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carnavale  
resources ltd

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**CARNAVALE RESOURCES LIMITED**

**ACN 119 450 243**

**NOTICE OF GENERAL MEETING**

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**TIME:** 10.00am (WST)

**DATE:** 26 September 2014

**PLACE:** The Business Centre, Level 1, Suite 5, 55 Salvado Road, Subiaco, Western Australia

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9098.***

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**IMPORTANT INFORMATION**

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**TIME AND PLACE OF MEETING**

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Notice is given that the Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00am (WST) on 26 September 2014 at The Business Centre, Level 1, Suite 5, 55 Salvado Road, Subiaco, Western Australia.

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**YOUR VOTE IS IMPORTANT**

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The business of the Meeting affects your shareholding and your vote is important.

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**VOTING ELIGIBILITY**

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The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) (7.00pm Sydney time) on 24 September 2014.

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**VOTING IN PERSON**

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To vote in person, attend the Meeting at the time, date and place set out above.

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**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

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## NOTICE OF GENERAL MEETING

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Notice is given that the Meeting of Shareholders of Carnavale Resources Limited will be held at 10.00am (WST) on 26 September 2014 at The Business Centre, Level 1, Suite 5, 55 Salvado Road, Subiaco, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

## AGENDA

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### ORDINARY BUSINESS

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#### 1. RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the issue of 12,997,906 Shares, the details of which are set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 15,665,296 Shares on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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#### 3. RESOLUTION 3 – PLACEMENT ISSUE OF OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 28,663,202 Options on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion applies – refer below.**

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**4. RESOLUTION 4 – AUTHORITY TO ISSUE SECURITIES TO DIRECTOR, R GAJEWSKI OR HIS NOMINEES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to issue up to 3,330,000 Shares at \$0.015 per Share and 3,330,000 free attaching Options to Mr R Gajewski, a Director of the Company (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr R Gajewski (and his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 5 – AUTHORITY TO ISSUE SECURITIES TO DIRECTOR, A BECKWITH OR HIS NOMINEES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11, and for all other purposes, approval is given for the Company to issue up to 2,666,800 Shares at \$0.015 per Share and 2,666,800 free attaching Options to Mr A Beckwith, a Director of the Company (or his nominee) on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Mr A Beckwith (and his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES RE TOJO OPTION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 9,780,000 Shares pursuant to the terms of the Tojo Implementation Agreement and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – APPROVAL TO ISSUE SHARES RE TOJO OPTION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 720,000 Shares to Vienna Holdings Pty Ltd, a related entity controlled by Mr R Gajewski, a Director of the Company pursuant to the terms of the Tojo Implementation Agreement and otherwise on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Vienna Holdings Pty Ltd and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **8. RESOLUTION 8 – APPROVAL TO ISSUE SECURITIES FOR THE TOJO ACQUISITION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That, subject to Resolutions 6 and 7 being passed, for the purposes of ASX Listing Rules 7.1 and 10.11 and for all other purposes, approval is given for the Company to issue the following securities pursuant to the terms of the Tojo Implementation Agreement and otherwise on the terms and conditions set out in the Explanatory Statement:*

- (i) 21,000,000 Shares;*
- (ii) 21,000,000 A Class Convertible Performance Shares; and*
- (iii) 21,000,000 B Class Convertible Performance Shares."*

**Voting Exclusion applies – refer below.**

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### **Voting Exclusion: Resolutions 3 and 8**

The Company will disregard any votes cast on Resolutions 3 and 8 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### **Explanatory Notes**

**How the Chair will vote available proxies-** The Chair of the Meeting intends to vote all available proxies in favour of all of the resolutions set out in the Notice.

**Default to the Chair –** Any directed proxies that are not voted on a poll at the Meeting will automatically default to the Chair of the Meeting, who is required to vote proxies as directed.

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**DATED: 26 AUGUST 2014**  
**BY ORDER OF THE BOARD**



**PAUL JURMAN**  
**COMPANY SECRETARY**

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10.00am (WST) on 26 September 2014 at The Business Centre, Level 1, Suite 5, 55 Salvado Road, Subiaco, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. BACKGROUND

As announced to ASX on 30 July 2014 ("**Announcement**"), the Company has entered into an agreement giving it the option to acquire the rights to two highly prospective Gold (Au) –Silver (Ag) - Copper (Cu) projects (Little Butte Project and Red Hills Project) in Arizona and Nevada, USA. Carnavale has entered into an option agreement ("**Tojo Implementation Agreement**") with Tojo whereby Carnavale can acquire all of the issued shares in Tojo within a 7 month period. Carnavale believes the US is highly prospective for gold and base metals and that there are a number of opportunities such as those acquired by Tojo.

#### Transaction Details

The key terms of the Tojo Implementation Agreement are as follows:

- The issue of 10.5M Shares to Tojo shareholders as a fee for the grant of an option ("Tojo Option"), which, if exercised, gives Carnavale the right to acquire 100% of the share capital of Tojo on or before 28 February 2015. The 10.5M Shares are subject to voluntary escrow for a 6 month period.
- Carnavale is required to spend US\$500,000 direct project expenditure on the two US projects by 28 February 2015 before any withdrawal.

If Carnavale exercises the Tojo Option, it is required to issue the following securities to Tojo shareholders as consideration for the acquisition of 100% of Tojo's share capital:

- a) 21M Shares ;
- b) 21M A Class Convertible Performance Shares which will have the right to convert to 21M Shares upon the successful completion of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Little Butte Project or if a decision to mine is made based on a preliminary feasibility study on the Little Butte Project within 3 years from the date of issue of the Performance Shares; and
- c) 21M B Class Convertible Performance Shares which will have the right to convert to 21M Shares upon the successful completion of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Red Hills Project or if a decision to mine is made based on a preliminary feasibility study on the Red Hills Project within 4 years from the date of issue of the Performance Shares.

The Performance shares will be subject to other terms and conditions that are customary for such shares, including conversion to Shares on a change in control of the Company.

Further information in relation to Tojo and its mineral projects and the mining industry generally in the USA is presented in Schedule 3 to the Explanatory Statement.

In the Announcement the Company also disclosed that it had received commitments for subscription to 34.66 million Shares at an issue price of \$0.015 per Share to raise \$520,000, together with 34.66 million free attaching Options (exercisable at \$0.03 on or before 30 November 2016) on the basis of 1 Option for every 1 Share issued. (**Capital Raising**).

The Capital Raising comprised three tranches:

- 28,663,202 Shares were issued on 4 August 2014 pursuant to Carnavale's placement capacity under ASX Listing Rules 7.1 and 7.1A (**Tranche 1**);
- 28,663,202 free attaching Options to be issued to the participants of the Tranche 1 placement, subject to Shareholder approval, which is being sought at this Meeting under Resolution 3 (**Tranche 2**); and
- 5,996,800 Shares at an issue price of \$0.015 (and 5,996,800 free attaching Options) to be issued to Mr Gajewski and Mr Beckwith, subject to Shareholder approval, which is being sought at this Meeting under Resolutions 4 and 5 (**Tranche 3**).

Tranche 1 was issued on 4 August 2014 pursuant to the Company's combined placement capacity under ASX Listing Rules 7.1 and 7.1A. The Company is seeking Shareholder approval under Resolutions 1 and 2 for the ratification of the issue of these Shares. The Company is seeking Shareholder approval under Resolution 3 for Tranche 2, being the issue of 28,663,202 free attaching Options to be issued to the participants of the Tranche 1 placement.

In addition, the Company is seeking Shareholder approval for:

- (i) Participation in the Capital Raising by two of the existing Directors, Mr Gajewski and Mr Beckwith (refer to Resolutions 4 and 5);
- (ii) the ratification of the issue of 9,780,000 Shares as an option fee to the non-related Tojo shareholders for nil cash consideration (refer to Resolution 6);
- (iii) the issue of 720,000 Shares to Vienna Holdings Pty Ltd ("Vienna"), a related entity controlled by Ron Gajewski, a director of the Company. Vienna is a shareholder in Tojo and 720,000 Shares represents Vienna's share of the Tojo Option fee comprising 10.5M Shares (refer to Resolution 7). As noted earlier, the total fee for the Tojo Option is 10.5M Shares of which 720,000 Shares is for Vienna. As prior Shareholder approval is required for issue of Shares to directors and their related entities, the Company was able to complete the issue of only 9,780,000 Shares forming part of the Tojo Option fee; and
- (iv) the issue of 21,000,000 Shares, 21,000,000 A Class Convertible Performance Shares and 21,000,000 B Class Convertible Performance Shares to Tojo shareholders in the event the Company elects to exercise the Tojo Option on or before 28 February 2015 (refer to Resolution 8).



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## **2. RESOLUTIONS 1 AND 2 – RATIFICATION OF PRIOR ISSUE – SHARES**

### **2.1 Resolution 1**

Resolution 1 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 12,997,906 Shares issued without Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying the issue the subject of Resolution 1, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **2.2 Resolution 2**

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 15,665,296 Shares issued with Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1A which was approved by Shareholders at the Company's previous annual general meeting held on 12 November 2013.

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period the approval is valid a number of equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1A those securities will from that date be included in variable "A" in the formula in ASX Listing Rules 7.1 and 7.1A.2 for the purpose of calculating the annual placement capacity of the Company under both ASX Listing Rules 7.1 and 7.1A.

By ratifying the issue the subject of Resolution 2, the Company will retain the flexibility to issue equity securities in the future up to the 10% annual placement capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

### **2.3 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolutions 1 and 2:

- (a) 28,663,202 Shares were issued on 4 August 2014 on the following basis:
  - (i) 12,997,906 Shares issued pursuant to ASX Listing Rule 7.1; and
  - (ii) 15,665,296 Shares issued pursuant to ASX Listing Rule 7.1A;
- (b) the issue price for the Shares was \$0.015 each;

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- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
  - (d) the Shares were issued to sophisticated and professional investors, none of whom are related parties of the Company; and
  - (e) the funds raised from the Capital Raising will be used to fund the exploration commitment under the terms of the Tojo Implementation Agreement and for working capital.

A voting exclusion statement is included in the Notice.

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### **3. RESOLUTION 3 – PLACEMENT ISSUE OF OPTIONS**

On 30 July 2014, the Company announced it had resolved to raise up to \$430,000 through a private placement of Shares and free attaching Options, primarily to professional and sophisticated investor clients of Otsana Capital and Hartleys Limited. Carnavale announced it proposed to issue up to 28,663,202 Shares at an issue price of \$0.015 per share, each with a free attaching Option.

Resolution 3 seeks Shareholder approval for the issue of 28,663,202 Options to the participants in the share placement as per Resolutions 1 and 2. The placement issue of Shares was completed previously under the Company's discretionary placement capacity, which has now been fully utilised and hence prior approval is required for the completion of issue of the free attaching Options.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 3 will be to allow the Company to issue these Options without using the Company's 15% annual placement capacity. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

#### **3.1 Technical information required by ASX Listing Rule 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Options contemplated by Resolution 3:

- (a) The maximum number of Securities to be issued is 28,663,202 Options;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue will occur on the same day;
- (c) 28,663,202 Options will be issued for free on the basis of one free attaching Option for every Share subscribed under Resolutions 1 and 2;
- (d) the allottees will be sophisticated and professional investors who are exempt from the disclosure requirements under Chapter 6D of the Corporations Act and who participated in the share placement pursuant to Resolutions 1 and 2. None of the subscribers will be a related party;
- (e) the Options issued will be on the same terms and conditions as the existing (unlisted) Options. Refer to Schedule 1 for terms and conditions; and
- (f) No funds will be raised from the issue of the Options.

A voting exclusion statement is included in the Notice.

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**4. RESOLUTIONS 4 AND 5 – AUTHORITY TO ISSUE SECURITIES TO DIRECTORS, R GAJEWSKI AND A BECKWITH OR THEIR NOMINEES**

Resolutions 4 and 5 are seeking Shareholder approval for the issue of up to 5,996,800 Shares at an issue price of \$0.015 each, together with one free attaching Option for every Share subscribed for and issued, to raise up to \$89,952.

Resolution 4 seeks Shareholder approval for the issue of up to 3,330,000 Shares and 3,330,000 Options to Mr Gajewski (or his nominee) arising from participation by Mr Gajewski in the Capital Raising.

Resolution 5 seeks Shareholder approval for the in the issue of up to 2,666,800 Shares and 2,666,800 Options to Mr Beckwith (or his nominee) arising from participation by Mr Beckwith in the Capital Raising.

Mr Gajewski's and Mr Beckwith's participation in the Capital Raising will be on the same terms and conditions as the other participants.

**ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The Company announced on 30 July 2014 that two of the existing Directors, Mr Gajewski and Mr Beckwith, had expressed their intention to participate in a Capital Raising by subscribing for up to 5,996,800 Shares at an issue price of \$0.015 each, together with one free attaching Option for every Share subscribed for and issued. Each of these persons is a related party within the terms of the ASX Listing Rules. Accordingly, the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11 unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

Approval pursuant to ASX Listing Rule 7.1 is not required as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to Mr Gajewski and Mr Beckwith (or their nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

**Chapter 2E of the Corporations Act – Related Party Transactions**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors' participation in the Capital Raising will result in the issue of Shares and Options which constitutes giving a financial benefit and Mr Gajewski and Mr Beckwith are related parties of the Company by virtue of being Directors.

The terms and conditions upon which the related parties the subject of Resolutions 4 and 5 will subscribe for the Capital Raising Securities will be the same terms and conditions under which other investors have subscribed for Securities under the Capital Raising under Resolutions 1 and 2 (being \$0.015 per

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Share, together with one free attaching Option for every Share subscribed for and issued). On this basis, the Directors (other than Mr Gajewski with respect to Resolution 4 and Mr Beckwith with respect to Resolution 5, who have material personal interests in the Resolutions 4 and 5 respectively) consider that the participation of the related parties could be seen to be on reasonable arms length terms (and thereby an exception to Chapter 2E) and accordingly, the Company will not also seek approval for the issue of Shares and Options to Mr Gajewski and Mr Beckwith pursuant to section 208 of the Corporations Act.

#### **4.1 Technical information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Securities in the Capital Raising issue:

- (a) Mr Gajewski and Mr Beckwith are Directors of the Company and wish to participate in the Capital Raising the subject of Resolution 3.
- (b) The maximum number of Securities to be issued is:
  - (i) up to 3,330,000 Shares and 3,330,000 Options to Mr Gajewski (or his nominee); and
  - (ii) up to 2,666,800 Shares and 2,666,800 Options to Mr Beckwith (or his nominee).

Their subscription will be on the same terms and conditions as other subscribers to the Capital Raising, the subject of Resolutions 1 and 2.

- (c) The Shares and Options will be issued no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Securities will occur on the same date;
- (d) the issue price will be \$0.015 per Share, with one free attaching Option for every Share subscribed for and issued, being the same as all other Shares and Options issued under the Capital Raising;
- (e) the Shares will be issued on the same terms as referred to in Resolutions 1 and 2 above and the Options will be issued on the same terms as referred to in Resolution 3 above; and
- (f) the Company intends to use the funds raised from the issue of the Securities to fund the exploration commitment under the terms of the Tojo Implementation Agreement and for working capital.

A voting exclusion statement is included in the Notice.

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#### **5. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES RE THE TOJO OPTION**

##### **ASX Listing Rule 7.1**

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of 9,780,000 Shares issued to the non-related Tojo shareholders (or their nominees) pursuant to the terms of the Tojo Implementation Agreement without Shareholder approval pursuant to the Company's placement capacity under ASX Listing Rule 7.1.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 6 will be to allow the Company to issue these Shares without using the Company's 15% annual placement capacity. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

## 5.1 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 6:

- (a) 9,780,000 Shares were issued on 14 August 2014 pursuant to ASX Listing Rule 7.1;
- (b) The Shares were granted for nil cash consideration to the non-related Tojo shareholders and comprise part of the fee for the grant of the Tojo Option;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) The allottees of the Shares were all the Tojo shareholders excluding related entity, Vienna (an entity controlled by director, Ron Gajewski), the issue to whom is the subject of Resolution 7; and
- (e) No funds will be raised by issue of these Shares. The Shares are part of the consideration payable by the Company for the acquisition of the Tojo Option.

A voting exclusion statement is included in the Notice

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## 6. RESOLUTION 7 – APPROVAL TO ISSUE SHARES RE THE TOJO OPTION

Resolution 7 seeks Shareholder approval to allow the Company to issue 720,000 Shares to Vienna Holdings Pty Ltd (an entity controlled by Carnavale director, Ron Gajewski) as a related party Tojo shareholder pursuant to the terms of the Tojo Implementation Agreement.

### ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a company to obtain shareholder approval prior to the issue of securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies. Mr Gajewski, an existing Director, is a related party within the terms of the ASX Listing Rules. Accordingly, the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11 unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Approval pursuant to ASX Listing Rule 7.1 is not required as approval is being obtained under ASX Listing Rule 10.11.

## 6.1 Technical information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Shares to be issued:

- (a) The Shares will be issued to Vienna Holdings Pty Ltd;
- (b) the maximum number of Shares to be issued is 720,000;
- (c) The Shares will be issued immediately after and in any case no later than one month after the Meeting date;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) there will be no funds raised by the issue of the Shares to Vienna. The Shares are part of the fee payable by the Company for the acquisition of the Tojo Option.

A voting exclusion statement is included in the Notice.

## **7. RESOLUTION 8 – APPROVAL TO ISSUE SECURITIES FOR THE TOJO ACQUISITION**

### **ASX Listing Rule 7.1 and ASX Listing Rule 10.11**

Resolution 8 seeks Shareholder approval to allow the Company to issue Shares and Performance Shares to Tojo shareholders in the event that the Company elects to exercise the Tojo Option on or before 28 February 2015 to acquire 100% of Tojo's share capital. As noted previously, a total of 21,000,000 Shares, 21,000,000 A Class Convertible Performance Shares and 21,000,000 B Class Convertible Performance Shares would be required to be issued on exercise of the Tojo Option. The Shares and Performance Shares would be required to be issued to related and non-related entities as follows:

- (a) 1,440,000 Shares, 1,440,000 A Class Convertible Performance Shares and 1,440,000 B Class Convertible Performance Shares to related entity, Vienna;
- (b) 3,917,726 Shares, 3,917,726 A Class Convertible Performance Shares and 3,917,726 B Class Convertible Performance Shares to Carnavale director, Andrew Beckwith (NB: Andrew Beckwith was not a director of the Company when the Tojo Implementation Agreement was negotiated and executed, however his appointment as a Carnavale director was a term of this agreement);
- (c) 1,145,454 Shares, 1,145,454 A Class Convertible Performance Shares and 1,145,454 B Class Convertible Performance Shares to Penand Pty Ltd, a related entity that is controlled by Andrew Beckwith;
- (d) 600,000 Shares, 600,000 A Class Convertible Performance Shares and 600,000 B Class Convertible Performance Shares to Penelope Beckwith, Andrew Beckwith's spouse; and
- (e) 13,896,820 Shares, 13,896,820 A Class Convertible Performance Shares and 13,896,820 B Class Convertible Performance Shares to non-related Tojo shareholders.

Consequently the future issue, if any, of the above securities requires approval under ASX Listing Rule 10.11 in the case of securities to related entities ("Related Entities") referred to in (a), (b), (c) and (d) above and under ASX Listing Rule 7.1 in the case of securities to non-related entities ("Non-Related Entities") referred to in (e) above.

The effect of Resolution 8 will be to allow the Company to issue the securities during the period of 3 months after the date of the Meeting in the case of Non-Related Entities and within 1 month after the date of the Meeting in the case of Related Entities (or a longer period, if allowed by ASX).

ASX has granted a waiver to the Company which permits the Company to issue the Shares and Performance Shares the subject of this Resolution up to 31 March 2015 as Carnavale has up to 28 February 2015 to elect to exercise the Tojo Option.

### **7.2 Technical information required by ASX Listing Rules 7.3 and 10.13**

Pursuant to and in accordance with ASX Listing Rules 7.3 and 10.13, the following information is provided in relation to approval for Resolution 8:

- (a) the maximum number of securities to be issued is:
  - (i) 21,000,000 Shares;

- (ii) 21,000,000 A Class Convertible Performance Shares which will have the right to convert to 21,000,000 Shares upon the successful completion of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Little Butte Project or if a decision to mine is made based on a preliminary feasibility study on the Little Butte Project within 3 years from the date of issue of the Performance Shares; and
  - (iii) 21,000,000 B Class Convertible Performance Shares which will have the right to convert to 21,000,000 Shares upon the successful completion of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Red Hills Project or if a decision to mine is made based on a preliminary feasibility study on the Red Hills Project within 4 years from the date of issue of the Performance Shares.;
- (b) ASX Listing Rules ordinarily require securities to be issued no later than 3 months after the date of the Meeting in the case of Non-Related Entities and within 1 month after the date of the Meeting in the case of Related Entities. However, as the issue of these securities is dependent on the exercise or otherwise of the Tojo Option expiring on 28 February 2015, the Company has received a waiver of the Listing Rules from ASX so as to permit the issue of the securities no later than 31 March 2015. Issue of the securities, if any, is intended to occur on the same day;
  - (c) The securities (if the Tojo Option is exercised) will be issued for non-cash consideration being the acquisition of 100% of Tojo's share capital;
  - (d) The allottees of the securities will be Tojo shareholders. None of the allottees will be related parties of the Company other than the following:
    - i. 1,440,000 Shares, 1,440,000 A Class Convertible Performance Shares and 1,440,000 B Class Convertible Performance Shares to related entity, Vienna, an entity controlled by Ron Gajewski;
    - ii. 3,917,726 Shares, 3,917,726 A Class Convertible Performance Shares and 3,917,726 B Class Convertible Performance Shares to Andrew Beckwith;
    - iii. 1,145,454 Shares, 1,145,454 A Class Convertible Performance Shares and 1,145,454 B Class Convertible Performance Shares to Penand Pty Ltd, a related entity that is controlled by Andrew Beckwith; and
    - iv. 600,000 Shares, 600,000 A Class Convertible Performance Shares and 600,000 B Class Convertible Performance Shares to Penelope Beckwith, Andrew Beckwith's spouse; and
  - (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The A Class and B Class Convertible Performance Shares will be new classes of securities, which will have the right to convert to Shares upon satisfaction of specified performance criteria prior to specified expiry dates. Detailed terms and conditions for the Performance Shares are provided in Schedule 2.

A voting exclusion statement is included in the Notice.

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## Cautionary Notes

The Directors recognise and acknowledge the importance of Shareholders making their decision on the basis of the best possible information. However, once this material for the Notice of Meeting and Explanatory Statement is prepared and despatched to Shareholders, the Company has no legal obligation to continuously update the content of this material nor is it practical and logistically possible to do that and inform each Shareholder individually.

By its nature, the exploration industry is subject to numerous risks and the Company's Share price is affected by a range of factors. From the time of preparing this material to the date of the General Meeting, the Company's Share price may go up or down. The Company will continue to comply with its continuous disclosure obligations and make appropriate announcements to the ASX.

Shareholders are strongly encouraged to keep track of any announcements that the Company may make and of the Company's Share price up to the date of the General Meeting as that information may have an effect on the calculations and the data that is provided in this Notice and the Explanatory Statement. If you do not understand the effect of such information, you should consult your professional advisor.



## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Company** or **Carnavale** means Carnavale Resources Limited (ACN 119 450 243).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Explanatory Statement means** the explanatory statement accompanying the Notice.

**General Meeting or Meeting** means the meeting convened by the Notice.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share on the terms and conditions set out in Schedule 1.

**Performance Shares** means convertible securities having the right to convert to Shares upon satisfaction of specified performance criteria prior to specified expiry dates and includes A Class Convertible Performance Shares and B Class Convertible Performance Shares whose detailed terms and conditions are noted in Schedule 2.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Securities** means Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Tojo** means Tojo Minerals Pty Ltd ACN 161 230 280

**Tojo Implementation Agreement** means an agreement dated 27 July 2014 between the Company, Tojo and certain key stakeholders in Tojo under the terms of which an option (**Tojo Option**) was granted to the Company and which, if exercised, would result in the Company acquiring 100% of the issued shares in Tojo.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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**SCHEDULE 1 - TERMS AND CONDITIONS OF OPTIONS – RESOLUTIONS 3, 4 AND 5**

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- (a) Each Option entitles the holder to subscribe for and be allotted one Share.
- (b) The Options may be exercisable at any time prior to 5:00pm WST on 30 November 2016 (**Expiry Date**). Options not exercised on or before the Expiry Date will automatically lapse.
- (c) The exercise price of each Option is 3 cents.
- (d) The Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date.
- (e) The Options are transferable.
- (f) Upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation.
- (g) There will be no participating entitlement inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, Option holders will be notified by the Company in accordance with the requirements of the Listing Rules.
- (h) There are no rights to a change in exercise price, or in the number of Shares over which the Options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any Options.
- (i) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option holder are to be changed in a manner consistent with the Listing Rules.
- (j) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

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## SCHEDULE 2 - TERMS AND CONDITIONS OF PERFORMANCE SHARES – RESOLUTION 8

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### **General rights and obligations**

- (a) **(Class A Performance Shares)** Each Class A Performance Share is a share in the capital of the Company.
- (b) **(Class B Performance Shares)** Each Class B Performance Share is a share in the capital of the Company.
- (c) **(General meetings)** The Class A and B Performance Shares shall confer on the Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders. Holders have the right to attend general meetings of Shareholders.
- (d) **(No voting rights)** The Class A and B Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Shareholders.
- (e) **(No dividend rights)** The Class A and B Performance Shares do not entitle the Holder to any dividends.
- (f) **(Rights on winding up)** Holders have no right to participate in surplus profits or assets of the Company upon winding up of the Company in respect to their Class A and B Performance Shares.
- (g) **(Transferable)** The Class A and B Performance Shares are not transferable.
- (h) **(Reorganisation of capital)** In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the terms of the Class A and B Performance Shares will be adjusted to ensure that no advantage or disadvantage accrues to the Holder as a result of the reorganisation compare to other classes of equity securities and in any event in a manner consistent with the Corporations Act and ASX Listing Rules at the time of the reorganisation.
- (i) **(Application to ASX)** The Class A and B Performance Shares will not be quoted on ASX. However, upon conversion of the Class A and B Performance Shares into Shares, the Company must apply for the official quotation on ASX of the Shares arising from the conversion in the time period prescribed by the ASX Listing Rules.
- (j) **(Participation in entitlements and bonus issues)** Holders of Class A and B Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (k) **(No other rights)** The Class A and B Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

### **Conversion and redemption terms**

- (l) **(Conversion on achievement of Milestone)** Subject to paragraph (n) and compliance with the Ownership Threshold, conversion of each Class A and B Performance Share into one Share shall take place within 10 ASX trading days of achievement of the Milestone where this occurs on or before the Expiry Date.
- (m) **(Conversion on Change of Control Event)** Subject to paragraphs (n) and (p) and compliance with the Ownership Threshold, conversion of each Class A and B Performance Share into one Share shall take place within 10 ASX trading days of the occurrence of a Change of Control Event.
- (n) **(Deferred conversion)** If the conversion of a Class A and Class B Performance Share under paragraphs (l) or (m) would result in any person being in contravention of section 606(1) of the Corporations Act then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of section 606(1) of the Corporations Act. Where such conversion is

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deferred until the Expiry Date the Class A and B Performance Shares shall be redeemed in the same manner as applying where the Milestone is not achieved by the Expiry Date as set out in paragraph (s).

- (o) **(Notification of contravention)** A Holder shall give written notification to the Company:
- (i) within 7 days of receipt of a written request from the Company, for which the Company is not obligated to deliver to the Holder, for the Holder to confirm the issue of the Shares on conversion of the Class A and B Performance Shares to it will not be in contravention of section 606(1) of the Corporations Act; or
  - (ii) in the absence of such a written request from the Company, prior to the date of issue of the Shares on conversion of the Class A and B Performance Shares,

if it considers the issue of one or more Shares on conversion of their Class A and B Performance Shares it then holds may result in the contravention of section 606(1) of the Corporations Act and failure to give such a notice will entitle the Company to proceed with the issue of Shares on the assumption there will be no contravention of section 606(1) of the Corporations Act.

- (p) **(Capped conversion)** The issue of Shares pursuant to paragraph (m) when aggregated with all other issues of Shares under any other class of equity security of the Company with a right to conversion on a Change of Control Event is limited to 10% of the total Shares on issue at the date of the Change of Control Event. Where not all Class A and B Performance Shares are converted because of the application of this paragraph, the Shares will be issued to the Holders in proportion to their respective holdings of the aggregate number of Class A and B Performance Shares on issue with fractional entitlements of each Holder being rounded down to the nearest whole Share. Class A and B Performance Shares that do not convert into Shares due to this limit will continue to be held by the Holder on the same terms and conditions.
- (q) **(Conversion procedure)** The Company will procure the issue to the Holder of a new holding statement for the Shares within 10 ASX trading days following conversion of the Class A and B Performance Shares into Shares.
- (r) **(Ranking upon conversion)** The Shares into which the Class A and B Performance Shares may convert will rank *pari passu* in all respects with existing Shares.
- (s) **(Redemption if Milestone not achieved)** If the Milestone is not achieved by the Expiry Date, then each Class A and B Performance Share that remains on issue at the Expiry Date will be automatically redeemed by the Company for the sum of \$0.000001. The amount payable on redemption to a Holder will be rounded to the nearest whole cent after aggregating the amount payable for their holding at the time of redemption with payment due within 10 ASX trading days of the Expiry Date.

**Definitions (for the purposes of Schedule 2)**

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

**ASX Listing Rules** means the listing rules of ASX (as amended from time to time).

**Change in Control Event** means:

- (a) **(takeover)** a bidder under a takeover bid in respect of the Company made pursuant to Chapter 6 of the Corporations Act announcing:
- (i) it has received acceptances of more than 50% of the Shares on issue; and
  - (ii) the bid has become unconditional; or

- (b) **(scheme of arrangement)** a Court granting orders approving a compromise or scheme of arrangement for the purposes of or in connection with a scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party. This shall not apply to a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, sub-division, reduction or return) of the issued capital of the Company.

**Company** means Carnavale Resources Limited (ACN 119 450 243).

**Corporations Act** means *Corporations Act 2001 (Cth)* (as amended from time to time).

**Expiry Date** means the date 3 years from the date of issue of the Class A Performance Shares and 4 years from the date of issue of the Class B Performance Shares.

**Holder** means a holder of Class A and B Performance Share.

**JORC Code** means the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition)* (as amended from time to time).

**Little Butte Project** means:

- (a) As described in Property Option Agreement dated 31 July 2013 between Tojo and MinQuest Inc. in relation to the Little Butte Project; and
- (b) any other mining tenement or equivalent which may be granted in lieu of or relate to the same ground as the land specified in paragraph (a).

**Milestone** with respect to Class A Performance Share means the first to occur of:

- (a) the delineation of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Little Butte Project by a reputable independent third party engaged by the board of directors of the Company; or
- (b) if a decision to mine is made based on a preliminary feasibility study on the Little Butte Project by a reputable independent third party engaged by the board of directors of the Company after the date of issue of the Class A Performance Shares;
  - with respect to Class B Performance Share means the first to occur of:
- (a) the delineation of a JORC Code compliant indicated mineral resource of not less than 500,000 ounces of gold or gold equivalent at greater than or equal to 0.8g/tonne gold or gold equivalent in respect of the Red Hills Project by a reputable independent third party engaged by the board of directors of the Company; or
- (b) if a decision to mine is made based on a preliminary feasibility study on the Red Hills Project by a reputable independent third party engaged by the board of directors of the Company after the date of issue of the Class B Performance Shares.

**Ownership Threshold** means the Company holding, whether direct or indirect, at least a 50% interest or a right to at least a 50% interest in the Little Butte Project at the time of achievement of the Milestone or occurrence of the Change of Control Event as the context requires.

**Red Hills Project** means:

- (a) Option Agreement dated 15 August 2013 between Tojo, Columbus Gold (U.S.) Corporation, Columbus Gold Corp. and Cordilleran Exploration Company, LLC in relation to the Red Hills Property; and
- (b) any other mining tenement or equivalent which may be granted in lieu of or relate to the same ground as the land specified in paragraph (a);

**Shareholder** means a holder of a Share.

**Share** means a fully paid ordinary share in the capital of the Company.

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## SCHEDULE 3 – TOJO ACQUISITION – ADDITIONAL INFORMATION

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### About Tojo

Tojo is a private Australian exploration company established to acquire exploration and development resource projects, in highly prospective regions within stable mining friendly countries focussing initially on the USA and Australia. Tojo has identified and acquired the rights to explore highly prospective gold-silver-copper projects in the mining friendly states of Arizona and Nevada, USA. The USA ranks fourth in terms of 2013 world gold production with most of this production coming from large world class Au-Ag "Carlin" and Cu-Au "Porphyry" deposits dominantly located throughout Nevada and Arizona.

### Little Butte Project

The Little Butte project is a gold-copper exploration project in which Tojo has the right to earn 100% (subject to third party royalty) and is located approximately 250km south - southeast of Las Vegas and 200km west of Phoenix. Tenure comprises mineral claims covering an area approximately 9km<sup>2</sup>. Project highlights are as follows:

- Immediate "walk up" drill targets with the potential to rapidly define a near surface open pittable oxide gold-copper resource in the near term, associated with 2 parallel oxide gold-copper shear zone targets with over 1km strike length each.
- Encouraging high grade shallow oxide gold results\* in limited existing drilling includes:
  - **13.7m @ 11.33g/t** including **4.5m @ 33.65g/t**
  - **42.7m @ 2.04g/t** including **18m @ 4.17g/t**
  - **33.5m @ 2.95g/t** including **22.8m @ 4.06g/t**
- Deeper Cu-Au sulphide "chargeability" target defined in geophysics beneath numerous small scale high grade historical surface Cu-Au workings.

The immediate programme comprises compilation of all existing data, including the more recent previous drilling, acquisition of additional geophysical data to aid deeper drill targeting and RC drilling to delineate the shallow oxide gold potential. RC drilling is currently planned to commence in September, subject to regulatory approvals.

### Red Hills Project

The Red Hills project is highly prospective for large "multi-million ounce" Carlin style Au-Ag potential, and is located approximately 400km north of Las Vegas and comprises mineral claims covering an area approximately 10km<sup>2</sup>. Historical small scale underground mining previously undertaken in the early 1900's has occurred within the project area.

Tojo has rights to earn up to a 75% interest in the project with the following highlights:

- Located along an under-explored portion of the prolific +100Moz Carlin Trend.
- Look-a-like and new proven mineralisation model based on recent Long Canyon (+2.5Moz) discovery acquired by Newmont for US\$2.3B in 2012 via a takeover.
- Encouraging Au and Ag results in rock chip sampling over at least 2km of prospective stratigraphy.

A programme of mapping, geochemical sampling and geophysical surveys are currently underway and are expected to be completed during August with results anticipated in September.

### Competent Person's Statements – Exploration Results

*The information in this report that relates to the Tojo Projects was first reported by the Company in compliance with JORC 2012 in market releases dated 30 July 2014 and 31 July 2014. The Company confirms that it is not aware of any new information or data that materially affects the information included in the market announcements dated 30 July 2014 and 31 July 2014.*

Carnavale presents a summary of the key risks that may impact on its proposed new investment in the United States of America ("USA"), as well as a summary of the fiscal regime and mining legislation that presently exists in USA. This is not meant to be an exhaustive commentary nor a complete analysis of these matters, but merely a summary to make Shareholders aware of key matters and enable them to do their own further research into these matters if considered appropriate.

An investment in the Tojo projects poses the same technical risks that any mineral sector investment entails and these are summarised below. Commentary on risk factors applying specifically to USA must be however be considered in context. Any changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations of the Company. It should be noted that USA has a long history of mining. The country has considerable natural resources, in particular large gold, copper, cobalt, diamond and iron ore deposits.

## **Industry Risks**

### **(a) Mining and exploration risks**

The primary business of the Company is exploration for, and commercial development of, mineral ore bodies, which is subject to the risks inherent in these activities. Its operations are still in the exploration and evaluation phase. No assurance can be given that future exploration will be successful or that a commercial mining operation will eventuate.

### **(b) Commodity price risk**

The Company's ability to benefit from any future mining operations will depend on market factors, some of which may be beyond its control. The world market for gold, copper and other minerals is subject to many variables and may fluctuate markedly. Commodities are principally sold throughout the world in US dollars. The Company's cost base will be payable in various currencies including Australian dollars and US dollars. As a result, any significant and/or sustained fluctuations in the exchange rate between these currencies and/or adverse movements in commodity prices could have a materially adverse effect on its operations, financial position and performance.

### **(c) Resources & reserves risk**

Resources estimates are expressions of judgment based on knowledge, experience and resource modelling. As such, resource estimates are inherently imprecise and rely to some extent on interpretations made. Additionally, resource estimates may change over time as new information becomes available. Should the Company encounter mineralisation or geological formations different from those predicted by past drilling, sampling and interpretations, resource estimates may need to be altered in a way that could adversely affect the Company's operations.

### **(d) Reliance on Key Personnel**

The Company's success largely depends on the core competencies of its Directors and management and their familiarisation with, and ability to operate in, the metals and mining industry and the Company's ability to retain its key executives.

### **(e) Future Capital Needs and Additional Funding**

The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to the Company will vary according to a number of factors, including prospectivity of projects (existing and future), the results of exploration, subsequent feasibility studies, development and mining, stock market and industry conditions and the price of relevant commodities and exchange rates.

## **(f) Competition**

The Company competes with other companies, including major mineral exploration and mining companies. These companies will likely have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

## **USA Country Risks**

### **(a) General economic factors**

Changes in both the global and specifically USA economic climate may adversely affect the financial performance of the Company. Factors, which may contribute to that general economic climate, include movements in interest rates and currency exchange rates and the overall state of the equity/debt capital markets that the Company may rely on to fund current and future activity.

### **(b) Taxation and foreign investment rules**

Any changes to the USA direct and indirect taxation rates and the flow of capital in and out of USA will impact on financial performance and cash flows, the ability to pay dividends and ultimately the price of Carnavale's securities which could impact investor returns. Any changes to the current rates of income tax applying to individuals will similarly impact on investor returns. In addition, any change in tax arrangements between Australia, USA and other applicable jurisdictions could have an adverse impact on any future net profit after tax and net operating cash flows.

### **(c) Land access risk**

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

### **(d) Environmental**

USA exploration and mining activities are subject to various laws and regulations regarding environmental matters. As with all mineral projects, the Company's projects are expected to have a variety of environmental impacts should development proceed. Development of any of the Company's projects will be dependent on the Company satisfying environmental guidelines and, where required, being approved by government authorities.

### **(e) Sovereign Risk**

The Little Butte project is located in Arizona and the Red Hills project is located in Nevada. Arizona and Nevada currently have a stable and transparent regulatory system. However the Company cannot guarantee that a change in Government, legislation or policy will not affect its operations in Arizona and Nevada.

### **(f) Completion risk**

Carnavale may not exercise the Tojo Option to acquire 100% of Tojo. Assuming Shareholder approval of the various resolutions put to the Meeting, the Board will exercise its professional judgement and take such expert advice as it considers appropriate in order to determine whether or not to exercise the Tojo Option after taking into consideration the results of exploration on the Tojo mineral projects over the coming months as well as all other matters considered relevant to such a decision.



**Completed Proxy can be lodged:**

BY MAIL: **Level 1, Suite 5, The Business Centre,  
55 Salvado Road, Subiaco,  
Western Australia 6008**  
Or  
**P O Box 131  
Subiaco, Western Australia 6904**

BY FAX: **(61 8) 9380 6761**

For your vote to be effective, the completed proxy form must be received by 10.00am (Perth time),  
24 September 2014

**How to complete the Proxy Form****1 Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

**2 Votes on Items of Business**

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

**3 Appointment of a Second Proxy**

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

**4 Signing Instructions**

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the security holders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

**Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the time of the General Meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**STEP 1****APPOINTMENT OF PROXY**

I/We being a member/s of Carnavale Resources Limited and entitled to attend and vote hereby appoint

The Chairman  
of the Meeting  
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding your own name) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Carnavale Resources Limited to be held on 26 September 2014 and at any adjournment of that meeting.

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote as your proxy in respect of the Resolutions please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 4, 7 and 8 and that votes cast by the Chair of the General Meeting for Resolutions 4, 7 and 8 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 4, 7 and 8 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 4, 7 and 8.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

**STEP 2****VOTING DIRECTIONS TO YOUR PROXY****PLEASE MARK  TO INDICATE YOUR DIRECTIONS**

	For	Against	Abstain*
Resolution 1 – Ratification of Prior Issue - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Ratification of Prior Issue - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Placement Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Authority to Issue Securities to Director, R Gajewski or his nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Authority to Issue Securities to Director, A Beckwith or his nominees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Ratification of Prior Issue of Shares re Tojo Option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Approval to Issue Shares re Tojo Option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Approval to Issue Securities for the Tojo Acquisition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**The Chairman of the Meeting intends to vote all available proxies in favour of each item of business**

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**SIGN**

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and  
Sole Company Secretary  
Dated: \_\_/\_\_/2014

Securityholder 2

Director

Securityholder 3

Director/Company Secretary