Carnaby

MOUNT HOPE DEVELOPMENT AND EXPLORATION FOOTPRINT EXPANDS

Highlights

- Carnaby expands its footprint adjacent to and surrounding its 100% owned Mount Hope Mining Lease which hosts the Mount Hope copper gold deposit (10.3Mt @ 1.7%CuEq for 173kt contained CuEq).
- Acquisition provides flexibility to optimise the Mount Hope open pits to their full extents by enabling a significantly larger open pit development.
- Scoping Study for the Greater Duchess Copper-Gold Project will now be refocussed to the larger optimised open pit scenario which is expected to considerably enhance project economics.
- Acquisition includes over 5km of strike along the Mount Hope IOCG corridor with strong potential for direct lode extensions and satellite deposits to be discovered and developed.

Carnaby Resources Limited (ASX: CNB) (**Carnaby** or the **Company**) is pleased to announce that it has entered into a binding agreement with Hammer Metals Limited (**HMX** or **Hammer**) and its wholly owned subsidiary Mt. Dockerell Mining Pty Ltd, pursuant to which Carnaby will acquire an initial 51% beneficial interest in three (3) sub-blocks covering 9 km^2 within exploration permit EPM26777, immediately adjoining and surrounding the Company's Mount Hope Central and Mount Hope North deposits (**Sub-Blocks**). Carnaby has the right to acquire an additional 19% beneficial interest to take its total beneficial interest in the Sub-Blocks to 70% (the **Transaction**).

The Transaction allows Carnaby to optimise the Mount Hope open pits to their full extents given preliminary unconstrained open pit optimisations encroach ~80m outside of Carnaby's 100% owned mining lease. The benefits of being able to mine these larger open pits are expected to be significant for the Mount Hope development in respect to scheduling, capital expenditure and life of mine cashflow (Figure 2). Carnaby's Greater Duchess Scoping Study will now focus on this enlarged optimised open pit scenario. The late change to the Scoping Study will delay its release by approximately one month, to May 2024.

Carnaby's Non-Executive Chairman, Peter Bowler, commented:

"This is a great transaction for both companies and their shareholders. For Carnaby it ensures we now have the unfettered ability to develop the Mount Hope Central and Mount Hope North deposits in the most optimal and unconstrained manner. We look forward to advancing the Mount Hope development and the broader Greater Duchess Scoping Study which is expected to highlight the significant value our projects can deliver to Carnaby shareholders.

We are also highly encouraged by the exploration potential along the Mount Hope corridor both in the near mine environment for direct extensions of the lodes into the area acquired and for mineable satellite deposits like South Hope and The Stubby where significant historical drill results have been recorded."

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ASX Announcement

2 April 2024

Fast Facts

Shares on Issue 162.8M

Market Cap (@ 59.5 cents) $96.9M

Cash $18.4M[1]

[1]As at 31 December 2024

Directors

Peter Bowler, Non-Exec Chairman

Rob Watkins, Managing Director

Greg Barrett, Non-Exec Director & Joint Company Secretary

Paul Payne, Non-Exec Director

Company Highlights

- Proven and highly credentialed management team.
- Tight capital structure and strong cash position.
- Greater Duchess Copper Gold Project, numerous camp scale IOCG deposits over 1,921 km^2 of tenure.
- Maiden interim Mineral Resource Estimate at Greater Duchess: 21.8Mt @ 1.4% CuEq for 315kt CuEq.[1]
- Mount Hope, Nil Desperandum and Lady Fanny Iron Oxide Copper Gold discoveries within the Greater Duchess Copper Gold Project, Mt Isa inlier, Queensland.
- Projects near to De Grey's Hemi gold discovery on 442 km^2 of highly prospective tenure.

[1]Refer to ASX release dated 27 October 2023.

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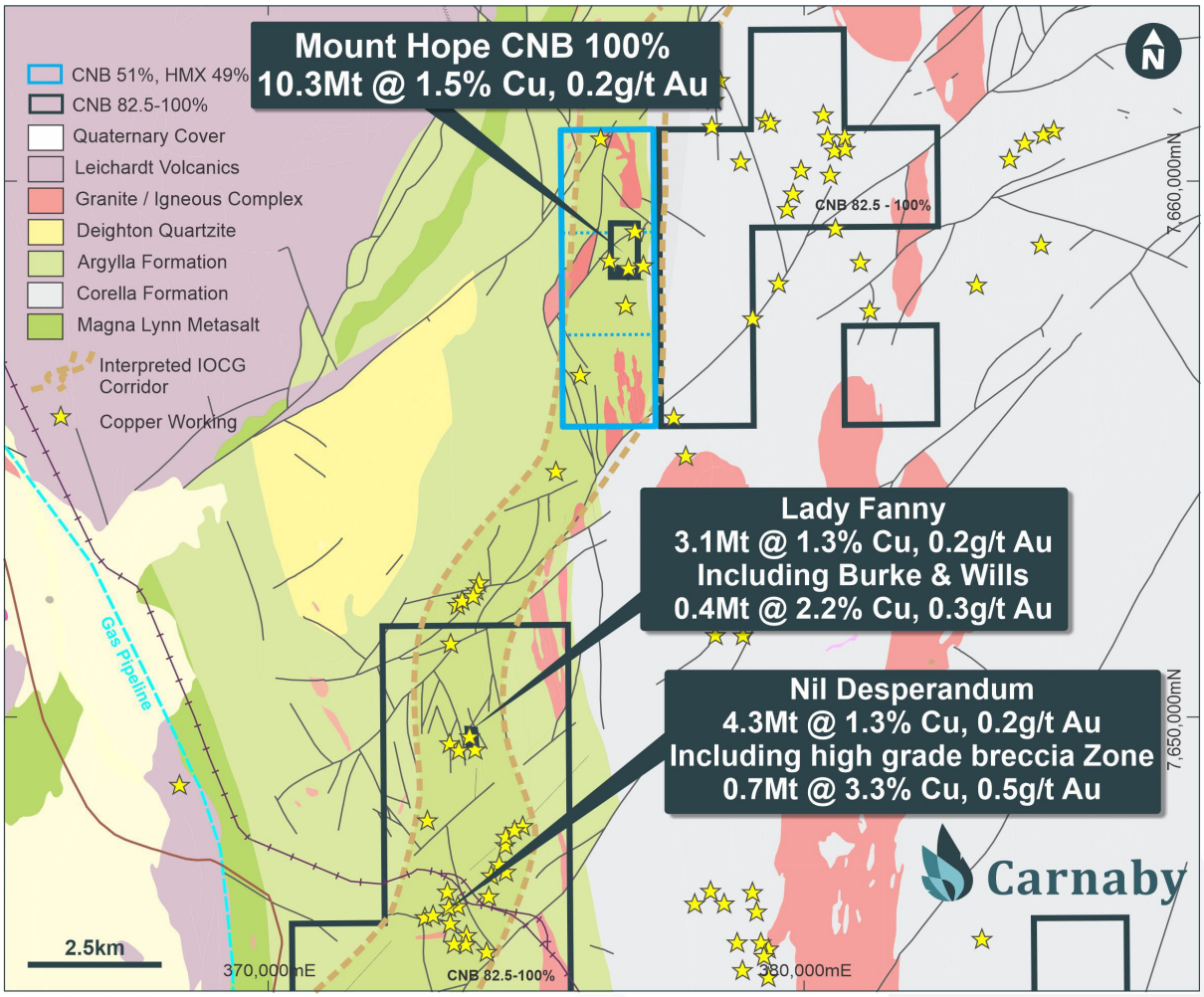

Figure 1. Plan showing the Nil Desperandum to Mount Hope IOCG corridor and 3 Sub-Blocks to be acquired surrounding Mount Hope.

Acquisition Rationale

Mount Hope Open Pit Development

The acquisition of the 3 Sub-Blocks surrounding Carnaby's 100% owned Mount Hope mining lease ML90240 which contains a Mineral Resource of 10.3Mt @ 1.7% CuEq for 173,000t CuEq, allows Carnaby to optimise the Mount Hope Central and Mount Hope North open pits to their full extents, unrestricted by the current mining lease boundary.

The unconstrained Mount Hope Central Open Pit encroaches approximately 80m into the Sub-Blocks allowing for a significantly larger open pit that reaches to a depth of approximately 170m below surface as opposed the previous Mining Lease constrained open pit that reached only approximately 90m below surface.

As shown in Figure 2, the unrestricted optimised open pits encroach well into the areas of the Sub-Blocks and these optimised open pits will now be incorporated into the current Scoping Study for the Greater Duchess Project. It is expected that this change to the Scoping Study parameters will delay the release of the results by approximately one month, which are now anticipated to be reported in May 2024.

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The large unrestricted open pits are expected to considerably enhance the project economics of a Mount Hope open pit development in respect to scheduling as well as life of mine cashflow and capital expenditure.

In addition, there remains potential for additional mineralisation to be discovered within the area of the optimised open pits as shown in Figure 2 where both Mount Hope Central and Mount Hope North contain undrilled historical open pits which are clearly mineralised to some extent.

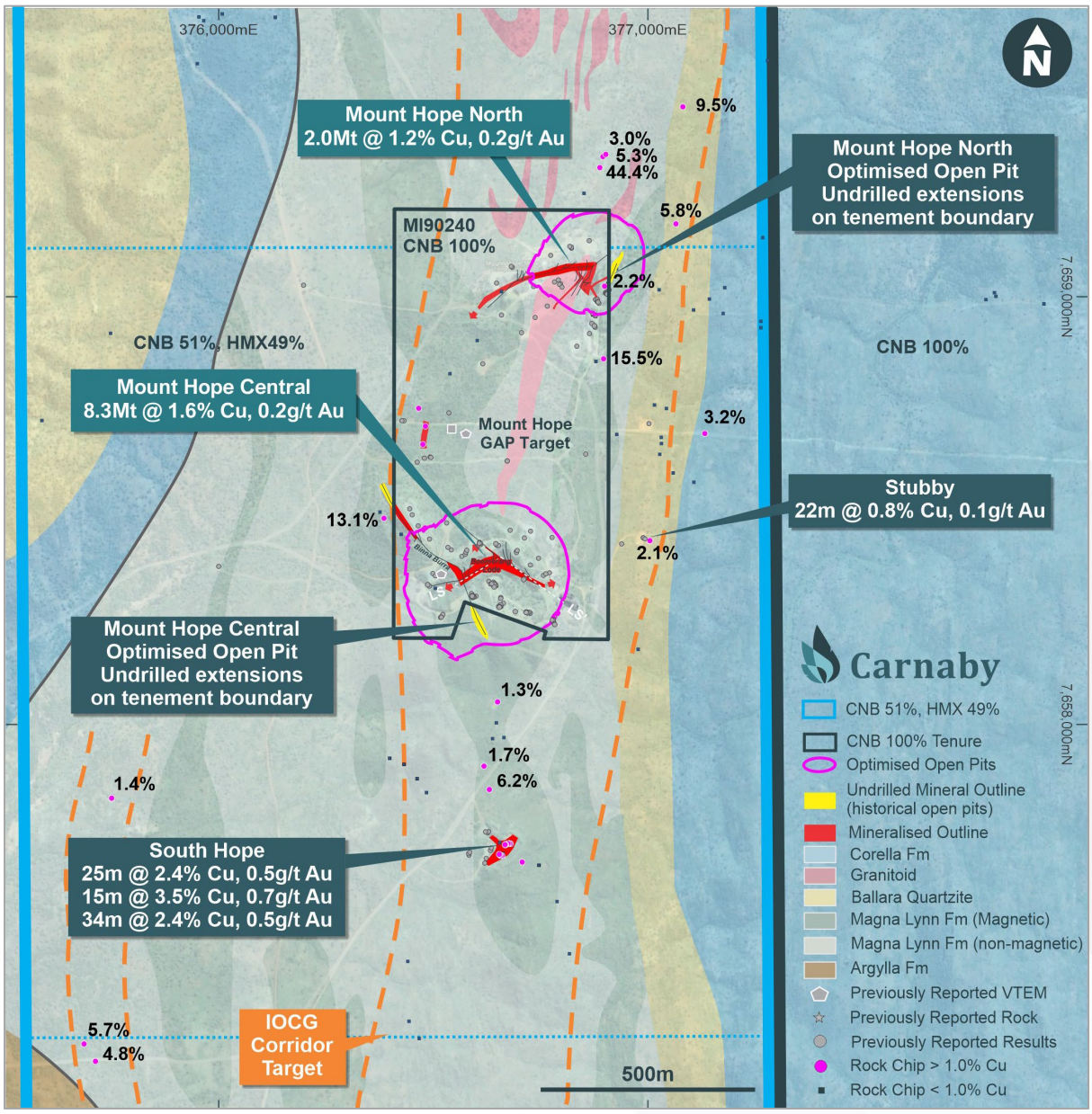

Figure 2. Plan showing the 100% owned Mount Hope Mining Lease optimised open pits that encroach into the surrounding 3 Sub-Blocks in which an initial 51% interest is to be acquired.

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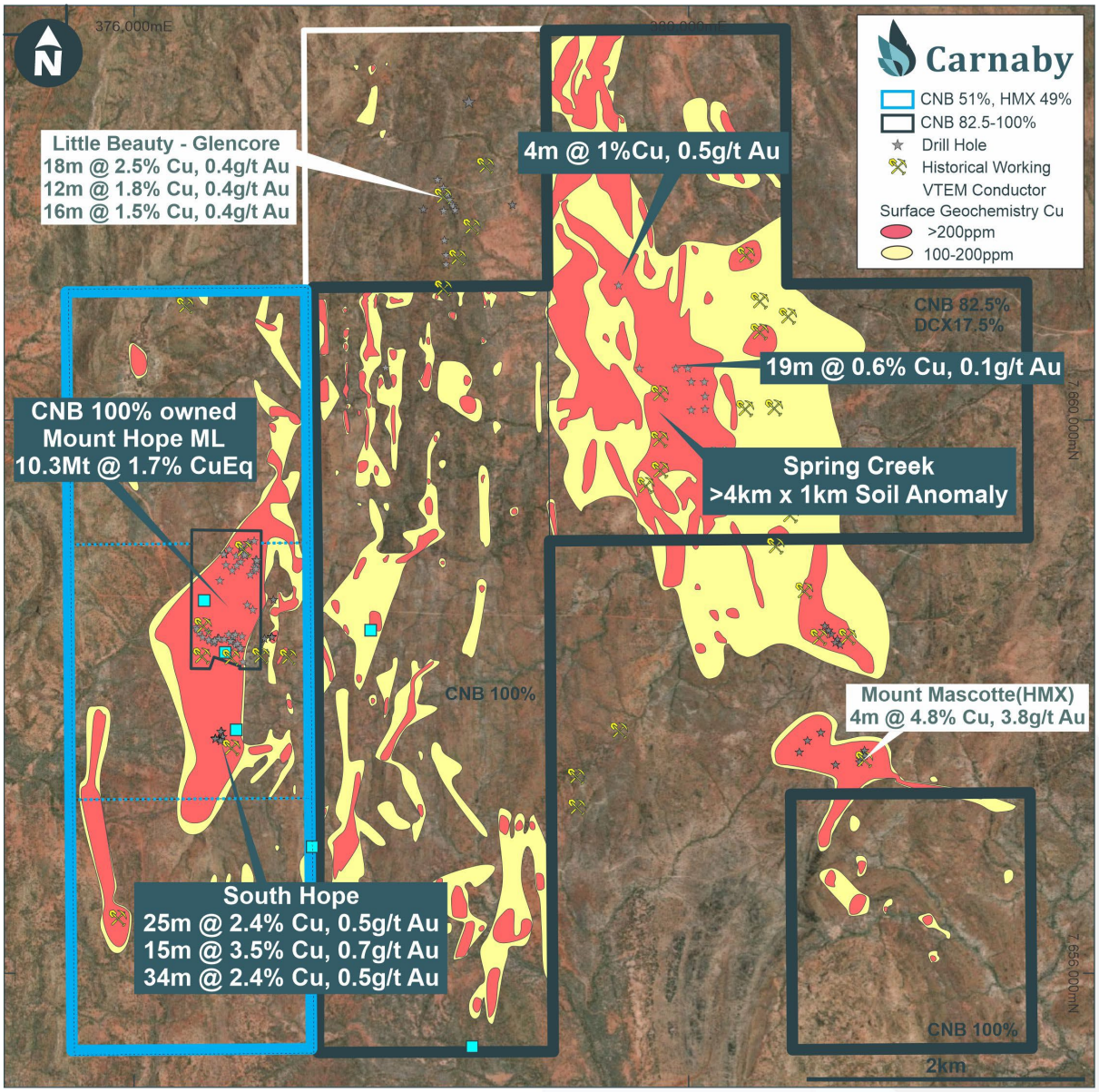

Figure 3. Mount Hope Plan showing new tenure to be acquired and Carnaby's existing tenure.

Exploration Upside

The Sub-Blocks encompass over 5km strike of the Mount Hope IOCG corridor surrounding Mount Hope and amalgamate Carnaby's other adjacent exploration tenure to form a large block of highly prospective contiguous ground which includes the large Spring Creek soil anomaly (Figure 3).

There is also significant potential for direct lode extensions and repetitions of the Mount Hope Central and Mount Hope North lodes extending from the Mount Hope mining lease into the Sub-Blocks. Carnaby intends to test these near mine exploration targets shortly.

The 5 km strike of the Mount Hope IOCG corridor contains several high priority targets which will be evaluated in more detail. These include South Hope and The Stubby satellite deposits where significant drill results have recently been recorded by Hammer Metals including 34m @ 2.4% Cu, 0.5g/t Au and 25m @ 2.4% Cu, 0.5g/t Au (Figure 2).

Carnaby considers it has a strong structural and geological understanding of the controls of IOCG mineralisation that it can apply along the Mount Hope corridor, utilising electrical geophysics to help vector to and prioritise targets. The 5km Mount Hope IOCG corridor strike within the Sub-Blocks is located on a major deformed lithological boundary between the Corella Formation and the Magna Lynn mafics and is intruded by numerous granitic dykes. Carnaby considers this geological setting to be one of the most prospective target areas within the Greater Duchess region and forms part of the wider Nil Desperandum IOCG corridor where Carnaby has successfully discovered three significant IOCG deposits in the last two years (Figure 1).

Transaction Details

The Transaction provides for Carnaby to acquire a direct beneficial interest in the Sub-Blocks as well as formation of an unincorporated joint venture in respect of the area of the Sub-Blocks.

Acquisition of interest in Sub-Blocks and grant of rights to Carnaby

On completion of the Transaction, Carnaby will hold an initial 51% beneficial interest in the Sub-Blocks (Figure 1 & 3) for upfront consideration comprising A$4 million in cash and the issue of 9.091m Carnaby shares which will be escrowed for 12 months from the date of issue.

Importantly, upon acquiring its initial 51% interest, Carnaby will have:

- the right to access and conduct exploration activities on the Sub-Blocks which it considers necessary or desirable for the future development, exploitation and optimisation of any Mount Hope open pit development; and
- unfettered access to incorporate the Sub-Blocks into any open pit cut back for a development at Mount Hope.

Carnaby will acquire an additional 19% interest in the Sub-Blocks (taking its interest to 70%) where Carnaby makes a positive final investment decision (**FID**) at either of the Mount Hope Central or Mount Hope North open pits, at which point Carnaby is to pay an additional A$5 million in cash to Hammer. Carnaby also has the option to elect to acquire the additional 19% interest prior to making any FID at either of the Mount Hope Central or Mount Hope North open pits by making the cash payment of A$5 million to Hammer.

Upon acquiring the additional 19% interest, the rights granted to Carnaby will extend to also allow for development and mining operations on the Sub-Blocks.

Profit Share Arrangement

Any ore extracted by Carnaby that falls within the Mount Hope open pit development that is located within the Sub-Blocks (and not on Carnaby's current mining lease ML 90240), will be subject to a profit share arrangement with Hammer according to the ownership split at that time (i.e. Carnaby 70%, Hammer 30%).

Formation of Joint Venture for Sub-Blocks

Carnaby and Hammer will form an unincorporated joint venture in respect of the Sub-Blocks for exploration and potential development of any new ore body or deposit discovered within the area of the Sub-Blocks (that is distinct and separate from the Mount Hope open pit development).

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The interests of the parties in the joint venture will be equivalent to their interests in the Sub-Blocks at the time of Carnaby's acquisition of the initial 51% interest and will adjust accordingly at the time of Carnaby's acquisition of the additional 19% interest.

In the event that Carnaby makes a positive FID to mine ore from a separate new open pit or underground development within the Sub-Blocks (which is separate to the Mount Hope Central or Mount Hope North open pit developments), for the purposes of the joint venture (**New Sub-Blocks Development**), Carnaby is to make a further A$6 million cash payment to Hammer. Hammer's remaining 30% interest will be free carried to production from any New Sub-Blocks Development.

Following the end of the free carried period, Hammer can elect to contribute to joint venture expenditure or dilute its remaining 30% interest. If Hammer is diluted to 10% or less, Hammer's interest in the Sub-Blocks will revert to a 1.5% net smelter return royalty.

If Hammer does not vote in favour of any decision to mine in respect of a New Sub-Blocks Development, Hammer will be deemed to offer to sell its interest in the area the subject of the New Sub-Blocks Development to Carnaby at fair market value.

Conditions precedent

Completion of the Transaction is subject to certain conditions precedent being satisfied or waived, including EPM26777 being renewed on substantially the same terms and conditions as currently apply and the parties entering into a voluntary escrow agreement in respect of the Carnaby shares to be issued at completion of the Transaction.

As a consequence of entering into the Transaction, the discussions regarding a potential corporate transaction between Carnaby and Hammer referred to in the Company's ASX release dated 14 February 2024 have now concluded.

Euroz Hartleys Limited acted as Financial Advisor and Steinepreis Paganin acted as Legal Advisor to Carnaby in respect to the Transaction.

This announcement has been authorised for release by the Board of Directors.

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

www.carnabyresources.com.au

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Competent Person Statement

The information in this document that relates to exploration results is based upon information compiled by Mr Robert Watkins. Mr Watkins is a Director and shareholder of the Company and a Member of the AUSIMM. Mr Watkins consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears. Mr Watkins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is undertaken to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code).

Forward Looking Statements

Some statements in this document 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"," and similar expressions. Forward looking statements, opinions and estimates included in this document 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 Board has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Presentation, except where required by law or the ASX listing rules.

The Company has concluded it has a reasonable basis for providing the forward-looking statements included in this document, including with respect to any production targets and financial estimates, based on the information contained in this document.

This document does not constitute investment advice and has been prepared without considering the recipients investment objectives, financial circumstances or particular needs and the opinions and recommendations in this document are not intended to represent recommendations of particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments. To the fullest extent of the law, the Company, its officers, employees, agents and advisors do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinion, estimates, forecasts or other representations contained in this document No responsibility for any errors or omissions from the document arising out of negligence or otherwise is accepted.

Disclaimer

References may have been made in this announcement to certain ASX announcements, including references regarding exploration results, mineral resources and ore reserves. 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) or Ore Reserves 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.

Recently released ASX Material References from Carnaby or Hammer that may relate to this announcement include:

CNB:

Corporate Update, 14 February 2024

High Grade Discovery 4m @ 7.0% Cu - Exploration Update, 2 February 2024

Mount Hope Results 38m @ 3.0% Cu, 5 December 2023

Greater Duchess Project Scoping Study Update, 4 December 2023

Greater Duchess Chalcus Lode Extension 87m @ 2.3% Cu, 17 November 2023

Greater Duchess Maiden Mineral Resource, 27 October 2023

Re-release of ASX Announcement dated 18 September 2023, 2 October 2023

Mount Hope Strikes 116m @ 2.1% Cu, 18 September 2023

Mount Hope Drill Results 72m @ 4% Cu, 7 August 2023

Rio Tinto Devoncourt Project Farm-in Agreement, 2 August 2023

HMX:

South Hope Continues To Shine; 34m @ 2.5% Cu and 0.5g/t Au, 4 December 2023

South Hope Continues to Expand with 15m @ 3.47% Copper, 4 July 2023

Mount Hope Area Delivers High Grade Copper Across Multiple Targets, 19 December 2022

25m @ 2.41% Copper Confirmed at South Hope, 22 November 2022

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