



NAVIGATOR
RESOURCES LIMITED

ASX ANNOUNCEMENT & MEDIA RELEASE

17 October 2012

**BRONZEWING GOLD PROJECT PRODUCTION AND
CORPORATE UPDATE**

Perth-based gold producer **Navigator Resources Limited** (ASX: NAV) (**Navigator**) provides the following update on production at the Bronzewing Gold Project (**BGP**) and corporate matters.

Key Points

- ◆ **BGP achieves quarterly forecast gold production of 20,368 ounces**
- ◆ **Significant changes to BGP mine plan and operation to deliver operational efficiencies and cost savings**
- ◆ **BGP workforce numbers to reduce by 25%**
- ◆ **BGP Cockburn Pit western wall cutback deferred, reducing strip ratio and waste material movement**
- ◆ **Modified Heavy Mining Equipment fleet and schedule**
- ◆ **Additional \$3 million working capital facility from Au Mining**
- ◆ **Cummins Range Joint Venture Agreement terminated**
- ◆ **Leonora Gold Project sale process on hold pending outcome of internal strategic review**
- ◆ **Retirement of John Shipp from Navigator board**



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BRONZEWING GOLD PROJECT PRODUCTION UPDATE

Mining

Mined ore production for September 2012 was 239kt @ 1.33g/t for 10,205 ounces from the Cockburn Pit. This included a high grade ore component of 159kt @ 1.73g/t for 8,594 ounces.

Milling

Reconciled gold production (inclusive of gold in-circuit) for Q1FY13 totalled 20,368 ounces, which exceeded the Company's forecast range of 17,000 to 20,000 ounces.

Milled tonnes for the month of 135kt was less than previous months' levels due to a reline of the Bronzewing mill. The work was planned to take place in October 2012, but due to the deterioration of the liner, the work was brought forward and completed during a 54 hour mill shutdown in late September.

Table 1: Production Statistics

	<i>Unit</i>	Jul-12	Aug-12	Sept-12	Q1 Results
Mining Physicals					
◆ BCMS	<i>BCM</i>	577,700	628,930	577,254	1,783,884
◆ Ore Mined	<i>t</i>	148,673	246,230	238,621	633,524
◆ Ore Grade	<i>g/t</i>	1.24	1.28	1.33	1.29
◆ Total Ounces Mined	<i>oz</i>	5,930	10,114	10,205	26,249
Processing Physicals					
◆ Ore Milled	<i>dt</i>	155,740	171,145	135,156	462,041
◆ Grade Reconciled	<i>g/t</i>	1.31	1.54	1.65	1.49
◆ Recovery	<i>%</i>	91.1	91.7	92.3	91.7
◆ Gold Produced (incl. GIC)	<i>oz</i>	5,991	7,772	6,605*	20,368

* Note: This figure represents recovered gold ounces whilst the 10,205 ounces in the text above Table 1 reflects the contained ounces mined from the Cockburn Pit.

(BCM=Bank Cubic Metre; t=tonne; g/t=grams per tonne gold; oz=ounce; dt=dry tonne; GIC=gold in circuit)

MINE PLAN AND OPERATIONS REVIEW

Mine Plan Review

Navigator management have undertaken a review of the existing mine plan and the Bronzewing operation as a whole (**Mine Plan Review**). This has resulted in substantial changes to pit sequencing, strip ratios and configuration of the heavy mining equipment fleet (**New Mine Plan**). These measures were taken due to findings of the Mine Plan Review that the existing mine plan would result in substantial negative cash flow in the near-medium term, making the company dependent on additional funding.



Objectives of the Mine Plan Review were to:

- ◆ provide positive cash flow from operations;
- ◆ restructure the mining operation;
- ◆ reduce operational cash expenditure;
- ◆ improve operational efficiency; and
- ◆ minimize sterilization of existing ore reserves.

The New Mine Plan substantially changes the mining sequence of the pit resulting in a smaller, shallower pit and the deferral of the Cockburn Pit western wall cutback. Sequencing will still provide the volumes of high grade ore sufficient to feed the mill, with a minimal amount of low grade ore required to keep the mill at full capacity, but without the burden of the western wall cutback waste material removal. The smaller pit design in the New Mine Plan will result in lower total gold production over the next two years than was forecast in the previous plan, but without the cost of the higher strip ratio of the existing mine plan.

The ore zone below the western wall cutback will not be sterilized, and will be available for mining, pending a future financial review closer to the time of completion of mining the revised smaller pit shell.

Key Operating Statistics for the New Mine Plan are summarised below.

Table 2: New Mine Plan Operating Statistics

	2012/13	2013/14	2014/15
Total BCM's Mined (000's)	4,800	2,200	-
Ore Tonnes Mined (000's)	2,500	1,300	-
Gold Oz Recovered (000's)	80-90	70-75	6-7

Reconciled gold production (inclusive of gold in-circuit) for the three months October to December 2012 is projected to be in the range of 20,000 to 22,000 ounces.

Operations Review

Critical factors resulting in the failure to meet previous production targets have included:

- ◆ mining equipment productivity and material movement;
- ◆ mining equipment availability;
- ◆ mine scheduling; and
- ◆ geological confidence and dilution factors.

The key outcomes and initiatives of this review are:

- ◆ mining equipment productivity and material movement rates are scheduled in line with recently achieved rates, and conservative industry estimates;
- ◆ Navigator is pleased to announce that it has issued SMS Rental (WA) Pty Limited (**SMS**) with a Letter of Intent to award the Contract for the supply and maintenance of Heavy Mining Equipment (**HME**) for the Bronzewing Gold Project. The changeover from Emeco to SMS will take place on the 29th of October 2012. Currently both EMECO and SMS provide HME to Navigator;



- ◆ SMS have committed to providing Navigator with a reliable mining fleet, increased maintenance service and a machinery availability guarantee;
- ◆ the HME fleet will consist of one excavator and matching truck fleet, with minor ancillary equipment (dozers, graders etc). There will be four drill and blast rigs operating on the pit floor;
- ◆ reconfiguration of operations and HME fleet will result in an initial 25% reduction of the BGP workforce;
- ◆ mine scheduling and pit sequencing is designed to decrease the waste to ore strip ratio and ensure the continuing supply of high grade ore to the mill; and
- ◆ geological confidence is increasing as the pit advances and the top of the ore zones proper are exposed. Appropriate mining recovery and dilution factors have been applied in the New Mine Plan.

The implementation of the New Mine Plan, in association with the operational changes, are designed to improve the financial health of the operation and provide the Company with sufficient cash flow from operations to service all debts, royalties and fees. There can be no assurance that the New Mine Plan will be successful in improving operations and cash flow.

Projected cash flows are highly sensitive to the AUD gold price which is derived from the USD gold price and AUD/USD exchange rate. Cash flows are also dependent on the amount of gold produced at the Bronzewing Gold Project and the associated production cost per ounce. The New Mine Plan is designed to allow the opportunity for the Company to continue in operation and benefit from a higher AUD gold price, should it rise.

MINE LIFE EXTENSION STUDIES

Internal Company studies have commenced to assess the additional work required to determine the economic viability of two prospects within the Bronzewing tenement package. The prospects being Corboys (with reported reserve and resource), and Anomaly 45 (internal global metal inventory only).

CORPORATE UPDATE

AU MINING FINANCE FACILITY

There have been no changes to the terms of the \$16 million finance facility provided by Au Mining (**Finance Facility**) since those described in the Company's ASX announcement of 5 October 2012.

Due to the transition from the existing negative cash flow mine plan to the New Mine Plan, as well as certain one-off costs associated with the operational changes, the Company is in advanced discussions with Au Mining Limited for an additional \$3 million working capital facility (**Working Capital Facility**). Repayments of amounts owing under the Working Capital Facility are based on the Company's ability to pay.



Key terms of the Working Capital Facility are as follows:

- ◆ Security: unsecured;
- ◆ Limit: \$3 million;
- ◆ Interest: 20% p.a. compounded daily to be paid without set-off for non-resident withholding tax;
- ◆ Availability Period: amount up to the limit can be drawn until earlier of completion of the rights issue and 31 October 2012; and
- ◆ Repayments: repayments commence on 28 February 2013 and the minimum monthly repayment amount is the lower of the total amount owing (inclusive of accrued interest and arranging fee) and the cash available for repayment. Cash available for repayment is calculated as lowest forecast cash balance in the subsequent 3-months less \$3 million.

WATERTON LOAN AMENDMENT

The Company is in advanced discussions with its senior secured lender, Waterton Global Value L.P. (**Waterton**), to obtain Waterton's consent to the above Working Capital Facility which is required under the terms of the senior secured facility agreement with Waterton (**Senior Secured Facility**).

The key terms for obtaining Waterton's consent are:

- ◆ for all amounts repaid to Au Mining under the Working Capital Facility, Waterton must receive, on the same date, an equal amount which shall be applied to reduce the amount owing to Waterton under the Senior Secured Facility; and
- ◆ the Company must pay to Waterton \$250,000 at end of December 2012 and \$250,000 at end of March 2013 which shall be applied to reduce amounts due to Waterton related to deferred gold sales fees originally payable from November 2013.

ACCOUNTING IMPACT

Although the New Mine Plan may improve cash flow from operations, the decrease in total ounce production and shorter life of the pit will likely result in accelerated recognition of the \$16.8 million balance of capitalised deferred mining expenditure at 30 June 2012. There will also be a requirement to review assets for impairment at the 31 December 2012 half-year financial reporting period.

LEONORA GOLD PROJECT

For the past several months, the Company has had an incentivised arrangement with its corporate advisor (**Advisor**) under which the Advisor would receive a fee upon the sale or partial sale (partnership arrangement) of the Leonora Gold Project (LGP). Despite a high level of enquiry and the undertaking of formal due diligence by certain interested parties, the Company has not been presented with an acceptable offer. The Company now advises that it has instructed its Advisor to put the LPG sale process on hold pending the completion of the Rights Issue and an internal review of strategic options for the LPG.



CUMMINS RANGE JOINT VENTURE

On 26 September 2012, Kimberley Rare Earths Limited (**KRE**) announced its intention to cease further spending on the Cummins Range light rare earths project in which it has a 25% interest (75% Navigator), citing significant changes in the rare earths sector, and a negative assessment of development options for the project. Navigator and KRE have now reached agreement to terminate the Cummins Range Joint Venture Agreement and transfer KRE's 25% interest in Cummins Range back to Navigator. The Navigator Independent Board Committee agreed to the transaction and consideration of a one-off cash payment of \$350,000 paid by KRE to Navigator.

RETIREMENT OF JOHN SHIPP

The Company advises that Mr John Shipp, a non-executive director of Navigator, has indicated his intention to retire from the Navigator board and not seek re-election at the Company's forthcoming annual general meeting that will be held prior to 30 November 2012. The Board of Navigator express their sincere thanks to Mr Shipp for his contribution to the Company as a non-executive director since August 2006.

RIGHTS ISSUE & VOLUNTARY SUSPENSION

Navigator continues to progress the renounceable rights issue (**Rights Issue**) within the updated indicative timetable advised in the Company's ASX announcement of 5 October 2012. The delay of the rights issue has been caused by additional requirements for the Replacement Prospectus resulting from ASIC's finding that the Underwriters are "associated" with Navigator Resources Limited. The additional requirements include a valuation of the company's mineral assets and an independent expert's report on the fairness and reasonableness of the transaction.

The Company will remain in Voluntary Suspension from trading on the ASX until the replacement prospectus in relation to the Rights Issue is lodged. This is scheduled for 26 October 2012.

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NAVIGATOR RESOURCES LIMITED

For Further Information:

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