

**CARNAVALE RESOURCES LIMITED**  
**ABN 49 119 450 243**

**PROSPECTUS**

**For the non-renounceable rights issue of approximately 29,246,569 Shares at 1.5 cents per Share, on the basis of 1 Share for every 3 Shares held by Shareholders as at 5.00 pm WST on 1 October 2013, to raise up to approximately \$438,699, and the issue of approximately 58,493,138 Options for no consideration on the basis of 2 Options for every 1 Share subscribed for under the Prospectus.**

**Offer closes at 5.00 pm WST on 21 October 2013**

**Underwritten by  
Melbourne Capital Limited AFSL No. 238 978  
(refer to section 6.1 of this Prospectus for a summary of the terms of the  
Underwriting Agreement including the termination events)**

This Prospectus is a transaction specific prospectus issued in accordance with section 713 of the Corporations Act 2001. This document is important and should be read in its entirety, together with the Entitlement and Acceptance Form attached to this Prospectus. If, after reading this Prospectus, you have any questions about the Securities being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser.

**The Securities offered under this Prospectus should be considered speculative.**

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## **IMPORTANT NOTICE**

This Prospectus is dated 20 September 2013 and was lodged with ASIC on that date. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made to ASX within 7 days after the date of this Prospectus for the quotation of the Shares the subject of this Prospectus. The Company does not intend to make application to ASX for quotation of the Options at this time. It is the intention of the Company to make application to ASX for quotation of the Options after 6 months of the Closing Date subject to satisfying the official quotation conditions.

The Company is an ASX listed company whose securities are granted official quotation by ASX.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult.

No person is authorised to give any information or to make any representations in connection with this Offer that is not contained in this Prospectus. Any information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

This Prospectus is a "transaction-specific" prospectus issued under section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. The Prospectus is therefore intended to be read in conjunction with the publicly available information in relation to the Company, which has been notified to the ASX; it does not include all information that would be included in a prospectus for an initial offering of securities in a company that is not already listed on the ASX. Accordingly, prospective investors should also have regard to other publicly available information in relation to the Company before deciding whether to apply for securities under this Prospectus.

This Prospectus has not been, nor will it be, lodged, filed or registered with any regulatory authority under the securities laws of any other country. The Securities the subject of this Prospectus have not been, nor will they be, approved by or registered with any regulatory authority of any other country. This Prospectus does not constitute an offer or issue in any place in which, or to any person to whom, it would not be lawful to make such an offer or issue.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of this Prospectus. During the Offer any person may obtain a copy of this Prospectus free of charge by contacting the Company.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. An investment in the securities the subject of this Prospectus should be considered speculative.

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary.

## **RISK FACTORS**

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 4 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 4 of this Prospectus.

## **CORPORATE DIRECTORY**

### **BOARD OF DIRECTORS**

Mr Ron Gajewski – Executive Chairman  
Mr Klaus Eckhof – Non-Executive Director  
Mr Peter Christie - Non-Executive Director  
Mr Rhett Brans - Non-Executive Director

### **COMPANY SECRETARY**

Mr Paul Jurman

### **BUSINESS OFFICE**

Level 1, Suite 5, The Business Centre  
55 Salvado Road, (cnr Harborne Street)  
SUBIACO WA 6008  
Tel: +61 8 9380 9098  
Fax: +61 8 9380 6761

### **SHARE REGISTRY \***

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross Western Australia 6153  
Tel: +61 8 9315 2333  
Fax: +61 8 9315 2233

### **UNDERWRITER**

Melbourne Capital Limited  
Level 14  
31 Queen Street  
MELBOURNE VIC 3000

- \* This entity is included for information purposes only. It has not been involved in the preparation of any part of this Prospectus and has not consented to being named in this Prospectus.

## 1. TIMETABLE AND IMPORTANT DATES

The following key dates are indicative only and may be subject to change without notice.

Prospectus lodged with ASIC	20 September 2013
Shares trade "ex" the entitlements issue on ASX	25 September 2013
<b>Record Date</b>	1 October 2013
Despatch of Prospectus and Opening Date	4 October 2013
<b>Closing Date</b>	21 October 2013
Shares quoted on a deferred settlement basis	22 October 2013
Allotment of Shares and despatch of holding statements	28 October 2013

The Company reserves the right to vary the Opening Date and the Closing Date, subject to compliance with the ASX Listing Rules. This may impact on subsequent dates.

## **2. DETAILS OF THE OFFER**

### **2.1 The Offer**

The Company is making a pro-rata non-renounceable rights issue of Securities to Shareholders who are registered as at 5.00 pm WST on 1 October 2013 ("Record Date").

The Offer is made on the basis that for every 3 Shares held as at the Record Date, Shareholders as Eligible Participants will have the right to subscribe for 1 new Share at an issue price of 1.5 cents each. Each Eligible Participant will be entitled to receive 2 Options for every 1 new Share subscribed for under the Prospectus for no extra consideration. The exercise price of the Options is 3 cents and the expiry date is 30 November 2016. The full terms of the Options are set out in section 5.2.

In the calculation of any entitlement, fractions will be rounded up to the nearest whole number.

Based on the capital structure of the Company at the date of this Prospectus, approximately 29,246,569 Shares and 58,493,138 Options will be offered pursuant to this Offer to raise approximately \$438,699 (before the costs of the Offer).

This Offer is made on a non-renounceable basis which means that Eligible Participants may not sell or transfer all or part of the Entitlement. If an Entitlement is not taken up under the Offer by the Closing Date, the Entitlement will lapse.

The Entitlement of each Shareholder is shown on the Entitlement and Acceptance Form accompanying this Prospectus. The details of how to accept the Entitlement are set out below.

### **2.2 No Minimum Subscription**

There is no minimum subscription.

### **2.3 Underwriter**

The Company has appointed Melbourne Capital Limited as the Underwriter to the Offer under the terms of the Underwriting Agreement.

The Offer is underwritten up to the Underwritten Amount of \$438,699 in accordance with the terms of the Underwriting Agreement. The Underwriter will be paid a fee for underwriting the Offer of 5% (plus GST), calculated on the Underwritten Amount, as well as a management fee of \$10,000 (plus GST). The material terms of the Underwriting Agreement are set out in section 6.1.

The Underwriting Agreement provides for the appointment of sub-underwriters. Fees payable to the sub-underwriters are at the discretion of the Underwriter. The Company is not responsible for any payment of fees to sub-underwriters.

### **2.4 Action required**

If you wish to take up all or part of your Entitlement, you can complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out and lodge the form together with your cheque for the appropriate amount so that it reaches the Company's share registry:

By post:

Carnavale Resources Limited  
c/- Security Transfer Registrars Pty Ltd  
PO Box 535  
APPLECROSS WA 6953

By delivery:

Carnavale Resources Limited  
c/- Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

Completed Entitlement and Acceptance Forms **must reach** the Company's share registry by no later than 5.00 pm WST on 21 October 2013.

Cheques and drafts should be made payable to "Carnavale Resources Limited" and crossed "Not Negotiable".

**Alternatively, you can elect to pay by BPAY in accordance with the instructions on the Entitlement and Acceptance Form. It is your responsibility to ensure the payment is received by the Company by no later than 5.00pm WST on 21 October 2013. You should be aware that your own financial institution may implement earlier cut off times with regards to electronic payments and you should take this into consideration when making payment.** The Company accepts no responsibility for incorrectly completed BPAY payments.

If paying by BPAY there is no need to forward the completed Entitlement and Acceptance Form to the Company's share registry.

***If you decide not to accept your Entitlement, you do not need to take any action. Entitlements not accepted will be dealt with by the Underwriter to the Issue.***

## **2.5 Shortfall**

Any Entitlement not accepted will form the Shortfall and will be dealt with in accordance with the Underwriting Agreement. The offer of any Shortfall is a separate offer made pursuant to the Prospectus. The issue of any Shortfall will be on the same terms on which the Offer has been made to Shareholders pursuant to this Prospectus.

The Underwriting Agreement is subject to a number of termination events. If the Underwriting Agreement terminates and there is a Shortfall, the Directors will attempt to place the Shortfall to parties determined in their absolute discretion within 3 months of the Closing Date.

## **2.6 Allotment**

The Shares and Options will be allotted and issued as soon as practicable after the Closing Date.

Statements of holding for the Shares and Options will be mailed to applicants as soon as practicable after the Closing Date.

Prior to allotment of the Shares and Options, all application moneys will be held in trust for applicants. The Company will retain any interest earned on the application moneys.

No Securities will be allotted and issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## **2.7 Official Quotation by ASX**

Application to ASX for admission of the Shares to Official Quotation will be made by the Company within 7 days of the date of this Prospectus.

If the Shares are not admitted to Official Quotation on ASX within 3 months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Securities offered by this Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with section 724 of the Corporations Act.

The Company does not intend to make application to ASX for Official Quotation of the Options at this time. It is the intention of the Company to make application to ASX for Official Quotation of the Options after 6 months of the Closing Date subject to satisfying the Official Quotation conditions.

The fact that ASX may grant Official Quotation to the Securities that may be issued pursuant to this Prospectus is not to be taken in any way as an indication of the merits of the Company or the Securities offered for subscription.

## **2.8 Overseas Shareholders**

Persons resident outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required, or whether formalities need to be observed, to enable them to accept the offer of Shares and Options pursuant to this Prospectus.

The Offer is permitted under the laws of Australia, Hong Kong, New Zealand, and Singapore. Accordingly, Shareholders resident in those countries may accept or apply for the Shares and Options offered by this Prospectus.

Shareholders resident in Permitted Foreign Jurisdictions should also note that:

- investing in the securities of an Australian company may carry with it a currency exchange risk;
- they should satisfy themselves as to the taxation implications of accepting the Offer;
- the financial reporting requirements applying in Permitted Foreign Jurisdictions and those applying to the Company may be different and the financial statements of the Company may not be compatible in all respects with financial statements prepared in accordance with the laws of Permitted Foreign Jurisdictions;
- the offer and allotment of the Shares and Options will be governed by this Prospectus and will be made in accordance with the laws of Australia, and the Company may not be subject in all respects to the laws of Permitted Foreign Jurisdictions;
- the contract arising out of an acceptance of an Entitlement or the application for any Shares and Options may not be enforceable in the courts of Permitted Foreign Jurisdictions;

- this Prospectus has not been registered in any Permitted Foreign Jurisdiction under and in accordance with laws of that jurisdiction and may not contain all the information that a prospectus registered in that jurisdiction is required to contain;
- it is not a condition of the Issue that the Company be listed on the stock exchange of any Permitted Foreign Jurisdiction and, as such, Shareholders in Permitted Foreign Jurisdictions may not have access to information concerning the Company in the same way as persons have in relation to an issuer listed on a stock exchange in those jurisdictions; and
- a copy of this Prospectus will be sent free of charge to a Shareholder within five working days of receiving a request together with any other documents that must, by law, accompany a copy of this Prospectus sent to any person within the Commonwealth of Australia.

With only a handful of Shareholders outside Australia and the Permitted Foreign Jurisdictions (spread among various countries), it is not reasonable for the Company to meet the requirements of the securities laws of countries other than Australia and the Permitted Foreign Jurisdictions and the Offer has not been and will not be registered under the relevant securities laws of those jurisdictions. For that reason, no Entitlement and Acceptance Forms can be or are being sent to Shareholders with registered addresses outside Australia and the Permitted Foreign Jurisdictions, and this Prospectus is being sent to them for information purposes only.

## **2.9 Risk Factors**

Investors should carefully read the risk factors outlined in section 4. An investment of this kind involves a number of risks, some of which are specific to the Company and the industry in which it operates.

## **2.10 Rights Attaching to Shares and Options**

A summary of the rights attaching to Shares and Options is set out in section 5.

## **2.11 Summary**

This section is not intended to provide full details and information on the Offer. Shareholders must read this Prospectus in full in order to make a fully informed investment decision.

## **2.12 Enquiries**

Any questions concerning the Offer should be directed to Paul Jurman, Company Secretary, on +61 9380 9098.

### 3. PURPOSE AND EFFECT OF THE OFFER

#### 3.1 Purpose of Offer and use of funds

The purpose of the Offer is to raise funds of approximately \$438,699 (before estimated expenses of the Offer). The proceeds of the Offer are intended to be applied as follows:

<b><u>Use of Funds</u></b>	<b>\$</b>	<b>%</b>
Exploration and evaluation expenditure on the Essex project	391,764	89.3
Underwriting fee in relation to the Offer	31,935	7.3
Other costs of the Offer including Prospectus preparation fees, share registry, ASIC and ASX fees, printing and miscellaneous expenses	15,000	3.4
<b>Total:</b>	<b>\$438,699</b>	<b>100</b>

Carnavale has entered into an exclusive option agreement with Consolidated Copper & Metals Inc (“CCM”) to form a joint venture (“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.

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.

The information set out in this Section is indicative only and is a statement of present intention as at the date of this Prospectus. The exact quantum of funds expended by the Company on any particular item may change depending on the Company's circumstances and priorities. The Board reserves the right to alter the way funds are applied on this basis.

The amount of general working capital referred to above may be applied towards corporate administration costs or applied towards expenses incurred in the event that any new resource projects are identified.

#### 3.2 Effect of the Offer and Capital Structure

The direct effect of the Offer will be to increase the number of Shares and Options on issue by approximately 29,246,569 Shares and 58,493,138 Options.

Upon completion of the Offer, the Company's capital structure will comprise:

	<b>Ordinary shares</b>	<b>Options offered pursuant to this Prospectus</b>
As at the date of this Prospectus	87,739,708	-
Prospectus Offer	29,246,569	58,493,138
<b>Total securities post completion of the Offer</b>	<b>116,986,277</b>	<b>58,493,138</b>

**Notes:**

1. Subject to receipt of Shareholder approval, scheduled to occur at the Annual General Meeting in November 2013, Carnavale proposes to make a placement of up to 30 million Shares at 1.5 cents per Share, together with two free attaching Options for every Share applied for and allotted (Placement).
2. Melbourne Capital Limited will receive the following consideration, representing a fee for the introduction of the Essex Project:
  - The issue of 3 million Shares after completion of the Issue, the subject of this Prospectus; and
  - The issue of 3 million Shares if Carnavale elects to proceed with the Joint Venture with respect to the Essex Project.

### **3.3 Pro-forma Balance Sheet**

The effect of the Offer will be to increase cash reserves by approximately \$438,699 (before estimated expenses of the Offer including the underwriting fee).

The pro-forma Balance Sheet has been prepared to provide investors with information on the pro-forma assets and liabilities of the Company as noted below. The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The unaudited pro-forma Balance Sheet has been prepared by adjusting the Balance Sheet as at 30 June 2013 to reflect the financial effect of the following transactions as if they had occurred at 30 June 2013:

- (a) The issue of 29,246,569 Shares at an issue price of 1.5 cents per Share and 58,493,138 Options issued in accordance with this Prospectus raising approximately \$438,699.
- (b) Cash costs of \$46,935 associated with the Shares and Options issued under this Prospectus representing an underwriting fee of \$31,935 to the Underwriter and other Prospectus costs of \$15,000.
- (c) Net cash proceeds of the issue therefore being \$391,764.

**Proforma Consolidated  
Balance Sheet  
As at 30 June 2013**

Notes	Audited Actual 30 June 2013 \$	Unaudited Proforma 30 June 2013 \$
<b>Current Assets</b>		
Cash and cash equivalents	1,466,072	1,857,836
Receivables	8,484	8,484
Other assets	10,121	10,121
<b>Total Current Assets</b>	<b>1,484,677</b>	<b>1,876,441</b>
<b>Non-Current Assets</b>		
Other assets	9,375	9,375
Plant and equipment	6,189	6,189
<b>Total Non-Current Assets</b>	<b>15,564</b>	<b>15,564</b>
<b>Total Assets</b>	<b>1,500,241</b>	<b>1,892,005</b>
<b>Current Liabilities</b>		
Trade and other payables	48,816	48,816
<b>Total Liabilities</b>	<b>48,816</b>	<b>48,816</b>
<b>Net Assets</b>	<b>1,451,425</b>	<b>1,843,189</b>
<b>Equity</b>		
Issued capital	22,625,370	23,017,134
Reserves	1,249,661	1,249,661
Accumulated losses	(22,423,606)	(22,423,606)
<b>Total Equity</b>	<b>1,451,425</b>	<b>1,843,189</b>

## **4. RISK FACTORS**

### **4.1 Introduction**

The Securities offered under this Prospectus as well as an investment generally in the Company's securities is considered highly speculative, and involve investors being exposed to risk. The Directors strongly recommend investors examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus or make an investment generally in the Company's securities.

The following is a non-exhaustive list of the risks that may have a material effect on the financial position and performance of the Company and the value of its securities as well as the Company's exploration and development activities and an ability to fund those activities.

The specific risks below are some of the risks specific to the Company including by reason of its involvement in the mineral resource industry.

### **4.2 Company Specific Risks**

#### **Essex Project acquisition risk**

The Company 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").

Upon completion of the program of works, 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 mineral production. The Commitment Amount will be independently verified in the technical report in compliance with NI 43 101 requirements.

Completion of the Joint Venture with respect to the Essex Project is subject to Carnavale been satisfied with the results from the program of works mentioned above. If these conditions including the requirement to raise the Commitment Amount, are not satisfied or waived, Carnavale will not be able to exercise the option to acquire a 65% interest in the Essex Project. In this case, Carnavale will continue to identify other resource projects for acquisition as well as continuing to progress with its Long Horse Project in Western Australia.

## **Title**

All of the permits or licences in which the Company has or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the terms of each permit or licence is usually at the discretion of the relevant government authority.

Additionally, permits are subject to a number of government specific legislative conditions. The inability to meet these conditions could affect the standing of a permit or restrict its ability to be renewed.

If a permit or licence is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that permit.

## **Exploration success**

At present, no mineral resources have been identified on the Essex Project on which the Company will be conducting exploration. Potential investors should understand that mineral exploration and project development are high risk undertakings. There can be no assurance that exploration of this project, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. Until the Company is able to realise value from its mineral projects, it is likely to incur ongoing operating losses.

## **Drilling and exploration programs**

There are operational risks associated with the Company's planned drilling and exploration programs. The planned surface sampling, drilling and exploration programs at the Essex Project may be affected by a range of factors, including:

- geological and ground access conditions
- unanticipated operational and technical difficulties encountered in sampling and drilling activities
- adverse weather conditions, environmental accidents, and unexpected shortages or increases in the costs of consumables, spare parts, and labour
- mechanical failure of operating plant and equipment
- prevention of access by reason of political or civil unrest, outbreak of hostilities, inability to obtain regulatory consents or approvals
- terms imposed by government on development of mining projects including conditions such as equity participation, royalty rates and taxes
- risks of default or non-performance by third parties providing essential services.

No assurance can be given that planned and future exploration will be successful or that a commercial mining operation at the Essex Project will eventuate.

## **Sovereign and Country Risk**

The Company's operations in respect of the Essex Project which is located in Utah, United States of America ("USA") are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. In addition, any material adverse changes in government policies or legislation in USA affecting foreign ownership of mineral interests, taxation, profit repatriation, royalties, labour relations, and mining and exploration activities, may adversely affect the viability and profitability of the Company's assets in that country.

## **Metals and Currency Price Volatility**

The Company's ability to proceed with the development of the Essex Project and benefit from any future mining operations will depend on market factors, some of which may be beyond its control. The world market for minerals is subject to many variables and may fluctuate markedly.

These variables include world demand for copper, gold and silver, forward selling by producers and production cost levels in major mineral-producing regions. Minerals prices are also affected by macroeconomic factors such as general global economic conditions and expectations regarding inflation and interest rates. These factors may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Copper, gold and silver ore are principally sold throughout the world in US dollars. The Company's cost base will be payable in various currencies including Australian dollars, and US dollars. As a result, any significant and/or sustained fluctuations in the exchange rate between the Australian dollar and the US dollar could have a materially adverse effect on the Company's operations, financial position (including revenue and profitability) and performance. The Company may undertake measures, where deemed necessary by the Board to mitigate such risks.

## **Future Capital Needs and Additional Funding**

The funds raised by the Offer will be used to carry out the Company's objectives as detailed in this Prospectus and the Company's announcements to ASX. The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to the Company will vary according to a number of factors, including the results of planned exploration programs, subsequent feasibility studies, stock market and industry conditions and commodity prices and exchange rates.

Subject to receipt of Shareholder approval, scheduled to occur at the Annual General Meeting in November 2013, Carnavale proposes to make a placement of up to 30 million Shares at 1.5 cents per Share, together with two free attaching Options for every Share applied for and allotted (Placement).

As referred to in Section 4.2, Essex Project acquisition risk, 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 the event that Carnavale elects to exercise the Option amount Carnavale will then have 100 days from this election date to satisfy CCM that it has raised the Commitment Amount of US\$7,000,000 to have earned its 65% interest in the Joint Venture.

If Carnavale cannot raise the Commitment Amount it will not be able to exercise the option to acquire a 65% interest in the Essex Project.

No assurance can be given that future funding, including but not limited to the above, will be available to the Company on favourable terms (or at all). If adequate funds are not available on acceptable terms the Company may not be able to further develop its projects and it may impact on the Company's ability to continue as a going concern.

## **Non Quotation of Options**

The Company does not intend to make application to ASX for Official Quotation of the Options at this time. It is the intention of the Company to make application to ASX for Official Quotation of the Options after 6 months of the Closing Date subject to satisfying the Official Quotation conditions. If the Official Quotation conditions are not met, the Options will remain unlisted and there will be no secondary market available for sale of the Options.

### **4.3 Industry specific**

#### **Environmental**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

### **4.4 General risks**

#### **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

#### **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

### **Speculative Nature of Investment**

The above list of risk factors is not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Securities in the Company.

## **5. RIGHTS AND LIABILITIES ATTACHING TO SHARES AND TERMS OF OPTIONS**

### **5.1 Rights Attaching to Shares**

The rights and liabilities attaching to Shares in the Company are:

- (a) set out in the Constitution of the Company, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

#### **Voting Rights**

Subject to any special rights or restrictions for the time being attached to any class or classes of Shares in the Company (at present there are none), at a general meeting every shareholder present in person or by proxy, attorney or representative will have on a show of hands one vote and, on a poll, one vote for each Share held.

#### **General Meetings**

Each shareholder is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, financial reports and other documents required to be furnished to shareholders under the Constitution or the Corporations Act and the Listing Rules.

#### **Dividend Rights**

Subject to the rights of holders of any Shares created or raised under any special arrangement as to dividends (at present there are none), any dividend as declared shall be payable on all Shares in proportion to the amount of capital for the time being paid up or credited as paid up in respect of such Shares.

#### **Rights on Winding-up**

Subject to the rights of holders of Shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all monies and property that are to be legally distributed among holders of Shares will be distributed in proportion to the amounts paid up (or which at the commencement of the winding-up ought to have been paid up) on those Shares compared with the total paid-up capital of the Company.

#### **Transfer of Shares**

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and any other applicable laws of Australia, and subject to any restrictions applicable to Shares that have been designated by the ASX as "restricted securities", Shares are freely transferable.

#### **Shareholder Liability**

As Shares are fully paid shares, they are not subject to any calls for money by the Board and will therefore not become liable for forfeiture.

## ASX Listing Rules

Despite anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

### 5.2 Rights Attaching to Options

The terms of the Options offered under this Prospectus are:

- (a) Each Option entitles the holder to subscribe for and be allotted one Share.
- (b) The Options may be exercisable at any time prior to 5:00pm WST on 30 November 2016 (**Expiry Date**). Options not exercised on or before the Expiry Date will automatically lapse.
- (c) The exercise price of each Option is 3 cents.
- (d) The Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date.
- (e) The Options are transferable and the Company will apply to ASX to have the Options granted Official Quotation after 6 months of the Closing Date.
- (f) Upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation.
- (g) There will be no participating entitlement inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, Option holders will be notified by the Company in accordance with the requirements of the Listing Rules.
- (h) There are no rights to a change in exercise price, or in the number of Shares over which the Options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any Options.
- (i) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules.
- (j) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

## **6. ADDITIONAL INFORMATION**

### **6.1 Underwriting Agreement**

On 19 September 2013, the Company and the Underwriter entered into the Underwriting Agreement pursuant to which the Underwriter agreed to underwrite the total amount of the Offer, being the Underwritten Amount.

The Company will pay the Underwriter a fee in respect of underwriting the Offer in an amount equal to 5% of the Underwritten Amount (that is, \$21,935 being 5% of \$438,699), as well as a management fee of \$10,000, plus GST. The Underwriter is entitled to be reimbursed for all reasonable out-of-pocket expenses.

The Underwriting Agreement imposes obligations on the Company including an obligation to offer the Securities in accordance with regulatory requirements. The Underwriting Agreement further contains various representations and warranties made by the Company to the Underwriter that are customary for an agreement of this nature.

As part of the Underwriting Agreement, the Underwriter may appoint sub-underwriters on such terms as it thinks fit, not inconsistent with those in the Underwriting Agreement.

#### ***Sub-Underwriting Agreements***

The Underwriter has entered into sub-underwriting agreements with several parties including Vienna Holdings Pty Ltd, an entity related to director, Mr Gajewski.

Vienna Holdings Pty Ltd has agreed to sub-underwrite the issue of 9,748,856 Shares and 19,497,712 Options.

Vienna Holdings Pty Ltd (or its nominee) will be entitled to a sub-underwriting fee of 5% (payable by the Underwriter) for the amount it has sub-underwritten.

### **6.2 Relevant interest of Underwriter and Others**

The Underwriter currently does not have a relevant interest in the issued Shares in the Company.

In the unlikely circumstances that all Shareholders (including Directors) decide to not take up their Entitlement and any sub-underwriters renege on their obligations to subscribe for Shortfall Securities and the Underwriting Agreement has not been terminated, the Underwriter would be issued with all the 29,246,569 Shortfall Shares (and attaching Options) and its relevant interest in Shares would represent approximately 25% at completion of the Offer. Shareholders are referred to section 3.2 of this Prospectus.

The Underwriter has informed the Company that on the facts and circumstances presently known to it, it is supportive of the Company's current direction.

The Underwriter has advised the Company that since it is presently supportive of the Company's current direction, it does not currently intend to make any major changes to the direction and objectives of the Company, and that other than as disclosed in this Prospectus, the Underwriter:

- (a) does not currently intend to make any changes to the existing business of the Company;
- (b) does not currently intend to inject further capital into the Company other than in underwriting the Offer;
- (c) does not currently intend to become involved in decisions regarding the future employment of the Company's present employees and contemplates that they will continue in the ordinary course of business;
- (d) does not currently intend for any property to be transferred between the Company and it or any person associated with it;
- (e) does not currently intend to redeploy the fixed assets of the Company; and
- (f) does not currently intend to change the Company's existing financial or dividend policies.

The Underwriter will ensure that any sub-underwriters will sub-underwrite on the basis that their relevant interest in Shares will not increase beyond 20%.

In the unlikely event that none of the other Shareholders take up their Entitlements, Vienna Holdings Pty Ltd's (Mr Gajewski's related entity) relevant interest in the Shares of the Company, by reason of the right to subscribe for Securities pursuant to its Entitlement and to its sub-underwriting agreement, will increase by 9,748,856 Shares, resulting in an increase of its voting power from 5.00% to 12.08%.

### **6.3 Directors Interests and Emoluments**

Other than as set out below or elsewhere in this Prospectus, no Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) the Offer;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (a) to a Director to induce him or her to become, or to qualify as, a Director; or
- (b) for services provided by a Director in connection with the formation or promotion of the Company or the Offer.

Directors' interests in the securities of the Company at the date of this prospectus are:

<b>Directors</b>	<b>Shares</b>	<b>Shares Entitlement</b>	<b>Options Entitlement</b>
Ron Gajewski	4,387,243	1,462,414	2,924,828
Klaus Eckhof	-	-	-
Peter Christie	522,001	261,000	522,000
Rhett Brans	-	-	-

**Notes:**

1. Each of the Directors has indicated that it is his present intention to subscribe for his full Entitlement under the Offer.
2. Vienna Holdings Pty Ltd (a company related to Mr Gajewski) has agreed to sub-underwrite a portion of the Offer. As a result of the sub-underwriting, Vienna Holdings Pty Ltd may acquire up to an additional 9,748,856 Shares and 19,497,712 Options. Refer to section 6.2 for further details.

Directors are entitled to Directors' fees and other emoluments, which are disclosed in the Company's annual financial reports. The directors' annual remuneration is as follows:

Effective from 1 May 2013, Mr Gajewski receives an Executive Chairman's fee of \$150,000 per annum exclusive of statutory superannuation (formerly \$264,000 per annum exclusive of statutory superannuation). In the two years prior to the date of this Prospectus, Mr Gajewski received total remuneration of \$509,000.

Mr Eckhof receives a non-executive director remuneration fee of \$24,000 per annum exclusive of statutory superannuation. In the two years prior to the date of this Prospectus, Mr Eckhof received total remuneration of \$50,000.

Mr Christie receives a non-executive director remuneration fee of \$25,000 per annum exclusive of statutory superannuation. In the two years prior to the date of this Prospectus, Mr Christie received total remuneration of \$50,000.

Mr Brans receives a non-executive director remuneration fee of \$24,000 per annum exclusive of statutory superannuation. In the two years prior to the date of this Prospectus, Mr Brans has not received any remuneration.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

Corporate Consultants Pty Limited, an entity of which Mr Gajewski is a director and shareholder, provides administration and office support, accounting and company secretarial services and office rental to the Company and has assisted with the preparation of this Prospectus. Fees paid or payable to Corporate Consultants Pty Limited for the two year period ending on the date of this Prospectus are approximately \$177,179.

## 6.4 Interests of Experts and Advisors

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, securities or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Melbourne Capital Limited is underwriting the Offer. The material terms of the Underwriting Agreement and the fees to be paid to Melbourne Capital Limited in relation to this Offer are set out in section 6.1. In the two years prior to the date of this Prospectus, no fees have been paid to Melbourne Capital Limited.

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

- The issue of 3 million Shares after completion of the Issue, the subject of this Prospectus; and
- The issue of 3 million Shares if Carnavale elects to proceed with the Joint Venture with respect to the Essex Project.

## 6.5 Consents

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by that party (as described below in the form and context in which they are included), and has not withdrawn such consent before lodgement of this Prospectus with ASIC:

Melbourne Capital Limited has consented to being named as the Underwriter to the Offer and the inclusion in the Prospectus of all statements referring to it.

The party referred to above in this section:

- does not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this section;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to their name and a statement included in the Prospectus with the consent of that party as specified in this section; and
- has not caused or authorised the issue of this Prospectus.

## 6.6 Share Trading History

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market price of the Company's quoted Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales and the last sale prior to lodgement of this Prospectus were:

	Price	Date
Highest	2.9 cents	20 September 2013
Lowest	1.1 cents	23 July 2013
Latest	2.9 cents	20 September 2013

## 6.7 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Shares that will be issued pursuant to this Prospectus and the Shares that will be issued on exercise of the Options offered under this Prospectus will be in the same class of Shares that have been granted official quotation by ASX during the 3 months prior to the issue of this Prospectus.

In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the Offer on the Company and the rights and liabilities attaching to the securities offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the securities market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and

- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
- (i) the annual financial report for the year ended 30 June 2013;
  - (ii) the half-year financial report for the six month period ended 31 December 2012; and
  - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

<b>Date</b>	<b>Description of Announcement</b>
18/09/2013	Initial Director's Interest Notice
18/09/2013	Board Appointment
16/09/2013	Competent Persons Statement
13/09/2013	Full Year Statutory Accounts

## 7. DIRECTORS' AUTHORISATION AND CONSENT

This Prospectus is authorised by the Company and lodged with the ASIC pursuant to section 718 of the Corporations Act.

Each Director has consented to lodgement of this Prospectus with ASIC in accordance with the terms of section 720 of the Corporations Act and has not withdrawn that consent.

Dated: 20 September 2013



Signed for and on behalf of Carnavale Resources Limited  
By Ron Gajewski  
Executive Chairman

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## 8. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>ASX</b>	means the ASX Limited ACN 008 624 691.
<b>Board</b>	means the Board of Directors
<b>Closing Date</b>	means the closing date for receipt of Application Forms under this Prospectus, estimated to be 5.00 pm WST on 21 October 2013 or an amended time as set by the Board.
<b>Company or Carnavale</b>	means Carnavale Resources Limited (ABN 49 119 450 243).
<b>Constitution</b>	means the constitution of the Company.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Director</b>	means a director of the Company.
<b>Eligible Participants</b>	means shareholders who are registered as at 5.00 pm WST on 1 October 2013 who are entitled to subscribe under the Offer.
<b>Entitlement</b>	means the right of a Shareholder to subscribe for Securities under the Offer.
<b>Entitlement and Acceptance Form</b>	means the personalised entitlement and acceptance form attached to or accompanying this Prospectus.
<b>Listing Rules</b>	means the official listing rules of the ASX.
<b>Issue</b>	means the issue of the Shares and Options comprised in the Offer.
<b>Offer</b>	means the offer of Securities pursuant to this Prospectus.
<b>Official List</b>	means the official list of ASX.
<b>Official Quotation</b>	means official quotation by ASX in accordance with the Listing Rules.
<b>Opening Date</b>	means the date on which the Offer opens.
<b>Option</b>	means an option to acquire a Share, exercisable at 3 cents each expiring on 30 November 2016.
<b>Permitted Foreign Jurisdiction</b>	means Hong Kong, New Zealand, and Singapore.

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<b>Prospectus</b>	means this Prospectus.
<b>Record Date</b>	means 1 October 2013 being the date for determining the Shareholder's Entitlement to participate in this Offer.
<b>Securities</b>	means Shares and Options.
<b>Share</b>	means a fully paid ordinary share in the Company.
<b>Shareholder</b>	means the registered holder of Shares in the Company.
<b>Shortfall</b>	means the Shares and Options forming Entitlements, or parts of Entitlements, not accepted by Shareholders.
<b>Underwriter</b>	means Melbourne Capital Limited (ABN 30 055 638 438) (AFSL 238978).
<b>Underwriting Agreement</b>	means the underwriting agreement between the Company and the Underwriter summarised in section 6.1.
<b>Underwritten Amount</b>	means \$438,699.
<b>WST</b>	means Western Standard Time as observed in Perth, Western Australia.
<b>\$</b>	means Australian dollars unless otherwise stated.