



11 September 2013

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

JOINT VENTURE TO EXPLOIT COPPER TAILINGS

HIGHLIGHTS

- ◆ Carnavale Resources Limited (“Carnavale” or “Company”) is pleased to announce that it has entered into an agreement giving it the right to acquire 65% of a copper tailings project (“Essex Project”) in the historically rich copper province of Milford, Utah, USA. The project represents tailings from a processing facility that extracted high grade copper, gold and silver from the early 1960’s to 1976.
- ◆ Carnavale, through its Joint Venture Partner, Consolidated Copper & Metals Inc. (“CCM”), will have the right to use a proprietary process for the extraction of copper, gold and silver.
- ◆ The Agreement also provides for an “area of influence” arrangement which could give the parties the potential to exploit other projects in this historically rich mineral province.
- ◆ Capital raising plans finalised to raise approximately \$900,000 through an underwritten non-renounceable entitlement issue and a private placement.

Essex Project

The Essex Project consists of 72 acres of land that is located 3 miles outside of the town of Milford, Beaver County, Utah.

This area is located in south western Utah approximately 2.5 hours drive from Las Vegas (heading north east) or 2.5 hours drive (south west) from Salt Lake City, Utah.

The property is close to an existing sealed road and is located on private land.

- The Essex Project comprises the tailings and has a historical 2 acre processing facility originally in operation from the early 1960’s to 1976.
- In the 1960s’ through to mid-1970s high grade ore was processed by typical flotation methods or acid leached 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 and the property has no known residual environmental issues.

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Figure 1: Location of the Essex Project



Latitude: 38° 25'7.91"N

Longitude: 113° 4'11.79"W

Figure 2: Close up view of tailings showing copper content



Figure 3: Coarse tailings at Essex Project



Transaction Details

Carnavale has entered into an exclusive option agreement with CCM to form a Joint Venture with respect to the Essex Project. CCM holds all the rights and entitlements to the Essex Project.

Carnavale has agreed to provide funding of up to US\$500,000 (“the Option Amount”) on a staged basis to earn an exclusive option to acquire 65% of the Essex Project.

In satisfaction of the Option Amount expenditure, Carnavale in conjunction with CCM will carry out a program of works including but not limited to auger drilling / 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 (National Instrument 43-101 “*Standards of Disclosure for Mineral Projects*”).

The program of works is to be completed on a best endeavours basis by 31 December 2013

Upon completion of the program of work, including delivery to Carnavale of the NI 43 101 report, Carnavale will have 10 business days to exercise the option to proceed with the Joint Venture.

In the event that Carnavale elects to exercise the option as outlined above Carnavale will then have 100 days from this election date to satisfy CCM that it has raised an amount of US\$7,000,000 (“the Commitment Amount”) to have earned its 65% interest in the Joint Venture. From initial investigations with external consultants, the Commitment Amount is the estimated expenditure necessary to advance the Essex Project into production. The Commitment Amount will be independently verified in the technical report in compliance with NI 43 101 requirements.

From commencement of production and the generation of cash flow from the Essex Project Carnavale will be entitled to 80% of the profits from the project until such time as Carnavale has fully recovered the Commitment Amount. Thereafter, the profit share will revert to the 65/35 ratio.

The Parties will work together to generate new and additional opportunities within the Milford district to increase the amount of resources available to be treated at the Essex Project site and to generate other mining opportunities. All costs and benefits from new opportunities within the Milford area will be shared by the parties on the same 65/35 basis as described in this agreement. The Parties undertake to actively seek new project opportunities within a 50 mile radius of the Essex Project and accept that such project opportunities, should they become available to either of the Parties, shall form part of the Joint Venture between the Parties and shall be dealt with in the Joint Venture Company.

Following the exercise of the option and Carnavale's acquisition of a 65% interest in the Essex Project, the respective holders of interests in the Essex Project are free to dispose their interests to third parties. However, each holder of an interest must grant the other holder a first and a final right of refusal over the purchase of the interest (except where the assignment / disposal is to a related party of the holder wishing to dispose its interest).

Capital Raising

Rights Issue

Carnavale proposes to undertake a non-renounceable entitlement issue to existing Carnavale 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 for every share issued ("Rights Issue"). The options will have an exercise price of 3 cents each and an expiry date of 30 November 2016.

The funds raised will be used to assist with funding the expenditure required to satisfy the Option Amount commitment of US \$500,000 in relation to the Essex Project and for working capital purposes.

It is proposed that the Rights Issue will be fully underwritten and details of the underwriting agreement, including termination rights will be set out in a prospectus to be sent to shareholders. It is anticipated that the Chairman of the Company, Mr Ron Gajewski will sub-underwrite 33.33% of the Rights Issue.

Placement

Following completion of the Rights Issue, Carnavale proposes to undertake a securities placement of up to 30 million shares at 1.5 cents per share to raise \$450,000 before costs together with two free attaching options (on the same terms as disclosed above) for every share applied for and allotted ("Placement"). The Placement is subject to shareholder approval. Directors plan to participate for up to \$170,000 in the Placement subject to shareholder approval.

Introduction Fee

Melbourne Capital Limited will receive the following consideration, representing a fee for the introduction of the Essex Project:

- The issue of 3 million shares in Carnavale after completion of the proposed Rights Issue; and
- The issue of 3 million shares in Carnavale if Carnavale elects to exercise its option and proceed with the Joint Venture.

Shareholder approvals required

A Notice of Meeting is currently being prepared to convene a meeting to approve the issue of securities, the subject of the Placement and this will be dispatched to shareholders as soon as is practicable.

Yours faithfully



Ron Gajewski
Executive Chairman

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.