



10 April 2007

The Manager
ASX Ltd
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir

Carnavale Resources signs Letter of Intent for acquisition of two significant Iron Ore projects in Brazil

Highlights:

- **30,000 hectares of tenement area (further 30,000 hectares under application) in Brazil**
- **Tenements contain two significant iron ore (hematite) projects, and potential for further discoveries**

Newly listed Australian based resources company Carnavale Resources Limited ("**Carnavale**") has signed a binding Letter of Intent with Tau Capital Brasil Mineracao Ltd ("**TAU**") to acquire 100% ownership of two highly prospective Iron Ore Projects ("Projects") in Brazil, South America.

Under the terms of the Letter of Intent **Carnavale** has thirty days to carry out technical and legal due diligence on the Projects before entering into a definitive agreement expanding on the Letter of Intent.

At this time **Carnavale**:

- will pay USD\$100,000 for transfer of full ownership of the mineral rights in the Projects and issue 1,000,000 fully paid ordinary shares to **TAU**; and
- will commit to spending USD\$200,000 in exploration and development of the Projects within 60 days from completion of the due diligence period.

In addition to this **Carnavale** will also make instalment payments to **TAU** as follows:

- Within six months following the completion of the due diligence period, **Carnavale** shall pay USD\$200,000 and commit to spending a further USD\$200,000 in exploration and development of the Projects, and
- Within twelve months following the completion of the due diligence period, **Carnavale** shall pay USD\$200,000 and issue a further 1,000,000 fully paid ordinary shares to **TAU**.

CARNAVALE RESOURCES LIMITED

ABN 49 119 450 243

30 Ledger Road, Balcatta

Western Australia 6021

T: +61 8 9240 6876

F: +61 8 9240 2406

E: admin@carnavaleresources.com

W: www.carnavaleresources.com

Upon calculation of JORC standard mineable reserves as defined by a completed bankable feasibility study in the Projects, **Carnavale** shall pay **TAU** a total amount of USD 10 cents per ton. This obligation will continue for the life of the Projects. Additionally, **Carnavale** shall pay **TAU** a royalty of 1% net smelter return.

Carnavale reserves the right to, at its sole discretion, end this agreement at any time, provided that a written notice is delivered to the other party. Upon delivery of such notice, Carnavale shall not be held responsible for any of the terms and conditions set-forth in the Letter of Intent and full ownership of the mineral rights in the Project will revert to TAU.

Both projects subject to this agreement are highly prospective for iron ore (hematite) and previous exploration confirms the presence of various large mineralisation structures.

1. The Parmegiana Iron Ore Project located in the Mato Grosso State of Brazil

The Parmegiana Iron Ore Project has a total combined area of 50,879.03 hectares of which **TAU** has granted title over 20,000 hectares and applications over the remaining 30,879.03 hectares. The project is located approximately 565 km from the state capital of Cuiabá and can be accessed from a number of nearby towns. The area has several airstrips and the associated infrastructure of large regional towns.

The Parmegiana Iron Ore project was identified based on the correlation of an airborne magnetic survey with a prominent topographic linear feature (see figure 1). The Project area covers the full extent of the magnetic feature and a significant portion of other interpreted possible extensions.

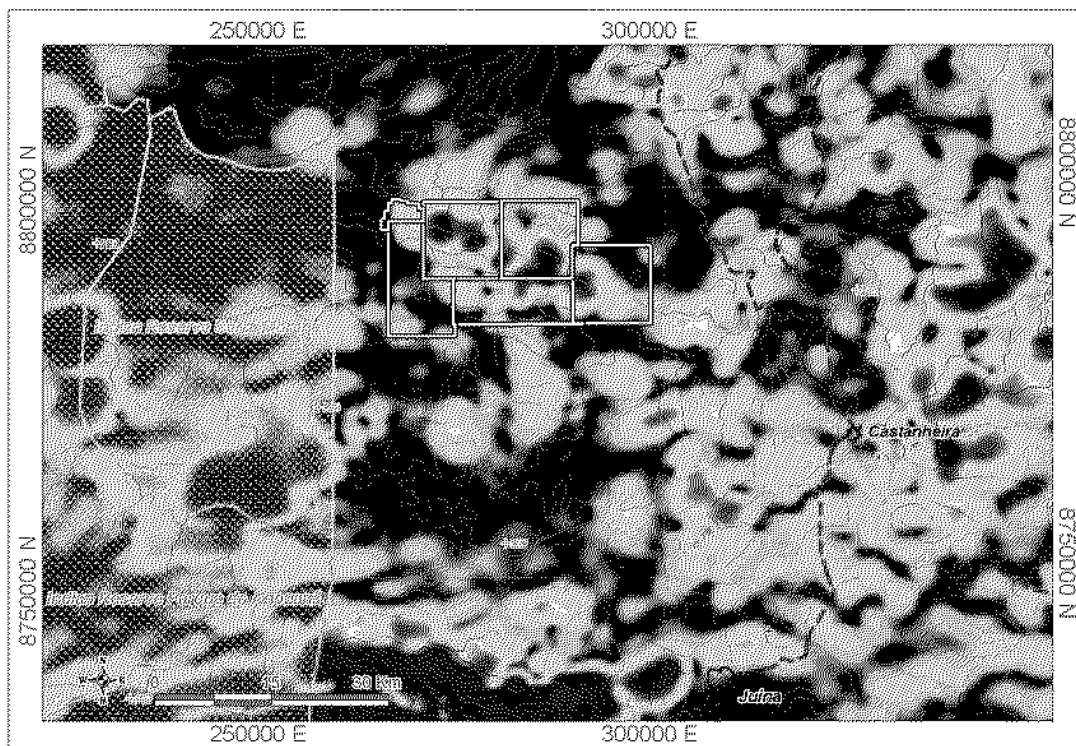


Figure 1 – Analytic Signal map showing the strong magnetic response over the Parmegiana target.

A brief regional reconnaissance conducted during 2006 confirmed the presence of significant percentage iron values associated with the inferred continuous banded iron formation (BIF). The BIF horizons are represented by Itabirite, with a varying amount of quartz and hematite-magnetite, vuggy and banded magnetite with varying amounts of hematite and compact specular hematite. Results of initial samples all recorded significant Iron mineralization up to 69% Fe (see Figure 2).

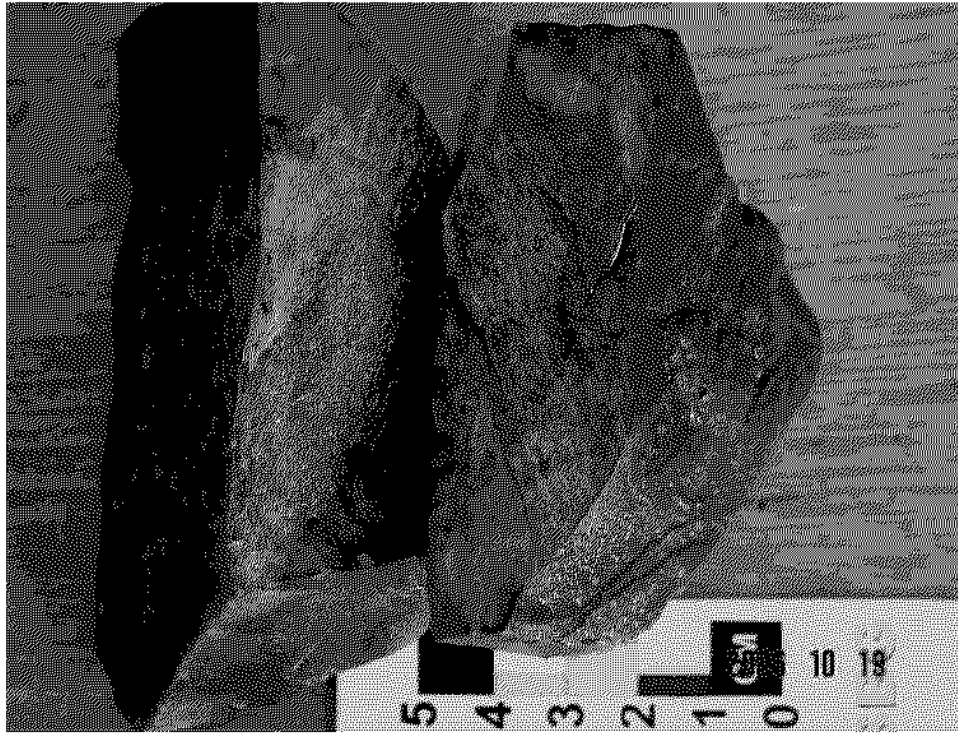


Figure 2 – High Grade Massive Specular Hematite from Parmegiana Project.

Based on a Landsat interpretation the main identified BIF's units and possible new similar horizons were delineated on a preliminary geological map that was generated in order to provide information about the aerial distribution of the Fe-rich horizons (see figure 3). This interpretation shows a possible presence of five distinct BIF's horizons, informally termed as; Southern limb, Northern limb, Parasite horizon, Escondido horizon and Croado horizon.

The Southern limb is the most expressive with a strike length of 20.4 kilometres and a predominant trend of 295 degrees. The horizon dips from 20° to 70° SW.

The Northern limb extends for about 11.0 kilometres with a sub-parallel trend (295 degrees) in respect to the Southern limb. Both horizons are separated by 3.2 kilometres. No outcrop has been found in the southwestern trend but taking into consideration the dips of the metasediments, it is assumed that the trend has a general steep dip to the SW. Therefore; the two iron formations (Southern and Northern limbs) are forming an inverted synclorium structure.

The Parasite horizon is located on the eastern extreme of northern limb and represents a sub-parallel unit. It shows a discontinuous strike length of 2.4 kilometres.

The Escodido horizon is located 3.2 kilometres south of the Southern limb with a strike length of 6.2 kilometres, trending 295 degrees. This horizon was not checked during the reconnaissance phase but it is believed that it could represent the southern limb of a possible inverted anticlinorium structure.

The Croado horizon is located further to the SW (1.6 kilometres) of Escodido with a discontinuous strike length of 3.8 kilometres. This horizon was also not submitted to a field check and is purely interpretative.

The Eastern horizon is located 1.4 kilometres south from Southern limb and can represent a fault displaced extension of the referred one. It trends 270 degrees on the east side changing to 295 degrees on the west side with along of a total strike length of 6.6 kilometres.

Together, all the five horizons comprise a total of 50.4 kilometres of Fe-rich BIFs. However, as a consequence of the deformation process which generated open folds, these horizons can be related to just one folded horizon. In this case, the potential can be bigger assuming a series of repeated slice of the same horizon.

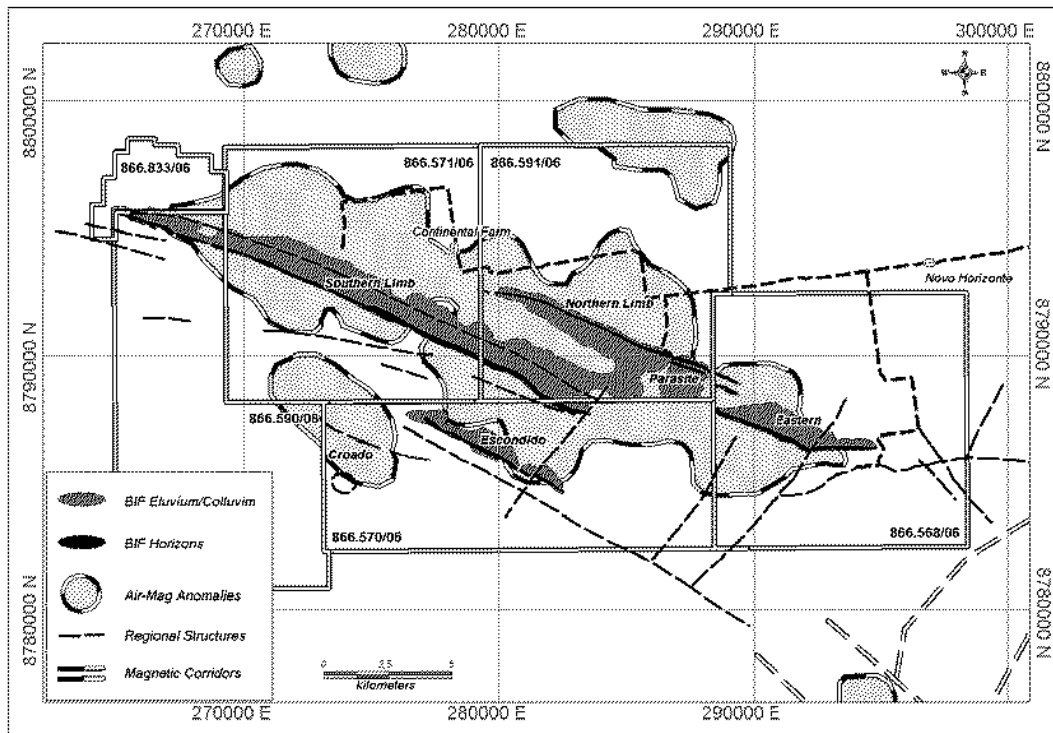


Figure 3 – Interpreted Geology Based on Field Reconnaissance and Landsat Interpretation

2. Ilha Redonda Iron Ore Project located in the Amapá State of Brazil

TAU has granted title over the Ilha Redonda Project totalling 10,000-hectares. The Project is located in Amapá State, in the north of Brazil, and is located 20 km from the State Capital, Macapá and 30 kilometres from Santana Port. The project is accessed by the Federal highway BR-210 which transects the south-eastern limits of the property. The existing EFA railway connects the Mn-Fe district of Serra do Navio to the Santana Port, and also passes through the project area (see figure 4).

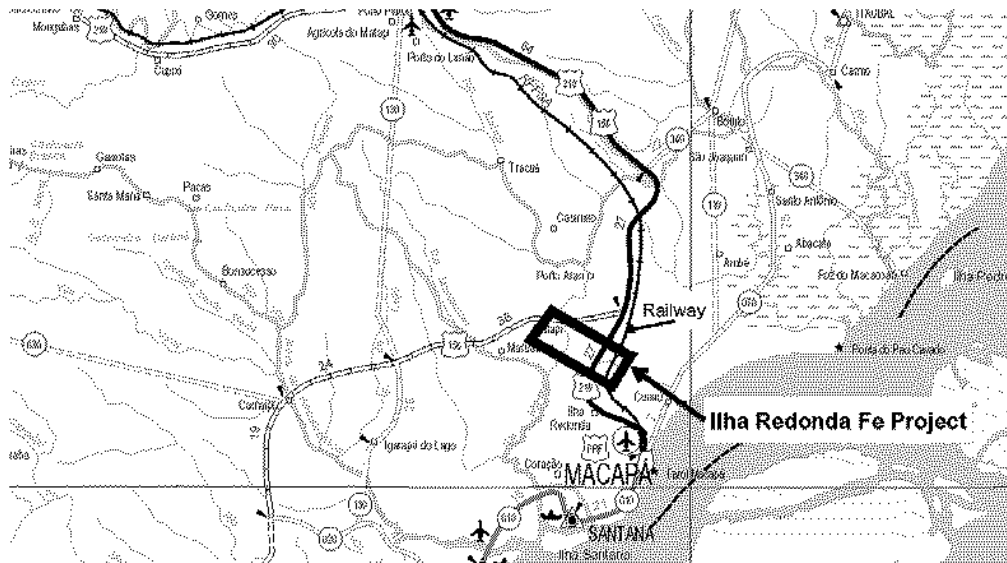


Figure 4 – Location of Ilha Redonda Fe Project

The property lies along the WNW magnetic trend that hosts other significant iron ore deposits in the region, including the Bacabal Deposit (Eldorado Gold Corp.) and the Amapá Deposit (MMX Mineração e Metalicos SA), both with significant iron ore values greater than 60% Fe.

The project area was delineated based on a prominent regional airborne magnetic anomaly. This anomaly has an elongated shape oriented WNW, with a strike extent of 23 km and widths ranging between five and seven km. A literature search is currently underway to review the results of Iron ore exploration conducted by Hanna Mining Corporation during the 1960s'. Initial data suggests Hanna Mining Corporation conducted exploration campaigns within the Ilha Redonda property, resulting in several areas where high grade hematite occurrences were reported.

TAU has compiled a series of initial exploration schedules to test the extent of the various anomalies of all the projects in the near future.

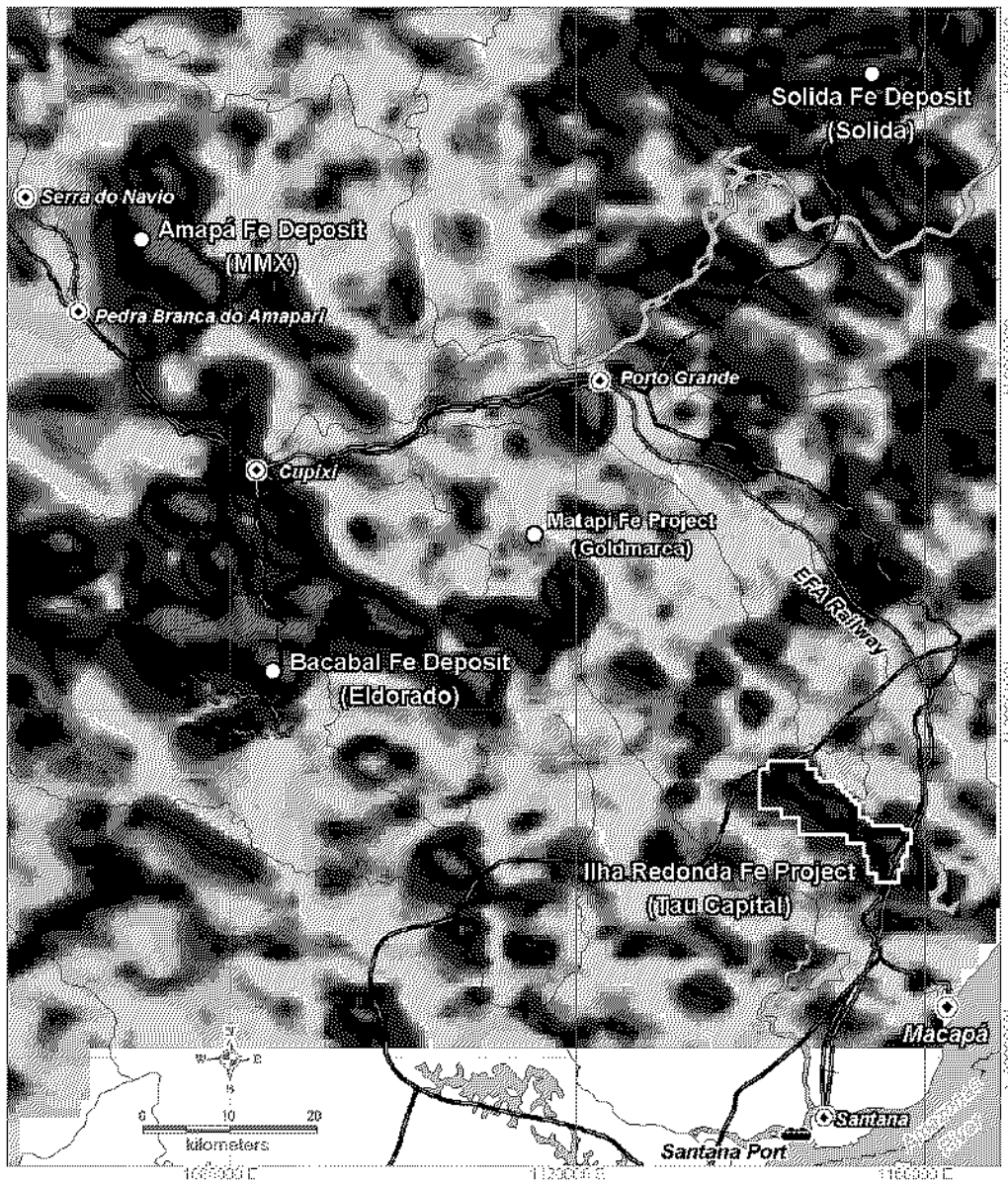


Figure 5 – Ilha Redonda Property and Main Fe Deposits in Amapá
The background image shows the airborne magnetic anomalies

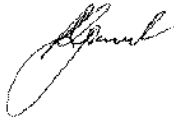
The Company believes that this agreement will allow it to acquire two significant projects with proven iron ore mineralisation. Following the completion of the due diligence period the Company intends to immediately prepare a detailed exploration and development program that will see both projects developed in an expedited time-frame so as to ensure maximum benefit to the Company and its shareholders.

3. Placement

The Company has agreed to place 5 million shares at an issue price of 35 cents each to Australian and Overseas institutions and sophisticated investors to raise \$1.75 million before costs. The placement is subject to the completion of satisfactory due diligence on the Iron Ore Projects. The proceeds of the placement will be used to fund exploration on the Iron Ore Projects.

For further information please contact the undersigned.

Yours faithfully



Ron Gajewski
Executive Director

Further information

About Brazil

Brazil has significant mineral resources and has a rich history of exploration and production.. The country produces more than 70 mineral substances. In 2005, Brazil was the largest world producer of niobium (95% of world production), **the second largest producer of iron (16% of world production)**, kaolin (7% of world production), aluminum (11.2% of world production), manganese (11.2% of world production) and gold (1.5% of world production).

This potential, coupled with political stability and the large domestic industrial markets, makes Brazil an attractive country for investments in the mineral sector. The 1995 constitutional reform allowed free participation of foreign capital in the Brazilian mineral sector.

The information in this update that relates to exploration results is based on information compiled by Mr Lars Pearl who is a Member of The Australasian Institute of Geoscientists. Mr Pearl, an independent consultant 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 Pearl 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.

For further information in respect of Carnavale, please contact:

Ron Gajewski	Paul Jurman	David Tasker	Jill Thomas
Director	Company Secretary	Investor Relations	Investor Relations
Tel: +61 8 9240 6876	Tel: +61 8 240 6786	Tel: +61 8 9388 0944	Tel: +61 8 9388 0944
Email: gajewskir@crcpl.com.au	Email: jurmanp@crcpl.com.au	Email: dtasker@pprwa.com.au	Email: jthomas@pprwa.com.au

Carnavale Resources website: www.carnavaleresources.com.au.