

CARNAVALE RESOURCES

(A.C.N 119 450 243)

ASX Code: **CAV**

Shares: 642M

Options: 60.0M
(Dec 2019 @ \$0.02)**Directors**

Ron Gajewski (Chairman)

Andrew Beckwith

Rhett Brans

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QUARTERLY ACTIVITY REPORT**For the period ended 31 March 2018**

Carnavale Resources Limited ("CAV" or "the Company") reports on activities completed during the quarter to 31 March 2018.

Highlights**New Cobalt-Nickel and Tin Projects**

- Carnavale focusses on electric vehicle battery metals and acquires rights to two new projects

Grey Dam Co-Ni Project (100%)

- Co- Ni deposit in Western Australia
- Prospective for shallow and flat lying high-grade cobalt mineralisation defined in previous drilling and second untested drill target.
- High grade Cobalt rich zones (>0.20% Co) in previous drilling include:
 - 20m @ 0.24% Co from 12m
 - 8m @ 0.22% Co from 8m
 - 7m @ 0.31% Co from 14m
 - 11m @ 0.20% Co from 10m
 - 8m @ 0.20% Co from 28m
 - 8m @ 0.33% Co from 24m
 - 6m @ 0.20% Co from 28m
- Native title heritage survey completed and awaiting final report.
- RC and diamond drilling planned to commence late Q2 2018

Isingiro Tin (Sn) Project (right to earn 70%) post quarter end

- Very large-scale Sn target in Uganda
- **2000m long x 200m wide shear zone drill target**, below extensive alluvial and shallow artisanal workings and recent modern alluvial mining with access to operating plant on site
- Coarse grained cassiterite mineralisation in stacked quartz veins within interpreted shear zone
- Diamond drilling to commence late Q2 2018, subject to legal due diligence

Corporate

- Share placement raises gross proceeds of \$1.19 million
- The cash balance at the end of the quarter is \$2.29 million.



The 100% acquisition of the Grey Dam Co-Ni Project and the agreement to earn 70% of the Isingiro Sn Project is in line with Carnavale's stated strategy to acquire and explore high quality advanced exploration and development projects prospective for strategic minerals associated with the rapidly increasing demand within the electric battery sector and other new-age disruptive technologies, together with the gold and copper resource sector.

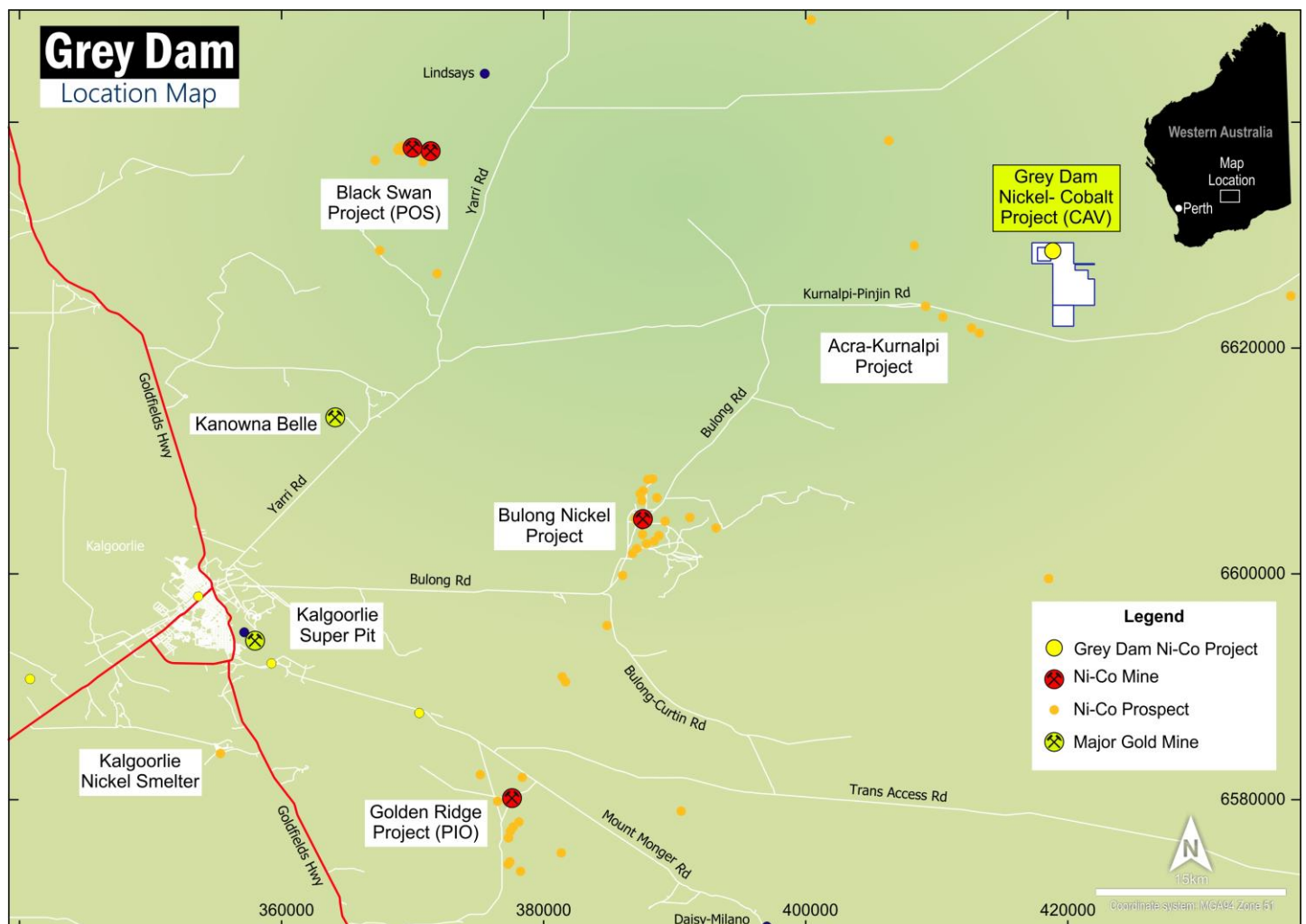
GREY DAM Co-Ni PROJECT (100% CAV subject to completion)

In late March 2018, Carnavale entered into a sale and purchase agreement to acquire 100% of the Grey Dam Project tenements, E28/1477, E28/2226 and M 28/378, subject only to ministerial consent, for a total consideration of \$110,000 payable in cash (paid in April 2018, awaiting final transfer of title). Refer ASX announcement "**New Cobalt Acquisition in Western Australia**" dated 19 March 2018.

* *Note- E28/2226 is under a statutory extension of term application and Carnavale cautions this tenement may not be renewed under this statutory process.*

The Grey Dam Project is located near Kurnalpi, approximately 90km northeast of Kalgoorlie, Western Australia (Figure 1). The project hosts a shallow, oxide laterite nickel-cobalt resource (JORC 2004) together with a number of encouraging deeper nickel-cobalt drilling intersections associated with fresh sulphide mineralisation. Carnavale's attraction to the project, centres on the extensive cobalt zones, many with high grades (>0.12% Co), defined within earlier drilling and the along strike exploration potential, with some 4km of prospective ultramafic sequence occurring on the project tenements.

Figure 1 Grey Dam Nickel - Cobalt Project Location



The rapid and sustained forecast growth in electric vehicles and associated battery demand has fueled a significant price rise in cobalt (circa US\$87,000/t). Cobalt is one of the select metals in high demand for batteries. Carnavale considers the shallow high- grade cobalt mineralisation at Grey Dam has the potential for near term and significant resource extensions and the shallow nature of the mineralisation may provide a short pathway to subsequent mining and production.

High Grade Cobalt

Previous drilling and Ni-Co results on the project are presented in Figure 2 and in Table 1. Significantly, numerous intersections of shallow nickel-cobalt laterite mineralisation are highlighted in the northern portion of E28/1477 and M28/378, where the drilling occurs over a portion of the interpreted ultramafic sequence.

The supergene Co-Ni mineralisation occurs as remobilized sub-horizontal nickel and cobalt zones hosted within the highly weathered bedrock above a sequence of ultramafic rocks which are interpreted to represent the original bedrock source of the remobilized nickel and cobalt before weathering occurred. The ultramafic sequence is interpreted to extend over approximately 4km of strike within the tenement area, much of which remains largely untested.

The nickel laterite mineralisation occurs as relatively thick sub-horizontal zones ranging from 3-30m thick from approximately near surface up to 50m depth. Within this broader nickel zone, the cobalt occurs in a distinct internal sub-horizontal horizon closer to surface at approximately 10-30m depth (see red domain in Fig 3).

Figure 2 also highlights areas of anomalous Co and/or Ni results from historical surface sampling and importantly shows a large target area over interpreted ultramafic sequence in the southwestern corner of E28/1477 and the northern portions of E28/2226. This area will be a priority for initial drill testing.

Overall, the project area is considered prospective for the discovery of large, shallow, flat-lying, remobilised Ni-Co laterite style orebodies which may host significant high-grade Co mineralisation. This prospectivity is also supported by drilling results recently reported by Mithril Resources Limited (ASX: MTH) on the adjacent tenement (refer to 3rd party areas in Fig 2) immediately south of the Grey Dam Ni-Co resource area.

Table 1 Selected high-grade Cobalt drilling intersections (>0.18% Co)

Hole_ID	E	N	RL	Type	Depth_from (m)	Length (m)	Ni %	Co%
CAC113	418,427	6,628,201	367	AC	12	20	0.56	0.24
GDAC075	417,798	6,628,000	363	AC	12	8	1.11	0.22
GDAC076	417,802	6,627,953	363	AC	9	3	1.10	0.18
GDD05	418,090	6,628,216	367	DDH	14	7	0.71	0.31
GDRC013	418,103	6,628,201	368	RC	10	11	1.55	0.20
GDRC023	418,065	6,628,249	366	RC	20	4	1.12	0.20
GDRC054	418,198	6,628,330	366	RC	16	7	0.91	0.18
GDRC055	418,200	6,628,310	366	RC	148	3	0.43	0.73
KURA167	417,746	6,627,883	364	AC	9	5	0.46	0.20
KURA220	418,626	6,628,381	368	AC	16	4	1.35	0.18
KURA223	418,696	6,628,373	369	AC	16	21	0.68	0.18
KURA360	417,908	6,628,598	365	AC	28	8	1.00	0.20
KURA362	417,988	6,628,518	365	AC	24	8	0.97	0.33
KURC 22	417,968	6,627,363	365	RC	28	6	1.78	0.20
KURC 24	418,657	6,628,332	369	RC	20	14	1.01	0.18



Figure 2 Grey Dam drilling locations, showing high grade Ni and Co zones in drilling

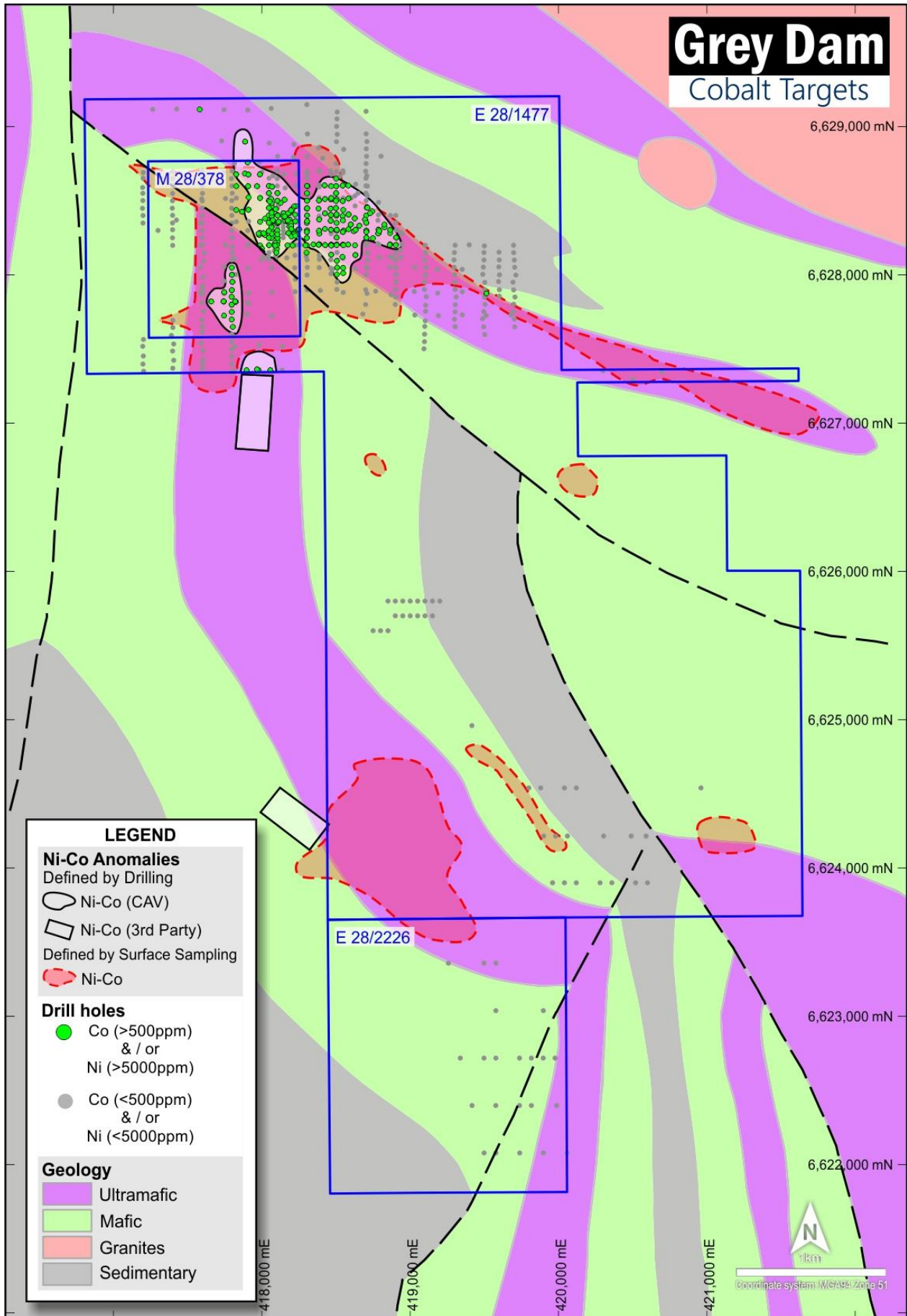
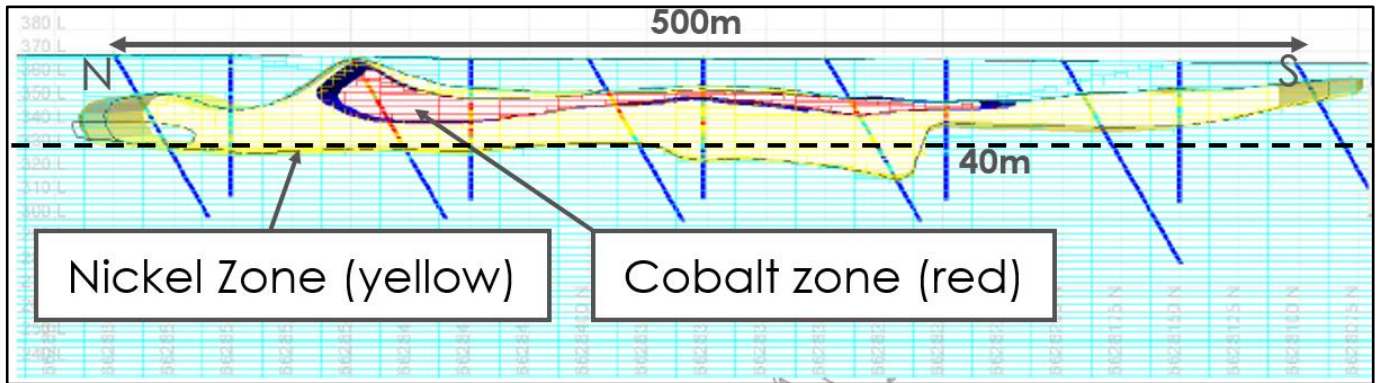




Figure 3 Grey Dam representative Cross Section showing sub-horizontal nickel zone with internal cobalt zone (from 2009 resource report).



Previous Inferred Ni-Co Resource

In 2009, the previous owner, completed a resource estimate on the shallow laterite Ni-Co mineralisation within and adjacent to M28/378. This resource estimate was completed to JORC 2004 reporting standards and is therefore considered non-compliant to current JORC 2012 reporting standards. Refer to ASX announcement “**New Cobalt Acquisition in Western Australia**” dated 19 March 2018 for further details of the resource.

Work Planned for June 2018 Quarter

Subsequent to the quarter, Carnavale completed a heritage survey and awaits the final report on this survey prior to commencing a RC and diamond drilling programme. Review of the previous resource modelling and drilling data has been completed and the RC and diamond drilling programme is currently being finalised. This drilling is planned to commence in late Q2 2018 and will focus on confirmation drilling within the previous resource area and new extensional drilling to extend the shallow cobalt and nickel mineralisation. The Company considers significant extensions to the previous resource area are possible. Subsequent to this drilling, a resource estimate is expected to be completed in Q3 2018 with a focus on defining the high-grade cobalt zones within the larger overall nickel zones.

ISINGIRO TIN (Sn) PROJECT (subsequent to the quarter)

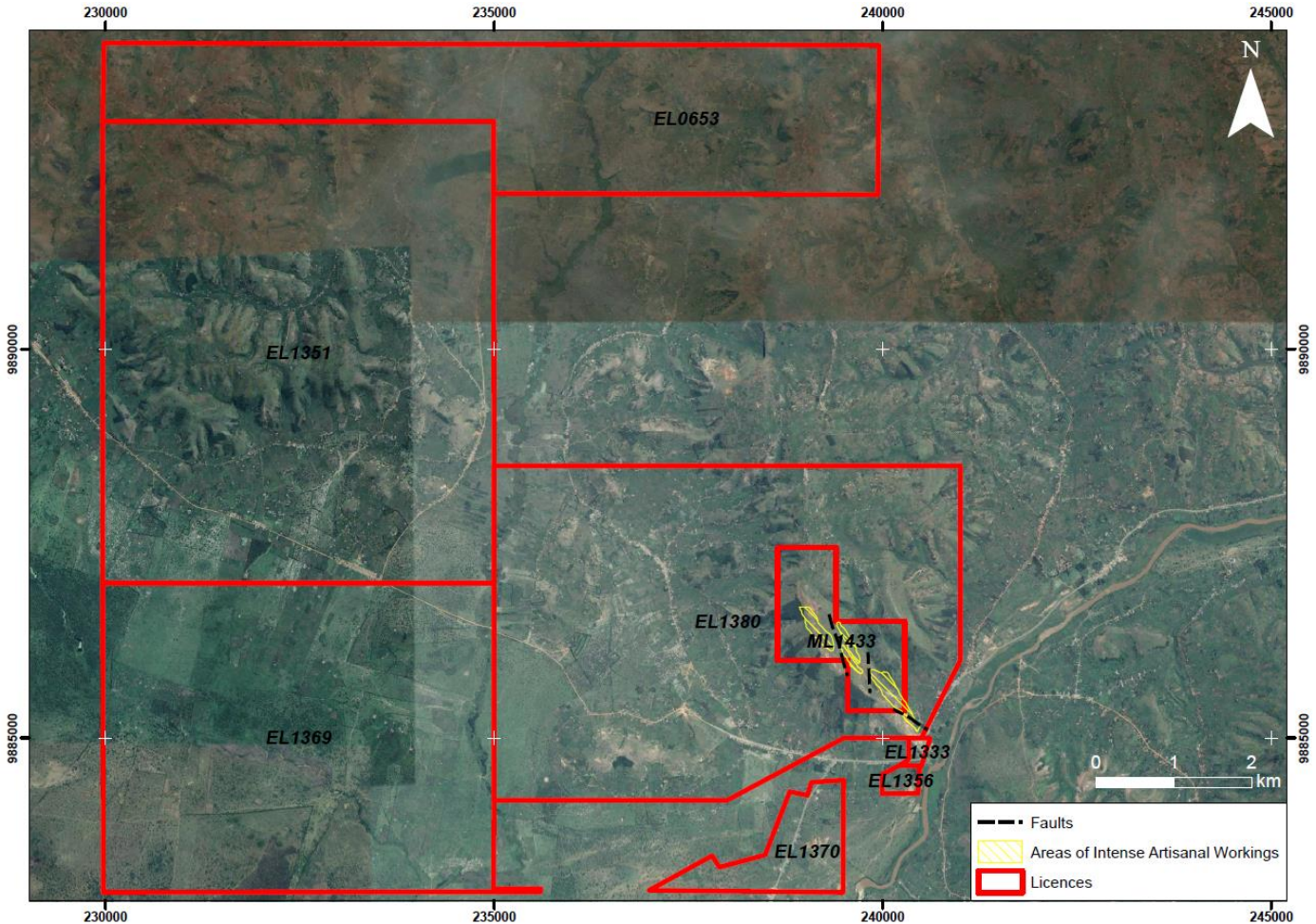
In April 2018, the Company announced it had signed an exclusive and binding Option to Earn-In Agreement (Agreement) with African Panther Resources (U) Limited, a local Ugandan private company, to acquire 70% of the Isingiro Tin (Sn) Project, located in Uganda along the southern border with Tanzania, Africa. Refer ASX announcement “**Carnavale to Acquire Large-Scale Tin Project, Uganda**” dated 23 April 2018.

The project covers an area of approximately 83km², comprising seven exploration permits and a mining lease which spans extensive surface and shallow underground artisanal workings over at least 2km of strike along the main Nyarubungo and Katanga ridges.

Isingiro is considered by Carnavale, to represent a very large mineralised shear zone potential hosting tin over at least 2000m long by 200m wide as evidenced by extensive alluvial and shallow bedrock underground workings. The project has had more modern alluvial mining by the current property owners and there is a small scale operating plant available.

Carnavale’s immediate plans are to carry out the required legal and technical due diligence including mapping, site inspections and surface sampling during the next 4-6 weeks and subject to satisfactory findings, Carnavale expects to commence diamond drilling in late Q2 2018.

Figure 4 Isingiro Tin Project Location



Isingiro Tin Mineralisation

The Isingiro Project shows extensive surface alluvial/eluvial artisanal workings and numerous underground small shafts and bedrock vein workings open at surface, along at least 2km of the interpreted shear zone. The numerous workings form a semi-continuous to continuous zone of mineralisation that has been exploited for many years historically. The nature of visual coarse-grained cassiterite minerals being mined in the alluvial gravels and the extensive arrays of underground workings mined down on the outcropping veins plus the large hand specimen sized cassiterite crystals (~1cm to 40cm) in samples suggests the mineralisation is of high-grade nature within the individual veins.

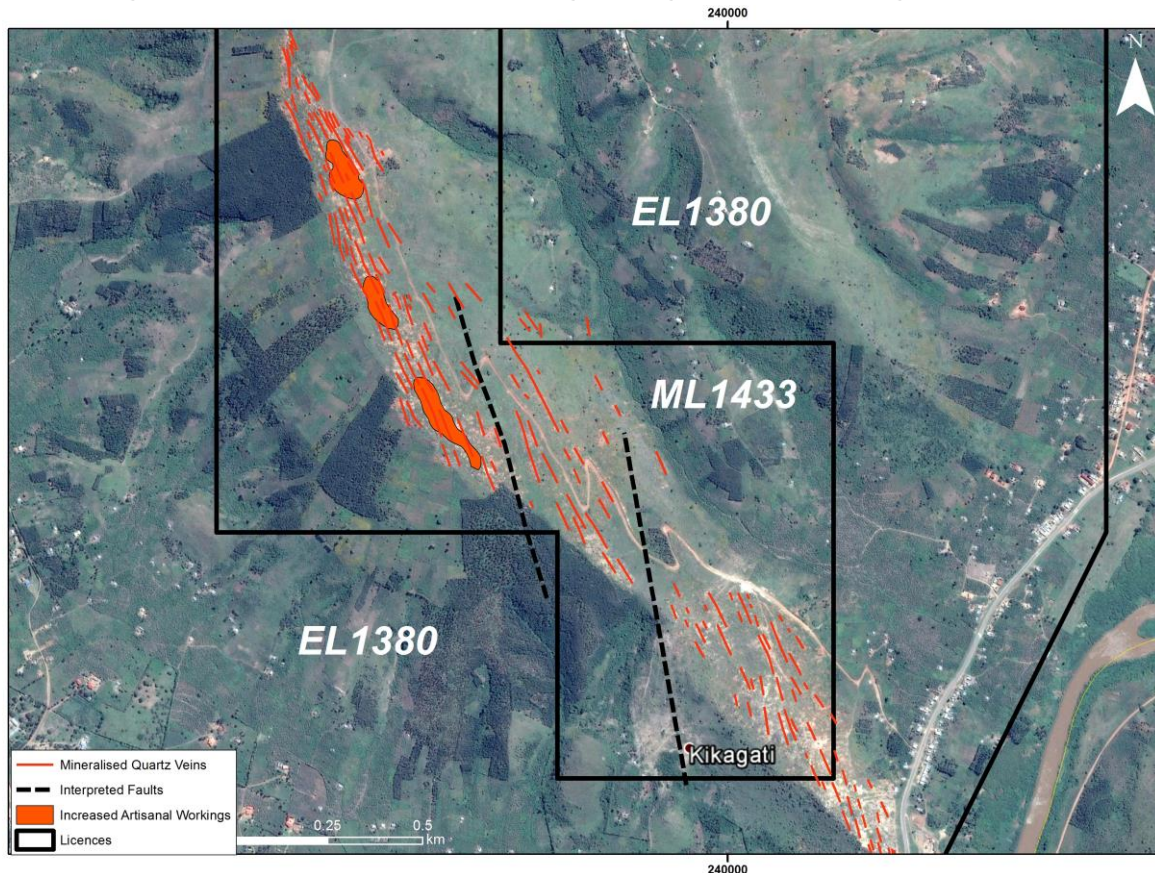
The mineralised veins occur as a series of stacked, steeply dipping quartz veins and veinlets and flat dipping mica shears which potentially host cassiterite blebs and veinlets. Individual quartz veins range from 1-3m thickness on average and occur within a regional scale shear zone up to 200m width, providing a large scale geological zone with minimum dimensions of 2000m strike x 200m width (Figure 5). Importantly the artisanal workings cover a large portion of this geological target. Carnavale's drilling aims to test the depth extensions of this near surface mineralisation.

Mineralisation is typically late stage veins from tin-rich hydrothermal fluids potentially originating from a deep seated granitic source. Several areas of intense artisanal activity have been mapped by APRU along the 2km structure. The tin mineralisation is considered structurally complex with high grade zones coincident with areas of intensified artisanal activity which will be the focus of initial drilling.

The **style of tin mineralisation** seen at Isingiro is reported as cassiterite in quartz veins hosted within a regional shear zone and is considered to generally differ to most well-known granite hosted tin deposits around the world. Known shear zone hosted tin deposits elsewhere around the world include the recently discovered Bisie Tin Deposit located in the adjacent country in the Democratic Republic of Congo and the San Rafael Tin Deposit in Peru.

Figure 4

Isingiro Project highlighting broad >200m wide shear zone with extensive stacked veining structures and artisanal workings along >2km strike length.



Summary of Agreement Details

Under the Agreement, Carnavale may earn 70% equity in APRU, the 100% owner of the Isingiro Project tenements.

➤ The **Agreement** is subject to:

- a six (6) month due diligence period, where Carnavale has the right to complete legal and technical due diligence to Carnavale's satisfaction prior to electing to undertake a minimum of 2,000m of diamond drilling (estimated cost for this phase to be US\$450,000).
- Upon completion of the successful due diligence period including the diamond drilling Carnavale may elect to continue to "earn in".
- On Carnavale's election to continue and execution of a full Earn-In Agreement, Carnavale will have earned 51% of APRU.
- To earn an additional 19% equity in APRU, Carnavale is to sole fund: all exploration, resource definition, mine planning, metallurgical test work, project design, feasibility and project holding costs including maintenance of all mining, exploration and operating permits, site infrastructure and security to the conclusion of a bankable Feasibility Study (**FS**) with five (5) years.
- CAV also agrees to drill a minimum of 2,500m of drilling on the Permits per year until the completion of the FS.
- Permits include Mining Licence number ML1433 and Exploration Licence numbers EL1830, EL0653, EL1369, EL1333, EL1351, EL1356, EL1370.

Subject to completion of legal and technical due diligence, CAV will issue 10 million shares, (pursuant to CAV's existing placement capacity under Listing Rule 7.1) comprising 4 million shares each to Mr. Klaus Eckhof and Mr. Mark Gasson, and 2 million shares and US\$50,000 to other parties associated with facilitating the transaction. None of the parties are related parties of CAV.

LAKE ROE Au PROJECT (100% CAV)

No field activities were undertaken during the quarter and the Company relinquished EL 28/2304 as the results to date make the likelihood of an economic deposit being defined unlikely. The Company continues its review of the remaining exploration licence at the Lake Roe Project to determine the best approach to obtain value for shareholders.

CORPORATE

To fund the Grey Dam Project acquisition and for ongoing working capital, Carnavale entered into a corporate advisory and capital raising mandate (“Mandate”) with Cicero Advisory Services Pty Ltd (“Cicero”) for the issue of up to 76 million fully paid shares (“Shares”) at an issue price of \$0.017 per Share to raise approximately \$1,292,000 (before costs of the issue).

The issue comprised two tranches:

- Up to 70 million Shares were issued pursuant to CAV’s existing placement capacity under Listing Rule 7.1A (57 million Shares) and Listing Rule 7.1 (13 million Shares) raising \$1.19 million; and
- Up to 6 million Shares are to be issued subject to shareholder approval, to Directors of Carnavale, at a meeting planned for June 2018 to raise a further \$102,000.

For further information contact:

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Carnavale Competent Person Statement

The information in this report that relates to the exploration results and mineral resource estimates for the Grey Dam project is an accurate representation of the available data and studies for the Grey Dam project. This information has been reviewed by Mr Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr Beckwith is a director of Carnavale. Mr Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Beckwith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the exploration results for the Isingiro Project is an accurate representation of the available data and studies for the project. This information has been reviewed by Mr. Andrew Beckwith, a Competent Person who is a member of The Australasian Institute of Mining and Metallurgy. Mr. Beckwith is a director of Carnavale. Mr. Beckwith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr. Beckwith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Information relating to Previous Disclosure

Information relating to Exploration Results and Mineral Resources associated with previous disclosures relating to the Grey Dam Project and the Isingiro Project in this announcement has been extracted from the following ASX announcements:

- ASX announcement titled "New Cobalt Acquisition in Western Australia" dated 19 March 2018; and
- ASX announcement titled "Carnavale to Acquire Large-Scale Tin Project, Uganda" dated 23 April 2018.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Statements regarding Carnavale Resources' plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Carnavale Resources' plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Carnavale Resources' will be able to confirm the presence of additional mineral deposits, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Carnavale Resources' mineral properties.

Appendix 1

Carnavale Resources Limited (ASX: CAV) provides the following addendum in relation to additional information required by Listing Rule 5.3.3.

Schedule of Mining Tenements, Beneficial Interests and agreements

Held as at the end of the Quarter

Project/Location	Country	Tenement	Percentage held/earning
Roe Project – Western Australia	Australia	EL 28/2303	100%

Schedule of Mining Tenements, Beneficial Interests and agreements

Acquired during the Quarter

Project/Location	Country	Tenement	Percentage held/earning
N/A.			

Schedule of Mining Tenements, Beneficial Interests and agreements

Disposed of during the Quarter

Project/Location	Country	Tenement	Percentage held/earning
Roe Project – Western Australia	Australia	EL 28/2304 - relinquished	100%