



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2015**

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the group for the half-year ended 31 December 2015. The directors report as follows:

Directors

The directors of the Company during or since the end of the half-year are listed below. All directors were in office for this entire period unless otherwise stated.

Ron Gajewski	Executive Chairman
Andrew Beckwith	Managing Director
Rhett Brans	Non-Executive Director
Andrew Chapman	Non-Executive Director
Klaus Eckhof	Non-Executive Director – resigned 20 July 2015

Results

The consolidated loss for the half-year after tax was \$1,075,077 (2014: \$337,344).

Review of Operations

Carnavale is an Australian based mineral exploration company with gold and base metal projects located in the United States of America.

During the period, Carnavale's exploration activities focused primarily on RC (Reverse Circulation) and Diamond drill testing of the two priority targets, Rattler and Cobra, at the Red Hills Project, located near the township of Ely, Nevada.

Red Hills Project, Nevada, USA – Au-Ag-Cu-Pb-Zn (Carnavale earning 51% with the right to earn a total 75% equity)

The Red Hills Project comprises mineral claims covering an area of approximately 13.4km², located in eastern Nevada, USA. The project area is considered prospective for large multi-million ounce scale "Carlin style" gold and silver deposits and also structurally controlled polymetallic (gold, silver, copper, lead and zinc) deposits.

Recent exploration at Red Hills has defined four large soil anomalies, encouraging rock chip samples coincident with historic underground workings with subsequent detailed channel sampling defining high grade polymetallic (gold, silver, copper, lead and zinc) mineralisation at the Rattler and Cobra prospects. The mineralisation is associated with regional scale shear zones and secondary splays and related breccia zones hosted in dolomite and siltstones.

Rattler Prospect (Au-Ag-Cu-Pb-Zn)

At the Rattler Prospect, previous detailed geochemical soil and rock chip sampling has defined a 500m long x 150m wide zone of highly anomalous results which is coincident with many of the larger historic underground workings. A series of sub-vertical historic shafts and a horizontal adit occur within this anomalous zone along at the contact with the Eureka Quartzite and the Pogonip Group Limestone units. High grade polymetallic mineralisation 7.8m+ @ 0.52g/t Au, 105g/t Ag, 2.6% Zn, 2.8% Pb including 3.5m+ @ 1.1g/t Au, 205g/t Ag, 5.2% Zn, 5.9 % Pb associated with gossanous material outcrops adjacent to one of the workings and is hosted in a north south striking shear zone along this contact.

DIRECTORS' REPORT

During the period, a programme of four RC drill holes was undertaken to test this shear zone and associated polymetallic mineralisation. The drilling was successful in defining strong polymetallic Ag-Au-Pb-Zn mineralisation in three of the four holes.

The results of the four RC drill holes relative to the historic workings (as known to date) and the previous channel sampling at surface are shown in the long-section along the Rattler Shear (Figure 1). Importantly, the mineralisation is polymetallic and has significant high grade zones which are interpreted to show potential for higher grade plunging shoots within a broader mineralised shear zone.

In particular, drill hole 15RHR03 with **12m @ 380g/t AgEq** and located approximately 200m south of the outcropping high grade channel sampling (**7.8m @ 361g/t AgEq**) together with the high grade silver results in soil sampling demonstrates strong mineralisation subcrops at surface beneath the surficial scree and mineralisation is now defined to approximately 100m depth. The results of 15RHR04 and 15RHR01 although of lower grade support the interpretation of a significantly mineralised shear zone with potential for at least 500m strike length based on the anomalous soil results and rock chip samples and to a depth of approximately 130m.

The Rattler Shear Zone Ag-Au-Pb-Zn mineralisation remains open to surface, at depth and along strike to the south and north. Extensional and infill drilling is anticipated to define higher grade plunging shoots within the RSZ particularly where north-west trending structures are evident in mapping.

Figure 1 – Long section showing Rattler Shear Zone Ag-Au-Pb-Zn mineralisation

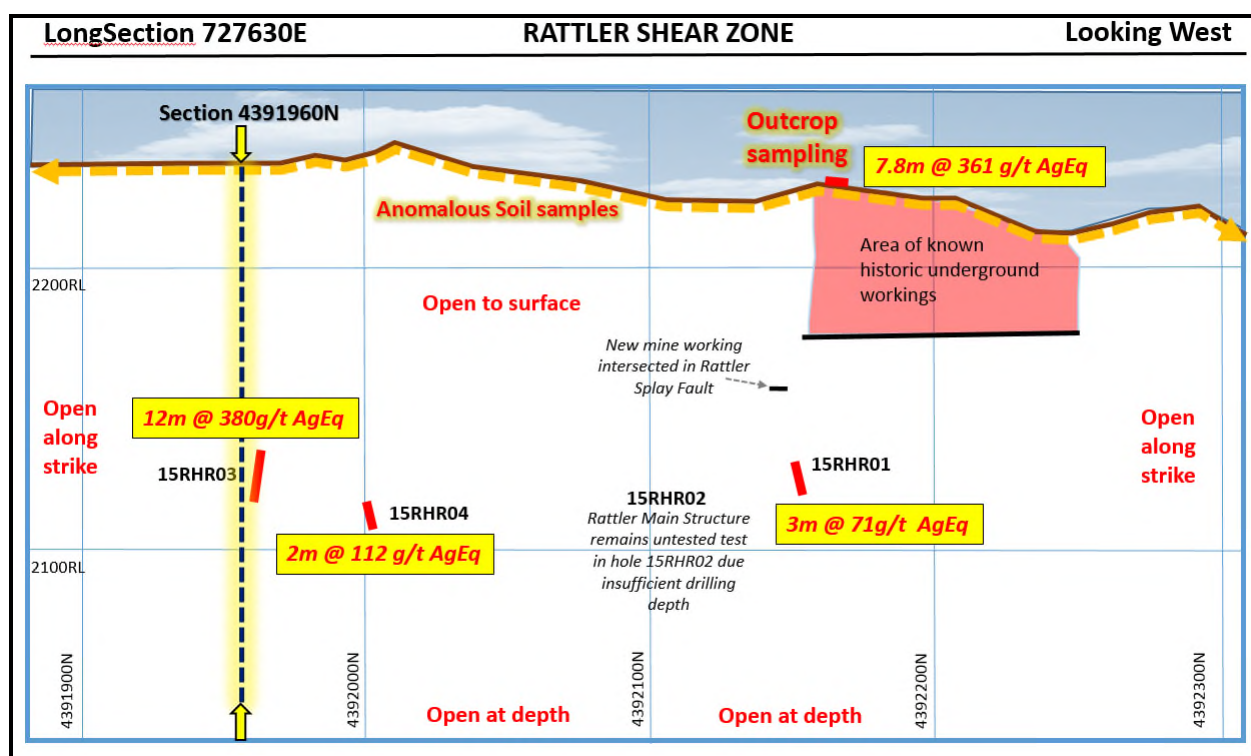
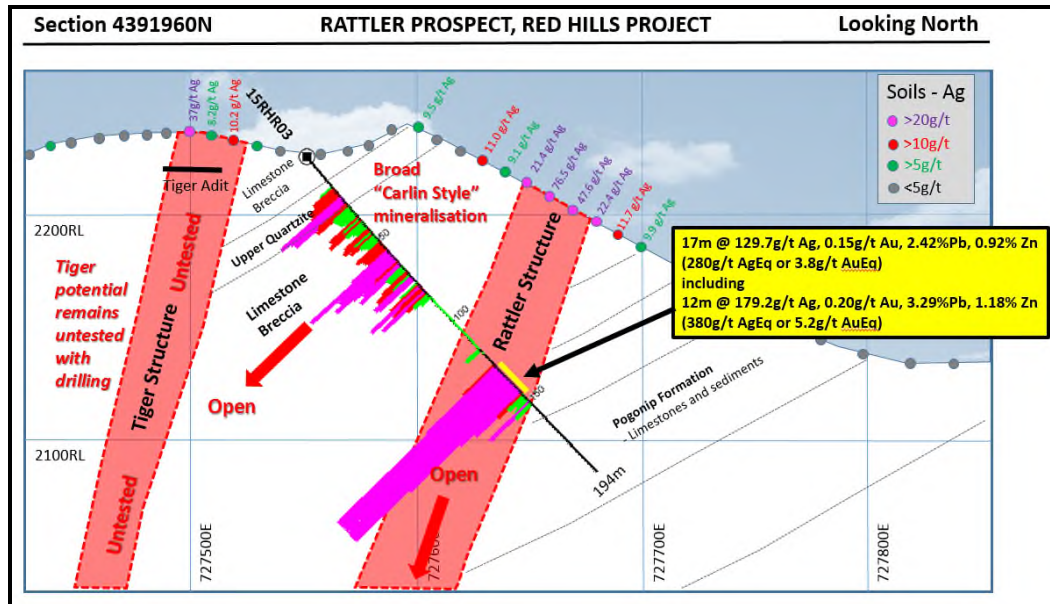


Figure 2, cross section (4391960N), shows the mineralised zones in drillhole 15RHR03 with the interpreted Rattler Shear Zone and the highly anomalous silver results from earlier soil sampling. The second point to note is the large zone of anomalous mineralisation further up the hole associated with the limestone breccia. This breccia style mineralisation is interpreted to represent “Carlin style” mineralisation away from the controlling shear zones, where the mineralizing fluids have altered preferred stratigraphic units within the overall sedimentary rock sequence. Also highlighted in the cross section is the Tiger structure to the west of drillhole 15RHR03 which remains untested by any drilling and is associated with anomalous soil and rock chips over a strike length of approximately 400m.

DIRECTORS' REPORT

Figure 2 – Drill section showing High Grade Ag-Au-Pb-Zn mineralisation
(*Note the untested Tiger zone to the west)



Cobra Prospect (Au-Ag-Cu-Pb-Zn)

The Cobra Prospect is defined by a multi-element anomaly, historic surface workings and an adit located in west-dipping limestones, dolomites to silty carbonate rocks of the Ordovician aged Pogonip Group. Mapping has defined a north - west dipping thrust/fault interpreted to splay off the Rattler Shear Zone, south of the Rattler Prospect.

The anomalous multi-element soil anomaly occurs in Pogonip Group limestones and sediments over a broad zone 950m x 650m in dimensions. The larger Cobra adit and various smaller workings fall within the anomalous soil sampling zone.

Rock-chip and soil sampling shows the area is anomalous in gold, silver, copper, lead and zinc. Sampling of a small outcrop near the main adit entrance shows minor visible oxide copper mineralisation (malachite) and returned 3.0+m @ 1.5% Cu, 0.6g/t Au, 317g/t Ag, 9.9% Zn, 4.0 % Pb from detailed channel sampling.

Subsequent underground mapping and detailed channel sampling in the adjacent horizontal adit showed high grade polymetallic Au-Ag-Cu-Pb-Zn mineralisation along the 123m adit at the sheared contact with a highly deformed and altered limestone. The mineralisation is hosted in a limestone breccia beneath the sheared margin.

Significant high grade polymetallic mineralisation occurs in the adit within a highly altered breccia immediately adjacent to the sheared contact with an upper less altered limestone. This breccia and sheared fault hosts the strongest mineralisation reported at the Cobra prospect. The average grades of the breccia mineralisation averages 0.97g/t Au, 726g/t Ag, 1.6% Cu, 4.0% Pb and 4.8% Zn with the average grade in the sheared margin 0.67g/t Au, 494g/t Ag, 1.1% Cu, 3.6% Pb and 3.4% Zn.

This encouraging mineralisation is interpreted to dip to the north - west with an approximate 50 degree dip and was tested with 3 diamond drill holes. Results from this drilling programme were less encouraging with no significant mineralisation intersected. Structural analysis indicates the interpreted down dip extensions should have intersected the mineralisation in the drilling. Ongoing review is considering additional geophysical programmes to determine alternative controls on mineralisation.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Little Butte, Arizona USA – Au-Cu

Activities during the period were restricted to assessment of previous exploration results with no field work undertaken. As a consequence of the review and subsequent to the end of the period, Carnavale elected to withdraw from the Little Butte Option Agreement.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



A Beckwith
Managing Director
Perth
Dated this 11th day of March 2016

Competent Person's Statements – Exploration Results

The information in this report that relates to the Red Hills Project has been previously reported by the Company in compliance with JORC 2012 in various market releases with the last one dated 8 December 2015. The information in this report that relates to the Little Butte Project has been previously reported by the Company in compliance with JORC 2012 in a various market releases with the last one dated 30 July 2015. The Company confirms that it is not aware of any new information or data that materially affects the information included in those earlier market announcements.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Carnavale Resources Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
11 March 2016



L Di Giallonardo
Partner

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2015

	Note	Consolidated 6 Months Ended 31 December 2015 \$	Consolidated 6 Months Ended 31 December 2014 \$
REVENUES			
Interest income		3,949	21,007
Foreign exchange gain		22,489	14,375
		<u>26,438</u>	<u>35,382</u>
EXPENSES			
Administrative expenses		(236,160)	(341,351)
Exploration expenditure written off	3	(864,667)	(10,000)
Depreciation expense		(688)	(1,375)
Share based payments expense		-	(20,000)
		<u>(1,075,077)</u>	<u>(337,344)</u>
Loss before income tax	2	(1,075,077)	(337,344)
Income tax expense		-	-
		<u>(1,075,077)</u>	<u>(337,344)</u>
Net loss for the period		(1,075,077)	(337,344)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		18,000	-
		<u>18,000</u>	<u>-</u>
Other comprehensive income for the period		18,000	-
		<u>(1,057,077)</u>	<u>(337,344)</u>
Total comprehensive loss for the period		(1,057,077)	(337,344)
Basic (loss) / earnings per share (cents per share)		(0.42)	(0.18)

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
Assets			
Current Assets			
Cash and cash equivalents		280,683	1,253,481
Receivables		20,637	17,218
Other assets		5,424	51,122
Total Current Assets		306,744	1,321,821
Non-Current Assets			
Property, plant and equipment		1,216	689
Exploration and evaluation expenditure	3	1,252,795	1,256,182
Other assets		31,169	30,158
Total Non-Current Assets		1,285,180	1,287,029
Total Assets		1,591,924	2,608,850
Liabilities			
Current Liabilities			
Trade and other payables		76,582	47,931
Total Current Liabilities		76,582	47,931
Total Liabilities		76,582	47,931
Net Assets		1,515,342	2,560,919
Equity			
Issued capital	4	25,191,394	25,179,894
Option reserve	5	1,301,356	1,301,356
Foreign currency translation reserve	6	20,722	2,722
Accumulated losses		(24,998,130)	(23,923,053)
Total Equity		1,515,342	2,560,919

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2015

Consolidated	Issued Capital	Accumulated Losses	Option Premium Reserve	Total Equity
Balance at 1 July 2014	23,614,874	(23,370,725)	1,249,661	1,493,810
Loss attributable to members of the parent entity	-	(337,344)	-	(337,344)
Total comprehensive loss for the period	-	(337,344)	-	(337,344)
Shares issued during the year (net)	677,340	-	-	677,340
Balance at 31 December 2014	24,292,214	(23,708,069)	1,249,661	1,833,806

Consolidated	Issued Capital	Accumulated Losses	Option Reserve	Foreign Currency Translation Reserve	Total Equity
Balance at 1 July 2015	25,179,894	(23,923,053)	1,301,356	2,722	2,560,919
Loss attributable to members of the parent entity	-	(1,075,077)	-	-	(1,075,077)
Exchange gain on translation of foreign operations	-	-	-	18,000	18,000
Total comprehensive loss for the period	-	(1,075,077)	-	18,000	(1,057,077)
Shares issued during the year (net)	11,500	-	-	-	11,500
Balance at 31 December 2015	25,191,394	(24,998,130)	1,301,356	20,722	1,515,342

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2015

	Consolidated 6 Months Ended 31 December 2015 \$	Consolidated 6 Months Ended 31 December 2014 \$
Cash flows from operating activities		
Cash payments in the course of operations	(193,088)	(365,631)
Interest received	3,949	21,626
Net cash used in operating activities	(189,139)	(344,005)
Cash flows from investing activities		
Payments for exploration and development expenditure	(816,321)	(538,773)
Payments for property, plant and equipment	(1,216)	-
Net cash used in investing activities	(817,537)	(538,773)
Cash flows from financing activities		
Proceeds from issue of shares and options	15,000	519,486
Issue costs - shares and options	(3,500)	(19,646)
Net cash provided by financing activities	11,500	499,840
Net (decrease) / increase in cash held	(995,176)	(382,938)
Cash at the beginning of the reporting period	1,253,481	1,527,499
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	22,378	14,375
Cash at the end of the reporting period	280,683	1,158,936

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Carnavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2015 except for the following:

Exploration and evaluation expenditure

The company has capitalised \$1,252,795 of exploration and evaluation expenditure as at 31 December 2014 in relation to its exploration projects. The Directors have reviewed the appropriateness of continued capitalisation and the existence of any indicators of impairment and concluded that no further impairment is necessary.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current half-year.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

2. LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2015 \$	Consolidated 31 December 2014 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	3,949	21,007
Foreign exchange gain	22,489	14,375
Total	26,438	35,382
Expenses		
Write-off of capitalised exploration expenditure	(864,667)	(10,000)
Share based payments expense	-	(20,000)

3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2015 (6 months) \$	Consolidated 30 June 2015 (12 months) \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at 1 July	1,256,182	-
Acquisition costs incurred through acquisition of Tojo Minerals Pty Ltd – non-cash	-	472,500
Expenditure incurred	850,175	806,644
Exploration expenditure written off	(864,667)	(22,962)
Translation differences movement	11,105	-
Balance at end of period	1,252,795	1,256,182

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

During the period ended 31 December 2015, the Directors considered the carrying value of all carried forward exploration and evaluation and decided that it was appropriate for a write down of exploration expenditure of \$864,667, attributable to the Little Butte Project, to be charged to the statement of comprehensive income following a decision in February 2016 to terminate and withdraw from the Little Butte Option Agreement.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

4. ISSUED CAPITAL

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
(a) Issued and paid-up share capital		
256,785,348 (30 June 2015: 256,285,348) ordinary shares, fully paid	25,191,394	25,179,894

Movements in Ordinary Shares:

	Number	\$
Balance at the beginning of the period	256,285,348	25,179,894
Options exercised at 3 cents each	500,000	15,000
Transaction costs arising from issue of securities	-	(3,500)
Balance at the end of the period	256,785,348	25,191,394

(b) Share options

Exercise Period	Exercise Price	Opening Balance 1 July 2015 Number	Options Issued Number	Options Exercised/ Expired Number	Closing Balance 31 December 2015 Number
On or before 30 November 2016	\$0.03	186,708,836	-	(500,000)	186,208,836
Total		186,708,836	-	(500,000)	186,208,836

(c) Performance shares

Ex. price	Expiry date	Opening balance Number	Granted during the period Number	Vested and converted into shares during the period Number	Forfeited during the period Number	Balance at end of period Number	Vested and exercisable at end of the period Number
Nil	13-Mar 18	21,000,000	-	-	-	21,000,000	
Nil	13-Mar 19	21,000,000	-	-	-	21,000,000	
		42,000,000	-	-	-	42,000,000	-

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

4. ISSUED CAPITAL - continued

21 million A Class Convertible Performance Shares have the right to convert to 21 million Shares upon the successful completion of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Little Butte Project or if a decision to mine is made based on a preliminary feasibility study on the Little Butte Project within 3 years from the date of issue of the Performance Shares.

In February 2016, Carnavale terminated the Little Butte Option Agreement and the 21 million A Class Convertible Performance Shares were redeemed by the Company for a nominal sum in accordance with the terms of issue of the Performance Shares.

21 million B Class Convertible Performance Shares have the right to convert to 21 million Shares upon the successful completion of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Red Hills Project or if a decision to mine is made based on a preliminary feasibility study on the Red Hills Project within 4 years from the date of issue of the Performance Shares.

5. OPTION RESERVE

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
Option Reserve	<u>1,301,356</u>	<u>1,301,356</u>

The option reserve represents amounts received in consideration for the issue of options to subscribe for ordinary shares in the Company and the value of options issued to third parties for services rendered.

6. FOREIGN CURRENCY TRANSLATION RESERVE

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
Foreign currency translation reserve	<u>20,722</u>	<u>2,722</u>

The foreign currency translation reserve is used to record exchange differences from the translation of the financial statements of foreign operations.

6. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

7. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

In February 2016, the Company entered into a corporate advisory and capital raising mandate with Cicero Advisory Services Pty Ltd (“Cicero”) to raise approximately \$1,609,717 (before costs of the issue) via the issue of 201,214,652 fully paid shares (“Shares”) at an issue price of \$0.008 each. The funds raised will be used to provide funding for ongoing working capital, existing project funding and the assessment of new investment opportunities in both the resource and non-resource sectors.

The first tranche of the capital raising for 113,714,652 Shares at an issue price of \$0.008 each was completed on 9 February 2016 raising \$909,717 (before costs of the issue) and the balance of the capital raising for up to 87.5 million Shares at an issue price of \$0.008 each to raise a further \$700,000 to clients and or principals of Cicero and Directors of Carnavale will be issued subject to shareholder approval at a meeting of shareholders on 23 March 2016.

Cicero is a highly successful boutique Australian based advisory firm headed by experienced market participants, Mathew Walker and James Robinson. It has been instrumental in numerous recent ASX domiciled transactions including NexGen Networks (ASX: VTX), Intiger Asset Management (ASX: SRT), Yojee (ASX: SWR), Ziptel (ASX: ZIP) and Phytotech MMJ (ASX: MMJ).

For managing the capital raising (including obtaining the firm commitments) and an ongoing advisory role Cicero (or its nominee) will receive a 6% capital raising fee and (subject to shareholder approval) 40 million unlisted options exercisable at 2 cents each on or before 30 December 2019.

At the March 2016 meeting, shareholder approval is sought for CAV Directors and officers to be issued a total of up to 20 million unlisted options exercisable at 2 cents each on or before 30 December 2019.

Other than identified above, no other matters or circumstances have arisen since 31 December 2015 that have or may significantly affect the operations, results, or state of affairs of the group in future financial periods.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2015

8. SEGMENT REPORTING

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that, during the period, Carnavale operated in the mineral exploration industry and conducted investing activities in Australia.

	Investing	Mineral Exploration	Eliminations	Consolidated
	\$	\$	\$	\$
31 December 2015				
Business segments				
Revenue				
Other external revenue	26,438	-	-	26,438
Total segment revenue	26,438	-	-	26,438
Results				
Operating loss before income tax	(198,644)	(876,433)	-	(1,075,077)
Income tax expense				-
Net loss				(1,075,077)
31 December 2015				
Assets				
Segment assets	317,336	1,274,588	-	1,591,924
Liabilities				
Segment liabilities	60,800	15,782	-	76,582
	Investing	Mineral Exploration	Eliminations	Consolidated
	\$	\$	\$	\$
31 December 2014				
Business segments				
Revenue				
Other external revenue	35,382	-	-	35,382
Total segment revenue	35,382	-	-	35,382
Results				
Operating loss before income tax	(327,344)	(10,000)	-	(337,344)
Income tax expense				-
Net loss				(337,344)
31 December 2014				
Assets				
Segment assets	1,201,136	686,273	-	1,887,409
Liabilities				
Segment liabilities	53,603	-	-	53,603

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2015

In the opinion of the directors:

- (a) the financial statements and notes of the group, as set out on pages 7 to 16, are in accordance with the Corporations Act 2001 including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the group's financial position as at 31 December 2015 and of its performance for the half-year then ended; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.



A Beckwith
Managing Director

Dated at Perth this 11th day of March 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carnavale Resources Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Carnavale Resources Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB Mann Judd
Chartered Accountants



L Di Giallonardo
Partner

Perth, Western Australia
11 March 2016