



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2016**

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 group for the half-year ended 31 December 2016. 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	Chairman
Andrew Beckwith	Managing Director
Rhett Brans	Non-Executive Director
Andrew Chapman	Non-Executive Director

Results

The consolidated loss for the half-year after tax was \$240,587 (2015: \$1,075,077).

Review of Operations

Carnavale is an Australian based mineral exploration company which currently owns the Lake Roe Project, comprising two exploration licenses (E28/2303 and E28/2304) located 120km ENE of Kalgoorlie, Western Australia.

Lake Roe Project, WA, Australia – Au (Carnavale 100%)

During the period, Carnavale's exploration activities focused primarily on its maiden RC (Reverse Circulation) programme at the Lake Roe Project. The two tenements cover a sequence of deformed Archean greenstone belt within the Southern Laverton Tectonic Zone (SLTZ) and are considered prospective for gold mineralisation.

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

During the period, the Company drilled 12 holes for a total advance of 1,360m. The programme targeted the northwest southeast trending Stag Shear Zone where previous vertical RAB and aircore drilling located on 200m spaced drill traverses intersected a series of anomalous zones over a total strike length of over 600m (Figure 1). Limited historic follow-up RC and diamond drilling comprised of 2 RC and 2 diamond holes. (refer ASX announcement dated 13 December 2016).

An additional zone of anomalous supergene gold, termed the Triumph Trend (Figure 1), was also defined to the east of the Stag Shear Zone closer to the granite intrusion to the east. This anomalous zone is parallel to the Stag Shear, also trending southeast northwest, with no previous follow-up drilling undertaken along this target.

Results of the RC drilling showed the area is blanketed by 30-40m of barren and unconsolidated transported sediments and lateritic gravels followed by deep saprolite clays to approximately 70-80m depth and then partially weathered and fresh basement rocks. This deeply weathered nature and thick transported barren overburden compounds the difficulties in exploring and targeting the mineralised structures.

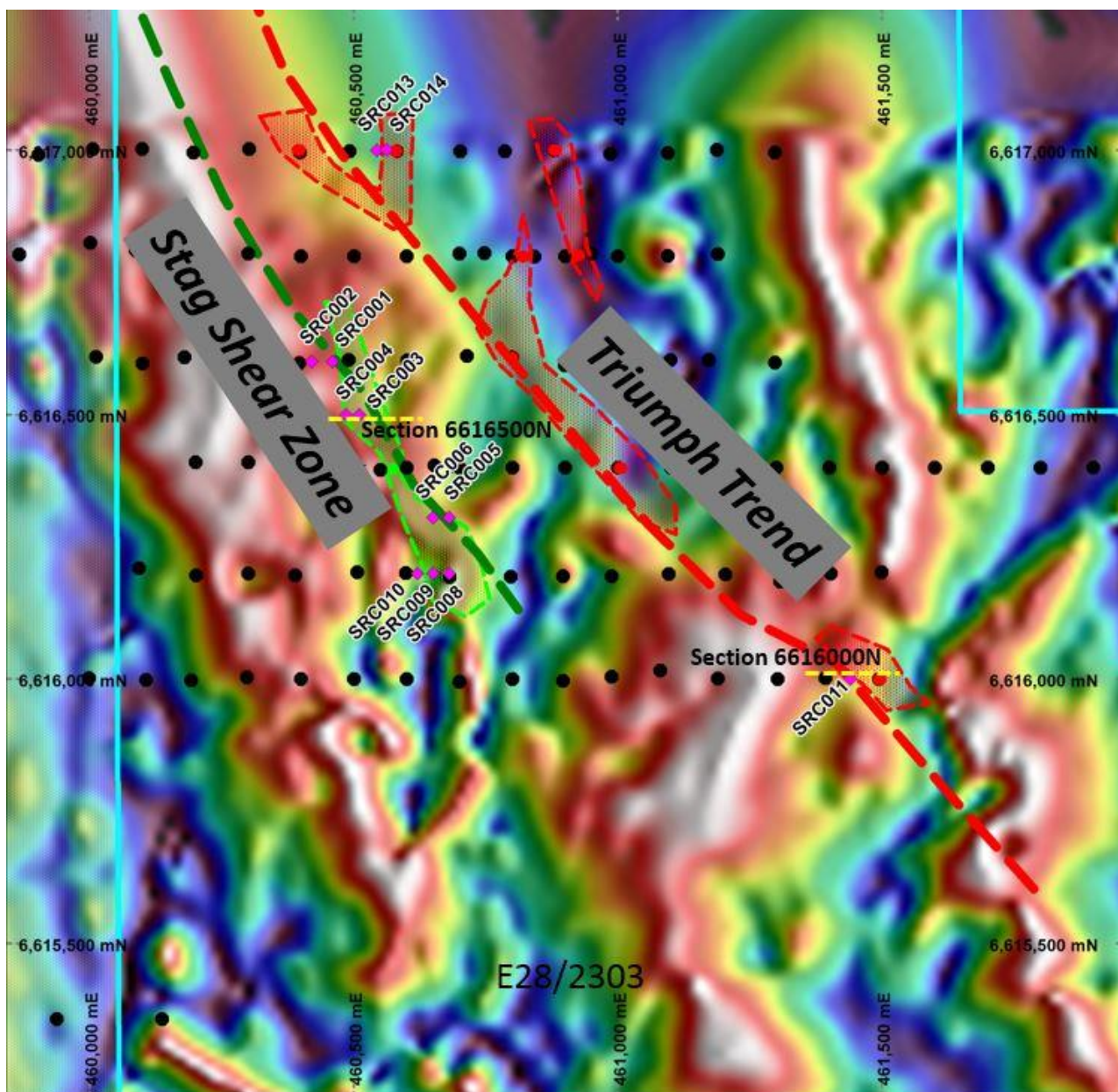


Figure 1: Location Plan - STAG and TRIUMPH Targets showing drill hole locations

Carnavale is currently assessing various geophysical techniques that may aid targeting of the structures prior to committing to further drilling.

Red Hills Project, Nevada, USA – Au-Ag-Cu-Pb-Zn

The Red Hills Project comprised mineral claims covering an area of approximately 13.4km², located in eastern Nevada, USA. The project area was considered prospective for large multi-million ounce scale “Carlin style” gold and silver deposits and also structurally controlled polymetallic (gold, silver, copper, lead and zinc) deposits.

During the period, the Company, having completed a review of the project potential for defining a gold resource, elected to withdraw from the Joint Venture.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Corporate

Subsequent to the end of the period, in February 2017, the Company raised \$678,000 through a private placement to sophisticated and professional investors via the issue of 113 million fully paid shares at an issue price of \$0.006 each. The funds raised will be used to continue exploration activities on its existing mineral interests, consideration of new business opportunities and for ongoing working capital.

The Company continues to assess various opportunities in the resource sector. A number of resource projects were reviewed during the period, with selected reviews continuing.

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 2016.

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 9th day of March 2017

Competent Person's Statements – Exploration Results

The information in this report that relates to the Lake Roe Project has been previously reported by the Company in compliance with JORC 2012 in various market releases with the last one dated 13 December 2016. The Company confirms that it is not aware of any new information or data that materially affects the information included in those earlier market announcements.

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 2016, 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
9 March 2017

L Di Giallonardo
Partner

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the half-year ended 31 December 2016

	Note	Consolidated 6 Months Ended 31 December 2016 \$	Consolidated 6 Months Ended 31 December 2015 \$
REVENUE			
Interest income		8,399	3,949
Foreign exchange gain		-	22,489
		<hr/> 8,399	<hr/> 26,438
EXPENSES			
Administrative expenses		(198,814)	(236,160)
Exploration expenditure written off		(45,874)	(864,667)
Depreciation expense		-	(688)
Due diligence / project generation expenses		(4,298)	-
Loss before income tax	2	<hr/> (240,587)	<hr/> (1,075,077)
Income tax expense		-	-
Net loss for the period		<hr/> (240,587)	<hr/> (1,075,077)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		94	18,000
Other comprehensive income for the period		<hr/> 94	<hr/> 18,000
Total comprehensive loss for the period		<hr/> <hr/> (240,493)	<hr/> <hr/> (1,057,077)
Basic loss per share (cents per share)		(0.05)	(0.42)

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
Assets			
Current Assets			
Cash and cash equivalents		930,464	1,399,985
Receivables		28,545	14,493
Other assets		3,797	8,353
Total Current Assets		962,806	1,422,831
Non-Current Assets			
Exploration and evaluation expenditure	3	215,096	30,627
Total Non-Current Assets		215,096	30,627
Total Assets		1,177,902	1,453,458
Liabilities			
Current Liabilities			
Trade and other payables		33,587	85,512
Total Current Liabilities		33,587	85,512
Total Liabilities		33,587	85,512
Net Assets		1,144,315	1,367,946
Equity			
Issued capital	4	26,726,622	26,709,760
Option reserve	5	1,462,960	1,462,960
Foreign currency translation reserve	6	20,091	19,997
Accumulated losses		(27,065,358)	(26,824,771)
Total Equity		1,144,315	1,367,946

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

Consolidated	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total Equity
Balance at 1 July 2015	25,179,894	(23,923,053)	1,301,356	2,722	2,560,919
Loss attributable to members of the parent entity	-	(1,075,077)	-	-	(1,075,077)
Exchange gain on translation of foreign operations	-	-	-	18,000	18,000
Total comprehensive loss for the period	-	(1,075,077)	-	18,000	(1,057,077)
Shares issued during the year (net)	11,500	-	-	-	11,500
Balance at 31 December 2015	25,191,394	(24,998,130)	1,301,356	20,722	1,515,342

Consolidated	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total Equity
Balance at 1 July 2016	26,709,760	(26,824,771)	1,462,960	19,997	1,367,946
Loss attributable to members of the parent entity	-	(240,587)	-	-	(240,587)
Exchange gain on translation of foreign operations	-	-	-	94	94
Total comprehensive loss for the period	-	(240,587)	-	94	(240,493)
Shares issued during the year (net)	16,862	-	-	-	16,862
Balance at 31 December 2016	26,726,622	(27,065,358)	1,462,960	20,091	1,144,315

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half-year ended 31 December 2016

	Consolidated 6 Months Ended 31 December 2016 \$	Consolidated 6 Months Ended 31 December 2015 \$
Cash flows from operating activities		
Cash payments in the course of operations	(243,603)	(193,088)
Interest received	8,522	3,949
Net cash used in operating activities	<u>(235,081)</u>	<u>(189,139)</u>
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(236,302)	(816,321)
Payments for property, plant and equipment	-	(1,216)
Net cash used in investing activities	<u>(236,302)</u>	<u>(817,537)</u>
Cash flows from financing activities		
Proceeds from issue of shares and options	1,862	15,000
Issue costs - shares and options	-	(3,500)
Net cash provided by financing activities	<u>1,862</u>	<u>11,500</u>
Net decrease in cash held	(469,521)	(995,176)
Cash at the beginning of the reporting period	1,399,985	1,253,481
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	-	22,378
Cash at the end of the reporting period	<u>930,464</u>	<u>280,683</u>

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

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 2016 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 2016 except for the following:

Exploration and evaluation expenditure

The company has capitalised \$215,096 of exploration and evaluation expenditure as at 31 December 2016 in relation to its exploration projects. The Directors have reviewed the appropriateness of continued capitalisation and the existence of any indicators of impairment and concluded that no further 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.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Standards and Interpretations applicable to 31 December 2016

In the half-year ended 31 December 2016, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2016.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2016

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2017.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

2. LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	8,399	3,949
Foreign exchange gain	-	22,489
Total	<u>8,399</u>	<u>26,438</u>
Expenses		
Write-off of capitalised exploration expenditure	(45,874)	(864,667)

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2016 (6 months) \$	Consolidated 30 June 2016 (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	30,627	1,256,182
Acquisition costs – exploration licences	-	30,627
Expenditure incurred	230,343	894,071
Exploration expenditure written off	(45,874)	(2,150,253)
Balance at end of period	<u>215,096</u>	<u>30,627</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.

During the year ended 30 June 2016, the Directors considered the carrying value of all carried forward exploration and evaluation and decided that it was appropriate for a write down of exploration expenditure of \$2,150,253, attributable to the Little Butte Project and the Red Hills project to be charged to the statement of comprehensive income due to the withdrawal from the Little Butte Option Agreement during the year and the withdrawal from the Red Hills Joint Venture in the September 2016 quarter.

4. ISSUED CAPITAL

	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
(a) Issued and paid-up share capital		
458,999,560 (30 June 2016: 458,000,000) ordinary shares, fully paid	<u>26,726,622</u>	<u>26,709,760</u>
<i>Movements in Ordinary Shares:</i>		
	Number	\$
Balance at the beginning of the period	458,000,000	26,709,760
Options exercised at 3 cents each	62,060	1,862
Shares issued to consultant	937,500	15,000
Balance at the end of the period	<u>458,999,560</u>	<u>26,726,622</u>

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

4. ISSUED CAPITAL - continued

(b) Share options

Exercise Period	Exercise Price	Opening Balance	Options Issued	Options Exercised/ Expired	Closing Balance
		1 July 2016			31 December 2016
		Number	Number	Number	Number
On or before 30 November 2016	\$0.03	186,208,836	-	(186,208,836)	-
On or before 30 December 2019	\$0.02	60,000,000	-	-	60,000,000
Total		246,208,836	-	(186,208,836)	60,000,000

(c) Performance shares

Ex. price	Expiry date	Opening Balance	Granted during the period	Vested and converted into shares during the period	Forfeited / redeemed during the period	Closing Balance	Vested and exercisable at end of the period
		1 July 2016		during the period	during the period	31 December 2016	end of the period
		Number	Number	Number	Number	Number	Number
Nil	13-Mar 19	21,000,000	-	-	(21,000,000)	-	-
		21,000,000	-	-	(21,000,000)	-	-

21 million B Class Convertible Performance Shares were redeemed by the Company following a decision in July 2016 to terminate and withdraw from the Red Hills Agreement.

5. OPTION RESERVE

	Consolidated 31 December 2016	Consolidated 30 June 2016
	\$	\$
Option Reserve	<u>1,462,960</u>	<u>1,462,960</u>

The option reserve represents amounts received in consideration for the issue of options to subscribe for ordinary shares in the Company and the value of options issued to third parties for services rendered.

6. FOREIGN CURRENCY TRANSLATION RESERVE

	Consolidated 31 December 2016	Consolidated 30 June 2016
	\$	\$
Foreign currency translation reserve	<u>20,091</u>	<u>19,997</u>

The foreign currency translation reserve is used to record exchange differences from the translation of the financial statements of foreign operations.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

7. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date other than the Company entering into a new lease for its corporate offices for a monthly fee of \$2,500 under a non-cancellable operating lease expiring 30 June 2017.

8. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

In February 2017, the Company raised \$678,000 through a private placement to sophisticated and professional investors via the issue of 113,000,000 fully paid shares ("Shares") at an issue price of \$0.006 each. The funds raised will be used to continue exploration activities on its existing mineral interests, consideration of new business opportunities and for ongoing working capital.

Other than identified above, no other matters or circumstances have arisen since 31 December 2016 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

9. 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 2016	\$	\$	\$	\$
Business segments				
Revenue				
Other external revenue	8,399	-	-	8,399
Total segment revenue	8,399	-	-	8,399
Results				
Operating loss before income tax	(179,921)	(60,666)	-	(240,587)
Income tax expense				-
Net loss				(240,587)
31 December 2016				
Assets				
Segment assets	962,806	215,096	-	1,177,902
Liabilities				
Segment liabilities	33,543	44	-	33,587
31 December 2015	\$	\$	\$	\$
Business segments				
Revenue				
Other external revenue	26,438	-	-	26,438
Total segment revenue	26,438	-	-	26,438
Results				
Operating loss before income tax	(198,644)	(876,433)	-	(1,075,077)
Income tax expense				-
Net loss				(1,075,077)
31 December 2015				
Assets				
Segment assets	317,336	1,274,588	-	1,591,924
Liabilities				
Segment liabilities	60,800	15,782	-	76,582

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2016

In the opinion of the directors:

- (a) the financial statements and notes of the group, as set out on pages 6 to 14, 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 Group's financial position as at 31 December 2016 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 9th day of March 2017

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 consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated 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, for the Group 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 gives a true and fair view and 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 Group's financial position as at 31 December 2016 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 Group's financial position as at 31 December 2016 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**

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**L Di Giallonardo
Partner**

**Perth, Western Australia
9 March 2017**