



carnavale  
resources ltd

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**CARNAVALE RESOURCES LIMITED**

**ACN 119 450 243**

**NOTICE OF GENERAL MEETING**

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**TIME:** 12.30pm (WST)

**DATE:** 23 March 2016

**PLACE:** Suite 9, 330 Churchill Avenue, Subiaco, Western Australia

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9098.***

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that the Meeting of the Shareholders to which this Notice of Meeting relates will be held at 12.30pm (WST) on 23 March 2016 at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia.

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**YOUR VOTE IS IMPORTANT**

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The business of the Meeting affects your shareholding and your vote is important.

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**VOTING ELIGIBILITY**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) (8.00pm Sydney time) on 21 March 2016.

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**VOTING IN PERSON**

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To vote in person, attend the Meeting at the time, date and place set out above.

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**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## NOTICE OF GENERAL MEETING

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Notice is given that the Meeting of Shareholders of Carnavale Resources Limited will be held at 12.30pm (WST) on 23 March 2016 at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

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## AGENDA

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### ORDINARY BUSINESS

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the issue of 44,036,118 Shares on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 29,678,534 Shares on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – PLACEMENT ISSUE OF SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 87,500,000 Shares at an issue price of \$0.008 per Share on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**4. RESOLUTION 4 – PARTICIPATION BY DIRECTOR, R GAJEWSKI IN CAPITAL RAISING ISSUE OF SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon Resolution 3 being passed, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for Mr R Gajewski, a Director of the Company (or his nominee), to participate in the proposed issue of Shares the subject of Resolution 3 for up to 25,000,000 Shares."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr R Gajewski (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 5 – PARTICIPATION BY DIRECTOR, A BECKWITH IN CAPITAL RAISING ISSUE OF SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon Resolution 3 being passed, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for Mr A Beckwith, a Director of the Company (or his nominee), to participate in the proposed issue of Shares the subject of Resolution 3 for up to 7,500,000 Shares."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr A Beckwith (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – PARTICIPATION BY DIRECTOR, A CHAPMAN IN CAPITAL RAISING ISSUE OF SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to and conditional upon Resolution 3 being passed, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for Mr A Chapman, a Director of the Company (or his nominee), to participate in the proposed issue of Shares the subject of Resolution 3 for up to 1,250,000 Shares."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr A Chapman (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – APPROVAL TO ISSUE UNLISTED OPTIONS TO CICERO ADVISORY SERVICES PTY LTD**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolution 3 being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 40,000,000 Unlisted Options to Cicero Advisory Services Pty Ltd or*

*its nominees on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**8. RESOLUTION 8 – APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MR R GAJEWSKI**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of section 195(4), ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to a maximum of 13,000,000 Management Options to Mr R Gajewski or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**9. RESOLUTION 9 – APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MR A BECKWITH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of section 195(4), ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to a maximum of 4,000,000 Management Options to Mr A Beckwith or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**10. RESOLUTION 10 – APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MR R BRANS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of section 195(4), ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to a maximum of 1,000,000 Management Options to Mr R Brans or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**11. RESOLUTION 11 – APPROVAL OF ISSUE OF MANAGEMENT OPTIONS TO MR A CHAPMAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That for the purposes of section 195(4), ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to a maximum of 1,000,000 Management Options to Mr A Chapman or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**12. RESOLUTION 12 – ISSUE OF MANAGEMENT OPTIONS TO MR P JURMAN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue of up to up to a maximum of 1,000,000 Management Options to Mr P Jurman or his nominee on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**Voting Exclusion: Resolutions 3, 7 and 12**

The Company will disregard any votes cast on Resolutions 3, 7 and 12 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Exclusion: Key Management Personnel (KMP) Remuneration Related Resolutions 8, 9, 10 and 11**

The Company will disregard any votes cast on Resolutions 8, 9, 10 and 11 by any person who is to receive securities in relation to the Company. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting restrictions apply to Resolutions 8, 9, 10 and 11 under both the ASX Listing Rules and the Corporations Act.**

A person appointed as proxy must not vote, on the basis of that appointment, on Resolutions 8, 9, 10 and 11 if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on Resolutions 8, 9, 10 and 11.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though these Resolutions are connected directly or indirectly with remuneration of a member of the Key Management Personnel.

**Explanatory Notes**

If you wish to appoint a member of the key management personnel (which includes each of the Directors and the Chair) as your proxy, please read the voting exclusion above and in the proxy form carefully. Shareholders are encouraged to direct their proxies how to vote.

**How the Chair will vote available proxies-** The Chair of the Meeting intends to vote all available proxies in favour of all of the resolutions set out in the Notice. The proxy form expressly authorises the Chair to exercise undirected proxies in favour of remuneration related resolutions (Resolutions 8, 9, 10 and 11).

**Default to the Chair** – Any directed proxies that are not voted on a poll at the Meeting will automatically default to the Chair of the Meeting, who is required to vote proxies as directed.

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**DATED: 10 FEBRUARY 2016**  
**BY ORDER OF THE BOARD**



**PAUL JURMAN**  
**COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 12.30pm (WST) on 23 March 2016 at Suite 9, 330 Churchill Avenue, Subiaco, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. BACKGROUND

As announced to ASX on 3 February 2016 (**Announcement**), the Company has entered into a corporate advisory and capital raising mandate (**Mandate**) with Cicero Advisory Services Pty Ltd (**Cicero**).

In the Announcement the Company disclosed that it had received commitments to subscribe for 201,214,652 fully paid shares (**Shares**) at an issue price of \$0.008 per Share to raise \$1,609,717 (before costs) (**Capital Raising**).

This issue comprised two tranches:

- 113,714,652 Shares were issued on 9 February 2016 pursuant to the Company's existing placement capacity under ASX Listing Rules 7.1 and 7.1A (in respect of a total of 73,714,652 Shares) and following receipt of Shareholder approval under ASX Listing Rule 7.1 (in respect of 40,000,000 Shares) (**Tranche 1**); and
- 87,500,000 Shares to be issued subject to Shareholder approval, which is being sought at the Meeting (**Tranche 2**).

Tranche 1 was issued on 9 February 2016 and the Company is seeking Shareholder approval under Resolutions 1 and 2 for the ratification of the issue of the 73,714,652 Shares that were issued out of the Company's placement capacity under ASX Listing Rules 7.1 and 7.1A. The Company is also seeking Shareholder approval under Resolution 3 for the issue of Tranche 2, being the issue of up to 87,500,000 Shares at \$0.008 each.

In addition, the Company is seeking Shareholder approval for:

- (i) participation in the Capital Raising by three of the existing Directors, Mr Gajewski, Mr Beckwith and Mr Chapman (refer to Resolutions 4, 5 and 6);
- (ii) the issue of up to 40,000,000 Unlisted Options representing a fee for managing the Capital Raising the subject of Resolutions 1 – 3 (refer to Resolution 7);
- (iii) the issue of Management Options to existing Directors, Mr Gajewski, Mr Beckwith, Mr Brans and Mr Chapman that will form part of their remuneration packages (refer to Resolutions 8, 9, 10 and 11); and
- (iv) the issue of Management Options to company secretary, Mr Jurman that will form part of his remuneration package (refer to Resolution 12).



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## **2. RESOLUTIONS 1 AND 2 – RATIFICATION OF PRIOR ISSUE – SHARES**

### **2.1 Resolution 1**

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 44,036,118 Shares issued without Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue of Shares the subject of Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **2.2 Resolution 2**

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 29,678,534 Shares issued without Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1A which was approved by Shareholders at the Company's previous annual general meeting held on 24 November 2015.

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior Shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains Shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1A those securities will from that date be included in variable "A" in the formula in ASX Listing Rules 7.1 and 7.1A.2 for the purpose of calculating the annual placement capacity of the Company under both ASX Listing Rules 7.1 and 7.1A.

By ratifying the issue of Shares the subject of Resolution 2, the Company will retain the flexibility to issue equity securities in the future up to the 10% annual placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

### **2.3 Technical information required by ASX Listing Rule 7.5**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolutions 1 and 2:

- (a) 73,714,652 Shares were issued on 9 February 2016 on the following basis:
  - (i) 44,036,118 Shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1; and

- (ii) 29,678,534 Shares were issued pursuant to the Company's placement capacity under ASX Listing Rule 7.1A;
- (b) the issue price for the Shares was \$0.008 each;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to clients of Cicero, a licensed securities dealer (AFSL 449190) and sophisticated and professional investors, none of whom are related parties of the Company; and
- (e) the funds raised from the Capital Raising will be used to fund ongoing working capital, existing project funding and the assessment of new investment opportunities in both the resource and non-resource sectors.

A voting exclusion statement is included in the Notice.

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### **3. RESOLUTION 3 – CAPITAL RAISING – ISSUE OF SHARES**

Resolution 3 seeks Shareholder approval for the issue of up to 87,500,000 Shares at an issue price of \$0.008 each to raise up to \$700,000 under Tranche 2 of the Capital Raising.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 3 will be to allow the Company to issue the Shares pursuant to Tranche 2 of the Capital Raising during the period of 3 months after the Meeting (or a longer period if allowed by ASX), without using the Company's 15% annual placement capacity. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

#### **3.1 Technical information required by ASX Listing Rule 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Shares contemplated by Resolution 3:

- (a) the maximum number of Shares to be issued is 87,500,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) except to the extent of participation in the Capital Raising by Directors (the subject of Resolutions 4, 5 and 6), in which case the issue will be no later than a month after the Meeting. The issue of the Shares will occur on the same date;
- (c) the Shares will be issued at \$0.008 each;
- (d) the allottees will be sophisticated, professional and other investors who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act and are clients of Cicero, and three Directors (subject to the passing of Resolutions 4, 5 and 6). None of the subscribers will be a related party other than the parties who are seeking authorisation to participate under Resolutions 4, 5 and 6;

- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the issue to fund ongoing working capital, existing project funding and the assessment of new investment opportunities in both the resource and non-resource sectors.

A voting exclusion statement is included in the Notice.

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## **4. RESOLUTIONS 4, 5 AND 6 – PARTICIPATION BY DIRECTORS IN CAPITAL RAISING ISSUE OF SHARES**

### **4.1 General**

Pursuant to Resolution 3 the Company is seeking Shareholder approval for the issue of up to 87,500,000 Shares at an issue price of \$0.008 per Share to raise up to \$700,000 under Tranche 2 of the Capital Raising.

Mr Gajewski, Mr Beckwith and Mr Chapman wish to participate in Tranche 2 of the Capital Raising.

Resolution 4 seeks Shareholder approval for the in the issue of up to 25,000,000 Shares to Mr Gajewski (or his nominee) arising from participation by Mr Gajewski in Tranche 2 of the Capital Raising.

Resolution 5 seeks Shareholder approval for the in the issue of up to 7,500,000 Shares to Mr Beckwith (or his nominee) arising from participation by Mr Beckwith in Tranche 2 of the Capital Raising.

Resolution 6 seeks Shareholder approval for the in the issue of up to 1,250,000 Shares to Mr Chapman (or his nominee) arising from participation by Mr Chapman in Tranche 2 of the Capital Raising.

### **4.2 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a company to obtain Shareholder approval prior to the issue of securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

Three of the existing Directors, Mr Gajewski, Mr Beckwith and Mr Chapman, wish to participate in Tranche 2 of the Capital Raising following approval of Resolutions 4 to 6. Each of these persons is a related party within the terms of the ASX Listing Rules. Accordingly, the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11 unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to ASX Listing Rule 7.1 is not required as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Mr Gajewski, Mr Beckwith and Mr Chapman (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

#### **4.3 Chapter 2E of the Corporations Act – Related Party Transactions**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors' participation in Tranche 2 of the Capital Raising will result in the issue of Shares which constitutes giving a financial benefit and Mr Gajewski, Mr Beckwith and Mr Chapman are related parties of the Company by virtue of being Directors.

The terms and conditions upon which the related parties the subject of Resolutions 4, 5 and 6 will subscribe for the Tranche 2 Capital Raising Shares will be the same terms and conditions under which other investors have subscribed for Shares under Tranche 1 of the Capital Raising under Resolutions 1 and 2 and will subscribe for Shares under Tranche 2 of the Capital Raising under Resolution 3 (being \$0.008 per Share). On this basis, the Directors (other than Mr Gajewski with respect to Resolution 4, Mr Beckwith with respect to Resolution 5 and Mr Chapman with respect to Resolution 6, who have material personal interests in Resolutions 4, 5 and 6 respectively) consider that the participation of the related parties could be seen to be on reasonable arm's length terms (and thereby fall within an exception to Chapter 2E) and accordingly, the Company will not also seek approval for the issue of Shares to Mr Gajewski, Mr Beckwith and Mr Chapman pursuant to section 208 of the Corporations Act.

#### **4.4 Technical information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Directors' participation in the issue of Shares under Tranche 2 of the Capital Raising:

- (a) the Shares, the subject of Resolutions 4 to 6, will be issued to Mr Gajewski, Mr Beckwith and Mr Chapman who are Directors of the Company (or their nominee(s));
- (b) the maximum number of Shares to be issued is:
  - (i) up to 25,000,000 Shares to Mr Gajewski (or his nominee);
  - (ii) up to 7,500,000 Shares to Mr Beckwith (or his nominee); and
  - (iii) up to 1,250,000 Shares to Mr Chapman (or his nominee).

Their subscription will be on the same terms and conditions as other subscribers to Tranche 2 of the Capital Raising, the subject of Resolution 3. The Directors' subscription, if approved by Shareholders, will form part of Tranche 2 of the Capital Raising and will not be in addition to the Shares forming part of Tranche 2 the Capital Raising;

- (c) the Shares will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (d) the issue price will be \$0.008 per Share, being the same as all other Shares issued under the Capital Raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the issue of the Shares for the same purposes as all other funds raised under the Capital Raising as set out in section 3.1(f) above.

A voting exclusion statement is included in the Notice.

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## **5. RESOLUTION 7 – APPROVAL TO ISSUE UNLISTED OPTIONS TO CICERO ADVISORY SERVICES PTY LTD**

### **5.1 General**

Resolution 7 seeks Shareholder approval for the issue of up to 40,000,000 unlisted options to Cicero at an issue price of \$0.00001 per option to raise up to \$400 (**Unlisted Options**).

The Company has engaged the services of Cicero, a Corporate Authorised Representative (No. 449190) of ACNS Capital Markets Pty Ltd T/A Alto Capital (ACN 088 503 208) AFSL 279099, to manage the Capital Raising the subject of Resolutions 1 – 3, as detailed in section 1 above. In consideration for their services, the Company will pay Cicero a fee of 6% (exclusive of goods and services tax) on the amount raised under the Capital Raising and (subject to Shareholder approval) issue Cicero the Unlisted Options the subject of this Resolution.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 7 will be to allow the Company to issue the Unlisted Options pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **5.2 Technical information required by ASX Listing Rule 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Unlisted Options to be issued:

- (a) the maximum number of Unlisted Options to be issued is 40,000,000;
- (b) the Unlisted Options will be issued no later than 3 months after the date of the Meeting (or a later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the issue price will be \$0.00001 per Unlisted Option;

- (d) the Unlisted Options will be issued to Cicero or its nominees, none of these subscribers are related parties of the Company;
- (e) the Unlisted Options will be issued on the terms and conditions set out in Schedule 1; and
- (f) the Company intends to use the funds raised from the issue for working capital.

A voting exclusion statement is included in the Notice.

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## 6. RESOLUTIONS 8, 9, 10 AND 11– APPROVAL FOR THE ISSUE OF MANAGEMENT OPTIONS TO RELATED PARTIES

### 6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue 20,000,000 options (**Management Options**) to the following Directors and officers of the Company (collectively the **Key Management Personnel**):

Director	Position	Options
Mr R Gajewski	Chairman	13,000,000
Mr A Beckwith	Managing Director	4,000,000
Mr R Brans	Non-executive Director	1,000,000
Mr A Chapman	Non-executive Director	1,000,000
Mr P Jurman	Company Secretary	1,000,000
<b>Total</b>		<b>20,000,000</b>

Resolutions 8 to 11 seek Shareholder approval for the grant of 19,000,000 Management Options to Messrs Gajewski, Beckwith, Brans and Chapman (**Related Parties**).

The Management Options will have an exercise price of \$0.02 and an expiry date of 30 December 2019. Detailed terms and conditions of the Management Options are provided in Schedule 2.

The purpose of the issue of the Management Options is to provide the Key Management Personnel an incentive for future services. The issue of options as part of the remuneration packages of Directors and officers is an established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding each of the Key Management Personnel. Note that the Key Management Personnel were previously issued performance rights, after receipt of Shareholder approval, in November 2013 (performance rights expired 30 June 2014).

Whilst the directors to whom the Management Options are to be issued do not make a recommendation in relation to the Resolution in which they have a material personal interest, they believe that the quantum of Management Options together with the cash fees to which the Key Management Personnel are entitled are reasonable, given the size and complexity of the Company's activities and also by comparison to other similar sized junior explorers.

### 6.2 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 4.3 above.

The grant of the Management Options to the Related Parties constitutes giving a financial benefit and the Related Parties are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Gajewski with respect to Resolution 8, Mr Beckwith with respect to Resolution 9, Mr Brans with respect to Resolution 10 and Mr Chapman with respect to Resolution 11, who have material personal interests in Resolutions 8, 9, 10 and 11 respectively) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Management Options to the Related Parties because the agreement to grant the Management Options to the Related Parties is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

### **6.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Management Options to the Related Parties involves the issue of securities to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **6.4 Technical information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 8 to 11:

- (a) 19,000,000 Management Options will be granted to the following related parties (or their nominees) as follows:
  - (i) 13,000,000 Management Options to Mr R Gajewski (Resolution 8);
  - (ii) 4,000,000 Management Options to Mr A Beckwith (Resolution 9);
  - (iii) 1,000,000 Management Options to Mr R Brans (Resolution 10); and
  - (iv) 1,000,000 Management Options to Mr A Chapman (Resolution 11),or their nominees;
- (b) the Management Options will be issued to the Related Parties no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Management Options will occur on the same date;
- (c) the Management Options will be issued to the Related Parties for nil cash consideration, accordingly no funds will be raised; and

- (d) the terms and conditions of the Management Options are set out in Schedule 2.

## **6.5 Potential Benefits – Issue of Management Options**

If the Management Options are issued pursuant to the proposed Resolutions 8, 9, 10 and 11, the Company considers the following benefits arise:

- (a) Messrs Gajewski, Beckwith, Brans and Chapman will have a vested interest in the affairs of the Company, as the holders of Management Options and as Shareholders upon exercise of the Management Options, particularly as the Management Options are not transferable.
- (b) The issue of the Management Options to Messrs Gajewski, Beckwith, Brans and Chapman is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue enables the Company to provide its Directors with reward for services previously provided and/or as an incentive for future services they will provide to the Company to further progress the Company in a cost-effective manner, as opposed to other forms of remuneration, such as cash.
- (c) The exercise of the Directors Options will provide working capital for the Company. If all of the Directors Options proposed to be issued to Messrs Gajewski, Beckwith, Brans and Chapman are ultimately exercised, based on an exercise price of \$0.02, an amount of \$380,000 would be raised.

## **6.6 Potential Costs – Issue of Management Options**

The Management Options are to be granted for nil consideration and thus no funds will be raised by the Company in granting those Options.

The potential cost to the Company of the issue of an aggregate of 19,000,000 Management Options to Messrs Gajewski, Beckwith, Brans and Chapman is that there will be a dilution of the issued share capital of the Company if the Management Options are exercised. Based on 370,500,000 Shares presently on issue, the exercise of the proposed Management Options (19,000,000) would have an aggregate dilution effect of approximately 4.9% (with a corresponding increase in cash reserves – see 6.5(c) above), comprising 3.35% by Mr Gajewski, 1.03% by Mr Beckwith, 0.26% by Mr Brans and 0.26% by Mr Chapman.

If the Options are exercised at a time when the market price of the Company's Shares is greater than the exercise price of the Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

The price of the Company's Shares quoted on the ASX over the past 12 months has ranged from a low of 0.6 cents on 22 January 2016 to a high of 4.5 cents on 20 May 2015, with a closing price of 1 cent on 10 February 2016, the date immediately prior to the date on which this Explanatory Statement was prepared.

Accounting standard AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the Income Statement – ie the value attributed to the Management Options



(See Section 6.7 below) will be expensed in the profit and loss account of the Company. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

## **6.7 Valuation of Management Options**

The Company does not have any ASX quoted options with identical or similar terms and conditions as these proposed Management Options and as such there is no comparable market value. Each Management Option grants the holder a right to be allotted one Share upon exercise of the Management Option and payment of the exercise price of the Management Option. Accordingly, the Management Options arguably have a value at the date of their grant. The Management Options may acquire future value dependent upon the extent to which the market value of Shares exceeds the exercise price of the Management Options during the term of the Management Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- (a) the period outstanding before the expiry date of the options;
- (b) the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- (c) the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- (d) the value of the shares into which the options may be converted; and
- (e) whether or not the options are listed (ie readily capable of being liquidated).

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has estimated the value of the Management Options using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the Share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying Share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model in the present case were as follows:

- (a) an exercise price of the Management Options of \$0.02;

- (b) length of period prior to conversion being 3.75 years. For the purposes of the analysis it was assumed that the Management Options would not be exercised any earlier than the expiration date, being 30 December 2019;
- (c) the Company has not forecast any future dividend payments. For the purposes of the analysis, it was assumed that the Company's share price is "ex-dividend";
- (d) the risk free rate used for the purposes of the analysis is the Reserve Bank of Australia cash rate as at 10 February 2016 being 2.0%;
- (e) a volatility measure of 159.8%; and
- (f) the valuation of the Company's share price being 1 cent, being the value of the Company's share price as at 10 February 2016.

Using the Black-Scholes Model and the assumed data outlined above, the directors have valued the Management Options as at 10 February 2016 at \$0.0084 each.

Using this analysis (\$0.0084 attributed to each Management Option), the total value of the proposed Management Options to be granted to each of Messrs Gajewski, Beckwith, Brans and Chapman is as follows:

	<b>Number of Management Options</b>	<b>Total Value of Management Options</b>
Mr Gajewski	13,000,000	109,200
Mr Beckwith	4,000,000	33,600
Mr Brans	1,000,000	8,400
Mr Chapman	1,000,000	8,400
<b>TOTAL</b>	<b>19,000,000</b>	<b>159,600</b>

## 6.8 Related Parties' Existing Interest

Excluding the Management Options the subject of Resolutions 8, 9, 10 and 11, the current interests of Messrs Gajewski, Beckwith, Brans and Chapman (and entities associated with them) in the Company's securities are as follows:

<b>Director</b>	<b>Shares</b>	<b>Options</b>	<b>Performance Shares (Note 1)</b>
Mr Gajewski	18,960,000	19,523,132	1,440,000
Mr Beckwith	16,161,370	6,666,600	5,663,180
Mr Brans	2,000,000	4,000,000	-
Mr Chapman	5,045,900	1,333,400	2,475,000

Options have not previously been issued to directors as part of their remuneration packages.

**Note 1:** The Company issued Shares and Performance Shares as consideration for the acquisition of 100% of the share capital of Tojo Minerals Pty Ltd (**Tojo**) to Tojo shareholders. Mr Gajewski, Mr Beckwith and Mr Chapman were Tojo shareholders and received Shares and Performance Shares in proportion to their

shareholding in Tojo. The issue of the Shares and Performance Shares was approved by shareholders at a general meeting held on 26 September 2014.

## 6.9 Directors' Emoluments

Other than the Management Options, the directors' current remuneration is as follows:

Director	Position	Current Remuneration \$
Mr Gajewski <sup>1</sup>	Chairman	\$36,000
Mr Beckwith <sup>1</sup>	Managing Director	\$26,280
Mr Brans	Non - Executive Director	\$26,280
Mr Chapman	Non - Executive Director	\$26,280

<sup>1</sup> As Chairman, Mr Gajewski received director fees of \$8,000 per month from 1 July 2015 to 30 November 2015 with no payment received in December 2015. As Managing Director, Mr Beckwith received director fees of \$16,425 per month from 1 July 2015 to 30 November 2015 with no payment received in December 2015. Effective from 1 January 2016, Mr Gajewski and Mr Beckwith will be entitled to director fees of \$36,000 per annum and \$26,280 per annum respectively. Mr Gajewski and Mr Beckwith have in place consultancy agreements for the provision of services outside the scope of duties as a Director. Remuneration by way of consulting fees is calculated on the basis of a daily rate. The term of the consultancy agreement is not fixed, and has an allowance for either party to terminate the agreed arrangements by the giving of 30 days' notice.

Mr Gajewski is also a director of Corporate Consultants Pty Ltd, which provides accounting, secretarial and corporate services to the Company. For the financial year ended 30 June 2015, the Company paid \$91,028 for these services and for the financial year ended 30 June 2014, the Company paid \$60,313 for these services. In addition, Corporate Consultants Pty Ltd was paid an additional \$31,891 for the year ended 30 June 2015 and \$37,118 for the year ended 30 June 2014 in consideration for rent and variable outgoings paid under a sub-lease granted to the Company.

## 6.10 Directors' Recommendation

Messrs Gajewski (Resolution 8), Beckwith (Resolution 9), Brans (Resolution 10) and Chapman (Resolution 11) express no opinion and make no recommendation in respect of the resolutions that apply specifically to them. Otherwise, each of the Directors recommend that Shareholders approve Resolutions 8, 9, 10 and 11 for the reasons set out in section 6.5 in this Explanatory Statement, including:

- (i) Messrs Gajewski, Beckwith, Brans and Chapman will have a vested interest in the affairs of the Company, as existing Shareholders and the holders of the Management Options; and
- (ii) The issue of Management Options to Gajewski, Beckwith, Brans and Chapman is a non-cash form of remuneration, thus conserving the Company's cash reserves. The issue enables the Company to provide its Directors with reward for services provided and provide an incentive with respect to future services they will provide to the Company to further progress the Company,

and on the basis that, in their opinion, the proposed issue of Management Options is fair and reasonable having regard to the terms of the Management Options.

In forming their recommendations, each Director considered the experience of each other Related Party, the current market price of Shares, the current market practices when determining the number of Management Options to be granted to the Related Parties as well as the exercise price of \$0.02 and expiry date of those Management Options.

#### **6.11 Other Information**

No stamp duty will be payable in respect of the grant of the Management Options. No GST will be payable by the Company in respect of the grant of the Management Options (or if it is then it will be recoverable as an input credit). Payroll tax at normal rates may be payable in the future by the Company, subject to the exercise of the Management Options.

Subject to receipt of shareholder approval, the options will be granted no later than a month after the Meeting.

Other than the information above and otherwise set out in this Explanatory Statement, the directors believe that there is no other information known to the Company or its directors that will be reasonably required by Shareholders to make a decision in relation to the proposed Resolutions 8, 9, 10 and 11.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Management Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Management Options to the Related Parties (or their nominee(s)) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

A voting exclusion statement is included in the Notice.

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### **7. RESOLUTION 12 – ISSUE OF MANAGEMENT OPTIONS TO MR P JURMAN**

#### **7.1 General**

As outlined in 6.1 above, the Company has agreed, subject to obtaining Shareholder approval, to issue 20,000,000 Management Options to the Key Management Personnel. The Company has resolved to issue 1,000,000 Management Options to Mr P Jurman or his nominee(s) in consideration for his services as company secretary of the Company.

Resolution 12 seeks Shareholder approval for the issue of 1,000,000 Management Options to Mr P Jurman.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 12 will be to allow the Company to issue the Management Options to Mr Jurman during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

#### **7.2 Technical information required by ASX Listing Rule 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Management Options to be issued to Mr Jurman (or his nominee(s)) under Resolution 12:

- (a) the maximum number of Management Options to be issued to Mr Jurman is 1,000,000;
- (b) the Management Options will be issued to Mr Jurman or his nominee(s) no later than 3 months after the date of the Meeting (or a later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Management Options will occur on the same date;
- (c) the Management Options are being issued to Mr Jurman for nil cash consideration in satisfaction of services provided by Mr Jurman;
- (d) the Management Options will be issued to Mr Jurman (or his nominee), who is not a related party of the Company;
- (e) the Management Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from the issue of the Management Options to Mr Jurman as the Management Options are being issued in consideration for services provided by Mr Jurman.

A voting exclusion statement is included in the Notice.

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### **Cautionary Notes**

The Directors recognise and acknowledge the importance of Shareholders making their decision on the basis of the best possible information. However, once this material for the Notice of Meeting and Explanatory Statement is prepared and despatched to Shareholders, the Company has no legal obligation to continuously update the content of this material nor is it practical and logistically possible to do that and inform each Shareholder individually.

By its nature, the exploration industry is subject to numerous risks and the Company's Share price is affected by a range of factors. From the time of preparing this material to the date of the General Meeting, the Company's Share price may go up or down. The Company will continue to comply with its continuous disclosure obligations and make appropriate announcements to the ASX.

Shareholders are strongly encouraged to keep track of any announcements that the Company may make and of the Company's Share price up to the date of the General Meeting as that information may have an effect on the calculations and the data that is provided in this Notice and the Explanatory Statement. If you do not understand the effect of such information, you should consult your professional advisor.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of Directors of the Company.

**Closely Related Party** of a member of the Key Management Personnel means:

- a) a spouse or child of the member;
- b) a child of the member's spouse;
- c) a dependent of the member or the member's spouse;
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- e) a company the member controls; or
- f) a person prescribed by the *Corporations Regulations 2001 (Cth)* for the purposes of the definition of 'closely related party' in the Corporations Act.

**Company** or **Carnavale** means Carnavale Resources Limited (ACN 119 450 243).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement means** the explanatory statement accompanying the Notice.

**General Meeting or Meeting** means the meeting convened by the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Management Option** means an option to acquire a Share on the terms and conditions set out in Schedule 2 (for the purposes of Resolutions 8, 9, 10, 11 and 12).

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share on the terms and conditions set out in Schedule 1 and 2 (for the purposes of Resolutions 7, 8, 9, 10, 11 and 12).

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Unlisted Option** means an option to acquire a Share on the terms and conditions set out in Schedule 1 (for the purposes of Resolution 7).

**WST** means Western Standard Time as observed in Perth, Western Australia.

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**SCHEDULE 1 - TERMS AND CONDITIONS OF UNLISTED OPTIONS – RESOLUTION 7**

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- (a) Each Unlisted Option entitles the holder to subscribe for and be allotted one Share.
- (b) The Unlisted Options may be exercisable at any time prior to 5:00pm WST on 30 December 2019 (**Expiry Date**). Unlisted Options not exercised on or before the Expiry Date will automatically lapse.
- (c) The exercise price of each Unlisted Option is \$0.02.
- (d) The Unlisted Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date.
- (e) The Unlisted Options will not be listed on the ASX.
- (f) The Unlisted Options are transferable.
- (g) Upon the exercise of an Unlisted Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted official quotation on the ASX.
- (h) There will be no participating entitlement inherent in the Unlisted Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Unlisted Options. Prior to any new pro rata issue of securities to Shareholders, Unlisted Option holders will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
- (i) There is no right to a change in the exercise price of the Unlisted Options or to the number of Shares over which the Unlisted Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Unlisted Options.
- (j) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Unlisted Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.
- (k) Shares issued pursuant to the exercise of an Unlisted Option will be issued not more than 14 days after the date of the Notice of Exercise.

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**SCHEDULE 2 - TERMS AND CONDITIONS MANAGEMENT OPTIONS – RESOLUTIONS 8,9,10, 11 AND 12**

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- (a) Each Management Option entitles the holder to subscribe for and be allotted one Share.
- (b) The Management Options may be exercisable at any time prior to 5:00pm WST on 30 December 2019 (**Expiry Date**). Management Options not exercised on or before the Expiry Date will automatically lapse.
- (c) The exercise price of each Management Option is \$0.02.
- (d) The Management Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date.
- (e) The Management Options will not be listed on the ASX.
- (f) The Management Options are not transferable except to an offeror under a takeover offer or under a scheme of arrangement proposed by the Company, or except with the consent of the Directors of the Company in circumstances where the proposed transfer is to an entity wholly owned and controlled by the optionholder.
- (g) Upon the exercise of a Management Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted official quotation on the ASX.
- (h) There will be no participating entitlement inherent in the Management Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Management Options. Prior to any new pro rata issue of securities to Shareholders, Management Option holders will be notified by the Company in accordance with the requirements of the ASX Listing Rules.
- (i) There is no right to a change in the exercise price of the Management Options or to the number of Shares over which the Management Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Management Options.
- (j) In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an Management Option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules in force at the time of the reorganisation.
- (k) Shares issued pursuant to the exercise of an Management Option will be issued not more than 14 days after the date of the Notice of Exercise.



**Completed Proxy can be lodged:**

BY MAIL: **Level 1, Suite 5, The Business Centre,  
55 Salvado Road, Subiaco,  
Western Australia 6008**  
**Or**  
**P O Box 131**  
**Subiaco, Western Australia 6904**

BY FAX: **(61 8) 9380 6761**

For your vote to be effective, the completed proxy form must be received by 12.30pm (Perth time),  
21 March 2016

**How to complete the Proxy Form****1 Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

**2 Votes on Items of Business**

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

**3 Appointment of a Second Proxy**

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

**4 Signing Instructions**

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the security holders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

**Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the time of the General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**STEP 1** APPOINTMENT OF PROXY

I/We being a member/s of Carnavale Resources Limited and entitled to attend and vote hereby appoint

The Chairman  
of the Meeting  
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding your own name) you are appointing as

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Carnavale Resources Limited to be held on 23 March 2016 and at any adjournment of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 8, 9, 10 and 11 (except where I/we have indicated a different voting intention below) even though Resolutions 8, 9, 10 and 11 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman and acknowledge that the Chairman may exercise my/our proxy even if the Chair has an interest in the outcome of Resolutions 3, 4 and 8 and that votes cast by the Chair for Resolutions 3, 4 and 8, other than as proxy holder, will be disregarded because of that interest.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 3, 4, 8, 9, 10 and 11 by marking the appropriate box below under **VOTING DIRECTIONS (STEP 2)**.

**STEP 2** VOTING DIRECTIONS TO YOUR PROXY

PLEASE MARK  TO INDICATE YOUR DIRECTIONS

	For	Against	Abstain*
Resolution 1 – Ratification of Prior Issue – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of Prior Issue – Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Placement Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Participation by R Gajewski in Capital Raising Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Participation by A Beckwith in Capital Raising Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Participation by A Chapman in Capital Raising Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval to Issue Unlisted Options to Cicero Advisory Services Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Approval of Issue of Management Options to R Gajewski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Approval of Issue of Management Options to A Beckwith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Approval of Issue of Management Options to R Brans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Approval of Issue of Management Options to A Chapman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – Approval of Issue of Management Options to P Jurman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**The Chairman of the Meeting intends to vote all available proxies in favour of all Resolutions. In exceptional circumstances the Chairman may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGN**

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and  
Sole Company Secretary  
Dated: \_\_\_/\_\_\_/2016

Securityholder 2

Director

Securityholder 3

Director/Company Secretary