



NAVIGATOR RESOURCES LIMITED

ASX ANNOUNCEMENT & MEDIA RELEASE

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AEGIS CORPORATE INSIGHTS INTERVIEW

Navigator Resources Limited (ASX: NAV) wishes to inform the market of an interview with Mr Tom Sanders, Managing Director, by Mr Nicholas Raffan, Resources Analyst at Aegis Equities Research Pty Ltd.

A transcript of the interview, together with further information on the Company, is available on the Navigator website www.navigatorresources.com.au and also in the Exploration Review Blue Book at www.aegis.com.au.

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Navigator Resources Limited

Sector: Materials

The following is a transcript of an interview conducted by Nick Raffan, Resources Analyst at Aegis. For more on Navigator Resources Limited (NAV) see our Exploration Review Blue Book at www.aegis.com.au or go to the NAV website at www.navigatorresources.com.au



Nick Raffan – Resources Analyst

Exploration for gold along the 35km-long Mertondale Cardinia zone continues to be successful, with results from extensions to Tonto yet to be included in the current resource estimate of 870,000oz. Have exploration results from this project exceeded your original expectations?

NAV Managing Director – Tom Sanders

We've discovered three 2km zones and quadrupled the initial gold resource, and we're very happy about that. It is still early days in that we are still focusing on near surface ounces to speed up the development position. We're only just starting on the deeper mineralisation, which I believe will also translate into longer-term underground mining.

A significant goldfield appears to be opening up when you look at the results in conjunction with the intersections recently announced by Pacrim, to the north.

Nick Raffan – Resources Analyst

When will you release the first estimate of mining reserves, both open-cut and underground?

NAV Managing Director – Tom Sanders

As soon as we can, but keep in mind that we are targeting a mid-2009 startup.

The nice problem we have is that we keep finding new areas of mineralisation and shifting the goal post on the potential size of the project. This affects the processing of options, for instance, which has a big impact on unit costs that flow into the resource to reserve conversion process, overall pit size, et cetera.

Our cost of establishing an ounce of gold is approximately A\$8 per ounce, so in effect, we are

creating value while expanding both the size of the project and the low-cost development options.

To fast-track the resource-build, we have increased the rate of drilling, and we are looking to increase this further. For example, we drilled 15,000m last month and we are looking to increase the first half budget at Leonora to A\$5M.

To reduce the timeframe on the resource to reserve conversion process, we plan to do a lot of the pre-feasibility work while drilling is in progress, and once the open-pit scenarios are defined, we can move onto the underground.

Nick Raffan – Resources Analyst

What do you think the overall strip ratio will be and what is the forecast conversion ratio of resources to reserves?

NAV Managing Director – Tom Sanders

We are still scoping a number of development options that have different unit costs, which affect the strip ratio and the resource to reserve conversion ratio. The best way we can lower our production and processing costs is to have a sizeable operation, and this is what we are targeting. Our initial scoping studies indicate good scope for a multiple pit operation and longer-term underground potential.

Nick Raffan – Resources Analyst

The start-up date for production at Mertondale is mid-2009. Since our last interview, there has been a significant rise in the price of gold. How has this changed the economics at Mertondale and, in particular, how does toll treatment compare with an onsite treatment facility?



NAV Managing Director – Tom Sanders

Positively. The gold price is starting to look much better, along with the market sentiment for gold, and there is scope for a serious spike in price when you look at the inflation-adjusted gold price compared to that of 1980.

Toll treatment and onsite treatment are not mutually exclusive. For instance, we can potentially toll-treat in the early stages while we relocate a second-hand treatment plant. This scenario removes the need to cart and is likely to have a lower cost, thereby increasing the longer-term margin, enabling us to treat more of the mineralisation.

Nick Raffan – Resources Analyst

The current metrics of Mertondale indicate milling of around 1.2Mt per year to produce 100,000oz. What is the estimated capital cost of a facility for this level of output and what is a realistic timeline to first gold pour?

NAV Managing Director – Tom Sanders

It is too early to make a call on the precise production profile, but our aim is approximately 100,000oz per year, and that's mainly to attract lower unit cost. We are looking to maximise the profit, and that is best achieved with a larger operation that invariably has lower average costs. Second-hand gold treatment plants generally sell for A\$1M to A\$5M, but shifting them is an expensive step; a ballpark estimate for that is in the order of A\$30M-A\$40M.

Our mid-2009 target for initial production is ambitious but achievable. To do this, we are increasing the drilling and will be running the scoping and pre-feasibility work in tandem with the drilling.

Nick Raffan – Resources Analyst

What is Navigator's preferred method of financing?

NAV Managing Director – Tom Sanders

We don't have a fixed view. Our goal is simply to maximise return to shareholders while managing the risk. Debt-financing reduces the dilution and maximises return to shareholders and is a good starting point for us.

Nick Raffan – Resources Analyst

What sort of operating margin would you expect from onsite production and how do you think this compares with toll treatment?

NAV Managing Director – Tom Sanders

We are aiming for operating costs of A\$500/oz or less. The operating margin for onsite processing is going to be larger than that for toll treatment, as we don't need to cart the ore or pay a third party a profit margin for the use of their treatment plant. A higher operating margin lowers the economic cut-off grade, which increases the size of the project and lowers the overall costs. The counter argument to this is that there is a higher capital cost and increased lead time to production; however, this can be reduced by the use of a second-hand treatment plant, possibly in conjunction with early toll treatment. The relative merits of onsite versus toll treatment will be determined by the scoping and pre-feasibility work.

Nick Raffan – Resources Analyst

Exploration at the Cummins Range rare earth oxide project has produced some excellent results. When will Navigator release a new resource statement for this project and provide details and grades of specific rare earths?

NAV Managing Director – Tom Sanders

A resource statement is planned for early 2008. Exactly when depends on how quickly the assay laboratory can deliver the results. We have already released results on main (light) rare earth metals, which are very similar in ratio to that at Mt Weld in Western Australia. Assay results for the heavy rare earth metals are still pending. Results for other metals including niobium, tantalum, zircon and titanium are also still to come.

The exciting thing here is that our orientation drilling encountered high grades of these metals that are, in some cases, comparable to those in operating or recently operating mines such as the Niobec underground mine in Canada and the Wodgina and Greenbushes mines in Western Australia. However, we need further confirmatory results. Phosphate is another commodity that can add potential value.





Nick Raffan – Resources Analyst

Has enough work been done to determine if a rare earth concentrate from Cummins Range has the desirable metal ratios for potential buyers, or does this not really matter?

NAV Managing Director – Tom Sanders

It does matter; the average relative mix of rare earth oxides based on early results is very similar to that at Mt Weld, which is currently under development. I expect that this mix will remain the same in concentrate.

Preliminary metallurgical work by the previous explorer was successful in producing a high-grade, low-thorium rare earth concentrate using conventional low-cost gravity and magnetic separation processes. This provides scope for a low capital expenditure development relying on sale of a concentrate to an external process. Navigator has commenced preliminary test works to repeat and hopefully to improve on those results, and perhaps produce more than one concentrate.

Nick Raffan – Resources Analyst

Rare earth and uranium mineralisations are locally coincident. In the north-west of the deposit, drilling has outlined a core of high-grade rare earths over good widths. In addition to niobium, tantalum, zircon and phosphate, a uranium grade from one whole of 0.1% over 32m is noteworthy. What is the exploration budget for this project in FY08 and what milestones lie ahead?

NAV Managing Director – Tom Sanders

We haven't finalised the exploration budget for 2008 as yet but I anticipate something in the order of A\$1.5M-A\$2M. Further drilling will be conducted at Cummins Range in 2008 to gauge the size of our discovery and all the indications are that significant extensions are likely.

Our initial milestone is a JORC resource, which is planned for early 2008. Preliminary metallurgy results are also expected in the first quarter of 2008.

The rare earth mineralisation is open along strike and assessment of the historical geochemical drilling, well away from the vicinity of the recent RC drilling but still within the diatreme, has highlighted the presence of

widespread anomalous phosphate, niobium and rare earth metals in places at a similar magnitude to that in the area of the recent drilling.

Nick Raffan – Resources Analyst

Is Navigator considering a separate IPO for Cummins Range, and if so, what percentage of the company would Navigator seek to retain?

NAV Managing Director – Tom Sanders

A separate IPO for Cummins Range is a possibility, if we feel the market is not adequately valuing the project inside Navigator, which most people see as a gold company. Another option is to form a partnership with an established rare earth processor at the appropriate time to minimise many of the production marketing issues.

If we run with the IPO option, our aim at Cummins Range will simply be to adopt the mechanism that unlocks as much value for shareholders as possible. A specific percentage for retention has not yet been considered.

Nick Raffan – Resources Analyst

What are the major hurdles for developing Cummins Range, and what is their status?

NAV Managing Director – Tom Sanders

The market still does not fully understand the rare earth metals, but production by companies such as Lynas at Mt Weld is going to go a long way towards highlighting the profitability. The demonstrated potential at Cummins Range to produce a high-grade concentrate using conventional methods is a distinct positive and provides scope for a low capex development, perhaps involving sale of a concentrate or concentrates to a downstream processor.

Cummins Range has very low thorium levels, 16ppm thorium per 1% of REO, and as a result, low background radiation levels compared to most rare earth deposits. This has positive implications regarding any transport of concentrate and later processing, and the Port of Wyndham is only 375km by sealed highway to the north of Halls Creek.





The deposit is likely to contain significant uranium as a by-product. As a by-product, we can technically mine this in Western Australia, and there may be scope for concentration as a separate product, depending on the results of the preliminary metallurgy.

Initial resource and preliminary metallurgical test work will clarify some of these issues, and so our initial energies have been focused there. Also, we need to find out how big the deposit is before deciding how to best develop it.

Nick Raffan – Resources Analyst

Considering the Leonora gold project and Cummins Range rare earths as portfolio assets, which do you think is likely to show the highest return on shareholder funds?

NAV Managing Director – Tom Sanders

Both have scope to provide outstanding returns to shareholders, and only time will tell which provides the best return. Gold is certainly easy to develop technically, and an increase in the gold price can easily convert very good returns into bonanza returns. The inflation-adjusted price of gold needs to be around A\$2,000 to equate with the 1980 price.

Rare earth prices have the potential to soar, given recent exporting investment restrictions by China, which produce about 95% of the world production. Currently, 1% REO per tonne recovered from Cummins Range is worth about US\$115, and we are getting grades up to 10.7%. The geological rarity of these deposits transforms them into higher-value strategic assets of the future. For example, as far as I'm aware there are only three high-grade rare earth deposits in Australia.

We plan to progress Cummins Range in a way that maximises the return to shareholders, and we are open-minded as to how best to achieve this.

Nick Raffan – Resources Analyst

Navigator has a 30% carried interest until the decision to mine, and two joint ventures in the East Kimberley with Magma Metals. One of these, Eastman, has a 5km-long copper, platinum, palladium, gold and silver anomaly. It is also defined by geophysics. High grades of copper over 16% have been obtained from rock chips. Could you tell us a bit more about each of these projects and the size of the targets that are sought, and, thus, the potential to add value for Navigator's shareholders?

NAV Managing Director – Tom Sanders

To give you some feel for the size of the projects, we can fit our 35-kilometre Leonora project into either the Eastman or the Laura River project. Both projects have known nickel, platinum group metals and copper-zinc mineralisation.

Magma defined a VMS style zinc-copper resource at Eastman earlier this year, but its main target is nickel, copper and platinum group metals associated with a large lode intrusion in the southern part of the project. Its VTEM survey and follow-up soil sampling has produced some interesting results. The next phase of drilling is planned for the start of the next field season and looks to be quite exciting.

Laura River is much like Eastman, but with more cover, and it has also produced some VTEM conductors for upcoming drilling.

Nick Raffan – Resources Analyst

Finally, what should shareholders look out for in terms of news flow in the short and medium term?

NAV Managing Director – Tom Sanders

We are stepping up drilling at Leonora to accelerate the resource build and trigger a production start-up. For this reason, I am expecting a steady flow of drill results leading to an expansion and upgrade of resources. While we are doing this, we will advance our scoping and pre feasibility studies to hasten a production decision.





Drill results from a large drill programme north and south of Tonto were recently released and a follow-up resource upgrade for the Tonto extension is expected in the next two to three months. Also, we turned up some encouraging reconnaissance hits on the eastern shear in the Mertondale area, and I'm hoping for a further discovery there.

Final drill results for the 1m splits at Cummins Range will come through over the next two months and will lead to an initial resource in early 2008. The objective of drilling in 2008 at Cummins Range will be to scope the size of the discovery and see if we have a world-class deposit on our hands.

END OF INTERVIEW

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