(2,149,817)
Shares issued during the year (net)	2,184,143	-	-	2,184,143
Fair value of performance rights issued	-	-	77,627	77,627
Balance at 31 December 2019	31,154,096	(30,521,041)	1,633,733	2,266,788

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Consolidated 6 Months Ended 31 December 2019 \$	Consolidated 6 Months Ended 31 December 2018 \$
Cash flows from operating activities		
Cash payments in the course of operations	(297,407)	(249,628)
Cash payments for due diligence and project generation expenses	-	(5,289)
Interest received	5,163	9,515
Net cash used in operating activities	(292,244)	(245,402)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(466,405)	(951,386)
Payments for acquisition of exploration properties	(30,000)	(20,000)
Net cash used in investing activities	(496,405)	(971,386)
Cash flows from financing activities		
Proceeds from issue of shares (net)	2,152,733	100,058
Net cash provided by financing activities	2,152,733	100,058
Net increase / (decrease) in cash held	1,364,084	(1,116,730)
Cash at the beginning of the reporting period	191,201	1,919,037
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	27	(1,435)
Cash at the end of the reporting period	1,555,312	800,872

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim consolidated financial statements were authorised for issue on 6 March 2020.

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Carnavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

Significant accounting judgements and key estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2019.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, except for the impact of the new Standards and Interpretations effective 1 July 2019 as disclosed below.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Going Concern

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

Adoption of new and revised Standards

Standards and Interpretations applicable to 31 December 2019

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for reporting periods beginning on or after 1 July 2019.

As a result of this review, the Directors have considered the adoption of AASB 16, Leases with the date of initial application being 1 July 2019.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

At 1 July 2019 it was determined that the adoption of AASB 16 had no impact on the Group.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the period ended 31 December 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 in issue not yet adopted on the Group and therefore no material change is necessary to Group accounting policies.

2. LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2019 \$	Consolidated 31 December 2018 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	4,985	8,521
Total	<u>4,985</u>	<u>8,521</u>
Expenses		
Impairment of capitalised exploration expenditure	(1,881,695)	(18,951)
Share based payments expense	(77,627)	(43,413)

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

3. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2019 (6 months) \$	Consolidated 30 June 2019 (12 months) \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at 1 July	2,388,399	201,460
Acquisition costs – exploration licences	50,000	228,055
Expenditure incurred	202,082	1,977,492
Exploration expenditure impaired	(1,881,695)	(18,608)
Balance at end of period	758,786	2,388,399

The impairment of exploration expenditure in both periods relates to carried forward expenditure in respect of relinquished tenements. The current period impairment relates to the directors' decision to withdraw from the agreement with African Panther Resources (U) Limited to acquire up to 70% of the Kikagati Tin Project. The 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.

4. ISSUED CAPITAL

	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$
(a) Issued and paid-up share capital		
667,999,560 (30 June 2019: 742,999,560) ordinary shares, fully paid	31,154,096	28,969,953
<i>Movements in Ordinary Shares:</i>		
	\$	\$
Balance at the beginning of the period	28,969,953	28,510,898
Share placement at an issue price of 1.7 cents each in August 2018 – 6 million shares	-	102,000
Shares issued in August 2018 as facilitation fee in relation to the Kikagati (Isingiro) Project – 10 million shares	-	90,000
Shares issued in December 2018 for option extension fee in relation to the Kikagati Project – 10 million shares	-	60,000
Share placement at an issue price of 0.3 cents each in May 2019	-	225,000
Non-renounceable rights issue completed in July and August 2019 at an issue price of 0.3 cents each – 742,404,069 shares	2,227,212	

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

4. ISSUED CAPITAL - continued

	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$
a) Issued and paid-up share capital		
Shares issued in December 2019 for acquisition of exploration licences – 10 million shares	20,000	-
Transaction costs arising from issue of securities	(63,069)	(17,945)
Balance at the end of the period	31,154,096	28,969,953

(b) Share options

Exercise Period	Exercise Price	Opening Balance 1 July 2019 Number	Options Issued Number	Options Exercised/ Expired Number	Closing Balance 31 December 2019 Number
On or before 30 December 2019	\$0.02	60,000,000	-	(60,000,000)	-
On or before 30 September 2020	\$0.007	-	408,702,011	-	408,702,011
Total		60,000,000	408,702,011	(60,000,000)	408,702,011

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.

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.

(c) Performance rights

Grant Date	Expiry Date	Opening Balance 1 July 2019 Number	Rights Issued Number	Rights Exercised/ Expired Number	Closing Balance 31 December 2019 Number
10 August 2018	30 June 2021	36,000,000	-	-	36,000,000
6 September 2019 and 22 November 2019	31 December 2020	-	99,000,000	-	99,000,000
Total		36,000,000	99,000,000	-	135,000,000

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.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

4. ISSUED CAPITAL - continued

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

Date of issue	6 September 2019	22 November 2019
Share price on date of issue	0.3 cents	0.2 cents
Expected volatility	139%	148%
Risk-free interest rate	1.5%	1.5%
Expiry date of rights	31 December 2020	31 December 2020

5. SHARE-BASED PAYMENTS RESERVE

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

	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$
Share-based payments reserve	1,633,733	1,556,106
<i>Movements in share-based payments reserve</i>		
Opening balance	1,556,106	1,462,960
Fair value of performance rights issued to directors, company secretary and technical consultant	77,627	93,146
Balance at the end of the period	1,633,733	1,556,106

6. COMMITMENTS AND CONTINGENT LIABILITIES

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

- The Company withdrew from the Earn-In Agreement with APRU to acquire 70% of the Kikagati Tin Project Uganda and has no further commitments relating to the project going forward;
- During the period, the Group secured an option to earn 80% of the prospective tenement package (E28/2567, E28/2682, E28/2760, and E28/2506) and in order to maintain current contractual rights, the Group has certain commitments to meet minimum expenditure requirements. The current annual minimum lease expenditure commitments on this tenement package is \$73,000; and
- During the period, the Group secured the right to acquire up to 80% of the Mt Alexander Project and in order to maintain current contractual rights, the Group has certain commitments to meet minimum expenditure requirements. The current annual minimum lease expenditure commitments on this tenement package is \$47,440.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

7. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

No other matters or circumstances have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

8. SEGMENT REPORTING

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

	Investing	Mineral	Elimination	Consolidated
	\$	Exploration	s	\$
31 December 2019	\$	\$	\$	\$
Business segments				
Revenue				
Other external revenue	4,985	-	-	4,985
Total segment revenue	4,985	-	-	4,985
Results				
Operating loss before income tax	(267,457)	(1,882,360)	-	(2,149,817)
Income tax expense				-
Net loss				(2,149,817)
31 December 2019				
Assets				
Segment assets	1,598,260	758,786	-	2,357,046
Liabilities				
Segment liabilities	90,258	-	-	90,258
31 December 2018	\$	\$	\$	\$
Business segments				
Revenue				
Other external revenue	8,521	-	-	8,521
Total segment revenue	8,521	-	-	8,521
Results				
Operating loss before income tax	(291,617)	(24,818)	-	(316,435)
Income tax expense				-
Net loss				(316,435)
31 December 2018				
Assets				
Segment assets	842,961	1,443,039	-	2,286,000
Liabilities				
Segment liabilities	32,237	194,174	-	226,411

9. FINANCIAL INSTRUMENTS

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

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

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2019

In the opinion of the directors:

- (a) the financial statements and notes of the Group, as set out on pages 9 to 18, are in accordance with the Corporations Act 2001 including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year then ended; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



A Beckwith
Managing Director

Dated at Perth this 6th day of March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carnavale Resources Limited

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

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
6 March 2020

L Di Giallonardo

L Di Giallonardo
Partner