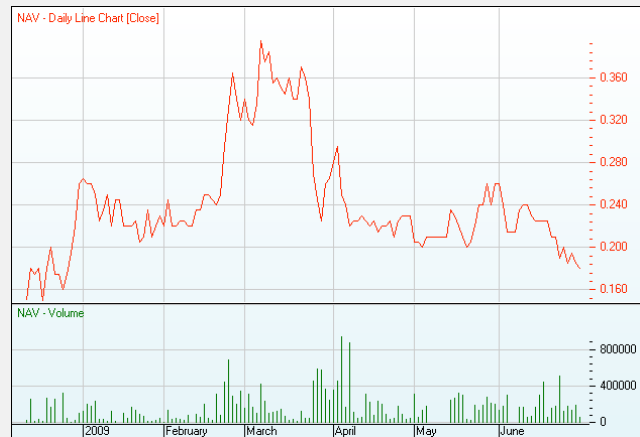


Navigator Resources Limited NAV

From explorer to dual gold producer in a rapid timeframe

Share Price	\$0.19
12 Mth High/Low	11¢-40¢
Market Cap'n	\$29m
ASX Listed Shares	150.0 million ordinary
Unlisted Options	17.6 mill. various (20-30¢)
Cash Balance	\$4.8m post SPP, placement
Debt	Nil
Largest Shareholders	Robert Healy 17.2%
	Tom Sanders 6.1%
	Neville Salisbury 4.3%

* numbers are post SPP June '09 (\$2m @ approx. 21¢)



Investment Perspective: Although NAV is better known for its Leonora gold project, the proposed acquisition of the Bronzewing gold project, at the very low cost of \$4/oz, has taken priority as it offers a shorter time frame to production, at the much more significant 100,000 oz p.a. rate.

Bronzewing has largely been de-risked due to the significant and recent database on the operating conditions and resources as well as the largely completed waste pre-strip of the Central pit.

Bronzewing was operating as recently as early 2008, but closed due to lower gold prices at the time and poor productivity from the underground mining contractor, compounded by working capital constraints. NAV will focus on open pit production for the first 3-4 years, at least.

The gold price is the greatest risk with Bronzewing, given that the expected cash operating cost is A\$750-800/oz. Nevertheless, there is a healthy margin that can be achieved on recent gold prices of A\$1,150/oz and better. The gold price risk can be managed with appropriate hedging instruments. In any event, investors should not be buying a gold stock today unless they thought there was a

strong chance of a much higher gold price. In this event NAV would offer excellent leverage - more so than low cost producers.

The independently assessed 750,000 oz Leonora gold is an important second string project. A stand-alone operation is possible, but it would make sense to strike a deal with SBM to treat the ore through that company's under-utilised mill. NAV could recover 50,000 oz p.a. from this project. At current gold prices Leonora could comfortably generate cash flow of \$15-20m, with this being shared in some way, depending upon the terms of a deal.

The comparative analysis in the report shows that NAV is favourably priced compared to its peer group. It is one of the few companies selling at a discount to its NPV on current gold prices and exchange rates.

Conclusion: Navigator offers a low risk entry to the emerging gold sector at these prices with two gold projects that could come on-stream in 2010.

Timeline to Production

1. July '09 Financing arranged for acquisition of Bronzewing (debt/equity) (\$18m)
2. Aug '09 Settlement of acquisition of Bronzewing
3. Sep '09 Financing of recommissioning costs (\$10-15m)
4. Q1 2010 First Bronzewing gold production, at 100,000 oz p.a.
5. Q3/Q4 2010 First gold production from Leonora (assuming toll treatment)

Key Strengths

Rapid time frame to production	The market is showing preference for those emerging producers closest to production. NAV could achieve this status in a short, six month time frame, once it has settled the acquisition of Bronzewing.
Two projects offer diversity of earnings and lower risk	With Bronzewing (100,000 oz p.a.) and Leonora (50,000 oz p.a.), NAV will have two producing gold mines, giving greater operational flexibility. This is preferable to most other companies that will rely on a single mine to generate cash flow.
Confidence from recent, modern operation at Bronzewing	Many of the proposed brownfields developments in WA are based on projects abandoned some years ago. Redevelopment of these requires greater capital commitments and increased re-commissioning costs than NAV is expecting for Bronzewing, which was operating as recently as early 2008.
Open pits offer lower risk, with more responsiveness	Many of the WA gold projects coming back on stream are depending upon underground ore production. Underground mines take longer and cost much more to develop. Production plans are less able to be changed to suit changing economics. NAV will be relying on open pits for the first five years of operations, providing lower risk.
Opportunity to toll treat Leonora ore simplifies the plan forward	The Leonora mill, owned by St Barbara, is campaign treating ore due to overcapacity of the mill. The opportunity exists for NAV to negotiate a toll treatment or joint venture arrangement that could be managed by SBM, thereby simplifying operations and obviating the need to fund a second project, simultaneous with recommissioning Bronzewing.
Financing should be procedural due to robust earnings profile	The market has shown a keen appetite for new and redeveloped gold projects. Finance for Bronzewing should be readily available due to the minimal capital cost requirements and the fast lead time to production
Strong board and management teams adds to confidence	NAV has a strong production savvy board, including the Managing Director, David Hatch (experienced engineer and mine manager - Mt Muro), Gordon Galt (ex Newcrest MD, currently Taurus Funds Management, Trevor Cook, COO (ex Ashton Gold, MacMahon), John Shipp (ex-President Barrick Gold Australia). The original MD, Tom Sanders, remains as a non-executive director.
Gold price leverage is best with higher cost producers	The best leverage is with higher cost gold producers. They will be the greatest winners from a higher gold price. There is growing opinion in the market place that the economic strategies being pursued by governments - huge debt to fund stimulus packages - will lead to accelerating inflation over the next few years. Thus, perhaps counter-intuitively, gold bulls should be buying the higher cost producers.

Project Summaries

The following project summaries give a snapshot of the key parameters. Bronzewing numbers have a high degree of confidence, but Leonora numbers could vary, depending upon whether or not NAV develops a stand-alone operation or a joint venture/tolling arrangement with St Barbara.

	Bronzewing	Leonora
Location	65 km NE of Leinster	30 km from Leonora, WA
Status	Care and maintenance	New development
Total Resource	11.8 mill. tonnes at 2.3 gpt	12.2 mill. tonnes at 1.9 gpt
Capex	\$36m (acquire/common)	\$45m (stand-alone)
Opex	\$750-\$800/oz	\$750-800/oz
Annual Production	100,000 oz	50,000 oz
First Production	Q1 2010	Q4 2010
Equity	100% (on settlement)	100%, (depending upon JV)
Mine Life	5 year open pit plus u/g	5 year open pit
Payback	Less than 12 mths	1-2 years (depending on JV)
NPV (US\$940/oz)	\$91m (pre-tax)	\$48m (pre-tax)
	AUD/USD 0.8000, 5% DR	

Comparisons of Proposed Open Pit Developments in WA

We have tabled companies and their projects that are most comparable to Bronzewing, in WA. Bronzewing could be the first into production, at the lowest capital cost. Note the Bronzewing total includes the acquisition cost (\$18m).

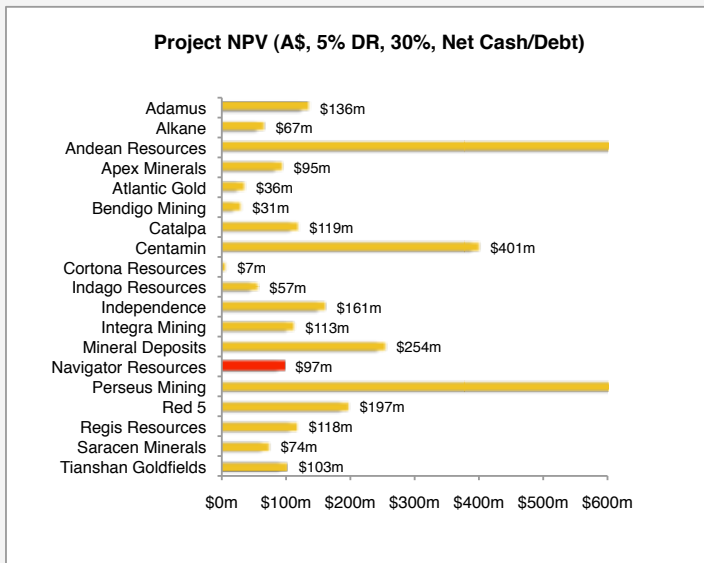
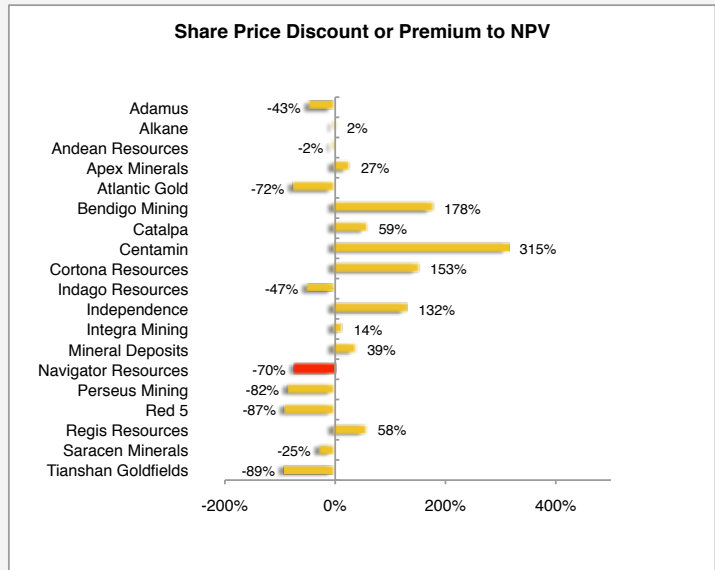
	Navigator	Catalpa	Saracen	Regis
Project	Bronzewing	Westonia	Carouse Dam	Duketon
Location	W.A.	Westonia, WA	WA	WA
First Prod'n	Q1 2010	July 2010	March 2010	Nov 2011
Total Resource	0.873 mill. oz	1.478 mill. oz	2.0 mill. oz	3.55 mill. oz
Mining Reserve	0.300 mill. oz	0.817 mill. oz	0.580 mill. oz	0.599 mill. oz
Capex	\$30m	\$92m	\$40m	\$125m
Opex	US\$640/oz	US\$509/oz	US\$592/oz	US\$544/oz
Annual Production	100,000 oz p.a.	99,000 oz p.a.	115,000 oz p.a.	110,000 oz p.a.
Equity	100%	100%	100%	100%
Mine Life	4 years +	7-8 years	5-6 years	5-6 years
Payback	< 1 year	1.7 years	< 1 year	1.7 years

Management Strength Seen as a Distinguishing Feature

Recent changes have strengthened the board in preparation for production	NAV's traditional image has been that of an exploration company. It has recently beefed up production capabilities with the employment of a senior production man as Managing Director; David Hatch. The profiles of the directors and senior management are tabled below.
Allan Trench (Non-Exec Chmn)	Geologist/geophysicist - worked at Oxford University and University of WA - WMC gold and nickel operations, Exploration Manager Leicester-Mt Keith region - Gutnick group of companies - McKinsey & Company
David Hatch (Managing Director)	Experience in the management, optimisation and development of gold mining assets in Australia, Indonesia, PNG and West Africa - Mt Muro gold mine, Daming (Ghana, Abosso Minerals), Kingrose Mining, Westonia Mines.
Gordon Galt (Non-Exec Director)	Mining engineer and previous MD of Newcrest - currently involved in funds management at Taurus Funds Management
Ian Macpherson (Non-Exec, Sec)	Accountant - formerly KMG Hungerfords, Arthur Anderson - currently Ord Partners - extensive experience with junior mining and exploration companies
Tom Sanders (Non-Exec Director)	Geologist with 30 year experience - founding director and previously MD of NAV
John Shipp (Non-Exec Director)	Mining engineer - previously President of Barrick Gold Corp. Australia Africa Business Unit - General Manager Kalgoorlie Consolidated Gold Mine (KCGM) - General Manager, Boddington.
Trevor Cook (COO)	Engineer - 26 years of experience in various mining projects - Bell Basic Industries - Civils Australia - Ashton Gold - MacMahon Contracting - Consol. Min.
Gerry Kaczmarek (CFO)	Accountant and economist - 30 years of experience - Troy Resources - Burmine - Sons of Gwalia - CRA

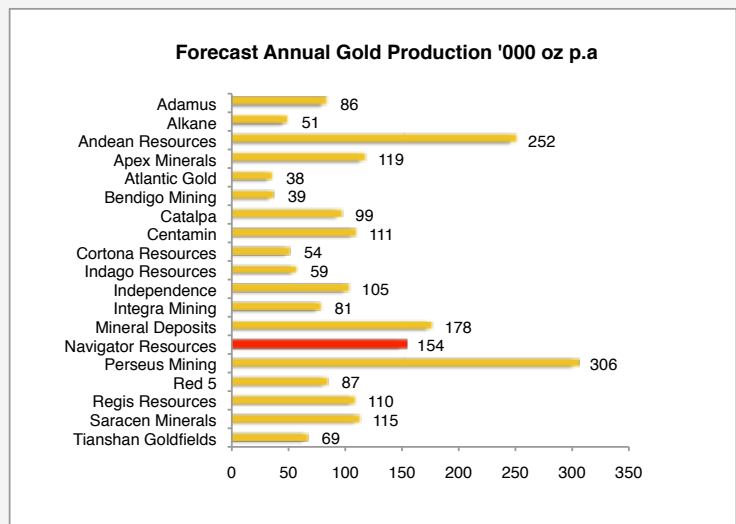
Comparing Navigator with its Peer Group of Emerging Gold Stocks

The ultimate measure of value of the shares comes down to the discount or premium in the market to the NPV of the project. The adjacent chart gives the discount or premium to the NPV of the companies, taking into account the NPV of the projects and adjusting for the current cash and debt position. Navigator is one of the cheapest stocks on this basis.

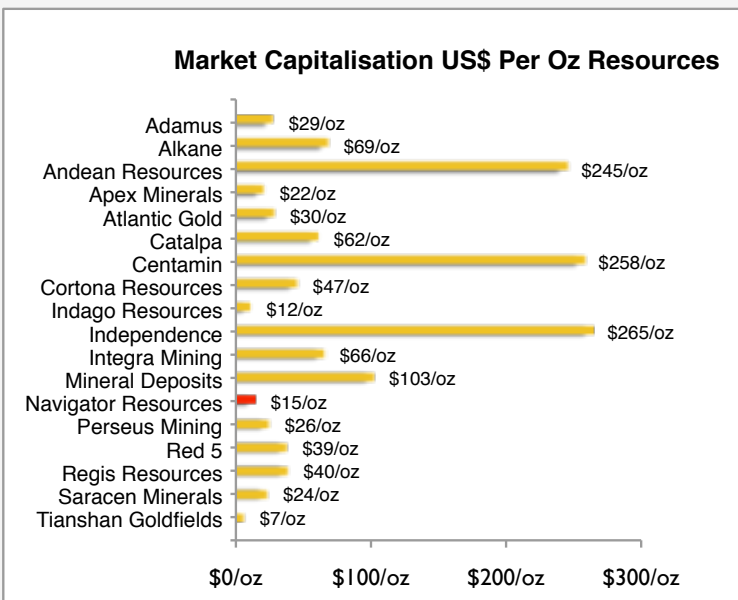
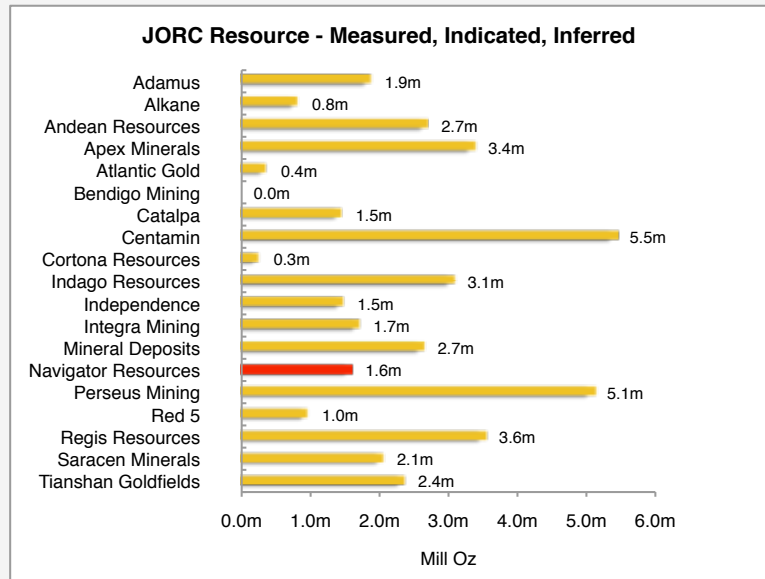


The NPV is based on the project cash flows, including capital expenditure and, in the case of NAV, the acquisition cost of the projects

When both Bronzewing and Leonora are included, NAV starts to look like a decent sized prospective producer - larger than any other Australian based company.

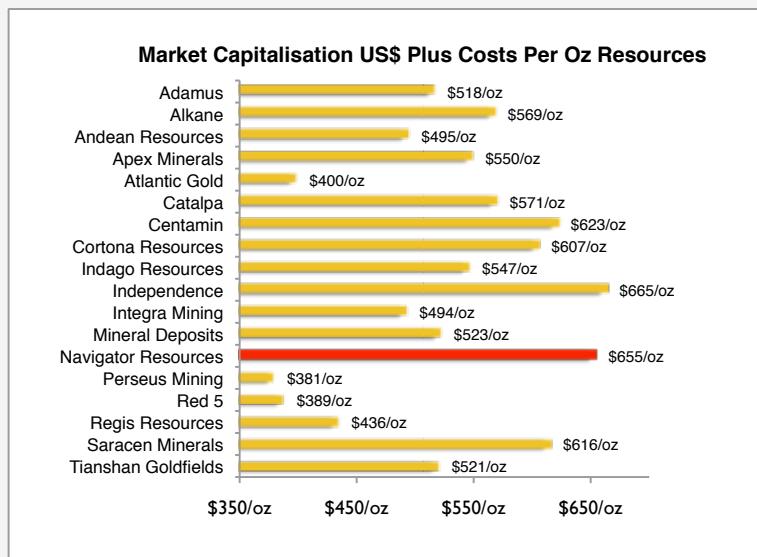


The two charts below are based on disclosed resources on disclosed resources in the table opposite.



The market capitalisation per ounce is the most common measure applied by novices when assessing value in the gold sector. Here, NAV looks one of the best value stocks in the cart.

A more relevant figure to consider if a project is going into production is the market capitalisation per ounce plus the expected cash operating cost. Those that are cheap on the table above are often more expensive once costs are factored into the equation.



Bronzewing (100%) 100,000 oz p.a. from open pits for at least 4-5 years

Commentary: Bronzewing is a simple low capital cost re-commissioning of a medium to higher cost gold mine in the geopolitically preferred jurisdiction of WA. An extensive and recent operating history means that there should not be any surprises. Unlike capital intensive underground and longer lead time re-commissioning such as Wiluna, being undertaken by Apex Minerals, we do not expect to see NAV going back to the market to repeatedly ask for injections of further capital.

The project is scheduled to become cash flow positive at the end of the second month after the treatment re-starts, and the maximum negative cash position is expected to be \$12m inclusive of start-up and working capital. All capital could be recovered by the end of year one, which makes it one of the most capital efficient gold developments around.

Its success will depend upon two main factors; firstly the gold price, and secondly the competency of the management. Recent additions to the management, and the improving quality of the board, give us strong confidence on the management front. It has a stated objective of under-promising and over-delivering.

The gold price: well, you wouldn't buy a gold stock if you didn't think gold was going higher. Everything on the economic front points to a continuation of the gold bull cycle, and this is where NAV will offer greater leverage than will many other more established, lower cost producers.

Location

Bronzewing is located 65 km NE of Leinster, in the north eastern goldfields of W.A. It was originally developed by Great Central Mines, with control passing to Normandy and then Newmont, via takeovers. View Resources purchased the project in 2004.

Background and Funds Needed

Our previous research note on NAV highlighted the potential of Bronzewing, but it also observed the pre-emptive right that Mark Creasy held over the plant and the Central deposit. Creasy has agreed not to exercise this right, accepting a 1% royalty instead.

NAV is now free to purchase the Bronzewing Gold project from the Administrator of View Resources, which went into voluntary administration in February 2008. It has until the end of July 2009, to nominate funding sources for the \$18m acquisition cost and associated expenses. Another \$12-15m will be required to re-commission the project, including working capital

NAV has appointed Optimum Capital Pty Ltd to advise on the funding. Interestingly, John Fitzgerald, a principal of Optimum, was involved in the funding of Bronzewing for View Resources. He should have an intimate understanding of the issues.

An important shift in economics has occurred since View had the project; the gold price has lifted from A\$900/oz to approximately A\$1,200/oz, and the outlook for a stronger gold price as the year progresses looks sound.

Remodelling of the pit design on a A\$1,250/oz gold price has added another 180-240,000 oz to the pits when compared to the earlier, A\$800/oz design.

Geology/Resources

The resources at Bronzewing are located in four main ore positions; Central, Cockburn, Success and Challenger South. Activity on-site has been based on resource calculations undertaken by Newmont in 2003. NAV has had these recalculated and confirmed by Coffey Mining.

Mineralisation occurs both as discrete narrow quartz veins and broader stockwork or sheeted vein sets associated with carbonate-mica-pyrite alteration of the host rocks.

Condition of the Treatment Plant

The 2 mtpa treatment plant is in reasonable condition, having being kept on care-and-maintenance since it was decommissioned in early 2008.

Re-commissioning is expected to cost \$3.5m in the first instance. Subsequent capital works to be financed out of cash flow will be undertaken on the leach circuit.

The existing tailings dam is sufficient for the first 12 months production. Thereafter it is intended to dispose of tailings in the Discovery pit.

All offices and associated buildings have been well maintained and are ready for reoccupation. The existing camp is in good condition.

Total capital expenditure on plant and equipment is estimated to be \$6.9m, with most of this allocated to the refurbishment of the plant and the power house.

Bronzewing – Base Case Parameters

Total Resource	11.8 mill. tonnes at 2.3 gpt; 896,000 oz
O/P Reserve	6.3 mill. tonnes at 1.9 gpt; 385,000 oz

Capacity	2.3 mtpa - (original nameplate - CIL)
Planned Rate	1.95 mtpa
Gold Prod'n	100,000 oz p.a. (Yrs 1-4)
Scheduling	Commence on Central Pit - Year 1, then move onto Success and Challenger. Cockburn - likely 4 year life after 6 month pre-strip

Mine Life	4 yrs (open pit), but likely to be 5 yrs once optimisation finished. Underground yet to be determined
-----------	---

Capital Cost	A\$13m
Cash Costs	A\$800/oz (open pit)

The timeline for development is currently;

Acquisition	End July 2009
First production	Q1 2010

Technical parameters include;

Mining Costs	\$5.70/bcm
Waste:Ore	5-6:1
Process Costs	\$15.50/t
Administration	\$3.70/t
Overall Recovery	95%

Reasons for Previous Closure by View Resources

It is not uncommon for mines to close and re-open, with new parties believing they can succeed where the previous owners failed. Volatility of commodity prices is a major factor, and at Bronzewing, the gold price of A\$800-900/oz was a revenue obstacle. The recent gold prices have been in the range of A\$1,150-\$1,400/oz, offering much improved margins.

NAV has amended the designs for the pits from A\$800/oz to \$1,250/oz shells. This has made it profitable to take the pits down another 70m, enabling access to another 180-240,000 oz of gold. Further optimisation is expected to enable access to even more gold.

There were operational factors hampering View Resources as well. View was very dependent upon underground ore production and the mining of remnant stopes. Development ore that was scheduled to run at 3 gpt only achieved grades of 2 gpt. The mining contractor was a major problem, achieving productivity levels only 50% of what was scheduled. Barmingo was brought in to replace the original contractor and significantly improved the mine's performance, but it was too late to prevent the funding crisis that developed from the earlier delays.

NAV is cognisant of the past problems and has prepared a mine plan that sees it producing from open pits only. Whether or not underground ore is accessed later depends upon many factors, including gold prices and the ability to identify profitable underground ore positions.

In addition to site specific issues at Bronzewing, View suffered cash flow problems due to delays in selling its nickel mine.

The following tables provide the latest independent reserve figures and the estimated capital expenditure on the treatment plant and facilities. Working capital requires are in addition to this \$3.5m total.

Bronzewing Independent Technical Review Estimated Capital Expenditure

Item	\$
Screen Deck	40,000
ROM Bin	60,000
Mill Re-line	550,000
Wet plant	110,000
Cyclone Bank	50,000
Intensive Leach Reactor	300,000
Agitator	400,000
Tails Line	200,000
Water Line	300,000
Caustic Tank	30,000
Lab	70,000
Powerhouse	772,000
Fuel tank	100,000
Labour	500,000
Total	\$3,482,000

Bronzewing Independent Technical Review Bronzewing Mining Reserves

Deposit	Probable		
	000 t	Au g/t	Contained Au oz
Central	1,946	1.5	95,800
Cockburn	4,081	2.0	268,300
Challenger	159	1.7	8,700
Success	138	2.8	12,200
Total	6,324	1.9	385,000

Leonora (100%) Considering options for development of 742,000 oz at 1.9 gpt

Commentary: Leonora has been the lead exploration project for NAV over the past few years, but it is currently losing priority to the lower capital cost, more immediate production opportunity at Bronzewing. The pre-feasibility study released in March 2009 demonstrated the potential profitability, but the initial in-pit inventory of 358,000 oz (6 mill. tonnes at 1.8 gpt) has an element of modesty about it.

A more likely development scenario could be a joint venture with St Barbara Mines, which has an under-utilised gold treatment facility at Gwalia. This would be the most logical scenario with the least amount of strain on the NAV management team.

Location and Background

The Leonora gold project is located 30 km NE of Leonora, WA. This has been the lead project for NAV over the past few years, but it is currently taking a back seat to Bronzewing.

Results of Pre-Feasibility Study

In March 2009, NAV released the findings of the Pre-Feasibility Study. While it demonstrated the projects profitability, it also lead NAV to reconsider its development possibilities.

The ability to deal with St Barbara might lead to optimising opportunities and even a higher grade with better profits as there is no need to repay the costs of the plant. If a 2.5 gpt head grade was targeted, this could provide 3-4 years of mill feed, producing 50-60,000 oz p.a.

Leonora – Pre-Feasibility Parameters

Total Resource 12.2 mill. tonnes at 1.9 gpt; 742,000 oz
O/P Reserve 6.3 mill. tonnes at 1.9 gpt; 385,000 oz

Capacity 1.0 mtpa - (CIL)
Gold Prod'n 53,000 oz p.a.
Scheduling A centrally located mill would receive ore from pits at Mertondale, Cardinal, Tonto-Eclipse and Raeside.

Mine Life 6 yrs on initial resource

Capital Cost A\$45m (second hand mill)
Cash Costs A\$813/oz (open pit)

The timeline for development is currently undecided due to priority being given to Bronzewing. If a JV is done with St Barbara, production could be achieved in June H 2010.

Technical parameters include;

Mining Costs \$18.00/tonne
Waste:Ore 7:1
Process Costs \$19.00/tonne
Administration \$5.00/tonne
Overall Recovery 90%

Exploration Potential Continues

The Leonora leases retain good exploration potential along strike and at depth. Most of the drilling to date has focused on near surface, shallow open pit positions.

Other Projects - Cummins Range Rare Earths

Given that rare earth projects have been receiving greater publicity recently, it is worth mentioning the Cummins Range rare earth project, located 130 km NW of Halls Creek in WA. Although only small at present, there is excellent potential to expand it beyond the 1.1 mill. tonnes size, at a grade of 3.5% REO.

Cummins Range is thought to be similar in style to Mt Weld, with a similar mix of light rare earth oxides and low thorium levels.

Disclosure The author does not own shares in NAV

Disclaimer All information, terms and pricing set out in this document is indicative, based on, among other things, market conditions at the time of this writing and is subject to change without notice. This document is for informational purposes only and is neither an offer to sell securities, or other financial products nor a solicitation of an offer to buy securities, or other financial products. BGF Holdings Limited, its related entities and each of their respective directors, officers and agents (together the Disclosers) have prepared the information contained in these materials in good faith. However, no warranty (express or implied) is made as to the accuracy, completeness or reliability of any statements, estimates or opinions or other information contained in these materials (any of which may change without notice) and to the maximum extent permitted by law, the Disclosers disclaim all liability and responsibility (including, without limitation, any liability arising from fault or negligence on the part of any or all of the Disclosers) for any direct or indirect loss or damage which may be suffered by any recipient through relying on anything contained in or omitted from these materials. Any reader is strongly advised to make their own enquiries and seek independent professional advice regarding information contained in these materials. In no way shall BGF Holdings Limited and its related entities ('the BGF Group') be deemed to be holding itself out as a fiduciary of the recipient hereof. The recipient must independently evaluate any investment include the tax, legal, accounting and credit aspects of any transaction. Financial products and trading strategies of the type described herein may involve a high degree of risk, and the value of such financial products may be highly volatile and may be adversely affected by the absence of a market to provide liquidity. To the extent that this document includes any financial product advice, the advice is of a general nature only and does not take into account any individual's objectives, financial situation or particular needs. Before making an investment decision an individual should assess whether it meets their own needs and consult a financial advisor, the product disclosure statement, prospectus and/or available research in respect of the financial product. The BGF Group does not make markets in the financial securities referred to in this document. The BGF Group and its directors and employees may hold such financial securities and may, as principal or agent, buy or sell such financial securities. © Copyright 2008 BGF Capital Group Pty Ltd. All rights reserved. This material is proprietary to the BGF Group and may not be disclosed to third parties. Any unauthorised use, duplication or disclosure of this document is prohibited. The content has been approved for distribution by BGF Holdings Limited AFSL 234666.