

31 October 2013

QUARTERLY ACTIVITY REPORT

For the period ended 30 September 2013

HIGHLIGHTS

- ◆ Carnavale Resources Limited (“Carnavale” or “the Company”) entered into an agreement giving it the right to acquire 65% of a copper tailings project (“the Essex Project”) in the historically copper-rich province of Milford, Utah, USA
- ◆ Carnavale, through its Joint Venture Partner Consolidated Copper & Metals Inc. (“CCM”), will have the right to use a proprietary process for the extraction of copper, gold and silver
- ◆ The Agreement also provides for an “area of influence” arrangement, which could give the parties potential to exploit other projects in this historically mineral-rich province
- ◆ Fully underwritten Rights Issue to raise approximately \$440,000 completed
- ◆ Appointment of highly credentialed Director, Mr Rhett Brans, to assist in reviewing the Essex Project.
- ◆ Commenced a program of works to determine the economics of the Essex Project. This program is estimated to be completed in January 2014.

Plans for the December Quarter

Carnavale, in conjunction with CCM, is carrying out a program of works including but not limited to auger drilling and sampling, metallurgical test work, resource calculation, permitting, concept design, capital and operating cost estimates. This work will culminate in the production of a technical report in compliance with NI 43-101 requirements.

The program of works is scheduled to be completed in January 2014.

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Essex Project (Utah)

The Essex Project consists of nearly 30 hectares (72 acres) of land located 5km (3 miles) outside of the town of Milford, Beaver County, Utah. This area is located in south-western Utah, approximately 3.5 hours' drive from Las Vegas, Nevada (heading north-east) or 3.5 hours' drive (south-west) from Salt Lake City, Utah. The property is close to an existing sealed road and is located on private land. See Figure 1 below.

Background

- The Essex Project comprises an historic two-acre processing facility originally in operation from the early 1960s to 1976 and the tailings which are remnant of this operation.
- In the 1960s through to mid-1970s, high-grade ore was processed by typical flotation methods or heap leach processes. These processes only partially removed copper and precious metals. This has left copper and precious metals in the tailings.
- Fresh water and grid electricity are accessible from close proximity to the Essex Project site.

Transaction Details

During the quarter, Carnavale entered into an exclusive option agreement with CCM to form a Joint Venture with respect to the Essex Project. CCM holds all the rights and entitlements to the Essex Project.

Carnavale has agreed to provide funding of up to US\$500,000 ("the Option Amount") on a staged basis to earn an exclusive option to acquire 65% of the Essex Project.

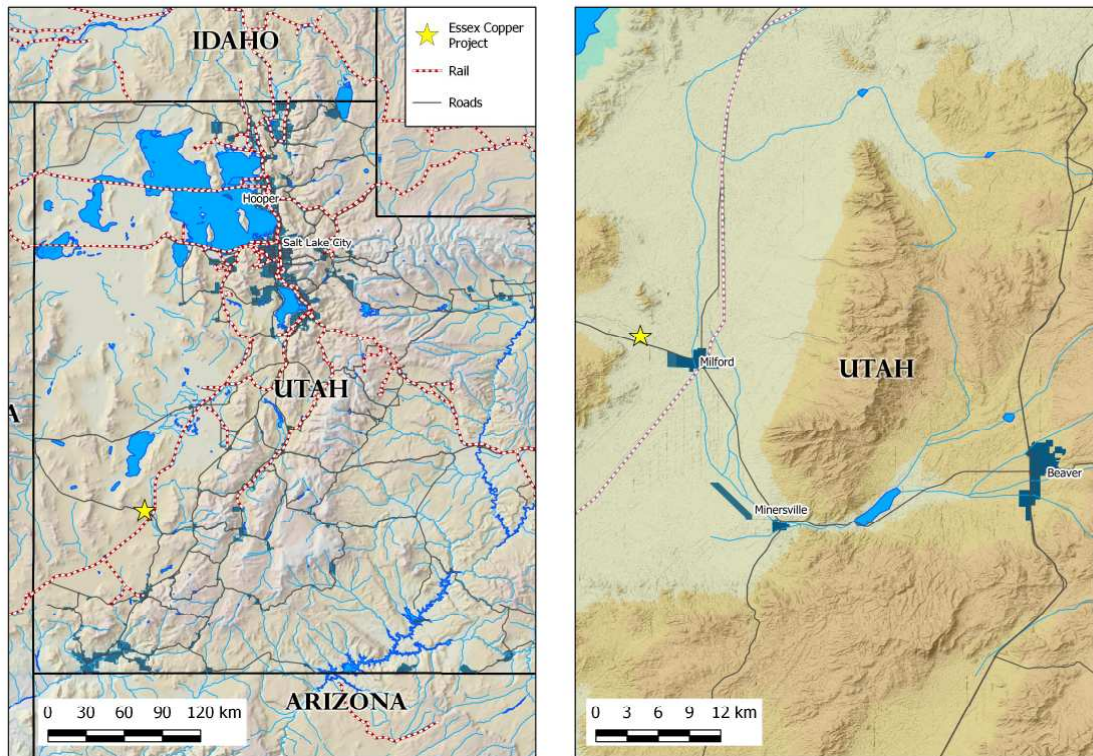
In the event that Carnavale elects to exercise the option as outlined above, Carnavale will then have 100 days from this election date to satisfy CCM that it has raised an amount of US\$7 million ("the Commitment Amount") to have earned its 65% interest in the Joint Venture. From initial investigations with external consultants, the Commitment Amount is the estimated expenditure necessary to advance the Essex Project into production. The Commitment Amount will be independently verified by the completion of a National Instrument 43-101 (NI 43-101) Technical report.

This report has been commissioned and is estimated for completion in January 2014.

From commencement of production and the generation of cash flow from the Essex Project, Carnavale will be entitled to 80% of the profits from the project until such time as Carnavale has fully recovered the Commitment Amount. Thereafter, the profit share will revert to the 65/35 ratio.

The parties will work together to generate new and additional opportunities within the Milford district to increase the resources available to be treated at the Essex Project site and to generate other mining opportunities. All costs and benefits from new opportunities within the Milford area will be shared by the parties on the same 65/35 basis as described in this agreement.

(Figure 1)



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's (ASX: HNR). The Long Horse project area also includes areas formerly included in a joint venture between Emu Nickel Limited and Mincor Resources NL.

The Emu Nickel Limited and Mincor Resources NL joint venture identified a large magnetic anomaly at the margin of felsic granitoid intrusions. Postulated causes for the magnetic anomaly were a large magnetite source formed at an endoskarn setting or a folded banded iron formation ("BIF") wrapped around the granitoid. One reverse circulation drill hole (WRC017) was completed which tested the peak of a magnetic anomaly to 175 metres for a possible magnetite iron deposit. The hole was planned to go deeper but was abandoned as water inflows became too high. The hole intersected a number of thin BIF sequences.

No work was undertaken on the project during the September Quarter.

No work is planned until all the applications have been granted.

Corporate

Capital Raising

Rights Issue

On 11 September 2013, the Company advised it would conduct an underwritten pro-rata non-renounceable entitlement issue to shareholders on the basis of one share for every three shares held at the record date at an issue price of 1.5 cents per share to raise approximately \$438,699 together with two free attaching options for every share issued ("Rights Issue"). The options are exercisable at 3 cents each and have an expiry date of 30 November 2016.

The funds raised will be used to fund the expenditure required to satisfy the Option Amount commitment in relation to the Essex Project and general working capital.

Shareholders subscribed for 13,930,661 shares and 27,861,322 options, representing a 48% take-up of the entitlement and leaving a shortfall of 15,315,908 shares and 30,631,816 options. The Directors, in conjunction with the Underwriter to the issue, Melbourne Capital Ltd, will finalise the allocation of the shortfall in early November 2013.

Placement

Carnavale proposes to undertake a securities placement of up to 38 million shares at 1.5 cents per share to raise \$570,000 before costs together with two free attaching options (on the same terms as disclosed above) for every share applied for and allotted ("Placement"). The Placement is subject to shareholder approval. Directors of Carnavale plan to participate for up to \$170,000 in the Placement subject to shareholder approval.

Appointment of Non-Executive Director

During the quarter the Board announced the appointment of Mr Rhett Brans to the Board as a Non-Executive Director.

Mr Brans has 39 years of experience in project development of treatment plants and mine developments. In his current role as Executive Director at Perseus Mining Limited, he successfully managed the completion of a Bankable Feasibility Study and construction of the Edikan Gold Mine in Ghana. He also managed the completion of the Feasibility Study for the Sissingue Gold Project in Cote d'Ivoire, which is now ready for construction.

He has been a Non-Executive Director of Syrah Resources Limited since June 2013. Mr Brans was previously a Director of Tiger Resources Limited, where he managed the Definitive Feasibility Study for the Kipoi Copper Project in the Democratic Republic of the Congo.

Earlier with Minproc, he was responsible for the management of the engineering design, procurement and construction of 22 mineral extraction facilities. Within this period he was responsible, as the overall project manager, for a \$340 million fully integrated mineral sands extraction and treatment facility for Ti-West, now called Ticor.

In addition, as a founding Director of Tritton Resources Limited and Managing Director of a successful engineering consulting company, Mr Brans has been involved with the development of more than 20 further projects in Australia and Africa.

The appointment of Mr Brans will assist the Company as it carries out a detailed technical review of the Essex Copper Tailings Project.

For further information contact:

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The information in this report that relates to exploration results is based on information compiled by Mr Klaus Eckhof who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Eckhof is a Director of the Company, has sufficient relevant experience in respect of the style of mineralization, the type of deposit under consideration and the activity being undertaken to qualify as a Competent Person within the definition of the 2004 Edition of the AusIMM's "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Eckhof consents to the inclusion in this report of the matters that are based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Name of entity

CARNAVALE RESOURCES LIMITED

ABN

49 119 450 243

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(7)	(7)
(b) development	-	-
(c) production	-	-
(d) administration	(128)	(128)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Due diligence expenses	-	-
Net Operating Cash Flows	(128)	(128)
Cash flows related to investing activities		
1.8 Payment for purchase or renewal of:		
(a) prospects	(103)	(103)
(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	(103)	(103)
1.13 Total operating and investing cash flows (carried forward)	(231)	(231)

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1.13	Total operating and investing cash flows (brought forward)	(231)	(231)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	(2)	(2)
	Net financing cash flows	(2)	(2)
	Net increase (decrease) in cash held	(233)	(233)
1.20	Cash at beginning of quarter/year to date	1,466	1,466
1.21	Exchange rate adjustments to item 1.20	(2)	(2)
1.22	Cash at end of quarter	1,231	1,231

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	94
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	63
Accounting , occupancy, secretarial and legal expenses	31

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

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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	400
4.2 Development	-
4.3 Production	-
4.4 Administration	100
Total	500

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	1,231	1,466
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,231	1,466

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		-	-

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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	87,739,708	87,739,708		
7.4 Changes during quarter	-	-		
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter	-	-	-	-
7.7 Options <i>(description and conversion factor)</i>	-	-	<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter				
7.10 Cancelled/Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

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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 October 2013

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.