



NAVIGATOR RESOURCES LIMITED

24 December 2009

Dear NAV Shareholders,

As 2009 draws to a close I would like to take this opportunity to reflect upon Navigator's position ahead of what promises to be a very exciting 2010.

Despite global uncertainty in metals markets and challenging funding conditions, especially in the early part of the year, your Company has maintained its focus on becoming a significant Australian gold producer. As the year reaches its end, Navigator is a far stronger company than a year ago – with excellent development prospects ahead for 2010. Furthermore, with the ongoing support of shareholders and the introduction of key institutions to the NAV share register, we are in a strong financial position and poised to deliver first gold production and other significant milestones in the year ahead.

The achievements of your Company over the past year include:

- ◆ The appointment of an operations-focused new executive team to the Company, in readiness for the **transition from explorer to producer**.
- ◆ Your Company was the successful tenderer for the purchase of the **Bronzewing Gold Project** from the Administrators of View Resources Limited and View Gold Pty Ltd (both subject to Deeds of Company Arrangement). For a purchase price of \$9.55 million, Navigator acquired assets with a replacement value independently assessed at \$217 million, most critically the 2.3 million tonne per annum Bronzewing mill and associated infrastructure.
- ◆ Navigator successfully raised debt and equity funds to complete the Bronzewing Gold Project acquisition. Despite a number of setbacks during the process, the Company also successfully completed its funding target to get the project into production, including a \$16 million debt facility and \$29 million of equity funding. The final stage of equity funding, being a **\$21.6 million underwritten rights issue, was over-subscribed by existing shareholders**.
- ◆ The Reserve inventory at Bronzewing has been independently assessed at 486,000 ounces, within an overall Resource position of approximately 850,000 ounces. In combination with Leonora, the Company's total Resource position now stands at 1.6 million ounces.
- ◆ At the Company's **Leonora Gold Project**, the negotiation of a trial mining opportunity was completed with preparations well underway for mining and milling to commence early in 2010. All permits to commence mining have been received. Information gained from the trial mining will help the Company better understand the optimum ore, materials handling and gold recovery scenarios at Leonora. As such, trial mining therefore constitutes a form of cash-positive feasibility study for Navigator to augment the Leonora pre-feasibility study (PFS) completed in the first half of 2009, with the objective of Leonora becoming the Company's second producing gold project.

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- ◆ Other development activity has continued in parallel at Leonora, notably through the astute pegging of ground that has become vacant as a consequence of the global downturn which has added significantly to the land tenure in the area. By way of example, Navigator's targeted pegging efforts have secured a further 10 kilometres of the highly prospective Mertondale shear, host to the Company's Merton's Reward, Tonto and Mert 3-4 & 5 deposits. This southern extension of the shear acquired has been lightly explored as it lies beneath shallow alluvial cover.

Further pegging to the immediate east of the northern end of the Project has secured ground adjoining significant gold intersections reported by near-neighbours.

Additionally, ongoing exploration targeting and assessment of the geological database at Leonora has identified other prospects as having potential for high-grade near-surface ounces.

- ◆ At the **Cummins Range Rare Earth Project**, Navigator engaged an independent consultant to update an in-house resource estimation. This in-house resource was verified with a minor 4% increase in contained metal. Navigator also commissioned an independent valuation of Cummins Range which concluded a current value in the range \$10-20 million.

Looking ahead to 2010, the milestones are clear. Some highlights to provide you with an update on our progress are:

- ◆ The redevelopment of Bronzewing is on-track for **first gold production in April 2010**. Staff will commence mobilising to site in January 2010. Navigator expects to be producing gold at an annualised rate of 100,000 ounces per annum during 2010.
- ◆ Trial mining at Leonora is due to commence in January 2010. The milling of an ore parcel of approx 75,000 tonnes (for approx 5,000 ounces) will be completed in April 2010.
- ◆ Progress at Cummins Range will continue with a mineralogical study to be undertaken by the CSIRO.
- ◆ On the exploration front, the Company will continue to assess the potential at both Leonora and Bronzewing. At Bronzewing, the Company is still uncovering high priority targets across the more than 1,000 square kilometres of leases acquired in the purchase. We expect to report upon the exploration assessment of the Bronzewing region during the first quarter of 2010.

We will as always keep you informed of our progress, but please do not hesitate to contact me if you have any queries, or if you require any further information on the Company and its activities.

In the meantime I thank you for your ongoing support and wish you a safe and happy end to the year as we all look forward to a prosperous 2010.

Kind regards

DAVID HATCH
Managing Director



Sections of information contained within this report that relate to Exploration Results, Mineral Resources and Ore Reserves at the Bronzewing Gold Project and Leonora Gold Project are based on information reviewed by Bernie Kirkpatrick who is a full-time employee of Navigator Resources Limited and 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.