



**NAVIGATOR**  
RESOURCES LIMITED



## QUARTERLY REPORT: MARCH 2011

### Navigator Resources Limited

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### Board of Directors:

Allan Trench	Chairman
David Hatch	Managing Director
Matt Healy	Non-Executive Director
Ian Macpherson	Non-Executive Director
John Shipp	Non-Executive Director

Gerry Kaczmarek Company Secretary

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ASX: NAV

## HIGHLIGHTS

Navigator Resources undertook significant exploration drilling programs at both the Bronzewing and Leonora Gold Projects during the quarter resulting in a second very high grade intersection at the Eagle prospect and new gold discovery at the Hobby prospect.

## OPERATIONS

### Bronzewing

- ◆ Gold production of 19,989oz; 13% below forecast with factors including weather, wall instability and equipment availability
- ◆ Annual gold production target revised to 85,000oz-95,000oz
- ◆ Mill shutdown to replace pinion undertaken successfully; mill operating at above budgeted tonnages
- ◆ Cutback at Cockburn Pit underway with pit to become primary ore source over remaining current mine life

### Leonora

- ◆ Tenders received for 0.75Mtpa processing facility at Cardinia
- ◆ Mine plan and financial model refinements continued

## EXPLORATION

### Bronzewing

- ◆ Eagle aircore drill program produces further encouragement with a best result of 1m @ 123g/t Au from 64m
- ◆ Woorana RC program completed late April; assays are awaited

### Leonora

- ◆ RC program at Hobby intersects gold mineralisation in every hole including 3m @ 10.34g/t Au and 1m @ 24.58g/t Au

## CORPORATE

- ◆ Gold sales revenue of \$30.79 million generated during the quarter
- ◆ Kimberley Rare Earths Limited (KRE) spin-off progressed with prospectus released and Priority and Public Offers opened
- ◆ EGM scheduled for 6 May 2011 to consider in specie distribution of KRE shares to NAV shareholders
- ◆ \$1.04 million repayment of RMB debt facility in April 2011
- ◆ Cash balance as at 31 March 2011 of \$16.10 million

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## OPERATIONS REPORT

### BRONZEWING

#### Project Overview

The Bronzewing Gold Project (BGP) is located 80km northeast of Leinster in Western Australia and comprises the Bronzewing and McClure group of mines within a semi-contiguous landholding of approximately 1,000km<sup>2</sup>.

Navigator Resources commenced mining operations at the BGP in March 2010 and the processing plant was commissioned and first gold poured in April 2010. Average annualised production capacity is forecast at around 100,000oz of gold from an initial five year mine plan. Ore is currently scheduled to be mined from seven open pits – Central, Success (completed), Cockburn, Challenger South, Challenger North, Challenger and Corboys. Exploration activities are underway to further increase mine life and identify additional high grade ore sources, with significant encouragement from the Company's drill programs undertaken during the December 2010 and March 2011 quarters.

Open pit mineral resources at BGP (as at 30 June 2010) total 11.58Mt @ 1.8g/t for 692,000oz of contained gold (which comprises 9.13Mt @ 1.9g/t for 553,000oz in the Indicated category and 2.45Mt @ 1.8g/t for 139,000oz in the Inferred category).



Photo 1: Aerial View of Bronzewing Gold Project – April 2011

#### Operations Update

Following the record December 2010 quarterly gold production of 22,667oz, Bronzewing's operating performance during the March 2011 quarter was impacted by a number of factors, resulting in gold production of 19,989oz.

At the beginning of April, the Company reviewed its year to date operational performance of the BGP and concluded that, in particular, the Mining Department had not performed in a manner consistent with operational forecasts advised to the Board and shareholders. The Company has accordingly made several changes to its senior management team with the objective of remedying these shortcomings.

## Safety

Three lost time injuries (LTI) were recorded during the March 2011 quarter. These were all slip and fall related injuries and not of a long term or serious nature.

The planned mill shutdown to replace the pinion shaft in February was concluded incident-free and all personnel are to be congratulated upon the safe manner in which the project was conducted.

## Mining

Mining occurred at the Central, Challenger, Challenger South and Cockburn open pits during the March 2011 quarter. Mining was however subjected to a number of adverse influences, which impacted upon mine statistics, including gold production. These included:

- ◆ Wet weather impacted during February and March when rainfall caused regular periods of mining equipment stand-down due to slippery haul road conditions.
- ◆ In late March, the Company experienced further wall instability in the south west corner of Central Pit adjacent to the slip which occurred in late September 2010. The area has been cleaned up in consultation with the Company's geotechnical consultant and officials from the Department of Mines and Petroleum. The Company has resolved to focus on completing mining activities within Central Pit in the shortest sensible timeframe and to subsequently decommission that pit.
- ◆ Excavator and truck availability was below budgeted levels during the quarter. A substantial amount of focus has been directed to this matter, including Emeco's commitment to mobilising additional haul trucks as well as maintenance personnel and increasing spare parts holdings.

These above influences, together with the required mill shutdown in February (see explanation below) resulted in below budget mining performance and hence gold production, and resulted in unacceptably high unit costs. An additional cost impact has been the significant increase in diesel price over the quarter. Diesel is the largest single operating cost for the Company.

The Company's focus during the June 2011 quarter is to progress Central Pit towards completion, continue ore mining in the Challenger Pits and advance Cockburn towards it becoming the base load mill feed supply.



Photo 2: Excavator in Central Pit – April 2011

## Ore Processing

The BGP processing team continued to perform well throughout the March 2011 quarter. Mill throughput of 523,085 dry tonnes of ore was in line with the budgeted 525,000 tonnes. Feed grade was however affected by the availability of run-of-mine ore tonnes from the open pits, which required the blending of low grade stockpiled ore.

As reported in an ASX announcement "Operations and Exploration Update" on 11 February 2011, the Bronzewing processing plant commenced a planned shutdown to replace the mill drive pinion and other associated works, which was expected to require up to five days of downtime. Considering the scope of work undertaken included:

- ◆ replace the drive pinion shaft and bearings;
- ◆ remove and reverse the mill girth gear; and
- ◆ laser align the entire mill drive train,

the actual shutdown duration time of less than 2.5 days (60 hours) was highly commendable. This was a very positive reflection of the preparation and planning as well as the commitment of Navigator's employees and its specialist contractors.



Photo 3: Mill shutdown work – February 2011

## Overall Performance

Key performance indicators for the March 2011 quarter are shown below.

**Table 1: 2010/11 Production Statistics**

	Unit	Sept 2010 Qtr	Dec 2010 Qtr	Mar 2011 Qtr	YTD
<b>Mining Physicals</b>					
◆ BCMS	BCM	1,683,347	1,499,921	<b>2,249,023</b>	5,432,291
◆ Ore Mined	t	525,294	495,473	<b>367,423</b>	1,388,190
◆ Ore Grade	g/t	1.31	1.47	<b>1.72</b>	1.48
◆ Total Ounces Mined	oz	22,129	23,458	<b>20,341</b>	65,928
<b>Processing Physicals</b>					
◆ Ore Milled	dt	540,162	621,078	<b>523,085</b>	1,684,325
◆ Grade Reconciled	g/t	1.15	1.24	<b>1.29</b>	1.23
◆ Recovery	%	92.9	91.3	<b>91.9</b>	92.0
◆ Gold Produced (incl. GIC)	oz	18,609	22,667	<b>19,989</b>	61,265
<b>Costs</b>					
◆ Unit Operating Cost*	\$/oz	1,198	1,005	<b>1,178</b>	1,104

\* Cash costs represent the costs for mining, processing and site administration including accounting for movements in stockpile and gold-in-circuit. It does not include exploration, mine development or capital costs. It includes by-product credits but does not include the cost of royalties, depreciation and amortisation.

On 11 February 2011 the Company announced a review to the full year production forecast in light of the slower ramp-up in the September 2010 quarter, the impact of the Central Pit wall failure in September 2010, the February 2011 mill shutdown and reasonable expectations for the balance of the financial year. The revised production target for the 2010/11 year is 85,000oz-95,000oz.

## **LEONORA**

### **Project Overview**

The 306km<sup>2</sup> Leonora Gold Project (LGP) is located 35km northeast of the town of Leonora, and approximately 250km north of Kalgoorlie, Western Australia. A pre-feasibility study was completed in March 2009 and these outcomes consolidated with an open pit ore mining and milling trial during the first half of 2010, during which a total of 114,000 tonnes of ore was processed. The last parcels of ore were milled in July 2010 and the trial successfully confirmed materials handling, grade and recovery aspects and generated net cashflow in excess of \$2 million from gold sales.

Mineral resources at LGP (after depletion for the trial mining) total 12.3Mt at 1.9g/t for 745,000oz of contained gold (which comprises 8.16Mt @ 2.0g/t for 533,000oz in the Indicated category and 4.13Mt @ 1.6g/t for 212,000oz in the Inferred category).

### **Development Considerations**

Navigator continues to take steps towards developing the LGP. The Company believes that the discovery of new resources and reserves of near-surface high grade gold mineralisation will improve project economics as it progresses towards an ultimate project development decision.

During the quarter the Company received final tenders for the construction of both a 0.5Mtpa and 0.75Mtpa oxide milling facility and undertook further refinements of in-house mine planning and financial modelling. The Board is hopeful of being in a position to make a development decision regarding the LGP in mid-2011.

Other activities during the quarter were the planning and implementation of drilling programs at two identified prospective targets, further details of which are provided in the Exploration Report below.

## **EXPLORATION REPORT**

### **BRONZEWING**

#### **Drilling Programs**

The Company's primary exploration objective at the BGP is to increase mine life from 5 to 10 years through exploration activities aimed at discovering higher quality resource and reserve ounces. Two of the more highly ranked targets in close proximity to Bronzewing are Eagle and Woorana, which are located 10km and 18km respectively from the Bronzewing plant site. Aircore and RC drill programs were conducted at both these prospects in October and November 2010, with resulting significant early encouragement, thus warranting follow up programs in early 2011.

#### **Woorana Prospect**

RC drilling at Woorana during the December 2010 quarter returned strong results, which supported previous RC drilling in the area. Navigator completed only 2,610 metres of this originally planned 6,000 metre program and since then, the Company has collated the data, created a preliminary

geological model and applied parameters to satisfy itself that economic mineralisation is likely to exist. These studies provided significant encouragement to the Company that Woorana could add to the resource base and mining inventory at the BGP, subject to continuity of gold mineralisation being established. RC drilling thus resumed at Woorana in early April 2011 to complete the balance of the 2010 program.

The follow up Woorana RC drill program was completed on 24 April 2011 and assays are awaited.



Photos 4 & 5: Drilling at Woorana – April 2011

### **Eagle Prospect**

Since the discovery of nuggets in late 2009 and extensive soil sampling in 2010, which was followed up by preliminary aircore and RC drilling in the December 2010 quarter, the Eagle prospect has developed into a series of gold-in-soil anomalies over a 5km north-south strike length. The soil anomalies extend east-west for up to 600 metres.

Drill testing of the extensive Eagle prospect is still in its early stages however the work carried out during the December 2010 quarter provided significant encouragement. A 6,600 metre aircore drill program to test the full strike length of Eagle commenced in early March 2011 and was completed by the end of March.

Appendix 1 provides a detailed tabulation of drill results. The greatest potential at this stage continues to be the southern end of the Eagle anomaly. Hole NEAC167 was the last hole drilled in the program and intersected **1m @ 123.1g/t Au from 64m** in a location approximately 500m south of the previously reported 4m @ 66.6g/t Au from 28m in hole NEAC019. The multiple assaying completed on these two high grade samples indicates that the gold is relatively fine grained and evenly distributed throughout the samples and is not coarse grained and nuggetty.

The intersection of further high-grade gold at Eagle is accompanied by broader zones of lower grade gold mineralisation in other holes. New hits include 13m @ 0.40g/t Au from 52m to end-of-hole at Eagle South and 36m @ 0.14g/t Au from 32m down hole depth in an adjacent hole. At Eagle North, results include 4m @ 1.01g/t Au from 40 metres.

Figure 1 overleaf presents the recent AC drilling results, together with all historical drill data.

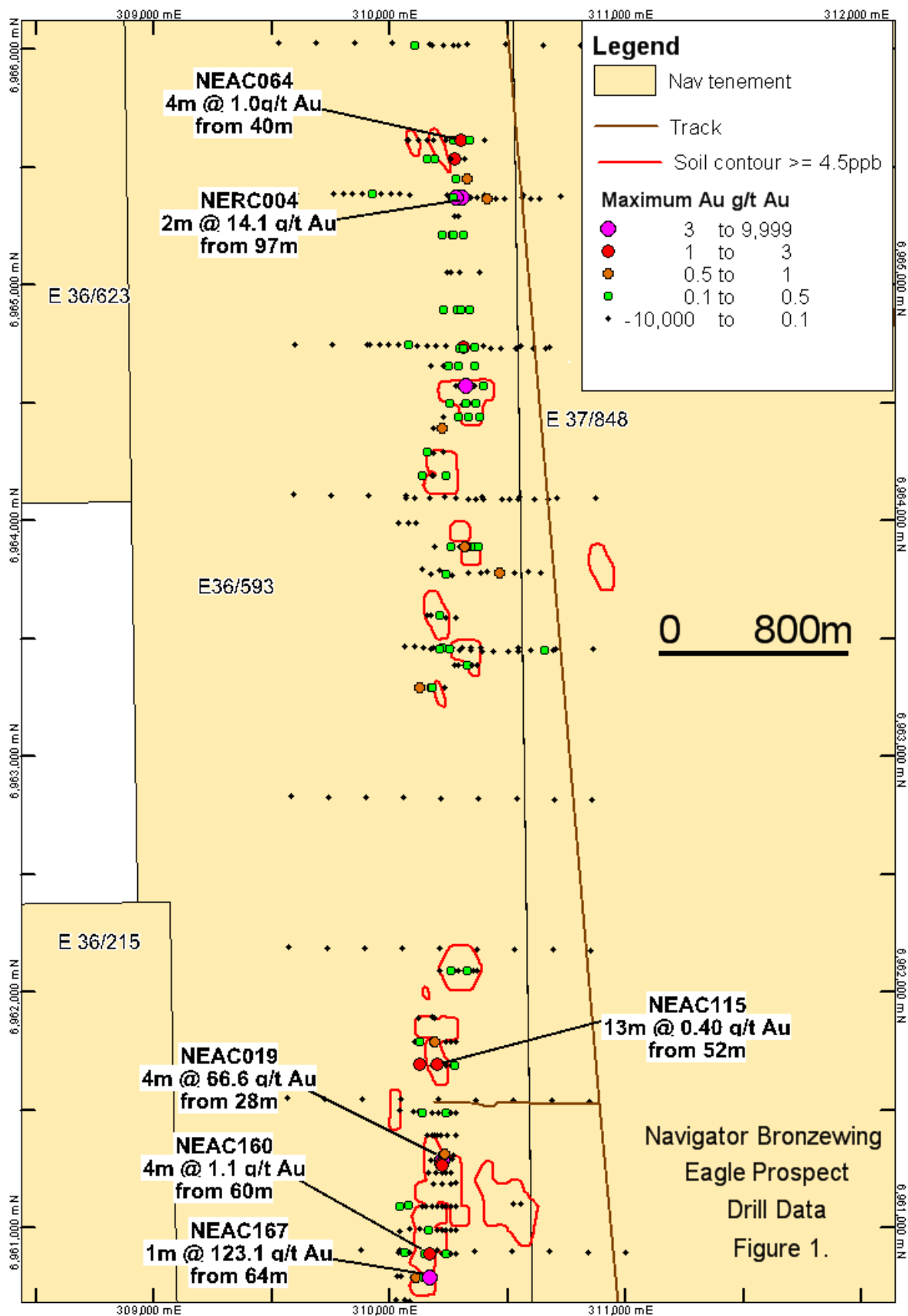


Figure 1: Eagle Prospect – Recent Aircore Drilling Results and All Historical Drill Data

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## Other Exploration Activities

The Company's exploration team continues to identify new exploration targets in the Bronzewing vicinity. A soil sampling program has commenced over a newly identified target area where gold nuggets have been found over several extensive areas.

## LEONORA

### Drilling Programs

The Company conducted preliminary RC drilling programs in late March at two prospects at Leonora, thought to have the potential to provide additional, shallow high grade mineralisation.

#### Hobby Prospect

A total of 19 RC drill holes for 1,324 metres were drilled at Hobby to follow up on historical RAB and RC drilling. The new RC drilling program was completed over a total strike length of 560 metres, with the main zone, covering 300 metres of strike, being drilled on predominantly 40 metre line intervals.

Better gold intercepts returned include:

- ◆ 9m @ 3.88g/t Au from 31m including 3m @ 10.34g/t Au;
- ◆ 7m @ 3.75g/t Au from 26m including 1m @ 24.58g/t Au;
- ◆ 19m @ 1.49g/t Au from 14m including 11m @ 2.27g/t Au;
- ◆ 6m @ 2.80g/t Au from 20m; and
- ◆ 4m @ 2.32g/t Au from 68m.

Importantly, every RC hole in this current round of drilling at Hobby intersected gold mineralisation.

Full results from the Hobby RC drilling program are provided in the ASX announcement of 12 April 2011 "Drill Hits Confirm New Gold Discovery at Hobby, Leonora Project". The Company is encouraged by the results achieved and believes there is significant potential upside to be gained from infill and extension drilling in future programs.

Figure 2 overleaf shows a longitudinal section of the main mineralised zone at the Hobby Prospect.

#### Kurrajong North Prospect

The Company received assays from a 7 hole, 500m RC drill program at Kurrajong North. Full results were provided in the ASX Announcement of 12 April 2011. A best intercept of 7m @ 1.51g/t Au was obtained and the most likely follow up will consist of a series of aircore traverses to better define RC target areas.



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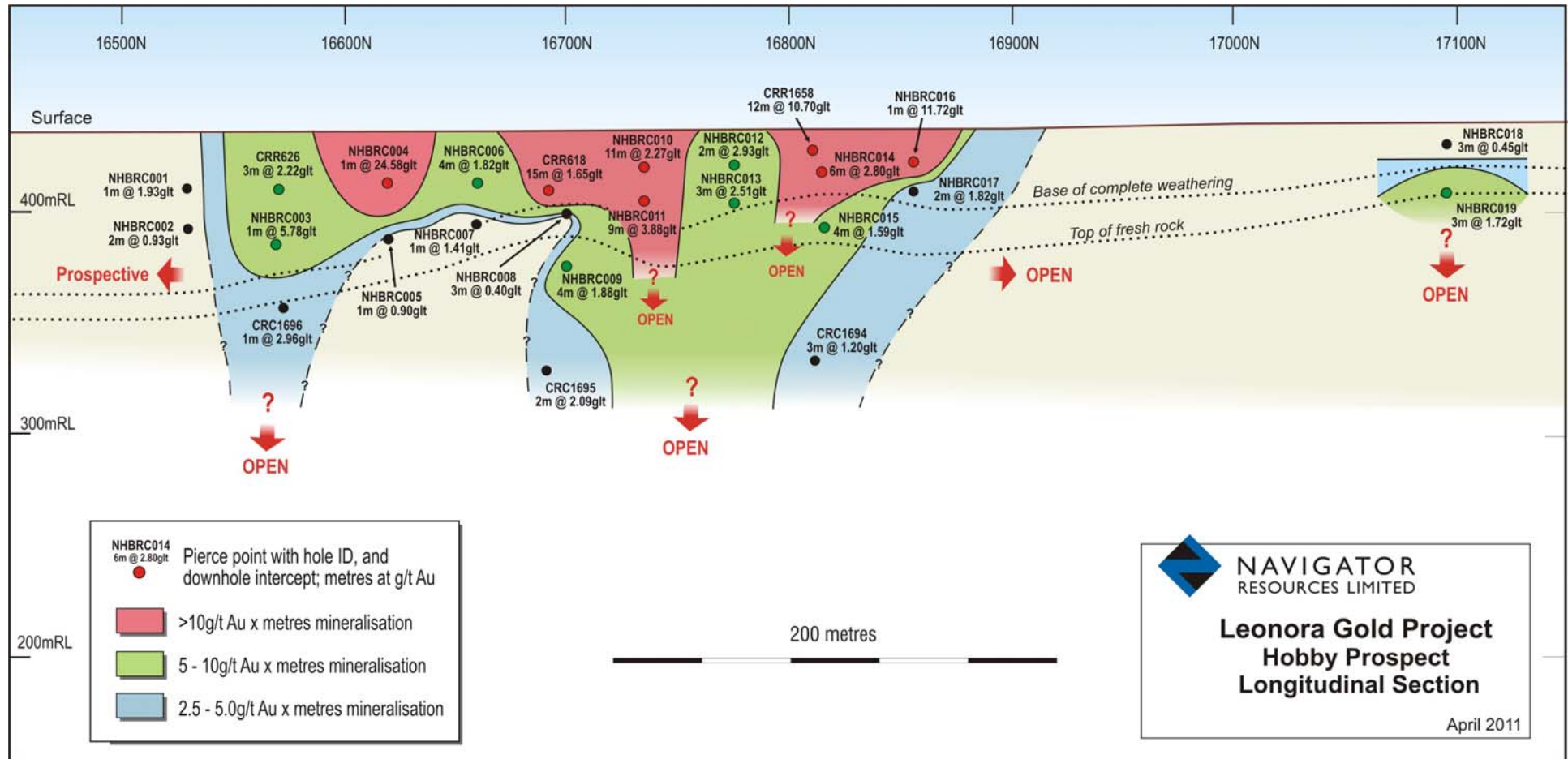


Figure 2: Hobby Prospect – Longitudinal Section

## **CUMMINS RANGE**

### **Kimberley Rare Earths Limited (KRE) Spin Off & IPO**

During the quarter the Company progressed the spin off and IPO of its Cummins Range Rare Earth Project into Kimberley Rare Earths Limited ("KRE"). The KRE prospectus was lodged with ASIC on 14 March 2011 and made available on the new KRE website at [www.kimberleyrareearths.com.au](http://www.kimberleyrareearths.com.au). The prospectus was distributed to all Navigator shareholders on 5 April 2011, following the Record Date for the Priority Offer.

The Priority Offer consisted of an offer to all eligible Navigator shareholders on the basis of 1 KRE share for every 10 Navigator shares held at the Priority Offer Record Date at the issue price of 20 cents per share. The Priority Offer closed on 21 April 2011 and at the date of this report, the processing of the applications for entitlements and extras was being undertaken. The Company has received a very high level of interest.

In addition to the Priority Offer, a Public Offer of 25 million KRE shares at an application price of 20 cents per KRE share to raise up to \$5 million, as well as the balance of any KRE shares not applied for under the Priority Offer, remains open until 5 May 2011.

Following the successful completion of the Priority Offer and the Public Offer, and the admission of KRE to the Official List of the ASX, Navigator proposes to make an in specie distribution of KRE shares to eligible Navigator shareholders on a pro rata basis of 1 free KRE share for every 20 Navigator shares held on the Distribution Record Date of 16 May 2011. This distribution is subject to the approval of Navigator shareholders at an Extraordinary General Meeting (EGM) which is scheduled to be held on 6 May 2011.

### **KRE Directors**

On 27 January 2011 Navigator advised the appointment of Mr Peter Rowe as a Non-Executive Director of Kimberley Rare Earths Limited. An executive search is well advanced with the aim to identify and appoint a suitable Managing Director/ Chief Executive Officer candidate to the company.

## **CORPORATE REPORT**

### **FINANCIALS**

#### **Cash Position**

As at 31 March 2011, Navigator Resources Limited held \$16.10 million in available cash and 1,390 ounces of gold awaiting sale (\$1.92 million). This equates to a total of approximately \$18.02 million of liquid assets. In addition, Navigator held \$6.55 million in cash deposits as security for various environmental and other bonds.

In early April, the Company made a repayment of \$1.04 million from its debt facility with RMB Resources Limited. The current outstanding amount of the facility is \$11.1 million, which is due for repayment on 30 June 2011.

## Gold Sales

Gold sales from the BGP for the quarter were 22,264 ounces at an average sale price of \$1,383 per ounce for total revenue of \$30.79 million.

The cash operating cost for the quarter was \$1,178/oz.

## Hedging

Navigator currently has no hedging in place.

## Expenditure

During the quarter, exploration expenditure incurred was \$738,000 of which \$407,000 was expended on the BGP, \$276,000 on LGP and \$55,000 on Cummins Range.

Capital expenditure during the quarter was \$752,000.

## OTHER

An Extraordinary General Meeting will be held on 6 May 2011 (commencing at 2.30pm at The Celtic Club, 48 Ord Street, West Perth) to consider the in specie distribution of KRE shares to NAV shareholders. Notice of Meeting documentation was dispatched with the KRE prospectus to all shareholders on 5 April 2011. Proxy forms are due to be returned no later than 2.30pm on 4 May 2011.

During the quarter the Company conducted its bi-annual series of shareholder briefings in Perth, Brisbane, Sydney, Melbourne and Adelaide. These briefings provide shareholders with the opportunity to receive an update on the Company's activities and interact directly with management.

As previously advised, Mr Gordon Galt retired as a Non-Executive Director of Navigator Resources Limited on 31 January 2011.



David Hatch

**Managing Director**

**NAVIGATOR RESOURCES LIMITED**

All \$ amounts noted in this report are Australian dollars, unless otherwise stated.

Sections of information contained within this report that relate to Ore Reserves, Mineral Resources and Exploration Results are based on information reviewed or compiled by Bernie Kirkpatrick who is a full-time employee of Navigator Resources Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Bernie Kirkpatrick has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Bernie Kirkpatrick consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

**APPENDIX 1**
**Table 1: Eagle, 4m RC Composite Samples >0.1g/t**

Hole ID	Northing GDA94	Easting GDA94	Maximum Depth - m	Interval m	Length m	Grade g/t Au
NEAC063	6965615	310280	92	20-24	4	0.35
				36-40	4	0.14
NEAC064	6965615	310320	73	24-28	4	0.11
				<b>40-44</b>	<b>4</b>	<b>1.01</b>
				44-48	4	0.18
NEAC065	6965615	310360	86	44-52	8	0.25
				60-64	4	0.11
				80-84	4	0.23
NEAC070	6964655	310290	94	84-88	4	0.10
NEAC071	6964655	310330	86	76-80	4	0.17
NEAC072	6964655	310370	95	24-28	4	0.11
NEAC073	6964500	310370	107	96-104	8	0.20
NEAC074	6964500	310410	113	84-92	8	0.28
				96-100	4	0.34
				112-113	1	0.14
NEAC076	6964440	310310	101	36-40	4	0.11
NEAC077	6964440	310350	102	32-36	4	0.13
NEAC078	6964440	310390	104	16-20	4	0.14
				36-40	4	0.11
				52-56	4	0.10
				92-96	4	0.11
NEAC079	6964190	310150	122	20-24	4	0.15
NEAC082	6964190	310270	98	60-64	4	0.10
NEAC084	6963890	310270	81	20-24	4	0.21
NEAC086	6963890	310330	56	16-17	1	0.36
				<b>30-31</b>	<b>1</b>	<b>0.63</b>
NEAC087	6963890	310350	60	32-44	12	0.19
				52-56	4	0.11
NEAC088	6963890	310370	47	16-20	4	0.19
				24-28	4	0.12
NEAC089	6963890	310390	41	28-36	8	0.13
				40-41	1	0.11
NEAC095	6963390	310340	31	28-32	4	0.23
NEAC098	6963290	310160	98	0-4	4	0.22
				<b>64-68</b>	<b>4</b>	<b>0.58</b>
				<b>76-80</b>	<b>4</b>	<b>0.50</b>
NEAC099	6963290	310200	47	NSA		
NEAC100	6963290	310180	102	8-12	4	0.37
NEAC101	6963290	310220	83	80-83	3	0.13
NEAC105	6963090	310260	41	4-8	4	0.16
NEAC108	6963090	310340	41	24-28	4	0.16
NEAC112	6961790	310160	92	36-40	4	0.11
				68-72	4	0.21
NEAC113	6961790	310200	85	32-68	36	0.14

Hole ID	Northing GDA94	Easting GDA94	Maximum Depth - m	Interval m	Length m	Grade g/t Au
				incl. 32-36	4	0.39
NEAC115	6961790	310220	65	52-65	13	0.40
NEAC120	6961690	310280	21	12-16	4	0.13
NEAC121	6961490	310160	48	44-48	4	0.12
NEAC125	6961490	310240	47	8-12	4	0.12
NEAC135	6961310	310210	61	40-44	4	0.13
NEAC152	6960990	310180	62	28-32	4	0.13
NEAC158	6960890	310160	28	24-28	4	0.15
NEAC160	6960890	310200	64	20-24 40-48 <b>60-64</b>	4 8 <b>4</b>	0.19 0.25 <b>1.11</b>
NEAC162	6960890	310240	20	4-8	4	0.10
NEAC165	6960790	310140	90	<b>60-64</b> 68-72	<b>4</b> 4	<b>0.50</b> 0.11
NEAC166	6960790	310180	98	56-60 72-76 88-92	4 4 4	0.29 0.45 0.38
NEAC167	6960790	310200	92	<b>64-65</b>	<b>1</b>	<b>123.14</b>

Note: All holes are drilled at -60° to 270° magnetic except for NEAC135 and NEAC136 which were drilled at -60° to 090°. All samples are composites, mainly over 4m intervals, apart from NEAC086 and NEAC167 which are 1m riffle split samples. All assays are fire assays on a 40g charge by Bureau Veritas Kalassay at their Midvale (Perth) laboratory.

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