



15 May 2007

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

Dear Sir

Carnavale Resources completes due diligence on acquisition of Iron Ore projects in Brazil

Highlights:

- **Due diligence successfully completed pursuant to the Letter of Intent announced to the ASX on 10 April 2007**
- **High Grade rock chip assays confirm prospectivity of the Parmegiana project.**

Australian based iron ore exploration and development company Carnavale Resources Limited ("**Carnavale**" or the "**Company**") will progress the development of two highly prospective iron ore projects in Brazil, South America, following the successful completion of due diligence of the projects and the reaching of a definitive agreement with Tau Capital Brasil Mineracao ("**TAU**") for 100 per cent ownership of the projects. This is pursuant to the Letter of Intent announced to the ASX on 10 April 2007.

The transaction is expected to settle within the week, after Carnavale completes the first requirement of the agreement and remits USD\$100,000 for transfer of full ownership of the mineral rights in the Projects and issues 1,000,000 fully paid ordinary shares to TAU. TAU has agreed to a voluntary escrow for a period of up to six months from allotment, whereby they have agreed not to sell any of the above mentioned shares for the first month after the date of allotment, and after that not to sell more than 10% of the remainder shares in any one month for the next 5 months.

Limited rock chip sampling (11 samples) was carried out by representatives of the Company in order to verify the iron grades within the favorable itabirite horizons on the Southern Limb, Northern Limb and Eastern Limb. Six of the samples reported Fe grades greater than 58% Fe. The maximum value obtained was 67.8% Fe on the central portion of the Southern Limb. (Figure 1)

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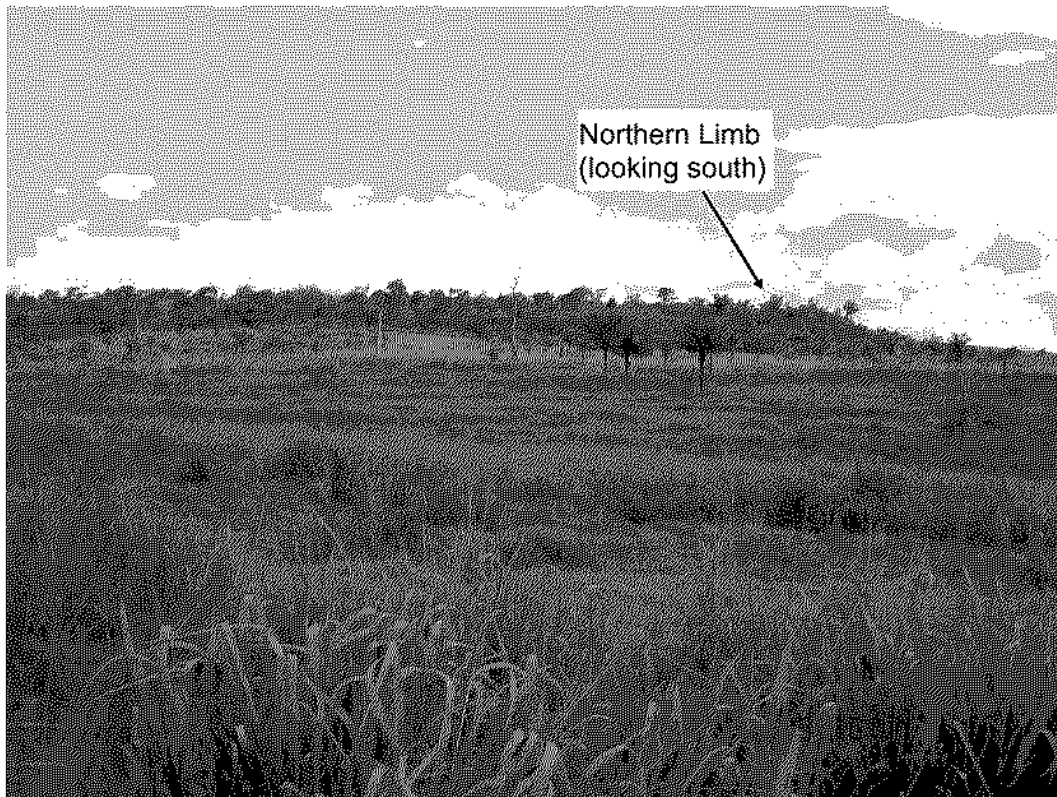
Figure 1: Specific Gravity Determinations versus Fe Grade

<i>Sample_ID</i>	<i>Area</i>	<i>Specific Gravity*</i> <i>(g/cm³)</i>	<i>Fe Grade</i> <i>(%)</i>
CV-000001	Northern Limb	5.02	66.5
CV-000002	Northern Limb	3.47	44.6
CV-000003	Northern Limb	4.02	64.1
CV-000004	Northern Limb	3.54	34.5
CV-000005	Northern Limb	4.09	58.1
CV-000006	Southern Limb	3.45	33.6
CV-000007	Southern Limb	4.43	67.8
CV-000008	Southern Limb	4.70	64.0
CV-000009	Southern Limb	5.04	67.6
CV-000010	Eastern Limb	3.38	33.1
CV-000011	Eastern Limb	3.06	33.5
Average		4.02	

* Average of three determinations

The rock chip samples collected on behalf of the Company confirmed the results previously obtained by TAU during the reconnaissance phase and that high-grade iron ore exists on the Northern and Southern Limbs and these should be assumed as the first priority targets.

Figure 2 – Western edge of Northern Limb



The high-grade iron ore is easily identified macroscopically based on the high hematite plus minor magnetite and the low silica content. The high specific density is also a field indication.

It is the Company's opinion that the potential and geological character of the Parmegiana project is of sufficient merit to warrant an aggressive exploration program on the property.

The Company intends to immediately prepare a detailed exploration program that will see both the Parmegiana and Ilha Redonda projects explored in an expedited time-frame so as to ensure maximum benefit to the Company and its shareholders.

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:

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