



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2014**

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 the consolidated entity for the half-year ended 31 December 2014. 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 | Executive Chairman |
| Andrew Beckwith | Managing Director – appointed 29 July 2014 |
| Klaus Eckhof | Non-Executive Director |
| Rhett Brans | Non-Executive Director |
| Peter Christie | Non-Executive Director – resigned 5 August 2014 |

Results

The consolidated loss for the half-year after tax was \$337,344 (2013: \$348,409).

Review of Operations

Tojo Minerals Option

In July 2014 Carnavale announced it had entered into an exclusive option to acquire Tojo Minerals Pty Ltd (Tojo Option Agreement), which holds rights to explore two advanced and highly prospective gold (Au), silver (Ag) and copper (Cu) projects, Red Hills and Little Butte, located in Nevada and Arizona in the USA.



Fig. 1: Red Hills and Little Butte project locations

In February 2015 the Company advised that it had exercised its option to acquire Tojo Minerals Pty Ltd (Tojo) and will now advance further exploration activities on the Red Hills and Little Butte projects in the USA.

Settlement of the transaction is anticipated to occur by 16 March 2015.

DIRECTORS' REPORT

Red Hills Au-Ag-Zn-Pb-Cu Project (Tojo earning up to 75%)

The Red Hills project, located approximately 400km north of Las Vegas in eastern Nevada near the town of Ely, is an advanced exploration project where four large Carlin style anomalies (Rattler, Cobra, Tiger and Viper) have been defined by initial rock chip and soil sampling.

The project is located along the south eastern extensions of the prolific Carlin Gold Trend which hosts a number of world class (>10M ounce) gold deposits. The Carlin Trend is the most prolific gold producing trend in Nevada with over 70M ounces produced to date and further major discoveries continue to be found along this highly prospective NW trending structural feature.

The easternmost portions of Nevada, including the Red Hills region, is considered to be grossly underexplored and has been previously overlooked by many past “Carlin” explorers. The recent major Long Canyon discovery (>2.6Moz), to the north, has changed this previous thinking. Importantly, Red Hills is located on exactly the same rocks sequences that host Long Canyon. Newmont acquired Long Canyon in 2011 and has stated they believe the project will in time grow to in excess of 10M ounces and forms Newmont’s next major Nevada development focus.

Although Carnavale’s exploration focus is on the massive Carlin style potential at Red Hills, mapping and sampling has also defined high grade Au-Ag-Zn-Pb-Cu massive sulphide mineralisation associated with numerous old historic underground shafts, adits and various workings within the Rattler, Cobra and Tiger anomalies.

At Rattler, a line of historic shafts occur along approximately 250m strike length of a substantial massive sulphide bearing shear zone. The near vertical ore was extracted via a horizontal adit approximately 50 vertical metres below the outcropping mineralisation and shafts. Recent mapping and sampling has shown the host shear zone may have substantial high value resource potential for high grade Au-Ag-Zn-Pb mineralisation over potentially 20m widths and 500m strike length.

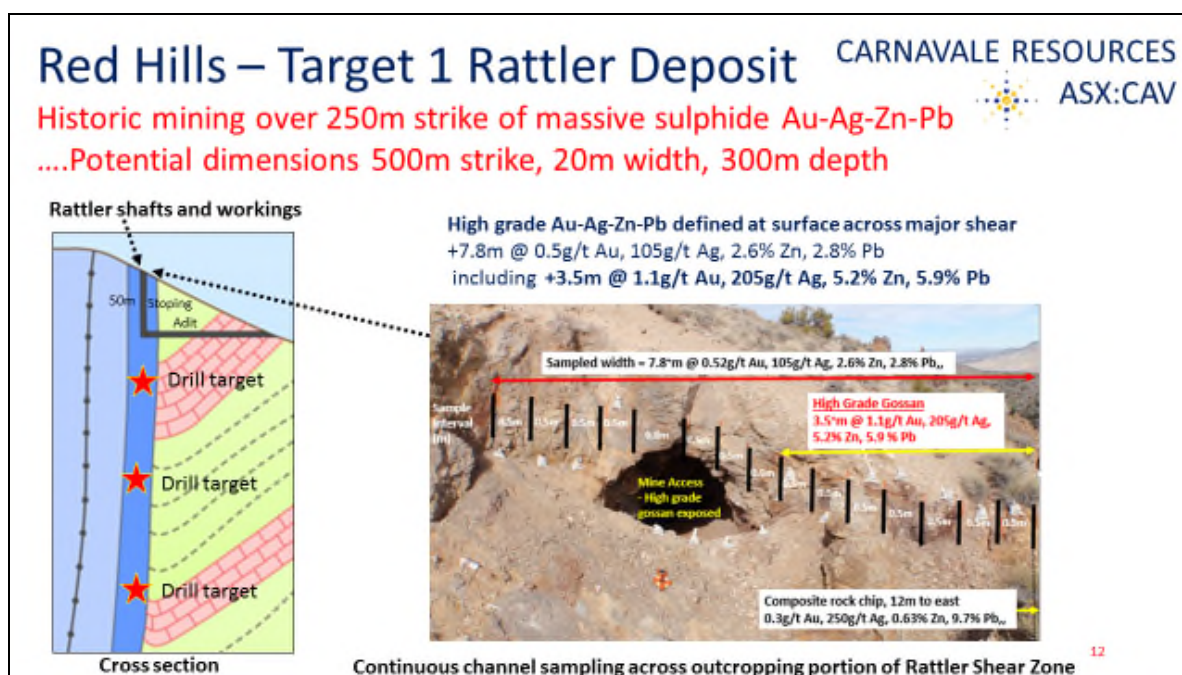


Fig. 2: Rattler – High grade Au-Ag-Zn-Pb hosted in wide shear zone

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DIRECTORS' REPORT

Detailed continuous channel sampling across the Rattler shear zone, near one of these shafts, has yielded very encouraging high grade Au-Ag overprinting strong Zn-Pb mineralisation associated with gossans and silicified sheared material. Results across this zone are **7.8+m @ 0.52g/t Au, 105g/t Ag, 2.6% Zn, 2.8% Pb* (true width)**, and, importantly the eastern portion of the sampling includes remnant in situ gossan which grades **3.5+m @ 1.1g/t Au, 205g/t Ag, 5.2% Zn, 5.9 % Pb (true width)** which would be added to the previously mined gossan material (Fig. 2). Significantly the ferruginous and silicified rocks 12m to the east also 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 and a strike length potentially up to 500m.

At Cobra, further shafts and underground workings including a horizontal extraction adits occurs associated with two gossanous alteration zones at surface. 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 @ 0.6g/t Au, 317g/t Ag, 9.9% Zn, 4.0% Pb, 1.5% Cu** and remains open to the west. This zone is located vertically above the mine workings associated with the adit.

The Company geologists believe the Red Hills project has significant potential for Carlin style Au-Ag mineralisation and that both the Rattler and Cobra massive sulphide targets provide excellent walk-up drill targets and that the zones have significant near term resource potential. Exploration over the next few months is focussed on advancing the larger Carlin anomalies, with 1,247 detailed soil samples currently in the laboratory and diamond drilling planned to test the resource potential of both the Rattler and Cobra massive sulphide shear zones.

Little Butte Au-Cu Project (Tojo rights to earn 100%, subject to third party royalty)

The Little Butte project is located approximately 250km south - southeast of Las Vegas and 200km west of Phoenix, Arizona. During the period, Carnavale completed an 18 hole RC drilling programme for a total advance of 1,734m, on the Railway Prospect.

The drilling programme was designed to test the near surface weathered portions of the prospect area to confirm continuity of the previously defined 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.

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 400m strike length, up to 300m in width and to a maximum thickness of approximately 50m in the central portions of the Railway Prospect. Drilling to the north and south has partially demonstrated potential for this supergene mineralisation to extend over approximately 400m 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.

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DIRECTORS' REPORT

A summary of the more significant and broad shallow supergene intercepts (>7.5m downhole and greater than 0.30g/t AuEq) from the Railway Prospect are presented below:

2014 Drilling

| | |
|----------|--|
| LB-1402R | 7.6m @ 2.57g/t Au, 0.14% Cu from 10.7m (2.82g/t AuEq) |
| LB-1406R | 12.2m @ 0.6g/t Au, 0.08% Cu from 29m (0.73g/t AuEq) |
| LB-1407R | 70.1m @ 0.22g/t Au, 0.18% Cu from 12.2m (0.52g/t AuEq) |
| LB-1409R | 45.7m @ 0.73g/t Au, 0.24% Cu from 10.7m (1.15g/t AuEq) |
| 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) |
| LB-1416R | 38.1m @ 0.15g/t Au, 0.23% Cu from 4.6m (0.57g/t AuEq) |

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) |

The Company is currently planning to carry out further geophysical surveys, targeting the deeper primary fresh bedrock source below or nearby to the large secondary Au-Cu supergene blanket with the view to drill test the bedrock targets.

Long Horse Project – Joint Venture (Western Australia)

The Long Horse Project covers a total of 87 blocks south-west of Coolgardie, WA. It is adjacent to mineral claims and nickel sulphide occurrences known as the Queen Victoria Rocks Project owned by Hannans Reward Limited (ASX: HNR). The Long Horse project area also includes areas formerly included in a joint venture between Emu Nickel Limited and Mincor Resources NL.

The project was relinquished during the half-year.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Corporate

Tojo Option Agreement

The key terms of the Tojo Option Agreement are as follows:

- Carnavale issued 10.5M fully paid shares to Tojo shareholders as an option fee.
- Carnavale was required to spend US\$500,000 direct project expenditure on the two US projects by 28 February 2015 before any withdrawal.
- Carnavale had the sole right to elect to acquire all the shares in Tojo, up to 28 February 2015.

Upon exercise of the Option,

- Carnavale is required to issue 21M fully paid shares to Tojo shareholders to acquire 100% of Tojo.

Carnavale is required to issue Tojo shareholders with a total of 42M performance shares, which will have the right to convert to up to 42M fully paid shares in Carnavale upon the successful completion of the following performance related milestones:

- (i) On defining a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Arizona Project or if a decision to mine is made based on a preliminary feasibility study on the Arizona Project within 3 years, 21M performance shares will convert to fully paid shares; and
- (ii) On defining a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Nevada Project or if a decision to mine is made based on a preliminary feasibility study on the Nevada Project within 4 years, 21M performance shares will convert to fully paid shares.
- (iii) Performance shares will be subject to other terms and conditions that are customary for such shares, including conversion to ordinary shares on a change in control of the Company.

Board Changes

In line with the proposed acquisition of Tojo and the new growth strategy, Mr Andrew Beckwith was appointed Managing Director of Carnavale. Mr Beckwith is a Director of Tojo and is a successful explorer whose past experience includes senior roles with AngloGold Ashanti, Acacia Resources, Normandy NFM, North Flinders Mines, BP Minerals Australia and more recently at Westgold Resources, where he led the team initially as exploration manager and then as Managing Director. During his time with Westgold, he was intimately involved in the Explorer 108 Pb-Zn-Ag and the Au-Cu Rover 1 discoveries, both in the Northern Territory.

Capital Raising

To fund the exploration commitment associated with the Tojo Option Agreement and for ongoing working capital, Carnavale issued 34,632,384 shares at an issue price of 1.5 cents per share, together with 34,632,384 attaching options (exercisable at 3 cents on or before 30 November 2016) raising approximately \$520,000.

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 2014.

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 11th day of March 2015

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.

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 2014, 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
11 March 2015



M R W Ohm
Partner

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2014

| | Note | Consolidated 6 Months Ended 31 December 2014 \$ | Consolidated 6 Months Ended 31 December 2013 \$ |
|---|------|--|--|
| REVENUES | | | |
| Interest income | | 21,007 | 14,484 |
| Foreign exchange gain | | 14,375 | 6,134 |
| | | <hr/> 35,382 | <hr/> 20,618 |
| EXPENSES | | | |
| Administrative expenses | | (341,351) | (275,891) |
| Exploration expenditure written off | | (10,000) | - |
| Depreciation expense | | (1,375) | (1,375) |
| Share based payments expense | | (20,000) | (91,761) |
| | | <hr/> (337,344) | <hr/> (348,409) |
| Loss before income tax | 2 | (337,344) | (348,409) |
| Income tax expense | | - | - |
| | | <hr/> (337,344) | <hr/> (348,409) |
| Net loss for the period | | (337,344) | (348,409) |
| Other comprehensive income / (loss) | | - | - |
| | | <hr/> - | <hr/> - |
| Total comprehensive loss for the period | | <hr/> <hr/> (337,344) | <hr/> <hr/> (348,409) |
| Basic (loss) / earnings per share (cents per share) | | (0.18) | (0.33) |

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

| | Notes | Consolidated 31 December 2014 \$ | Consolidated 30 June 2014 \$ |
|--|-------|---|---|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 1,158,936 | 1,527,499 |
| Trade and other receivables | | 26,161 | 11,954 |
| Other assets | | 4,600 | 10,121 |
| Total Current Assets | | 1,189,697 | 1,549,574 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 2,064 | 3,439 |
| Exploration and evaluation expenditure | 3 | 686,273 | - |
| Other assets | | 9,375 | 9,375 |
| Total Non-Current Assets | | 697,712 | 12,814 |
| Total Assets | | 1,887,409 | 1,562,388 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 53,603 | 68,578 |
| Total Current Liabilities | | 53,603 | 68,578 |
| Total Liabilities | | 53,603 | 68,578 |
| Net Assets | | 1,833,806 | 1,493,810 |
| Equity | | | |
| Issued capital | 4 | 24,292,214 | 23,614,874 |
| Option premium reserve | 5 | 1,249,661 | 1,249,661 |
| Accumulated losses | | (23,708,069) | (23,370,725) |
| Total Equity | | 1,833,806 | 1,493,810 |

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2014

| Consolidated | Issued Capital | Accumulated Losses | Option Premium Reserve | Equity Based Compensation Reserve | Total Equity |
|---|-----------------------|---------------------------|-------------------------------|--|---------------------|
| Balance at 1 July 2013 | 22,625,370 | (22,423,606) | 1,249,661 | \$ - | 1,451,425 |
| Loss attributable to members of the parent entity | - | (348,409) | - | - | (348,409) |
| Total comprehensive loss for the period | - | (348,409) | - | - | (348,409) |
| Shares issued during the year (net) | 989,504 | - | - | - | 989,504 |
| Fair value of performance rights issued | - | - | - | 28,761 | 28,761 |
| Balance at 31 December 2013 | 23,614,874 | (22,772,015) | 1,249,661 | 28,761 | 2,121,281 |
| Balance at 1 July 2014 | 23,614,874 | (23,370,725) | 1,249,661 | - | 1,493,810 |
| Loss attributable to members of the parent entity | - | (337,344) | - | - | (337,344) |
| Total comprehensive loss for the period | - | (337,344) | - | - | (337,304) |
| Shares issued during the year (net) | 677,340 | - | - | - | 677,340 |
| Balance at 31 December 2014 | 24,292,214 | (23,708,069) | 1,249,661 | - | 1,833,806 |

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2014

| | Consolidated 6 Months Ended 31 December 2014 \$ | Consolidated 6 Months Ended 31 December 2013 \$ |
|--|--|--|
| Cash flows from operating activities | | |
| Cash payments in the course of operations | (365,631) | (289,331) |
| Interest received | 21,626 | 12,155 |
| Net cash used in operating activities | <u>(344,005)</u> | <u>(277,176)</u> |
| Cash flows from investing activities | | |
| Payments for exploration and development expenditure | (538,773) | (301,094) |
| Payments for property, plant and equipment | - | - |
| Net cash used in investing activities | <u>(538,773)</u> | <u>(301,094)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of shares and options | 519,486 | 988,699 |
| Issue costs - shares and options | (19,646) | (62,195) |
| Net cash provided by financing activities | <u>499,840</u> | <u>926,504</u> |
| Net (decrease) / increase in cash held | (382,938) | 348,234 |
| Cash at the beginning of the reporting period | 1,527,499 | 1,466,072 |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies | 14,375 | 6,134 |
| Cash at the end of the reporting period | <u><u>1,158,936</u></u> | <u><u>1,820,440</u></u> |

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 2014 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 2014 except for the following:

Exploration and evaluation expenditure

The company has capitalised \$686,273 of exploration and evaluation expenditure as at 31 December 2014 in relation to the Tojo Project. The Directors have reviewed the appropriateness of continued capitalisation and the existence of any indicators of impairment and concluded that no such impairment is necessary.

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.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current half-year.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

2. LOSS BEFORE INCOME TAX EXPENSE

| | Consolidated 31 December 2014 \$ | Consolidated 31 December 2013 \$ |
|---|---|---|
| The following revenue and expense items are relevant in explaining the financial performance for the half-year: | | |
| Revenue | | |
| Interest received | 21,007 | 14,484 |
| Foreign exchange gain | 14,375 | 6,134 |
| Total | <u>35,382</u> | <u>20,618</u> |
| Expenses | | |
| Write-off of capitalised exploration expenditure | (10,000) | - |
| Share based payments expense | (20,000) | (91,761) |

3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated 31 December 2014 (6 months) \$ | Consolidated 30 June 2014 (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 | - | - |
| Expenditure incurred | 696,273 | 411,537 |
| Exploration expenditure impaired | <u>(10,000)</u> | <u>(411,537)</u> |
| Balance at end of period | <u>686,273</u> | <u>-</u> |

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

4. ISSUED CAPITAL

| | Consolidated 31 December 2014 \$ | Consolidated 30 June 2014 \$ |
|--|---|---|
| (a) Issued and paid-up share capital | | |
| 202,785,348 (30 June 2014: 156,652,964) ordinary shares, fully paid | <u>24,292,214</u> | <u>23,614,874</u> |

Movements in Ordinary Shares:

| | Number | \$ |
|--|---------------------------|--------------------------|
| Balance at the beginning of the period | 156,652,964 | 23,614,874 |
| Share placement at an issue price of 1.5 cents each in August 2014 and October 2014 | 34,632,384 | 519,486 |
| Shares issued for option fee for Tojo | 10,500,000 | 157,500 |
| Shares issued as part of remuneration of consultant | 1,000,000 | 20,000 |
| Transaction costs arising from issue of securities | - | (19,646) |
| Balance at the end of the period | <u>202,785,348</u> | <u>24,292,214</u> |

(b) Share options

| Exercise Period | Exercise Price | Opening Balance 1 July 2014 Number | Options Issued Number | Options Exercised/ Expired Number | Closing Balance 31 December 2014 Number |
|-------------------------------|---------------------------|---|--------------------------------------|--|--|
| On or before 30 November 2016 | \$0.03 | 131,826,452 | 34,632,384 | - | 166,458,836 |
| Total | | <u>131,826,452</u> | <u>34,632,384</u> | <u>-</u> | <u>166,458,836</u> |

During the half-year, the Company completed a placement of 34,632,384 shares at 1.5 cents per share together with 34,632,384 free attaching options exercisable at 3 cents each and an expiry date of 30 November 2016.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

5. OPTION RESERVE

| | Consolidated 31 December 2014 \$ | Consolidated 30 June 2014 \$ |
|----------------|---|---|
| Option Reserve | 1,249,661 | 1,249,661 |

6. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date.

7. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

In February 2015, the Company advised that it has exercised its Option to acquire Tojo Minerals Pty Ltd (Tojo) and will now advance further exploration activities on the Red Hills and Little Butte projects in the USA.

Carnavale will issue Tojo shareholders a total of 21M fully paid shares and a total of 42M performance shares, which will have the right to convert to up to 42M fully paid shares in Carnavale upon the successful completion of the resource based performance milestones. (refer Review of operations).

The Carnavale Board is also pleased to advise that as a commitment to the Company, the major shareholders of Tojo (representing approximately 78% of Tojo) have entered into voluntary escrow agreements in relation to the securities to be issued. The voluntary escrow period ends on 28th August 2015.

Settlement of the transaction is anticipated to occur by 16 March 2015.

Other than identified above, no other matters or circumstances have arisen since 31 December 2014 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2014

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 Exploration | Eliminations | Consolidated |
|----------------------------------|-----------|------------------------|--------------|--------------|
| 31 December 2014 | \$ | \$ | \$ | \$ |
| Business segments | | | | |
| Revenue | | | | |
| Other external revenue | 35,382 | - | - | 35,382 |
| Total segment revenue | 35,382 | - | - | 35,382 |
| Results | | | | |
| Operating loss before income tax | (327,344) | (10,000) | - | (337,344) |
| Income tax expense | | | | - |
| Net loss | | | | (337,344) |
| 31 December 2014 | | | | |
| Assets | | | | |
| Segment assets | 1,201,136 | 686,273 | - | 1,887,409 |
| Liabilities | | | | |
| Segment liabilities | 53,603 | - | - | 53,603 |
| 31 December 2013 | | | | |
| Business segments | | | | |
| Revenue | | | | |
| Other external revenue | 20,618 | - | - | 20,618 |
| Total segment revenue | 20,618 | - | - | 20,618 |
| Results | | | | |
| Operating loss before income tax | (348,409) | - | - | (348,409) |
| Income tax expense | | | | - |
| Net loss | | | | (348,409) |
| 31 December 2013 | | | | |
| Assets | | | | |
| Segment assets | 1,858,770 | 301,094 | - | 2,159,864 |
| Liabilities | | | | |
| Segment liabilities | 38,583 | - | - | 38,583 |

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2014

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity, as set out on pages 9 to 17, 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 consolidated entity's financial position as at 31 December 2014 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 11th day of March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carnavale Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 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 consolidated entity's financial position as at 31 December 2014 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 company, 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.

Independence

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

Conclusion

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 consolidated entity's financial position as at 31 December 2014 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*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants



M R W Ohm
Partner

Perth, Western Australia
11 March 2015