

31 July 2014

QUARTERLY ACTIVITY REPORT

For the period ended 30 June 2014

Carnavale Resources Ltd (ASX: CAV) is pleased to report on its activities at projects in USA and Western Australia for the June 2014 Quarter.

Essex Project, Utah, USA

During the quarter Carnavale withdrew from its agreement to earn an interest in the Essex Copper Tailings Project in Utah, USA.

Initial results from exploration and evaluation of the project did not meet the company's investment criteria.

Long Horse Project – Joint Venture (Western Australia)

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

With the recent granting of some of the tenements Carnavale plans to do a desktop review of historical data and to commence reconnaissance exploration of several prospects to further refine priority targets.

Gold-Silver-Copper Projects in USA

Subsequent to quarter end, Carnavale entered into an agreement giving it the option to acquire the rights to two highly prospective Gold (Au) –Silver (Ag) - Copper (Cu) projects in Arizona and Nevada, USA

Carnavale has entered into an option agreement with Tojo Minerals Pty Ltd (“Tojo”) whereby Carnavale can acquire all of the issued shares in Tojo within a 7 month period.

For details of the terms of the agreement with Tojo, refer the news release issued by the Company on 30 July 2014. The Company wishes to also release the following supporting information to ensure compliance with ASX listing rules and to meet JORC 2012 Code and guidelines for the reporting of exploration results, mineral resources and ore reserves.

The table below comprising section 1 sampling techniques and data and section 2 reporting of exploration results is to accompany the ASX release dated 30 July 2014.

1 CARNAVALE RESOURCES LIMITED

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Corporate

In line with the proposed acquisition of Tojo and the new growth strategy Mr Andrew Beckwith has been appointed Managing Director with Mr Ron Gajewski to remain as Chairman.

Mr Andrew Beckwith is a director of Tojo, and is a successful explorer whose past experience includes senior roles with AngloGold Ashanti, Acacia Resources, Normandy NFM, North Flinders Mines, BP Minerals Australia and more recently at Westgold Resources, where he led the team initially as exploration manager and then as Managing Director.

As at 30 June 2009 the Company had cash at bank totaling \$1.52 million.

For further information contact:

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The information in this report that relates to exploration results is based on, and fairly represents information and supporting documentation prepared by Mr Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr Beckwith is a Director of Carnavale Resources Limited. Mr Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Beckwith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Addendum to June 2014 Quarterly Report

Carnavale Resources Limited (ASX:CAV) provides the following addendum to the June 2014 Quarterly Activities Report lodged with the ASX on 31 July 2014 in relation to additional information required by Listing Rule 5.3.3.

Mining Tenements held at the end of the quarter and their location

None

Mining Tenements acquired during the quarter and their location

None

Mining Tenements disposed of during the quarter and their location

None

Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter

Carnavale is in joint venture with Barrambie Minerals Limited over licences E15/1352 and E15/1372 whereby Carnavale can earn up to 80% interest in these licences by spending \$1,250,000 in exploration. As at the end of the quarter, CAV had not earned an interest in the licences.

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

None

JORC Code, 2012 Edition – Table 1 report template

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> • <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> • <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> • <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> • <i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> • Historical exploration sample results reported include drilling results completed by previous parties that operated on the project. The reported drilling results are summarized in historical reports. The company is continuing to acquire the original data, assess and validate the results and drill hole information. Therefore the results are currently considered NON JORC compliant, until the data can be validated. • The drilling comprises RC (reverse circulation) and diamond core at the prospect area on generally east west drill fences over the target north south shear zones. The previous drilling is considered to have only partially tested the overall target shear zones. The reported results are considered representative of the shear zone mineralization as known to date. • The drill core has only recently been sighted and is of general good condition. Sampling was originally on half core cut basis with sample intervals on a variable length basis and appears to be of a good standard. RC drilling pulps and logging chip trays have been retained. The holes have been previously logged • Assays have been completed at an industry acceptable commercial laboratory using a 30gram Au Fire Assay with AA finish and multi-element with a four acid digest and ICP-AEs finish. Duplicates and standards remains to be assessed.
Drilling techniques	<ul style="list-style-type: none"> • <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> • Recent (2010/2011) third party drilling comprises 30 holes for 2,977metres of RC (reverse circulation) and 7 holes for 361 metres of diamond core completed in 2010/11 by a third party. This drilling partially tests the target shear zones. Additional NON JORC compliant drilling from approximately 25 years earlier occurs elsewhere on the property and is not considered material to the targeted shear zones.

Criteria	JORC Code explanation	Commentary
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> • <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> • <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> • <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> • Diamond drilling core sample recoveries have been documented. Generally the logging shows acceptable recoveries over 90% except in limited zones where recovery is considered low. In these instances the loss relates to highly weathered material and associated drilling difficulties. • RC drilling recoveries are unknown at this stage. • Grade verses sampling bias is not known at this stage, however it is noted visible gold is evident in the core, potentially indicating nuggetty gold issues may occur in the sampling.
<i>Logging</i>	<ul style="list-style-type: none"> • <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> • <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i> • <i>The total length and percentage of the relevant intersections logged.</i> 	<ul style="list-style-type: none"> • Previous geological logging has been completed on all holes. No geotechnical logging has been sighted. The drilling indicates the entire drill holes are in highly weathered bedrock.
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> • <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> • <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i> • <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> • <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i> • <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i> • <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i> 	<ul style="list-style-type: none"> • Diamond core has been logged and then sampled on half core cut basis, and is considered of a good standard. • RC drilling is stated as drilled wet, riffle split and then sampled wet. • Duplicate and standard assays for quality control measures remains to be assessed. • Resampling of the drill core and RC drilling pulps is currently being assessed as a measure to check previous sample results.

Criteria	JORC Code explanation	Commentary
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> • Assay techniques are appropriate for the style of mineralisation targeted. • Reputable independent laboratory utilized for historical analysis • Quality control measures remain to be fully assessed
Verification of sampling and assaying	<ul style="list-style-type: none"> • The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> • No re-assaying has been completed to date by Tojo Minerals or Carnavale personnel. • Review of the diamond core in the field has been completed by Andrew Beckwith • Core and drilling pulps are in good condition and are well stored.
Location of data points	<ul style="list-style-type: none"> • Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> • Drill holes are located by hand held GPS to an accuracy of +/- 3m. Verification of location remain to be completed in the field.
Data spacing and distribution	<ul style="list-style-type: none"> • Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied. 	<ul style="list-style-type: none"> • Currently the drilling and sampling is of insufficient density to determine a resource estimate.

Criteria	JORC Code explanation	Commentary
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i> 	<ul style="list-style-type: none"> • Drilling orientation is considered to be appropriate to test the width of mineralized structure, however additional drilling is required to test continuity along strike and at depth
<i>Sample security</i>	<ul style="list-style-type: none"> • <i>The measures taken to ensure sample security.</i> 	<ul style="list-style-type: none"> • Unknown
<i>Audits or reviews</i>	<ul style="list-style-type: none"> • <i>The results of any audits or reviews of sampling techniques and data.</i> 	<ul style="list-style-type: none"> • No audits completed to date. • Review of the core indicates geological logging, alteration and mineral assemblages reflect reported assays on a visual basis

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> • <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i> • <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i> 	<ul style="list-style-type: none"> • Results reported are only a summary of results reported by the previous operator. The property is under an option to earn into the project. • The drill results occur within registered patented and unpatented claims in Arizona, USA • The area is managed by the Bureau of Land Management (BLM), a government body. Future drilling will require approval from the BLM
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> • <i>Acknowledgment and appraisal of exploration by other parties.</i> 	<ul style="list-style-type: none"> • Reported drill results are from work completed by a US based third party, drilled in 2010/11.
<i>Geology</i>	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • The deposit style is currently unknown, however mineralization is interpreted to occur associated with two vertical structures defined by geophysical data. The mineralization is hosted in highly weathered siltstones and coarser sandstones and conglomerates and associated with veining, shearing and breccias.
<i>Drill hole Information</i>	<ul style="list-style-type: none"> • <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i> • <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i> 	<ul style="list-style-type: none"> • The reported summary of results are considered to be representative of the target shear zone mineralization as provide by the owner of the property. • Drilling is on east west orientated drill lines with angled drill holes targeting the north south trending structure. • Validation and assessment of the location and drill hole orientation data is currently underway, however is considered representative. • Additional holes occur on the property and are not considered material to the target mineralization related to the shear zones. The additional data is also deficient in many JORC aspects for reporting purposes.

Criteria	JORC Code explanation	Commentary
Data aggregation methods	<ul style="list-style-type: none"> <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> Reported gold intercepts use uncut assay values on length weighted basis.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> <i>These relationships are particularly important in the reporting of Exploration Results.</i> <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i> 	<ul style="list-style-type: none"> The reported drill results are down hole lengths. Orientation of mineralisation is currently poorly defined and therefore true widths are not known.
Diagrams	<ul style="list-style-type: none"> <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> The Company is currently in the process of field validating the actual location of the drill holes, acquiring and assessing assays and logged geology and will provide plans and sections of the drill holes in due course once validated.
Balanced reporting	<ul style="list-style-type: none"> <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i> 	<ul style="list-style-type: none"> The Company considers the mineralization is likely to occur as a series of plunging higher grade shoots along the interpreted shear zones with an enclosing envelope of lower grade remobilized mineralization surrounding these shoots in the weathering zone. The summary results provided in this release reflect known mineralization to date and provides a representative of the style and grade of mineralization defined to date.
Other substantive exploration data	<ul style="list-style-type: none"> <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i> 	<ul style="list-style-type: none"> Drilling was targeted on structures defined by an existing third party IP geophysical survey.

Criteria	JORC Code explanation	Commentary
<i>Further work</i>	<ul style="list-style-type: none"> <li data-bbox="320 228 1182 292">• <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <li data-bbox="320 308 1182 406">• <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<ul style="list-style-type: none"> <li data-bbox="1193 228 2072 406">• Validation of the existing drilling database and field inspections are currently underway, with confirmatory resampling being considered to confirm assays and mineralised intervals. Proposed new drilling is currently being planned to test the along strike and down dip extents of the previously defined mineralization.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

CARNAVALE RESOURCES LIMITED

ABN

49 119 450 243

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(17)	(424)
(b) development	-	-
(c) production	-	-
(d) administration	(104)	(435)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	36
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Due diligence expenses	-	(32)
Net Operating Cash Flows	(106)	(854)
Cash flows related to investing activities		
1.8 Payment for purchase or renewal of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other –	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(106)	(854)

1.13	Total operating and investing cash flows (brought forward)	(106)	(854)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	991
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue expenses	-	(73)
	Net financing cash flows	-	918
	Net increase (decrease) in cash held	(106)	63
1.20	Cash at beginning of quarter/year to date	1,636	1,466
1.21	Exchange rate adjustments to item 1.20	(2)	(1)
1.22	Cash at end of quarter	1,528	1,528

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	102
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

	A\$'000
Directors fees, consultancy charges and remuneration	83
Accounting , occupancy, secretarial and legal expenses	19

Non-cash financing and investing activities

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

N/A.

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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	450

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	265	379
5.2 Deposits at call	1,263	1,257
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,528	1,636

Changes in interests in mining tenements

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

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
7.1 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
7.3 +Ordinary securities	156,652,964	156,652,964		
7.4 Changes during quarter	-	-		
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options and Performance Rights <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Unlisted options Issued during quarter	131,826,452	-	<i>3 cents</i>	<i>30 Nov 2016</i>
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled/Expired during quarter				
Performance Rights	7,500,000	-	-	<i>30 June 2014</i>
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

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



Sign here:
Print name: Paul Jurman
Company Secretary

Date: 31 July 2014

Notes

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