



carnavale  
resources ltd

ABN 49 119 450 243

**AND CONTROLLED ENTITIES**

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED  
31 DECEMBER 2011**

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011. 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	Executive Chairman
Peter Christie	Non-Executive Director
Klaus Eckhof	Non-Executive Director

#### Results

The consolidated loss for the half-year after tax was \$285,699 (2010: \$472,189).

#### Review of Operations

##### Exploration Licence E38/2055, WA (100%)

During the period, the Company acquired Exploration Licence E38/2055 which is located approximately 7kms south of the Granny Smith Mine and approximately 25km south of Laverton in the Mt Margaret Mineralfield. The Licence covers the area adjacent and south of the Acacia Resources area of Windich South which lies between the Granny Smith Mine and the licence.

The area of the licence lies within the North Eastern Goldfields province of Western Australia, in metamorphosed greenstone belt rocks of Archaean age. The tenement is located on the southerly plunging eastern limb of the Margaret anticline, within a regional north- south fault system known as the Laverton Tectonic Zone.

Shallow dipping splay faults branch off the main zone of sub-vertical strike-slip faults and are often associated with gold mineralization. Gold mines and deposits hosted by the Laverton tectonic zone include Granny Smith, Chide Harold, Keringal and Sunrise Dam.

Most of the tenement area overlies recent Tertiary sediments of Lake Carey, a large, normally dry salt lake with only limited outcrop in the north west of the licence. The outcrop area known as Two Hills, consist of complexly folded sheared and deformed BIF'S, medasediments black shales and mafic to intermediate volcanics. These units have been intruded by granitoid rocks.

Carnavale intends to review all historical data before completing a geophysical program to determine if a drilling program is warranted.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### Lambouka Oil And Gas Exploration Project

In March 2010, Carnavale Resources Limited (“Carnavale” or the “Company”) entered into an agreement with ADX Energy Limited to acquire a 20% working interest in ADX Energy Limited’s (ASX: ADX) two contiguous offshore Exploration Permits, G.R15.PU and Kerkouane (the “Permits”). G.R15.PU is located offshore the island of Pantelleria southwest of Sicily in Italian waters and the Kerkouane Permit is located offshore northeast Tunisia.

During the period, Carnavale entered into an agreement to relinquish its interest in the Lambouka oil and gas project, located in Sicily and Tunisia.

In consideration for the relinquishment of the 20% working interest, Carnavale:

- (i) received 11,172,535 shares in ADX;
- (ii) may receive US \$1 million cash payment, from commercial production resulting from hydrocarbons which were intersected by the ‘Lambouka 1’ well drilled in 2010. Any payment to be made after production continuing uninterrupted at a steady state for a continuous period of 6 months (other than interruptions as a result of scheduled maintenance); and
- (iii) may receive a further US \$1 million cash payment, from commercial production resulting from hydrocarbons which were intersected by the ‘Lambouka 1’ well drilled in 2010. Any payment to be made after production continuing uninterrupted at a steady state for a continuous period of 12 months (other than interruptions as a result of scheduled maintenance).

During the period, the Company disposed of 3,172,535 shares in ADX for net proceeds of \$242,251.

### Parmegiana Iron Ore project (100%) Brazil

During the period, the Company withdrew from the Parmegiana Iron Ore Project and transferred the licences back to the original vendors.

### Corporate

The Board is continuing to review new mineral projects and corporate opportunities.

### 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 2011.

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.



R Gajewski  
Executive Chairman  
Perth

Dated this 14th day of March 2012

*Scientific or technical information has been prepared under the supervision of Mr Klaus Eckhof, a Technical Director of the Company and a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Eckhof has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (the JORC Code). Mr Eckhof consents to the inclusion in this report of the Information, in the form and context in which it appears.*

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of Carnavale Resources Limited for the half-year ended 31 December 2011, 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  
14 March 2012



**M R W OHM**  
Partner, HLB Mann Judd

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

For the half year ended 31 December 2011

	Note	<b>Consolidated 6 Months Ended 31 December 2011 \$</b>	<b>Consolidated 6 Months Ended 31 December 2010 \$</b>
<b>REVENUES</b>			
Interest income		28,068	110,128
Foreign exchange gain		27,400	-
		<hr/> 55,468	<hr/> 110,128
<b>EXPENSES</b>			
Administrative expenses		(278,369)	(327,316)
Exploration expenditure written off		(17,095)	(123,191)
Net loss on disposal of available-for-sale investments		(27,414)	-
Impairment of property, plant and equipment		(18,038)	-
Depreciation expense		(251)	(2,503)
Foreign exchange (loss)		-	(129,307)
<b>Loss before income tax</b>	2	<hr/> (285,699)	<hr/> (472,189)
Income tax expense		-	-
<b>Net loss for the period</b>		<hr/> (285,699)	<hr/> (472,189)
<b>Other comprehensive income / (loss)</b>			
Exchange differences on translation of foreign operations		-	(9,889)
Net change in fair value of available-for-sale financial assets		(136,000)	-
<b>Total comprehensive loss for the period</b>		<hr/> (421,699)	<hr/> (482,078)
Basic earnings / (loss) per share (cents per share)		(0.33)	(0.54)

The accompanying notes form part of these financial statements.

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2011

	Notes	<b>Consolidated 31 December 2011 \$</b>	<b>Consolidated 30 June 2011 \$</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,523,764	2,254,178
Trade and other receivables		12,683	11,860
Other assets		7,727	16,327
<b>Total Current Assets</b>		1,544,174	2,282,365
<b>Non-Current Assets</b>			
Available-for-sale financial assets		544,000	-
Property, plant and equipment		402	18,691
Exploration and evaluation expenditure	3	7,948	949,665
<b>Total Non-Current Assets</b>		552,350	968,356
<b>Total Assets</b>		2,096,524	3,250,721
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		19,966	752,464
<b>Total Current Liabilities</b>		19,966	752,464
<b>Total Liabilities</b>		19,966	752,464
<b>Net Assets</b>		2,076,558	2,498,257
<b>Equity</b>			
Issued capital	4	22,625,370	22,625,370
Option premium reserve	5	1,249,661	1,249,661
Financial assets reserve	6	(136,000)	-
Foreign currency translation reserve		(6,135)	(6,135)
Accumulated losses		(21,656,338)	(21,370,639)
<b>Total Equity</b>		2,076,558	2,498,257

The accompanying notes form part of these financial statements.

**CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

For the half year ended 31 December 2011

<b>Consolidated</b>	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Option Premium Reserve</b>	<b>Financial assets reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Total Equity</b>
	\$	\$	\$		\$	\$
<b>Balance at 1 July 2010</b>	22,082,968	(10,623,294)	1,249,661	-	4,794	12,714,129
Loss attributable to members of the parent entity	-	(472,189)	-	-	-	(472,189)
Exchange differences arising on translation of foreign operations	-	-	-	-	(9,889)	(9,889)
<b>Total comprehensive loss for the period</b>	-	(472,189)	-	-	(9,889)	(482,078)
Shares issued, net of costs	542,402	-	-	-	-	542,402
<b>Balance at 31 December 2010</b>	22,625,370	(11,095,483)	1,249,661	-	(5,095)	12,774,453
<b>Balance at 1 July 2011</b>	22,625,370	(21,370,639)	1,249,661	-	(6,135)	2,498,257
Loss attributable to members of the parent entity	-	(285,699)	-	-	-	(285,699)
Revaluation of available-for-sale financial assets	-	-	-	(136,000)	-	(136,000)
<b>Total comprehensive loss for the period</b>	-	(285,699)	-	(136,000)	-	(421,699)
<b>Balance at 31 December 2011</b>	22,625,370	(21,656,338)	1,249,661	(136,000)	(6,135)	2,076,558

The accompanying notes form part of these financial statements.



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

For the half year ended 31 December 2011

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	<b>Consolidated 6 Months Ended 31 December 2011 \$</b>	<b>Consolidated 6 Months Ended 31 December 2010 \$</b>
<b>Cash flows from operating activities</b>		
Cash payments in the course of operations	(281,090)	(343,184)
Interest received	28,068	118,251
<b>Net cash used in operating activities</b>	<u>(253,022)</u>	<u>(224,933)</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and development expenditure	(747,043)	(3,917,776)
Proceeds received from disposal of investment	242,251	-
<b>Net cash used in investing activities</b>	<u>(504,792)</u>	<u>(3,917,776)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of options	-	542,401
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>542,401</u>
<b>Net decrease in cash held</b>	(757,814)	(3,600,308)
Cash at the beginning of the reporting period	2,254,178	6,311,818
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	27,400	(133,718)
<b>Cash at the end of the reporting period</b>	<u>1,523,764</u>	<u>2,577,792</u>

The accompanying notes form part of these financial statements.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

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### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### **Statement of compliance**

These interim consolidated financial statements are a general purpose financial report 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 2011 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### **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 2011.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

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### **Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2011, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

### 2. LOSS BEFORE INCOME TAX EXPENSE

	<b>Consolidated 31 December 2011 \$</b>	<b>Consolidated 31 December 2010 \$</b>
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	28,068	110,128
Foreign exchange gain	27,400	-
Total	<u>55,468</u>	<u>110,128</u>
Expenses		
Write-off of capitalised exploration expenditure	(17,095)	(123,191)
Impairment of property, plant and equipment	(18,038)	-

### 3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	<b>Consolidated 31 December 2011 (6 months) \$</b>	<b>Consolidated 30 June 2011 (12 months) \$</b>
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at 1 July	949,665	6,334,981
Expenditure incurred	25,043	4,725,061
Exploration expenditure impaired	(17,095)	(10,110,377)
Amount transferred to available-for-sale financial assets (i)	(949,665)	-
Net foreign currency differences	-	-
Balance at 31 December	<u>7,948</u>	<u>949,665</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.

(i) During the period, the Company entered into an agreement with ADX Energy Limited to dispose of its 20% interest in the Lambouka Project in Tunisia. In consideration for the disposal of the 20% working interest, Carnavale received 11,172,535 shares in ADX.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

### 4. ISSUED CAPITAL

	<b>Consolidated 31 December 2011 \$</b>	<b>Consolidated 30 June 2011 \$</b>
<b>(a) Issued and paid-up share capital</b>		
87,739,708 (30 June 2011: 87,739,708) ordinary shares, fully paid	<u>22,625,370</u>	<u>22,625,370</u>

#### *Movements in Ordinary Shares:*

	<b>Number</b>	<b>\$</b>
Balance at 1 July 2011	<u>87,739,708</u>	<u>22,625,370</u>
Balance at 31 December 2011	<u><b>87,739,708</b></u>	<u><b>22,625,370</b></u>

### 5. OPTION RESERVE

	<b>Consolidated 31 December 2011 \$</b>	<b>Consolidated 30 June 2011 \$</b>
Option Reserve	<u>1,249,661</u>	<u>1,249,661</u>

*There were no movements during the period*

### 6. FINANCIAL ASSETS RESERVE

	<b>Consolidated 31 December 2011 \$</b>	<b>Consolidated 30 June 2011 \$</b>
Balance at 1 July 2011	-	-
Revaluation of available-for-sale financial assets	<u>(136,000)</u>	<u>-</u>
Balance at 31 December 2011	<u><b>(136,000)</b></u>	<u><b>-</b></u>

### 7. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

### 8. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since 31 December 2011 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

### 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 oil exploration industry in Tunisia, mineral exploration industry in Brazil and investing activities in Australia.

	Investing	Mineral Exploration	Oil Exploration	Eliminations	Consolidated
<b>31 December 2011</b>	\$	\$	\$	\$	\$
<b>Business segments</b>					
<b>Revenue</b>					
Other external revenue	55,468	-	-	-	55,468
Total segment revenue	55,468	-	-	-	55,468
<b>Results</b>					
Operating loss before income tax	(249,596)	(19,008)	(17,095)	-	(285,699)
Income tax expense					-
Net loss					(285,699)
<b>31 December 2011</b>					
<b>Assets</b>					
Segment assets	2,088,576	7,948	-	-	2,096,524
<b>Liabilities</b>					
Segment liabilities	15,576	4,390	-	-	19,966
<b>31 December 2010</b>	\$	\$	\$	\$	\$
<b>Business segments</b>					
<b>Revenue</b>					
Other external revenue	110,128	-	-	-	110,128
Total segment revenue	110,128	-	-	-	110,128
<b>Results</b>					
Operating loss before income tax	(340,857)	(131,332)	-	-	(472,189)
Income tax expense					-
Net loss					(472,189)
<b>30 June 2010</b>					
<b>Assets</b>					
Segment assets	2,575,883	56,977	10,183,159	-	12,816,019
<b>Liabilities</b>					
Segment liabilities	36,008	5,559	-	-	41,567

# CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' DECLARATION

31 December 2011

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In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity, as set out on pages 5 to 13, 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 consolidated entity's financial position as at 31 December 2011 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.



R Gajewski  
Executive Chairman

Dated at Perth this 14th day of March 2012

## **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 statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 of the consolidated entity 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 controls as the directors determine is necessary to enable the preparation of the half year financial report that 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity’s financial position as at 31 December 2011 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*.



*Matters relating to the electronic presentation of the reviewed half-year financial report*

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

*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 consolidated entity's financial position as at 31 December 2011 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**



**M R W OHM**  
**Partner**

**Perth, Western Australia**  
**14 March 2012**