carnavale resources ltd

ABN 49 119 450 243

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

CARNAVALE RESOURCES LIMITED
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CARNAVALE RESOURCES LIMITED
CORPORATE DIRECTORY

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COMPANY SECRETARY	Paul Jurman
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ASX CODE	CAV CAVOA

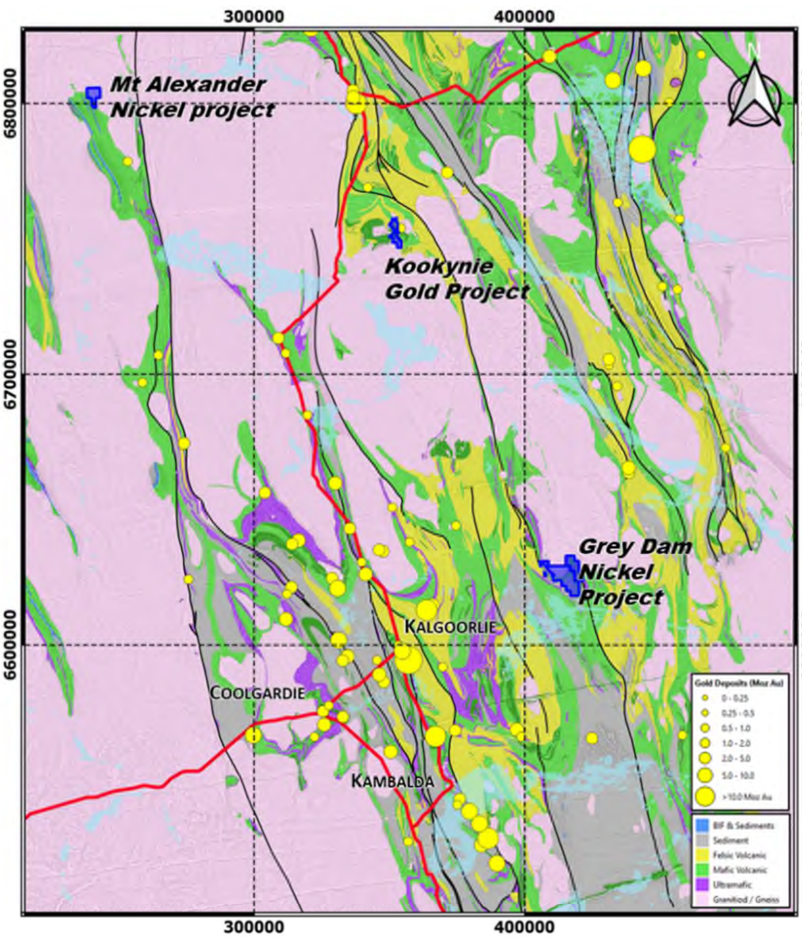
Introduction

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

The Company is currently exploring and advancing the Grey Dam Nickel Project, located 74km east of Kalgoorlie, Western Australia and during the period secured the right to acquire up to 80% of the Mt Alexander Nickel Project, which covers approximately 24km^2 of the prospective granite greenstone belt that hosts the Cathedrals Ni-Cu-Co-PGE project, owned by St George Mining Limited.

Post 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.

Figure 1 Location Plan - Grey Dam Nickel Project, Mt Alexander Nickel Project and Kookynie Gold Project



Management boosted for success

To advance the technical development of Carnavale's projects, the Company is pleased to have secured the services of Exploration consultants, Mr Allan Kneeshaw and Mr Humphrey Hale.

Mr Kneeshaw was commissioned in October 2019 to review the Company's exploration projects, focussing on the prospectivity for nickel sulphide mineralisation across Grey Dam and Mt Alexander. In addition, Mr Kneeshaw has been instrumental in the review process of new projects for Carnavale, including the high-grade Kookynie Gold Project.

After the reporting period, Carnavale appointed Mr Humphrey Hale as consultant to assist in managing the exploration activities. Mr Hale's role is to drive success at Carnavale's projects and review possible future opportunities for the Company.

Mr Hale is well known to the Carnavale team having worked alongside both Mr Kneeshaw and Mr Beckwith at AngloGold Ashanti (AGA) whilst managing the substantial drill out for the underground Feasibility Study at Sunrise Dam Gold Mine.

Mr Hale was also 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 initial review to construction.

Subsequently, Mr Hale was a Director at ASX listed Infinity Minerals Limited (formerly Plymouth Minerals Limited) and worked as a consultant to several ASX listed and unlisted junior exploration companies including Liontown Resources Limited, Chalice Gold Mines Limited and Erinbar Limited.

Grey Dam Ni-Co Project, WA, Australia

(Carnavale 100% of M28/378 and E28/1477 and option to acquire 80% of E28/2587, E28/2567, E28/2682, E28/2760 and E28/2506)

In late June 2019, Carnavale secured the rights to earn 80% in the adjoining tenement E28/2587 to the Grey Dam project from Simon Buswell-Smith and in November 2019 also secured the right to acquire up to 80% of the adjacent tenement portfolio held by Mithril Resources Limited (ASX: MTH or Mithril) (E28/2567, E28/2682, E28/2760, and E28/2506). The Grey Dam Nickel Project is in the Kurnalpi region approximately 80km east of Kalgoorlie, Western Australia. These acquisitions significantly increased the Company's overall footprint at the Grey Dam Nickel Project.

The expanded Grey Dam Nickel Project now covers 108km^2 of prospective and contiguous tenure and 30km of bedrock ultramafic/mafic sequences prospective for Nickel Sulphide (NiS) style mineralisation (Figure 1).

The Grey Dam Nickel Project hosts a near surface laterite resource and is also considered prospective for high value Ni-Cu sulphide style mineralisation. The Company previously completed exploration activities focussed on testing the two folded prospective ultramafic sequences for nickel-cobalt mineralisation. Drilling in the nose of the fold closure resulted in a shallow laterite nickel-cobalt resource (14.6Mt @ 0.75% Ni and 0.049% Co JORC 2012). Whilst this exploration was successful, Carnavale believes that high value nickel sulphide can also be discovered at the Project.

Carnavale is currently focussed on discovering Kambalda style, nickel sulphide mineralisation associated with the ultramafic mafic sequences at the Grey Dam Nickel Project. The Project covers two ultramafic/mafic sequences prospective for nickel sulphide (NiS), komatiite hosted mineralisation, similar to the nearby Black Swan and Silver Swan Ni Mines, located 50km to the west (Figure 2) and at Wellington, Acra, Pinnacles and Wyo Well resource areas.

The host sequence at Black Swan is considered comparable to the two host sequences (A and B) at the Grey Dam Project (Figure 3). The large Bulong nickel and cobalt deposit is also evident of the shallow laterite style of deposit in the region and is a direct comparison of the Grey Dam laterite Ni-Co resource and provides longer term exploration potential.

A detailed review of all previous exploration within the Grey Dam tenement package has been completed and defines two prospective ultramafic sequences that have demonstrated evidence of Ni sulphide mineralisation along strike and existing anomalous exploration targets highlighted.

The Company commissioned a fixed loop EM (FLEM) geophysical survey to test these areas of coincident copper, nickel, and platinum mineralisation. The survey outlined many strong conductors plus additional minor conductors, separate from the Ni-Co laterite resource (Figure 3). The EM survey areas defined direct drill targets. Data collection of the ground EM grids was completed by Vortex Geophysics and processing/modelling was finalised with geophysical consultants, Resource Potentials.

Whilst conducting the FLEM survey an additional area was identified, that highlighted conductivity, adjacent to and outside the planned survey area. The FLEM survey was extended to include this new anomaly. This extension to the survey identified a strong conductor (Target 3) that will be drill tested in the forthcoming diamond drilling campaign.

Figure 2 Regional setting of Carnavale's Grey Dam Project (Blue) and new tenement area (Black)

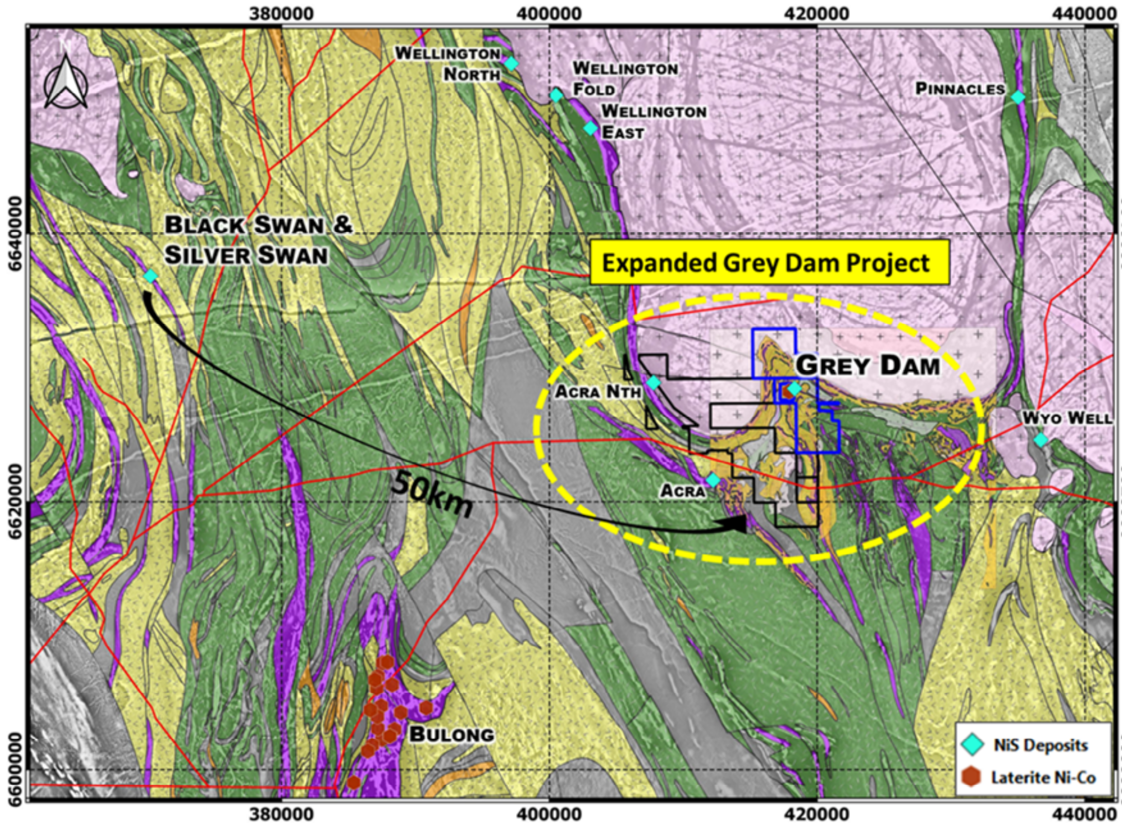
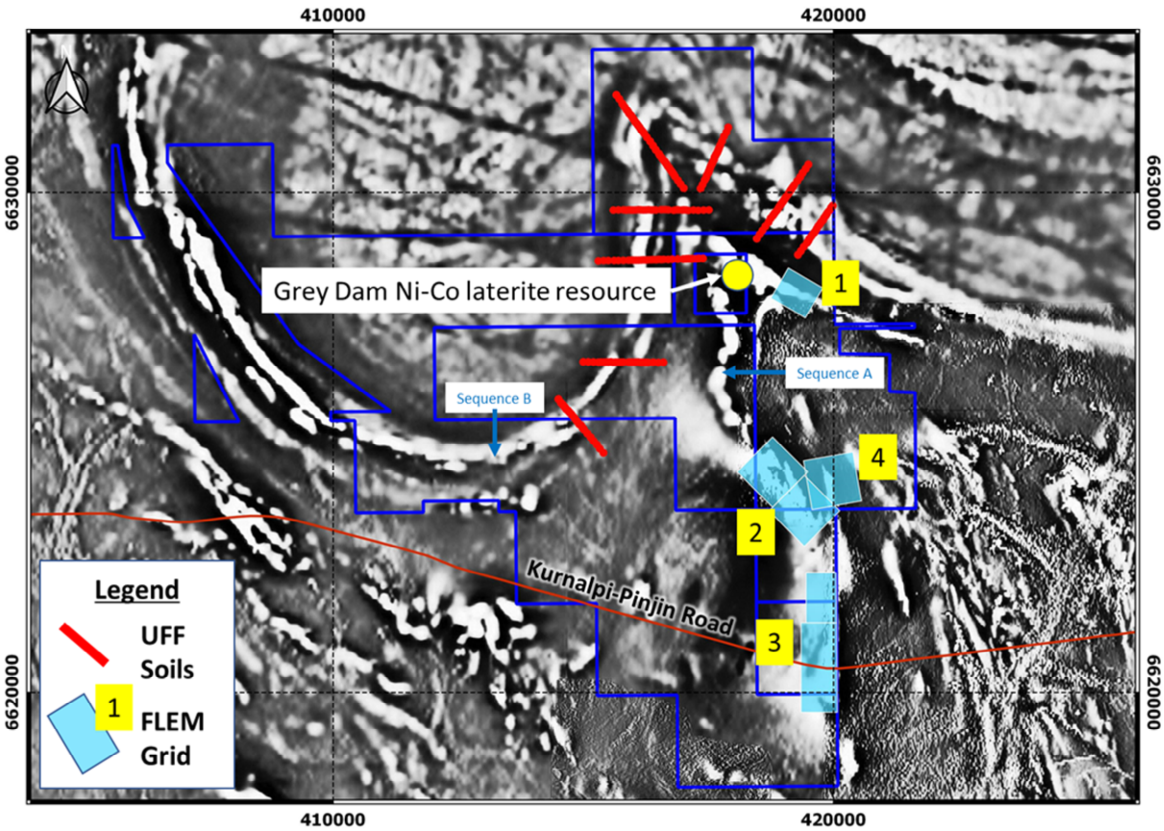


Figure 3 Grey Dam Project showing EM targets and reconnaissance UFF soil traverses



The FLEM survey defined 4 very strong, high-priority conductors (i.e. Targets 1 to 4 up to 5000 siemens conductance) plus a number of lesser conductors (Figure 4).

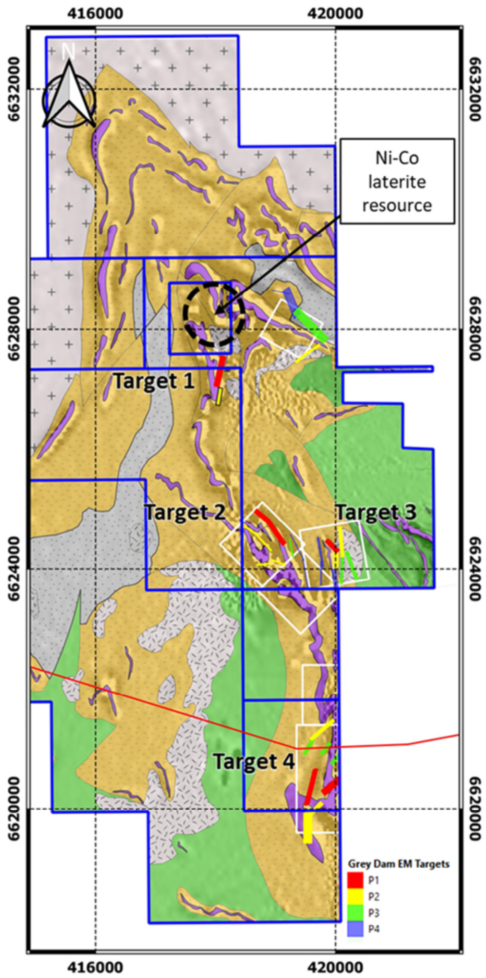
As previously noted, past exploration over the prospective Ni Sequence B is limited (Figure 3). This sequence is known to host other sulphide style mineralisation along strike and external to the project area. Reconnaissance ultrafine fraction (UFF) soil sampling has been completed along 8 regional traverses where interpreted shallow bedrock is expected.

The UFF soil samples have been submitted to the laboratory and the Company has finalised a research agreement with CSIRO to use this sampling data as part of a larger collaborative research study on the application of the innovative UFF soil sampling techniques to detect Ni sulphide mineralisation. Results of all UFF soil sampling remain pending at the end of the period.

Subsequent to the end of the financial year, Carnavale commenced a program of 1,500m of RC and diamond drilling, targeting nickel sulphide mineralisation. The drilling program has been designed to test the strongest conductors identified by the recent fixed loop electro-magnetic (FLEM) geophysical survey, at the Grey Dam Nickel Project. It is anticipated the program will be completed in October 2020.

Subject to positive drilling results, additional surface EM surveys would be planned to test strike extensions of the ultramafic sequence that occur between Target 1 and 2 (Figure 4).

Figure 4 EM targets and geology (priority one - red conductors)



Acquisition terms

As detailed above, Carnavale secured an option to earn 80% of the prospective tenement package (E28/2567, E28/2682, E28/2760, and E28/2506) as outlined in the previous ASX release "Carnavale expands Nickel Sulphide potential at Grey Dam, WA" dated 11 November 2019, on the following terms:

- Upon signing of the agreement Carnavale paid a non-refundable Option Fee of $20,000.
- Carnavale has a three (3) year period (Option Period) from signing the agreement during which Carnavale has the sole right to explore the tenements at its sole cost and risk.
- Carnavale has the right to withdraw from the agreement at any time by providing 30 business days written notice and leaving the tenements in good standing.
- Carnavale may elect to acquire 80% of the tenements by payment of $250,000 to Mithril within 14 business days anytime within the Option Period.
- 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, based on the following key terms and conditions:
    - The initial interest of the parties shall be Carnavale 80% and Mithril 20%.
    - The parties are required to contribute to expenditure on a pro rata basis.
    - Carnavale shall be the initial joint venture manager.
    - Standard management and pre-emptive rights terms.

Mt Alexander (Ni-Cu-Co-PGE) Project, Australia

(Option to acquire 80% of E29/960, E29/961 and P29/2356)

During the period, Carnavale secured the right to acquire up to 80% of the Mt Alexander 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 (Figure 5) (ASX release "New Mt Alexander Nickel Sulphide Project, WA" dated 5 December 2019).

At St George Mining's Cathedral, the massive nickel-copper-cobalt-PGE (platinum group elements) mineralisation is high-grade and hosted by mafic intrusions within the poorly explored granite-greenstone belt. The intrusions have been emplaced along ENE trending structures and represents a new style of mineralisation in the region. Early low-cost exploration activities, using a combination of mapping and surface rock chip sampling followed by EM geophysical surveys, has been highly successful in delineating direct drill targets along the Cathedrals Trend (Figure 6).

Carnavale has interpreted a series of similar ENE trending structures through the project area and review of previous exploration data indicates very limited exploration has tested these targets. Very limited outcrop occurs throughout the project area and the Company has undertaken low cost UFF soils sampling as a technique to assess the potential for Ni sulphide mineralisation in bedrock.

The UFF soil program comprised 10 north-south traverses on 500m spaced lines across the entire Project area for a total of 505 samples taken at 50m to 100m intervals along the lines (Figure 5). The sampling was designed to provide the best coverage and resolution to the ENE target structures, similar to those that host the nickel-copper-cobalt-platinum mineralisation discovered by St George Mining Limited to the immediate north.

The UFF soil geochemistry is designed to provide explorers with a very sensitive method to look beneath the thin transported cover. This information is also complimented with mapping and Sentinel satellite imagery to create a detailed combined regolith and geology map (Figure 5). This data and detailed interpretation shows that most of the tenement package is covered by thin transported material with granite bedrock and ENE trending mafic intrusions similar to the Cathedrals trend (Figure 6).

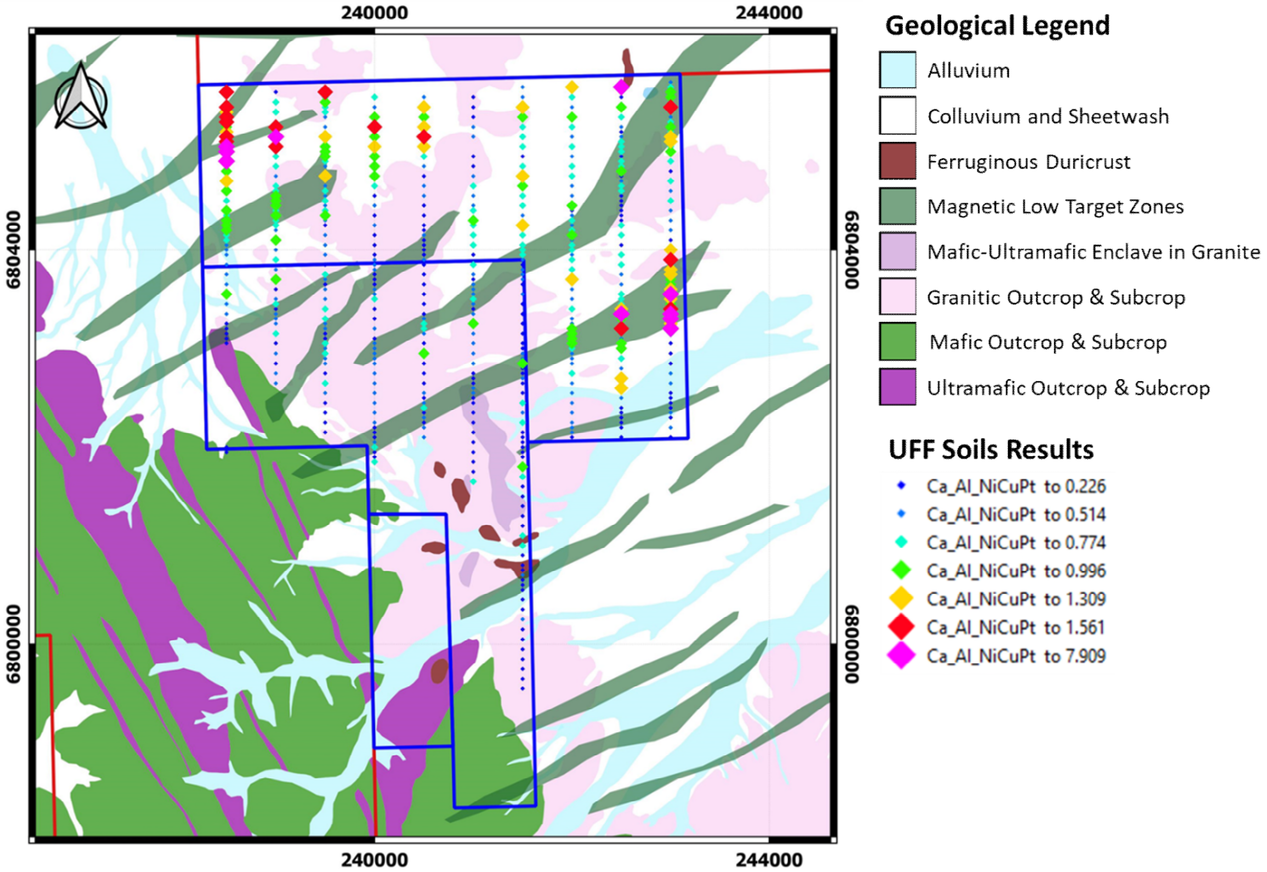
Results from the UFF soil program were received after the reporting period. The UFF soil data has been integrated and domained to the regolith. The data was levelled against calcium content to help domain the results with regard to the regolith and geology. The combined Additive Index, results from the levelled soil data. The UFF soil data has successfully defined multiple, discrete anomalous areas in multiple elements, with long strike lengths, that show strong correlation with he interpreted target domains within ENE trending structures.

The data shows overlapping geochemical signatures in platinum, copper and nickel which flags the potential prospectivity for Ni-Cu-Co-PGE sulphide rich mineralisation beneath the transported cover. The results highlight a strong soil response in the north and west and in the central east of the Project area which are aligned with the interpreted ENE trending structures. The soil anomalies are extensive, defining a strike length in excess of 3km in the northwest zone and over 1.5km of strike length at the eastern zone.

Programs going forward

Carnavale is planning to follow up the newly defined UFF soil targets with ground EM surveys aiming to define direct drilling targets. The EM surveys will be targeting nickel-copper-cobalt-platinum sulphide rich mineralisation similar to the Cathedrals trend immediately to the north.

Figure 5 Data has been Ca-Normalised. Data shown as additive Index (Ni, Cu & Pt)



Acquisition terms

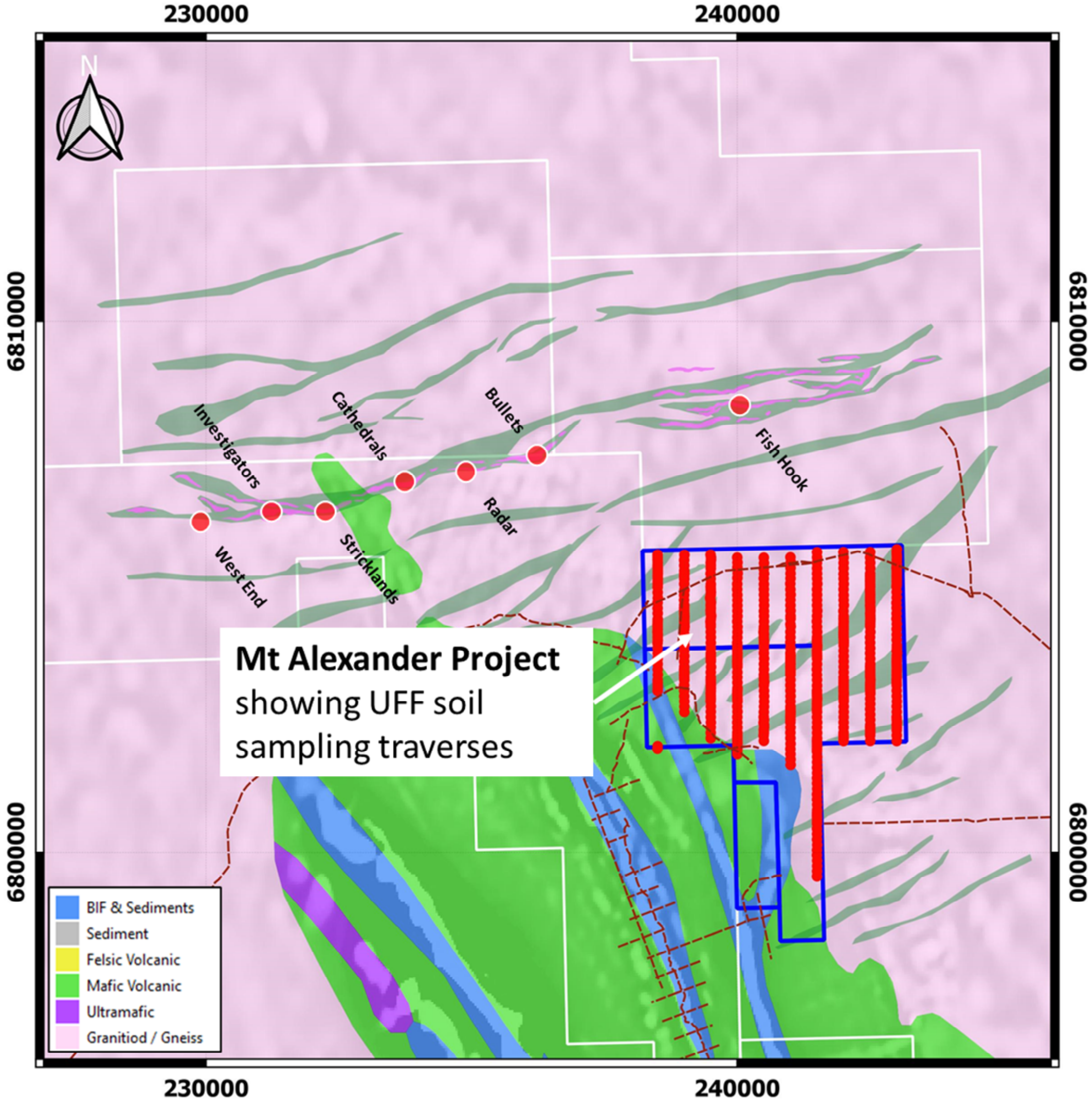
The terms of the Option Agreement to acquire an 80% interest in E29/960, E29/961 and P29/2356 are summarised below:

- Carnavale paid a non-refundable Option Fee comprising $10,000 cash and issued the vendor 10 million fully paid shares in Carnavale.
- Carnavale has a four (4) year period (Option Period) from signing the Agreement during which Carnavale has the sole right to explore the tenements at its sole cost and risk and maintain the tenements in good standing during the Option Period.
- Carnavale has the right to withdraw from the Agreement at any time by providing 30 business days written notice and leaving the tenements in good standing.

- Carnavale may at any time during the Option Period elect to acquire 80% of the tenements by written notice (Option Exercise Notice) and payment of $250,000 in cash or fully paid Carnavale shares at Carnavale's election. The calculation for the quantum of shares will be based on the 10 trading days VWAP of CAV shares preceding the date of Option Exercise Notice.
- Upon receipt of the Option Exercise Notice, the vendor will have 30 days to elect to either
  - retain 20% equity in the tenements on a pro rata contributing Joint Venture basis; or
  - transfer the remaining 20% equity in the tenements to Carnavale in exchange for the grant of a 1% Net Smelter Royalty on the tenements.

Carnavale retains a first right of refusal to acquire the Royalty for $750,000.

Figure 6 Mt Alexander Project showing proximity to the Cathedrals Ni Sulphide Trend, interpreted ENE trends and soil sampling traverses



Kikagati Tin Project, Southern Uganda

The Company withdrew from the Kikagati Tin Project having reviewed the drilling data in detail and considered the highly nuggetty nature of the mineralisation and specific structural controls on mineralisation would make it difficult to define a JORC compliant resource capable of supporting a large scale, economic development.

Business Development

The Company continues to actively evaluate new projects ranging from early greenfields exploration to advanced near-term resource potential with a primary focus on Tin, Lithium, Cobalt, Silver, Nickel, Gold and Copper in prospective geological regions.

Corporate

Capital Raisings and Share issues

In July 2019, Carnavale completed a non-renounceable entitlement issue to existing shareholders on the basis of one share for every one share held at the record date at an issue price of $0.003 per share together with one free attaching option for every 2 shares issued (exercisable at $0.007 on or before 30 September 2020) ("Rights Issue"). The Rights Issue closed on 19 July 2019 and shareholders subscribed for 389,827,255 shares and 194,913,609 options raising $1.169 million. In August 2019, under the terms of the Rights Issue, the Company placed the majority of the Shortfall Securities raising a further $1.058 million through the issue of 352,576,814 shares and 176,288,402 options.

The funds raised were applied towards ongoing exploration activities at the Company's Kikagati Tin Project in Uganda, Grey Dam Project in Western Australia and for working capital.

In July 2019, the Company issued 37.5 million options (exercisable at $0.007 on or before 30 September 2020) to sophisticated and professional investors who participated in a placement in May 2019 for 75 million fully paid shares at an issue price of $0.003 each.

In September 2019, the Company announced the appointment of Mr. Klaus Eckhof as a Corporate and Technical Advisor and agreed to issue Mr Eckhof a total of 99 million performance rights with an expiry date of 31 December 2020. Tranche 1, 2 and 3 performance rights (each tranche comprising 33 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least $0.007, $0.009 and $0.011 respectively over a consecutive 15 trading days.

In December 2019, the Company paid $10,000 cash and issued 10 million shares in Carnavale as partial consideration for the right to acquire up to 80% of the Mt Alexander Project.

Information relating to Previous Disclosure

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

- Carnavale expands Nickel Sulphide potential at Grey Dam, WA dated 11 Nov 2019.
- MTH, New Exploration partner for the Kurnalpi Project, dated 11 Nov 2019.
- New Mt Alexander Nickel Sulphide Project, WA dated 5 Dec 2019.
- Strong EM conductors defined at Grey Dam dated 3 Jun 2020.
- Grey Dam Ni-Co Mineral Resource Update dated 26 February 2019.

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

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 2020 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
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
Managing Director – to 30 June 2020, Technical Director from 1 July 2020
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 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 2.2Moz, and the recent discovery of the large Hemi 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	-
Syrah Resources Limited	12 June 2013	31 December 2017

COMPANY SECRETARY

Paul Jurman, BCom, CPA
Appointed 22 November 2006

Mr Jurman is a Certified Practising Accountant with over 10 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:

Name	*Ordinary shares*	*Listed Options*	*Performance Rights*
R Gajewski	120,728,409	-	15,000,000
A Beckwith	31,361,370	2,000,000	15,000,000
R Brans	4,000,000	1,000,000	3,000,000

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 2020 was $2,355,740 (2019: $479,919). 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 0.17 cents (30 June 2019: 0.07 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 2020 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 refocussed 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 2020/21 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.

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 cobalt, nickel, tin, gold, 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.

- In August 2020, the Company signed an exclusive and binding Option Agreement with Western Resources Pty Ltd, a West Australian private company, to acquire 80% of the high-grade Kookynie Gold Project ("KGP", "Project"). Following completion of the due diligence period, the Company paid an option fee of $100,000 cash and issued 37.5 million ordinary shares to Western Resources Pty Ltd. The Company also issued 1.5 million shares to Gold Geological Consulting Pty Ltd as a fee for facilitating the agreement for the Project.
- In September 2020, the Company issued 33 million shares to Mr Klaus Eckhof arising from the conversion of 33 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 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.
- Subsequent to year-end and prior to the date of this report, the Company has allotted 141,334,145 ordinary fully paid shares following the exercise of 141,334,145 CAVOA listed options exercisable at $0.007 raising $989,339.

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 2020 were:

Name	***Eligible to attend***	***Attended***
R Gajewski	2	2
A Beckwith	2	2
R Brans	2	2

There were 2 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.

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

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 Executive Directors, in consultation with independent advisors, determine payments to the non-executive directors and review their remuneration annually, based on market practice, duties and accountability. 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.

Voting and comments made at the Company's 2019 Annual General Meeting (AGM) – At the 2019 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of specified key management personnel (KMP)

Directors		
R Gajewski	Executive Chairman	Appointed 18 October 2006
A Beckwith	Managing Director	From 29 July 2014 – 30 June 2020
	Technical Director	From 1 July 2020
R Brans	Non-Executive Director	Appointed 17 September 2013

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.

With effect from 1 July 2017, Mr Gajewski's remuneration arrangement was subject to a consulting fee of $3,000 per month (plus GST) for his role as a part-time executive Chairman. Mr Gajewski is entitled to charge consulting fees for services over and above his role as part-time executive Chairman as agreed by the Board.

Effective from 1 December 2015, Mr Beckwith reverted to a monthly director fee of $2,000 per month (plus GST). Mr Beckwith is entitled to charge consulting fees for services over and above his role as part-time Managing Director / Technical Director as agreed by the Board.

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 of KMP:

Remuneration for the year ended 30 June 2020

	Short-term benefits		**Post-employment**	**Equity-based compensation**	**Total**	**Proportion related to performance**
	Directors' fees	**Consulting fees**	**Superannuation**			
	$	**$**	**$**	**$**	**$**	**%**
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	

Remuneration for the year ended 30 June 2019

	Short-term benefits		**Post-employment**	**Equity-based compensation**	**Total**	**Proportion related to performance**
	Directors' fees	**Consulting fees**	**Superannuation**			
	$	**$**	**$**	**$**	**$**	**%**
Directors						
R Gajewski	36,000	12,000	-	38,811	86,811	44.7
A Beckwith	24,000	58,140	-	38,811	120,951	32.1
R Brans	24,000	-	2,280	7,762	34,042	22.8
Total	84,000	70,140	2,280	85,384	241,804	

Accounting, secretarial and corporate service fees of $55,811 (2019: $70,402) and rental fees of $30,000 (2019: $30,000) were paid or payable during the year ended 30 June 2020 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 2020

The Company has not granted any options during 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 2020

The Company has not granted any performance rights during 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 2019

	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	$41,787	30 June 2021
A Beckwith	10 August 2018	15,000,000	-	$0.0082	$41,787	30 June 2021
R Brans	10 August 2018	3,000,000	-	$0.0082	$8,358	30 June 2021

In August 2018, the Company issued a total of 36 million performance rights with an expiry date of 30 June 2021 as part of the remuneration packages of the Board and the Company Secretary, pursuant to shareholder approval received on 26 July 2018. Tranche 1, 2 and 3 performance rights (each tranche comprising 12 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least $0.03, $0.04 and $0.05 respectively over a consecutive 10 trading days. Refer to note 13 (d) for details of the valuation of these performance rights. The value of these performance rights is being brought to account over the vesting period.

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 2020

	Balance at 1 July 2019	Granted as remuneration	Net other change (i)	Balance at 30 June 2020
Directors				
R Gajewski	48,291,364	-	48,291,364	96,582,728
A Beckwith	26,661,370	-	4,700,000	31,361,370
R Brans	2,000,000	-	2,000,000	4,000,000
Total	76,952,734	-	54,991,364	131,944,098

(i) In July 2019, the Company completed a Rights Issue to existing shareholders based on one share for every one share held at the record date at an issue price of $0.003 per share together with one free attaching option for every 2 shares issued (exercisable at $0.007 on or before 30 September 2020). Mr Gajewski and Mr Brans subscribed for their entitlement in full and Mr Beckwith subscribed for 4,000,000 shares. In September 2019, Mr Beckwith received 700,000 Shares which were distributed as part proceeds of Mr Beckwith's father's deceased estate.

Option holdings of key management personnel

Year ended 30 June 2020

	Balance at 1 July 2019	Granted as remuneration	Net other change (i)	Net other change (ii)	Balance at 30 June 2020
Directors					
R Gajewski	13,000,000	-	(13,000,000)	24,145,681	24,145,681
A Beckwith	4,000,000	-	(4,000,000)	2,000,000	2,000,000
R Brans	1,000,000	-	(1,000,000)	1,000,000	1,000,000
Total	18,000,000	-	(18,000,000)	27,145,681	27,145,681

(i) The options expired unexercised.
(ii) Refer to (i) above under Shareholdings of key management personnel.

Performance Rights holdings of key management personnel

Year ended 30 June 2020

	Balance at 1 July 2019	Granted as remuneration	Net other change	Balance at 30 June 2020
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

Refer above for details of Performance Rights granted as part of remuneration for the year ended 30 June 2019.

End of Remuneration report

SHARE OPTIONS AND PERFORMANCE RIGHTS

As at the date of this report, there are 267,367,866 Listed Options, 30,000,000 Unlisted Options and 102,000,000 performance rights on issue.

	Number	Exercise Price (cents)	Expiry Date
Listed Options (CAVOA)	267,367,866	0.7	30 September 2020
Unlisted Options	15,000,000	1.0	31 July 2022
Unlisted Options	15,000,000	1.5	31 July 2022
Performance Rights	66,000,000	-	31 December 2020
Performance Rights	36,000,000	-	30 June 2021

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 and performance rights as follows:

- In July 2019, the Company allotted 37,500,000 free attaching options to sophisticated and professional investors who participated in the May 2019 placement of 75,000,000 fully paid shares at an issue price of $0.003 each to raise $225,000; and
- In July and August 2019, the Company completed a non-renounceable entitlement issue to shareholders on the basis of one share for every one share held at an issue price of $0.003 per share together with one free attaching option exercisable at $0.007 each and an expiry date of 30 September 2020 for every 2 shares issued. 194,913,609 options were allotted in July 2019 and a further 176,288,402 options were allotted in August 2019 following placement of the Shortfall Securities.
- In September 2019, the Company appointed Mr. Klaus Eckhof as a Corporate and Technical Advisor and agreed to issue Mr Eckhof a total of 99 million performance rights with an expiry date of 31 December 2020. Tranche 1, 2 and 3 performance rights (each tranche comprising 33 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least $0.007, $0.009 and $0.011 respectively over a consecutive 15 trading days. 33,333,333 performance rights were issued on 6 September 2019 and 66,666,667 were issued on 22 November 2019, following receipt of shareholder approval.

Options issued after 30 June 2020 and up to the date of this report were as follows:

- In August 2020 the Company issued a total of 15,000,000 Unlisted Options exercisable at $0.01 on or before 31 July 2022 and 15,000,000 Unlisted 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.

Subsequent to year-end and prior to the date of this report, the Company has issued 141,334,145 ordinary fully paid shares following the exercise of 141,334,145 CAVOA listed options exercisable at $0.007 raising $989,339.

Subsequent to year-end and prior to the date of this report, the Company has issued 33,000,000 ordinary shares to Mr Eckhof on vesting of 33,000,000 performance rights with an expiry date of 31 December 2020.

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 $9,082 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and forms part of the directors' report and can be found on page 29 of the annual report.

NON - AUDIT SERVICES

There have been no non-audit services provided by the Group's auditor during the year (2019: Nil).

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.

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RON GAJEWSKI
Chairman

Dated this 22nd day of September 2020.
Perth, Western Australia

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company 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 in their Annual Report the extent to which they have complied with the ASX Best Practice Recommendations of the ASX Corporate Governance Council in the reporting period. A description of the Company's main corporate governance practices is set out below. The Corporate Governance Statement is current as at 30 June 2020 and has been approved by the Board of Directors. All these practices, unless otherwise stated, were in place for the entire year. They comply with the ASX *Corporate Governance Principles and Recommendations (3rd edition).*

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

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1:
Companies should disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the Board and those delegated to management and disclose those functions.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of the senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In performing its role, the Board's specific responsibilities include:

- endorsement of the strategic direction for Carnavale's business strategies and objectives;
- approving policies covering the management of business risks, safety and occupational health, community and environmental issues;
- monitoring Carnavale's operational and financial position and performance;
- identifying the principal risks faced by Carnavale and ensuring that appropriate control and monitoring systems are in place to manage the impact of these risks;
- ensuring that Carnavale's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- approving processes, procedures and systems to ensure that financial results are appropriately and accurately reported on a timely basis;
- ensuring that shareholders and the financial market as a whole are fully informed of all material developments in relation to Carnavale and its businesses;
- appointing and, where appropriate, removing the Managing Director, approving other key executive appointments including the Company Secretary, and planning for executive succession;
- overseeing and evaluating the performance of the Managing Director and other senior executives in the context of Carnavale's strategies and objectives;
- ensuring processes and procedures are in place for evaluating the performance of the Board and each Director;
- reviewing and approving executive remuneration and general salary and bonus policy;
- approving Carnavale's budgets and business plans and monitoring the progress of major capital expenditures, capital management, acquisitions and divestitures;
- reviewing and approving Carnavale's internal compliance and control systems and codes of conduct;
- approving processes, procedures and systems to ensure Carnavale's compliance with all laws, governmental regulations and accounting standards; and
- approving processes, procedures and systems to ensure that Carnavale conducts its business openly and ethically in accordance with the Company's code of conduct.

The Managing Director (MD) is responsible for the attainment of the Company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. From 1 July 2020, the responsibility for the day-to-day operation and administration of the Company was delegated by the Board to the Executive Chairman.

The MD's specific responsibilities included:

- Responsibility for the achievement of corporate goals and objectives;
- Development of short, medium and long term corporate strategies and planning to achieve the Company's vision and overall business objectives;
- Implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- Advise the Board regarding the most effective organisational structure and oversee its implementation;
- Assessment of business opportunities of potential benefit to the Company;
- Establish and maintain effective and positive relationships with Board members, shareholders, the investment community and other government and business liaisons;
- Undertake the role of key company spokesperson;
- Recommend policies to the Board in relation to a range of organisational issues including delegations of authority, consultancies and performance incentives;
- Ensure statutory, legal and regulatory compliance and comply with corporate policies and standards;
- Ensure appropriate risk management practices and policies are in place; and
- Select and appoint staff.

This statement of matters reserved for the Board and areas of delegated authority to the MD is contained in the Board Charter posted on the Company's website.

Recommendation 1.2:
Companies should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company undertakes checks on any person who is being considered as a director. These checks may include character, experience, education and financial history and background.

All security holder releases will contain material information about any candidate to enable an informed decision to be made on whether or not to elect or re-elect a director.

Recommendation 1.3:
Companies should have a written agreement with each director and senior executive setting out the terms of their appointment.

Mr Beckwith has a formal employment contract and the non-executive directors have a letter of appointment including a director's interest agreement with respect to disclosure of security interests.

Recommendation 1.4:
The Company Secretary should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company Secretary has a direct reporting line to the Board, through the Chair.

Recommendation 1.5:
The Company should establish a policy concerning diversity and disclose the policy or summary of the policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage. The Company is committed to developing a workplace that promotes diversity. The Company's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race gender, religious beliefs, sexuality, physical ability or cultural background. The Company has not yet formalised this policy into a written document. It is the Board's intention to formalise the policy at a time when the size of the Company and its activities warrants such a structure.

The Company has three staff (comprising the three directors), none of whom are women. There are no women in senior executive positions or on the board.

Recommendation 1.6:
The Company should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Due to the size of the Board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individuals. The Chairman conducted an informal review during the financial year whereby the performance of the Board as a whole and the individual contributions of each director were discussed. The board considers that at this stage of the Company's development an informal process is appropriate.

Recommendation 1.7:
The Company should have and disclose a process for periodically evaluating the performance of senior executives and whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board undertakes a review of the MD / TD's performance, at least annually, including setting the goals for the coming year and reviewing the achievement of these goals.

Performance has been measured to date by the efficiency and effectiveness of the enhancement of the Company's mineral interest portfolio, the designing and implementation of the exploration and development programme, maintenance of relationships with joint venture partners and the securing of ongoing funding so as to continue its exploration and development activities. This performance evaluation is not based on specific financial indicators such as earnings or dividends as the Company is at the exploration stage and during this period is expected to incur operating losses.

Due to the size of the Company and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of senior executives. The Chairman conducted an informal review process whereby he discussed with the MD the approach toward meeting the short and long term objectives of the Company. The board considers that at this stage of the Company's development an informal process is appropriate.

Principle 2: Structure the board to add value

Recommendation 2.1:
The Board should establish a Nomination Committee which the majority should be independent directors (including the Chair).

The Company does not have a nomination committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee.

Directors are appointed under the terms of the Company's constitution. Appointments to the Board are based upon merit and against criteria that serves to maintain an appropriate balance of skills, expertise, and experience of the board. The categories considered necessary for this purpose are a blend of accounting and finance, business, technical and administration skills.

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

The Constitution of the Company requires one third of the directors, other than the MD, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

This selection, nomination and appointment process is detailed in the Board Charter on the company website.

Recommendation 2.2:
The Company should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

	Chairman	Managing Director / Technical Director	Non-executive Director	Company Secretary
Leadership	X	X	X	X
Strategy / Risk	X	X	X	X
Communication	X	X		
Fundraising	X	X	X	X
Mining Industry	X	X	X	X
Governance	X		X	X
Health, safety and environment		X	X	
Financial acumen	X	X	X	X

Each director has the right of access to all relevant company information and to the Company's employees and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

Recommendation 2.3:
The Company should disclose the names of the directors considered to be independent directors and length of service of each director.

The names, experience and responsibilities of Directors of the Company in office at the date of this statement are set out in the Directors' Report (including names of the directors considered to be independent directors and length of service of each director).

Recommendation 2.4:
A majority of the Board of the Company should be independent directors.

In assessing whether a director is classified as independent, the Board considers the independence criteria set out in the ASX Corporate Governance Council Recommendation 2.1 and other facts, information and circumstances deemed by the Board to be relevant. Using the ASX Best Practice Recommendations on the assessment of the independence of Directors, the Board considers that of a total of three Directors, only Mr Rhett Brans is considered to be independent and therefore the Company does currently not have a majority of independent directors.

Mr Andrew Beckwith acted as the Managing Director of the Company up to 30 June 2020 and is not considered to be independent. Mr Gajewski is employed in an executive capacity by the Company and is not considered to be independent. The Company considers that each of the directors possesses the skills and experience suitable for building the Company and that the current composition of the Board is adequate for the Company's current size and operations.

Recommendation 2.5:
The Chair of the Board should be an independent director, and should not be the CEO of the Company.

The Chairman is responsible for leadership of the Board, for ensuring that the Board functions effectively, and for communicating the views of the Board to the public.

Mr Gajewski was appointed Executive Chairman from 28 February 2011 and therefore exercises the role of Chairman and Executive director. The Company therefore does not comply with ASX Corporate Governance Council Recommendation 2.5 which states the Chairman should be an independent director.

Effective from 29 July 2014 to 30 June 2020, Mr Andrew Beckwith was appointed as Managing Director and is responsible for implementing Company strategies and policies.

The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Company considers that each of the directors possess skills and experience suitable for building the Company. The Board takes the responsibilities of best practice in corporate governance seriously. It is the Board's intention to review its composition on a continual basis as the Company's expands its activities and greater demands and skills amongst directors become necessary.

Recommendation 2.6:
The Company should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Board Charter provides for induction and professional development for the Board.

Principle 3: Promote ethical and responsible decision making
Companies should have a Code of Conduct for its directors, senior executives and employees.

The Company has developed a Code of Conduct (the Code), which has been endorsed by the Board and applies to all employees, Directors and officers. The Code may be amended from time to time as necessary to ensure it reflects the practices necessary to maintain confidence in the Company's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders. The Code outlines the responsibility and accountability of Company personnel to report and investigate reports of unethical practices.

This Code of Conduct can be found on the company website.

Trading in Company securities is regulated by the Corporations Act and the ASX Listing Rules. The Board makes all Directors, officers and employees aware on appointment that it is prohibited to trade in the Company's securities whilst that Director, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report. Directors are required to report to the Company Secretary any movements in their holdings of Company securities, which are reported to ASX in the required timeframe prescribed by the ASX Listing Rules.

This Share Trading Policy can be found on the company website.

Principle 4: Safeguard Integrity in Financial reporting

Recommendation 4.1
The Board should have an Audit Committee.

The Company does not have an audit committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of an audit committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate audit committee.

The Company requires external auditors to demonstrate quality and independence. The performance of the external auditor is reviewed and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is HLB Mann Judd's policy to rotate audit engagement partners on listed companies at least every 5 years.

Recommendation 4.2
The Board of the Company should, before it approves the Company's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board ensures it receives the required declarations in writing to the Board that the Company's financial statements present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards, that this is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively. This representation is prior to the Director's approval of the release of the annual and half yearly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Recommendation 4.3
The Company should ensure that the external auditor is present at the AGM and be available to answer questions from security holders relevant to the audit.

The Company invites the auditor or representative of the auditor to the AGM.

Principle 5: Making Timely and Balanced Disclosure

Recommendation 5.1:
Companies should have a written policy for complying with its continuous disclosure obligations under the Listing Rules.

The Company has developed an ASX Listing Rules Disclosure Strategy which has been endorsed by the Board. The ASX Listing Rules Disclosure Strategy ensures compliance with ASX Listing Rules and Corporations Act 2001 obligations to keep the market fully informed of information which may have a material effect on the price or value of its securities and outlines accountability at a senior executive level for that compliance. All ASX announcements are to be posted to the Company's website as soon as possible after confirmation of receipt is received from ASX, including all financial reports.

Principle 6 – Respect the rights of security holders

Recommendation 6.1:
Companies should provide information about itself and its governance to investors via its website.

The Company is committed to maintaining a Company website with general information about the Company and its operations, information about governance and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by the ASX, the following are posted to the Company's website:
- relevant announcements made to the market via the ASX;
- notices of meetings;
- investment updates;
- company presentations and media releases;
- copies of press releases and announcements for (at least) the preceding three years; and
- copies of annual, half-yearly and quarterly reports including financial statements for (at least) the preceding three years.

Recommendations 6.2 and 6.3:
Companies should design and implement an investor relations program to facilitate two-way communication with investors.

Companies should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Directors make themselves available to meet shareholders and regularly respond to enquiries made via telephone or email. Periodic investor presentations to facilitate engagement with investors and other financial market participants are also undertaken.

The Board encourages full participation of shareholders at the Annual General Meeting. In preparing for general meetings of the Company, the Company drafts the notice of meeting and related explanatory information so that shareholders are provided with all of the information that is relevant to shareholders in making decisions on matters to be voted on by them at the meeting. The Company allows shareholders a reasonable opportunity to ask questions of the Board of Directors and to otherwise participate in the meeting. The external auditor of the Company is asked to attend each Annual General Meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Important issues are presented to the shareholders as single resolutions. The shareholders are also responsible for voting on the appointment of Directors.

Recommendation 6.4:
Companies should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Information about the Company is regularly emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses and on submitting information requests with the Company is available on the Company's website. Shareholders can receive communications from, and send communications to, the Company's security registry electronically.

Principle 7 – Recognise and manage risk

Recommendation 7.1:
The Board should have a committee or committees to oversee risk.

The Company is not currently of a size to require the formation of committees to oversee risk. The full Board has the responsibility for the risk management, compliance and internal controls systems of the Company.

Management, through the MD, is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system. The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business. The Company adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The risks involved in a resources sector company and the specific uncertainties for the Company continue to be regularly monitored and the MD and Executive Chairman regularly appraises the Board as to the effectiveness of the Company's management of its material business risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

Recommendation 7.2:
The Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose whether such a review has taken place.

The Board considers risks and discusses risk management at each Board meeting. Review of the risk management framework is an on-going process rather than an annual formal review. The Company's main areas of risk include:

- exploration;
- security of tenure including native title risk;
- joint venture management;
- new project acquisitions;
- environment;
- occupational health and safety;
- government policy changes;
- funding;
- commodity prices;
- retention of key staff;
- financial reporting; and
- continuous disclosure obligations.

Recommendation 7.3:
The Company should disclose if it has an internal audit function.

The Company does not have an internal audit function. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of an internal audit function at this time. The Board as a whole regularly evaluates and improves the effectiveness of its risk management (refer above) and internal control processes.

Recommendation 7.4:
The Company should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company is of the view that it has adequately disclosed the nature of its operations and relevant information on exposure to economic, environmental and social sustainability risks. Other than general risks associated with the mineral exploration industry, the Company does not currently have material exposure to environmental and social sustainability risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:
The Board should have a Remuneration Committee.

The Company does not have a remuneration committee. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. In particular, the full Board considers those matters that would usually be the responsibility of a remuneration committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate remuneration committee.

Recommendation 8.2:
A company should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

The Company provides disclosure of the remuneration of all Directors and other key management personnel (if applicable) in its annual report.

The remuneration policy of Carnavale 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 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. Directors' remuneration is approved by resolutions of the Board. The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

Non-Executive Directors

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to the non-executive Directors are reviewed annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company. Non-executive Directors are entitled to receive incentive options (subject to shareholder approval) as it is considered an appropriate method of providing sufficient reward whilst maintaining cash reserves. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The value of shares and incentive options where they are granted to non-executive directors are calculated using the Black-Scholes-Merton option pricing model.

Executives

The senior executive of the Company is the Managing Director. The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any incentive option issues with thresholds approved by shareholders; and
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. The value of shares and incentive options where they are to be granted to senior executives are calculated using the Black-Scholes-Merton option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, incentive share options and other incentive payments.

For details of remuneration paid to Directors and other key management personnel for the financial year please refer to the Directors' Report.

Recommendation 8.3:
A Company which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or summary of it.

The Company does not have an equity based remuneration scheme which is affected by this recommendation.

Recipients of equity-based remuneration (e.g. incentives options) are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 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 audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
22 September 2020

L Di Giallonardo
Partner

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CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020 **$**	**2019** **$**
Revenue	3	28,381	10,241
		28,381	10,241
Expenditure			
Administrative expenses		(298,913)	(358,639)
Exploration expenditure impaired	11	(1,881,695)	(18,608)
Due diligence expenses		-	(5,314)
Foreign exchange loss		(10,392)	(14,453)
Share-based payments expense	14	(193,121)	(93,146)
Loss before related income tax benefit		(2,355,740)	(479,919)
Income tax benefit	5	-	-
Net loss attributable to members of the parent entity		(2,355,740)	(479,919)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the year		(2,355,740)	(479,919)
Loss per share			
Basic – cents	16	(0.17)	(0.07)
Diluted – cents	16	(0.17)	(0.07)

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Current assets			
Cash and cash equivalents	17(a)	1,189,773	191,201
Receivables	8	25,413	8,271
Other assets	9	10,819	10,850
Total current assets		1,226,005	210,322
Non-current assets			
Other assets	10	20,000	20,000
Exploration and evaluation expenditure	11	1,006,965	2,388,399
Total non-current assets		1,026,965	2,408,399
Total assets		2,252,970	2,618,721
Current liabilities			
Trade and other payables	12	76,610	463,886
Total current liabilities		76,610	463,886
Total liabilities		76,610	463,886
Net assets		2,176,360	2,154,835
Equity			
Issued capital	13	31,154,097	28,969,953
Reserves	14	1,749,227	1,556,106
Accumulated losses	15	(30,726,964)	(28,371,224)
Total equity		2,176,360	2,154,835

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated			
	Issued capital	**Reserves**	**Accumulated losses**	**Total**
	$	**$**	**$**	**$**
Balance at 1 July 2018	28,510,898	1,462,960	(27,891,305)	2,082,553
Loss attributable to members of the parent entity	-	-	(479,919)	(479,919)
Total comprehensive loss for the year	-	-	(479,919)	(479,919)
Shares and options issued during the year (net of issue costs)	459,055	-	-	459,055
Fair value of performance rights issued	-	93,146	-	93,146
Balance at 30 June 2019	28,969,953	1,556,106	(28,371,224)	2,154,835

	Issued capital	**Reserves**	**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

The accompanying notes form part of these financial statements

CARNAVALE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020 **$**	**2019** **$**
Cash flows from operating activities			
Payments to suppliers		(412,484)	(246,307)
Payments for due diligence and project generation expenses		-	(5,313)
Interest received		8,150	11,629
Other income		10,000	-
Net cash outflows from operating activities	17(b)	(394,334)	(239,991)
Cash flows from investing activities			
Payments for exploration and development expenditure		(727,897)	(1,558,484)
Payments for acquisition of exploration tenements		(30,000)	(228,055)
Payments for credit card bond		-	(20,000)
Net cash outflows from investing activities		(757,897)	(1,806,539)
Cash flows from financing activities			
Proceeds from issue of shares and options		2,227,212	327,000
Issue costs - shares and options		(76,450)	(4,563)
Net cash inflows from financing activities		2,150,762	322,437
Net (decrease) / increase in cash and cash equivalents held		998,531	(1,724,093)
Cash and cash equivalents at the beginning of the financial year		191,201	1,919,037
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		41	(3,743)
Cash and cash equivalents at the end of the financial year	17(a)	1,189,773	191,201

The accompanying notes form part of these financial statements

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 2020

In the year ended 30 June 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 the current annual reporting period. This includes consideration of AASB 16 Leases.

As a result of this review, the Group has applied AASB 16 from 1 July 2019.

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach.

There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods as the short term lease exemption in AASB 16 was utilised.

Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the year ended 30 June 2020.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Statement of compliance

The financial statement of Carnavale Resources Limited (the Company) for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 22 September 2020.

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').

(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 2020 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

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.

(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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

(n) Financial instruments

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.

Hedge accounting requirements align the accounting treatment with the Group's risk management activities. The Group does not currently have any impaired financial assets, financial liabilities with changes in fair value due to credit risk presented in other comprehensive income, or financial instruments requiring hedge accounting.

Impairment of financial assets

Financial assets may be impaired based on an expected credit loss model to recognise an allowance. Such impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(o) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency translation (continued)

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.

(p) 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

(q) 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.

(r) 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.

(s) 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.

(t) Share based payments

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Share based payments (continued)

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.

(u) 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.

(v) 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.

3. REVENUE

	Consolidated	
	2020	2019
	$	$
Other revenue		
Interest earned	8,381	10,241
Other income	20,000	-
	28,381	10,241

4. EXPENSES

	Consolidated	
	2020	2019
	$	$
Loss before income tax includes the following specific expenses:		
Exploration expenditure impaired	1,881,695	18,608
Due diligence expenses	-	5,313

5. INCOME TAX

(a) Prima facie tax benefit at 27.5% (2019: 27.5%) on loss from ordinary activities is reconciled to the income tax provided in the financial statements

	Consolidated	
	2020	2019
	$	$
Loss before income tax	(2,355,740)	(479,919)
Prima facie income tax benefit at 27.5% (2019: 27.5%)	647,829	131,978
Tax effect of amounts which are not tax (deductible) / taxable in calculating taxable income:		
Due diligence / capital related costs	(1,878)	(1,902)
Exploration expenses incurred	123,822	538,693
Exploration expenses impaired	(517,466)	-
Tax effect of capitalised share issue costs	17,039	19,200
Share based payment expense	(53,108)	(25,615)
Other non-assessable items	5,500	-
Other non-deductible items	(234)	-
Income tax benefit adjusted for non (deductible) / taxable items	221,504	662,354
Deferred tax asset not brought to account	(221,504)	(662,354)
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	
	2020	2019
	$	$
Carry forward revenue losses	7,731,110	7,509,701
Carry forward capital losses	2,562,504	2,562,504
Capital raising costs	30,228	29,924
	10,323,842	10,102,129

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;

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	
	2020	**2019**
	$	**$**
Deferred exploration and evaluation expenditure	230,165	563,845

6. AUDITOR'S REMUNERATION

	Consolidated	
	2020	**2019**
	$	**$**
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	25,326	24,364
	25,326	24,364

7. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Directors
R Gajewski (appointed 18 October 2006)
A Beckwith (appointed 29 July 2014)
R Brans (appointed 17 September 2013)

(b) Compensation of key management personnel

	Consolidated	
	2020	**2019**
	$	**$**
Short-term employee benefits	159,750	154,140
Post-employment benefits	2,280	2,280
Share-based payments	92,184	85,384
	254,214	241,804

Information regarding individual directors' compensation is provided in the Remuneration report on pages 13 to 16.

(c) Other key management personnel transactions

Accounting, secretarial and corporate service fees of $55,811 (2019: $70,402) and rental fees of $30,000 (2019: $30,000) were paid or payable during the year ended 30 June 2020 on normal terms and conditions to Corporate Consultants Pty Ltd, a company in which Mr Gajewski is a director and has a beneficial interest.

8. CURRENT RECEIVABLES

	Consolidated	
	2020	**2019**
	$	**$**
Other receivables	25,413	8,271
	25,413	8,271

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

9. OTHER CURRENT ASSETS

	Consolidated	
	2020	**2019**
	$	**$**
Prepayments	10,819	10,850

10. OTHER ASSETS

	Consolidated	
	2020	**2019**
	$	**$**
Credit card bond	20,000	20,000

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2020	**2019**
	$	**$**
Exploration and evaluation costs carried forward in respect of exploration areas of interest (i)	1,006,965	2,388,399
Opening balance	2,388,399	201,460
Acquisition costs – exploration licences	50,000	228,055
Exploration expenditure incurred	450,261	1,977,492
Exploration expenditure impaired (i)	(1,881,695)	(18,608)
	1,006,965	2,388,399

(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 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	
	2020	**2019**
	$	**$**
Current		
Trade and other payables	76,610	463,886

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.

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

	2020 Number	2019 Number	2020 $	2019 $
Balance at beginning of year	742,999,560	641,999,560	28,969,953	28,510,898
Share placement at an issue price of 1.7 cents each in August 2018	-	6,000,000	-	102,000
Shares issued as facilitation fee in relation to the Kikagati Project in August 2018	-	10,000,000	-	90,000
Shares issued as option extension fee in relation to the Kikagati Project in December 2018	-	10,000,000	-	60,000
Share placement at an issue price of 0.3 cents each in May 2019	-	75,000,000	-	225,000
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	-
Transaction costs arising from issue of securities	-	-	(63,068)	(17,945)
Balance at end of year	1,495,403,629	742,999,560	31,154,097	28.969.953

(c) Share options

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

2020

Exercise Period	Exercise Price	Opening Balance 1 July 2019	Options Issued 2019/2020	Options Exercised / Expired 2019/2020	Closing Balance 30 June 2020
		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

(i) In July 2019, the Company allotted 37,500,000 options to sophisticated and professional investors who participated in the May 2019 placement of 75,000,000 fully paid shares at an issue price of $0.003 each to raise $225,000.

(ii) In July and August 2019, the Company completed a non-renounceable entitlement issue to shareholders on the basis of one share for every one share held at an issue price of $0.003 per share together with one free attaching option exercisable at $0.007 each and an expiry date of 30 September 2020 for every 2 shares issued. 194,913,609 options were allotted in July 2019 and a further 176,288,402 options were allotted in August 2019 following placement of the Shortfall Securities.

13. ISSUED CAPITAL (continued)

2019

Exercise Period	Exercise Price	Opening Balance 1 July 2018	Options Issued 2018/2019	Options Exercised / Expired 2018/2019	Closing Balance 30 June 2019
		Number	*Number*	*Number*	*Number*
On or before 30 December 2019	$0.02	60,000,000	-	-	60,000,000
Total		60,000,000	-	-	60,000,000

(d) Performance rights

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

2020

Grant Date	Expiry Date	Opening Balance 1 July 2019	Rights Issued 2019/2020	Rights Exercised / Expired 2019/2020	Closing Balance 30 June 2020
		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		36,000,000	99,000,000	-	135,000,000

(i) In September 2019, the Company appointed Mr. Klaus Eckhof as a Corporate and Technical Advisor and agreed to issue Mr Eckhof a total of 99 million performance rights with an expiry date of 31 December 2020. Tranche 1, 2 and 3 performance rights (each tranche comprising 33 million performance rights) have a market vesting condition being a daily volume weighted average share price of at least $0.007, $0.009 and $0.011 respectively over a consecutive 15 trading days.

The performance rights have been 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 2020 $	Consolidated 2019 $
Share-based payments reserve (a)	1,749,227	1,556,106
Total	1,749,227	1,556,106

(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 2020 $	Consolidated 2019 $
Opening balance	1,556,106	1,462,960
Fair value of performance rights issued to directors, company secretary and consultants	193,121	93,146
Balance at end of year	1,749,227	1,556,106

15. ACCUMULATED LOSSES

	Consolidated	
	2020	**2019**
	$	**$**
Accumulated losses at the beginning of the year	(28,371,224)	(27,891,305)
Loss for the year	(2,355,740)	(479,919)
Accumulated losses at the end of the year	(30,726,964)	(28,371,224)

16. LOSS PER SHARE

	Consolidated	
	2020	**2019**
	$	**$**
Net loss after income tax attributable to members of the Company	(2,355,740)	(479,919)
	Number	**Number**
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings per share	1,408,348,460	667,038,022
Effect of dilution	-	-
Weighted average number of ordinary shares for diluted earnings per share	1,408,348,460	667,038,022

Effect of Dilutive Securities - Share Options

The Company has 408,702,011 share options at 30 June 2020 (30 June 2019: 60,000,000). 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	
	2020	**2019**
	$	**$**
Cash at bank	1,189,773	191,201
	1,189,773	191,201

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

	Consolidated	
	2020	**2019**
	$	**$**
Loss after income tax	(2,355,740)	(479,919)
Exploration expenditure impaired / expensed	1,881,695	18,608
Net exchange differences	10,467	14,453
Share-based payments expense	193,121	93,146
(Increase) / decrease in assets		
Trade and other receivables	(17,112)	7,172
Increase / (decrease) in liabilities		
Trade and other payables	(106,765)	106,549
	(394,334)	(239,991)

17. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Non-cash investing activities

In December 2019, the Company issued 10 million shares as partial consideration to the vendor for the right to acquire up to 80% of the Mt Alexander Project.

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 (2019: $107,373).

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.

During the period, the Group secured 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.

During the period, the Group secured the right to acquire up to 80% of the Mt Alexander Project, comprising E29/960, E29/961 and P29/2356 and in order to maintain current contractual rights, the Group must meet minimum expenditure requirements of $47,440.

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.

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%.

18. COMMITMENTS AND CONTINGENCIES (continued

(b) Contingent liabilities

Mt Alexander Project

- Under the terms of the agreement, Carnavale may explore the tenement area and may elect to earn 80% of the tenements by 4 December 2023 and payment of $250,000 in cash or fully paid Carnavale shares at Carnavale's election. On Carnavale's decision to acquire 80% equity in the tenements, Mr Van Maris 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 and Carnavale retains a first right of refusal to acquire the Royalty for $750,000; or
  - ➢ Enter into a formal Joint Venture agreement, with the initial interest of the parties to be Carnavale 80% and Mr Van Maris 20%.

➢ Enter into a formal Joint Venture agreement, with the initial interest of the parties to be Carnavale 80% and Mr Van Maris 20%.

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.

- In August 2020, the Company signed an exclusive and binding Option Agreement with Western Resources Pty Ltd, a West Australian private company, to acquire 80% of the high-grade Kookynie Gold Project ("Project"). Following completion of the due diligence period, the Company paid an option fee of $100,000 cash and issued 37.5 million ordinary shares to Western Resources Pty Ltd. The Company also issued 1.5 million shares to Gold Geological Consulting Pty Ltd as a fee for facilitating the agreement for the Project.
- In September 2020, the Company issued 33 million shares to Mr Klaus Eckhof arising from the conversion of 33 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 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.
- Subsequent to year-end and prior to the date of this report, the Company has allotted 141,334,145 ordinary fully paid shares following the exercise of 141,334,145 CAVOA listed options exercisable at $0.007 raising $989,339.

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.

(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 2020		30 June 2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	$	**$**	**$**	**$**
United States dollar	-	-	1,277	287,722

(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
		$	**$**	**$**	**$**	**%**
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	

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

		$	$	$	$	%
2019						
Financial assets						
Cash and cash equivalents	17(a)	188,506	-	2,695	191,201	1.25
Trade and other receivables	8	-	-	8,271	8,271	
		188,506	-	10,966	199,472	
Financial liabilities						
Trade and other payables	12	-	-	463,886	463,886	

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 2019.

Consolidated	**Profit or (Loss)**		**Equity**	
	100bp increase $	**100bp decrease $**	**100bp increase $**	**100bp decrease $**
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)
30 June 2019				
Variable rate instruments	8,145	(8,145)	8,145	(8,145)
Cash flow sensitivity (net)	8,145	(8,145)	8,145	(8,145)

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.

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.

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	-	-

2019	**Within 1 year**	**Between 1 and 5 years**	**After 5 years**
Financial liabilities	**$**	**$**	**$**
Trade and other payables	463,886	-	-
Total Financial Liabilities	463,886	-	-

21. INVESTMENT IN CONTROLLED ENTITIES

(a) Particulars in relation to subsidiaries

Entity	Country of incorporation	Equity holding 2020 %	Equity holding 2019 %	Class of Shares
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 Africa and Australia and investing activities in Australia.

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

22. SEGMENT REPORTING (continued)

2019	Investing Australia	Mineral Exploration Australia / Africa	Eliminations	Consolidated
	$	$	$	$
Business segments				
Revenue				
Other external revenue	10,241	-	-	10,241
Total segment revenue	10,241	-	-	10,241
Results				
Operating loss before income tax	(455,203)	(24,716)	-	(479,919)
Income tax benefit				-
Net loss				(479,919)
Assets				
Segment assets	230,322	2,388,399	-	2,618,721
Non-current assets acquired	-	2,137,492		2,137,492
Liabilities				
Segment liabilities	149,138	314,748	-	463,886
Other segment information				
Impairment of exploration and evaluation expenditure	-	18,608	-	18,608

23. PARENT ENTITY DISCLOSURES

(a) Summary financial information

Financial Position

	2020 $	2019 $
Assets		
Current assets	1,175,650	209,372
Non-current assets	1,033,180	2,400,046
Total assets	2,208,830	2,609,418
Liabilities		
Current liabilities	33,790	457,369
Total liabilities	33,790	457,369
Net assets	2,175,040	2,152,049
Equity		
Issued capital	31,154,097	28,969,953
Share-based payment reserve	1,749,227	1,556,106
Accumulated losses	(30,728,284)	(28,374,010)
Total equity	2,175,040	2,152,049

Financial performance

	2020 $	2019 $
Loss for the year after income tax	(2,354,274)	(479,165)
Other comprehensive income	-	-
Total comprehensive loss	(2,354,274)	(479,165)

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 2020 or 30 June 2019 other than as disclosed in Note 18 above.

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

As at 30 June 2020 (30 June 2019 – $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 2020 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 2020.

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 22nd day of September 2020
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 2020, 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 2020 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.

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Key Audit Matter	How our audit addressed the key audit matter
Carrying value of exploration and evaluation expenditure Note 11 of the financial statements	
In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Group capitalises acquisition costs of rights to explore together with subsequent exploration and evaluation expenditure and applies the cost model after recognition. Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, because this is one of the most significant assets of the Group. There is a risk that the capitalised expenditure no longer meets the recognition criteria of the standard. In addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.	Our procedures included but were not limited to the following: • We obtained an understanding of the key processes associated with management's review of the exploration and evaluation asset carrying values; • We considered the Directors' assessment of potential indicators of impairment; • We obtained evidence that the Group has current rights to tenure of its areas of interest; • We examined the exploration budget for 2021 and discussed with management the nature of planned ongoing activities; • We enquired with management and reviewed ASX announcements and minutes of Directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation at its areas of interest; and • We examined the disclosures 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 2020, 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.

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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 2020.

In our opinion, the Remuneration Report of Carnavale Resources Limited for the year ended 30 June 2020 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
22 September 2020

Giallonardo

L Di Giallonardo
Partner

The shareholder information set out below was applicable as at 18 September 2020.

1. Distribution of holders of listed equity securities

Size of holding	Ordinary Shares	Listed Options ($0.007 @ 30-Sept-20)
1 - 1,000	66	9
1,001 - 5,000	49	7
5,001 - 10,000	56	1
10,001 - 100,000	311	16
100,001 and over	576	51
	1,058	84

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.

Shareholder	**Number of Shares**
Vienna Holdings Pty Ltd and Redtown Enterprises Pty Ltd	120,728,409

4. Unmarketable parcels

As at 18 September 2020 there were 314 shareholders with unmarketable parcels of shares.

5. Top 20 shareholders (CAV)

The names of the twenty largest shareholders as at 18 September 2020, who hold 54.95% of the fully paid ordinary shares of the Company were as follows:

	Name of holder	Number of Shares	Percentage held
1	Vienna Holdings Pty Ltd <The Ronjen Super A/c>	115,728,409	6.77%
2	J P Morgan Nominees Australia Pty Limited	78,490,733	4.59%
3	Mr Michael Patrick Lynch	73,349,334	4.29%
4	Troca Enterprises Pty Ltd <Coulson Super A/c>	69,653,082	4.08%
5	Mr Hugo Phillip Coulson	64,455,436	3.77%
6	Mr Mark Gasson	59,274,509	3.47%
7	Kobia Holdings Pty Ltd	55,000,000	3.22%
8	Mr Klaus Eckhof	48,000,000	2.81%
9	Mr Jacob Oscar Coulson	43,500,000	2.55%
10	Brennan Super (WA) Pty Ltd <Brennan Super Fund A/c>	40,000,000	2.34%
11	Western Resources Pty Ltd	37,500,000	2.19%
12	HSBC Custody Nominees (Australia) Limited	35,771,151	2.09%
13	Riveck Nominees Pty Ltd <Ruth Paneth SF A/c>	33,000,000	1.93%
14	McNeil Nominees Pty Limited	30,077,898	1.76%
15	Mr Thomas Fritz Ensmann	30,000,000	1.76%
16	Mrs Susan Maree Lynch <Susan Maree Lynch A/c>	29,200,000	1.71%
17	Ferkel Pty Ltd <Ferkel Investment A/c>	26,000,001	1.52%
18	Flue Holdings Pty Ltd	25,000,000	1.46%
19	Ocean View WA Pty Ltd	23,500,000	1.38%
20	Ms Chunyan Niu	21,550,240	1.26%
		939,050,793	54.95%

6. Top 20 optionholders (CAVOA)

The names of the twenty largest optionholders as at 18 September 2020, who hold 90.35% of the listed options of the Company were as follows:

	Name of holder	Number of Options	Percentage held
1	Troca Enterprises Pty Ltd <Coulson Super A/c>	57,919,474	21.83%
2	Coulson Brothers Pty Ltd	40,080,526	15.10%
3	Riveck Nominees Pty Ltd <Ruth Paneth SF A/c>	30,000,000	11.30%
4	Flue Holdings Pty Ltd	20,000,000	7.54%
5	Ocean View WA Pty Ltd	15,000,000	5.65%
6	Mr Michael Patrick Lynch	14,587,333	5.50%
7	Calama Holdings Pty Ltd <Mambat Super Fund A/c>	8,333,333	3.14%
8	J P Morgan Nominees Australia Pty Limited	7,882,199	2.97%
9	Mrs Susan Maree Lynch <Susan Maree Lynch A/c>	7,300,000	2.75%
10	Talex Investments Pty Ltd	5,994,000	2.26%
11	Octifil Pty Ltd	5,833,333	2.20%
12	Kobia Holdings Pty Ltd	5,000,000	1.88%
13	Mr Jag Sandhu	4,781,171	1.80%
14	Ferkel Pty Ltd <Ferkel Investment A/c>	3,499,999	1.32%
15	Mr Alan Lindsay Conigrave <Trading A/c>	2,500,000	0.94%
16	Symington Pty Ltd	2,500,000	0.94%
17	Mr Paul Mario Jurman & Mrs Angela Jurman <The Jurman Super Fund A/c>	2,500,000	0.94%
18	Mrs Smiti Shah	2,083,333	0.79%
19	Mr Philip John Coulson	2,000,000	0.75%
20	Penand Pty Ltd <Beckwith Super Fund A/c>	2,000,000	0.75%
		239,794,701	90.35%

7. Unquoted equity securities

Unquoted equity securities on issue at 18 September 2020 were as follows:

Class	Number	Number of Holders	Note
Unlisted Options exercisable at $0.01 each on or before 31 July 2022	15,000,000	2	1
Unlisted Options exercisable at $0.015 each on or before 31 July 2022	15,000,000	2	2
Performance Rights – expire 30 June 2021	36,000,000	4	3
Performance Rights – expire 31 December 2020	66,000,000	1	4

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:

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

Note 3: Holders of more than 20% of this class of performance rights:

Ron Gajewski	15,000,000 performance rights.
Andrew Beckwith	15,0000,000 performance rights

Note 4: Holders of more than 20% of this class of performance rights:

Klaus Eckhof	66,000,000 performance rights.

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 2020 to June 2019.

Grey Dam June 2020 and June 2019 Mineral Resource Inventory

Domain	Class	Tonnes Mt	Ni %	Co %	Ni Metal Tonnes	Co Metal Tonnes
High Ni	Indicated	10.0	0.77	0.049	77,100	4,900
>0.5% Ni	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	Indicated	0.3	0.46	0.093	1,600	300
<0.5% Ni, >0.05% Co	Inferred	0.3	0.45	0.100	1,200	300
	Sub Total	**0.6**	**0.46**	**0.092**	**2,800**	**600**
Total	Indicated	10.4	0.76	0.050	78,700	5,200
>0.5% Ni or >0.05% Co	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.

Group mineral concession interests at 18 September 2020

Concession name and type	*Registered Holder*	*File Number*	*Carnavale's current equity interest*	*Maximum equity interest capable of being earned*
Location: Australia				
Grey Dam Project	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%
Mt Alexander Project	Mathew Van Maris	E29/960, E29/961 and P29/2356[3]	-%	80%
Kookynie Gold Project	Western Resources Pty Ltd	E40/355, P40/1380 and P40/1381[4]	-%	80%
Kookynie Gold Project	Duane Daniel Briggs	P40/1480[5]	100% (contractual right)	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.
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 December 2019, Carnavale secured an option with Mr Van Maris to earn 80% of tenements E29/960, E29/961 and P29/2356. Under the terms of the agreement, Carnavale may explore the tenement area and may elect to earn 80% of the tenements by 4 December 2023 and payment of $250,000 in cash or fully paid Carnavale shares at Carnavale's election. On Carnavale's decision to acquire 80% equity in the tenements, Mr Van Maris 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 and Carnavale retains a first right of refusal to acquire the Royalty for $750,000; or
   - ➢ Enter into a formal Joint Venture agreement, with the initial interest of the parties to be Carnavale 80% and Mr Van Maris 20%.

4. 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 may explore the tenement area and may elect to earn 80% of the tenements by 28 July 2021 and payment of $250,000 in cash and issue 50 million fully paid Carnavale shares. Upon Carnavale exercising the Option, both parties will enter in to 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.
5. In September 2020, the Company announced it had 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.