



carnavale
resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

**HALF YEARLY FINANCIAL REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2020**

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of Carnavale Resources Limited (the “Company”) and its controlled entities (the “Group”) for the half-year ended 31 December 2020. The directors report as follows:

Directors

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

Ron Gajewski	Chairman
Andrew Beckwith	Non-Executive Director
Rhett Brans	Non-Executive Director

Results

The consolidated loss for the half-year after tax was \$1,024,146 (2019: \$2,149,817). The previous half-year loss included an impairment expense of \$1,881,695 arising from the withdrawal from the agreement to acquire up to 70% of the Kikagati Tin Project.

Review of Operations

Carnavale 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 battery sector and other new-age disruptive technologies, together with the gold, nickel and copper resource sector.

During the reporting period, Carnavale secured the right to acquire 80% of the high-grade Kookynie Gold Project from Western Resources Pty Ltd, located 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.

During the reporting period, Carnavale signed an exclusive and binding 24-month Option Agreement with Western Resources Pty Ltd 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.

The Company also advanced the Grey Dam Nickel Sulphide Project, located 74km east of Kalgoorlie, Western Australia and the Mt Alexander Nickel Project, which covers approximately 24km² of the prospective granite greenstone belt that hosts the Cathedrals Ni-Cu-Co-PGE project, owned by St George Mining Limited.

DIRECTORS' REPORT

Highlights

Exploration during the reporting period included drilling at Grey Dam followed by the initial aircore drilling at the Kookynie Gold Project and the acquisition of the Ora Banda Gold Project in the well-endowed gold region within 200km of Kalgoorlie, Western Australia.

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

Kookynie Gold Project

- Completed an aircore drilling program of 139 holes for 6,539m targeting structurally controlled, high-grade gold mineralisation. Assays were received after the reporting period and included:
 - 7m @ 1.89g/t Au from 14m (inc. 4m @ 3.24g/t in hole KAOC101) ended in mineralisation.
 - 8m @ 0.51g/t Au from 18m in hole KAOC090
 - 2m @ 1.46g/t Au from 22m and 6m @ 0.29g/t Au from 54m in hole KAOC110
 - 2m @ 0.86g/t Au from 52m in hole KAOC086
 - 4m @ 0.37g/t Au from 62m and 6m @ 0.49g/t Au from 70m in hole KAOC087
 - 12m @ 0.21g/t Au from 30m in hole KAOC009
 - 4m @ 0.63g/t Au from 20m in hole KAOC006
 - 10m @ 0.23g/t Au from 34m in hole KAOC008
 - 6m @ 0.36g/t Au from 46m in hole KAOC00117
 - 10m @ 0.20g/t Au from 26m in hole KAOC010
- Drilling identified 3 areas of significant gold anomalism associated with intervals of mineralisation within the weathered rock profile, with strong prospectivity for additional mineralisation open along structural corridors.
- Completed a high-resolution aeromagnetic survey that was used to update the interpretation of the bedrock geology within the Project and to identify multiple structural targets.
- A comprehensive soil sampling program of 1,180 samples was completed over the residual soils domains with aircore drilling focused on targets under cover.
- Acquired additional strategic prospective ground at the Kookynie Gold project
- 100% of P40/1480 and 100% of application - E40/394

Ora Banda South Gold Project

- Acquisition of 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 2Moz Invincible Gold Mine

DIRECTORS' REPORT

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.

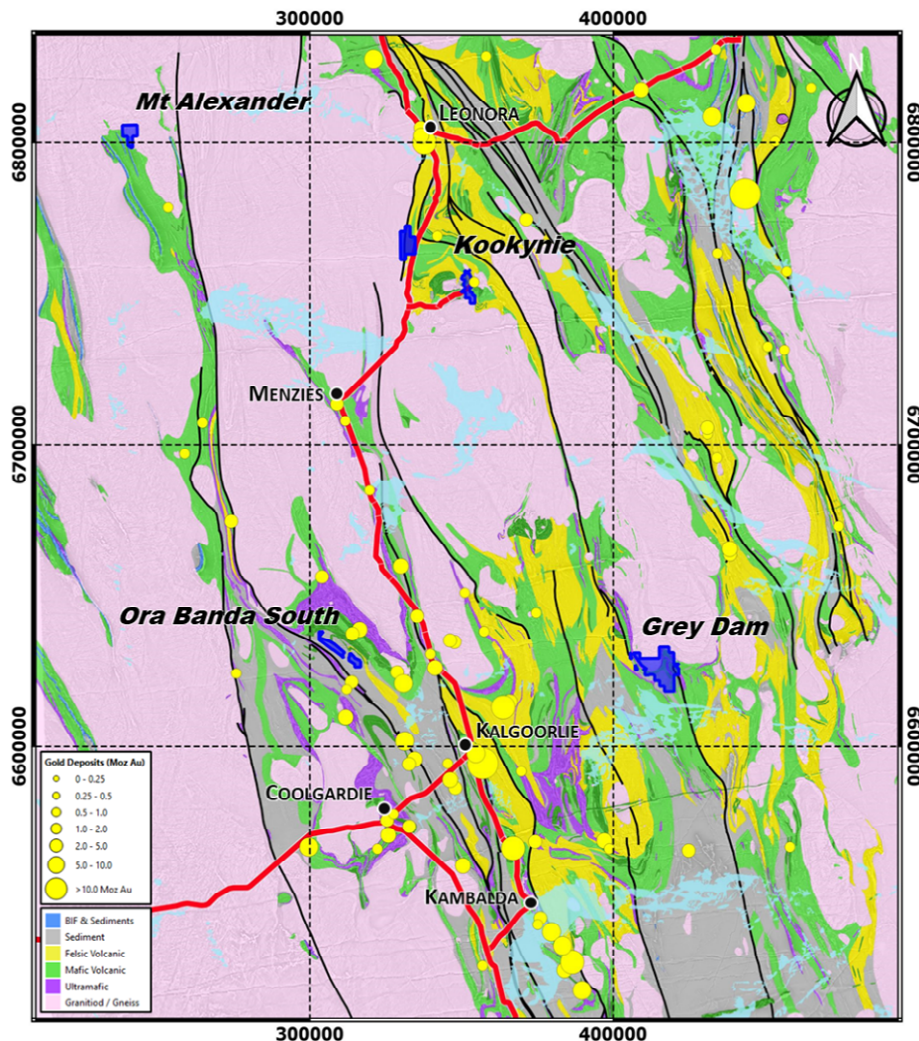


Figure 1, Location of Carnavale's Projects

Simplified geology and significant Gold deposits

Kookynie Gold Project

Carnavale completed an initial aircore drilling program consisted of 139 holes for 6,539m in December 2020. The program was designed to test the potential of structural features under cover, identified in the recent detailed aeromagnetic survey, to host high-grade gold at the Kookynie Gold Project. The aircore program confirmed that the depth of alluvial cover ranged from 5m to 40m.

Aircore drill target generation criteria.

The Kookynie Gold Project has had limited exploration, especially under areas of transported cover, and represents a priority target for high-grade gold mineralisation similar to the deposits being successfully developed by Nex Metals Ltd (ASX: NME) and Metalicity Ltd.'s (ASX: MCT) such as Cosmopolitan, Champion, Leipold and McTavish. The central area to the Project is covered by a layer of transported cover and fluvial sediments. This layer of cover made it unattractive to early explorers and unsuitable for traditional surface sampling techniques.

DIRECTORS' REPORT

As a result, the planning and design of the exploration programs have been dominated by the geology and terrain, with initial soil sampling being completed on areas of residual soil material and aircore drilling designed to test structural targets, identified by the detailed aeromagnetic survey, where soil sampling would be ineffective due to surface cover.

These work programs were run concurrently at the Project. Gold anomalies identified by the initial aircore program and the soil sampling program will be followed up in a second phase of aircore or RC drilling dependent upon results.

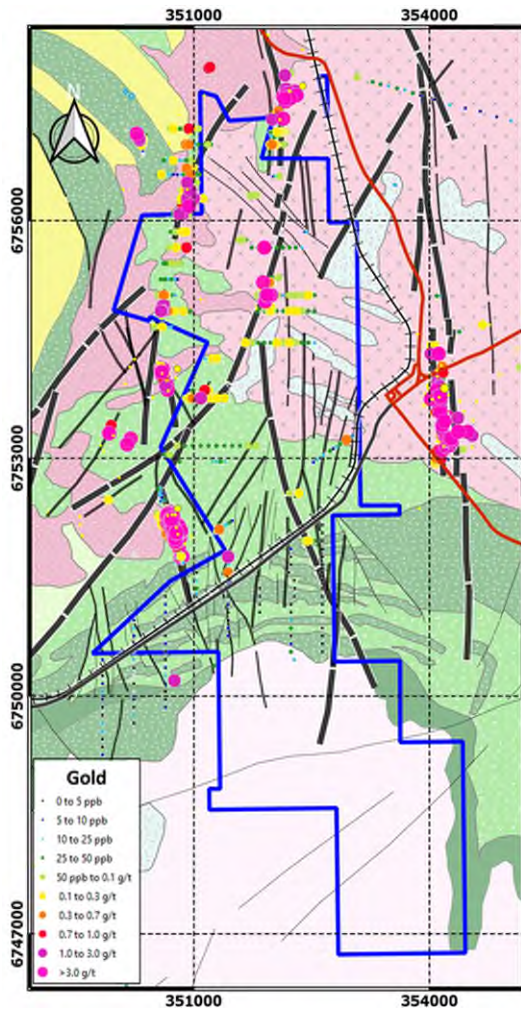


Figure 2, Updated bedrock geology map with mineralised trends from historic data and interpreted structures

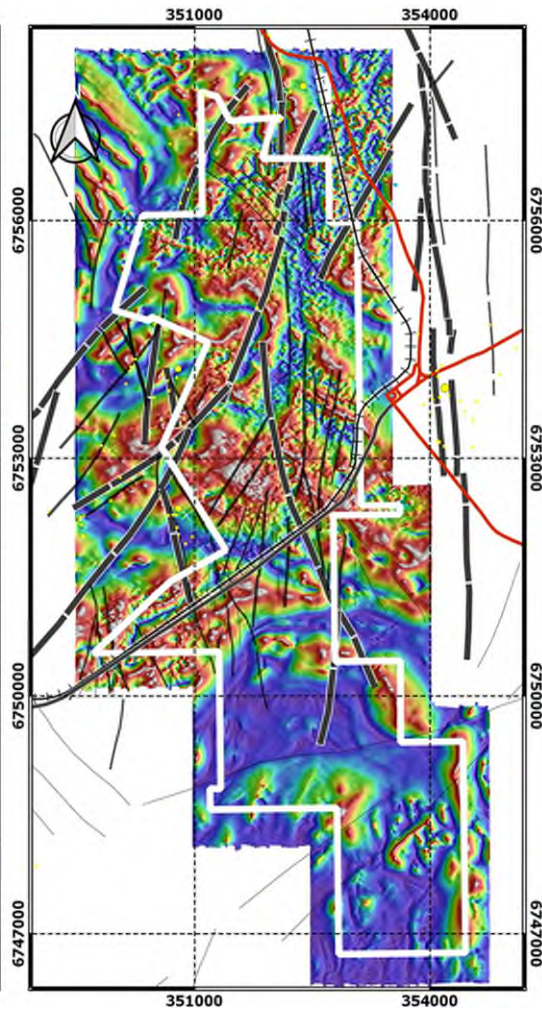


Figure 3, Detailed aeromagnetic imagery with interpreted structure and infrastructure.

A data compilation and detailed review of the historic exploration data was undertaken for the Kookynie Gold Project and tenements adjacent to the Project area, by Carnavale geologists. The drilling and surface data supplied by Western Resources Pty Ltd. was reviewed and checked against the WAMEX data and uploaded into the database along with historic data surrounding the Project area. The exploration that has recently been undertaken by NME/MCT, and in the public domain, was also uploaded into the database.

This information helped to identify the structures within the aeromagnetic imagery that were demonstrated to host gold. These structures have been extrapolated into the Project area under cover. As a result, the Company was able to create an updated bedrock geology map and identify mineralized trends (Figure 2).

DIRECTORS' REPORT

Exploration results

The aircore drilling identified three main areas of significant gold anomalism in the weathered rock profile (Figure 1) with prospective gold mineralisation open along structural corridors. The aircore drilling was completed to blade refusal. Blade refusal, in this terrain, is reached at the fresh rock boundary. The strong gold anomalism detected in the weathered profile is anticipated to provide a vector to high-grade gold mineralisation similar to that hosted by the historic mines such as Cosmopolitan, Leipold, and McTavish.

The gold anomaly to the north of NME and MCT's McTavish tenement is characterized by a number of shallow old workings and pits. The recent aircore drilling intercepted high-grade gold mineralisation in weathered rock that included:

- **7m @ 1.89g/t Au** from 14m in hole KAO101 (inc. **4m @ 3.24g/t**) ended in mineralisation.

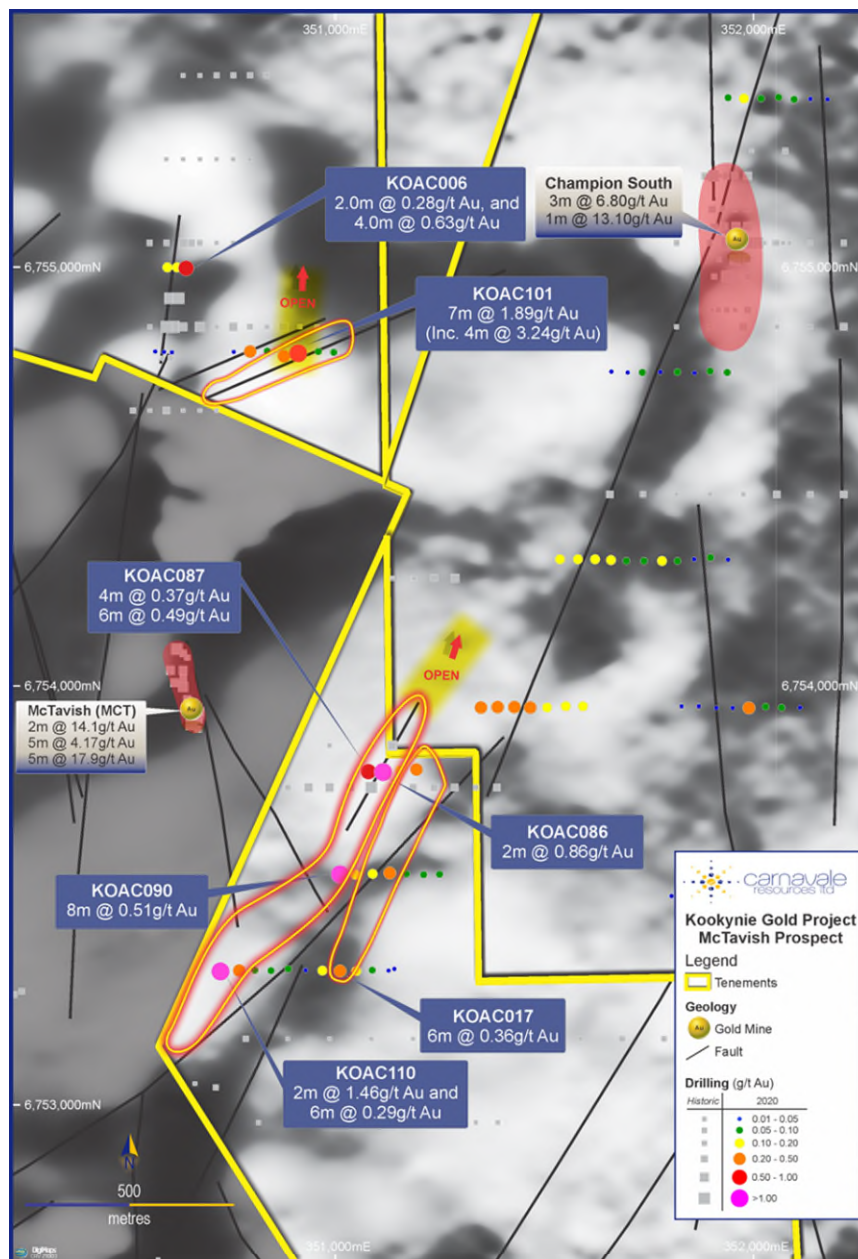


Figure 4, McTavish North and East anomalies with significant intercepts.

DIRECTORS' REPORT

The soil geochemistry and the aeromagnetics indicate that the gold anomalism in this target area trends to the northeast of these intercepts. The area along strike to the northeast is untested by drilling and requires further aircore drilling to define the limits of this mineralisation (Figure 4).

Immediately to the east of NME and MCT's McTavish tenement, Carnavale has discovered a gold anomaly with a strike length of over 1km (Figure 4). The anomaly is characterized by gold intercepts such as:

- 2m @ 0.86g/t Au from 52m in hole KAOC086
- 4m @ 0.37g/t Au from 62m and 6m @ 0.49g/t Au from 70m in hole KAOC087
- 8m @ 0.51g/t Au from 18m in hole KAOC090
- 2m @ 1.46g/t Au from 22m and 6m @ 0.29g/t Au from 54m in hole KAOC110

The initial wide spaced aircore drilling requires infill and extension to the northeast to define the extent of the gold mineralisation prior to RC drilling.

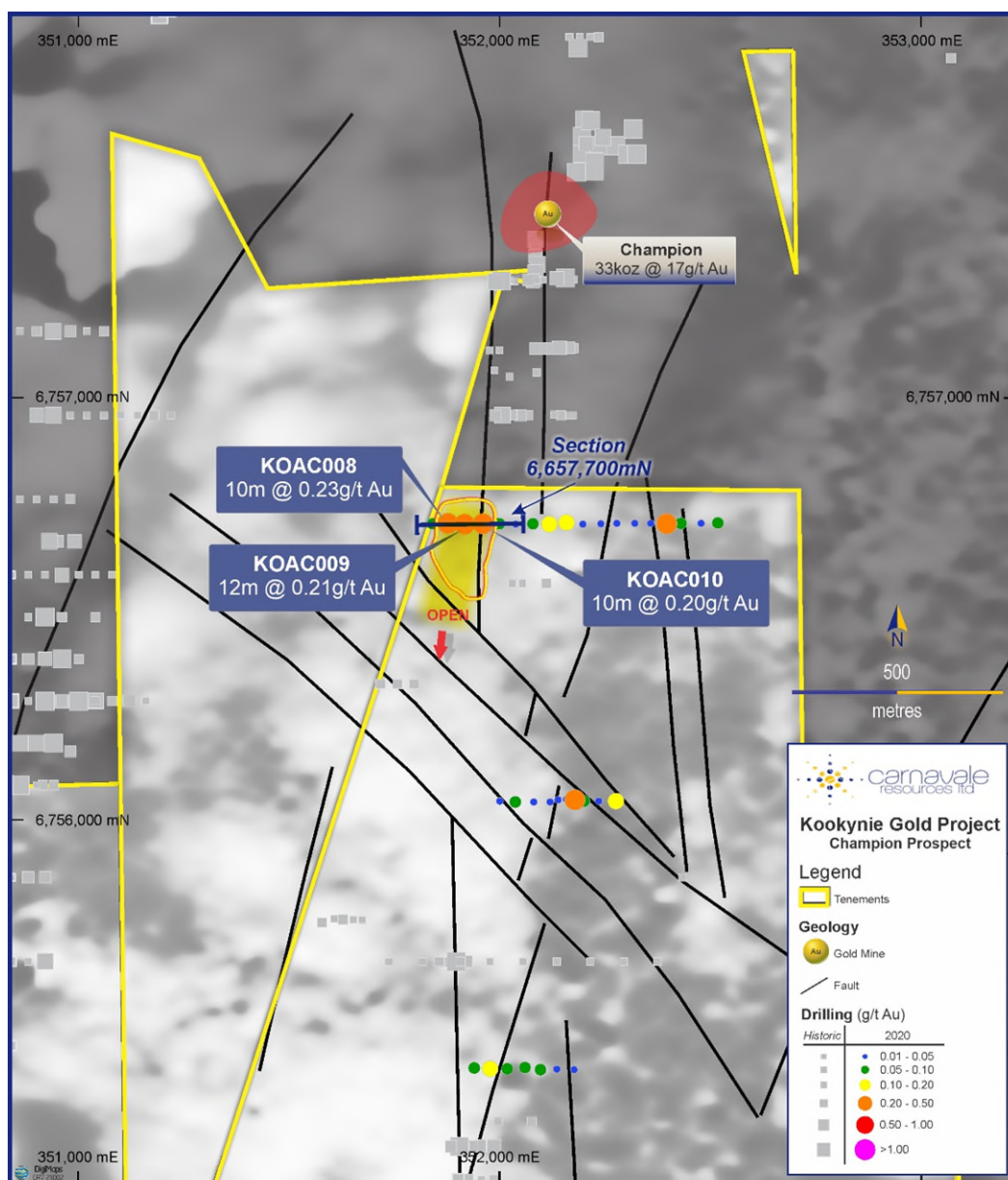


Figure 5, Northern anomaly with significant intercepts.

DIRECTORS' REPORT

The third broad gold anomaly (Figure 5) is in the northern part of the tenement package. The anomaly lies immediately south of NME and MCT's Champion deposit, along the same structural corridor. The Champion mine had historic gold production of 33,000 ounces at a grade of 17g/t Au (refer <https://www.mindat.org/loc-269328.html>). The Company's recent aircore drilling outlined a large gold anomaly in the saprolitic, weathered bedrock between 10 and 12m thick.

The anomaly has been intercepted in 3 consecutive holes with a width of over 120m (figure 5 and 6). It is interpreted that this represents a secondary supergene gold enrichment that has developed over a primary gold deposit. Carnavale plans to explore the extents of this supergene enrichment as a vector to primary mineralisation. Significant broad intercepts include:

- 10m @ 0.23g/t Au from 34m in hole KAOC008
- 12m @ 0.21g/t Au from 30m in hole KAOC009
- 10m @ 0.20g/t Au from 26m in hole KAOC010

The structural corridor stretches for 1.8 kilometres under cover, south to Carnavale's Champion South Prospect. The Champion South prospect is central to the tenement package and was drilled historically by Kookynie Resources Ltd in 2000. Further details regarding the Champion South prospect can be found in ASX release "Carnavale acquires a High-Grade Gold Project - Kookynie, 4 August 2020".

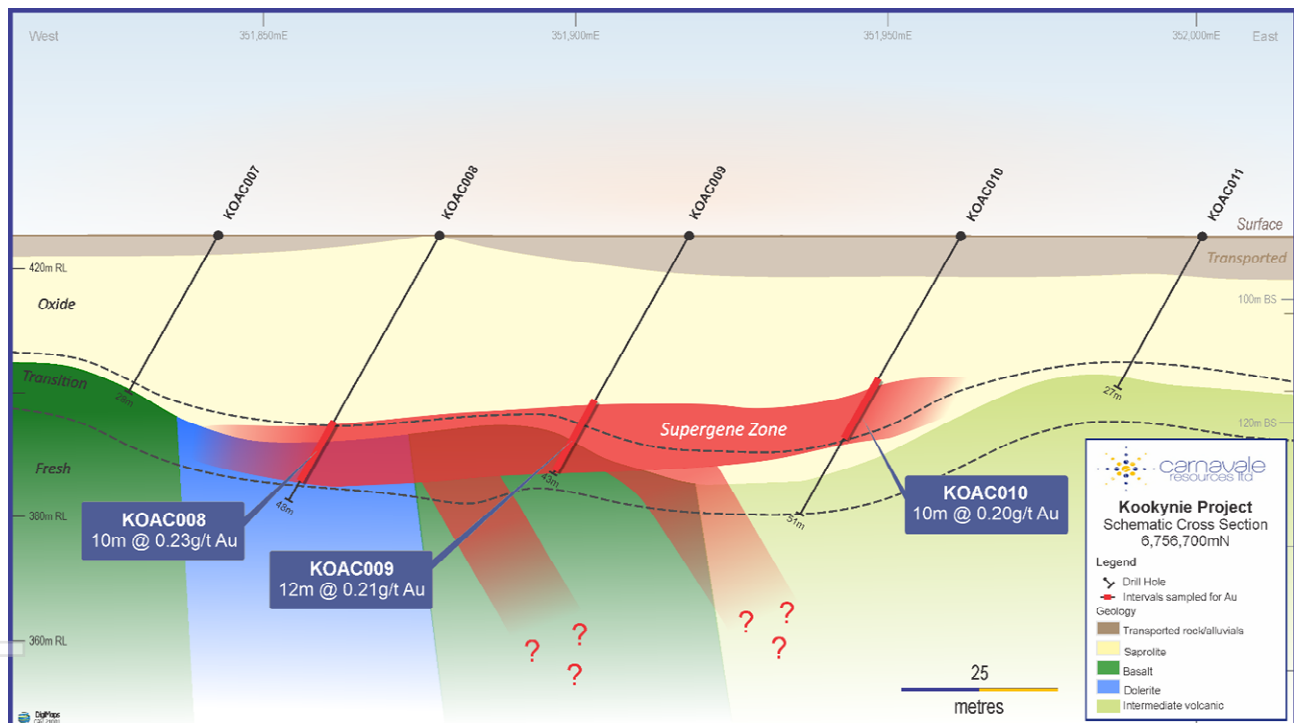


Figure 6, Section through Northern anomaly showing broad supergene gold enrichment

Carnavale is excited by these encouraging results and has an aircore drill rig booked for early March to follow up on these high priority targets.

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.

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

DIRECTORS' REPORT

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 7).

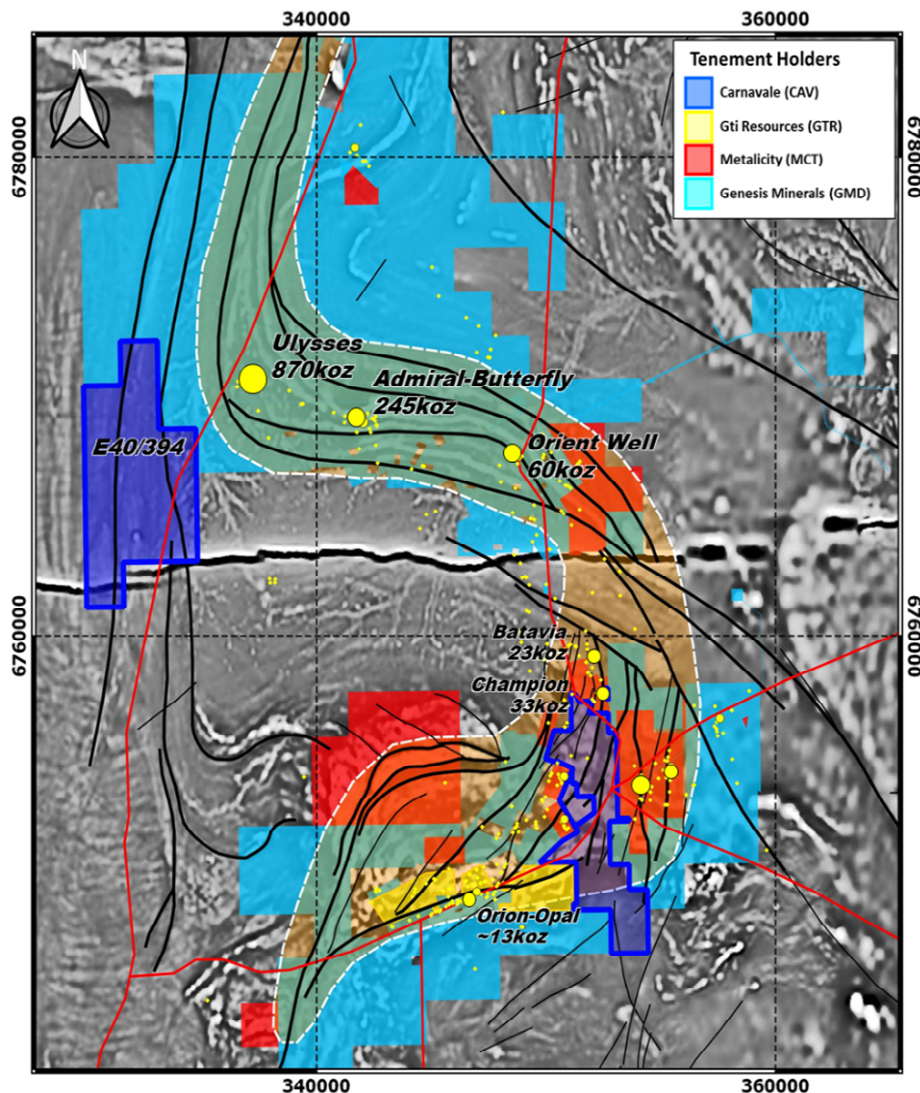


Figure 7, Location of new tenement acquisition E40/394

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.

The phase 1 RC and diamond drilling campaign was completed in October. 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 9). 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.

DIRECTORS' REPORT



Figure 8, Diamond Drilling at Grey Dam Nickel Project

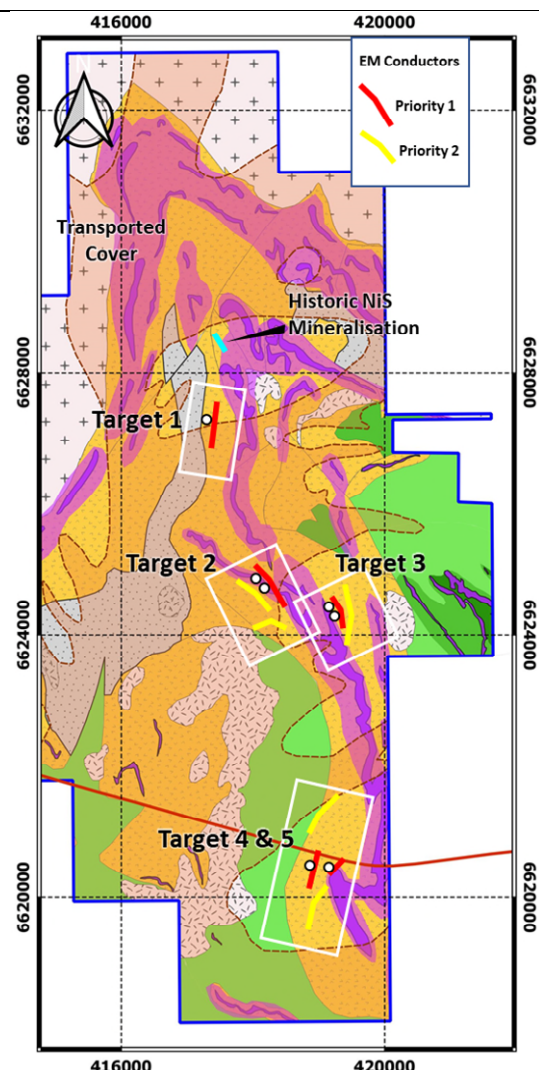


Figure 9, Geology with EM priority conductors

Target 2

Drillhole DDH002A lifted due to ground conditions and is interpreted to have just drilled over the top of the modelled conductor. The targeted ultramafic unit was not intersected by the hole and may be fault truncated. A strong gold anomaly has been intersected in this hole.

Drillhole DDH002B intersected two units of ultramafic. The drillhole intersected the upper margin of the modelled EM plate, but the lower unit of ultramafic may have fault truncated off by a subparallel fault. Both holes did not explain the EM conductors. Both targets were surveyed by DHEM to test for offhole conductors with no significant conductors found adjacent to the drillhole. However, there was a building EM response beyond the end of the hole that indicated the potential for a conductor within 60m from the end of the hole. This target remains open.

Target 4

The drillhole intersected the ultramafic unit but did not fully drill through it to test the basal contact of the ultramafic unit or explain the conductor. High water volumes required early termination of the drill hole. This hole was surveyed with DHEM and no significant conductors were discovered. This target remains open.

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Target 5

The drill hole did not intersect the ultramafic unit and had to be stopped early due to high water volumes. Based on the geological information, the hole is interpreted to have not been drilled deep enough. A DHEM survey was completed in this hole and the surface EM conductor was not identified in this hole. This target remains open.

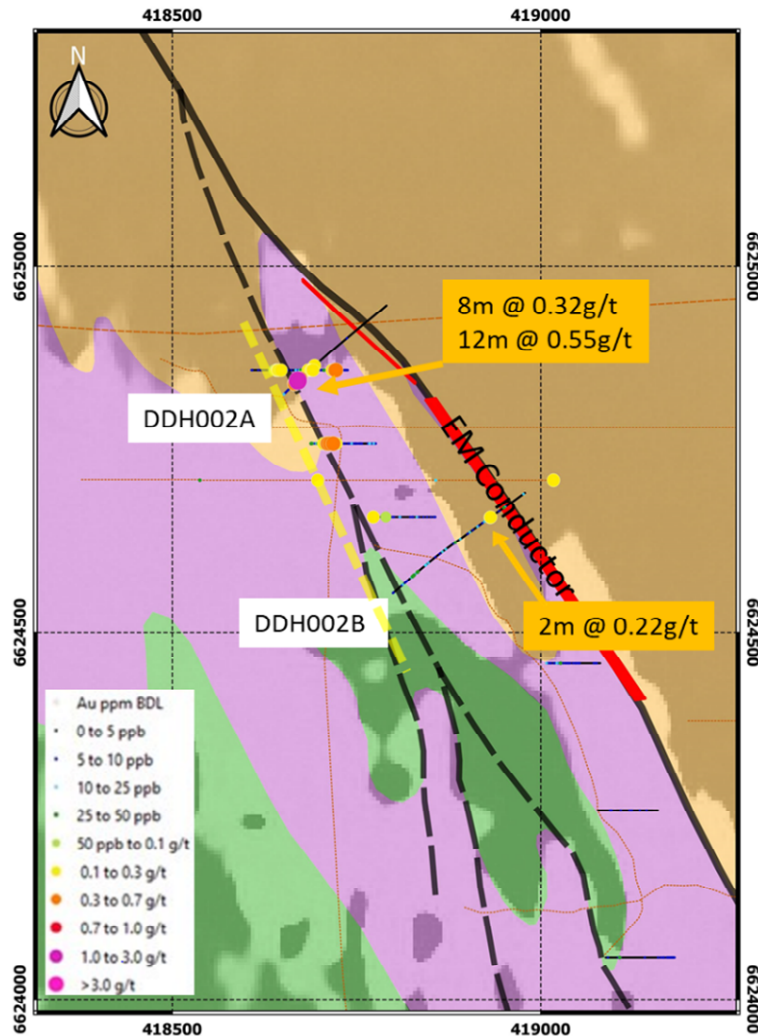


Figure 10, New gold Anomaly with local geology and EM conductor

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 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 10). The Grey Dam area is prospective for shallow gold mineralisation, with potentially open pittable gold resources delineated in the neighbouring tenements held by ASX listed Kalnorth Gold Mines Ltd.

DIRECTORS' REPORT

Carnavale intends to review the existing drill data, geochemical data and aeromagnetic imagery for potential further testing of this new gold anomaly.

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 +2Moz 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.

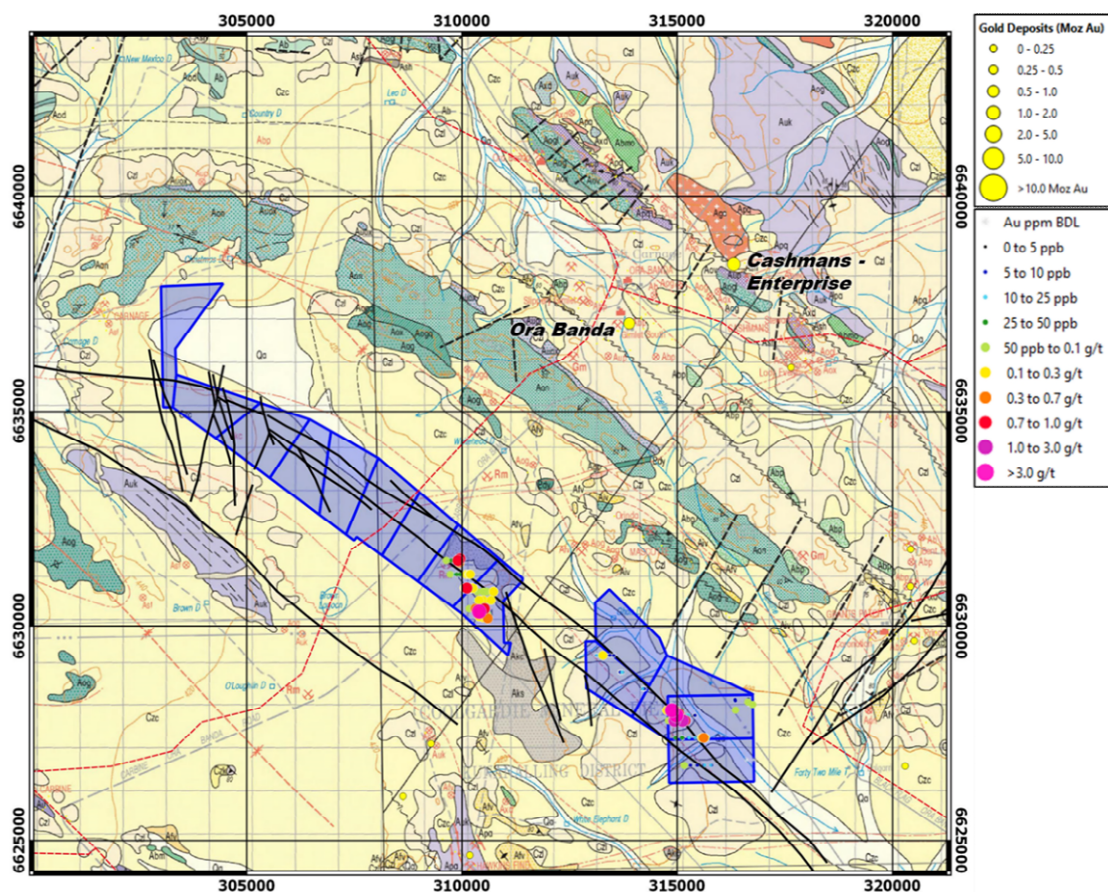


Figure 11 - Ora Banda South Project showing structural interpretation of the Carnage Shear Zone and associated minor shears.

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

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Carnavale's prospective tenement package, at 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 11).

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.

Mt Alexander Nickel Project

In December the Company completed 5 lines of moving loop EM traverses 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.

Going forward, further desktop studies will be required to determine next stages of this project.

New Opportunities

The Company continues to assess new opportunities for high demand metals, such as gold, 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

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.


CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors' report for the half-year ended 31 December 2020.

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



R Gajewski
Chairman
Perth

Dated this 5th day of March 2021

Competent Person's Statement

The scientific and technical information contained within this Report is based on, and fairly represents information prepared by Mr. Humphrey Hale, a Competent Person who is a member of The Australasian Institute of Geoscientists.

Mr. Hale is a Consultant to Carnavale and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Hale consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Information relating to Previous Disclosure

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 3 March 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 on 5 October 2020. The technical and financial information in this report that relates to the Mt Alexander Nickel Project has been previously reported by the Company in compliance with JORC 2012 in various releases between 5 December 2019 and 24 August 2020.

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. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market 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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Carnavale Resources Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Perth, Western Australia
5 March 2021

M R Ohm
Partner

hlb.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 AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2020

	Note	Consolidated 6 Months Ended 31 December 2020 \$	Consolidated 6 Months Ended 31 December 2019 \$
REVENUE			
Interest income	2	993	4,985
		<u>993</u>	<u>4,985</u>
EXPENSES			
Administrative expenses		(288,301)	(185,238)
Exploration expenditure impaired	3	-	(1,881,695)
Due diligence / project generation expenses		(11,877)	-
Foreign exchange loss / (gain)		9	(10,242)
Share - based payments expense	5	<u>(724,970)</u>	<u>(77,627)</u>
Loss before income tax		<u>(1,024,146)</u>	<u>(2,149,817)</u>
Income tax expense		-	-
Net loss for the period		<u>(1,024,146)</u>	<u>(2,149,817)</u>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		-	-
Other comprehensive loss for the period		<u>-</u>	<u>-</u>
Total comprehensive loss for the period		<u><u>(1,024,146)</u></u>	<u><u>(2,149,817)</u></u>
 Basic and diluted loss per share (cents per share)		 (0.06)	 (0.16)

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
Assets			
Current Assets			
Cash and cash equivalents		2,692,188	1,189,773
Receivables		111,680	25,413
Other assets		4,918	10,819
Total Current Assets		2,808,786	1,226,005
Non-Current Assets			
Exploration and evaluation expenditure	3	2,497,464	1,006,965
Other assets		20,000	20,000
Total Non-Current Assets		2,517,464	1,026,965
Total Assets		5,326,250	2,252,970
Liabilities			
Current Liabilities			
Trade and other payables		335,890	76,610
Total Current Liabilities		335,890	76,610
Total Liabilities		335,890	76,610
Net Assets		4,990,360	2,176,360
Equity			
Issued capital	4	34,426,036	31,154,097
Share-based payments reserve	5	2,315,434	1,749,227
Accumulated losses		(31,751,110)	(30,726,964)
Total Equity		4,990,360	2,176,360

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2020

Consolidated

	Issued Capital	Accumulated Losses	Share-Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2019	28,969,953	(28,371,224)	1,556,106	2,154,835
Loss attributable to members of the parent entity	-	(2,149,817)	-	(2,149,817)
Total comprehensive loss for the period	-	(2,149,817)	-	(2,149,817)
Shares issued during the year (net)	2,184,143	-	-	2,184,143
Fair value of performance rights issued	-	-	77,627	77,627
Balance at 31 December 2019	31,154,096	(30,521,041)	1,633,733	2,266,788

Consolidated

	Issued Capital	Accumulated Losses	Share-Based Payments Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2020	31,154,097	(30,726,964)	1,749,227	2,176,360
Loss attributable to members of the parent entity	-	(1,024,146)	-	(1,024,146)
Total comprehensive loss for the period	-	(1,024,146)	-	(1,024,146)
Shares issued during the year (net)	3,113,176	-	-	3,113,176
Fair value of performance rights and options issued	-	-	724,970	724,970
Fair value of performance rights converted	158,763	-	(158,763)	-
Balance at 31 December 2020	34,426,036	(31,751,110)	2,315,434	4,990,360

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2020

	Consolidated 6 Months Ended 31 December 2020 \$	Consolidated 6 Months Ended 31 December 2019 \$
Cash flows from operating activities		
Cash payments in the course of operations	(267,861)	(297,407)
Cash payments for due diligence and project generation expenses	(4,377)	-
Interest received	1,402	5,163
Other income	10,000	-
Net cash used in operating activities	(260,836)	(292,244)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(779,267)	(466,405)
Payments for acquisition of exploration properties	(208,916)	(30,000)
Net cash used in investing activities	(988,183)	(496,405)
Cash flows from financing activities		
Proceeds from issue of shares (net)	2,751,426	2,152,733
Net cash provided by financing activities	2,751,426	2,152,733
Net increase / (decrease) in cash held	1,502,407	1,364,084
Cash at the beginning of the reporting period	1,189,773	191,201
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	8	27
Cash at the end of the reporting period	2,692,188	1,555,312

The accompanying notes form part of these financial statements.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The interim consolidated financial statements were authorised for issue on 5 March 2021.

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Carnavale Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

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

Significant accounting judgements and key estimates

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

In preparing this interim report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2020.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards, except for the impact of the new Standards and Interpretations effective 1 July 2020 as disclosed below.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Going Concern

The interim consolidated 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.

Adoption of new and revised Standards

Standards and Interpretations applicable to 31 December 2020

In the half-year ended 31 December 2020, 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 reporting periods beginning on or after 1 July 2020. There is no material impact of the new and revised Standards and Interpretations on the Group.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all of the new and revised Standards and Interpretations on issue not yet adopted that are relevant to the Group and effective for the period ended 31 December 2020.

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

2. LOSS BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2020 \$	Consolidated 31 December 2019 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	993	4,985
Total	993	4,985
Expenses		
Impairment of capitalised exploration expenditure	-	(1,881,695)
Share based payments expense	(724,970)	(77,627)

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

3. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2020 (6 months) \$	Consolidated 30 June 2020 (12 months) \$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at 1 July	1,006,965	2,388,399
Acquisition costs – exploration licences	543,166	50,000
Expenditure incurred	947,333	450,261
Exploration expenditure impaired	-	(1,881,695)
Balance at end of period	2,497,464	1,006,965

The impairment of exploration expenditure in the prior period relates to carried forward expenditure in respect of relinquished tenements. 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.

4. ISSUED CAPITAL

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
(a) Issued and paid-up share capital		
2,042,230,303 (30 June 2020: 1,495,403,629) ordinary shares, fully paid	34,426,036	31,154,097
<i>Movements in Ordinary Shares:</i>		
	\$	\$
Balance at the beginning of the period	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 shares	-	2,227,212
Shares issued in December 2019 for acquisition of exploration licences – 10 million shares	-	20,000
Shares issued during period on conversion of performance rights – 99 million shares	158,763	-
Shares issued during the period on exercise of options – 395,326,674 shares	2,767,287	-

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

4. ISSUED CAPITAL - continued

	Consolidated 31 December 2020 \$	Consolidated 30 June 2020 \$
Shares issued in August 2020 as initial share consideration for the right to earn 80% of the Kookynie Gold Project - 37.5 million shares	206,250	-
Shares issued in August 2020 as facilitation fee in relation to the Kookynie Gold Project – 1.5 million shares	7,500	-
Shares issued in September 2020 for acquisition of exploration licence P40/1480 – 1.5 million shares	18,000	-
Shares issued in October 2020 as initial share consideration for the right to earn 80% of the Ora Banda Gold Project – 10 million shares	110,000	-
Shares issued in October 2020 for consultancy services relating to the Kookynie Gold Project – 2 million shares	20,000	-
Transaction costs arising from issue of securities	(15,861)	(63,068)
Balance at the end of the period	34,426,036	31,154,097

(b) Share options

Exercise Period	Exercise Price	Opening Balance 1 July 2020 Number	Options Issued Number	Options Exercised/ Expired Number	Closing Balance 31 December 2020 Number
On or before 30 September 2020 ¹	\$0.007	408,702,011	-	(408,702,011)	-
On or before 31 July 2022 ²	\$0.01	-	15,000,000	-	15,000,000
On or before 31 July 2022 ²	\$0.015	-	15,000,000	-	15,000,000
On or before 30 November 2022 ³	\$0.012	-	7,000,000	-	7,000,000
On or before 30 November 2023 ⁴	\$0.012	-	70,000,000	-	70,000,000
Total		408,702,011	107,000,000	(408,702,011)	107,000,000

- 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.
- In July 2020, the Company issued 30 million unlisted options (15 million exercisable at \$0.01 each and 15 million exercisable at \$0.015 each), expiring on 31 July 2022 to technical consultants.
- In November 2020, the Company issued 7 million unlisted options, exercisable at \$0.01 each expiring on 30 November 2022 to a technical consultant.
- 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).

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

4. ISSUED CAPITAL - continued

(b) Share options - continued

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	1.5 cents	0.55 cents	164%	0.25%	-
30 Nov 2020	30 Nov 2022	0.67 cents	1.2 cents	0.9 cents	173%	0.10%	-
30 Nov 2020	30 Nov 2022	0.71 cents	1.2 cents	0.9 cents	152%	0.10%	-

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.

(c) Performance rights

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

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 noted above. The performance rights were approved by shareholders at the 2019 Annual General Meeting.

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

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

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

5. 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 31 December 2020 \$	Consolidated 30 June 2020 \$
Share-based payments reserve	2,315,434	1,749,227
<i>Movements in share-based payments reserve</i>		
Opening balance	1,749,227	1,556,106
Fair value of performance rights issued to directors, company secretary and technical consultant	116,763	193,121
Fair value of options issued to directors, company secretary and technical consultants	608,207	-
Shares issued on conversion of performance rights by technical consultant	(158,763)	-
Balance at the end of the period	2,315,434	1,749,227

6. COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in the commitments and contingent liabilities since the last annual reporting date other than the following:

- 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 \$40,920. Under the terms of the agreement, the Company may explore the tenement area and may elect to acquire 80% of the tenement by 28 July 2021 by a payment of \$250,000 and issue 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 covering approximately 6km², located only 60km south of Leonora Project and in order to maintain current contractual rights, the Group must spend \$6,560 to meet minimum lease expenditure commitments; and
- 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. The Company must undertake either a surface geochemical program or drilling program on P16/3000 and P16/3001 prior to April 2021 and either a surface geochemical program or drilling program on P16/3077, P16/3081 and P16/3082 prior to June 2022. 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..

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

7. EVENTS OCCURRING SUBSEQUENT TO BALANCE DATE

No other matters or circumstances have arisen since 31 December 2020 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

8. SEGMENT REPORTING

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

	Investing	Mineral	Elimination	Consolidated
	\$	Exploration	s	\$
	\$	\$	\$	\$
31 December 2020				
Business segments				
Revenue				
Other external revenue	993	-	-	993
Total segment revenue	993	-	-	993
Results				
Operating loss before income tax	(1,010,635)	(13,495)	(16)	(1,024,146)
Income tax expense				-
Net loss				(1,024,146)
31 December 2020				
Assets				
Segment assets	2,828,786	2,497,464	-	5,326,250
Liabilities				
Segment liabilities	53,727	282,163	-	335,890
	Investing	Mineral	Elimination	Consolidated
	\$	Exploration	s	\$
	\$	\$	\$	\$
31 December 2019				
Business segments				
Revenue				
Other external revenue	4,985	-	-	4,985
Total segment revenue	4,985	-	-	4,985
Results				
Operating loss before income tax	(267,457)	(1,882,360)	-	(2,149,817)
Income tax expense				-
Net loss				(2,149,817)
31 December 2019				
Assets				
Segment assets	1,598,260	758,786	-	2,357,046
Liabilities				
Segment liabilities	90,258	-	-	90,258

9. FINANCIAL INSTRUMENTS

The method and valuation techniques used for the purpose of measuring values are unchanged compared to the previous reporting period.

The carrying amount of the current receivables and current payables are considered to be a reasonable approximation of their fair value.

CARNAVALE RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2020

In the opinion of the directors:

- (a) the financial statements and notes of the Group, as set out on pages 16 to 26, are in accordance with the Corporations Act 2001 including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year then ended; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



R Gajewski
Chairman

Dated at Perth this 5th day of March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Carnavale Resources Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Carnavale Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
5 March 2021



M R Ohm
Partner