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The Manager
ASX Market Announcements
ASX Ltd
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Option to Acquire Gold-Silver-Copper Projects in USA

Carnavale Resources Limited (“Carnavale” or “Company”) is pleased to announce that it has 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.

Highlights

- Option to acquire Tojo Minerals Pty Ltd (“Tojo”) which has option agreements over two US gold-silver-copper projects.
- Capital raising plans finalised to raise approximately \$520,000 via a private placement.
- Mr Andrew Beckwith appointed to the Board as Managing Director.

Carnavale has entered into an option agreement with Tojo whereby Carnavale can acquire all of the issued shares in Tojo within a 7 month period. Carnavale believes the US is highly prospective for gold and base metals and that there are a number of opportunities such as those acquired by Tojo. Tojo’s exploration work on the two projects which has been ongoing for 10 months will continue.

About Tojo

Tojo is a private Australian exploration company established to acquire exploration and development resource projects, in highly prospective regions within stable mining friendly countries focussing initially on the USA and Australia. Tojo has identified and acquired the rights to explore advanced highly prospective gold-silver-copper projects in the mining friendly states of Arizona and Nevada, USA. The USA ranks fourth in terms of 2013 world gold production with most of this production coming from large world class Au-Ag “Carlin” and Cu-Au “Porphyry” deposits dominantly located throughout Nevada and Arizona.

CARNAVALE RESOURCES LIMITED

ABN 49 119 450 243
Level 1, Suite 5, The Business Centre
55 Salvado Road
Subiaco Western Australia 6008
T: +61 8 9380 9098
F: +61 8 9380 6761
E: admin@carnavaleresources.com
W: www.carnavaleresources.com.au

Arizona Project

The Arizona project is a gold-copper exploration project in which Tojo has the right to earn 100% (subject to third party royalty) and is located approximately 250km south - southeast of Las Vegas and 200km west of Phoenix. Tenure comprises mineral claims covering an area approximately 9km². Project highlights are as follows:

- Immediate “walk up” drill targets with the potential to rapidly define a near surface open pittable oxide gold-copper resource in the near term, associated with 2 parallel oxide gold-copper shear zone targets with over 1km strike length each.
- Encouraging high grade shallow oxide gold results* in limited existing drilling includes:
 - **13.7m @ 11.33g/t** including **4.5m @ 33.65g/t**
 - **42.7m @ 2.04g/t** including **18m @ 4.17g/t**
 - **33.5m @ 2.95g/t** including **22.8m @ 4.06g/t**
- Deeper Cu-Au sulphide “chargeability” target defined in geophysics beneath numerous small scale high grade historical surface Cu-Au workings.

The immediate programme comprises compilation of all existing data, including the more recent previous drilling, acquisition of additional geophysical data to aid deeper drill targeting and RC drilling to delineate the shallow oxide gold potential. RC drilling is currently planned to commence in September, subject to regulatory approvals.

* Historical exploration results reported include drilling results completed by previous parties that operated on the project. The reported drilling results are summarized in historical reports and the quality and confidence in the results are to be qualified once full data has been obtained and assessed by a Competent Person.

The drilling comprises RC (reverse circulation) and diamond core at the prospect area on essentially east west drill fences. The drill core has been sighted and is in good condition. Sampling has been on half core cut basis with sample intervals on a variable length basis and appears to be of a good quality industry standard. RC drilling pulps and logging chip trays have been retained. The holes have been logged and sampling is on a variable length basis. 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 have not been assessed.

No re-assaying has been completed to date by Tojo Minerals or Carnavale personnel. Review of the diamond core is currently being completed by Mr Beckwith.

The drill results quoted above and the sampling results below are not reported in accordance with the JORC code. A competent person has not completed sufficient work to classify the results in accordance with the JORC code and it is uncertain that following further evaluation and/or further exploration work that the results will be reported in accordance with the JORC code.

Carnavale is currently undertaking additional assessment on the previous results and considers the results may be JORC compliant provided sufficient original supporting data can be verified with the exploration programmes planned for August and September 2014.

Nevada Project

The Nevada project is highly prospective for large “multi-million ounce” Carlin style Au-Ag potential, and is located approximately 400km north of Las Vegas and comprises mineral claims covering an area approximately 10km². Historical small scale underground mining previously undertaken in the early 1900’s has occurred within the project area.

Tojo has rights to earn up to a 75% interest in the project with the following highlights:

- Located along an under-explored portion of the prolific +100Moz Carlin Trend.
- Look-a-like and new proven mineralisation model based on recent Long Canyon (+2.5Moz) discovery acquired by Newmont for US\$2.3B in 2012 via a takeover.
- Encouraging Au and Ag results in rock chip sampling over at least 2km of prospective stratigraphy.

A programme of mapping, geochemical sampling and geophysical surveys are currently underway and are expected to be completed during August with results anticipated in September.

Transaction Details

Carnavale has entered into an Option Agreement to acquire 100% of Tojo in a share based transaction and includes a minimum commitment in direct project expenditure up to 28 February 2015.

The key terms of the Option Agreement are as follows:

- Carnavale will issue 10.5M fully paid shares to Tojo shareholders as an option fee, with the shares subject to voluntary escrow for a 6 month period.
- Carnavale is required to spend US\$500,000 direct project expenditure on the two US projects by 28 February 2015 before any withdrawal.
- Carnavale has the sole right to elect to acquire all the shares in Tojo, up to 28 February 2015.

Upon exercise of the Option,

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

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

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

Board Changes

In line with the proposed acquisition of Tojo and the new growth strategy Mr Andrew Beckwith 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.

During his time with Westgold, he was intimately involved in the Explorer 108 Pb-Zn-Ag and the Au-Cu Rover 1 discoveries, both in the Northern Territory. Westgold was awarded the "2008 Explorer of the Year" for the Rover 1 discovery and also went on to acquire the Central Murchison Gold Project, in Western Australia, with growth from an initial 1.9Moz resource on acquisition to the current 5.0Moz with mining development currently under assessment. Westgold was acquired by Metals X Limited in 2012.

Capital Raising

To fund the exploration commitment noted above and for ongoing working capital, Carnavale has finalised plans for the issue of 34.66 million shares at an issue price of 1.5 cents per share, together with 34.66 million attaching options (exercisable at 3 cents on or before 30 November 2016) raising \$520,000. Carnavale has received firm commitments for the full \$520,000 from clients of Otsana Capital and Hartleys Limited.

This issue will comprise two tranches:

- 28.66 million shares to be issued immediately to professional and sophisticated investors pursuant to Carnavale's placement capacity under the ASX listing rules (Tranche 1);
- A further 5.997 million shares together with 5.997 million attaching options to be issued to Mr Gajewski and Mr Beckwith, subject to shareholder approval (Tranche 2); and
- 28.66 million attaching options to be issued to the participants of the Tranche 1 placement, subject to shareholder approval.

As a term of the Option agreement, Mr Beckwith, has committed to subscribing for up to \$100,000 in Carnavale. Mr Beckwith has subscribed for \$60,000 as part of the Tranche 1 placement and the balance of \$40,000 will be issued subject to shareholder approval.

It is proposed the shareholder meeting to approve this issue would be held in September 2014.

Carnavale advises that the transaction with Tojo shareholders is not with related parties, other than Mr Gajewski who has a minor and insignificant interest in the capital of Tojo. The issue of Carnavale shares to Mr Gajewski as consideration under the Tojo transaction is subject to obtaining the necessary shareholder approvals as required under the Listing Rules.

For more information contact:

Ron Gajewski
Chairman
Tel: +61 8 9380 9098
ron@crcpl.com.au

Nathan Ryan
Investor Relations
Tel: +61 (0)420 582 887
nathan.ryan@nwrcommunications.com.au

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.