



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

CARNAVALE RESOURCES LIMITED
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**CARNAVALE RESOURCES LIMITED
CORPORATE DIRECTORY**

DIRECTORS

Ron Gajewski
Andrew Beckwith
Rhett Brans

COMPANY SECRETARY

Paul Jurman

**PRINCIPAL AND REGISTERED
OFFICE**

Level 2, Suite 9
389 Oxford Street
Mount Hawthorn WA 6016

Telephone: (08) 9380 9098
Facsimile: (08) 9380 6761
Email: admin@carnavaleresources.com
Website: www.carnavaleresources.com

AUDITORS

HLB Mann Judd (WA Partnership)
Level 4, 130 Stirling Street
Perth WA 6000

SHARE REGISTRY

Automic Group
Level 2, 267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664

SECURITIES EXCHANGE

Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

ASX CODE

CAV

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Introduction

Carnavale Resources Limited (“Carnavale” or “Company”) is an Australian based mineral exploration company with a 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 mobility sector and other new-age disruptive technologies, together with gold, nickel and copper. The Company has two gold exploration projects, a PGE-Ni Cu project and a Nickel sulphide project. All these projects are located in Western Australia (figure 1).

During the reporting period, Carnavale secured the right to acquire 80% of the high-grade Kookynie Gold Project, located immediately west of the Kookynie townsite and 60km south of Leonora. The Project consists of 3 tenements E40/355, P40/1380 and P40/1381. Carnavale also purchased 100% of tenements P40/1480 and E40/394 at the Kookynie Gold Project from unrelated vendors.

After the year end Carnavale elected to exercise the option to acquire 80% of the Kookynie Gold project. Extensive aircore drilling has been completed at the Kookynie project during the period.

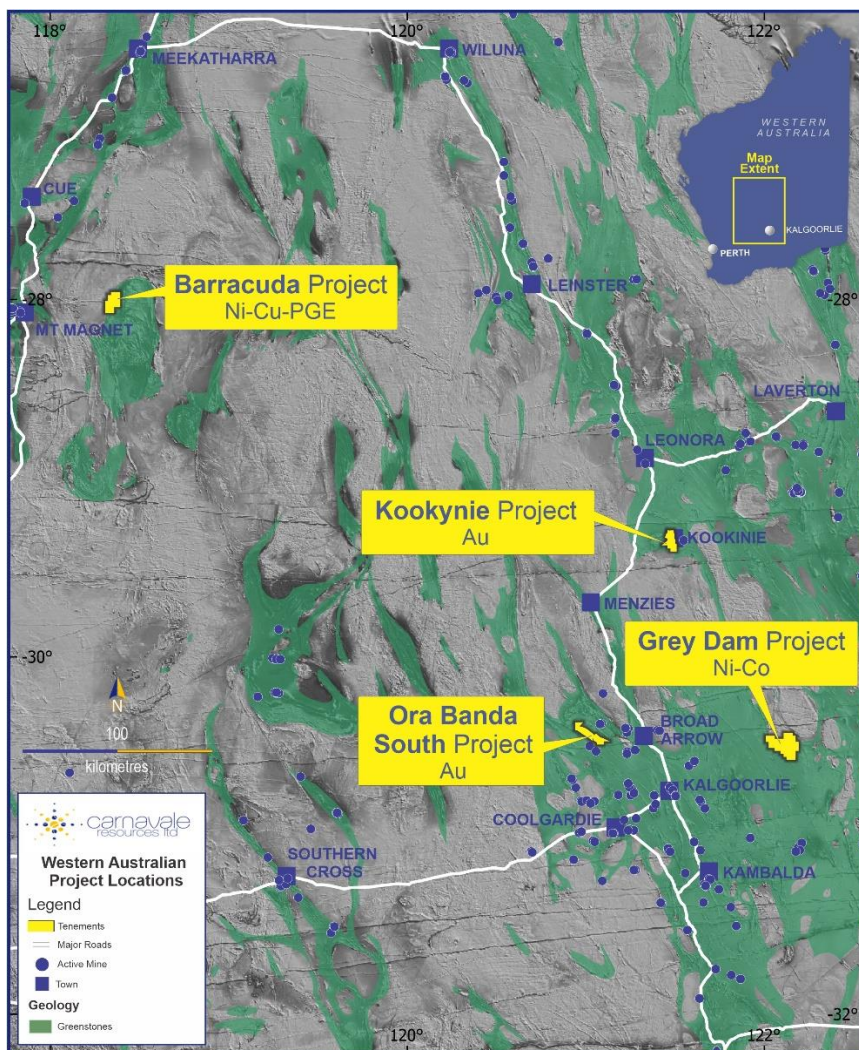


Figure 1 Location Plan of Projects

Carnavale signed an exclusive and binding 24-month Option Agreement to acquire 80% of the Ora Banda South Gold Project (“OBSP”), which covers an area of approximately 25km², located 65km northwest of Kalgoorlie in the Yilgarn Craton, Western Australia (Figure 1) and 8km south of the Ora Banda Mining Centre.

During the reporting period Carnavale acquired 100% of the Barracuda PGE–Ni-Cu Project located in the Windimurra igneous complex of the Murchison district WA. The project is located 60km east of Mt Magnet.

The Company also advanced the Grey Dam Nickel Sulphide Project, located 74km east of Kalgoorlie, Western Australia.

CARNAVALE RESOURCES LIMITED

REVIEW OF OPERATIONS

Highlights

Exploration during the reporting period included RC and diamond drilling at the Grey Dam Nickel Project followed by 3 programs of aircore drilling at the Kookynie Gold Project, initial soil sampling at the Ora Banda Gold Project and initial site visit to the Barracuda PGE–Cu-Ni project that included collecting rock chip samples. A program of soil sampling followed by a moving loop EM survey was completed at the Mt Alexander Nickel Project.

Kookynie Gold Project

- A comprehensive soil sampling program of 1,180 samples was completed over the residual soil domains with aircore drilling focused on gold targets under cover.
- Acquired additional strategic prospective ground at the Kookynie Gold project 100% of P40/1480 and 100% of application - E40/394
- Completed a campaign of aircore drilling consisting of 3 programs totaling 391 holes for 19,938m targeting structurally controlled, high-grade gold mineralisation. Significant high grade results from the third round of aircore included:
 - Hole KOAC294 4m @ 31.08g/t from 96m (hole ends in mineralisation)
 - Hole KOAC324 2m @ 32.5g/t from 18m
 - Hole KOAC322 8m @ 4.06g/t from 20m (inc. 2m @ 15.6g/t)
 - Hole KOAC290 12m @ 3.37g/t from 50m
 - Hole KOAC361 2m @ 16.3g/t from 10m
 - Hole KOAC347 6m @ 2.53g/t from 18m (inc. 2m @ 6.55g/t)
 - Hole KOAC348 6m @ 2.32g/t from 26m (inc. 4m @ 3.29g/t)
 - High-grade gold mineralisation was intersected at McTavish East over 550m and remains open to the northeast and at McTavish North over 240m and remains open to the north.

Ora Banda South Gold Project

- Acquisition of a 24-month option over prospective and under explored landholding in the well-endowed Ora Banda region where over 6Moz of gold has been produced from nearby mines including the Ora Banda, Siberia, Bullant and Mt Pleasant mines.
- Geological and structural setting analogous to Goldfields +2.5Moz Invincible Gold Mine associated with the Black Flag Group sediments and the Kurrawang Conglomerates and intersecting Carnage Shear Zone.
- Encouraging soil anomalies and bedrock gold mineralisation highlighted in limited past exploration.
- A program of 1,100 soil samples assayed for multi elements and gold were taken from the residual soil across the tenement package.

Barracuda PGE-Ni-Cu Project

- Acquisition of 100% of the Barracuda PGE -Ni-Cu Project
- Initial site visit completed with sampling of the outcropping chromitite returning assay results including 3.45g/t 4PGE and 3.38g/t 4PGE.
- Outcropping mineralisation on the contact between mafic (gabbroic) and olivine-rich ultramafic rocks assaying up to 8.27g/t 4PGE in previous work.
- PGE-sulphide minerals identified by WA Geological Survey within the Project area.

Grey Dam Nickel Sulphide Project

- Multi-element analysis from drilling is encouraging for the development of nickel sulphides within mafic/ultramafic package. Additional UFF soil sampling planned.
- New Gold target – encouraging gold intersections from the drilling include:
 - 8m @ 0.32g/t Au from 38m and
 - 12m @ 0.55g/t Au from 52m in DD002A

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

The Kookynie Gold Project

The Kookynie Gold Project is located in the central portions of the historic Kookynie mining centre (figure 2) and Carnavale's strategy is to explore and define sufficient high-grade gold resources that can be mined and transported to a processing plant nearby.

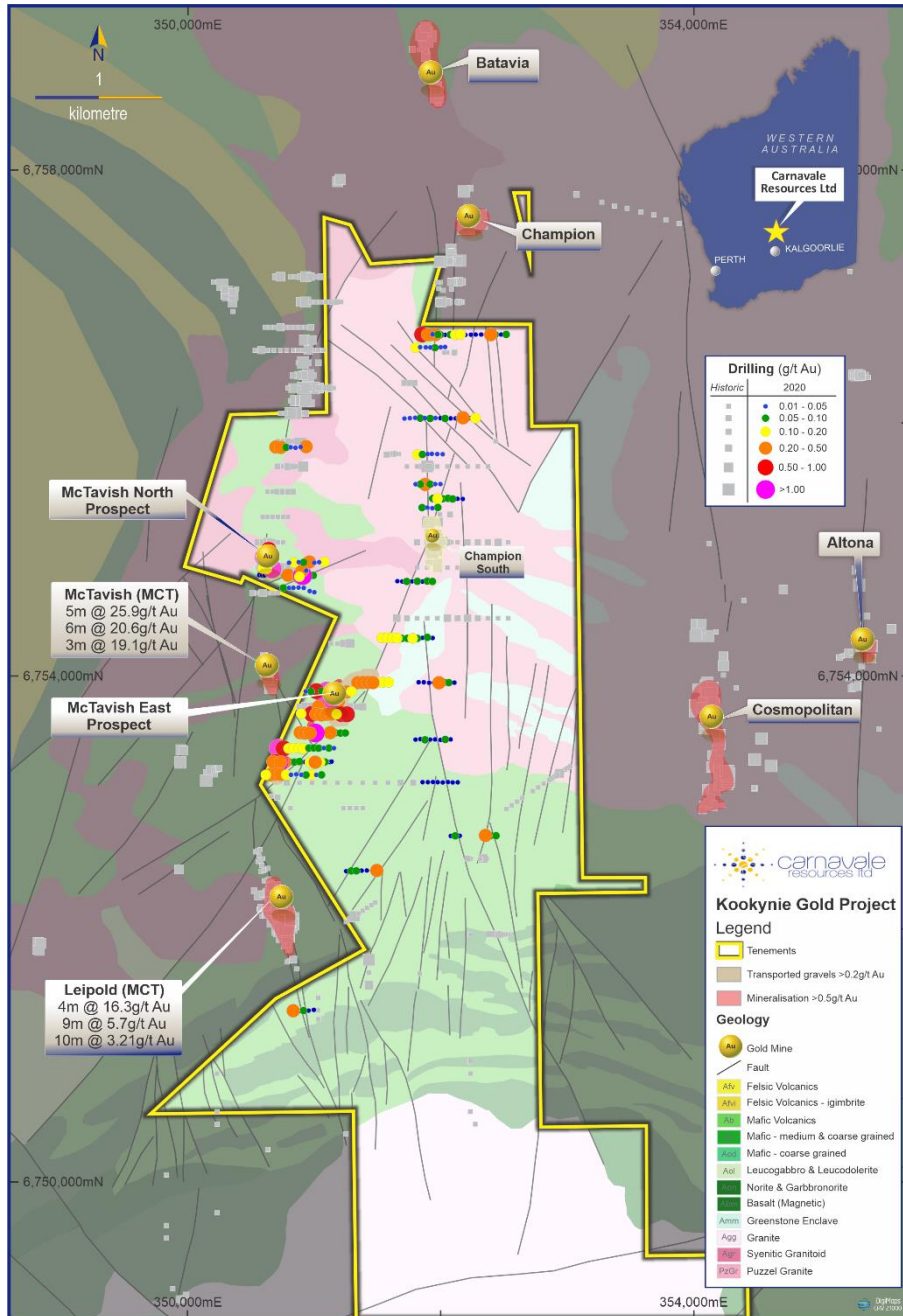


Figure 2, Kookynie Gold Project with historic deposits.

The Kookynie Gold Project is adjacent to Nex Metals Ltd (ASX: NME) and Metalicity Ltd.'s (ASX: MCT) high-grade Leipold, McTavish, Cosmopolitan and Champion deposits, being successfully explored by MCT (Figure 2). MCT's McTavish prospect is 200m directly along strike from and adjacent to Carnavale's McTavish East prospect and immediately south along strike from Carnavale's McTavish North prospects.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

High grade intercepts recorded by MCT from the McTavish project include 5m @ 25.9g/t in McTRC0049, 6m @ 20.6g/t in McTRC0064 and 3m @ 19.1g/t in McTRC0044 (MCT ASX release 8 July 2021).

Carnavale has identified a mineralised zone that strikes over 550m at McTavish East (Figure 3), open to the north and a mineralised zone that strikes for 240m at McTavish North open to the northeast. Both zones host high-grade gold mineralisation characteristic of the Kookynie mining camp.

Two types of gold mineralisation occur in the Kookynie area, high-grade gold associated with pyritic quartz veins hosted within north to northeast dipping structures crosscutting favourable lithologies and high-grade gold associated in fault zones within magnetic, differentiated fractions of the granite plutons.

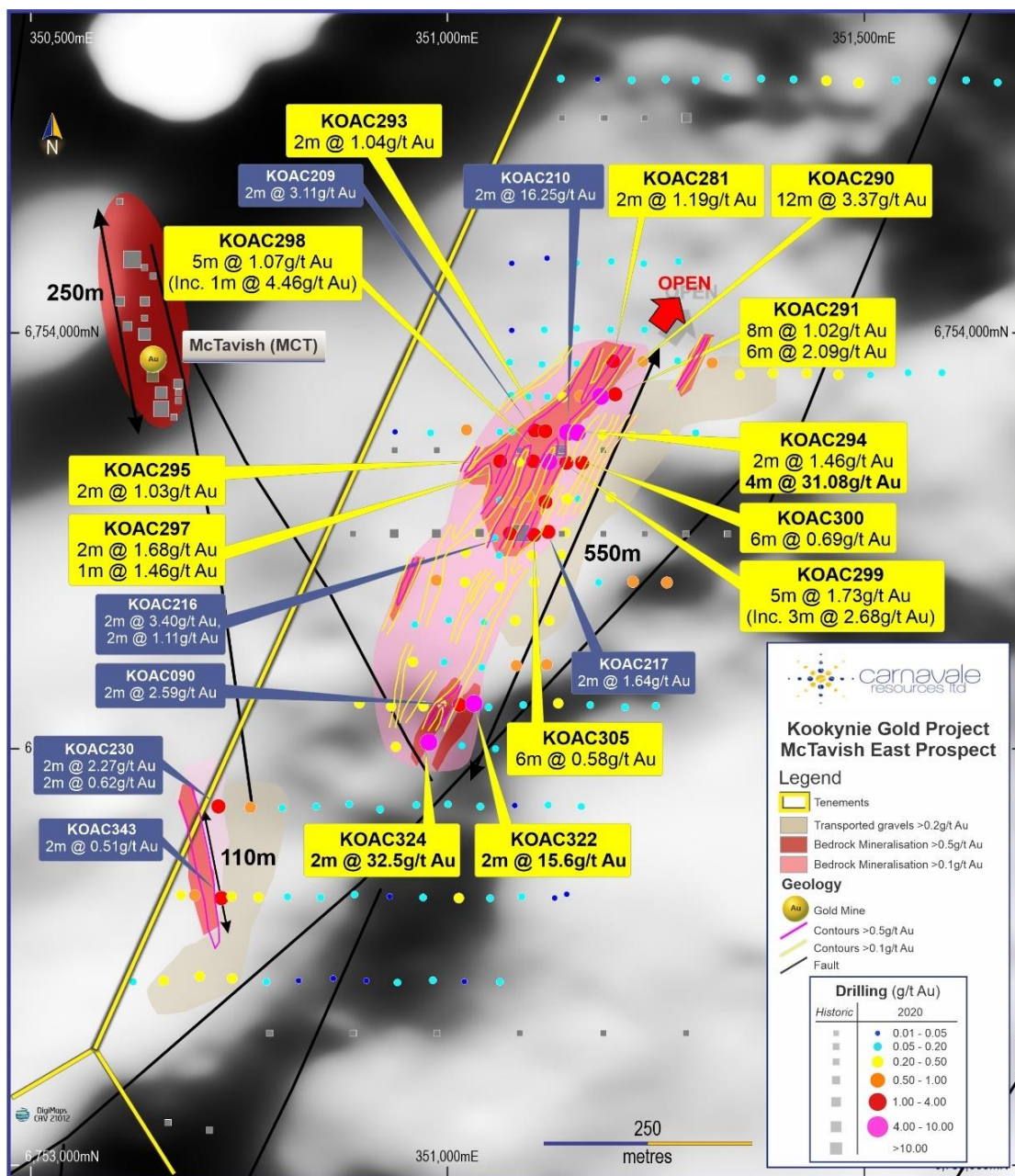


Figure 3, Plan of McTavish East mineralisation over Aeromagnetic image (third program in yellow callouts, first and second program in blue callouts.)

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Aircore Drilling Programs

During the period Bostech Drilling completed 391 holes in three programs of aircore at the Kookynie Gold Project for 19,938m. The third program tested the extents and potential of the multiple gold anomalies and structural features identified by the first and second round of aircore drilling completed earlier in the period.

The drilling at the Kookynie Gold Project is part of a systematic exploration approach employed by the Company targeting high-grade gold mineralisation associated with structural corridors.

Carnavale was able to define the nature of the high-grade gold mineralisation in detail. Mineralisation found at the Kookynie Gold Project is similar to that hosted by historic mines in the area such as Cosmopolitan, Leipold, and McTavish. The third phase of aircore drilling has also significantly improved the understanding of the gold anomalism in the weathered profile, enabling the Company to progress to RC drilling to test the depth limits of the mineralisation.

Exploration results

McTavish East

Immediately to the east of NME and MCT's McTavish tenement (McTavish East), Carnavale has discovered gold mineralisation with the anomaly striking over **550m** remaining open to the northeast (Figure 3). Significant intercepts include:

- Hole KOAC294 **4m @ 31.08g/t** from 96m (hole ends in mineralisation)
- Hole KOAC324 **2m @ 32.5g/t** from 18m
- Hole KOAC322 **8m @ 4.06g/t** from 20m (inc. **2m @ 15.6g/t**)
- Hole KOAC290 **12m @ 3.37g/t** from 50m
- Hole KOAC291 **6m @ 2.09g/t** from 82m and
8m @ 1.02g/t from 52m (inc. **4m @ 1.76g/t**)
- Hole KOAC299 **5m @ 1.73g/t** from 74m (inc. **3m @ 2.68g/t**)

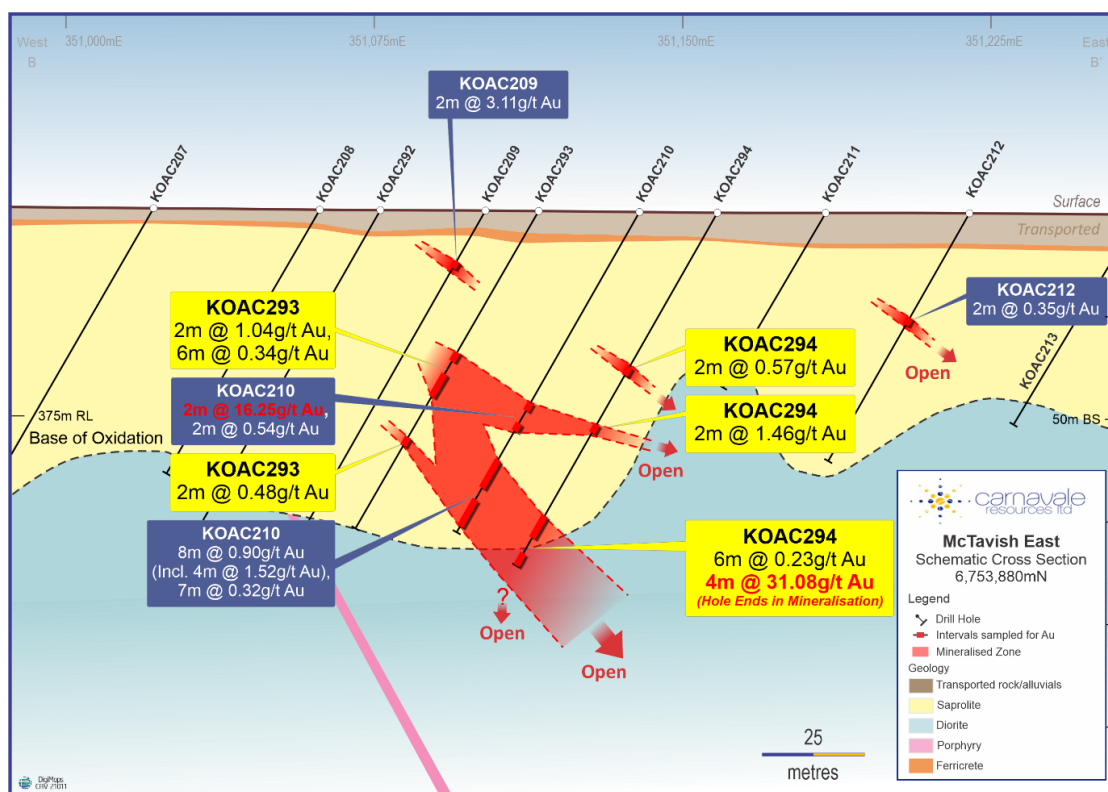


Figure 4, Section through McTavish East showing geology and mineralisation.
(third program in yellow callouts, first and second program drilling in blue callouts.)

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

In the third phase, the aircore drilling was extended along strike of the original anomaly to the northeast to expand the footprint of the gold mineralisation prior to RC drilling. The third phase of aircore has successfully extended the mineralised zone by over 100m to the northeast and remains open (Figure 3).

The mineralisation at the McTavish East prospect is steeply dipping to the east and is structurally controlled by northeast striking structures that can be interpreted from the aeromagnetic images flown by Carnavale in late 2020. These mineralising structures have been the subject of deeper weathering that can be seen in the section through McTavish East (Figure 4). The initial high grade hit at McTavish east, **2m @ 16.25 g/t** in hole KOAC 210, has been extended down dip into the fresh rock with further bonanza gold grades in hole KOAC294 with **4m @ 31.08g/t.** ending in mineralisation.

Transported gold has been identified in the drilling and plotted on plan (Figure 3) showing the relationship to the deeper primary mineralisation. The transported gold mineralisation extends to the northeast and to the east of the primary mineralisation. This shallow gold anomalism in the transported material provided an additional pathfinder and vector for the deeper primary high-grade mineralisation.

It is notable that the upper regolith profile, over the primary gold mineralisation, appears to be depleted in gold for the first few metres, with significant gold mineralisation identified in the lower saprolite.

Primary gold mineralisation at McTavish East is found in northeast trending structures that have a deeper weathering profile and are characterized by an alluvial gold anomaly to the east. McTavish East remains open to the northeast.

McTavish North

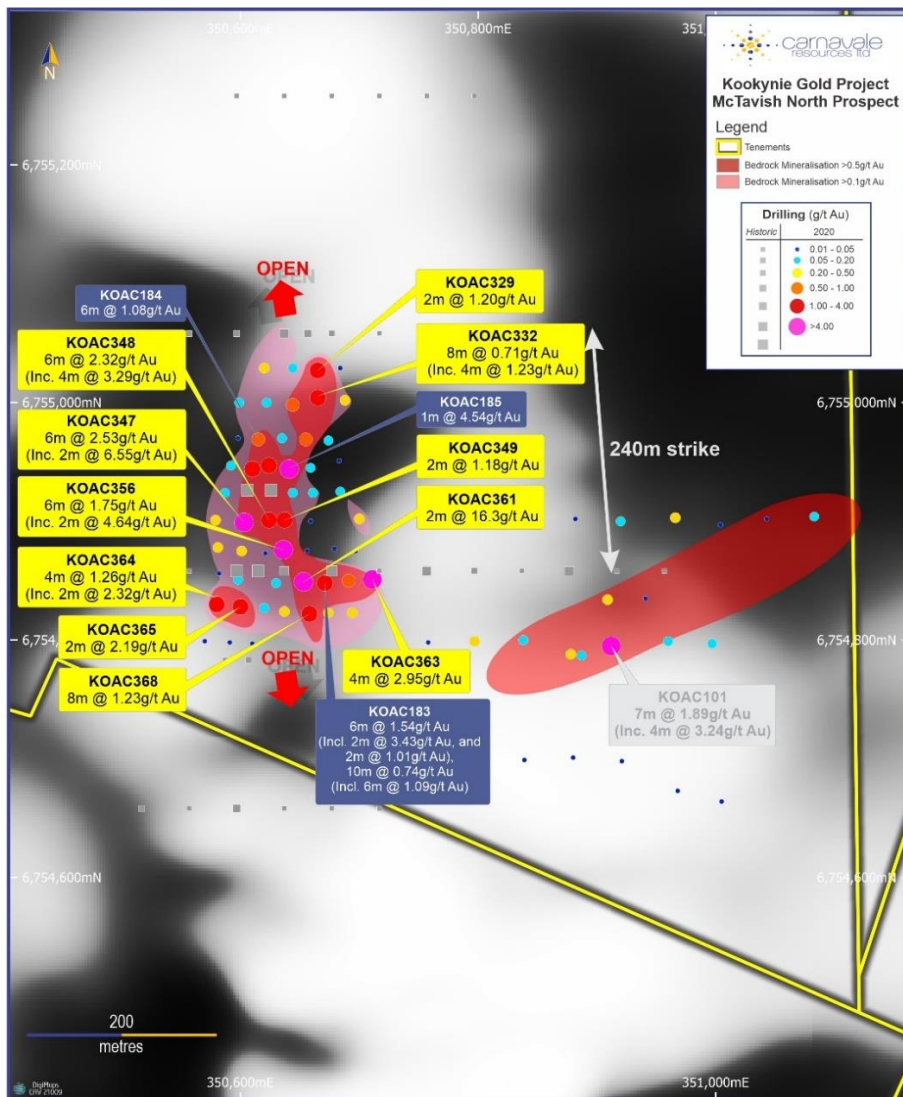


Figure 5, Plan of McTavish North mineralisation over Aeromagnetic image.
(Third program in yellow callouts, first and second program in blue callouts.)

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

The gold anomalies to the north of NME and MCT's McTavish tenement (McTavish North) are characterised by a number of shallow old workings and pits. The recent third aircore drilling program intercepted high-grade shallow gold mineralisation in weathered rock. Significant intercepts from the most recent drilling include:

- Hole KOAC361 **2m @ 16.3g/t** from 10m
- Hole KOAC347 **6m @ 2.53g/t** from 18m (inc. **2m @ 6.55g/t**)
- Hole KOAC348 **6m @ 2.32g/t** from 26m (inc. **4m @ 3.29g/t**)
- Hole KOAC363 **4m @ 2.95g/t** from 0m
- Hole KOAC356 **6m @ 1.75g/t** from 26m (inc. **2m @ 4.64g/t**)
- Hole KOAC368 **8m @ 1.23g/t** from 31m

The McTavish North Prospect has abundant old workings and pits developed by historic prospectors that have not been tested by modern exploration techniques until now. Rock chips from around these old workings have returned gold assays that include **33.21g/t** and **9.93g/t**.

The aircore drilling has identified wide zones of gold mineralisation in the regolith profile that provide a vector to potential high-grade mineralisation at depth. The new zone identified by recent drilling strikes 240m to the north and remains open (Figure 5).

The primary gold mineralisation at McTavish North strikes north/south on a structure that hosts MCT and NME's McTavish project to the South. Additional structures within McTavish North strike northeast, and the Company notes both anomalies have not been closed off and the gold system remains open. The mineralised structures are interpreted to dip to the east and are adjacent to the contact between the intermediate and the mafic volcanics.

The Company considers the recent results provide evidence of multiple targets in the McTavish area with potential for stacked higher grade lodes within each target. Overall, the project area contains many similar structural targets with anomalous gold and multielement targets which require further follow-up drilling to test the bedrock under a thin veneer of transported cover.

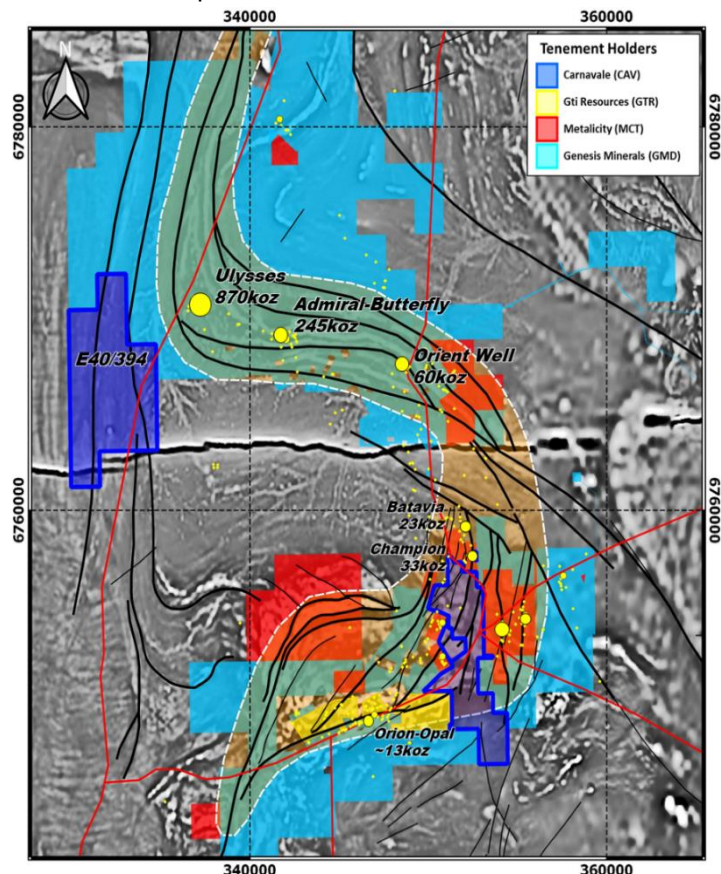


Figure 6, Location of new tenement acquisition E40/394

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Strategic Tenement acquisitions

As part of Carnavale Resources strategic exploration plan at Kookynie, the Company acquired 100% of tenement application E40/394, which represents 4,500ha of exploration ground, within the prospective Melita formation from prospector Bruce Legendre and 100% of P40/1480 from Duane Briggs which lies adjacent to the NME and MCT tenements of Leopold and McTavish (Figure 6).

Exploration Strategy

CAV's proposed work program at the Kookynie Gold Project includes:

- RC drilling testing at depth and along strike from the shallow high-grade gold mineralisation defined by the recent aircore drilling.
- Interpretation of the multi-element geochemistry and drainage anomalies to provide further understanding of the morphology of the mineralising systems
- Identify additional targets within the Kookynie tenement package

Permits in place

During the period, the Company completed an ethnographic heritage survey of the tenement package, in conjunction with the native title holders, to ensure that any potential areas of cultural significance are not disturbed. The survey has found no areas that will impact on the Company's current exploration plans.

Ora Banda South Gold Project

In October 2020, Carnavale signed an exclusive and binding 24-month Option Agreement with Western Resources Pty Ltd to acquire 80% of the Ora Banda South Project ("OBSP", "Project"), which covers an area of approximately 25km², located 65km northwest of Kalgoorlie in the Yilgarn Craton, Western Australia (Figure 1) and 8km south of the Ora Banda Mining Centre.

The Ora Banda region is well endowed with gold, with numerous mines to be found in the local area. The Project area is surrounded by the significant historic mines of Ora Banda, Siberia, Bullant, Mt Pleasant, Cashmans and Lady Bountiful, that have produced in excess of 6Moz, all within 15km of the project. The southern portion of the tenement package is host to 4km and 1.2km long auger gold anomalies that occur along the Carnage Shear Zone and the remaining strike remains to be tested.

Carnavale is excited to be exploring for structural targets defined by the Carnage Shear Zone and associated structures that intersect the late basin Kurrajong sediments, that include the Black Flag Group and Kurrawang conglomerates. This setting is analogous to the geology of the +2.5Moz Invincible deposits, discovered by Goldfields Ltd in 2012. The late basin sediments of the Kurrajong sediments were always considered a poor gold exploration target up until Goldfields Ltd discovered the Invincible deposits near Kambalda.

The Invincible deposits are hosted by mudstones of the Black Flag Group within the northwest trending Speedway Shear Zone. Mineralisation at Invincible comprises bedding-parallel, shear-hosted, laminated to brecciated quartz veins accompanied by intense albite alteration, pyrite, and free gold.

**CARNAVALE RESOURCES LIMITED
REVIEW OF OPERATIONS**

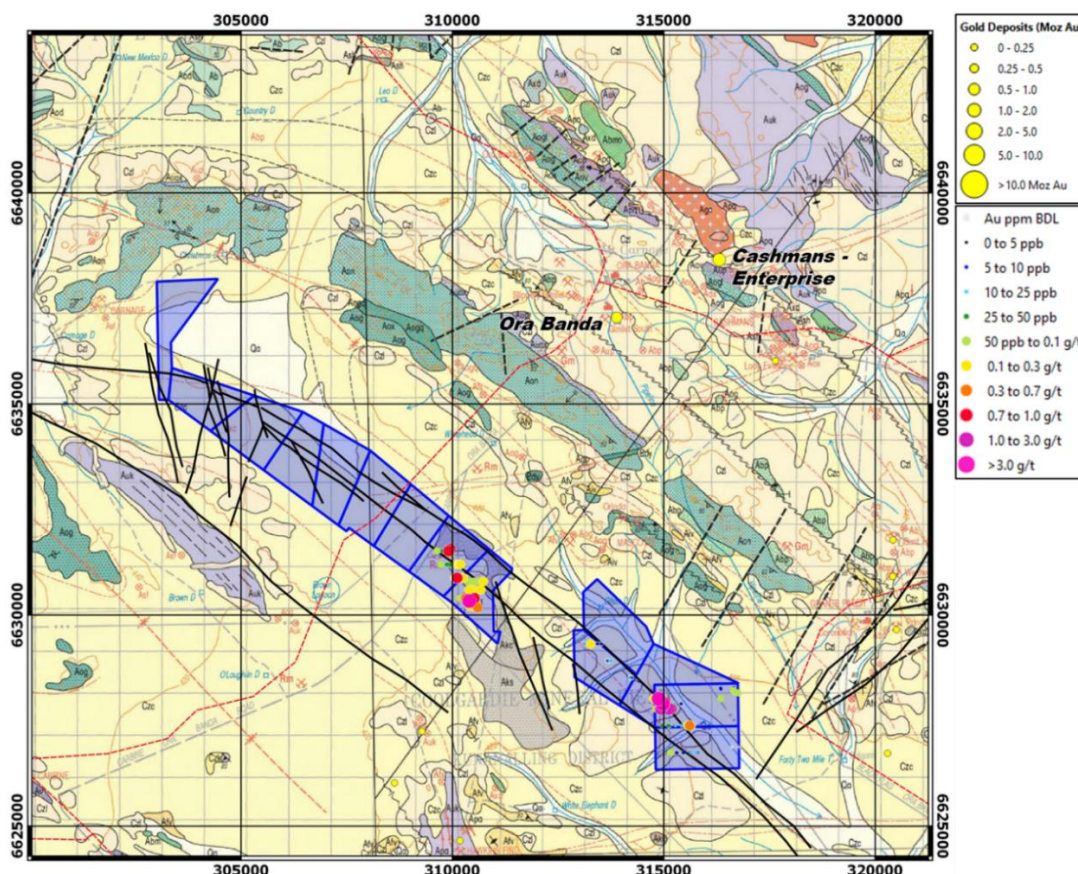


Figure 7 - Ora Banda South Project showing structural interpretation of the Carnage Shear Zone and associated minor shears.

(Tenure in blue over geology with recent significant gold results and historic gold deposits.)

Ora Banda South extends for over 15km along the Carnage Shear Zone hosted within the late basin Kurrajong sediments. Much of the tenement package is concealed by shallow recent transported cover, which has hindered previous explorers (Figure 7).

During the period, exploration at the Ora Banda South Gold project included a program of soil sampling located over the residual soil profile, targeting regolith gold in soil anomalies that have been created by structurally controlled bedrock gold mineralisation at depth.

Further details of the Ora Banda South Project acquisition can be found in the Company's ASX release "Carnavale Bolsters Gold Portfolio with New Acquisition - Ora Banda South dated 5 October 2020.

The Barracuda PGE-Ni-Cu Project

The Barracuda Platinum-Palladium-Nickel-Copper (PGE-Ni-Cu) Project (granted license E58/551) is located 60km east of the gold mining town of Mt Magnet in the Murchison district of Western Australia (figure 8).

Platinum Pt	Palladium Pd	Rhodium Rh	Ruthenium Ru	4PGE	Concentration
g/t	g/t	g/t	g/t	g/t	Detection limit
0.002	0.002	0.002	0.002	0.002	
1.12	0.67	0.09	0.14	2.03	
1.58	1.50	0.15	0.16	3.39	
1.07	0.81	0.10	0.13	2.11	
1.60	1.52	0.15	0.18	3.45	

Table 1 CAV rock chip sample results detailing Platinum Group Elements.

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Outcropping PGE mineralisation assaying **8.27g/t** PGE was discovered by Pancon in 1987 on the contact between mafic and olivine-rich ultramafic rocks. Subsequently, PGE-sulphide minerals were identified in the rocks by the Western Australia Geological Survey in 2016.

This highly prospective area has the potential to host substantial magmatic, mafic-ultramafic intrusion-related Pt-Pd-Ni-Cu sulphide deposits and has received no attention since Pancon drilled 1,811m of diamond and shallow (<100m) RC holes in 1988.

CAV has contracted a Heli VTEM survey to be flown in the 4th quarter of 2021. This represents the latest airborne EM technology available to delineate conductors for drill testing. No ground-based electrical geophysical surveys (EM, IP) have ever been conducted within E58/551.

Carnavale geologists visited the Project in March and sampled the chromitite outcropping within the project area with assay results that include **3.45g/t** 4PGE and **3.39g/t** 4PGE plus up to 12.55% chrome (Table 1).

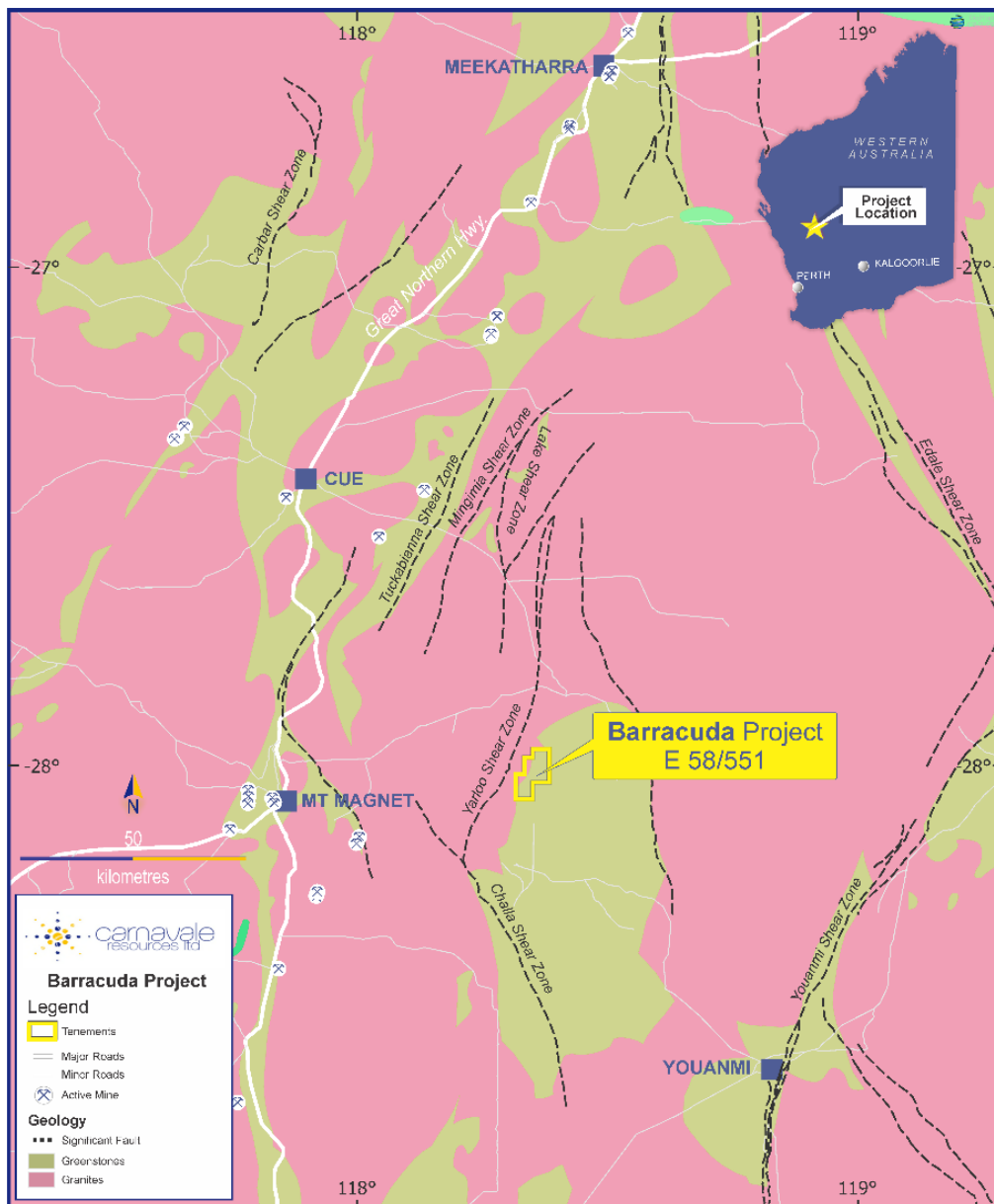


Figure 8, Location of E58/551 close to Mt Magnet in the Windimurra igneous complex

While this particular outcrop of PGE mineralisation is of limited area extent, it is highly significant, in that it conclusively demonstrates that basic and ultrabasic magmas (crystallising as mafic and ultramafic rocks) were interacting to concentrate PGE metals to potentially economic grades of PGE mineralisation.

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

Exploration Strategy

CAV's proposed work program includes:

- Fly the Project area with airborne EM (used by Chalice Mining Limited (ASX: CHN) to define the Julimar PGE- Ni-Cu-Co-Au discovery).
- Digitally capture the Pancontinental soil geochemistry and contour the PGE, Ni, and Cu data to define metal-anomalous trends.
- Follow-up airborne EM anomalies with ground EM, with priority given to areas with established, coincident PGE-Cu-Ni soil anomalism.
- Drill-test targets subject to results.

Grey Dam Nickel Sulphide Project

Following a data review that outlined coincident nickel copper and platinum anomalies located over prospective mafic ultramafic geology package a moving loop EM survey was completed that highlighted 5 bedrock targets that warranted drill testing.



Figure 9, Diamond Drilling at Grey Dam Nickel Project

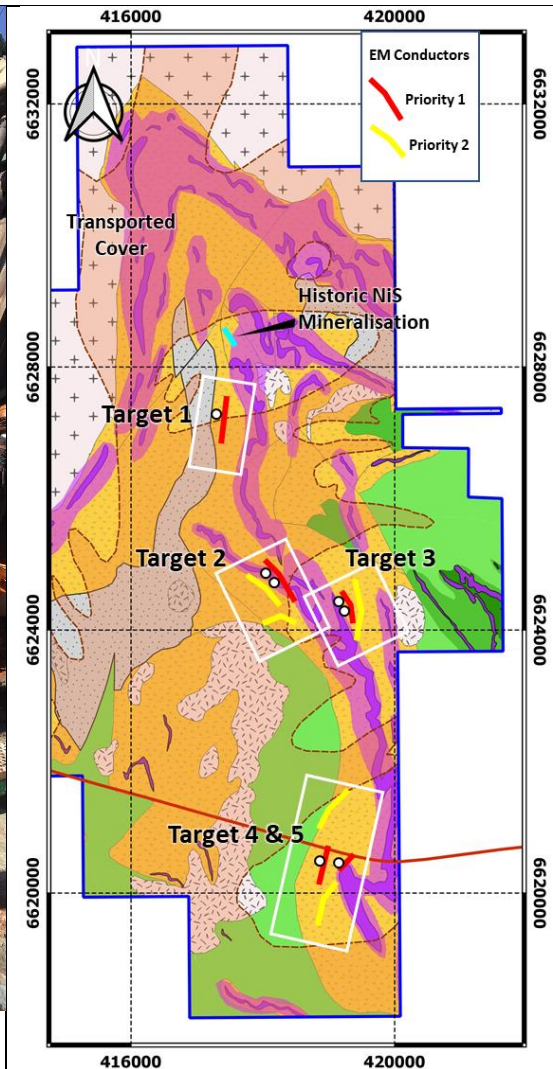


Figure 10, Geology with EM priority conductors

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The phase 1 RC and diamond drilling campaign was completed in October 2020. The drilling program comprised seven holes for a total of 1,701m. Three of these holes were drilled with diamond core tails allowing deeper targets to be tested (See ASX release Grey Dam drilling commenced 10 September 2020). The drilling was targeting Kambalda style nickel sulphides.

EM conductors and Drill targets

The Company identified 5 priority targets that were drill tested (Figure 10). A summary of the drilling at each target is provided below. Target 1 and 3 have identified the EM conductor and require no further work.

The drilling at target 2, 4 and 5 intersected the mafic and ultramafic package but did not close off the opportunity for nickel sulphide mineralisation. These holes were surveyed by a downhole electromagnetic survey (DHEM) to test for the potential for the presence of off hole conductors adjacent to the drillhole. Notably a potential EM conductor was interpreted to be within 60m of the end of hole DDH002B. No off-hole conductors were identified in target 4 and 5.

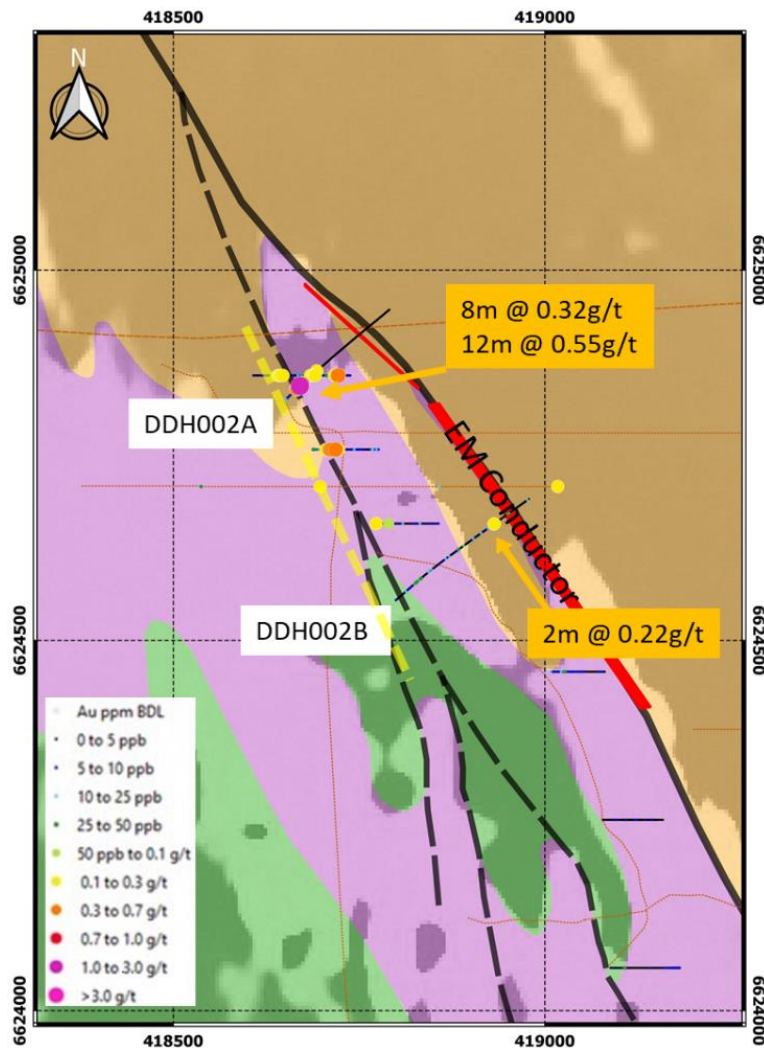


Figure 11, New gold Anomaly with local geology and EM conductor

Mafic unit green Ultramafic unit purple and sediments brown

This initial drilling program, targeting nickel sulphide mineralisation at Grey Dam, has confirmed and enhanced the understanding of the geology at the target area. The geochemistry and multi-element assay results remain positive for the development of nickel sulphide mineralisation within the Grey Dam mafic/ultramafic package.

New Gold Anomaly

Carnavale intersected shallow gold mineralisation from 38m downhole in DDH002A at the fresh rock interface. Gold intercepts including **8m @ 0.32g/t**, **12m @ 0.55g/t** in DDH002A and **2m @ 0.22g/t** in

CARNAVALE RESOURCES LIMITED REVIEW OF OPERATIONS

DDH002B. This mineralisation aligns with historic anomalous gold results in wide spaced aircore drilling, from previous explorers.

The mineralized trend is aligned with a structure interpreted from the aeromagnetic imagery (Figure 11). The Grey Dam area is prospective for shallow gold mineralisation, with potentially open pittable gold resources delineated in the neighbouring tenements held by Kalnorth Gold Mines Ltd.

Exploration Strategy

- The Company has completed a program of Ultra Fine Fraction (UFF) soil sampling over the northern limb of the ultramafic/mafic package that lies under cover. Results are pending.
- The next stage of exploration utilising ground EM or drilling will depend upon the results from the and modelling of the UFF assays.
- review the existing drill data, geochemical data and aeromagnetic imagery for potential further testing of the new gold anomaly.

Mt Alexander Nickel Project

In December 2020 the Company completed 5 lines of moving loop EM traverses (MLEM) at the Mt Alexander Project. The survey was conducted over the multi element soil anomalies identified in the earlier UFF soil sampling program. The survey results did not identify any conductors that could be indicative of nickel sulphides.

The MLEM survey was followed in late December by 4 days of field mapping and rock chip sampling. The mapping program discovered gossanous material in the southwest of the Mt Alexander tenement area associated with quartz veining and structures identified in the aeromagnetic survey. However these gossans were barren. No further work was completed, and the Company declined to exercise the option to acquire an interest in this tenement package.

New Opportunities

The Company continues to assess new opportunities for high demand metals, such as gold, nickel, tin, copper, nickel and cobalt, to supply the increasing demand for technology metals consumed in the rapidly growing batteries, electric motors and electronics industry.

Corporate

Capital Raisings and Share issues

During the period, the Company issued 395,326,674 ordinary fully paid shares following the exercise of 395,326,674 CAVOA listed options exercisable at \$0.007 raising \$2,767,287.

In August 2020, the Company paid an option fee of \$100,000 cash and issued 37.5 million ordinary shares to Western Resources Pty Ltd for the right to acquire 80% of the Kookynie Gold Project. The Company also issued 1.5 million shares to Gold Geological Consulting Pty Ltd as a fee for facilitating the transaction.

In September and October 2020, the Company issued 99 million shares to Mr Klaus Eckhof arising from the conversion of 99 million performance rights, which vested upon the completion of the Company's Shares having traded at a volume weighted average price of at least \$0.007, \$0.009 and \$0.0011 respectively for a consecutive period of at least 15 business days. The performance rights were approved by shareholders at the 2019 Annual General Meeting.

In September 2020, the Company agreed to purchase 100% of tenement P40/1480 at the Kookynie Gold Project for a total consideration of \$10,000 (paid) in cash plus the issue of 1.5 million ordinary shares in CAV.

In October 2020, the Company paid an option fee of \$75,000 and issued 10 million ordinary shares to Western Resources Pty Ltd for the right to acquire 80% of the Ora Banda South Gold Project.

In October 2020, the Company agreed to acquire 100% of tenement E40/394 from Bruce Legendre at the Kookynie Gold Project for a total consideration of \$5,000 plus 1% gross royalty on revenue.

In March and April 2021, the Company paid \$50,000 in cash and issued 20 million fully paid ordinary shares for the acquisition of the Barracuda PGE-Ni-Cu Project. In addition, a 0.5% Net Smelter Return royalty was granted on minerals produced from the tenement.

In March 2021, the Company issued 300 million shares at \$0.007 each to raise \$2.1 million to high net worth overseas, sophisticated and professional investors, comprising existing and new shareholders ("Placement") (before costs of raising). 150 million free attaching options (exercisable at \$0.01 on or before 31 July 2022) were issued to the participants of the Placement, following shareholder approval received at a general meeting

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of shareholders held in May 2021. Golden Triangle Capital Pty Ltd ('GTCap') was appointed as Lead Manager for the Placement. For managing the capital raising (including obtaining the firm commitments), GTCap received a 6% capital raising fee and received 40 million unlisted options exercisable at \$0.01 each on or before 31 July 2022.

In May 2021, following receipt of shareholder approval, Directors, Mr Ron Gajewski subscribed for 15 million new ordinary shares (and 7.5 million attaching options) and Mr Andrew Beckwith subscribed for 3 million new ordinary shares (and 1.5 million attaching options) raising \$126,000.

Key appointments

In May 2021, the Company advised the appointment of Humphrey Hale as Chief Executive Officer (CEO), effective 1st June 2021.

Mr Hale held the role of consulting Managing Geologist from July 2020 and has successfully managed the acquisition of new opportunities and exploration of the Company's assets. Carnavale is pleased that Mr Hale has formally joined the team to take the Company to the next discovery.

Mr Hale has over 25 years' experience in the resource industry, exploring and developing assets. His most recent role has been as an exploration and mining consultant, providing corporate and project development services to the gold and battery metal sectors, including Chalice Gold Mines Ltd and Erinbar Ltd. Prior to this, as Executive Director of ASX listed Infinity Lithium Ltd, he was instrumental in the growth and development of the San Jose lithium asset in Spain.

Mr Hale was Managing Director at Wolf Minerals Limited (Wolf) from its IPO, in early 2007 until January 2014. Under Mr Hale's management, Wolf acquired and developed a substantial tungsten and tin deposit in Europe, taking the project from acquisition to construction. During his time as MD at Wolf, Humphrey negotiated offtake agreements and structured Project finance.

Prior to this Humphrey was exploration manager at AngloGold Ashanti's (AGA) Sunrise Dam Gold Mine responsible for mine exploration and the substantial drill out required for the UG feasibility study.

Humphrey's experience includes the development of exploration assets to resources, the management and delivery of feasibility studies and associated substantial capital raisings. Through his previous roles Humphrey has gained extensive experience in market equities, strategy development, compliance with ASX listing rules and disclosures including responsible corporate governance, brand development and investor relations.

Competent Person's Statement

The information in this report that relates to Exploration Results is based on, and fairly represents, information compiled by Mr Humphrey Hale, who is a Member of the Australasian Institute of Geoscientists. Mr Hale is the Chief Executive Officer of Carnavale and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a competent person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves" (JORC Code). Mr Hale consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears.

Information relating to Previous Disclosure

The technical and financial information in this report that relates to the Grey Dam Project has been previously reported by the Company in compliance with JORC 2012 in various releases between 19 March 2018 and 6 November 2020. The technical and financial information in this report that relates to the Kookynie Gold Project has been previously reported by the Company in compliance with JORC 2012 in various releases between 4 August 2020 and 15 July 2021. The technical and financial information in this report that relates to the Ora Banda South Gold Project has been previously reported by the Company in compliance with JORC 2012 in various releases between 5 October 2020 and 2 September 2021. The technical and financial information in this report that relates to the Barracuda PGE-Ni-Cu Project has been previously reported by the Company in compliance with JORC 2012 in various releases between 11 March 2021 and 6 May 2021.

The Company confirms that it is not aware of any new information or data that materially affects the information included in these earlier market announcements.

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.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

The Directors of Carnavale Resources Limited submit herewith the annual financial report of Carnavale Resources Limited ("Company") and its controlled entities ("Group") for the year ended 30 June 2021 and the independent auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names and particulars of the directors of the Company during or since the end of the financial year are as follows.

Directors were in office for the entire period unless otherwise stated.

Ron Gajewski, BBus, CPA
Non-Executive Chairman
Appointed 18 October 2006

Mr Gajewski is an accountant by profession, with many years of experience as a director of public listed companies and as a corporate advisor to public companies.

Mr Gajewski has previously held directorships with mining companies listed in both Canada and Australia.

Mr Gajewski holds no other listed company directorships and has held no other listed company directorships in the last 3 years.

Andrew Beckwith, BSc Geology, AusIMM
Non-Executive Director
Appointed 29 July 2014

Mr Beckwith is a geologist, with a career spanning 30 years across the Australian mining industry. Roles include senior technical and management roles within a range of companies from large gold producers to small explorers through to corporate positions in ASX listed companies including Managing Director at Westgold and is currently Technical Director at De Grey Mining. He has been involved in many successful exploration teams including the early stages of the multi-million ounce Tropicana gold discovery (AngloGold Ashanti) and oversaw the growth in resources at Westgold, through a combination of organic exploration and corporate acquisition to established ~5.0M ounces in gold resources, which has gone on to become a leading Australian gold producer. More recently at De Grey, he has been intimately involved with the rapid growth of gold resources from 0.3Moz to the current 9.0Moz, and the recent discovery of the large Hemi gold deposit.

During the past three years he has also served as a director of the following listed companies:

Company	Date appointed	Date ceased
De Grey Mining Limited	26 October 2017	-

Rhett Brans, MIEAust CPEng
Independent Non-Executive Director
Appointed 17 September 2013

Mr Brans is a civil engineer with more than 40 years of experience in project development of treatment plants and mine developments and an experienced director having fulfilled directorship responsibilities in a number of ASX listed mining companies since 2004.

Throughout his career, Mr Brans has been involved in the co-ordination and management of scoping and feasibility studies and the design and construction of mineral treatment plants across a range of commodities and geographies including gold in Ghana, copper and lithium in the DRC, graphite in Mozambique, gold, copper, coal and mineral sands in Australia. He has extensive experience as an owner's representative for several successful mine feasibility studies and project developments.

During the past three years he has also served as a director of the following ASX listed companies:

Company	Date appointed	Date ceased
Australian Potash Limited	9 May 2017	-
AVZ Minerals Limited	5 February 2018	-

CARNAVALE RESOURCES LIMITED

DIRECTORS' REPORT

COMPANY SECRETARY

Paul Jurman, BCom, CPA
Appointed 22 November 2006

Mr Jurman is a Certified Practising Accountant with over 15 years' experience and has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles. He is also company secretary of Tempest Minerals Limited and Platina Resources Limited.

Directors' interests

The relevant interests in the shares and options of the Company at the date of this report are as follows:

<i>Name</i>	<i>Ordinary shares</i>	<i>Unlisted Options Ex \$0.01, expiring 31/07/22</i>	<i>Unlisted Options Ex \$0.012, expiring 30/11/23</i>
R Gajewski	135,728,409	7,500,000	25,000,000
A Beckwith	36,361,370	1,500,000	25,000,000
R Brans	5,000,000	-	10,000,000

No director has an interest, whether directly or indirectly, in a contract or proposed contract with the Group.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the year was acquiring and exploring mineral interests, prospective for precious metals and energy.

RESULTS AND DIVIDENDS

The consolidated loss after tax for the year ended 30 June 2021 was \$1,487,002 (2020: \$2,355,740). No dividends were paid during the year and the Directors do not recommend payment of a dividend.

LOSS PER SHARE

Basic loss per share for the year was 0.07 cents (30 June 2020: 0.17 cents).

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW

The Group is currently engaged in mineral exploration for metals in Australia. A review of the Group's operations, including information on exploration activity and results thereof, financial position, strategies and projects of the Group during the year ended 30 June 2021 is provided in this Annual Report and, in particular, in the "Review of Operations" section immediately preceding this Directors' Report. The Group's financial position, financial performance and use of funds information for the financial year is provided in the financial statements that follow this Directors' Report.

The Coronavirus (COVID-19) pandemic has to date not had a significant direct financial impact on the Group. Staff have been able to work from home and have remained in good health. The Group has refocused its activities on its Western Australian projects and the Company is on track to complete the majority of its planned exploration program during the current field season. The majority of the planned program for the 2021/22 financial year is focussed on the WA projects. The Company will engage with WA based consultants for planned exploration programs, including for drilling services. Completion of the program is subject to there being no internal travel restrictions or health concerns associated with travel in Western Australia, and contractors delivering agreed services.

As an exploration entity, the Group has no operating revenue or earnings and consequently the Group's performance cannot be gauged by reference to those measures. Instead, the Directors consider the Group's performance based on the success of exploration activity, acquisition of additional prospective mineral interests and, in general, the value added to the Group's mineral portfolio during the course of the financial year.

Whilst performance can be gauged by reference to market capitalisation, that measure is also subject to numerous external factors. These external factors can be specific to the Group, generic to the mining industry and generic to the stock market as a whole and the Board and management would only be able to control a small number of these factors.

CARNAVALE RESOURCES LIMITED

DIRECTORS' REPORT

REVIEW OF OPERATIONS / OPERATING AND FINANCIAL REVIEW (continued)

The Group's business strategy for the financial year ahead and, in the foreseeable future, is to continue exploration activity on the Group's existing mineral projects, identify and assess new mineral project opportunities throughout the world and review development strategies where individual projects have reached a stage that allows for such an assessment. Due to the inherent risky nature of the Group's activities, the Directors are unable to comment on the likely results or success of these strategies. The Group's activities are also subject to numerous risks, mostly outside the Board's and management's control. These risks can be specific to the Group, generic to the mining industry and generic to the stock market as a whole. The key risks, expressed in summary form, affecting the Group and its future performance include but are not limited to:

- Geological and technical risk posed to exploration and commercial exploitation success;
- Sovereign risk, change in government policy, change in mining and fiscal legislation;
- Prevention of access by reason of political or civil unrest, outbreak of hostilities, inability to obtain regulatory or landowner consents or approvals, or native title issues;
- Force majeure events;
- Change in metal market conditions;
- Mineral title tenure and renewal risks; and
- Capital requirement and lack of future funding.

This is not an exhaustive list of risks faced by the Group or an investment in it. There are other risks generic to the stock market and the world economy as a whole and other risks generic to the mining industry, all of which can impact on the Group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company's objective is to maximise shareholder value through the discovery and delineation of significant gold, cobalt, nickel, tin, copper, silver and other mineral deposits throughout the world.

The Directors are unable to comment on the likely results from the Company's planned exploration activities due to the speculative nature of such activities.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has not been any significant changes in the state of affairs of the company and its controlled entities during the financial year, other than as noted in this Annual Report.

SUBSEQUENT EVENTS

No matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than the matters referred to below.

- The Company announced it elected to exercise its Option pursuant to the agreement to acquire 80% of the Kookynie Gold Project, comprising tenements E40/355, P40/1380 and P40/1381 from Western Resources Pty Ltd and upon exercise of the Option, paid \$250,000 cash and issued 50 million ordinary shares to Western Resources Pty Ltd. Western Resources Pty Ltd agreed to a voluntary 3 month escrow on the ordinary shares issued.

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out exploration work.

DIRECTORS' MEETINGS

The number of meetings of the Directors and the number of meetings attended by each Director during the year ended 30 June 2021 were:

<i>Name</i>	<i>Eligible to attend</i>	<i>Attended</i>
R Gajewski	4	4
A Beckwith	4	4
R Brans	4	4

There were 4 directors' meetings held during the year. However, Matters of Board business have also been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings of the Directors held to control, implement and monitor the Group's activities throughout the period.

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

At present, the Company does not have any formally constituted committees of the Board. The Directors consider that the Group is not of a size nor are its affairs of such complexity as to justify the formation of special committees.

REMUNERATION REPORT – AUDITED

This report outlays the remuneration arrangements in place for the Key Management Personnel (as defined under section 300A of the Corporations Act 2001) of Carnavale Resources Limited.

The following were Key Management Personnel of the Company during or since the end of the financial period.

Directors

R Gajewski	Non-Executive Chairman	Appointed 18 October 2006
A Beckwith	Non-Executive Director	Appointed 29 July 2014
R Brans	Non-Executive Director	Appointed 17 September 2013

Other Senior Management

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Senior Management

H Hale	Chief Executive Officer	Appointed 1 June 2021
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There have been no other changes of Key Management Personnel after the reporting date and up to the date the financial report was authorised for issue.

Remuneration policy

The remuneration policy of Carnavale Resources Limited has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Carnavale Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

- The remuneration policy and setting the terms and conditions for the Executive Directors and other senior staff members is developed and approved by the Board based on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained when considered necessary to confirm that executive remuneration is in line with market practice and is reasonable within Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- The Group is an exploration entity and is, therefore, speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly as the Group moves from an exploration to a producing entity and key performance indicators such as profit and production and reserves growth can be used as measurements for assessing executive performance.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at a shareholders' meeting on 5 January 2007 when the shareholders approved an aggregate remuneration of \$200,000 per year. Fees for non-executive directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.
- Executive Directors' remuneration and other terms of employment are reviewed annually by the non-executive directors having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

**CARNAVALE RESOURCES LIMITED
DIRECTORS' REPORT**

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Group or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Group.

Remuneration Structure

In accordance with best practice corporate governance, the structure of remuneration for Non-Executive Directors and Executive Directors is separate and distinct.

Details of Remuneration

Details of the remuneration of the Directors and other Key Management Personnel of the Company are set out in the following table. The Key Management Personnel of the Company are the Directors of Carnavale Resources Limited and the Chief Executive Officer. Detail of the employment contract with the Chief Executive Officer is as follow:

Name	Term of Agreement	Base Salary including Superannuation	Termination Benefit
Humphrey Hale Chief Executive Officer	Ongoing commencing 1 June 2021	\$198,000	May be terminated by either Mr Hale or the Company by providing three months' notice.

Voting and comments made at the Company's 2020 Annual General Meeting (AGM) – At the 2020 AGM, 99.98% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Remuneration of KMP:

Remuneration for the year ended 30 June 2021

	Short-term benefits		Post-employment Super-annuation	Equity-based compensation	Total	Proportion related to performance
	Directors' fees	Consulting fees				
	\$	\$	\$	\$	\$	%
Directors						
R Gajewski	42,000	26,000	-	218,187	286,187	76.24
A Beckwith	30,000	-	-	218,187	248,187	87.91
R Brans	28,438	-	2,702	78,917	110,057	71.71
Total, Directors	100,438	26,000	2,702	515,291	644,431	
Other KMP						
Chief Executive Officer						
H Hale	-	173,800	1,425	55,695	230,920	24.12
Total KMP	100,438	199,800	4,127	570,986	875,351	

**CARNAVALE RESOURCES LIMITED
DIRECTORS' REPORT**

Remuneration for the year ended 30 June 2020

	Short-term benefits		Post-employment	Equity-based	Total	Proportion related to performance
	Directors' fees	Consulting fees	Super-annuation	compensation		
	\$	\$	\$	\$	\$	%
Directors						
R Gajewski	36,000	24,000	-	41,902	101,902	41.1
A Beckwith	24,000	51,750	-	41,902	117,652	35.6
R Brans	24,000	-	2,280	8,380	34,660	24.2
Total	84,000	75,750	2,280	92,184	254,214	

Accounting, secretarial and corporate service fees of \$92,352 (2020: \$55,811) and rental fees of \$30,000 (2020: \$30,000) were paid or payable during the year ended 30 June 2021 on normal terms and conditions to Corporate Consultants Pty Ltd, a company in which Mr Gajewski is a director and has a beneficial interest.

Remuneration Options granted as part of remuneration for the year ended 30 June 2021

Key Management Personnel	Grant date	Number granted	Number vested at year end	Average fair value per option at grant date	Maximum total value of grant yet to vest
R Gajewski	30 Nov 2020	25,000,000	25,000,000	0.71 cents	-
A Beckwith	30 Nov 2020	25,000,000	25,000,000	0.71 cents	-
R Brans	30 Nov 2020	10,000,000	10,000,000	0.71 cents	-
Other KMP					
H Hale	31 July 2020	15,000,000	15,000,000	0.355 cents	-

Assumptions used in valuing the options issued are as follows:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of shares on grant date	Expected Volatility	Risk free interest rate	Dividend yield
31 July 2020	31 July 2022	0.37 cents	1 cent	0.55 cents	164%	0.25%	-
31 July 2020	31 July 2022	0.34 cents	1.2 cents	0.55 cents	164%	0.25%	-
30 Nov 2020	30 Nov 2023	0.71 cents	1.2 cents	0.9 cents	152%	0.25%	-

Each option entitles the holder to purchase one ordinary share in the Company. The estimated value disclosed above is calculated at the date of grant using the Black-Scholes option pricing model.

Other than the above, no options over unissued ordinary shares in Carnavale Resources Limited were granted to, were forfeited by, or were exercised by key management personnel of the Company (as part of their remuneration).

The Company has not granted any options over unissued ordinary shares since the end of the financial year to any Directors or officers as part of their remuneration.

Performance Rights granted as part of remuneration for the year ended 30 June 2021

The Company has not granted any performance rights during the financial year to any Directors or officers as part of their remuneration. The following performance rights were granted during the year ended 30 June 2019 and expired unexercised on 30 June 2021.

	Grant date	Number granted	Number vested at year end	Average fair value per performance right at grant date	Maximum total value of grant yet to vest	Expiry date
Directors						
R Gajewski	10 August 2018	15,000,000	-	\$0.0082	-	30 June 2021
A Beckwith	10 August 2018	15,000,000	-	\$0.0082	-	30 June 2021
R Brans	10 August 2018	3,000,000	-	\$0.0082	-	30 June 2021

**CARNAVALE RESOURCES LIMITED
DIRECTORS' REPORT**

Performance Rights granted as part of remuneration for the year ended 30 June 2021 - continued

Other than the above, no performance rights in Carnavale Resources Limited were granted to, were forfeited by, or were exercised by key management personnel of the Company (as part of their remuneration).

The Company has not granted any performance rights since the end of the financial year to any Directors or officers as part of their remuneration.

Shareholdings of key management personnel

Year ended 30 June 2021

	Balance at 1 July 2020	Granted as remuneration	Net other change (i)	Balance at 30 June 2021
Directors				
R Gajewski	96,582,728	-	39,145,681	135,728,409
A Beckwith	31,361,370	-	5,000,000	36,361,370
R Brans	4,000,000	-	1,000,000	5,000,000
Total	131,944,098	-	45,145,681	177,089,779
Other KMP				
H Hale	-	-	-	-
Total	131,944,098	-	45,145,681	177,089,779

- (i) In May 2021, following receipt of shareholder approval, Directors, Mr Gajewski subscribed for 15 million new ordinary shares (and 7.5 million attaching options) and Mr Beckwith subscribed for 3 million new ordinary shares (and 1.5 million attaching options) raising \$126,000. The Directors were allotted a total of 27,145,681 ordinary shares on exercise of 27,145,681 CAVOA listed options at \$0.007 each raising \$190,019.76.

Option holdings of key management personnel

Year ended 30 June 2021

	Balance at 1 July 2020	Granted as remuneration	Net other change (i)	Net other change (i)	Balance at 30 June 2021
Directors					
R Gajewski	24,145,681	25,000,000	(24,145,681)	7,500,000	32,500,000
A Beckwith	2,000,000	25,000,000	(2,000,000)	1,500,000	26,500,000
R Brans	1,000,000	10,000,000	(1,000,000)	-	10,000,000
Total	27,145,681	60,000,000	(27,145,681)	9,000,000	69,000,000
Other KMP					
H Hale	-	15,000,000	-	-	15,000,000
Total	27,145,681	75,000,000	(27,145,681)	9,000,000	84,000,000

- (i) Refer to (i) above under Shareholdings of key management personnel.

Performance Rights holdings of key management personnel

Year ended 30 June 2021

	Balance at 1 July 2020	Granted as remuneration	Net other change (i)	Balance at 30 June 2021
Directors				
R Gajewski	15,000,000	-	(15,000,000)	-
A Beckwith	15,000,000	-	(15,000,000)	-
R Brans	3,000,000	-	(3,000,000)	-
Total	33,000,000	-	(33,000,000)	-

- (i) The performance rights expired unexercised on 30 June 2021 as the vesting conditions were not met.

End of Remuneration report

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there are 306,000,000 Unlisted Options on issue.

	Number	Exercise Price (cents)	Expiry Date
Unlisted Options	214,000,000	1.0	31 July 2022
Unlisted Options	15,000,000	1.5	31 July 2022
Unlisted Options	7,000,000	1.2	30 November 2022
Unlisted Options	70,000,000	1.2	30 November 2023

These options and performance rights do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During the financial year, the Company issued options as follows:

- In August 2020 the Company issued a total of 15,000,000 options exercisable at \$0.01 on or before 31 July 2022 and 15,000,000 options exercisable at \$0.015 on or before 31 July 2022 to consultants, Mr Allan Kneeshaw and Mr Humphrey Hale who are responsible for managing the ongoing exploration activities.
- In November 2020 the Company issued 7,000,000 options exercisable at \$0.012 on or before 30 November 2022 to a technical consultant, responsible for implementing the ongoing exploration activities.
- In November 2020, following shareholder approval received at the annual general meeting of shareholders held on 27 November 2020, a total of 70 million options were issued to Mr Gajewski (25,000,000 options), Mr Beckwith (25,000,000 options), Mr Brans (10,000,000) and Mr Jurman (10,000,000 options). The options expire on 30 November 2023 and are exercisable at \$0.012 each; and
- In May 2021, the Company allotted 159,000,000 free attaching options (exercisable at \$0.01 on or before 31 July 2022) to sophisticated and professional investors who participated in the March 2021 placement of 318,000,000 fully paid shares at an issue price of \$0.007 each to raise \$2,226,000. A further 40,000,000 options, on the same terms, were issued to Golden Triangle Capital Pty Ltd as partial consideration for managing the March 2021 placement.

There were no options issued after 30 June 2021 and up to the date of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as Officer or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the period, the Company agreed to pay an annual insurance premium of \$9,657 in respect of directors' and officers' liability and legal expenses' insurance contracts, for directors, officers and employees of the Company. The insurance premium relates to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome.
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty.

NON - AUDIT SERVICES

There have been no non-audit services provided by the Group's auditor during the year (2020: Nil).

CARNAVALE RESOURCES LIMITED DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and forms part of the directors' report and can be found on the following page of the annual report.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company is responsible for the corporate governance of the Company and guides and monitors the business and affairs on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's governance approach aims to achieve exploration, development and financial success while meeting stakeholders' expectations of sound corporate governance practices by proactively determining and adopting the most appropriate corporate governance arrangements.

ASX Listing Rule 4.10.3 requires listed companies to disclose the extent to which they have followed the recommendations set by the ASX Corporate Governance Council during the reporting period. The Company has disclosed this information on its website at www.carnavaleresources.com/corporate-governance. The Corporate Governance Statement is current as at 30 June 2021, and has been approved by the Board of Directors.

The Company's website at www.carnavaleresources.com contains a corporate governance section that includes copies of the Company's corporate governance policies.

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors.



RON GAJEWSKI
Chairman

Dated this 24th day of September 2021.
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Carnavale Resources Limited for the year ended 30 June 2021, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
24 September 2021



M R Ohm
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated	
		2021 \$	2020 \$
Revenue	3	10,627	28,381
		<u>10,627</u>	<u>28,381</u>
Expenditure			
Administrative expenses		(576,034)	(298,913)
Exploration expenditure impaired	11	(131,174)	(1,881,695)
Due diligence expenses		(11,877)	-
Foreign exchange loss		(529)	(10,392)
Share-based payments expense	14	(813,862)	(193,121)
		<u>(1,522,849)</u>	<u>(2,355,740)</u>
Loss before related income tax benefit		(1,522,849)	(2,355,740)
Income tax benefit	5	35,847	-
		<u>(1,487,002)</u>	<u>(2,355,740)</u>
Net loss attributable to members of the parent entity		(1,487,002)	(2,355,740)
Other comprehensive income for the period, net of tax		-	-
		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(1,487,002)</u>	<u>(2,355,740)</u>
Loss per share			
Basic – cents	16	<u>(0.07)</u>	<u>(0.17)</u>
Diluted – cents	16	<u>(0.07)</u>	<u>(0.17)</u>

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Consolidated 2021 \$	2020 \$
Current assets			
Cash and cash equivalents	17(a)	3,529,684	1,189,773
Receivables	8	118,479	25,413
Other assets	9	13,815	10,819
Total current assets		3,661,978	1,226,005
Non-current assets			
Other assets	10	20,000	20,000
Exploration and evaluation expenditure	11	3,463,595	1,006,965
Total non-current assets		3,483,595	1,026,965
Total assets		7,145,573	2,252,970
Current liabilities			
Trade and other payables	12	291,661	76,610
Total current liabilities		291,661	76,610
Total liabilities		291,661	76,610
Net assets		6,853,912	2,176,360
Equity			
Issued capital	13	36,484,552	31,154,097
Reserves	14	2,583,326	1,749,227
Accumulated losses	15	(32,213,966)	(30,726,964)
Total equity		6,853,912	2,176,360

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Issued capital \$	Reserves \$	Consolidated Accumulated losses \$	Total \$
Balance at 1 July 2019	28,969,953	1,556,106	(28,371,224)	2,154,835
Loss attributable to members of the parent entity	-	-	(2,355,740)	(2,355,740)
Total comprehensive loss for the year	-	-	(2,355,740)	(2,355,740)
Shares and options issued during the year (net of issue costs)	2,184,144	-	-	2,184,144
Fair value of performance rights issued	-	193,121	-	193,121
Balance at 30 June 2020	31,154,097	1,749,227	(30,726,964)	2,176,360
	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2020	31,154,097	1,749,227	(30,726,964)	2,176,360
Loss attributable to members of the parent entity	-	-	(1,487,002)	(1,487,002)
Total comprehensive loss for the year	-	-	(1,487,002)	(1,487,002)
Shares and options issued during the year (net of issue costs)	5,171,692	-	-	5,171,692
Fair value of performance rights and options issued	-	992,862	-	992,862
Fair value of performance rights converted	158,763	(158,763)	-	-
Balance at 30 June 2021	36,484,552	2,583,326	(32,213,966)	6,853,912

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated	
		2021 \$	2020 \$
Cash flows from operating activities			
Payments to suppliers		(548,999)	(412,484)
Payments for due diligence and project generation expenses		(4,377)	-
Interest received		1,947	8,150
Other income		10,000	10,000
Net cash outflows from operating activities	17(b)	<u>(541,429)</u>	<u>(394,334)</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,695,971)	(727,897)
Payments for acquisition of exploration tenements		(265,323)	(30,000)
Refunds from exploration bond		8,714	-
Net cash outflows from investing activities		<u>(1,952,580)</u>	<u>(757,897)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		4,993,287	2,227,212
Issue costs - shares and options		(158,944)	(76,450)
Net cash inflows from financing activities		<u>4,834,343</u>	<u>2,150,762</u>
Net increase in cash and cash equivalents held		2,340,334	998,531
Cash and cash equivalents at the beginning of the financial year		1,189,773	191,201
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(423)	41
Cash and cash equivalents at the end of the financial year	17(a)	<u>3,529,684</u>	<u>1,189,773</u>

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. CORPORATE INFORMATION

Carnavale Resources Limited is a company limited by shares, incorporated in Australia. The Company's shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activity of the Group is mineral exploration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial statements have also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report is presented in whole Australian dollars.

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the commercial realisation of the Group's assets and the settlement of liabilities in the normal course of business.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Carnavale Resources Limited and its subsidiaries.

(b) New, revised or amending Accounting Standards and Interpretations adopted

Standards and Interpretations applicable to 30 June 2021

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

Standards and Interpretations on issue not yet effective

The Directors have also reviewed all Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2021.

As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations on issue not yet effective on the Group and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial statement of Carnavale Resources Limited (the Company) for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the Directors on 24 September 2021.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Carnavale Resources Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Carnavale Resources Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

(e) Income tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(g) Revenue

Revenue is recognised to the extent that control of the goods or services has passed, and it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date (where applicable). Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred (where applicable).

(j) Impairment of assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired and makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether any previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Earnings / (loss) per share

Basic earnings / (loss) per share is calculated as net profit / (loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Instruments

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and are solely principal and interest. All other financial instrument assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income. For financial liabilities, the portion of the change in fair value that relates to the Group's credit risk is presented in other comprehensive income.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either be: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Foreign currency translation

Both the functional and presentation currency of Carnavale Resources Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Carnavale Resources Limited at the rate of exchange ruling at the balance date and its statement of financial performance is translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 4 years

(p) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Carnavale Resources Limited.

(s) Share based payments

For equity-settled share-based payment transactions, the Group shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group shall measure their value, and the corresponding increase in equity, indirectly, by reference to¹ the fair value of the equity instruments granted.

The Group, from time to time, provides compensation benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees and consultants render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by a Black-Scholes-Merton model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the recipient become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation expenditure

The Group's accounting policy for exploration and evaluation expenditure is set out in Note 2 (f). The application of this policy necessarily requires the Board to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the expenditures are unlikely to be recoverable by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The Board determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined using a Black-Scholes-Merton model, using various assumptions.

(u) Parent Entity Financial Information

The financial information for the parent entity, Carnavale Resources Limited, disclosed in Note 23 has been prepared on the same basis as the consolidated financial statements.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

3. REVENUE

	Consolidated	
	2021	2020
	\$	\$
Other revenue		
Interest earned	1,912	8,381
Other income	8,715	20,000
	10,627	28,381

4. EXPENSES

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax includes the following specific expenses:		
Exploration expenditure impaired	131,174	1,881,695
Due diligence expenses	11,877	-

5. INCOME TAX

- (a) Prima facie tax benefit at 30% (2020: 27.5%) on loss from ordinary activities is reconciled to the income tax provided in the financial statements

	Consolidated	
	2021	2020
	\$	\$
Loss before income tax	(1,487,002)	(2,355,740)
Prima facie income tax benefit at 30% (2020: 27.5%)	446,101	647,829
Tax effect of amounts which are not tax (deductible) / taxable in calculating taxable income:		
Due diligence / capital related costs	(11,228)	(1,878)
Exploration expenses incurred	550,089	123,822
Exploration expenses impaired	(39,352)	(517,466)
Tax effect of capitalised share issue costs	33,948	17,039
Share based payment expense	(244,159)	(53,108)
Other non-assessable items	10,754	5,500
Other non-deductible items	(185)	(234)
Income tax benefit adjusted for non (deductible) / taxable items	745,968	221,504
Deferred tax asset not brought to account	(745,968)	(221,504)
Income tax benefit	-	-

(b) Deferred tax assets

The potential deferred tax asset arising from tax losses and temporary differences has not been recognised as an asset because recovery of tax losses is not yet considered probable.

	Consolidated	
	2021	2020
	\$	\$
Carry forward revenue losses	9,155,690	7,731,110
Carry forward capital losses	2,795,459	2,562,504
Capital raising costs	104,534	30,228
	12,055,683	10,323,842

The benefits will only be obtained if:

- (i) the companies in the Group derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

5. INCOME TAX (continued)

(b) Deferred tax assets (continued)

- (ii) the companies in the Group continue to comply with the conditions for deductibility imposed by the Law; and
- (iii) no changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

(c) Deferred tax liabilities

The potential deferred tax liability arising from capitalised exploration expenditure has not been recognised as a liability. This would reduce the potential deferred tax asset noted at (b) above.

	Consolidated	
	2021	2020
	\$	\$
Deferred exploration and evaluation expenditure	761,827	230,165

6. AUDITOR'S REMUNERATION

	Consolidated	
	2021	2020
	\$	\$
The auditor of Carnavale Resources Limited is HLB Mann Judd. Amounts received or due and receivable by the Company's auditors for: Auditing or reviewing the Company's financial statements	26,342	25,326

7. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Directors

R Gajewski
A Beckwith
R Brans

Senior Management

H Hale

(b) Compensation of key management personnel

	Consolidated	
	2021	2020
	\$	\$
Short-term employee benefits	300,238	159,750
Post-employment benefits	4,127	2,280
Share-based payments	570,986	92,184
	875,351	254,214

Information regarding individual directors' and senior management compensation is provided in the Remuneration report on pages 19 to 22.

(c) Other key management personnel transactions

Accounting, secretarial and corporate service fees of \$92,352 (2020: \$55,811) and rental fees of \$30,000 (2020: \$30,000) were paid or payable during the year ended 30 June 2021 on normal terms and conditions to Corporate Consultants Pty Ltd, a company in which Mr Gajewski is a director and has a beneficial interest.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

8. CURRENT RECEIVABLES

	Consolidated	
	2021	2020
	\$	\$
Other receivables	118,479	25,413
	<u>118,479</u>	<u>25,413</u>

Other receivables represent amounts outstanding for goods and services tax (GST) and R & D tax refund, which are non-interest bearing, with repayment terms applicable under the relevant government authorities.

9. OTHER CURRENT ASSETS

	Consolidated	
	2021	2020
	\$	\$
Prepayments	13,815	10,819
	<u>13,815</u>	<u>10,819</u>

10. OTHER ASSETS

	Consolidated	
	2021	2020
	\$	\$
Credit card bond	20,000	20,000
	<u>20,000</u>	<u>20,000</u>

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2021	2020
	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest (i)	3,463,595	1,006,965
Opening balance	1,006,965	2,388,399
Acquisition costs – exploration licences	754,173	50,000
Exploration expenditure incurred	1,833,631	450,261
Exploration expenditure impaired (i)	(131,174)	(1,881,695)
	<u>3,463,595</u>	<u>1,006,965</u>

- (i) The impairment of exploration expenditure in both periods relates to carried forward expenditure in respect of relinquished tenements. The current period impairment relates to the directors' decision to withdraw from the agreement to acquire up to 80% of the Mt Alexander Nickel Project. The prior period impairment relates to the directors' decision to withdraw from the agreement with African Panther Resources (U) Limited to acquire up to 70% of the Kikagati Tin Project. The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
	\$	\$
Current		
Trade and other payables	291,661	76,610
	<u>291,661</u>	<u>76,610</u>

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13. ISSUED CAPITAL

(a) Issued capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in share capital

	2021 Number	2020 Number	2021 \$	2020 \$
Balance at beginning of year	1,495,403,629	742,999,560	31,154,097	28,969,953
Non-renounceable rights issue completed in July and August 2019 at an issue price of 0.3 cents each	-	742,404,069	-	2,227,212
Shares issued for acquisition of exploration licences in December 2019	-	10,000,000	-	20,000
Shares issued during period on conversion of performance rights	99,000,000	-	158,763	-
Shares issued during the period on exercise of options	395,326,674	-	2,767,287	-
Shares issued in August 2020 as initial share consideration for the right to earn 80% of the Kookynie Gold Project	37,500,000	-	206,250	-
Shares issued in August 2020 as facilitation fee in relation to the Kookynie Gold Project	1,500,000	-	7,500	-
Shares issued in September 2020 for acquisition of exploration licence P40/1480	1,500,000	-	18,000	-
Shares issued in October 2020 as initial share consideration for the right to earn 80% of the Ora Banda Gold Project	10,000,000	-	110,000	-
Shares issued in October 2020 for consultancy services relating to the Kookynie Gold Project	2,000,000	-	20,000	-
Share placement at an issue price of 0.7 cents each in March and May 2021	318,000,000	-	2,226,000	-
Shares issued in April 2021 for acquisition of exploration licence E58/551	20,000,000	-	154,600	-
Transaction costs arising from issue of securities	-	-	(337,945)	(63,068)
Balance at end of year	<u>2,380,230,303</u>	<u>1,495,403,629</u>	<u>36,484,552</u>	<u>31,154,097</u>

(c) Share options

Options to subscribe for ordinary shares in the capital of the Company have been granted as follows:

2021	Exercise Period	Exercise Price	Opening Balance 1 July 2020	Options Issued 2020/2021	Options Exercised / Expired 2020/2021	Closing Balance 30 June 2021
			Number	Number	Number	Number
	On or before 30 September 2020 (i)	\$0.007	408,702,011	-	(408,702,011)	-
	On or before 31 July 2022 (ii)	\$0.01	-	15,000,000	-	15,000,000
	On or before 31 July 2022 (ii)	\$0.015	-	15,000,000	-	15,000,000

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13. ISSUED CAPITAL (continued)

2021						
Exercise Period	Exercise Price	Opening Balance 1 July 2020	Options Issued 2020/2021	Options Exercised / Expired 2020/2021	Closing Balance 30 June 2021	
		Number	Number	Number	Number	
On or before 31 July 2022 (iii)	\$0.01	-	199,000,000	-	199,000,000	
On or before 30 November 2022 (iv)	\$0.012	-	7,000,000	-	7,000,000	
On or before 30 November 2023 (v)	\$0.012	-	70,000,000	-	70,000,000	
Total		408,702,011	306,000,000	(408,702,011)	306,000,000	

- (i) During the period, the Company allotted 395,326,674 ordinary fully paid shares following the exercise of 395,326,674 CAVOA listed options exercisable at \$0.007 raising \$2,767,287. 13,375,337 CAVOA options expired unexercised on 30 September 2020.
- (ii) In July 2020, the Company issued 30,000,000 unlisted options, expiring on 31 July 2022 to technical consultants, including 15,000,000 to Mr Hale (CEO).
- (iii) In May 2021, the Company allotted 159,000,000 free attaching options to sophisticated and professional investors who participated in the March and May 2021 placement of 318,000,000 fully paid shares at an issue price of \$0.007 each to raise \$2,226,000. A further 40,000,000 options were issued to Golden Triangle Capital Pty Ltd as partial consideration for managing the March 2021 placement.
- (iv) In November 2020, the Company issued 7,000,000 unlisted options to a technical consultant.
- (v) In November 2020, following shareholder approval received at the annual general meeting of shareholders held on 27 November 2020, a total of 70,000,000 options were issued to Mr Gajewski (25,000,000 options), Mr Beckwith (25,000,000 options), Mr Brans (10,000,000) and Mr Jurman (10,000,000 options).

2020						
Exercise Period	Exercise Price	Opening Balance 1 July 2020	Options Issued 2020/2021	Options Exercised / Expired 2020/2021	Closing Balance 30 June 2021	
		Number	Number	Number	Number	
On or before 30 December 2019	\$0.02	60,000,000	-	(60,000,000)	-	
On or before 30 September 2020 (i), (ii)	\$0.007	-	408,702,011	-	408,702,011	
Total		60,000,000	408,702,011	(60,000,000)	408,702,011	

(d) Performance rights

Performance rights in the capital of the Company have been granted as follows

2021						
Grant Date	Expiry Date	Opening Balance 1 July 2020	Rights Issued 2020/2021	Rights Exercised / Expired 2020/2021	Closing Balance 30 June 2021	
		Number	Number	Number	Number	
6 September 2019 and 22 November 2019 (i)	31 Dec 2020	99,000,000	-	(99,000,000)	-	
10 August 2018	30 June 2021	36,000,000	-	(36,000,000)	-	
Total		135,000,000		(135,000,000)	-	

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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13. ISSUED CAPITAL (continued)

(i) In September 2020, the Company issued 99 million shares to Mr Klaus Eckhof arising from the conversion of 99 million performance rights, which vested upon the completion of the market vesting conditions.

The performance rights were valued using a trinomial barrier option methodology using the following inputs:

	Tranche 1	Tranche 2 and 3
Date of issue	6 September 2019	22 November 2019
Share price on date of issue	0.3 cents	0.2 cents
Expected volatility	139%	148%
Risk-free interest rate	1.5%	1.5%
Expiry date of rights	31 December 2020	31 December 2020

14. RESERVES

	Consolidated	
	2021	2020
	\$	\$
Share-based payments reserve (a)	2,583,326	1,749,227
Total	<u>2,583,326</u>	<u>1,749,227</u>

(a) Share-based payments reserve

The share-based payments reserve represents amounts received in consideration for the issue of options to subscribe for ordinary shares in the Company and the value of options and performance rights issued to parties for services rendered.

	Consolidated	
	2021	2020
	\$	\$
Opening balance	1,749,227	1,556,106
Fair value of performance rights issued to directors, company secretary and consultants	166,496	193,121
Fair value of options issued to directors, company secretary and consultants	826,366	-
Shares issued on conversion of performance rights by technical consultant	(158,763)	-
Balance at end of year	<u>2,583,326</u>	<u>1,749,227</u>

15. ACCUMULATED LOSSES

	Consolidated	
	2021	2020
	\$	\$
Accumulated losses at the beginning of the year	(30,726,964)	(28,371,224)
Loss for the year	(1,487,002)	(2,355,740)
Accumulated losses at the end of the year	<u>(32,213,966)</u>	<u>(30,726,964)</u>

16. LOSS PER SHARE

	Consolidated	
	2021	2020
	\$	\$
Net loss after income tax attributable to members of the Company	<u>(1,487,002)</u>	<u>(2,355,740)</u>
	Number	Number
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	2,018,836,447	1,408,348,460
Effect of dilution	-	-
Weighted average number of ordinary shares for diluted earnings per share	<u>2,018,836,447</u>	<u>1,408,348,460</u>

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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16. LOSS PER SHARE (continued)

Effect of Dilutive Securities - Share Options

The Company has 306,000,000 share options at 30 June 2021 (30 June 2020: 408,702,011). Options are considered to be potential ordinary shares. However, in periods of a net loss, share options are anti-dilutive, as their exercise will not result in lower earnings per share. The options have therefore not been included in the determination of diluted earnings per share.

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consists of cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

	Consolidated	
	2021	2020
	\$	\$
Cash at bank	3,529,684	1,189,773
	3,529,684	1,189,773

(b) Reconciliation of loss after tax to net cash outflows from operations

	Consolidated	
	2021	2020
	\$	\$
Loss after income tax	(1,487,002)	(2,355,740)
Exploration expenditure impaired / expensed	131,174	1,881,695
Exploration bond refunded	(8,714)	-
Net exchange differences	420	10,467
Share-based payments expense	813,862	193,121
Due diligence expenses – shares issued	7,500	-
Consulting fees – shares issued	20,000	-
(Increase) / decrease in assets		
Trade and other receivables	(39,939)	(17,112)
Increase / (decrease) in liabilities		
Trade and other payables	21,270	(106,765)
	(541,429)	(394,334)

(c) Non-cash investing activities

In August 2020, the Company issued 37.5 million shares as partial consideration to the vendor for the right to acquire up to 80% of the Kookynie Gold Project.

In August 2020, the Company issued 1.5 million shares as a facilitation fee and in October 2020, the Company issued 2 million shares for consultancy services all in relation to the Kookynie Gold Project.

In September 2020, the Company issued 1.5 million shares as partial consideration for the acquisition of exploration licence P40/1480.

In September and October 2020, the Company issued 99 million shares to Mr Klaus Eckhof arising from the conversion of 99 million performance rights, which vested upon the completion of the Company's Shares having traded at a volume weighted average price of at least \$0.007, \$0.009 and \$0.0011 respectively for a consecutive period of at least 15 business days. The performance rights were approved by shareholders at the 2019 Annual General Meeting.

In October 2020, the Company issued 10 million shares as partial consideration to the vendor for the right to acquire up to 80% of the Ora Banda Gold Project.

In April 2021, the Company issued 20 million shares as partial consideration to the vendors for the Barracuda PGE-Ni-Cu Project (granted license E58/551).

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

In order to maintain current contractual rights concerning its mineral projects, the Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets in which it has an interest.

The current annual minimum lease expenditure commitments on tenements wholly owned by the Group comprising E28/1477 and M28/378, which covers the Grey Dam Project is \$82,300 (2020: \$82,300).

The Group has the right to acquire up to 80% of tenement E28/2587 which is part of the Grey Dam project and in order to maintain current contractual rights, the Group must meet current annual minimum lease expenditure commitments of \$20,000 (2020: \$20,000).

The Group has an option to earn 80% of the prospective tenement package (E28/2567, E28/2682, E28/2760, and E28/2506) which covers the Grey Dam project and in order to maintain current contractual rights, the Group must meet minimum expenditure requirements of \$90,000 (2020: \$90,000).

In August 2020, the Company signed an exclusive and binding Option Agreement with Western Resources Pty Ltd to acquire 80% of the Kookynie Gold Project and in order to maintain current contractual rights, the Group has certain commitments to meet minimum expenditure requirements. The current annual minimum lease expenditure commitments on this tenement package is \$60,920. Under the terms of the agreement, the Company elected to acquire 80% of the tenement before 28 July 2021 and paid \$250,000 and issued 50 million ordinary shares to Western Resources Pty Ltd.

In September 2020, the Company agreed to purchase 100% of tenement P40/1480 at the Kookynie Gold Project and in order to maintain current contractual rights, the Group must spend \$6,560 to meet minimum lease expenditure commitments.

In October 2020, the Company signed an exclusive and binding Option Agreement with Western Resources Pty Ltd to acquire 80% of the Ora Banda South Gold Project and in order to maintain current contractual rights, the Group has certain commitments to meet minimum expenditure requirements. The current annual minimum lease expenditure commitments on this tenement package is \$100,720. Under the terms of the agreement, the Company may explore the tenement area and may elect to acquire 80% of the tenement by 3 October 2022 by a payment of \$150,000 and issue 15 million ordinary shares to Western Resources Pty Ltd.

In April 2021, the Company agreed to purchase 100% of the Barracuda Platinum-Palladium-Nickel-Copper (PGE-Ni-Cu) Project (granted license E58/551) and in order to maintain current contractual rights, the Group must spend \$20,000 to meet minimum lease expenditure commitments.

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer, or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

(b) Contingent liabilities

The Group does not have any contingent liabilities at balance date other than as below:

In accordance with the tenement acquisition agreements and option agreements entered into by the Group the following deferred consideration may become payable in future periods:

Grey Dam Project

M28/378

- A 2% gross royalty is payable comprising a 1% gross revenue payable on all nickel, copper, cobalt value if any profit from them is derived and a 1% total gold production royalty.

E28/2587

- Under the terms of the agreement, Carnavale may explore the tenement area and may elect to acquire 80% of the tenement by 21 June 2022 and a payment of \$80,000. At the vendors election, Carnavale may earn an additional 10% interest by sole funding further expenditure of \$1,000,000. Upon Carnavale earning 90% of project, the vendor will have a 10% free carried interest until a decision to mine with funding pro-rata thereafter.

CARNAVALE RESOURCES LIMITED
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18. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingent liabilities

E28/2567, E28/2682, E28/2760, and E28/2506

- Under the terms of the agreement, Carnavale may explore the tenement area and may elect to acquire 80% of the tenements by 11 November 2022 and payment of \$250,000. On Carnavale's decision to acquire 80% equity in the tenements, Mithril must elect within 30 business days to either:
 - Transfer 100% equity in the tenements to Carnavale and receive a 1% NSR royalty on all commodities produced from the Tenements; or
 - Enter into a formal Joint Venture agreement, with the initial interest of the parties to be Carnavale 80% and Mithril 20%.

Barracuda Platinum-Palladium-Nickel-Copper (PGE-Ni-Cu) Project

- A 0.5% Net Smelter Return ('NSR') royalty is payable on all minerals produced from the tenement.

19. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years other than the matters referred to below.

- The Company announced it elected to exercise its Option pursuant to the agreement to acquire 80% of the Kookynie Gold Project, comprising tenements E40/355, P40/1380 and P40/1381 from Western Resources Pty Ltd and upon exercise of the Option, paid \$250,000 cash and issued 50 million ordinary shares to Western Resources Pty Ltd. Western Resources Pty Ltd agreed to a voluntary 3 month escrow on the shares issued.

CARNAVALE RESOURCES LIMITED
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20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview

The activities of the Company expose it to a variety of financial risks, including:

- market risk;
- credit risk; and
- liquidity and capital risks.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the business. Carnavale will use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Australian dollar is the reporting currency for the Group and the functional currency for the parent company; however, during the financial year, the Group currently held foreign currency, namely US dollars. At period end, the Group did not have any foreign exchange risk that was material to the Group.

(ii) Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2021		30 June 2020	
	Assets	Liabilities	Assets	Liabilities
	\$	\$	\$	\$
United States dollar	-	-	-	-

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate %
		\$	\$	\$	\$	
2021						
Financial assets						
Cash and cash equivalents	17(a)	3,483,844	-	45,840	3,529,684	0.07
Trade and other receivables	8	-	-	118,479	118,479	
		3,483,844	-	164,319	3,648,163	
Financial liabilities						
Trade and other payables	12	-	-	291,661	291,661	

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate %
		\$	\$	\$	\$	
2020						
Financial assets						
Cash and cash equivalents	17(a)	1,181,801	-	7,972	1,189,773	0.57
Trade and other receivables	8	-	-	25,413	25,413	
		1,181,801	-	33,385	1,215,186	
Financial liabilities						
Trade and other payables	12	-	-	76,610	76,610	

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2020.

Consolidated	Profit or (Loss)		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
30 June 2021				
Variable rate instruments	28,250	(28,250)	28,250	(28,250)
Cash flow sensitivity (net)	28,250	(28,250)	28,250	(28,250)
30 June 2020				
Variable rate instruments	14,832	(14,832)	14,832	(14,832)
Cash flow sensitivity (net)	14,832	(14,832)	14,832	(14,832)

Financial assets

Trade receivables from other entities are carried at nominal amounts less any allowance for doubtful debts. Other receivables are carried at nominal amounts due. Interest is recorded as income on an accruals basis.

Financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the group.

Net fair value of financial assets and liabilities

The carrying amount of financial assets and liabilities approximates fair value because of their short-term maturity.

(iv) Commodity price risk

As Carnavale explores for a variety of minerals including gold, tin, nickel, copper and cobalt, it will be exposed to the risks of fluctuation in prices for those minerals. The market for all of these minerals has a history of volatility, moving not only with the standard forces of supply and demand, but also in the case of gold, to investment and disinvestment. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and investment deposits. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

CARNAVALE RESOURCES LIMITED
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20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. The Group does not have significant exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity and capital risk

The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Company's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt / equity ratio but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the Company anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities, then the decision on how the Company will raise future capital will depend on market conditions existing at that time.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

2021	Within 1 year	Between 1 and 5 years	After 5 years
Financial liabilities	\$	\$	\$
Trade and other payables	291,661	-	-
Total Financial Liabilities	291,661	-	-

2020	Within 1 year	Between 1 and 5 years	After 5 years
Financial liabilities	\$	\$	\$
Trade and other payables	76,610	-	-
Total Financial Liabilities	76,610	-	-

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. INVESTMENT IN CONTROLLED ENTITIES

(a) Particulars in relation to subsidiaries

Entity	Country of incorporation	Equity holding	Equity holding	Class of Shares
		2021 %	2020 %	
Parent Entity				
Carnavale Resources Limited				
Subsidiaries				
Carnavale Petroleum Pty Ltd	Australia	100	100	Ord
Tojo Minerals Pty Ltd	Australia	100	100	Ord

(b) Risk exposure

Refer to Note 20 for information on the Group's and parent entity's exposure to credit, foreign exchange and interest rate risk.

22. 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 year, Carnavale operated in the mineral exploration industry in Australia and investing activities in Australia.

2021	Investing Australia \$	Mineral Exploration Australia \$	Eliminations \$	Consolidated \$
Business segments				
Revenue				
Other external revenue	10,627	-	-	10,627
Total segment revenue	10,627	-	-	10,627
Results				
Operating loss before income tax	(1,353,018)	(169,528)	-	(1,522,849)
Income tax benefit				35,847
Net loss				(1,487,002)
Assets				
Segment assets	3,681,978	3,463,595	-	7,145,573
Non-current assets acquired	-	2,587,804		2,587,804
Liabilities				
Segment liabilities	59,061	232,600	-	291,661
Other segment information				
Impairment of exploration and evaluation expenditure	-	131,174	-	131,174

CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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22. SEGMENT REPORTING (continued)

2020	Investing Australia	Mineral Exploration Australia / Africa	Eliminations	Consolidated
	\$	\$	\$	\$
Business segments				
Revenue				
Other external revenue	28,381	-	-	28,381
Total segment revenue	28,381	-	-	28,381
Results				
Operating loss before income tax	(472,579)	(1,883,172)	11	(2,355,740)
Income tax benefit				-
Net loss				(2,355,740)
Assets				
Segment assets	1,246,005	1,006,965	-	2,252,970
Non-current assets acquired	-	500,261		500,261
Liabilities				
Segment liabilities	37,790	38,820	-	76,610
Other segment information				
Impairment of exploration and evaluation expenditure	-	1,881,695	-	1,881,695

23. PARENT ENTITY DISCLOSURES

(a) Summary financial information

Financial Position

	2021 \$	2020 \$
Assets		
Current assets	3,545,191	1,175,650
Non-current assets	3,359,250	1,033,180
Total assets	6,904,441	2,208,830
Liabilities		
Current liabilities	50,529	33,790
Total liabilities	50,529	33,790
Net assets	6,853,912	2,175,040
Equity		
Issued capital	36,484,552	31,154,097
Share-based payment reserve	2,583,326	1,749,227
Accumulated losses	(32,213,966)	(30,728,284)
Total equity	6,853,912	2,175,040

Financial performance

	2021 \$	2020 \$
Loss for the year after income tax	(1,485,682)	(2,354,274)
Other comprehensive income	-	-
Total comprehensive loss	(1,485,662)	(2,354,274)

**CARNAVALE RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

23. PARENT ENTITY DISCLOSURES (continued)

(b) Guarantees entered into by the parent entity in relation to the debts of its subsidiary

Carnavale Resources Limited has not entered into any guarantees in relation to the debts of its subsidiary.

(c) Contingent liabilities of the parent

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020 other than as disclosed in Note 18 above.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2021 (30 June 2020 – \$Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

**CARNAVALE RESOURCES LIMITED
DIRECTORS' DECLARATION**

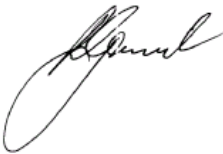
In the opinion of the Directors of Carnavale Resources Limited:

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year then ended; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
- (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.
- (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

Signed in accordance with a resolution of the Directors made pursuant to s 295(5) of the Corporations Act 2001.

On behalf of the Board.



RON GAJEWSKI
Chairman

Dated this 24th day of September 2021
Perth, Western Australia

INDEPENDENT AUDITOR’S REPORT

To the members of Carnavale Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Carnavale Resources Limited (“the Company”) and its controlled entities (“the Group”), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group’s financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (“the Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Carrying value of exploration and evaluation expenditure Refer to Note 11	
The Company has capitalised exploration and evaluation expenditure of \$3,463,595 as at 30 June 2021.	Our procedures included but were not limited to the following:

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 E: mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Key Audit Matter	How our audit addressed the key audit matter
<p>Carrying value of exploration and evaluation expenditure Refer to Note 11</p>	<p>Our audit procedures determined that the carrying value of exploration and evaluation expenditure was a key audit matter as it was an area which required the most communication with those charged with governance and was determined to be of key importance to the users of the financial statements.</p> <ul style="list-style-type: none"> - We obtained an understanding of the key processes associated with management’s review of the carrying value of exploration and evaluation expenditure; - We obtained evidence that the Company has current rights to tenure of its areas of interest; - We considered the existence of any indicators of impairment; - We substantiated a sample of additions to exploration expenditure during the year; - We enquired with management and reviewed ASX announcements and minutes of Directors’ meetings to ensure that the Company had not decided to discontinue exploration and evaluation at its areas of interest; and - We examined the disclosure made in the financial report.

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2021, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Carnavale Resources Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
24 September 2021



M R Ohm
Partner

**CARNAVALE RESOURCES LIMITED
SHAREHOLDER INFORMATION**

The shareholder information set out below was applicable as at 21 September 2021.

1. Distribution of holders of listed equity securities

Size of holding	Ordinary Shares
1 - 1,000	71
1,001 - 5,000	52
5,001 - 10,000	56
10,001 - 100,000	448
100,001 and over	946
	1,573

2. Voting rights

There are no restrictions to voting rights attached to the ordinary shares. On a show of hands every member present in person will have one vote and upon a poll, every member present or by proxy will have one vote for each share held.

3. Substantial Shareholders

An extract of the Company's register of substantial shareholders is set out below.

<i>Shareholder</i>	Number of Shares
Vienna Holdings Pty Ltd and Redtown Enterprises Pty Ltd	135,728,409

4. Unmarketable parcels

As at 21 September 2021 there were 454 shareholders with unmarketable parcels of shares.

5. Top 20 shareholders (CAV)

The names of the twenty largest shareholders as at 21 September 2021, who hold 49.54% of the fully paid ordinary shares of the Company were as follows:

	Name of holder	Number of Shares	Percentage held
1	Troca Enterprises Pty Ltd <Coulson Super A/c>	165,572,556	6.81%
2	Vienna Holdings Pty Ltd <The Ronjen Super A/c>	130,728,409	5.38%
3	BNP Paribas Nominees Pty Ltd ACF Clearstream	108,675,248	4.47%
4	HSBC Custody Nominees (Australia) Limited	74,867,497	3.08%
5	Mr Hugo Phillip Coulson	64,455,436	2.65%
6	Coulson Brothers Pty Ltd	60,080,526	2.47%
7	Mr Michael Patrick Lynch	59,339,165	2.44%
8	Riveck Nominees Pty Ltd <Ruth Paneth SF A/c>	58,300,000	2.40%
9	Mr Kaide Wang	51,636,094	2.12%
10	Kobia Holdings Pty Ltd	50,000,000	2.06%
11	Western Resources Pty Ltd	50,000,000	2.06%
12	Ocean View WA Pty Ltd	45,000,000	1.85%
13	Mr Jacob Oscar Coulson	43,500,000	1.79%
14	Golden Triangle Capital Pty Ltd	43,500,000	1.79%
15	Mr Michael Patrick Lynch <Lynch Family A/c>	37,884,407	1.56%
16	Brennan Super (WA) Pty Ltd <Brennan Super Fund A/c>	36,750,000	1.51%
17	Mrs Susan Maree Lynch <Susan Maree Lynch A/c>	36,500,000	1.50%
18	Mr Gavin Jeremy Dunhill	31,000,000	1.28%
19	Flue Holdings Pty Ltd	30,000,000	1.23%
20	Mr Mark John Bahen & Mrs Margaret Patricia Bahen <MJ Bahen Super Fund A/C>	26,571,429	1.09%
		1,204,360,767	49.54%

**CARNAVALE RESOURCES LIMITED
SHAREHOLDER INFORMATION**

6. Unquoted equity securities

Unquoted equity securities on issue at 21 September 2021 were as follows:

Class	Number	Number of Holders	Note
Unlisted Options exercisable at \$0.01 each on or before 31 July 2022	214,000,000	47	
Unlisted Options exercisable at \$0.015 each on or before 31 July 2022	15,000,000	2	1
Unlisted Options exercisable at \$0.012 each on or before 30 November 2022	7,000,000	1	2
Unlisted Options exercisable at \$0.012 each on or before 30 November 2023.	70,000,000	4	3

Note 1: Holders of more than 20% of this class of options:

Humphrey Hale	7,500,000 options.
Allan Kneeshaw	7,500,000 options

Note 2: Holders of more than 20% of this class of options:

Michael Jackson	7,000,000 options
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Note 3: Holders of more than 20% of this class of options:

Ron Gajewski	25,000,000 options.
Andrew Beckwith	25,000,000 options

7. Securities subject to escrow

50,000,000 ordinary shares are subject to voluntary escrow ending 26 October 2021.

**CARNAVALE RESOURCES LIMITED
ANNUAL MINERAL RESOURCES STATEMENT**

Annual Mineral Resources Statement

Review of Material Changes

In February 2019, a maiden JORC 2012 compliant Mineral Resource estimate was announced on the Grey Dam Ni-Co deposit. The estimate included all available historic drilling as well as 85 reverse circulation holes drilled by Carnavale during the 2018 calendar year. The total inventory for the Grey Dam Project now stands at 14.6 Mt at 0.75% Ni and 0.049% Co for 110,000t of nickel and 7,200t of cobalt.

There has been no change to the Mineral Resources at the Grey Dam Ni-Co deposit from June 2021 to June 2020.

Grey Dam June 2021 and June 2020 Mineral Resource Inventory

Domain	Class	Tonnes Mt	Ni %	Co %	Ni Metal Tonnes	Co Metal Tonnes
High Ni >0.5% Ni	Indicated	10.0	0.77	0.049	77,100	4,900
	Inferred	3.9	0.76	0.043	30,100	1,700
	Sub Total	14.0	0.77	0.048	107,300	6,700
Low Ni <0.5% Ni, >0.05% Co	Indicated	0.3	0.46	0.093	1,600	300
	Inferred	0.3	0.45	0.100	1,200	300
	Sub Total	0.6	0.46	0.092	2,800	600
Total >0.5% Ni or >0.05% Co	Indicated	10.4	0.76	0.050	78,700	5,200
	Inferred	4.2	0.74	0.047	31,300	2,000
	Sub Total	14.6	0.75	0.049	110,000	7,200

(Rounding discrepancies may occur in summary tables)

Governance and Internal Control

The Company's procedures for the sample techniques and sample preparation are regularly reviewed and audited by independent experts.

Assays are performed by independent internationally accredited laboratories with a QAQC program showing acceptable levels of accuracy and precision.

The exploration assay results database is maintained and appropriately backed-up internally.

The Mineral Resource estimate was undertaken independently by Payne Geological Services Pty Ltd.

COMPETENT PERSON STATEMENT

The information in this Annual Mineral Resources Statement is based on, and fairly represents information and supporting documentation prepared by Mr Paul Payne, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Payne is a full-time employee of Payne Geological Services. Mr Payne 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 Resources and Ore Reserves". Mr Payne consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mr Payne has approved this Mineral Resources Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

In relation to Mineral Resources, the Company confirms that all material assumptions and technical parameters that underpin the relevant market announcement continue to apply and have not materially changed.

CARNAVALE RESOURCES LIMITED
SCHEDULE OF MINERAL CONCESSION INTERESTS

Group mineral concession interests at 21 September 2021

<i>Concession name and type</i>	<i>Registered Holder</i>	<i>File Number</i>	<i>Carnavale's current equity interest</i>	<i>Maximum equity interest capable of being earned</i>
Location: Australia				
Grey Dam Project, WA	Tojo Minerals Pty Ltd	M28/378, E28/1477	100%	100%
	Simon James Buswell-Smith	E28/2587 ¹	-%	80%
	Minex (Aust) Pty Ltd	E28/2506, E25/2567, E28/2682 and E28/2760 ²	-%	80%
Kookynie Gold Project, WA	Western Resources Pty Ltd	E40/355, P40/1380 and P40/1381 ³	80% (contractual right)	80%
Kookynie Gold Project, WA	Duane Daniel Briggs	P40/1480	100%	100%
Kookynie Gold Project, WA	Bruce Robert Legendre	E40/394 (Application)	100% (contractual right)	100%
Barracuda Project, WA	Bruce Robert Legendre	E58/551	100%	100%
Ora Banda Gold Project, WA	Western Resources Pty Ltd	P16/3081, P16/3082, P16/3077, P16/3000, P16/3001, P24/5274, P24/5275, P24/5276, P24/5277, P24/5278, P24/5279, P24/5280, P24/5281 and P24/5282 ⁴	-%	80%
	Tojo Minerals Pty Ltd	P24/5518, P24/5519, P24/5520, P24/5521, P24/5522 and P24/5523 – All Applications	-%	100%

* Carnavale has the right to earn up to this level on expending the funds stated in the relevant Agreements.

1. In June 2019, Carnavale secured an option to acquire up to 80% of E28/2587. Under the terms of the agreement, Carnavale may explore the tenement area and may elect to earn 80% of the tenement by 21 June 2022 and payment of \$80,000. At the vendors election, Carnavale may earn an additional 10% interest by sole funding further expenditure of \$1,000,000. Upon Carnavale earning 90% of project, the vendor will have a 10% free carried interest until a decision to mine with funding pro-rata thereafter.

CARNAVALE RESOURCES LIMITED
SCHEDULE OF MINERAL CONCESSION INTERESTS

2. In November 2019, Carnavale secured an option with Mithril Resources Limited to earn 80% of tenements E28/2567, E28/2682, E28/2760, and E28/2506. Under the terms of the agreement, Carnavale may explore the tenement area and may elect to earn 80% of the tenements by 11 November 2022 and payment of \$250,000. On Carnavale's decision to acquire 80% equity in the tenements, Mithril must elect within 30 business days to either:
 - Transfer 100% equity in the tenements to Carnavale and receive a 1% NSR royalty on all commodities produced from the Tenements; or
 - Enter into a formal Joint Venture agreement, with the initial interest of the parties to be Carnavale 80% and Mithril 20%.
3. In July 2020, Carnavale secured an option with Western Resources Pty Ltd to earn 80% of tenements E40/355, P40/1380 and P40/1381. Under the terms of the agreement, Carnavale having explored the tenement area, elected to earn 80% of the tenements in July 2021 and paid \$250,000 in cash and issued 50 million fully paid Carnavale shares. Both parties have agreed to enter into a formal Joint Venture ("JV") (CAV 80%, Western Resources 20%), where Carnavale will free carry Western Resources Pty Ltd to the completion of a Bankable Feasibility Study (BFS) and on completion of a BFS Western Resources Pty Ltd will be obliged to contribute to future costs on a pro-rata basis or be diluted, or alternatively elect to convert its 20% equity interest to a 1.5% NSR ("Royalty") within 30 days of Carnavale notice of the completion of the BFS. Thereafter, no party to dilute to less than 10% equity in the Project, otherwise deemed to have no further interest and will assign the remaining interest to the other party.
4. In October 2020, Carnavale signed an exclusive and binding Option Agreement with Western Resources Pty Ltd to acquire 80% of the Ora Banda South Gold Project. Under the terms of the agreement, the Company may explore the tenement area and may elect to acquire 80% of the tenements by 3 October 2022 and payment of \$150,000 and issue 15 million fully paid Carnavale shares. Carnavale must undertake a surface geochemical program or drilling program on P16/3077, P16/3081 and P16/3082 prior to June 2022. Upon Carnavale exercising the Option, both parties will enter into a formal Joint Venture ("JV") (CAV 80%, Western Resources 20%). Carnavale will free carry Western Resources Pty Ltd to the completion of a Bankable Feasibility Study (BFS) and on completion of a BFS Western Resources Pty Ltd will be obliged to contribute to future costs on a pro-rata basis or be diluted, or alternatively elect to convert its 20% equity interest to a 1.5% NSR ("Royalty") within 30 days of Carnavale notice of the completion of the BFS. Thereafter, no party to dilute to less than 10% equity in the Project, otherwise deemed to have no further interest and will assign the remaining interest to the other party.