



NAVIGATOR RESOURCES LIMITED

ASX ANNOUNCEMENT & MEDIA RELEASE

16 December 2010

PROGRESS OF DE-MERGER OF NAVIGATOR'S CUMMINS RANGE RARE EARTH PROJECT

Navigator Resources Limited (ASX: NAV) ("Navigator") is pleased to report on its progress towards the spin-off of its Cummins Range rare earth asset into a separate company to be listed in early 2011.

CORPORATE INFORMATION

◆ Registered Company Name

The spin-off company's name will be **Kimberley Rare Earths Limited (KRE)**. Navigator has also reserved the domain name www.kimberleyrareearths.com.au.

◆ Executive Search

Navigator has engaged executive search specialists Park Brown International with the objective of indentifying suitable Managing Director candidates for KRE.

◆ Board Composition

Navigator has engaged non-executive director ("NED") recruitment specialists, Board Advice, to identify a list of potential NEDs for KRE. Navigator has appointed three interim directors to steer the company's path towards listing. These are Ian Macpherson (Navigator's Deputy Chairman) as KRE Non-Executive Chairman and Non-Executive Directors Gerry Kaczmarek (Navigator's Chief Financial Officer) and Allan Trench (Navigator's Chairman).

OWNERSHIP OF CUMMINS RANGE

◆ Transfer of Part Ownership of Cummins Range

It is proposed that Navigator will transfer ownership of 25% of the Cummins Range Rare Earth Project to KRE prior to listing in exchange for the issue of shares in KRE. The majority of these shares will then be distributed to eligible Navigator shareholders (refer below) via an in-specie distribution after the fundraising process has been completed.

Ground Floor, 45 Richardson Street
WEST PERTH WA 6005

PO Box 276
WEST PERTH WA 6872



ASX Code: NAV ACN: 063 366 487

Telephone: (08) 9226 5311
Facsimile: (08) 9226 5411

Email: navigator@navigatorresources.com.au
Website: www.navigatorresources.com.au

For personal use only



◆ KRE to have Right to Earn-in via a Joint Venture

Navigator will also grant KRE the right to earn an additional interest in Cummins Range under the terms of a Joint Venture Agreement ("JV"). Under the terms of the JV KRE can earn an additional 30% interest through the expenditure of \$10 million on the Project within a four year period. KRE will be Manager and Operator of the JV during the earn-in period. Upon successful earn-in under the JV, KRE will have a majority 55% interest in the Project.

LISTING PROCESS

◆ Extraordinary General Meeting (EGM)

In conjunction with the listing process, associated fundraising and distribution in-specie of KRE shares to NAV shareholders, an EGM of Navigator will be required. At that meeting, shareholders will be asked to approve the proposed in-specie distribution (which will be effected by way of a return of capital.)

The timing of this meeting and the final structure of the de-merger is dependent upon ASX granting certain approvals and the preparation of the Notice of Meeting and KRE Prospectus but is anticipated to be held in early March 2011.

◆ Fundraising

KRE will prepare a Prospectus to raise approximately \$15 million. The raising will comprise a Priority Offer to eligible Navigator shareholders and a Public Offer to be managed by BGF Equities. The Prospectus will be distributed with the Navigator Notice of Meeting for the information of shareholders.

Eligible Navigator shareholders (refer below) will get a Priority Offer to apply for additional shares in KRE on a 2 for 1 basis. That is, they will be entitled to apply for two additional new shares at 20 cents each for each KRE share they are entitled to under the in-specie distribution. Depending on the final take-up of the Priority Offer, Navigator shareholders could hold between 60% and 72% of the new KRE capital.

IN SPECIE DISTRIBUTION

◆ Capital Structure

The direct in-specie distribution of KRE shares to eligible NAV shareholders will comprise between 20% and a maximum of 30% of the new KRE capital structure (depending upon the quantum of NAV options exercised before the Record Date). The in-specie distribution will take place on an approximate 1 for 20 basis within one month of KRE gaining admission to the ASX.

◆ Eligibility

It is proposed that Navigator shareholders holding 10,000 NAV shares and above on the Record Date will be eligible for the in-specie distribution and Priority Offer in KRE. Shareholders with less than 10,000 Navigator shares will not be eligible to participate in either the in-specie distribution or the Priority Offer.



◆ Record Date

The Record Date for the in-specie entitlement is expected to be in March 2011 after shareholder approval has been received at the EGM. The Record Date will be set in line with the terms and conditions of the various Navigator options on issue whereby notice periods are required to be given to optionholders before the Record Date.

◆ Tax Implications

Navigator has commenced the process to obtain a tax ruling on behalf of Navigator shareholders to determine the taxation treatment of the in-specie distribution of shares in KRE to Navigator shareholders. This ruling will be made available to all Navigator shareholders upon receipt.

◆ Rare Earth Presentation

A presentation on the Cummins Range Project and the fundamentals of the rare earth metals market will be made in a separate release.

The Company will provide further updates as the KRE listing process advances.

Managing Director
NAVIGATOR RESOURCES LIMITED

For Further Information:

Please direct any queries, or requests for further information, to:

David Hatch
Email: navigator@navigatorresources.com.au
Tel: (08) 9226 5311

ABOUT NAVIGATOR

Navigator Resources Limited (ASX: NAV) transitioned from explorer to gold producer in April 2010 and its objective is to build value for shareholders by becoming a highly regarded and profitable gold producer with a pipeline of advanced projects.

The Company acquired the Bronzewing Gold Project (located 960km northeast of Perth) in late 2009, and this Project recommenced production in April 2010. Navigator also continues to pursue development opportunities at the Leonora Gold Project (located 830km northeast of Perth) by initially having carried out a trial mining program.

Both gold projects are well located with respect to regional infrastructure, being in the heart of the northeastern goldfields region of Western Australia. All required mining permits and granted mining leases are in place both at Bronzewing and Leonora. The Company's medium term objective is to target 150,000oz pa of gold production from these two open pit projects.

Navigator also maintains an interest in assets in the East Kimberley region of WA, including the 100% owned Cummins Range Rare Earth Project.