

17 January 2014

QUARTERLY ACTIVITY REPORT

For the period ended 31 December 2013

Carnavale Resources Ltd (ASX: CAV) is pleased to report on its activities at projects in Utah, USA and Western Australia for the December 2013 Quarter.

HIGHLIGHTS

- ◆ Program of works continuing to determine the economics of the Essex Project, Utah, USA. This program is estimated to be completed in February 2014.
- ◆ Fully underwritten Rights Issue and Placement raised approximately \$990,000 completed

Plans for the March Quarter

Carnavale, in conjunction with its Essex Project joint venture partner, Consolidated Copper & Metals Inc. ("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 February 2014.

Essex Project, Utah, USA

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.

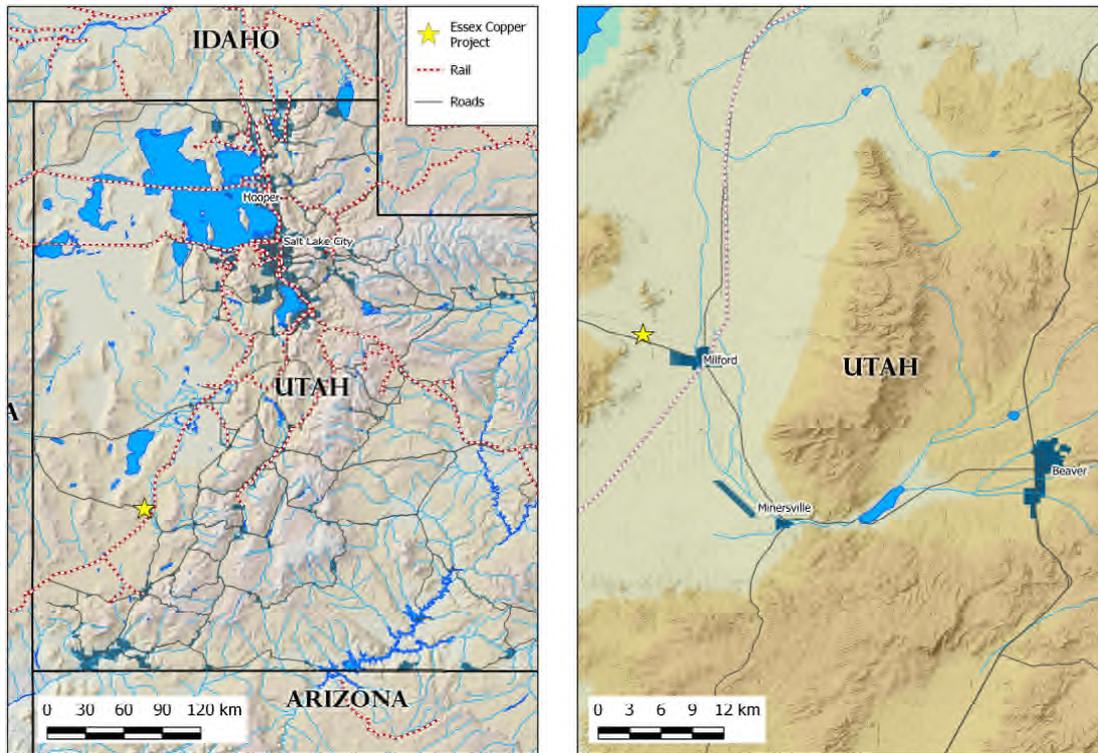
Background

- The Essex Project comprises an historic two-acre minerals 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 vat 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.

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Figure 1: Maps showing the location of the Essex Project, Utah, USA.



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.

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 is planned at Long Horse until all the applications have been granted.

Corporate

Capital Raising

Rights Issue

In October 2013, the Company completed 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 exercisable at 3 cents each and an expiry date of 30 November 2016.

Placement

Carnavale completed a securities placement of 36.67 million shares at 1.5 cents per share to raise \$550,000 before costs together with two free attaching options (on the same terms as disclosed above) for every share applied for and allotted ("Placement"). Directors of Carnavale subscribed for \$110,000 in the Placement. The Placement and the participation by the Directors in the Placement was approved by shareholders at the Annual General meeting held in November 2013.

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

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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")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(199)	(309)
(b) development	-	-
(c) production	-	-
(d) administration	(114)	(242)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Due diligence expenses	(32)	(32)
Net Operating Cash Flows	(340)	(571)
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)	(340)	(571)

1.13	Total operating and investing cash flows (brought forward)	(340)	(571)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	991	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	(71)	(73)
	Net financing cash flows	920	918
	Net increase (decrease) in cash held	580	347
1.20	Cash at beginning of quarter/year to date	1,231	1,466
1.21	Exchange rate adjustments to item 1.20	9	7
1.22	Cash at end of quarter	1,820	1,820

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	98
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	53
Accounting , occupancy, secretarial and legal expenses	45

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	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	570	1,231
5.2 Deposits at call	1,250	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,820	1,231

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	-	-		
Entitlement offer of securities	29,246,569	29,246,569	<i>1.5 cents</i>	<i>1.5 cents</i>
Underwriter shares	3,000,000	3,000,000	<i>1.5 cents</i>	<i>1.5 cents</i>
Placement	36,666,667	36,666,667	<i>1.5 cents</i>	<i>1.5 cents</i>
Exercise of options	20	20	<i>3 cents</i>	<i>3 cents</i>
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>
Unlisted options	131,826,452	-	<i>3 cents</i>	<i>30 Nov 2016</i>
Performance rights	7,500,000	-	-	<i>30 June 2014</i>
7.8 Issued during quarter				
Entitlement offer of securities	131,826,472	-	<i>3 cents</i>	<i>30 Nov 2016</i>
Performance rights	7,500,000	-	-	<i>30 June 2014</i>
7.9 Exercised during quarter	(20)	-	<i>3 cents</i>	<i>30 Nov 2016</i>
7.10 Cancelled/Expired during quarter	-	-	-	-
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: 17 January 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.