12 August 2011

The Manager
ASX Ltd
Level 4, 20 Bridge Street
Sydney, NSW 2000

Dear Sir

## CARNAVALE ENTERS INTO AGREEMENT TO DISPOSE OF LAMBOUKA PROJECT

Carnavale Resources Limited ("Carnavale" or "the Company") has entered into an agreement to dispose its interest in the Lambouka oil and gas project, located in Sicily and Tunisia.

Carnavale has a 20% participating interest in the Lambouka joint operating agreement which applies to the Lambouka prospect area located offshore from the Island of Pantellaria southwest of Sicily in Italian waters and extending in to the Kerkouane Permit, located offshore northeast Tunisia. Alpine Oil and Gas a wholly owned subsidiary of ADX Energy Limited (ASX: ADX) operates the Lambouka project.

As previously announced, the Lambouka prospect was drilled to its planned total depth and an initial suite of wireline logs were run in the well. Due to deterioration of the wellbore, the partners decided against running additional logs and further attempts to flow test the well. The Company and its partners have continued to compile and review all existing information and data to work out the most efficient way to advance the Lambouka project.

The Company believes the next phase of exploration, which could involve re-entering the well to drill a sidetrack wellbore and potentially further evaluate and test the potential discovery encountered by the Lambouka #1 well, would be at significant cost.

The Company has now agreed to dispose its interest in the Lambouka prospect to ADX .

**Transaction Terms**

In consideration for the disposal of the 20% working interest, Carnavale will receive:

(i) 11,172,535 shares in ADX, a portion of which will be subject to voluntary escrow on a staged basis;

(ii) US $1 million cash payment, from commercial production resulting from hydrocarbons which were intersected by the 'Lambouka 1' well drilled in 2010. Any payment to be made after production continuing uninterrupted at a steady state for a continuous period of 6 months (other than interruptions as a result of scheduled maintenance); and

(iii) a further US $1 million cash payment, from commercial production resulting from hydrocarbons which were intersected by the 'Lambouka 1' well drilled in 2010. Any payment to be made after production continuing uninterrupted at a steady state for a continuous period of 12 months (other than interruptions as a result of scheduled maintenance).

Completion and settlement of the agreement is subject to Joint Venture pre emption, payment of agreed past costs and such regulatory approvals as may be necessary.

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Yours faithfully

Ron Gajewski
Executive Director

***For further information in respect of Carnavale please contact:***

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