10 October 2007
ASX Announcement

Carnavale acquires two further Iron Ore exploration projects in Brazil

Highlights:

- **The Maraba project comprises 160 sq km of tenement area in Brazil, surrounded on the eastern and western sides by tenements held by MMX Mineracao Ltda (listed on the TSX) and actively exploring the area for iron ore.**
- **The Pancada project comprises 80 sq km of tenement area in Brazil and was delineated based on a prominent regional air-magnetic trend extending through the property.**

Australian based resources company Carnavale Resources Limited **("Carnavale" ASX: CAV)** has signed an agreement with Puma Metals Mineracao Ltda ("**Puma**") to acquire additional iron ore projects in Brazil, South America.

Under the terms of the new agreement, Carnavale will pay US$1.105m to Puma based on staged payments up to a period of 36 months from the date of the agreement. A further US$1.5m is due after the calculation of JORC standard mineable reserves and US$1.4m is due upon the commencement of mining activities.

1. The Maraba Project located in the Mato Grosso do Sul State of Brazil

The Marabá project is located on the Rio Apa Block in southwest portion of Mato Grosso do Sul State (MS). The property lies in the municipality of Porto Murtinho, approximately 325 km southwest of the state capital of Campo Grande, and about 1,200 km southwest from the national capital Brasilia and can be accessed from a number of nearby towns.

The Maraba Project comprises eight exploration applications and covers approximately 160 sq kms, which is 100% owned by Puma. The property is surrounded on the eastern and western sides by two big blocks held by MMX Mineração Ltda (**"MMX"**), who is exploring the area for iron (see figure 1). MMX is a Brazilian Iron Ore Company that is developing multiple world class iron ore projects in Brazil.

The Maraba Project was delineated based on a strong and large air-magnetic anomaly which was identified through the analytic signal of magnetic integral processing (ASMI) (see figure 2).

The anomaly has a circular shape with a diameter close to 10 kilometres and is hosted within the Rio Apa Complex, which is a small Archean fragment of the Amazon Craton. This tectonic feature has not been subject to serious modern exploration by any major companies. The Marabá property covers approximately, 60-70% of the magnetic anomaly.

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Several mafic-ultramafic intrusives occur in the region following a NNW trend which extends up to Guaporé and Rondonia. CVRD-INCO is pro-active in the Guaporé region looking for Ni-sulphide mineralization on this type of intrusives.

Potential for Cu-Au can also be inferred based on the magnetic signature associated with this cratonic fragment.

Metasedimentary sequences similar to Jacadigo Formation (host of Fe ore at Urucum Mine) can exist on this completely unknown environment, indicating significant potential for iron ore.

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

The Pancada Iron Project is located in Amapá State, in the north of Brazil. The Project is located 88 kilometres west of Macapá (State Capital) and 78 kilometres from Santana Port. The project can be accessed by a federal highway which passes 25 kilometres SE of the property and secondary roads provide a direct access to the project area.

The Pancada Project comprises one exploration application covering approximately 80 sq kms, which is 100% owned by Puma.

The property lies along a prominent NW structurally-controlled corridor which hosts the Paleoproterozoic Vila Nova Greenstone Belt sequence. Significant iron deposits such as the Bacabal Deposit (Eldorado Gold Corp.) and the Amapá Deposit (MMX Mineração e Metalicos SA) are located within this structural domain. Both deposits contain high iron grades, in general, greater than 60% Fe (see figure 3).

The project was delineated based on a prominent regional air-magnetic trend which extends for more than 15 kilometres along a NW direction. Approximately 50% of this trend is located within the property. The regional magnetic signature suggests that the Paleoproterozoic greenstone sequence can be extended into the property, providing the necessary elements to classify the property as a high priority target. In addition to the iron potential, there may be potential for other commodities such as; gold, base metals and cromium.

Terms of the Agreement

Under the terms of the agreement, **Carnavale** has paid Puma US$68,000.00. In addition to this **Carnavale** will also make instalment payments to Puma as follows:

- Upon confirmation of the transfer of the mineral rights from the DNPM, **Carnavale** shall pay USD$72,000;
- Twelve months following the execution of the definitive agreement, **Carnavale** shall pay USD$200,000,
- Twenty four months following the execution of the definitive agreement, **Carnavale** shall pay USD$305,000;
- Thirty six months following the execution of the definitive agreement, **Carnavale** shall pay USD$460,000;
- Upon calculation of JORC standard mineable reserves as defined by a completed bankable feasibility study in the Projects, **Carnavale** shall pay USD$ 1,500,000; and
- On the commencement of mining activities, **Carnavale** shall pay USD$1,400,000. Additionally, **Carnavale** shall pay Puma a royalty of 1% net smelter return. The net smelter return can be exchanged by payment by **Carnavale** of US$4,000,000.

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 agreement and full ownership of the mineral rights in the Project will revert to Puma.

For further information in respect of Carnavale, please contact:

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Scientific or technical information in this news release has been prepared under the supervision of Mr Paulo I. de Brito, a consultant to the Company and a member of the The Australasian Institute of Mining and Metallurgy ("The AusIMM"). Mr de Brito 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 de Brito consents to the inclusion in this report of the Information, in the form and context in which it appears.

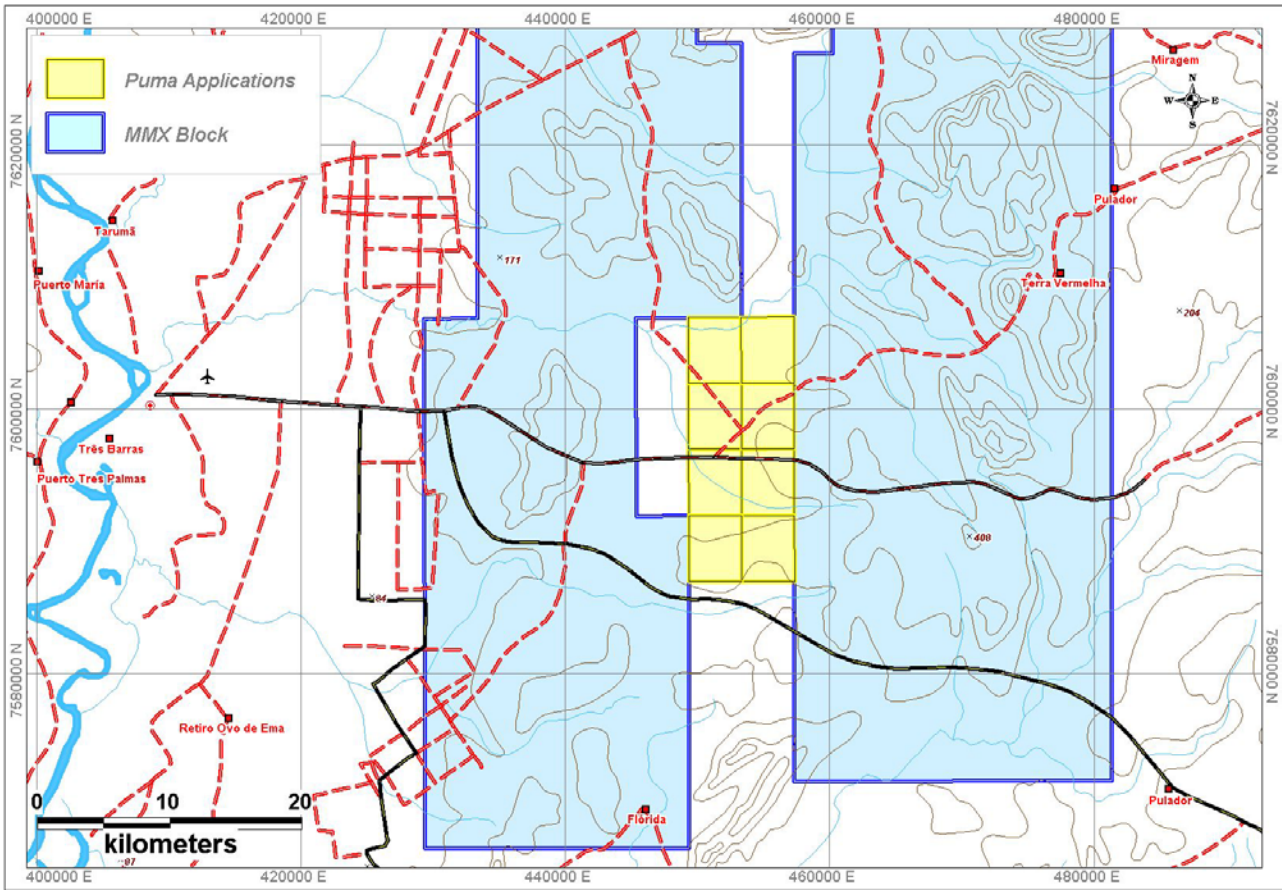

Figure 1 – Property map of Maraba Project

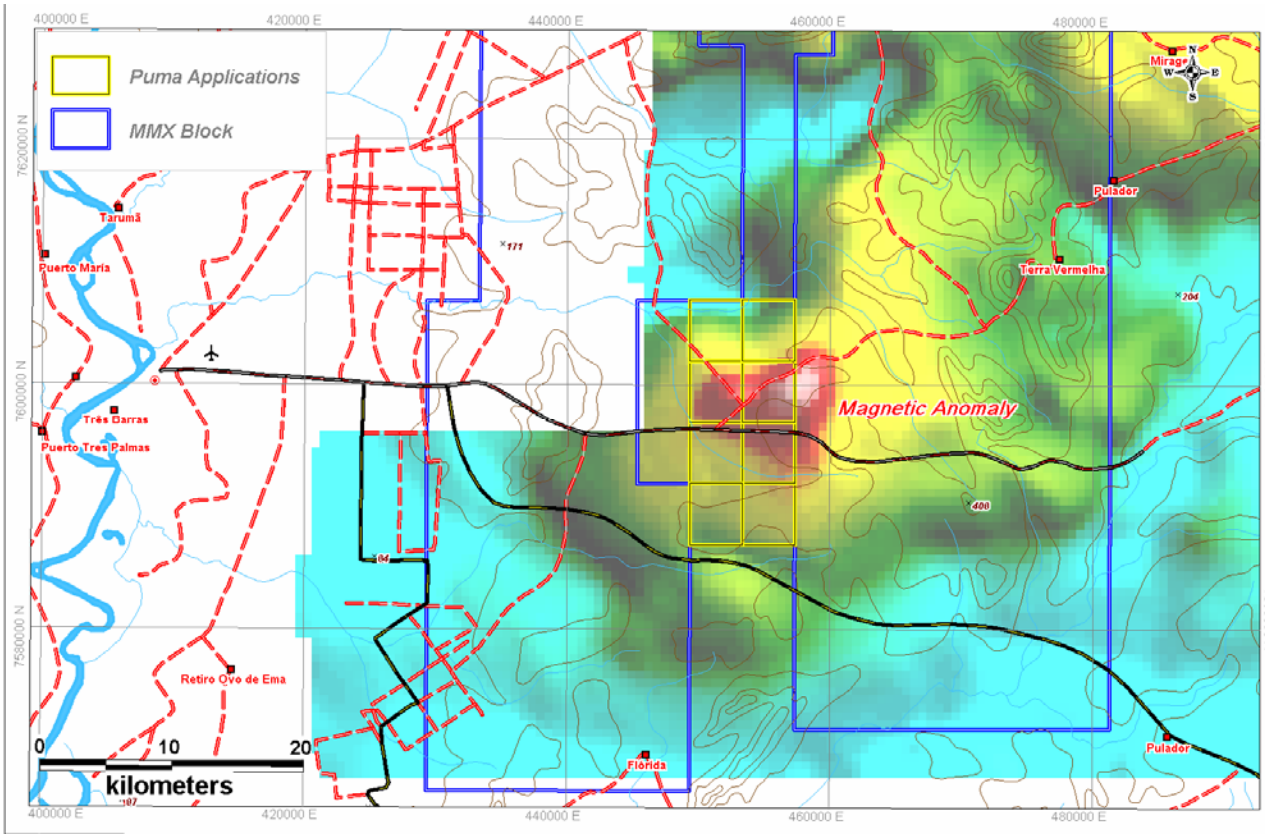

Figure 2 – Magnetic response over Maraba target

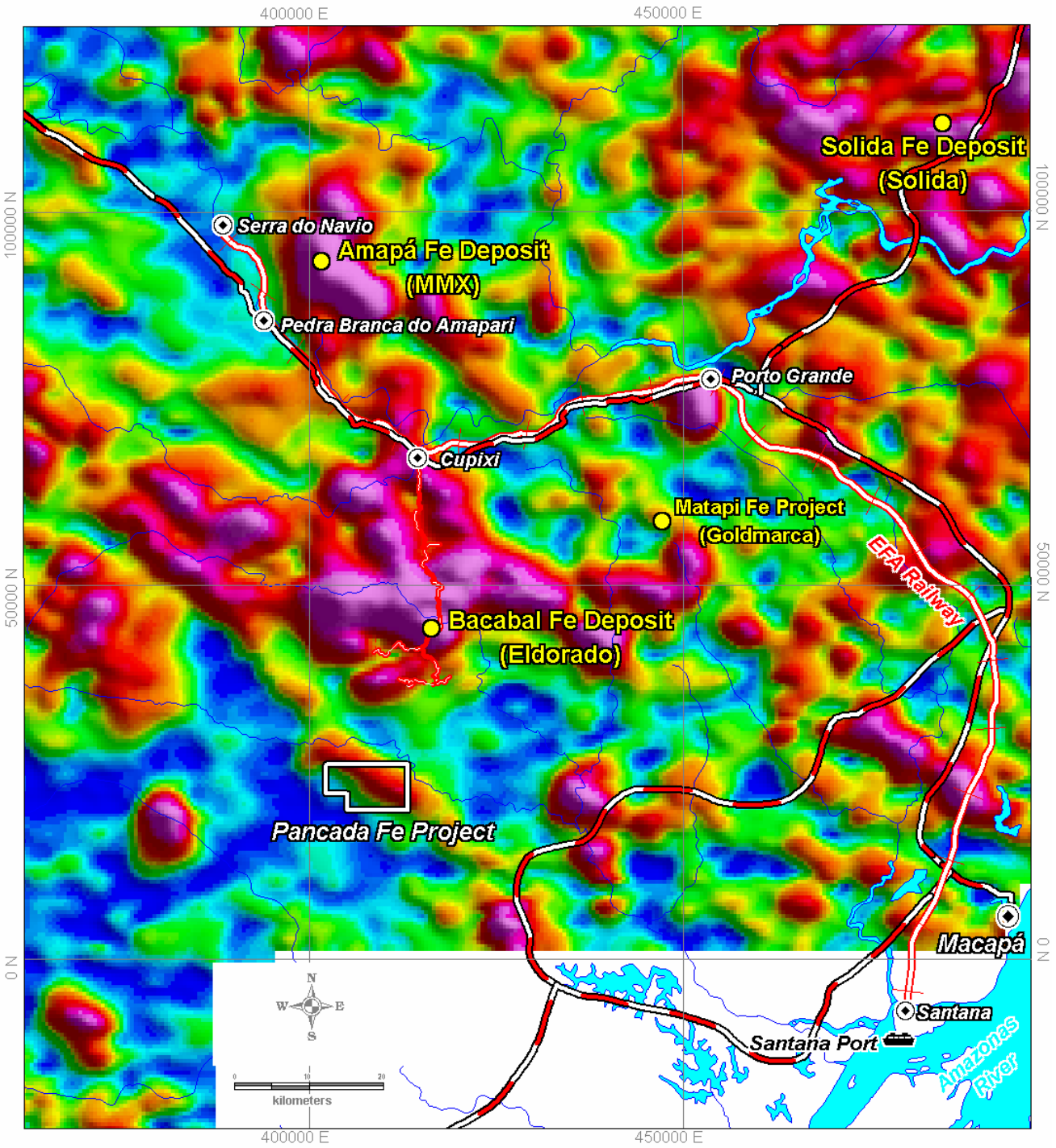

Figure 3 – Location of Pancada magnetic anomaly in respect of the main iron deposits in Amapa.

About Carnavale Resources

Carnavale Resources Limited is a mineral exploration company listed on the Australian Stock Exchange (ASX) and on the Frankfurt Stock Exchange with its registered office in Balcatta, Western Australia. The main focus of the company is the acquisition and development of iron ore and molybdenum projects in Brazil, South America.

About Brazil

Brazil has significant mineral resources and 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.