



# NAVIGATOR RESOURCES LIMITED

ABN: 82 063 366 487

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## NOTICE OF ANNUAL GENERAL MEETING

## EXPLANATORY STATEMENT

## PROXY FORM

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**Date:** 25 November 2008

**Time:** 3:00 pm (WDST)

**Place:** The Celtic Club  
48 Ord Street  
West Perth, Western Australia, 6005

**THIS IS AN IMPORTANT DOCUMENT. PLEASE READ IT CAREFULLY.**

*If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

The Annual General Meeting will be held at 3.00 pm (WDST) on 25 November 2008 at:

The Celtic Club  
48 Ord Street  
West Perth, Western Australia, 6005

### YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

### HOW TO VOTE

You may vote by attending the meeting in person, by proxy or by authorised representative.

### VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) hand delivery to the Company's registered office at Unit 1, 34 King's Park Road, West Perth, 6005; or
- (b) post to Navigator Resources Limited, PO Box 276, West Perth WA 6872; or
- (c) facsimile to the Company on facsimile number (+61 8) 9226 5411,

so that it is received not later than 3.00 pm (WDST) on 23 November 2008.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the Annual General Meeting of Shareholders will be held at 3:00 pm (WDST) on 25 November 2008 at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 5.00 pm (WDST) on 21 November 2008.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

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## AGENDA

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### 1. ANNUAL REPORT

To receive and consider the financial report of the Company together with the reports of the Directors and the auditor for the financial year ended 30 June 2008.

### 2. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That for the purposes of section 250R(2) of the Corporations Act 2001 (Cth) and for all other purposes, the remuneration report for the financial year ended 30 June 2008 be adopted."*

The vote on this Resolution is advisory only and does not bind the Directors of the Company.

### 3. RESOLUTION 2 – RE-ELECTION OF DR ALLAN TRENCH AS A DIRECTOR

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*"That Dr Allan Trench, being a Director of the Company who retires in accordance with Rule 7.3(a) of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Dr Allan Trench (or his nominee) and any of his associates. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**4. RESOLUTION 3 – RE-ELECTION OF MR GORDON GALT AS A DIRECTOR**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That Mr Gordon Galt, being a Director of the Company who retires in accordance with Rule 7.3(f) of the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Gordon Galt (or his nominee) and any of his associates. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**5. RESOLUTION 4 – GRANT OF OPTIONS TO MR GORDON GALT**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to Shareholder approval for Resolution 3, for the purposes of Section 208 of the Corporations Act 2001 (Cth), Listing Rule 10.11 of the ASX Listing Rules and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to Mr Gordon Galt (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mr Gordon Galt (or his nominee) and any of his associates. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**6. RESOLUTION 5 – ADOPTION OF INCENTIVE OPTION SCHEME**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.2 (Exception 9) of the ASX Listing Rules and for all other purposes, the Directors be authorised to adopt the “Navigator Resources Limited Incentive Option Scheme” (Scheme) (the terms of which are annexed to the Explanatory Statement accompanying this Notice) and the issue of securities pursuant to the Scheme.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by the Directors of the Company (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

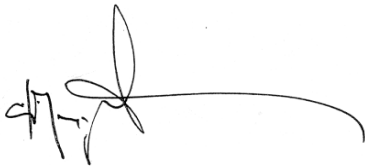
*“That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, the previous issue of 6,000,000 fully paid ordinary shares in the capital of the Company at an issue price*

*of 84 cents on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be ratified and approved."*

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with ASX Listing Rule 7.4. This allows the Company the flexibility to issue shares and options to subscribe for fully paid ordinary shares in the future up to the threshold of 15% of its total ordinary securities in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. The Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to be 'IK Macpherson', with a long horizontal flourish extending to the right.

IK Macpherson  
Company Secretary

Dated: 15 October 2008

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## **EXPLANATORY STATEMENT**

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This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005 on 25 November 2008 at 3.00 pm (WDST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

### **1. ANNUAL REPORT**

Section 317 of the Corporations Act requires the reports of the Directors and of the auditors and the Annual Report, including the financial statements, to be put before the Annual General Meeting and the Constitution provides for those reports and statements to be received and considered at the Annual General Meeting. Neither the Corporations Act nor the Constitution requires a vote of Shareholders at the Annual General Meeting on the reports or statements. However, Shareholders will be given the opportunity to raise questions on the reports and the statements at the Annual General Meeting.

The Company's 2008 Annual Report is available at [www.navigatorresources.com.au](http://www.navigatorresources.com.au). Those holders that elected to receive a printed copy of the Annual Report will have received a copy with this Notice of Annual General Meeting.

### **2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

Section 300A of the Corporations Act sets out the information that should be included in the Remuneration Report. Section 250R(2) of the Corporations Act requires a resolution that the Remuneration Report be adopted be put to a vote of Shareholders at the Company's Annual General Meeting. The vote on this Resolution is only advisory to the Company and does not bind the Board.

The Remuneration Report is set out in, and forms part of, the Directors' Report. The Remuneration Report:

- (a) explains the Board's policy for determining the nature and amount of remuneration of Executive Directors and senior executives of the Company;
- (b) discusses the relationship between such policy and the Company's performance; and
- (c) sets out remuneration details of each Director.

Under section 250SA of the Corporations Act, Shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

The Directors consider that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and the individual. On this basis, the Directors unanimously recommend that members vote in favour of this advisory Resolution.

Whilst there is no legal requirement to abstain from voting, the Company expects Directors and the senior executives whose remuneration details are disclosed in the report not to vote on this Resolution.

### **3. RESOLUTION 2 – RE-ELECTION OF DR ALLAN TRENCH AS A DIRECTOR**

Under Rule 7.3 of the Constitution, one third of the Directors (rounded down to the nearest whole number) must retire at each Annual General Meeting but a Director who retires under that Rule is eligible for re election at that meeting. Re election is by way of an ordinary resolution of Shareholders.

Dr Allan Trench, who was first appointed as a Director on 14 November 2005 retires from office in accordance with this requirement and, being eligible, offers himself for re election as a Director of the Company.

Dr Trench is a geologist/geophysicist and business management consultant with over 17 years experience within the Australian resources sector across a number of commodity groups including gold, nickel, oil & gas, copper and LNG.

Dr Trench commenced his career as an academic at Oxford University before moving to Australia on a Royal Society Research Fellowship. After a period at the University of Western Australia, he joined WMC at their Kambalda nickel and gold operations applying geophysical methods to both exploration and underground mining opportunities. Dr Trench spent five (5) years with WMC including as Exploration Manager in the Leinster Mt Keith region. He then managed a number of exploration companies associated with Joseph Gutnick before joining McKinsey & Company as a management consultant. In his role at McKinsey, Dr Trench advised a number of large international resources companies on strategy, organisation and operations issues.

Dr Trench has direct hands on experience in managing gold assets, including spending 18 months at Australia's largest gold mine, the Golden Mile of Kalgoorlie.

Your Directors have reviewed the necessary competencies of the Board members and each candidate's contribution to the Board and unanimously recommend that Shareholders vote in favour of Dr Trench's re election.

### **4. RESOLUTION 3 – RE-ELECTION OF MR GORDON GALT AS A DIRECTOR**

Mr Gordon Galt was appointed by the Directors on 18 August 2008 in accordance with Rule 7.2 of the Constitution, which allows the Board to fill a casual vacancy.

Mr Galt retires from office in accordance with Rule 7.3(f) of the Constitution and, being eligible, offers himself for re election as a Director of the Company.

Mr Galt is a senior mineral resources executive and an experienced Director with international mineral industry experience. During his career Mr Galt has worked in senior management, technical and operational roles across a wide range of commodities, primarily in gold, coal, magnesium and copper/lead/zinc. Mr Galt is by training a mining engineer with post graduate qualifications in finance. Both degrees are from the University of Queensland.

Your Directors have reviewed the necessary competencies of the Board members and each candidate's contribution to the Board and unanimously recommend that Shareholders vote in favour of Mr Galt's re election.

## **5. RESOLUTION 4 – ISSUE OF DIRECTOR OPTIONS**

### **5.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 1,000,000 Director Options to Mr Gordon Galt (**Related Party**) on the terms and conditions set out below.

As set out in this Explanatory Statement, the grant of a 'financial benefit' to related parties of the public company requires approval under Chapter 2E of the Corporations Act. As a Director, Mr Galt is considered a related party of the Company and the proposed issue of Director Options amounts to the provision of a 'financial benefit'.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Party.

### **5.2 Grant of Options**

The Nomination Committee concluded that Mr Galt's experience and skills as an explorer, miner and innovator would add considerable strength at Board level as the Company advances towards the development of a significant resource base.

The quantum and terms of the June 2011 Options have been considered at length by the Directors and were referenced in the initial discussions with Mr Galt when he was first approached to join the Board. In the opinion of the Board they represent an appropriate portion of the total remuneration package and the quantum and terms are considered consistent with industry standards in light of the matrix of skills, experience and reputation of the Board and when considered together with remuneration currently received in terms of Directors' fees for Non Executive Directors (as detailed herein).

In order to both attract and retain Directors the calibre of Mr Galt, the Company considered it imperative to offer an option package that aligned rewards to Mr Galt with those of the balance of the Board and Shareholders.

### **5.3 Shareholder Approval (Chapter 2E of the Corporations Act and ASX Listing Rule 10.13)**

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the Related Party is Mr Gordon Galt and he is a related party by virtue of being a Director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted is 1,000,000 Options exercisable at 30 cents on or before 30 June 2011;
- (c) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (d) the Director Options will be granted to the Related Party no later than one (1) month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Director Options will be issued on one (1) date;

- (e) the Director Options shall vest six (6) months after the date of issue;
- (f) other terms and conditions of the Director Options are set out in Annexure A;
- (g) the value of the Director Options and the pricing methodology is set out in 5.4 below;
- (h) as at the date of this Notice, the Director's interests in the securities of the Company are as tabled below:

| <b>Director</b> | <b>Shares</b> | <b>Unlisted Options</b> | <b>Total securities held</b> |
|-----------------|---------------|-------------------------|------------------------------|
| Gordon Galt     |               |                         |                              |

- (i) The Director's base remuneration per annum (including superannuation) and the total financial benefit to be received by him in this current period as a result of the issue of Shares and Options, the subject of Resolution 4, is as follows:

| <b>Director</b> | <b>Description</b> | <b>Current financial year</b> | <b>Indicative value of June 2011 options</b> | <b>Total Financial Benefit</b> |
|-----------------|--------------------|-------------------------------|--|--------------------------------|
| Gordon Galt     | Non Exec. fees     | \$38,150                      | \$107,000                                    | \$145,150                      |

- (j) if the Director Options granted to the Related Party are exercised, a total of 1,000,000 Shares would be allotted and issued. The Company presently has on issue 134,081,218 Shares and 6,750,000 Options exercisable into Shares over various exercise periods and at various exercise prices. The dilution effect of exercise of the 1,000,000 June 2011 Options granted as proposed above is 0.75% of Shares on issue and 0.71% on a fully diluted basis.
- (k) the market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company. The trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

|         | <b>Price</b> | <b>Date</b>     |
|---------|--------------|-----------------|
| Highest | \$1.05       | 8 November 2007 |
| Lowest  | \$0.13       | 10 October 2008 |
| Last    | \$0.195      | 14 October 2008 |

- (l) the primary purpose of the grant of Director Options to the Related Party is to provide cost effective consideration to the Related Party for their ongoing commitment and contribution to the Company in their role as a Director. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed.

- (m) the Board acknowledges the grant of Director Options to the Related Party, as a Non Executive Director, is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.
- (n) Mr Gordon Galt declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board (other than Mr Galt) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Party as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

#### 5.4 Valuation of Director Options

The Director Options to be issued have been valued by internal management based on a valuation methodology using the Black & Scholes Option Pricing Model, which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the Black & Scholes Model is a function of a number of variables and is rounded to the nearest one hundredth of a cent. The assessment of the estimated value of the Options has been prepared applying the following assumptions:

|                    |                  |
|--------------------|------------------|
| Valuation date     | 3 October 2008   |
| Expiry date        | 30 June 2011     |
| Spot price         | \$0.20           |
| Exercise price     | \$0.30           |
| Risk free rate     | 4.98%            |
| Volatility         | 100%             |
|                    |                  |
| Value per Option   | 10.7 cents       |
| Number of Options  | 1,000,000        |
| <b>Total value</b> | <b>\$107,000</b> |

The estimated valuation has assumed that the issue date of the June 2011 Options is 3 October 2008. The valuation is not a representative valuation of the June 2011 Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run at the time of issue (ie immediately following the Annual General Meeting of Shareholders).

In deriving the valuation the Black & Scholes Model relies upon the following assumptions:

- § there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- § short selling is allowed without restriction or penalty;
- § the risk free interest rate is known and constant throughout the duration of the option contract;
- § the underlying shares do not pay a dividend; and
- § share prices behave in a manner consistent with a random walk in continuous time.

Any change in the variables applied in the Black & Scholes Model between the date of the valuation and the date the June 2011 Options are granted would have an impact on their value.

## **6. RESOLUTION 5 – ADOPTION OF INCENTIVE OPTION SCHEME**

Resolution 5 seeks the approval of Shareholders for the adoption of the “Navigator Resources Limited Incentive Option Scheme” (Scheme) to allow the grant of Options under the Scheme as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2. An issue under an incentive option scheme will only fall within exception 9(b) of ASX Listing Rule 7.2 if the securities are issued under a Scheme approved by shareholders within three (3) years before the date of issue.

If Resolution 5 is passed, the Company will have the ability to issue Options to eligible participants under the Scheme over a period of three (3) years without impacting on the Company’s 15% placement capacity under ASX Listing Rule 7.1.

The purpose of the Scheme is to:

- (a) recognise the ability and efforts of employees who contribute to the success of the Company;
- (b) provide an incentive to employees to achieve the long term objectives and improve the performance of the Company; and
- (c) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees.

A summary of the terms and conditions of the Scheme are set out in Annexure B to this Explanatory Statement.

No options have been issued under the Scheme. 2,300,000 options have previously been issued under the Executive and Employee Option Plan approved by Shareholders on 24 November 2005.

## **7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES**

### **7.1 General**

On 13 December 2007 the Company announced the completion of a placement of 6,000,000 Shares at 84 cents each. None of the subscribers pursuant to this issue were related parties of the Company at the time of the placement.

ASX Listing Rule 7.1 provides that a company must not, without prior approval of shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of the 12 month period.

ASX Listing Rule 7.4 states that an issue by a company of securities made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purpose of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and the Company's members subsequently approve it.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**). By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% threshold set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

### **7.2 Technical Information Required by ASX Listing Rule 7.5**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 6,000,000 Shares were allotted on the same terms as existing ordinary Shares and were issued to institutional and sophisticated investors at 84 cents each on 3 December 2007. The placees were not related parties of the Company;
- (b) the Shares issued were all fully paid ordinary shares in the capital of the Company; and
- (c) the funds raised were used to increase the rate of drilling and resource expansion at the Leonora Gold Project and for working capital.

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## GLOSSARY

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**\$** means Australian dollars.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

**Company** means Navigator Resources Limited (ABN 82 063 366 487).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director Option** means an Option granted pursuant to Resolution 4 with the terms and conditions set out in Annexure A.

**Directors** means the current directors of the Company.

**Employee Option** means an Option granted pursuant to Resolution 5 with the terms and conditions set out in Annexure B.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Annual General Meeting** means the meeting convened by the Notice of Meeting.

**Notice of Meeting** or **Notice of Annual General Meeting** means this notice of general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option, Director Option or Employee Option as the context requires.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WDST** means Western Daylight Standard Time as observed in Perth, Western Australia.

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## ANNEXURE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

1. Each Option shall entitle the holder the right to subscribe (in cash) for one (1) fully paid ordinary share in the capital of the Company.
2. The Options will expire at 5.00pm WST on 30 June 2011 (**Expiry Date**). Subject to Clause 6 hereof, the Options may be exercised at any time after the first six (6) months of their term and prior to the Expiry Date. The Options may be exercised within the first six (6) months if a takeover bid is made for the Company or a scheme of arrangement is put to the Shareholders or unless otherwise approved by Shareholders. Options not so exercised shall automatically expire on the earlier of the Expiry Date or three (3) months from the date the holder ceases to be a Director of the Company.
3. Each ordinary Share allotted as a result of the exercise of any Option will, subject to the Constitution of the Company, rank in all respects pari passu with the existing ordinary fully paid shares in the capital of the Company on issue at the date of allotment.
4. A registered owner of an option (**Optionholder**) will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Optionholder, a member of the Company.
5. Options are not transferable at any time prior to the Expiry Date.
6. Method of Exercise of Options
  - (a) The Company will provide to each Optionholder a notice that is to be completed when exercising the Options (**Notice of Exercise of Options**). Options may be exercised by the Optionholder completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of ordinary Shares in the capital of the Company to be allotted; which number of Options must be a multiple of 10,000 if only part of the Optionholder's total Options are exercised.
  - (b) The Notice of Exercise of Options by an Optionholder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of 30 cents per Share respectively.
  - (c) Subject to Clause 6(a) hereof, the exercise of less than all of an Optionholder's Options will not prevent the Optionholder from exercising the whole or any part of the balance of the Optionholder's entitlement under the Optionholder's remaining Options.
  - (d) Within 14 days from the date the Optionholder properly exercises Options held by the Optionholder, the Company shall issue and allot to the Optionholder that number of fully paid ordinary shares in the capital of the Company so subscribed for by the Optionholder.
  - (e) The Company will comply with the requirements of the ASX Listing Rules in relation to the timetables imposed when quoted Options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the Options and the timetable outlined in the ASX Listing Rules, the timetable outlined in the ASX Listing Rules shall apply.
7. In the event of a reconstruction (including consolidation, sub division, reduction or return) of the issued capital of the Company, all rights of the Optionholder will be changed to the extent necessary to comply with the ASX Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
8. There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its Shareholders from time to time prior to the Expiry Date unless and until the Options are exercised. The Company will ensure that during the

exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least nine (9) Business Days after such new issues are announced (or such other date if required under the ASX Listing Rules) in order to afford the Optionholder an opportunity to exercise the Options held by the Optionholder.

9. There are no rights to change the exercise price or the number of underlying ordinary Shares if there is a pro rata issue or bonus issue to the holders of ordinary Shares.

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## ANNEXURE B – TERMS AND CONDITIONS OF INCENTIVE OPTION SCHEME

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The Directors are empowered to operate the Navigator Resources Limited Incentive Option Scheme (**Scheme**) on the following terms and in accordance with the Listing Rules of the ASX:

- (a) Eligible participants shall be:
- (i) full time or part time employees (other than Directors) of the Company or an Associated Body Corporate; or
  - (ii) a consultant or contractor who the Managing Director in his absolute discretion from time to time considers to be personnel whose services it is desirable to retain and/or whose participation in the Scheme is considered to be appropriate,

**(Eligible Participant).**

- (b) The Company will not make an offer under the Scheme if the aggregate of:
- (i) the number of Shares which would be issued on exercise of the Options to be granted;
  - (ii) the number of Shares which would be issued if all the current Options granted under the Scheme were exercised; and
  - (iii) the number of Shares which have been issued as a result of the exercise of Options granted under the Scheme,

would exceed 5% of the Shares on issue at the time of the offer.

- (c) Options will be issued free of charge to the participants.
- (d) The Scheme shall comprise a 'Medium Term Incentive Plan' (**MTIP**) and a 'Long Term Incentive Plan' (**LTIP**).
- (e) The material terms of the MTIP are as follows:
- (i) The MTIP comprises an entitlement to the issue of Options on the first and second anniversaries of an Eligible Participant's continuous employment with the Company.
  - (ii) The maximum number of Options to which the Eligible Participant is entitled on each of the first and second anniversary of their employment depends on the classification of seniority of the employee and will be as follows:

| <b>Employment classification</b> | <b>Number of Options</b>                                    |
|----------------------------------|---|
| Executive                        | 500,000   |
| Senior Management                | 250,000   |
| Management                       | 150,000   |
| Staff                            | At the Managing Director's discretion but less than 150,000 |

- (iii) The Options issued on the first anniversary date will be subject to a vesting period of 12 months, are exercisable on or before four (4) years from the date of issue and have an exercise price equivalent to 115% of the volume weighted average price of a Share as quoted on ASX for the five (5) trading days preceding the commencement of the participant's employment with the Company or an Associated Body Corporate.
- (iv) The Options issued on the second anniversary date will be subject to a vesting period of 24 months, are exercisable on or before five (5) years from the date of issue and have an exercise price equivalent to the volume weighted average price of a Share as quoted on ASX for the five (5) trading days preceding the first anniversary of the commencement of the participant's employment with the Company or an Associated Body Corporate.
- (f) The material terms of the LTIP are as follows:
  - (i) The LTIP comprises the issue of Options on the third anniversary date of a participant's continuous employment with the Company or an Associated Body Corporate.
  - (ii) A participant will be entitled to the number of Options determined in accordance with the following formula:

$$N = \frac{S \times 50\%}{P}$$

Where:

N = the number of Options;

S = the participant's gross annual salary (exclusive of superannuation) as at the date of the third anniversary of the commencement of the participant's employment with the Company or an Associated Body Corporate; and

P = the volume weighted average price of a Share as quoted on ASX for the five (5) days preceding the third anniversary of the participant's commencement date of employment with the Company or an Associated Body Corporate.

- (iii) The Options will be issued on the third anniversary of the participant's commencement date of employment with the Company or an Associated Body Corporate, subject to the participant remaining an Eligible Participant on the issue date.
- (iv) The Options are exercisable, subject to the vesting conditions below, at 1 cent each on or before three (3) years from the date of issue (**Expiry Date**).
- (v) The Options may only be exercised:
  - (A) if the participant has remained an Eligible Participant at all times since the issue date of the Options; and
  - (B) subject to the following vesting conditions:
    - (1) 20% of the Options may be exercised in the period commencing on the date of issue and ending on the Expiry Date;
    - (2) 30% of the Options may be exercised in the period commencing one (1) year after the date of issue and ending on the Expiry Date; and
    - (3) 50% of the Options may be exercised in the period commencing two (2) years after the date of issue and ending on the Expiry Date.

- (g) Options shall lapse upon the earlier of:
- (i) the Expiry Date of the Options;
  - (ii) a determination of the Board that the participant has, in the Board's opinion:
    - (A) been dismissed or removed from office for a reason which entitles the Company or an Associated Body Corporate to dismiss the participant without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company or an Associated Body Corporate (whether or not charged with an offence); or
    - (B) done any act which brings the Company or an Associated Body Corporate into disrepute;  
or
  - (iii) unless otherwise determined by the Board in respect of any of the participants, where the employment of that participant by the Company or an Associated Body Corporate ceases for any reason.
- (h) Each Option entitles the holder to subscribe for and be allotted one (1) fully paid ordinary share in the Company.
- (i) Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.
- (j) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven (7) Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (k) If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Option exercise price shall be reduced according to the formula specified in the ASX Listing Rules.
- (l) In the event of a bonus issue of Shares being made pro rata to Shareholders (other than an issue in lieu of dividends), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. No adjustment will be made to the exercise price per Share of the Option.
- (m) Options will not be quoted on ASX. However, application will be made to ASX for official quotation of the Shares allotted pursuant to the exercise of Options if the Company's Shares are listed on ASX at that time.
- (n) An application to be issued Options may be made by persons invited to participate in the Scheme in such form and upon such terms and conditions concerning the closing date for applications as are approved by the Directors from time to time.
- (o) The terms upon which Options will be granted will not prevent the Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.
- (p) The Scheme shall only apply to Options over fully paid ordinary shares in the Company.
- (q) Subject to and in accordance with the ASX Listing Rules (including any waiver granted under such ASX Listing Rules), the Directors (without the necessity of obtaining the prior or subsequent consent of Shareholders of the Company in a general meeting) may from time to time amend (including the power to revoke, add to or vary) all or any provisions of the rules in any respect whatsoever, by an

instrument in writing, provided that rights or entitlements in respect of any Option granted before the date of amendment shall not be reduced or adversely affected unless prior written approval from the affected holder(s) is obtained.

- (r) Notwithstanding the rules of the Scheme, upon the occurrence of a Trigger Event, the Directors may determine:
- (i) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event, provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
  - (ii) to use their reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.
- (s) (s) An Option is exercisable by the holder lodging with the Company a notice of exercise of Option in such form as is approved by the Directors from time to time, together with a cheque for the exercise price of each Option to be exercised and the relevant Option holding statement or such other evidence of ownership that the Directors may determine from time to time.
- (t) For the purpose of this summary of the Scheme the following words have the following meanings:

**“Associated Body Corporate”** means:

- (i) a related body corporate (as defined in the Corporations Act) of the Company;
- (ii) a body corporate which has an entitlement to not less than 20% of the voting shares of the Company; and
- (iii) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

**“Trigger Event”** means:

- (i) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to Section 411 of the Corporations Act;
- (ii) the announcement of a takeover bid or receipt by the Company of a bidder’s statement in respect of the Company; or
- (iii) the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

**NAVIGATOR RESOURCES LIMITED**

**ABN: 82 063 366 487**

**PROXY FORM**

The Company Secretary  
Navigator Resources Limited  
PO Box 276  
WEST PERTH WA 6872  
Ph +61 8 9226 5311  
Fax +61 8 9226 5411

**ANNUAL GENERAL MEETING**

I/We

[Empty box for name]

being a member(s) of Navigator Resources Limited and entitled to attend and vote at the Annual General Meeting, hereby appoint

[Empty box for proxy name]

(Name of proxy)

OR

Mark this box if you wish to appoint the Chair of the Annual General Meeting as your proxy)

or failing the person/body corporate named or, if no person/body corporate is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the Annual General Meeting of the Company to be held at 3.00 pm (WDST) on 25 November 2008 at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005 (and at any adjournment thereof) (Meeting).

If no directions are given, the Chair will vote in favour of all of the Resolutions.

**Voting on Business of the Annual General Meeting**

- Resolution 1 – Adoption of the Remuneration Report
- Resolution 2 – Re election of Dr Allan Trench as a Director
- Resolution 3 – Re election of Mr Gordon Galt as a Director
- Resolution 4 – Grant of Options to Mr Gordon Galt
- Resolution 5 – Adoption of Incentive Option Scheme
- Resolution 6 – Ratification of Prior Issue of Shares

| FOR                      | AGAINST                  | ABSTAIN                  |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

**OR**

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of Resolutions 1 to 6 please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 6 and that votes cast by the Chair of the Annual General Meeting for Resolutions 1 to 6 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 6.

If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is \_\_\_\_\_ %.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

**By:**

**Individuals and joint holders**

Signature

Signature

Signature

**Companies (affix common seal if appropriate)**

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

**INSTRUCTIONS FOR COMPLETING 'PROXY FORM'**

1. A member entitled to attend and vote at a general meeting is entitled to appoint not more than two (2) proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one (1) proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two (2) proxies and the appointment does not specify this proportion, each proxy may exercise half (½) the votes. A duly appointed proxy need not be a member of the Company.
2. Where a member's holding is in one (1) name the holder must sign. Where the holding is in more than one (1) name, all members should sign.
3. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under a power of attorney, the power of attorney must be lodged in like manner as this Proxy Form.
4. Corporate members should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - § two (2) directors of the company;
  - § a director and a company secretary of the company; or
  - § for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

5. Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
6. To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - § hand delivery to the Company's registered office at Unit 1, 34 King's Park Road, West Perth 6005; or
  - § post addressed to Navigator Resources Limited, PO Box 276, West Perth WA 6872; or
  - § facsimile at +61 8 9226 5411,

so that it is received not later than 3.00 pm (WDST) on 23 November 2008.

**Proxy forms received later than this time will be invalid.**