



# NAVIGATOR RESOURCES LIMITED



## QUARTERLY REPORT: DECEMBER 2012

### Navigator Resources Limited

ABN: 82 063 366 487

### Registered Address:

Ground Floor, 45 Richardson Street  
WEST PERTH WA 6005

PO Box 276  
WEST PERTH WA 6872

Phone: (08) 9226 5311

Fax: (08) 9226 5411

Email: [navigator@navigatorresources.com.au](mailto:navigator@navigatorresources.com.au)

Website: [www.navigatorresources.com.au](http://www.navigatorresources.com.au)

### Board of Directors:

Allan Trench	Chairman
Andy Tudor	Managing Director
Guy Walker	Non-Executive Director

Padraig O'Donoghue

Company Secretary / Chief Financial Officer

### Share Registry:

Advanced Share Registry Services  
150 Stirling Highway  
NEDLANDS WA 6009

PO Box 1156  
NEDLANDS WA 6909

Phone: (08) 9389 8033

Fax: (08) 9389 7871

Email: [admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)

Website: [www.advancedshare.com.au](http://www.advancedshare.com.au)



ASX: NAV

## KEY POINTS

### Bronzewing Operations

- ◆ Bronzewing quarterly gold production of 17,431 ounces is below revised forecast range of 18,000 to 20,000 ounces
- ◆ Contained gold in the ore mined for the quarter was 23,971 ounces (down 3% on the previous quarter)
- ◆ New Cockburn mine plan successfully instigated including replacement of mining fleet
- ◆ De-bottlenecking of the mining function has resulted in a smoother mining cycle, with approximately 20 days high grade ore stockpile now available to the Bronzewing mill (as at Jan 14<sup>th</sup>)
- ◆ Optimisation and scheduling studies of the Western Cutback commenced
- ◆ Higher than expected cost per ounce of produced gold mainly due to mechanical issues at the Bronzewing processing facility
- ◆ Action and maintenance plan underway to address mechanical issues at Bronzewing processing facility

### Bronzewing Exploration

- ◆ Internal review of exploration prospects well advanced
- ◆ High priority in-pit exploration target at Cockburn 'link zone' identified

### Leonora

- ◆ Positive results from 2012 soil sampling program
- ◆ Review of project mineral resources commenced
- ◆ Review of project scoping and PFS commenced
- ◆ Initiation of processing options studies

### Corporate

- ◆ \$16 million of debt repaid from proceeds of rights issue
- ◆ In discussions with Au Mining Limited for additional working capital funding

## OPERATIONS REPORT

### BRONZEWING

#### **Project Overview**

The Bronzewing Gold Project (BGP), which is located approximately 83 kilometres northeast of Leinster and 800 kilometres northeast of Perth in Western Australia, comprises the Bronzewing and McClure group of mines within a semi-contiguous landholding of approximately 885km<sup>2</sup>.



Figure 1: Cockburn Pit Mining Operation

#### **Operations Update**

Gold production for the December 2012 quarter was 17,431 ounces which was below the revised forecast for the quarter of 18,000 to 20,000 ounces due to mechanical issues at the Bronzewing processing facility. Gold mined for the quarter was 23,971 ounces.

#### **Mine Extension Studies**

The Company continued internal studies to assess additional work required to determine economic viability of two prospects within the Bronzewing tenement package. These are Corboys (with reported reserve and resource) and Anomaly 45 (internal global metal inventory only). Optimisation and scheduling studies have also commenced on the Cockburn pit Western Cutback (WCB) to confirm the economics of mining this area.

#### **Safety and Training**

There were three “Lost Time Injuries” recorded at the Bronzewing Gold Project in the quarter. Two were in the first week of October, and the third in the first week of November. The subsequent 55 days to the end of the quarter were lost time injury free. Fortunately none of the injuries sustained to personnel were significant in regards to their severity, with two returning to normal duties and one to alternate duties during the quarter. The principal focus for the management and supervisors at Bronzewing has been specific to job safety awareness, task hazard assessments and hazard controls and management.

For personal use only

**Mining**

Total material movement for the quarter of 941,195 BCMs, was 45% below the previous quarter. This reduction in total material movement reflected the change in the mine plan, as outlined in the September 2012 quarterly report. The change over to a single mining contractor (SMS Rentals) resulted in lower material movement in the early part of the quarter, as the new mine plan was instigated. The latter part of the quarter was in line with revised schedule estimates.

Ore mined was 570,406 tonnes which was 1% above the previous quarter. This was again a function of the change in mine planning and scheduling, combined with the change over to a single mining contractor. The latter part of the quarter was in line with revised schedule estimates. Contained Gold in the ore mined was 23,971 ounces.

High grade ore produced from the Cockburn Pit was 427,413 tonnes @ 1.54g/t for 21,162 ounces, compared to the previous quarter high grade ore of 373,000 tonnes @ 1.75g/t for 20,986 ounces. The improvement in volume of ore and total ounces taking place as the pit deepens. The strip ratio has also improved with the new mine plan, to be <5:1 for the quarter, compared to >8:1 for the previous quarter.

The New Mine Plan implemented in the quarter has substantially changed the mining sequence of the pit resulting in a smaller, shallower pit and the deferral of the Cockburn Pit western wall cutback. Sequencing has provided 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. From January 2013 there will be no requirement to mill any low grade material, as there is sufficient high grade ore stockpiled, and scheduled to be mined, to feed the mill.

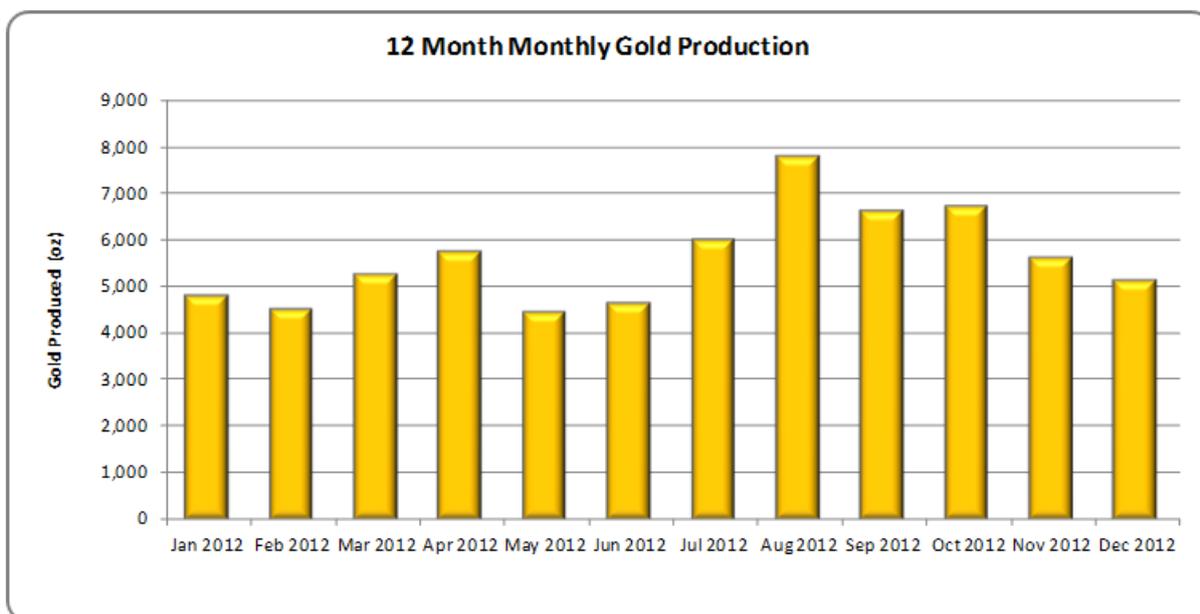
**Ore Processing**

Total ore milled for the December 2012 quarter was 400,744 tonnes at a grade of 1.49g/t gold, for 17,431 recovered ounces. The tonnes milled are 13% below the previous quarter due to a number of crushing and milling issues, as outlined below.

Total ore treatment rates for the quarter fell from the previous quarter's average of 220 dry tonnes of ore treated per hour (dtpH) to 192 dtpH. The mill recovery level also fell from the previous quarter's 91.7% to 91.3%. The reduction in treatment rates and mill recovery levels are a combination of:

- ◆ The increase in the hardness of the ore through the treatment plant to now completely fresh rock;
- ◆ The crusher facility not being able to provide crushed ore stocks to the mill, through a combination of structural and mechanical breakdowns to the ROM bin grizzly panels and apron feeder, cone crushers and the conveyor system;
- ◆ The mill facility not being able to run at full capacity due to unavailability of crushed ore stocks, combined with problems to the pebble crusher, oxygen plant, gravity circuit and tank agitator gearboxes.

These issues are being addressed as part of a comprehensive processing facility action and maintenance plan being implemented by management commencing January 2013. The plan is in its early stages and will take 6 months to fully implement. When completed, it is expected to return the mill throughput rates to the forecast 208 dtpH and recovery levels to 92%. In the meantime, while the processing facility is affected by the above issues, mill throughput and recovery rates will be marginally below these levels.



**Figure 2: BGP gold production by month**

### Overall Performance

Key performance indicators for the December 2012 quarter are shown below.

**Table 1: 2012/2013 Production Statistics**

	<i>Unit</i>	Sept 2012 Quarter	Dec 2012 Quarter	YTD 2013
<b>Mining Physicals</b>				
◆ BCMs	<i>BCM</i>	1,703,844	941,195	2,645,039
◆ Ore Mined	<i>t</i>	565,001	570,406	1,135,407
◆ Ore Grade	<i>g/t</i>	1.37	1.31	1.32
◆ Total Ounces Mined	<i>oz</i>	24,821	23,971	48,792
<b>Processing Physicals</b>				
◆ Ore Milled	<i>dt</i>	462,041	400,744	862,785
◆ Grade Reconciled	<i>g/t</i>	1.49	1.49	1.49
◆ Recovery	<i>%</i>	91.7	91.3	91.5
◆ Gold Produced	<i>oz</i>	20,368	17,431	37,799
<b>Costs</b>				
◆ Net direct cash cost	<i>\$/oz</i>	1,168	1,446	1,297

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

### Production Forecast

Reconciled gold production inclusive of gold in-circuit for the March 2013 quarter is projected to be in the range of 17,000 to 20,000 ounces.

## **LEONORA**

### **Project Overview**

The 320km<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 conducted in 2010) 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). An updated Ore Reserves and Mineral Resources statement as at 30 June 2012 released during the quarter did not reflect any changes to estimates for LGP.

The company has commenced an internal review of strategic options for the project. During the quarter the company Managing Director and Chief Operating Officer, met with Leonora Shire Council representatives to discuss various project infrastructure requirements, as part of site-based investigations, aimed at assessing project development options.

The company is currently assessing the LGP mineral resource inventory, with a view to determining requirements for resource development drill programs. In parallel with this is the assessment of the previously completed scoping and pre-feasibility studies. A review of processing facility options with suitably qualified and experienced providers has also been initiated.

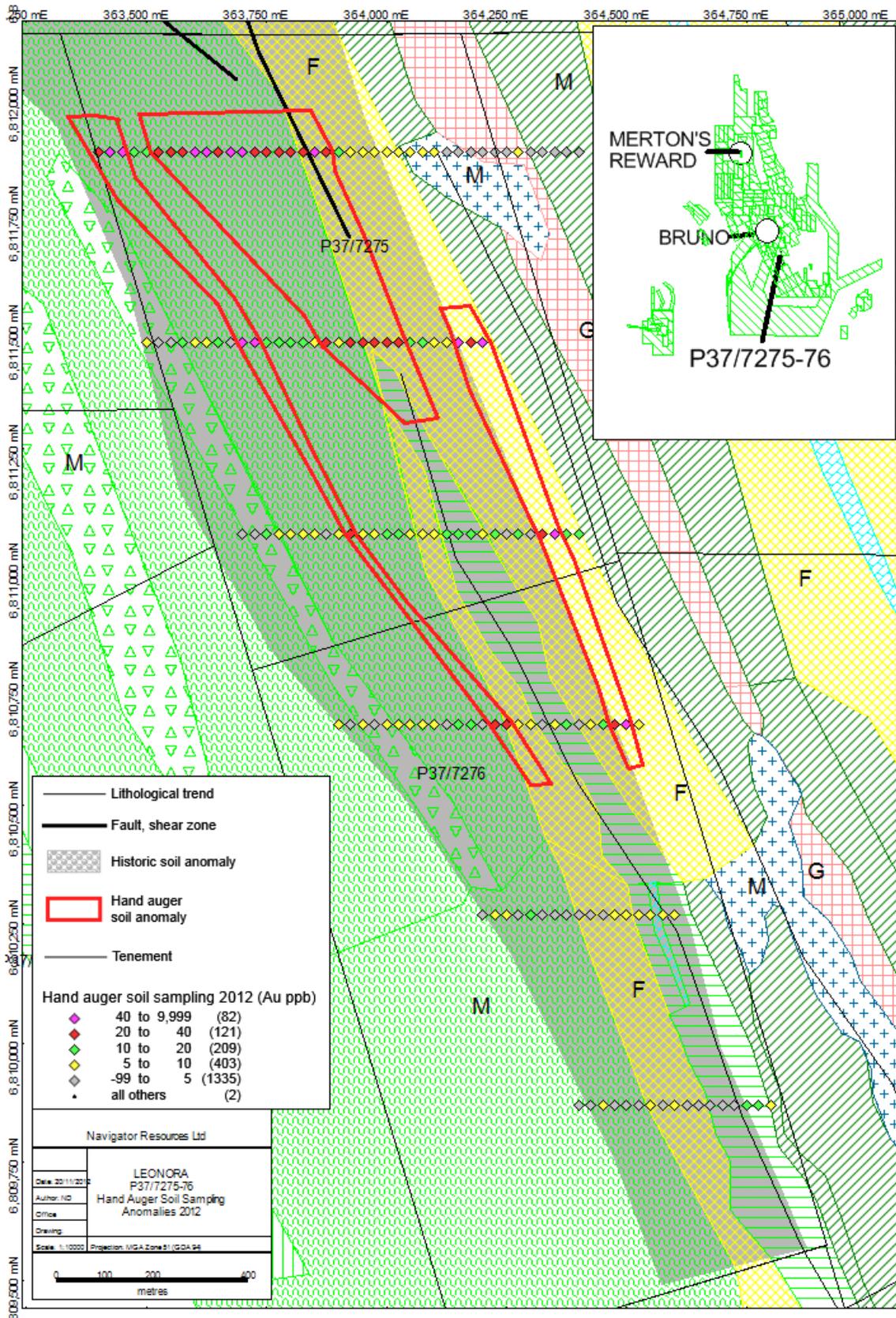
## **EXPLORATION REPORT**

### **BRONZEWING**

The Company's primary exploration objective at the BGP is to increase mine life through exploration activities aimed at discovering higher quality resource and reserve ounces. No field programs were undertaken during the quarter other than site reconnaissance. Optimisation studies of the Corboys, Anomaly 45, Challenger and Dragon projects at Bronzewing (all located on granted mining leases) were progressed during the quarter. A priority in-pit exploration target has been identified beneath the current Cockburn pit - the 'link zone'. It represents an area previously untested by drilling; hence a drill program is being prepared to assess the potential of this zone.

### **LEONORA**

The Company completed several soil and auger sampling programmes in the Leonora project area during the quarter. Navigator proposes to further investigate the anomalies identified by these soil sampling programmes, with a number of aircore drilling programmes being designed in January 2013 to further investigate their prospectivity. Material results were returned from P37/7275-76 as detailed below in Figure 3.



**Figure 3: P37/7275-76 soil sampling results and interpreted gold anomalies.**  
Lithological Key: M=Basalts/Dolerites, G=Granitoids, F=Felsic volcanics

## **CUMMINS RANGE**

*(Navigator 75%, KRE 25%)*

As reported on 17 October 2012, Navigator and Anova Metals Limited (ASX:AWV) (previously Kimberly Rare Earths Limited) have agreed to terminate the Cummins Range Joint Venture and transfer Anova's 25% interest back to Navigator. The transfer process has continued during the quarter.

## **LAURA RIVER**

*(Magma 70%, Navigator 30% free carried to decision to mine)*

No activity during the quarter was reported by Magma Metals. The Company notes that Magma Metals is now a wholly owned subsidiary of Panoramic Resources Limited.

There has been no exploration results publicly reported during the quarter

## **CORPORATE REPORT**

### **FINANCIALS (note: reported figures are unaudited)**

#### **Cash Position**

As at 31 December 2012, Navigator held \$2.2 million cash at bank and \$7.1 million on deposit for environmental bonds.

#### **Revenue and Costs**

##### Revenue for the Quarter

Gold sales from the BGP for the quarter were 17,206 oz's at an average sale price of \$1,596/oz net of discounts paid under the gold supply agreement. Product sales revenue net of discounts for the quarter was \$27.6 million.

##### Unit Costs for the Quarter

The net direct cash cost per ounce was \$1,446 <sup>(1)</sup>.

The total cash cost per ounce was \$1,600 <sup>(2)</sup>.

The total cost per ounce was \$2,050 <sup>(3)</sup>.

The unit costs are higher than expected mainly due to the lower than forecast produced ounces caused by mechanical issues at the Bronzewing processing facility.

(1) *Net direct cash cost: direct cash operating costs including inventory movements and excluding capitalised deferred mining expenditure.*

(2) *Total cash cost: net direct cash cost plus royalties and interest.*

(3) *Total cost: total cash cost plus depreciation, amortisation and expensed deferred mining expenditure.*

**Cashflow**

The Company's cash flow from operating activities for the December 2012 quarter was a \$3 million cash outflow.

Previous Company forecasts, using management's forecast gold production and operating costs, projected FY13 cash flows to be approximately break-even after servicing of all debts, fees and royalties. As a result of gold production in the quarter being significantly below forecast projections combined with a downward adjustment to near-term gold production forecasts due to issues at the Bronzewing processing operation, the Company now forecasts a requirement for additional working capital funding.

Navigator advises that it is in discussions with significant shareholder, Au Mining Limited, to satisfy this funding requirement.

**Hedging**

Navigator currently has no hedging in place.

**Exploration & Capital Expenditure**

During the quarter, exploration expenditure incurred was \$658,000, of which \$276,000 was expended on the BGP and \$382,000 on LGP.

Capital expenditure during the quarter was \$43,000.

**Debt**

The debt balance at the end of the quarter was \$16.6 million.

On 31 October 2012, the Company borrowed \$3 million under a new working capital facility with substantial shareholder, Au Mining Limited. Key terms of the working capital facility are set out in an ASX announcement dated 17 October 2012.

On 21 November, the Company repaid \$16 million owing to Au Mining Limited from proceeds of the Company's rights issue. See below-described Rights Issue for a description of the transaction.

On 21 November 2012, \$877,000 of interest owing by the Company to Au Mining Limited under the \$16 million finance facility and was converted to a loan attracting interest at a rate of 16.7% per annum. This loan currently matures on 14 February 2013.

On 21 November 2012, \$194,000 of underwriting fees owed by the Company to the underwriters of the below-described Rights Issue was converted to a loan attracting interest at a rate of 16.7% per annum. This loan currently matures on 14 February 2013.

**Rights Issue**

On 21 November 2012 Navigator issued 15,999,959,347 fully paid ordinary shares at price of 0.1 cents per share under a renounceable rights issue. The \$16 million before costs raised by the rights issue was used to repay \$16 million of finance facility debt owed to substantial shareholder Au Mining Limited.

## **OTHER**

### **Management Changes**

Mr Craig Bradshaw resigned from his role of Chief Operating Officer effective 31 December 2012. Mr Russell McBeath is filling the vacancy left by Craig in an acting capacity



Andy Tudor, Managing Director  
NAVIGATOR RESOURCES LIMITED

### **For Further Information:**

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

**Email:** [navigator@navigatorresources.com.au](mailto:navigator@navigatorresources.com.au)

**Tel:** (08) 9226 5311

Sections of information contained within this report that relate to Mineral Resources and Exploration Results are based on information reviewed or compiled by Peter van Luyt who is a consultant to Navigator Resources Ltd and is a Member of the Australasian Institute of Geoscientists. Peter van Luyt 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". Peter van Luyt consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.