

QUARTERLY ACTIVITY REPORT

For the period ended December 31, 2015

CARNAVALE RESOURCES

(A.C.N 119 450 243)

ASX Code: **CAV**
 Shares: 256.7M
 Options: 186.2M
 (Nov 2016 @ \$0.03)
 Perf Shares 42.0M
 Cash: \$0.28M
 (31 Dec 2016)
 M. Cap \$1.5M (@ \$0.006)

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.

Exploration is currently advancing two prospective gold-silver-copper projects located in Arizona and Nevada, USA.

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Carnavale Resources Limited (“CAV” or “the Company”) is pleased to report on exploration activities completed during the quarter to 31 December 2015.

The Company’s activities focused on the completion of drilling at the “polymetallic” Rattler Prospect, Red Hills Project located in eastern Nevada USA.

➤ **High grade “polymetallic” Au-Ag-Pb-Zn mineralisation intersected in RC drilling within the Rattler Shear Zone.**

- Strongest mineralisation intersected in drill hole 15RHR03

12m @ 179g/t Ag, 0.20g/t Au, 3.29% Pb, 1.18% Zn (380g/t AgEq)

Including:

2m @ 476g/t Ag, 0.27g/t Au, 2.11% Pb, 2.39% Zn (641g/t AgEq)
4m @ 213g/t Ag, 0.31g/t Au, 7.54% Pb, 1.34% Zn (612g/t AgEq)

- Rattler Shear Zone mineralisation remains open:
 - All drilling in oxide mineralisation, providing open pit potential.
 - Potential for plunging high grade shoots
 - Supergene weathering processes suggest potential for higher grade mineralisation may occur in fresh rock.
- Adjacent Tiger Anomaly remains untested by any drilling.
- Project review, assessment of results and future programme planning is currently underway.
- The Company, has completed a number of third party project reviews and continues to actively assess new projects both in the resource sector and other non-resource opportunities, as they arise, with the aim of increasing shareholder value.

RED HILLS PROJECT, NEVADA

(Joint Venture rights to earn up to 75%)

During the period, the Company announced final results for the RC drilling programme at the Rattler Prospect, Red Hills Project, located in eastern Nevada.

The RC drilling programme of four holes successfully defined high grade polymetallic Ag-Au-Pb-Zn mineralisation hosted in the Rattler Shear Zone (RSZ), in three of the holes, beneath the high grade channel sampling at surface and coincident with a strong zone of highly anomalous soil sampling results coincident with a number of historic underground mine workings.

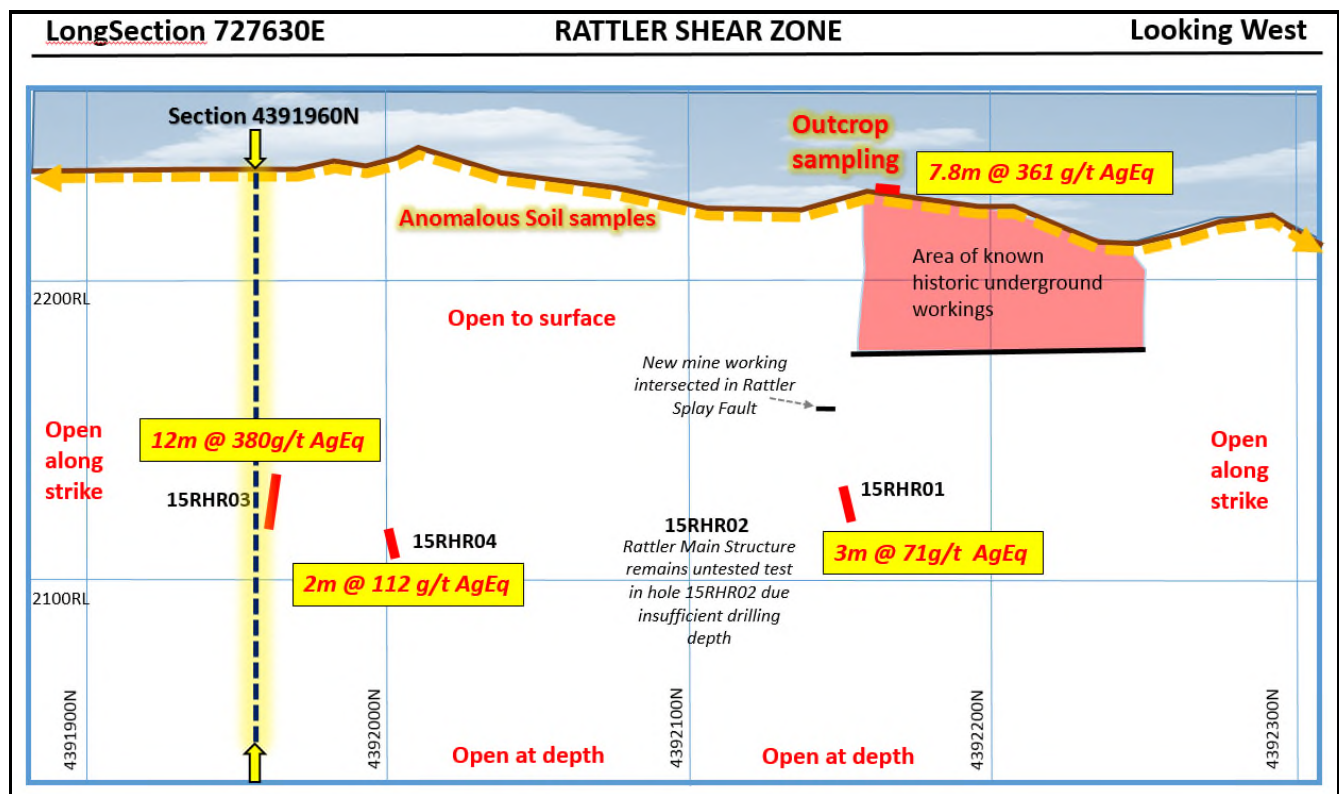
Figure 1 represents a vertical section along the strike length of the RSZ with the red bars indicating the strong silver equivalent (AgEq) mineralisation intersected in the recent RC drilling and earlier surface channel sampling. The pale red shaded area is the estimated area of historic mining.

Potential for high grade plunging shoots is interpreted where oblique NW trending structures intersect this north south striking RSZ. These high grade “shoots” would typically host higher grade silver, gold and base metals such as seen in:

Drillhole 15RHR03 - 12m @ 179g/t Ag, 0.20g/t Au, 3.29% Pb, 1.18% Zn (380g/t AgEq)

Channel sampling - 7.8m+ @ 0.52g/t Au, 105g/t Ag, 2.6% Zn, 2.8% Pb (361g/t AgEq) including 3.5m+ @ 1.1g/t Au, 205g/t Ag, 5.2% Zn, 5.9% Pb (736g/t AgEq)

Figure 1 – Long section showing RSZ Ag-Au-Pb-Zn mineralisation



Drillhole 15RHR02 was previously reported as not having intersected the RSZ. This hole has been reassessed and is now interpreted to have intersected the RSZ but is not well mineralised which also lends support for discrete plunging higher grade shoots within the overall sub-vertical shear zone.



CARNAVALE RESOURCES LIMITED

28 January 2016

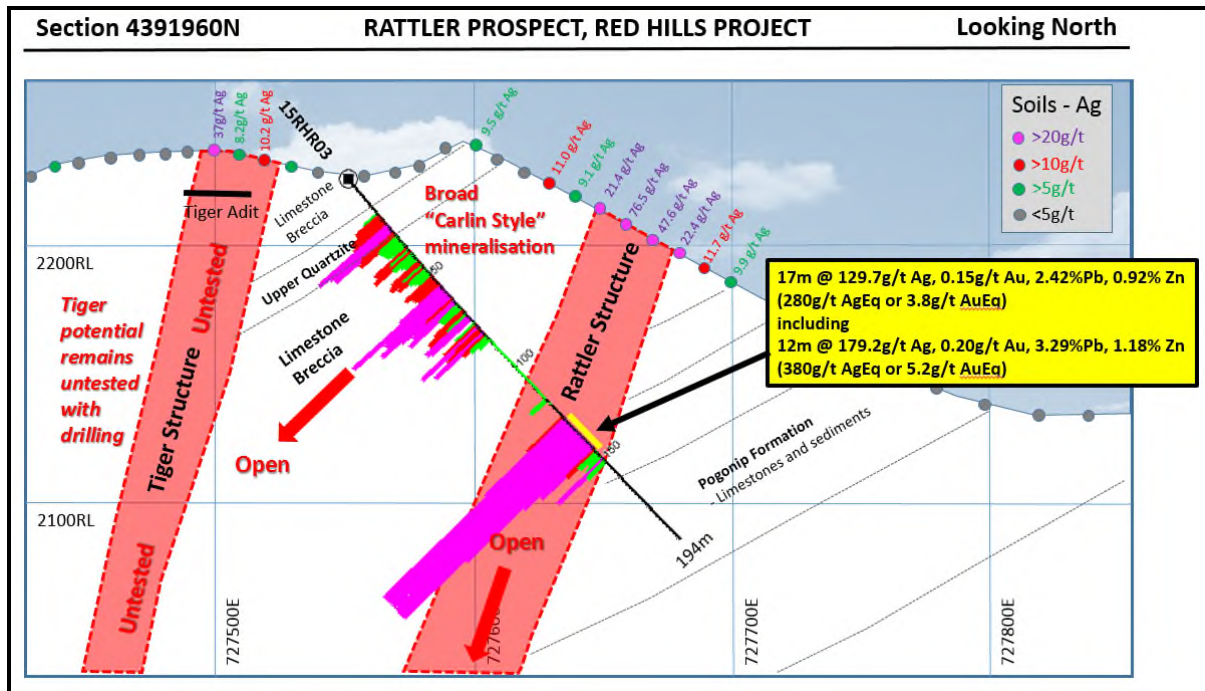
The following Table 1 provides the individual 1 metre sample results for hole 15RHR03 and clearly demonstrate the high grade nature of the mineralisation with peaks values of Ag - 593g/t, Au – 0.38g/t, Pb- 11.3% and Zn – 2.9%.

Table 1 Individual Assays for 15RHR03 High Grade Zone

From (m)	To (m)	Ag (g/t)	Au (g/t)	Pb (ppm)	Zn (ppm)	Ag_Eq (g/t)
127	128	14	0.04	131	417	19.3
128	129	14	0.02	1550	5940	43.6
129	130	97	0.12	14800	14000	222.7
130	131	62	0.11	15700	3180	149.4
131	132	418	0.36	20100	29300	641.3
132	133	534	0.17	22100	18400	711.2
133	134	34	0.09	3700	8020	86.4
134	135	86	0.10	7010	5700	144.9
135	136	26	0.10	2800	4230	61.8
136	137	42	0.15	6480	5080	99.6
137	138	593	0.35	101500	7910	1089.5
138	139	113	0.26	22500	13300	279.4
139	140	100	0.38	113500	14650	676.2
140	141	46	0.19	64200	17850	405.8
141	142	12	0.06	7160	5290	66.8
142	143	12	0.09	3050	1235	36.1
143	144	8	0.04	1795	679	21.4
144	145	10	0.03	2920	782	28.4
145	146	7	0.02	1370	443	15.4

Figure 2 provides a cross section perpendicular to the RSZ, highlighting the high grade intersection of 15RHR03 and notably shows the untested potential of the Tiger Structure to the immediate west.

Figure 2 – Drill section showing High Grade Ag-Au-Pb-Zn mineralisation
 (*Note the untested Tiger zone to the west)





The RSZ Ag-Au-Pb-Zn mineralisation remains open to surface, at depth and along strike to the south and north. Extensional and infill drilling is anticipated to define higher grade plunging shoots within the RSZ particularly where north-west trending structures are evident in mapping: ie north of hole 15RHR01 under and to the north of the old workings and near hole 15RHR03. More detailed discussion of the results can be found in ASX Announcement dated 8 December 2015.

Selected samples from the Cobra Prospect core drill hole and high grade adit samples have been processed to determine the petrogeophysical properties of the host rocks to enable an assessment of the potential to use a geophysical technique to define future drill targets. The initial assessment suggests the use of detailed ground magnetics and/or IP techniques may be useful in defining the mineralisation. At Rattler, IP is also being considered as a potential tool to define the high grade plunging shoots related to the fresh sulphide material at depth.

LITTLE BUTTE PROJECT, ARIZONA **(Option to earn 100%)**

The Little Butte Project is currently being assessed for further field programmes. No field activities were completed for the reporting period.

FUTURE ACTIVITIES

At Red Hills, the new RSZ drilling results are encouraging and warrant further follow-up drilling, both along strike and up and down dip. Carnavale is currently assessing whether surface IP electrical method may be used to define the mineralisation at both Cobra and Rattler. This technique requires transmitting electrical current through the ground and therefore requires good contact with the ground surface soils and will need to be completed after the winter snow has melted.

At Little Butte, work to date, indicates an 800m plus long IP chargeability anomaly occurs at an estimated 300 to 400m depth and beneath the existing broad but low grade supergene gold and copper mineralisation defined by shallow drilling at the Railway Prospect. The project area also contains other areas of old historic surface pits and small underground copper workings which may represent shallower mineralisation. Further surface sampling and an additional IP survey are being considered in the next round of field programmes.

CORPORATE

The company's Annual General Meeting was held on the 24 November 2015 where all resolutions were approved.

Although the current market conditions are difficult, the Company has completed a number of third party project reviews and continues to actively assess new projects both in the resource sector and other non-resource opportunities, as they arise, with the aim of increasing shareholder value.

The deterioration of metal prices and financial markets, coupled with the company's ability to raise cash at this time has made the conservation of cash paramount. Accordingly, the Board is carefully assessing options regarding ongoing funding, exploration programmes and commitments on both projects. The Board has also agreed to suspend Directors fees until the Company's funding position has improved.

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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 Resources Limited. 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 JORC 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.

** **Silver Equivalence (AgEq)** calculation represents total metal value for each metal (Ag, Au, Pb and Zn), assuming 100% recovery, summed and expressed in equivalent silver grade. The metal prices used in the calculation being US\$1100/oz Au, US\$15/oz Ag, US\$2100/t Zn and US\$1800/t Pb*

The Silver Equivalent Formula is

$AgEq(g/t) = Ag(g/t) + 73.3Au(g/t) + 37.3Zn(\%) + 43.5Pb(\%)$ (Rounding errors may occur.)

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 December 2015 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.

Project/Location	Country	Tenement	Percentage held/earning
Little Butte Project - Arizona	USA	Ben 1-9, 10A,11-98, Loma 2,4,5,7,9-12, Locher Ent. 1-4, Smoke Hole 3-5,8,11, Little Butte Ext 2-4, Dollie W, Jaguar, Paradise #2, Paradise, Paradise #1, Paradise Extension, Llano	0% held ²

² Carnavale, through 100% owned subsidiary Tojo Minerals Pty Ltd (Tojo), holds a Property Option Agreement with MinQuest Inc, whereby Tojo has the right to earn 100% of the project tenements via expenditure of US\$6M over a period of ten years from the execution date of 31 July 2013, subject to a retained 3% Net Smelter Royalty (NSR) by MinQuest.