

31 January 2012

QUARTERLY ACTIVITY REPORT

For the period ended 31 December 2011

Exploration Licence E38/2055, WA (100%)

During the quarter, the Company acquired Exploration Licence E38/2055 which is located approximately 7kms south of the Granny Smith Mine and approximately 25km south of Laverton in the Mt Margaret Mineralfield. The Licence covers the area adjacent and south of the Acacia resources area of Windich South which lies between the Granny Smith Mine and the licence.

REGIONAL GEOLOGY

The area of the licence lies within the North Eastern Goldfields province of Western Australia, in metamorphosed greenstone belt rocks of Archaean age. The tenement is located on the southerly plunging eastern limb of the Margaret anticline, within a regional north- south fault system known as the Laverton Tectonic Zone.

Shallow dipping splay faults branch off the main zone of sub-vertical strike-slip faults and are often associated with gold mineralization. Gold mines and deposits hosted by the Laverton tectonic zone include Granny Smith, Chide Harold, Keringal and Sunrise Dam.

Most of the tenement area overlies recent Tertiary sediments of Lake Carey, a large, normally dry salt lake with only limited outcrop in the north west of the licence. The outcrop area known as Two Hills, consist of complexly folded sheared and deformed BIF'S, medasediments black shales and mafic to intermediate volcanics. These units have been intruded by granitoid rocks.

Carnavale intends to review all historical data before completing a geophysical program to determine if a drilling program is warranted.

Parmegiana Iron Ore Project, Brazil (100%)

The Board has decided to withdraw from the Parmegiana Iron Ore Project and has transferred the licences back to the original vendors.

Corporate

The Board is continuing to review new mineral project and corporate opportunities. The Company remains diligent in its assessment of assets at all times and is therefore prepared to commit necessary expenditure on due diligence and other studies before committing to a transaction. The Company can give no assurance that these due diligence investigations and/or discussions will successfully conclude in an acquisition.



Ron Gajewski
Executive Director

Appendix 5B

Mining exploration entity quarterly report

Name of entity

CARNAVALE RESOURCES LIMITED

ABN

49 119 450 243

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	-	(739)
(b) development	-	-
(c) production	-	-
(d) administration	(149)	(282)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	29
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Due diligence expenses	-	-
Net Operating Cash Flows	(135)	(992)
Cash flows related to investing activities		
1.8 Payment for purchase or renewal of:		
(a) prospects	(8)	(8)
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	242	242
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other –	-	-
Net investing cash flows	234	234
1.13 Total operating and investing cash flows (carried forward)	99	(758)

1.13	Total operating and investing cash flows (brought forward)	99	(758)
	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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	99	(758)
1.20	Cash at beginning of quarter/year to date	1,434	2,254
1.21	Exchange rate adjustments to item 1.20	(10)	27
1.22	Cash at end of quarter	1,523	1,523

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	111
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	76
Accounting , secretarial and legal expenses	35

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	100
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	250

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	1,523	1,434
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,523	1,434

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	Parmegiana 866.568/2006 866.569/2006 866.570/2006 866.571/2006 866.590/2006 866.591/2006 866.833/2006	Granted licences	100%	Nil
6.2 Interests in mining tenements acquired or increased	E 38/2055	Exploration Licence	-	100%

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>	79,588,524	79,588,524	<i>Exercise price</i> 20 cents	<i>Expiry date</i> 28 February 2013
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>	-	-		

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 January 2012

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.