

QUARTERLY ACTIVITY REPORT

CARNAVALE RESOURCES

(A.C.N 119 450 243)

ASX Code: **CAV**

Shares: 458.9M

Options: 186.2M
(Nov 2016 @ \$0.03)

60.0M
(Dec 2019 @ \$0.02)

Perf Shares 21.0M

Directors

Ron Gajewski (Chairman)

Andrew Beckwith (MD)

Rhett Brans (NED)

Andrew Chapman (NED)

Carnavale Resources Limited, is an exploration and development company based in Perth, Western Australia.

The Company is currently actively assessing various new opportunities in the resources sector.

Office

Level 2, Suite 9
389 Oxford Street
Mount Hawthorn Western Australia
6016

Post

PO Box 281
Mount Hawthorn WA 6915

Contact Details

Ph +61 8 9380 9098
Fax +61 8 9380 6761
admin@carnavaleresources.com

For the period ended 30 June, 2016

Carnavale Resources Limited ("CAV" or "the Company") reports on activities completed during the quarter to 30 June 2016.

NEW PROJECT Lake Roe Project (Au)

CAV recently acquired 100% of the Lake Roe Project, comprising two exploration licences (E28/2303 and E28/2304) located 120km ENE of Kalgoorlie (Fig 1). The two tenements cover a sequence of deformed Archean greenstone belt within the Southern Laverton Tectonic Zone (SLTZ) and are considered prospective for gold mineralisation.

The Southern Laverton Tectonic Zone is host to a number of large gold deposits with the Lake Roe Project area centred between Carosue Dam (3.5Moz), located approximately 40km to the north, and Karonie (0.9Moz), approximately 50km to the south. These deposits are associated with the major Keith-Kilkenny and Claypan Shears, which represent two major tectonic shear zones that converge near the Lake Roe region.

CAV's Lake Roe Project area lies immediately north and east of ASX Listed Breaker Resources (Breaker) Lake Roe project where Breaker has defined a large gold-arsenic-tellurium-molybdenum anomaly over approximately 3km of strike length at the Bombora Prospect. Recent shallow aircore drilling results announced by Breaker (refer Breaker's ASX announcement dated 25 July 2016), define a large supergene oxide gold and arsenic anomaly with deeper drilling highlighting high grade bedrock gold mineralisation (>5g/t Au) in shallow aircore and RC drill holes. The gold mineralisation is noted to be associated with fractionated dolerites and banded iron formation within the Claypan Shear Zone and adjacent to a granite contact, similar to many other Yilgarn gold deposits in the region.

Exploration licence E28/2303 (CAV 100%), covers portions of the Claypan Shear and second order structures to the immediate east of the main Claypan Shear with a granite intrusion located to the immediate south east and within the tenement. A review of existing data completed by previous explorers has defined a strong gold-arsenic anomaly over greater than 600m strike length at the **Stag Prospect**. This anomaly is defined as gold >300ppb by a combination of RAB and aircore drilling. The mineralisation is associated with strongly sheared altered volcanoclastic rocks with minor quartz veining bounded by dolerite/basalt and a porphyry/granite is logged on the western margin of the prospect.

The gold anomaly defined by the earlier RAB and aircore is encouraging with supergene gold dispersed within the weathered bedrock beneath a shallow veneer of transported cover. Importantly, a number of drill holes intersected broader zones of strong bedrock gold mineralisation which remains open at the end of the holes. The high grade 57.17g/t gold mineralisation noted in RORB0402 is associated with quartz veined and a sheared sericite-biotite-chlorite altered intermediate rock similar to host rocks of other Yilgarn gold deposits.

STAG PROSPECT

Anomalous gold zones remaining open at the end of the drill holes include:

RORB0402 *8m @ 8.22g/t Au from 79m including 1m @ 57.17g/t Au

RORB0501 *20m @ 0.57g/t Au from 76m

RORB0508 *2m @ 0.15g/t Au from 103m

RORB0536 *8m @ 1.19g/t Au from 69m

MRAC0005 *10m @ 0.14g/t Au from 74m

(*Mineralisation open at end of hole)

The anomalous gold zone has only been tested with only 2 RC and 2 diamond holes, by the previous explorers, with only limited results including 1m @ 0.37g/t and 1 @ 1.12g/t Au in NRRC002 and CPD001 respectively.

Magnetic and gravity datasets suggest the Stag Prospect occurs on the eastern limb of a folded dolerite/schist sequence associated with a SE trending second order structure. This SE trending structure has not been tested a further 3km strike length to the SE. Other second order structures, potential differentiated dolerite and BIF targets and a moderate sized granite occur elsewhere in the tenement. Previous RAB and aircore drill is estimated to have tested only approximately 20% of the tenement area, providing scope to expand on the known Stag anomaly.

Figure 1 Lake Roe Project location plan



Significant historic RAB and aircore drilling results (>0.10g/t Au) at the Stag Prospect include:

SITE_ID	GDA_N	GDA_E	DEPTH	FROM_Max_Au	TO_Max_Au	MAX_Au_ppm	From	To	Width	Intercept	Au_gm_metres
ROBD29	6613357	460037	81	36	40	0.10	36	40	4	0.10	0.40
ROBD64	6612557	458137	51	36	40	0.10	36	40	4	0.10	0.40
RORB0398	6616400	462200	71	68	69	0.28	68	69	1	0.28	0.28
RORB0400	6616400	462400	67	60	61	0.63	57	61	4	0.29	1.16
RORB0402	6616400	460600	87	80	81	57.17	79	87	8	8.22	65.76
RORB0463	6616800	460900	90	64	68	0.17	64	68	4	0.17	0.68
RORB0464	6616800	460800	92	72	76	0.37	72	76	4	0.37	1.48
RORB0487	6616604	460490	122	101	102	0.73	96	107	11	0.38	4.18
RORB0501	6616193	460681	96	83	84	3.42	76	96	20	0.57	11.40
RORB0508	6616000	461494	107	104	105	0.37	103	107	4	0.29	1.16
RORB0533	6617000	460880	77	65	66	0.17	65	67	2	0.15	0.30
RORB0536	6616998	460581	77	72	73	6.49	69	77	8	1.19	9.52
RORB0538	6616998	460398	91	85	86	0.24	84	87	3	0.20	0.60
MRAC0004	6616200	460740	88				76	80	4	0.14	0.56
MRAC0005	6616300	460700	84				74	84	10	0.14	1.40
MRAC0008	6616400	462240	77				70	72	2	0.23	0.46
MRAC0013	6616500	460550	107				88	90	2	8.39	16.78
MRAC0018	6616900	460600	102				68	72	4	0.49	1.96
MRAC0019	6616900	460550	85				78	80	2	0.12	0.24
MRAC0022	6617000	460640	100				76	78	2	0.39	0.78
MRAC0026	6617100	460500	100				94	96	2	0.33	0.66

Exploration licence E28/2304 (CAV 100%), to the south east of E28/2303, has similar geological setting with chlorite-biotite-sericite schists, siltstones and ultramafic schists intersected in relatively wide-spaced aircore traverses.

The magnetic data suggests either a folded magnetic dolerite or BIF sequence occurs through the central portions of the tenement, truncated by a NE trending regional structure and magnetic dyke. This SE trending fold hinge partially coincides with an historic augur gold anomaly. This structurally favourable target has the potential for sulphidised BIF and/or altered differentiated dolerite and remains to be systematically tested. On the eastern half of the tenement, a NE trending fold hinge provides an additional structural target.

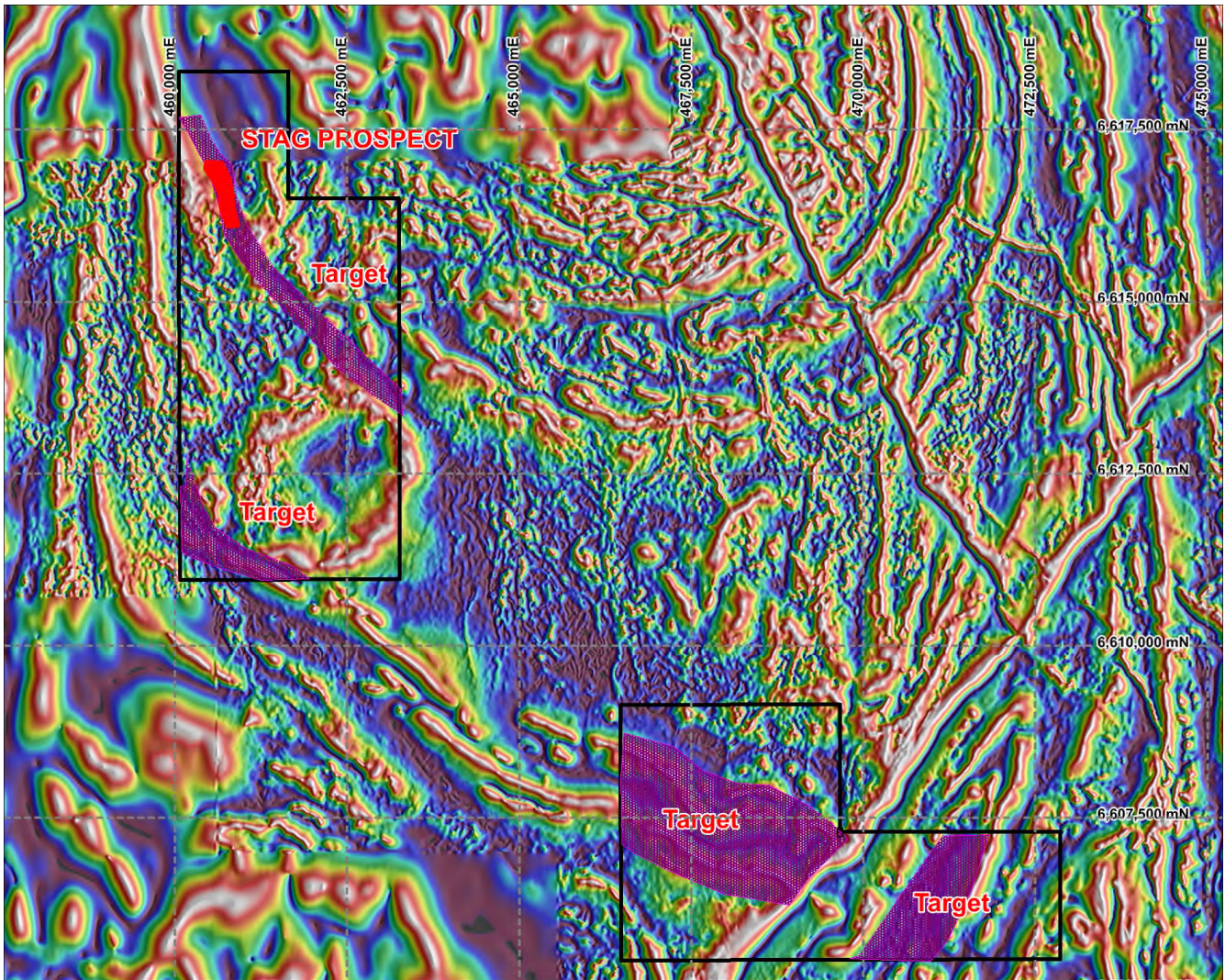
Lake Roe Project Priority Targets

- **STAG PROSPECT** - follow-up drill testing of the +600m long gold anomaly and known bedrock gold mineralisation
- **SE STAG STRUCTURE EXTENSIONS** – geochemical aircore drilling to test the SE extensions of the second order Stag Prospect structure.
- **FOLD HINGE STRUCTURAL ZONE** – geochemical aircore drilling to test prospective structural position in receptive rocks associated with an historic auger anomaly

Field inspection, programme design and drilling approvals are planned to be completed during the next month with initial geochemical aircore drilling anticipated to commence during September.



Figure 2 Lake Roe Project -Targets



BUSINESS DEVELOPMENT

New Opportunities

The Company has the principle strategy to focus on gold and lithium exploration and development opportunities in prospective and safe jurisdictions that can add value for shareholders. Alternative technology and financial opportunities have also been reviewed.

During the quarter, detailed due diligence was undertaken on an advanced lithium project in an overseas jurisdiction. Unfortunately, legal due diligence and commercial terms could not be completed and agreed upon to the Board's satisfaction and the Company subsequently withdrew from negotiations on this project in late July.

The Company continues to pursue other opportunities and progress programmes at the Roe Project.

Divestment

Red Hills Project, Nevada

No field activities were undertaken on the project during the period, and subsequent to the end of the quarter, the Company having completed a review of the project potential for defining a gold resource elected to withdraw from the Joint Venture.

Consequently, 21M Class B Performance Shares issued as part of the acquisition terms for the Red Hills Project will be redeemed by the Company for a nominal sum in accordance with the terms of issue of the Performance Shares.

CORPORATE

The Company completed Tranche 2 of its Capital Raising in April 2016, following receipt of shareholder approval in late March 2016.

The Company had a cash position of \$1,400,000 as at 30 June 2016.

For further information contact:

Ron Gajewski

Chairman

P: +61 8 9380 9098

Andrew Beckwith

Director

P: +61 8 9380 9098

The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared 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.

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 June 2016 Quarter

Project/Location	Country	Tenement	Percentage held/earning
Red Hills Project – Nevada	USA	Red 4,6,8,10,12,14, 16,18, 20-48,50-65,74-82,86-91,95-124	0% held ¹

¹ Carnavale, through 100% owned subsidiary Tojo Minerals Pty Ltd (Tojo), holds joint venture earn-in rights with Columbus Gold Corporation whereby Tojo has the right to initially earn 51% of the project tenements via expenditure of US\$2M over a period of three years from the execution date of 15 August 2013. Tojo has the additional right to elect to earn an additional 24% (total of 75%) via additional expenditure of US\$7M over a further period of 4 years from this election. Expenditure thereafter is on a pro rata basis with dilution clauses standard in this type of agreement. The project has an underlying 2% Net Smelter Royalty (NSR) to a third party. The agreement has the right for Tojo to purchase 1% of the third party NSR for US\$2M. Subsequent to the end of the quarter, Carnavale withdrew from the Joint Venture.

Project/Location	Country	Tenement	Percentage held/earning
Roe Project – Western Australia	Australia	EL 28/2303 EL 28/2304	100%

Schedule of Mining Tenements, Beneficial Interests and agreements

Acquired during the June 2016 Quarter

Project/Location	Country	Tenement	Percentage held/earning
Roe Project – Western Australia	Australia	EL 28/2303 EL 28/2304	100%