

QUARTERLY ACTIVITY REPORT

For the period ended 31 December 2014

CARNAVALE RESOURCES

(A.C.N 119 450 243)

ASX Code: **CAV**

Shares: 202.7M

Options: 166.5M

Cash: \$1.15M (Dec 2014)

M.Cap \$2.02M (@ \$0.010)

Directors

Ron Gajewski (Chairman)

Andrew Beckwith (MD)

Klaus Eckhof (NED)

Rhett Brans (NED)

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

Carnavale has entered an option to acquire Tojo Minerals Pty Ltd, which has rights to acquire two highly prospective gold-silver-copper projects in Arizona and Nevada, USA.

Office

Level 1, Suite 5
The Business Centre
55 Salvado Rd.
Subiaco, WA 6008

Post

PO Box 131
Subiaco, WA 6008

Contact Details

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

Carnavale Resources Ltd (ASX: CAV) is pleased to report on significant advances at both the Red Hills and Little Butte gold projects in Nevada and Arizona, USA for the December 2014 Quarter.

At Red Hills (Nevada), Carnavale is targeting a new large scale "Carlin style Au-Ag deposit" that Nevada is well known to host.

- **Four large "Carlin style" anomalies have been defined to date; Rattler, Tiger, Cobra and Viper.** Additional mapping, detailed rock chip (results received) and soil sampling has been completed during the December quarter.

Excellent rock chip results highlight **three historically mined shear zones within the larger Rattler, Cobra and Tiger anomalies.**

- **Rattler Shear (Au-Ag-Zn-Pb)** – largest historical mine
 - Target dimensions – 500m x 20m x 300m
 - **+7.8m @ 0.52g/t Au, 105g/t Ag, 2.6% Zn 2.8% Pb**
 - including **+3.5m @ 1.1g/t Au, 205g/t Ag, 5.2% Zn, 5.9% Pb**
- **Cobra Shear (Au-Ag-Zn-Pb-Cu)** – 2nd largest historical mine
 - alteration mapped over 900m
 - **+3.0m @ 0.6g/t Au, 317g/t Ag, 1.5% Cu, 9.9% Zn, 4.0% Pb from a limited outcrop**

At Little Butte (Arizona), a large (>500m long, >300m wide and 50m thick) secondary gold and copper blanket hosted in highly weathered sediments has been defined by recent drilling.

Carnavale now intends to target the primary source of this large remobilised and highly anomalous Au-Cu zone with a planned EM survey aiming to define a sulphide rich primary source in the fresh bedrock.

Jan-March 2015 activities include;

- Decision on Tojo Minerals acquisition
- Detailed soil results and progress drilling approvals at Red Hills, Nevada
- EM geophysical survey targeting primary Au-Cu sulphide targets, at Little Butte, Arizona

Corporate

- Cash of \$1.15M and no debt



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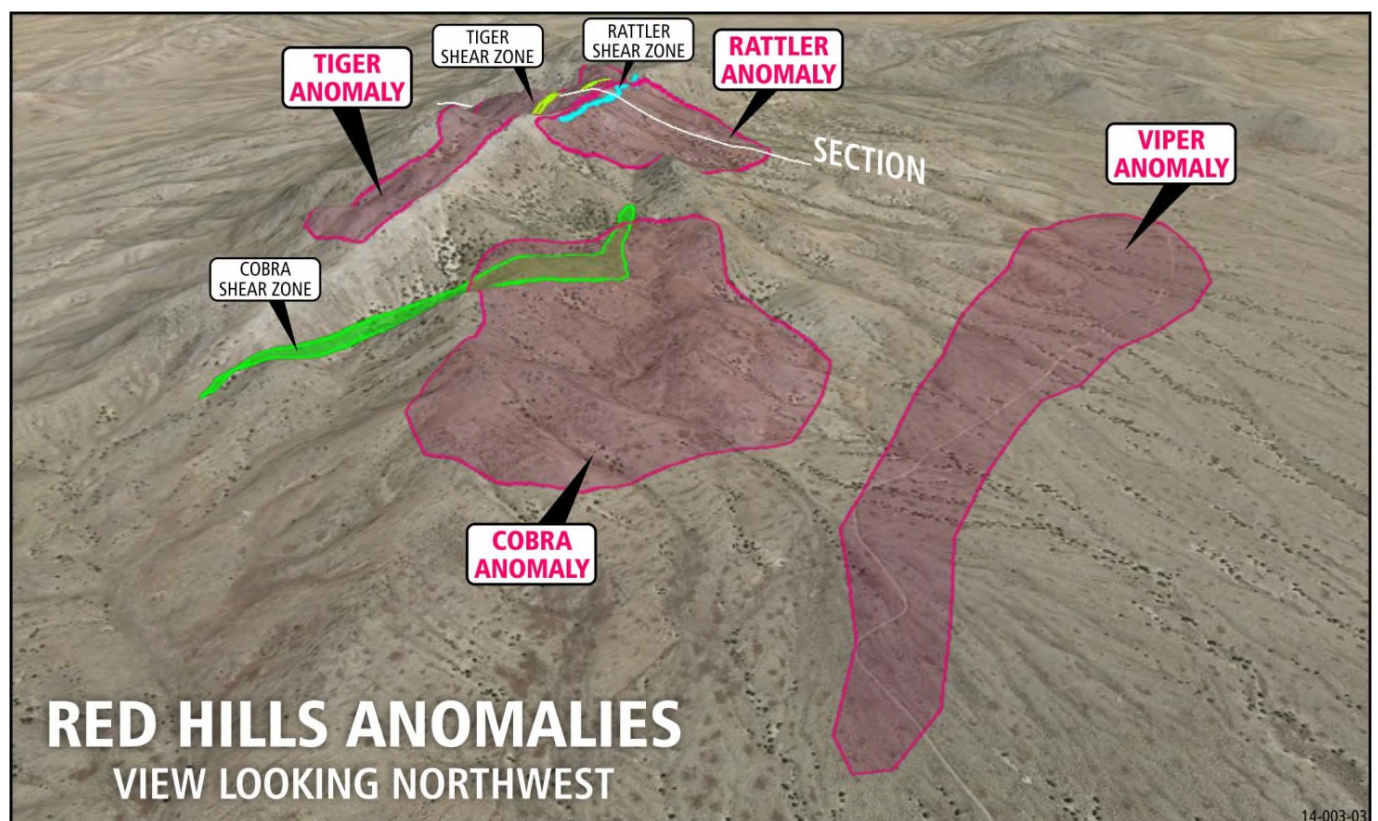
Red Hills (Au-Ag and Au-Ag Zn-Pb-Cu),

At Red Hills, located in Nevada USA, the Company is aiming to discover a new large scale “Carlin style Au-Ag deposit”. Nevada is the largest gold producing state in the USA, with over 5 million ounces of gold produced in 2014, mostly from large Carlin style gold mines. Many of these major mines are aligned along large scale crustal structures or trends. The Red Hills project is located on the projected south east extension of the “Carlin Gold Trend”, where over 150 million ounces have been discovered and over 50million ounce produced to date.

The Red Hills geology is considered to be very similar to the recently discovered Long Canyon deposit (2.6Moz) acquired by Newmont in 2011. This significant new discovery is in rocks previously overlooked by past explorers and opens up a new region of Nevada for potential new discoveries.

Four large “Carlin style” anomalies, Rattler, Tiger, Cobra and Viper (pink zones in Fig 1), have been defined in the prospective west dipping carbonate rich sediments.

Figure 1 View showing Rattler, Tiger Cobra and Viper “Carlin Style anomalies.



During the quarter, additional mapping, detailed rock chip and soil sampling was undertaken throughout these four anomalies.

Importantly, three new high grade Au-Ag-Zn-Pb(-Cu) shear zones have been defined, with continuous channel rock chip sampling of the partially outcropping shear zones and historically mined shear zones identifying significant widths of high grade gold-silver-zinc-lead-copper mineralisation.

Historical underground mining during the early 1900’s to 1950’s was via horizontal ore extraction drives or adits into the vertical to dipping shear zones (Figure 2) and a series of vertical shafts provided

alternative access and air vents into the mines. The historical mining would have used hand held mining equipment and selectively mined only the narrower internal very high grade gossanous portions of the overall well mineralised shear zones.

Rattler Shear Zone – high grade gold-silver-zinc-lead

At the Rattler Mine, the largest historical mine, past mining has occurred over an approximate 300m strike length and 50m depth based on the locations of the access shafts and adits. Carnavale’s mapping and sampling suggests the shear zone has a **potential target dimension of at least 500m along strike and 20m width and is expected to continue at depths of at least 300 vertical metres.**

Continuous rock chip sampling has defined significant high grade gold-silver-zinc-lead mineralisation across the poorly outcropping Rattler Shear Zone. Figure 2 shows this sampling at the entrance to one of the vertical access shafts located along the Rattler Shear Zone. In the photograph, the high grade gossan zone has been mostly mined out however sampling of the remaining altered rocks across this entire zone shows significant Au-Ag-Zn-Pb mineralisation.

Rattler Shear Zone rock chip sampling results:

7.8⁺m @ 0.52g/t Au, 105g/t Ag, 2.6% Zn, 2.8% Pb (true width)

including 3.5⁺m @ 1.1g/t Au, 205g/t Ag, 5.2% Zn, 5.9 % Pb (true width)

The eastern portion and higher grade material includes remnant in situ gossan which would be further added to the previously mined gossan material. Significantly the ferruginous and silicified rocks 12m to the east reported high grade mineralisation **0.3g/t Au, 250g/t Ag, 0.63% Zn, 9.7% Pb** suggestive of a total mineralised shear zone of up to 20m true width. Drilling will be required to test the overall width of this zone.

Figure 2 Rattler Shear Zone channel sampling at one of the access shafts

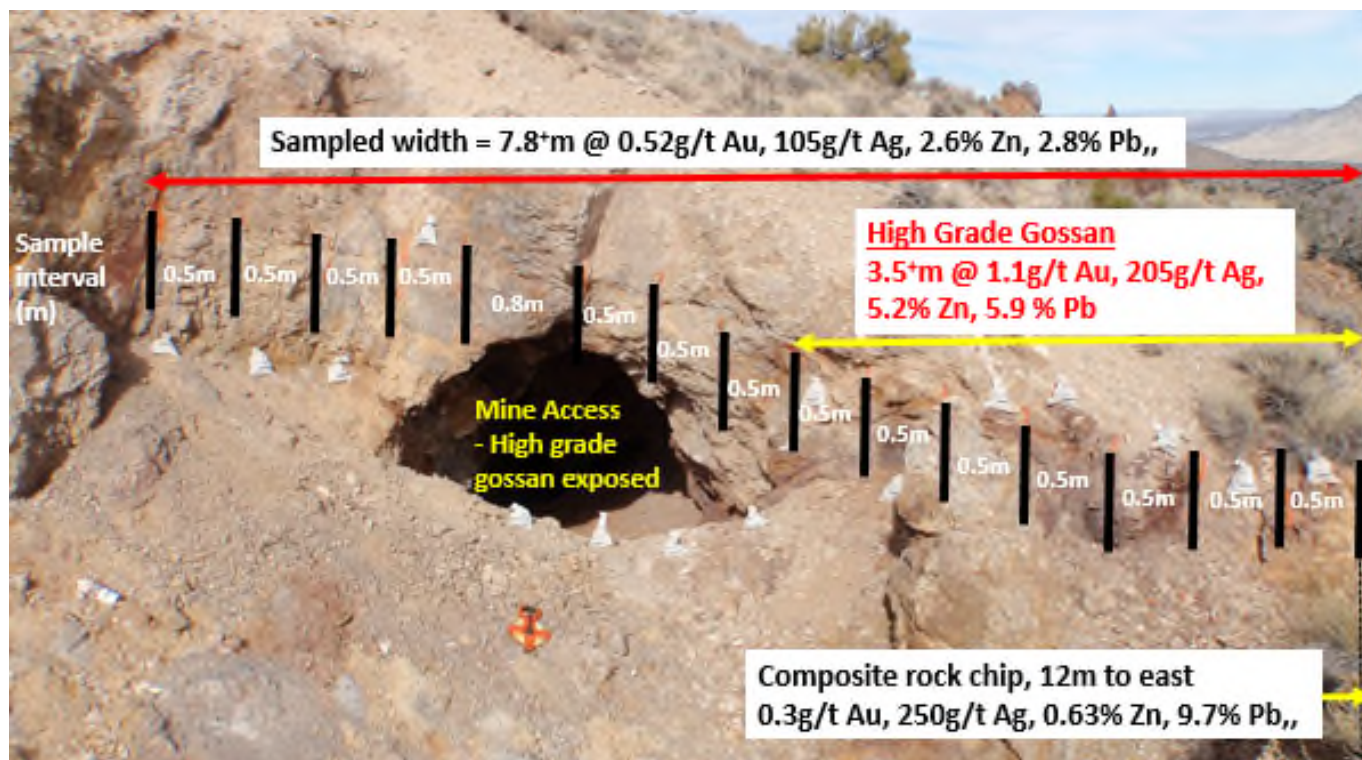
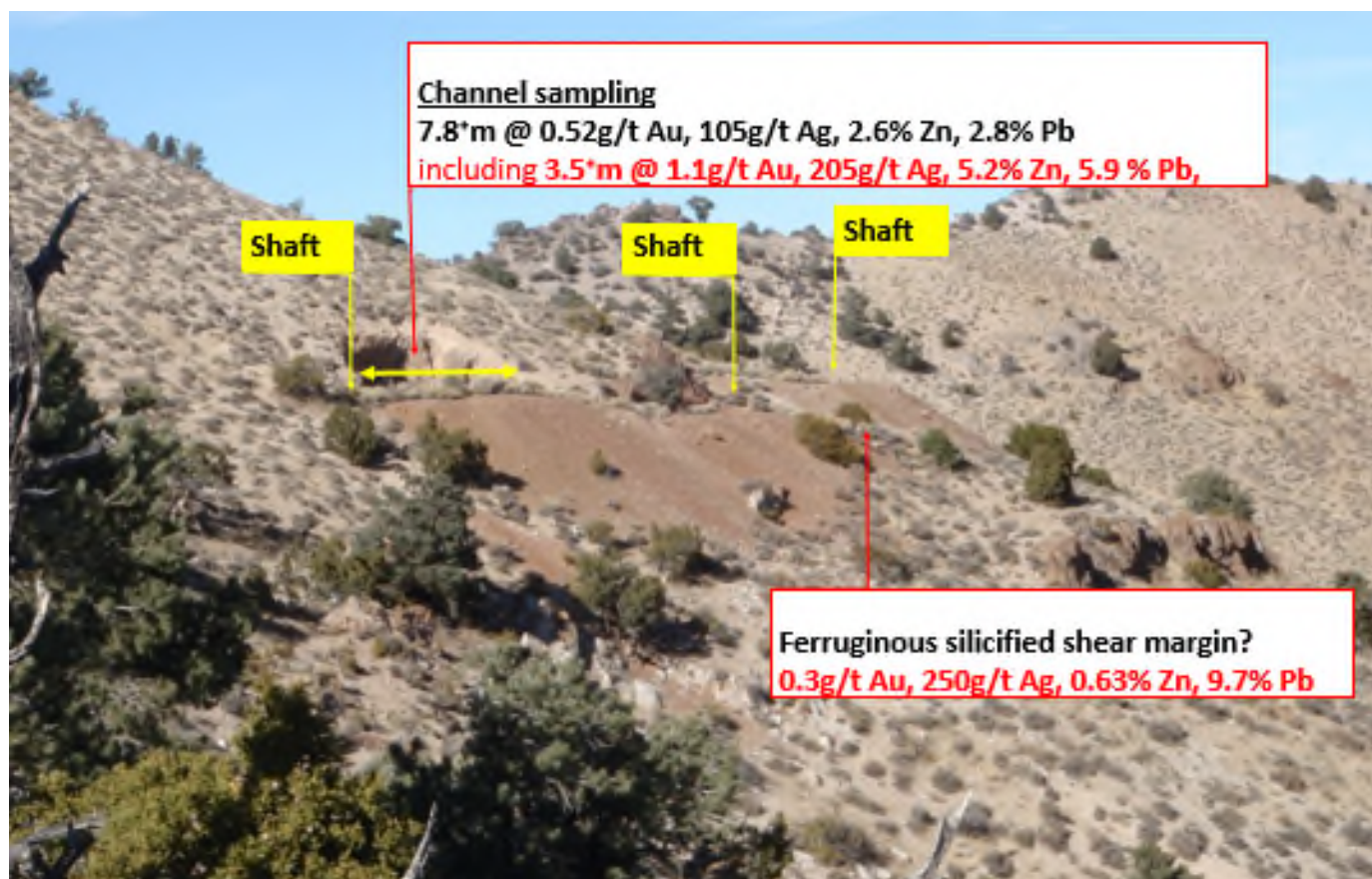


Figure 3 View of access shafts along Rattler Shear Zone



Cobra Shear Zone - high grade copper-gold-silver-zinc-lead

Recent mapping and sampling in the Cobra Anomaly area has defined a strong west dipping shear zone which hosts a series of historical workings including the main extraction adit on the western margin of the main anomaly. This shear or thrust zone and associated poorly outcropping alteration is interpreted to bifurcate around a number of highly deformed and massive internal dolomite units and extends for at least 900m along strike (Figure 1).

The Cobra workings are the second largest workings in the project area, where limited channel sampling over a 4m portion of the poorly outcropping shear zone with minor visible oxide copper mineralisation (malachite), near the main extraction adit, has returned **3.0*m @ 1.5% Cu, 0.6g/t Au, 317g/t Ag, 9.9% Zn, 4.0 % Pb** and remains open to the west and potentially the east. This zone is located vertically above the mine workings associated with the adit.

Various, but limited, composite rock chip samples elsewhere along the 900m strike length support the high grade mineralisation potential. Additional high grade rock chip results have also been reported from narrower and subparallel mineralised zones elsewhere in the anomaly area and detailed grid based soil sampling has been completed over this target in an effort to better define the overall trend and extents of this system.



Tiger Shear Zone – similar high grade Au-Ag-Zn-Pb target

The Tiger Shear Zone is located parallel and approximately 100m to the west of the Rattler Shear Zone with numerous small shafts and mine workings occurring along an interpreted 400m of strike length. Rock chip sampling results indicate selected high grade to highly anomalous Au-Ag-Zn-Pb.

Mapping has delineated two styles of mineralisation related to firstly a sub-vertical shear zone with extensive alteration and brecciation up to potentially 12m wide and is similar in style to the Rattler Shear.

The second style of mineralisation comprises breccias in the core of small scale anticlines and sheared out anticlines west of the main Tiger Shear Zone. Small workings occur on these zones however they are difficult to sample on surface due to limited outcrop of the breccia zones.

Little Butte Gold and Copper Project, Arizona USA

During the quarter, Carnavale completed an RC drilling programme comprised of 18 holes for a total advance of 1734m, on the Railway Prospect at the Little Butte Project, Arizona USA.

The programme was designed to test the near surface weathered portions of the prospect area to confirm continuity of the higher grade gold zones in the hematite rich and structurally controlled breccia's along the south-eastern margin and the shallow broad secondary "supergene" gold and copper mineralization evident in the central and northern portions of the prospect.

Overall, the RC drilling confirms the continuity of previously defined shallow and broad secondary supergene gold and copper zones in the deeply weathered and hematite rich siltstones and sandstones. All results were reported in ASX release dated 13 January 2015 and a summary of those results are presented in Table 1.

Large supergene gold and copper blanket defined

The new drilling confirms the gross continuity of the broad flat lying and generally low grade and partially overlapping gold and copper supergene plume of mineralization over approximately 80m strike length, up to 300m in width and to a maximum thickness of approximately 50m in the central portions of the Railway Prospect (Fig 3 and 4). Drilling to the north and south has partially demonstrated potential for this supergene mineralisation to extend over approximately 500m strike length and remains open particularly to the west and north. The results also show the internal higher grade gold zones within the broad supergene zones are less continuous than expected. The supergene copper mineralisation demonstrates quite consistent partially overlapping zones in the range of 0.1-0.4% Cu values in individual samples.

New EM survey to target Au-Cu source

Carnavale considers the large supergene gold and copper plume evident at the Railway Prospect represents a highly encouraging anomaly above or nearby to a deeper fresh sulphide rich source. This deeply weathered setting is similar to the Degruusa Cu-Au deposit discovered by Sandfire Resources NL in Australia, where initial and extensive early exploration work at Degruusa included shallow drilling defining a similar large gold and copper supergene plume. Later deeper drilling beneath this Au-Cu plume intersected high grade Cu-Au mineralisation hosted in massive sulphide orebody. EM surveys were subsequently used to define further massive sulphide rich bodies along strike and at depth that allowed for rapid drill targeting at this discovery. Carnavale's approach will be to employ the EM survey to define target conductors that will allow for rapid drill testing thereafter.

Table 1 Summary of the more significant supergene intercepts from the Railway Prospect

NEW CARNAVALE Drilling

LB-1402R	7.6m @ 2.57g/t Au, 0.14% Cu from 10.7m (2.82g/t AuEq) including 3m @ 6.07g/t Au
LB-1404R	3m @ 0.67g/t Au, 0.02% Cu from 33.5m (0.7g/t AuEq)
LB-1406R	12.2m @ 0.6g/t Au, 0.08% Cu from 29m (0.73g/t AuEq) including 1.5m @ 3.49g/t Au
LB-1407R	70.1m @ 0.22g/t Au, 0.18% Cu from 12.2m (0.52g/t AuEq) including 1.5m @ 2.21%Cu
LB-1409R	45.7m @ 0.73g/t Au, 0.24% Cu from 10.7m (1.15g/t AuEq) including 1.5m @ 17.25g/t Au and 1.65% Cu
LB-1410R	12.2m @ 0.08g/t Au, 0.27% Cu from 9.1m (0.53g/t AuEq)
LB-1413R	62.5m @ 0.43g/t Au, 0.12% Cu from 25.9m (0.61g/t AuEq) including 1.5m @ 2.78g/t Au and including 7.6m @ 1.74g/t Au
LB-1414R	3m @ 0.9g/t Au, 0% Cu from 83.8m (0.89g/t AuEq) including 1.5m @ 1.52g/t Au
LB-1414R	4.6m @ 1.14g/t Au, 0.01% Cu from 129.5m (1.11g/t AuEq) including 3m @ 1.51g/t Au
LB-1416R	38.1m @ 0.15g/t Au, 0.23% Cu from 4.6m (0.57g/t AuEq) including 1.5m @ 2.32g/t Au

HISTORICAL Drilling

LB-1001	18.3m @ 0.53g/t Au, 0.05% Cu from 36.6m (0.57g/t AuEq)
LB-1002	29.0m @ 1.25g/t Au, 0.03% Cu from 19.8m (1.29g/t AuEq)
LB-1009	29.0m @ 5.39g/t Au, 0.16% Cu from 3m (5.65g/t AuEq)
LB-1010	44.2m @ 2.25g/t Au, 0.36% Cu from 0m (2.85g/t AuEq)
LB-1013	26.2m @ 2.4g/t Au, 0.18% Cu from 6.1m (2.71g/t AuEq)
LB-1014	42.7m @ 1.2g/t Au, 0.11% Cu from 12.8m (1.39g/t AuEq)
LB-1015	20.9m @ 1.32g/t Au, 0.31% Cu from 1.4m (1.84g/t AuEq)
LB-1016	46.3m @ 0.4g/t Au, 0.12% Cu from 4m (0.61g/t AuEq)
LB-1017	11.7m @ 0.15g/t Au, 0.37% Cu from 14.5m (0.77g/t AuEq)
LB-1018	19.5m @ 0.42g/t Au, 0.22% Cu from 9.4m (0.8g/t AuEq)
LB-1101	30.5m @ 2.35g/t Au, 0.07% Cu from 39.6m (2.46g/t AuEq)
LB-1106	71.6m @ 0.71g/t Au, 0.07% Cu from 19.8m (0.83g/t AuEq)



Fig 4 Drill Section 3762600N, showing Au-Cu supergene blanket

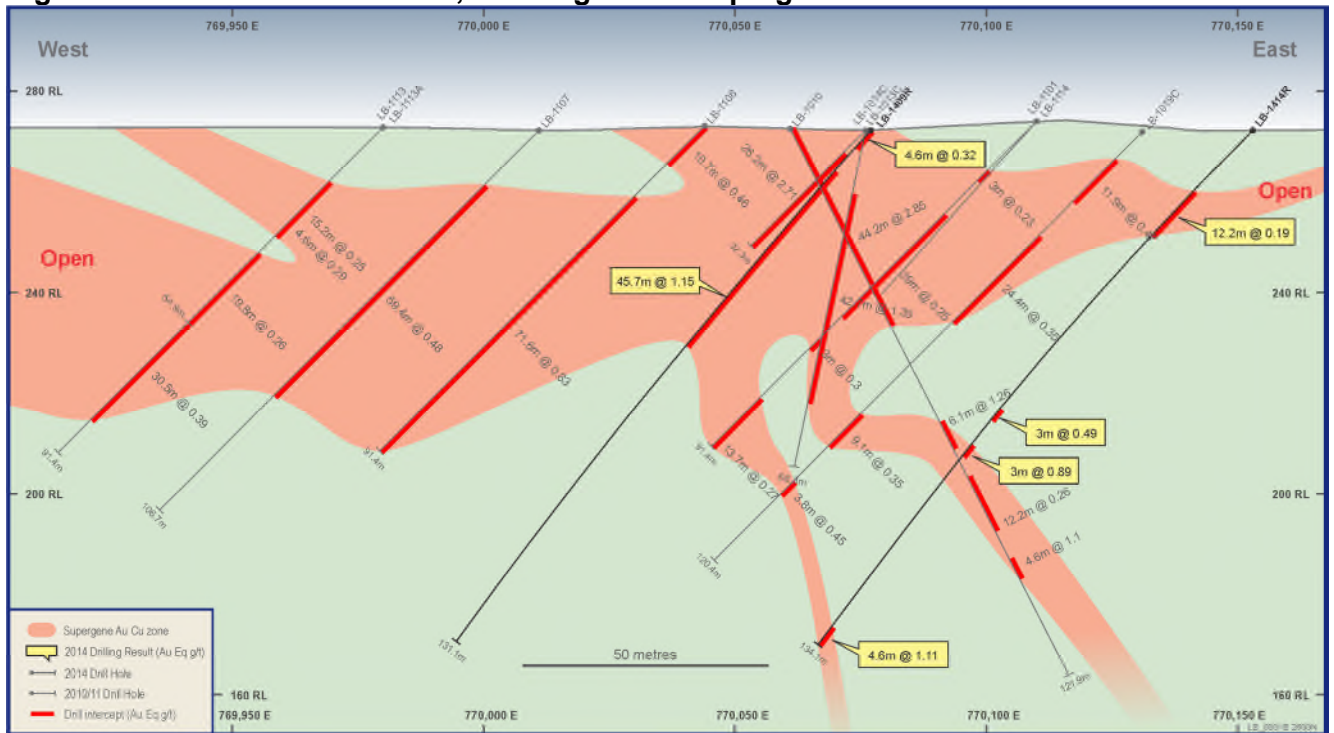
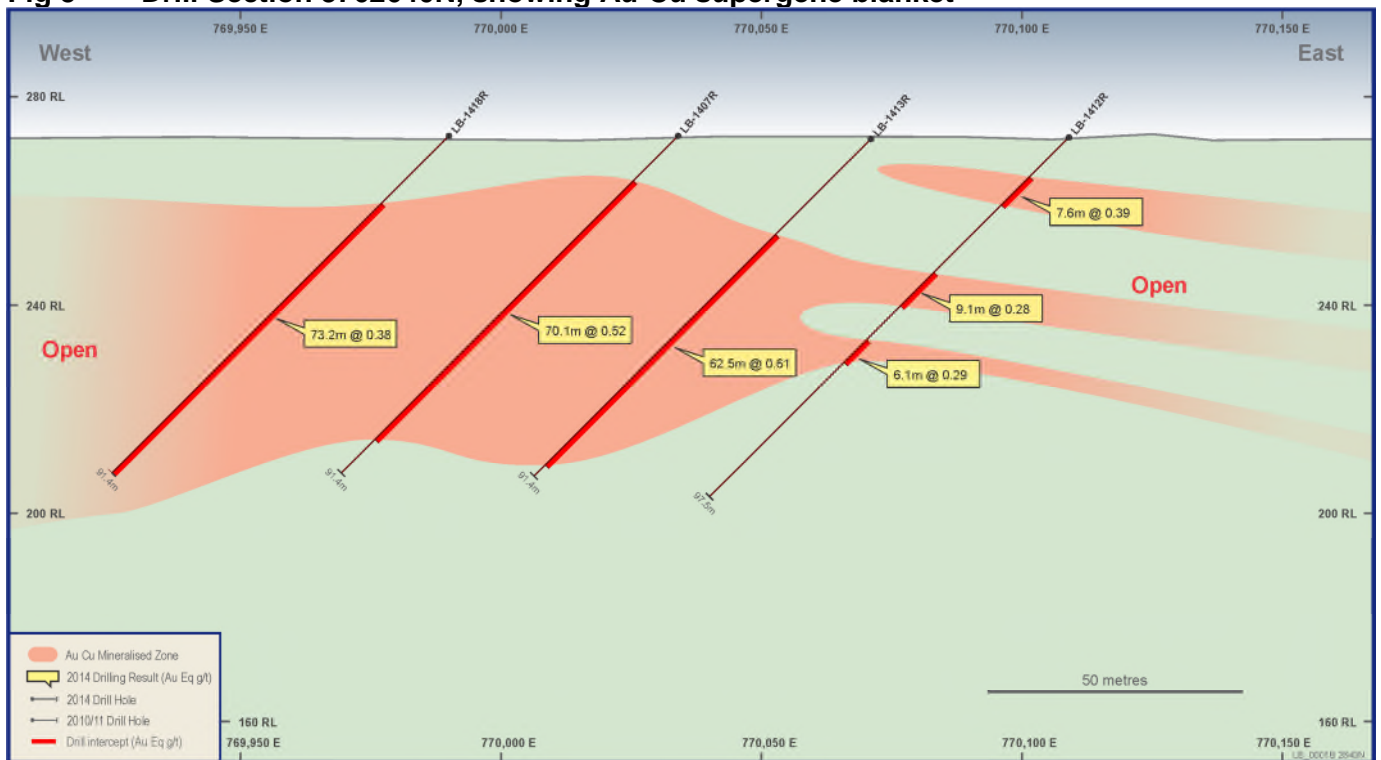


Fig 5 Drill Section 3762640N, showing Au-Cu supergene blanket



Corporate and March Quarter 2015 activities

At 31 December 2014, the Company's cash position was \$1.15M, with no debt.

Carnavale has met the minimum threshold level of US\$500,000 (unaudited) as required under the Tojo Option Agreement and has until 28 February 2015 to elect to acquire 100% of Tojo Minerals.

At Red Hills, the soils samples previously collected throughout the four main Carlin style anomalies are to be submitted and proposed diamond drilling of the three new defined high grade Au-Ag-Zn-Pb-Cu shear zone targets are to be planned and drilling approvals to be lodged with the Bureau of Land Management.

At Little Butte, a complete review of the project data is to be undertaken with a proposed EM geophysical survey aimed at defining sulphide rich Cu-Au targets in the fresh bedrock currently being planned and a suitable contractor sourced.

For further information contact:

Andrew Beckwith

Managing Director

Carnavale Resources Ltd

P: 08 9380 9098

Peter Taylor

Investor Relations

NWR Communications

P: +61 (0)412 036 231

Competent Person's Statements – Exploration Results

The information in this report that relates to the Red Hills Project was first reported by the Company in compliance with JORC 2012 in a market release dated 11 December 2014 (in addition to the release dated 21 October 2014). The information in this report that relates to the Little Butte Project was first reported by the Company in compliance with JORC 2012 in a market release dated 13 January 2015 (in addition to the release dated 17 September 2014). The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements dated 13 January 2015 and 11 December 2014.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

CARNAVALE RESOURCES LIMITED

ABN

49 119 450 243

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(376)	(646)
(b) development	-	-
(c) production	-	-
(d) administration	(145)	(258)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	21
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other –	-	-
Net Operating Cash Flows	(508)	(883)
Cash flows related to investing activities		
1.8 Payment for purchase or renewal of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities – Tojo Minerals	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other –	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(508)	(883)

1.13	Total operating and investing cash flows (brought forward)	(508)	(883)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	90	520
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue expenses	(2)	(20)
	Net financing cash flows	88	500
	Net increase (decrease) in cash held	(420)	(383)
1.20	Cash at beginning of quarter/year to date	1,565	1,528
1.21	Exchange rate adjustments to item 1.20	9	9
1.22	Cash at end of quarter	1,154	1,154

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	160
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

	A\$'000
Directors fees, consultancy charges and remuneration	111
Accounting , occupancy, secretarial and legal expenses	49

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	120
Total	270

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	354	288
5.2 Deposits at call	800	1,277
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,154	1,565

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed *		-	-
6.2	Interests in mining tenements acquired or increased		-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 +Ordinary securities	202,785,348	202,785,348		
7.4 Changes during quarter				
Placement	5,969,182	5,969,182	<i>1.5 cents</i>	-
Issue of Shares – Tojo Option	720,000	720,000	<i>Non-cash</i>	-
Issue of shares to consultant	1,000,000	1,000,000	<i>Non-cash</i>	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options and Performance Rights <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Unlisted options Issued during quarter	166,458,836	-	<i>3 cents</i>	<i>30 Nov 2016</i>
Placement	34,632,384	-	<i>3 cents</i>	<i>30 Nov 2016</i>
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled/Expired during quarter				
Performance Rights	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Print name: Paul Jurman
Company Secretary

Date: 30 January 2015

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.