

CAPITAL RAISING COMPLETED EXPLORATION DRILLING TO BE SCALED UP AND ACCELERATED AT STRELLEY AND TICK HILL

Carnaby Resources Limited (ASX: CNB) (**Carnaby** or **Company**) is pleased to announce it has completed the bookbuild for a placement to raise \$3 million (**Placement**). The Company also advises shareholders of a Share Purchase Plan to raise up to \$1 million at the same issue price as the Placement (**SPP**).

Highlights

- The Placement of \$3 million (before costs) was strongly oversubscribed by existing and new institutional and sophisticated investors.
- The Placement issue price of A\$0.30 per share, represents a discount of 2.3% to the 10 day-trading volume weighted average market price (**VWAP**).
- The Placement consists of:
 - Tranche 1 of \$2.65 million to sophisticated and professional investors (**Tranche 1 Placement**), placed under the Company's ASX Listing Rule 7.1 capacity; and
 - Tranche 2 of \$0.35 million to directors of the Company (**Tranche 2 Placement**).
- The Tranche 2 Placement is subject to completion of the Tranche 1 Placement and obtaining shareholder approval.
- A SPP raising up to \$1 million (before costs) available to all eligible shareholders at the same price as the Placement.
- Placement and SPP proceeds will be used to scale up and accelerate:
 - Exploration drilling at the Strelley Project in the Pilbara of Western Australia, where a maiden 8,500 m (400 hole) aircore drilling program will commence in October immediately followed by a 3,500 m RC drilling program;
 - Drilling at the Tick Hill Project in Queensland, targeting Tick Hill North and North Pit Wall commencing in early November;
 - Development options for the Tick Hill Open Pit; and
 - Corporate overheads and general working capital purposes.

ASX Announcement

9 September 2020

Fast Facts

Shares on Issue 98M

Market Cap (@ 34 cents) \$33.3M

Cash \$2.8M¹

¹As of 30 June 2020 plus \$1.25M received first cash instalment for Tick Hill Tailings Stockpile Sale (excludes remaining ~\$4.75M cash receipts from Tailings Sale & NSR Royalty Agreement, refer ASX release 3 August 2020)

Board and Management

Peter Bowler, Non-Exec Chairman

Rob Watkins, Managing Director

Greg Barrett, Non-Exec Director

Paul Payne, Non-Exec Director

Ben Larkin, Company Secretary

Company Highlights

- Proven and highly credentialed management team
- Tight capital structure and strong cash position
- Commencing exploration at the Mallina Basin in the Pilbara of WA
- Projects near to De Grey's Hemi gold discovery on 254 km² of highly prospective tenure
- 100% ownership of the Tick Hill Gold Project (granted ML's) in Qld, historically one of Australia highest grade and most profitable gold mines
- Past production of 511 koz at 22 g/t gold
- Indicated and Inferred Mineral Resource of 845,000 t @ 2.47 g/t gold for 67,100 ounces²
- Proven and Probable Ore Reserves of 459,900 t @ 1.89 g/t gold for 28,000 ounces²
- 323 km² surrounding exploration package containing numerous gold and copper targets

²Refer ASX release 5 June 2020, to be adjusted following Tailings Sale & NSR Royalty Agreement, refer ASX release 3 August 2020

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The Company's Managing Director, Rob Watkins commented:

“Carnaby welcomes the significant support demonstrated for the Placement by existing and new shareholders, including high quality resources institutional investors. In conjunction with the Tick Hill Tailings sale and existing cash, the Placement provides Carnaby with a strong financial footing to scale up and accelerate the exploration and development of its Strelley and Tick Hill Projects.”

PLACEMENT

The Company has received commitments to raise \$3 million before costs from the issue of 10 million fully paid ordinary shares at an issue price of \$0.30 per share. The Placement received strong support and was heavily oversubscribed.

The Placement issue price of A\$0.30 per share, represents a discount of 2.3% to the 10 day VWAP.

The Tranche 1 Placement will consist of the issue of approximately 8.8 million fully paid ordinary shares to raise \$2.65 million and will be placed under the Company's ASX Listing Rule 7.1 capacity to sophisticated and professional investors.

The Tranche 2 Placement will consist of the issue of approximately 1.2 million fully paid ordinary shares to raise \$0.35 million and will be placed to directors of the Company, subject to the completion of the Tranche 1 Placement and obtaining shareholder approval at a general meeting. The general meeting to approve the Tranche 2 Placement is expected to be held at the end of October 2020.

Canaccord Genuity (Australia) Limited acted as Lead Manager to the Placement and will be paid a fee of 6% of gross proceeds raised under the Tranche 1 Placement and 2% under the Tranche 2 Placement.

SHARE PURCHASE PLAN

In addition to the Placement, the Company is also undertaking an SPP raising up to \$1 million before costs which will be available to all eligible shareholders in Australia and New Zealand.

Under the SPP, fully paid ordinary shares will be offered at the Placement issue price of \$0.30 per share.

The record date for the SPP is 5:00pm (AWST) on Tuesday, 8 September 2020. The SPP offer period is expected to open on Thursday, 17 September 2020 and close on Wednesday, 7 October 2020. Participation in the SPP is optional. The Company may close the SPP early and accordingly shareholders are encouraged to submit their Application Forms as early as possible.

Further information regarding the SPP (including terms and conditions) will be provided to eligible shareholders in a SPP Offer Letter following this announcement.

Canaccord Genuity (Australia) Limited will act as Lead Manager in respect of the SPP and will be paid a fee of 2% of gross proceeds raised under the SPP.

TIMETABLE

Event	Date
Announcement of Placement and trading halt lifted	Wednesday, 9 September 2020
Settlement of Tranche 1 Placement shares	Tuesday, 15 September 2020
Dispatch of SPP Offer Letter and SPP open date	Thursday, 17 September 2020
SPP closing date	Wednesday, 7 October 2020
Announcement of SPP participation results	Monday, 12 October 2020
Issue of new shares under SPP	Wednesday, 14 October 2020
Meeting of Shareholders and announcement of meeting results Issue of Tranche 2 Placement shares (subject to Shareholder approval)	End of October 2020

The Company may vary the dates and times disclosed above as required. The relevant notice of meeting for the shareholders meeting will be released to shareholders once prepared.

EXPLORATION & DEVELOPMENT PLANS

PILBARA – STRELLEY & MOUNT GRANT PROJECTS

As announced in the ASX on 15 July 2020, Carnaby has rapidly built up a highly prospective land package in the Mallina Basin north east of De Grey's Hemi gold discovery covering 254 km².

Walk-up drill targets have been identified at several locations (see ASX release 22 July 2020).

Heritage surveys and Program of Works permits have been completed and a drill rig contract has been signed. The maiden 8,500 m (400 hole) aircore drilling program is anticipated to commence in early to mid-October.

Immediate follow up the aircore drilling with a deeper 3,500 m RC drilling program is being planned and appropriate drill tenders are being sought for an anticipated commencement date in mid-November.

A standout target is the **Palisade Prospect**, where a 7 km long MMI soil gold anomaly is open to the southwest and is coincident with a ~**300-500 m** wide gold mineralised bottom of hole RAB drilling anomaly (Figures 2 & 3). Aircore drilling of Palisade will be completed at a nominal 320 m x 80 m spacing (Figure 3).

Several other highly prospective targets including Stockade, Gibraltar, Rumeli and Conwy will also be tested as part of the first phase drilling on a nominal 640 m x 80 m spacing.

An aeromagnetic survey over the Strelley and Mount Grant Projects is being fast tracked and is forecast to commence in October.

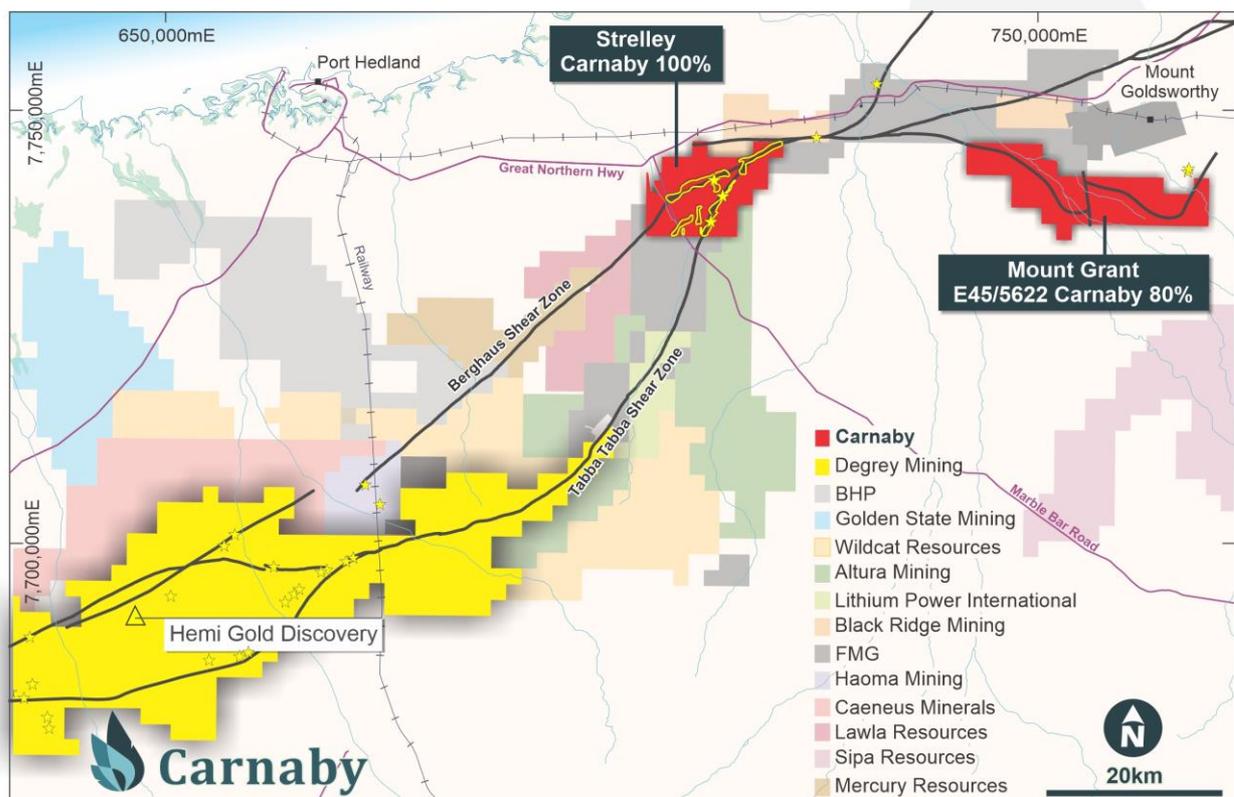


Figure 1: Carnaby's Strelley and Mount Grant gold projects

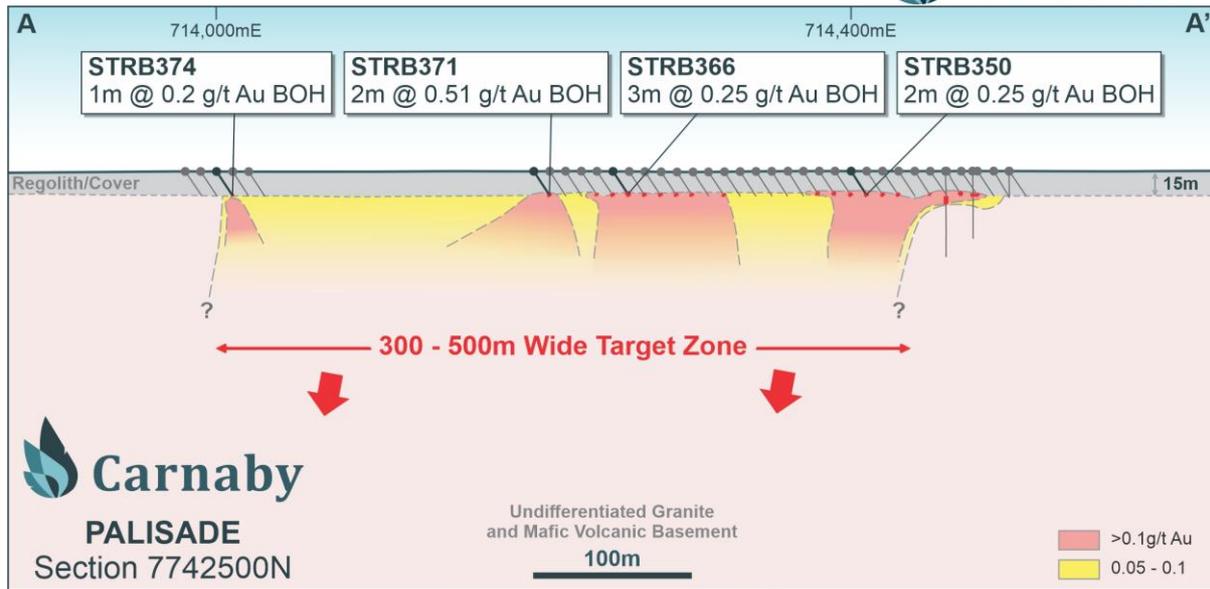


Figure 2: Palisade 300-500m wide bottom of hole RAB drilling gold anomaly.

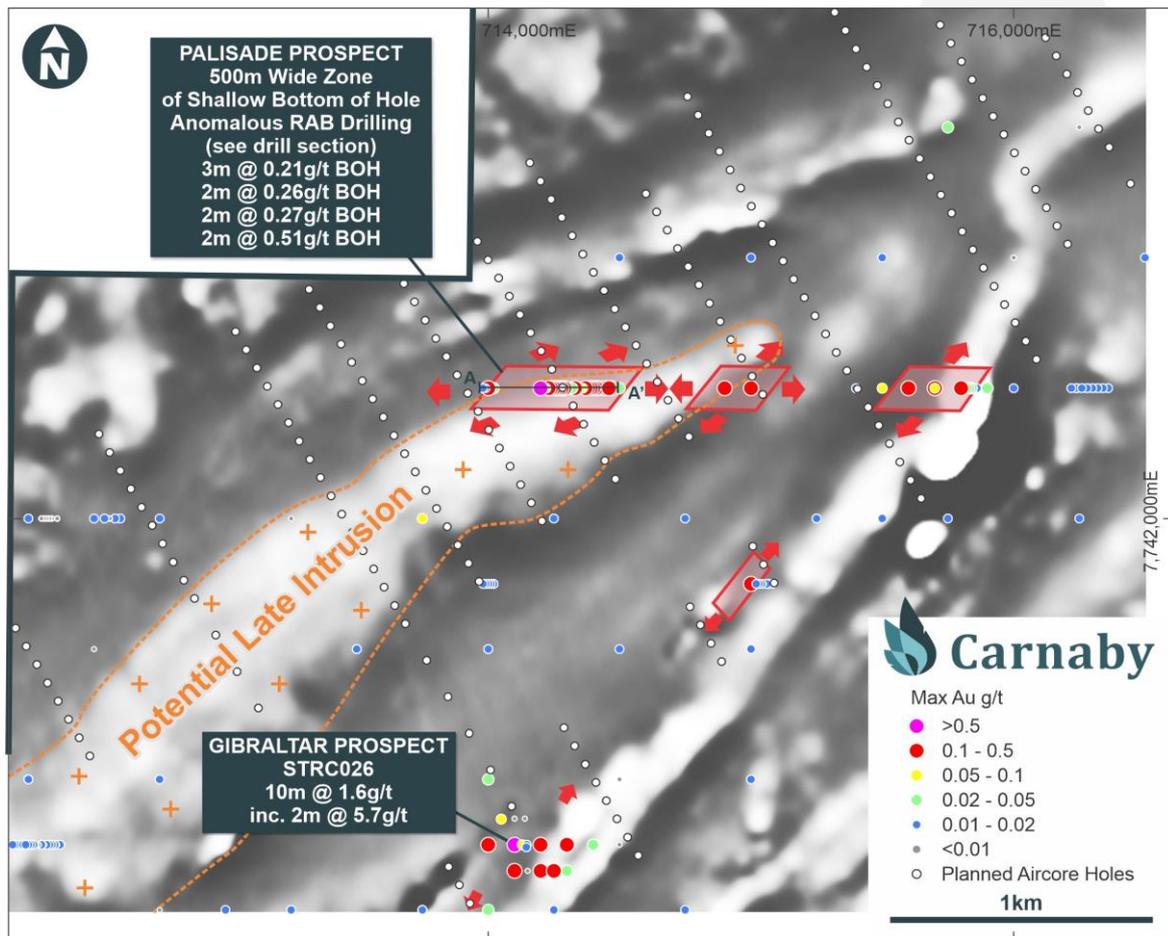


Figure 3: Palisade and Gibraltar Prospects showing location of planned drilling.

TICK HILL

Drilling will be accelerated for the search for the offset or repetition of the Tick Hill orebody, which historically produced **511,000 oz of gold at 22 g/t down to only 235 m below surface**. Tick Hill was one of the highest grade and most profitable gold orebodies ever mined in Australia and represents a company transforming target.

The company continues to be highly encouraged by the Tick Hill North target where the last hole drilled in December 2019 intersected an intensely altered **10 m wide Lodestone unit 250 m north of the offset** which closely resembles the host rock unit, brecciation and alteration associated with the Tick Hill orebody (Figure 4).

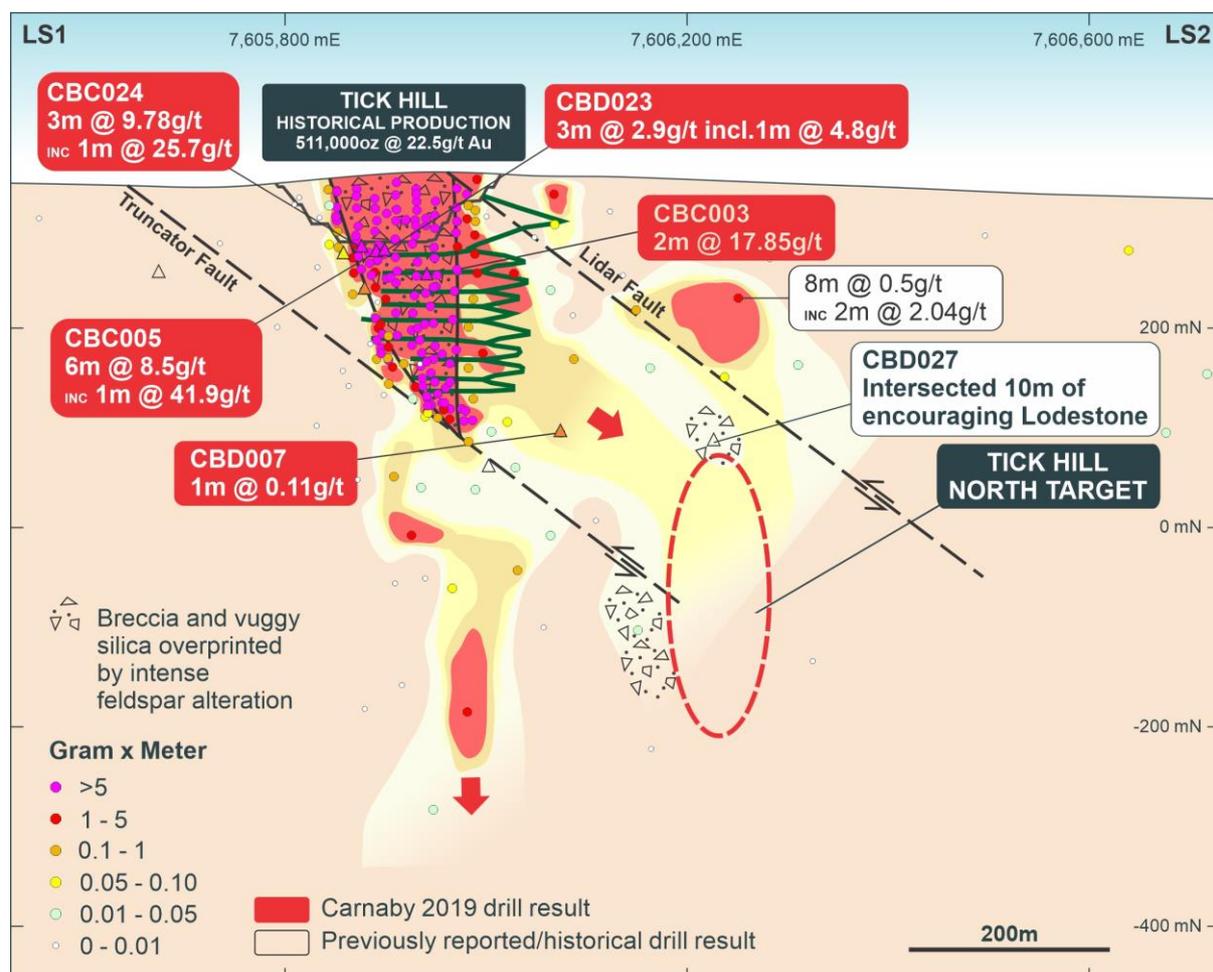


Figure 4: Tick Hill long section showing location of Lodestone at Tick Hill North target.

Drilling will also target the immediate extension of the Tick Hill orebody into the north pit wall, where historical approximate true width grade control results up to **5.5 m @ 30.1 g/t gold BOH and 5.5 m @ 20.3 g/t gold BOH** are open into the north wall of the open pit (Figure 5).

Drill contracts are being finalised and drilling is anticipated to commence at the start of November.

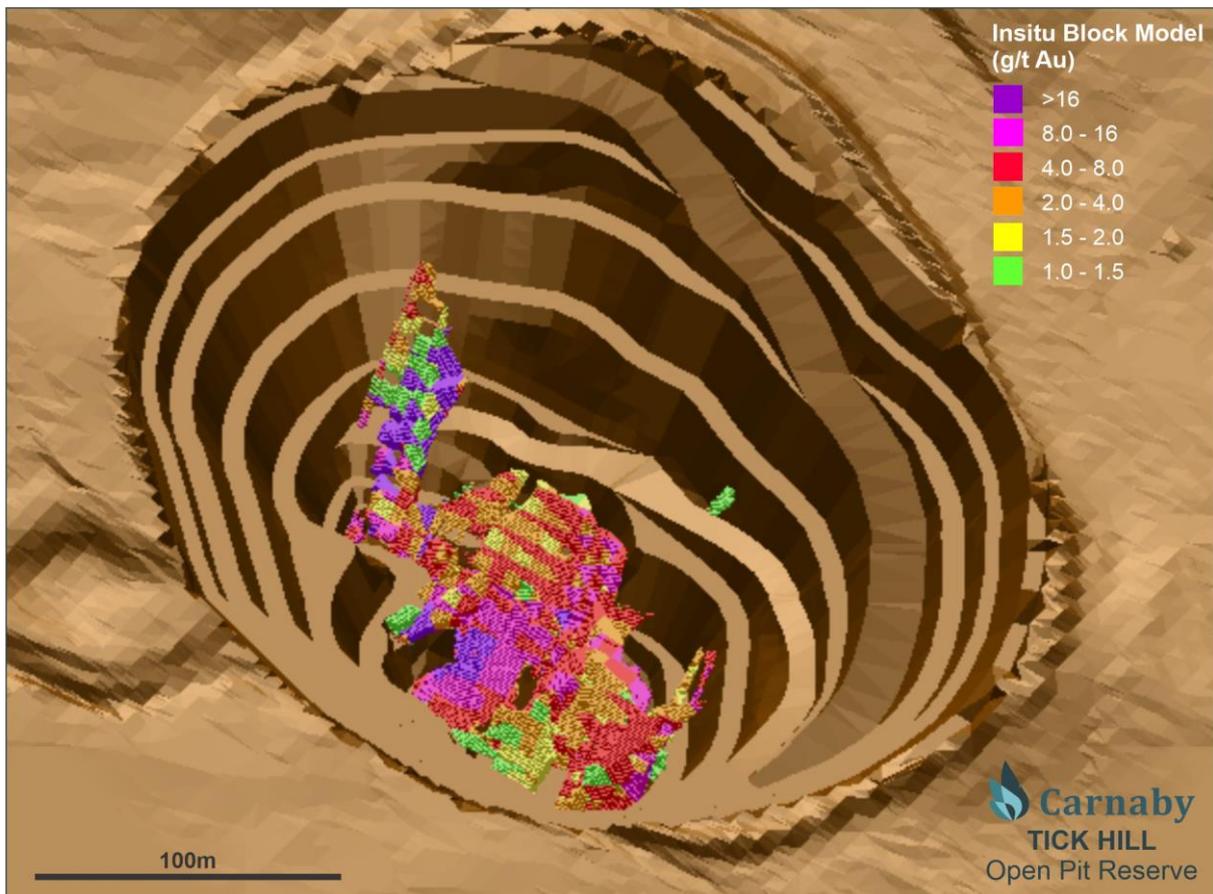


Figure 5: Tick Hill Open Pit Cutback showing design pit and ore blocks to be mined.

On 3 August 2020, Carnaby announced the sale of the Tick Hill tailings stockpile for \$6M. Aside from the sold stockpiles, Carnaby retains a 100% interest in the Tick Hill Project and all remaining Mineral Resources and Ore Reserves, including the Tick Hill Open Pit.

In the recently released Tick Hill PFS, the Tick Hill Open Pit contributed Production Mill Feed of **63,300 tonnes @ 6.1 g/t for 12,500 ounces**. At current gold prices, the Tick Hill Open Pit cutback is forecast to generate net pre-tax cash flows of approximately **\$18 million at an All-In Sustaining Cost ('AISC') of A\$1,190 per ounce**¹. Negotiations to develop, profit share or sell the Tick Hill open pit project are continuing.

¹ Refer ASX release 5 June 2020 for full details regarding the Tick Hill PFS

Further information regarding the Company's projects can be found on the Company's website

www.carnabyresources.com.au

For further information please contact:

Robert Watkins, Managing Director

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Disclaimer

References have been made in this announcement to certain ASX announcements, including references regarding exploration results, mineral resources, production targets and forecast financial information. For full details, refer to said announcement on said date. The Company is not aware of any new information or data that materially affects this information. Other than as specified in this announcement and the mentioned announcements, 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 and, in the case of estimates of Mineral Resources, Exploration Target(s), Ore Reserves, Production Targets and forecast financial information from Production Targets, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. 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 announcement.

Forward Looking Statements

Some statements in this announcement regarding estimates or future events are forward looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward looking statements include, but are not limited to, statements preceded by words such as "planned", "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "could", "nominal", "conceptual" and similar expressions. Forward looking statements, opinions and estimates included in this announcement are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward looking statements may be affected by a range of variables that could cause actual results to differ from estimated results, and may cause the Company's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward looking statements.

These risks and uncertainties include but are not limited to liabilities inherent in mine development and production, geological, mining and processing technical problems, the inability to obtain any additional mine licenses, permits and other regulatory approvals required in connection with mining and third party processing operations, competition for among other things, capital, acquisition of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, changes in commodity prices and exchange rate, currency and interest fluctuations, various events which could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions, the demand for and availability of transportation services, the ability to secure adequate financing and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward looking statements will prove to be correct.

The Company has concluded it has a reasonable basis for providing the forward looking statements included in this announcement and believes that it has a "reasonable basis" to expect it will be able to complete the development of the Project, including with respect to any production targets and financial estimates, based on the information contained in this announcement.