



**NAVARRE MINERALS LIMITED**

**ABN 66 125 140 105**

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**Annual Report 2012**

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## Navarre Minerals Limited

ABN 66 125 140 105

### Corporate Directory

#### Directors

Kevin Wilson (Chairman)  
Geoff McDermott (Managing Director)  
John Dorward  
Colin Naylor

#### Company Secretary

Jane Nosworthy

#### Registered Office & Principal Operations Office

40-44 Wimmera Street  
PO Box 385  
Stawell Victoria 3380 Australia  
Telephone +61 (3) 5358 8625  
Email [info@navarre.com.au](mailto:info@navarre.com.au)  
Website [www.navarre.com.au](http://www.navarre.com.au)

#### Share Registrar

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000 Australia  
Telephone +61 (2) 9290 9600  
Facsimile +61 (3) 9279 0664

#### Auditor

RSM Bird Cameron Partners  
Level 8, South Tower, Rialto  
525 Collins Street  
Melbourne Victoria 3000 Australia

#### Stock Exchange Listing

ASX Limited  
Level 4, North Tower, Rialto  
525 Collins Street  
Melbourne Victoria 3000 Australia  
ASX Code: NML

**Incorporated** 30 April 2007

Victoria, Australia

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#### FORWARD LOOKING STATEMENTS

This Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

**CHAIRMAN'S REPORT**

It is my pleasure to report on your company's progress for the 2012 financial year, our first full year listed on the Australian Securities Exchange. We have experienced a year of significant growth by applying innovative mineral exploration techniques to advance our flagship Bendigo North group of gold projects, as well as progressing our Kingston and Black Range projects in Victoria, Australia. We have worked a greenfields site from an area of flat farmland north of Bendigo and transformed it into one of the most exciting gold projects in Australia, just 40 kilometres from one of the largest goldfields ever discovered (Figure 1).

One of the golden rules of mining exploration is that the best place to find gold is in the shadow of the headframe of an existing gold mine. In 2008 we acquired the Tandarra prospect at Bendigo North and I think you will agree that we have taken giant strides towards uncovering a viable gold project. We are not there yet and have much work to do, but we have assembled a first-class team of exploration professionals with many decades of experience in the subtleties of the Victorian goldfields. We were therefore delighted to announce in early September that your company had secured 100% ownership of Tandarra through a royalty deal with Crocodile Gold Corp., our major shareholder, which sees Crocodile's right to earn a majority interest in Tandarra converted to a 2% net smelter royalty over future gold production at Tandarra. Your company now has full control of Tandarra's future, which is a very significant milestone, giving us greater flexibility in funding the exploration, evaluation and development of this exciting prospect.

Over the past year, we drilled over 20,000 metres of diamond, reverse circulation and air-core holes at Tandarra. The drilling followed a geophysics program which gave us the first inkling that we were sitting on a project which is a potential analogue to the 22 million ounce Bendigo Goldfield. Our drilling has produced a significant number of high grade gold intersections from the quartz reef systems, which lie as close as 20 metres below the topsoil at Tandarra. Not all drilling has been successful in delivering high grade gold intercepts due to the sporadic distribution of nuggety gold within the quartz reefs. The nuggety gold is, of course, analogous with the gold mineralisation in the Bendigo Goldfield.

Over the course of next year, we will focus our drilling efforts on scoping several of the shallow reef systems. This work will require more funding, but it will be money well spent. The majority of the funds raised under the company's 2012 Share Purchase Plan will be directed to this work at Tandarra.

Your company is committed to the full evaluation of Tandarra. We are chasing a significant prize and will make sure that every effort is undertaken in our investigation and exploration of this potentially valuable gold project.

If we are successful and prove the economic viability of a mining project, we have the skills and people to take Tandarra to the next step. In developing a project, Navarre is committed to working in harmony with the local communities who are our hosts. We are strongly committed to managing our exploration programs to cause minimal disruption to the local environment and to the lives of our neighbours, and we believe we have done this successfully with our programs to date.

There are a few important people to thank, especially our focussed and committed workforce, led by our Managing Director Geoff McDermott. We recently appointed Wess Edgar as our Exploration Manager. We are fortunate to have Wess on board as he has driven the exploration effort with another Victorian gold miner, Castlemaine Goldfields, over recent years. Wess has extensive quartz reef experience with near surface exploration on the Castlemaine goldfields and the deep underground Ballarat gold mine, where he was one of the team that restarted this successful operation. I would also like to thank my fellow board members, John Dorward and Colin Naylor for their commitment and our company secretary Jane Nosworthy. They are a small team and they share my excitement about Tandarra and our other projects at Kingston and Black Range, which Geoff describes in his report.

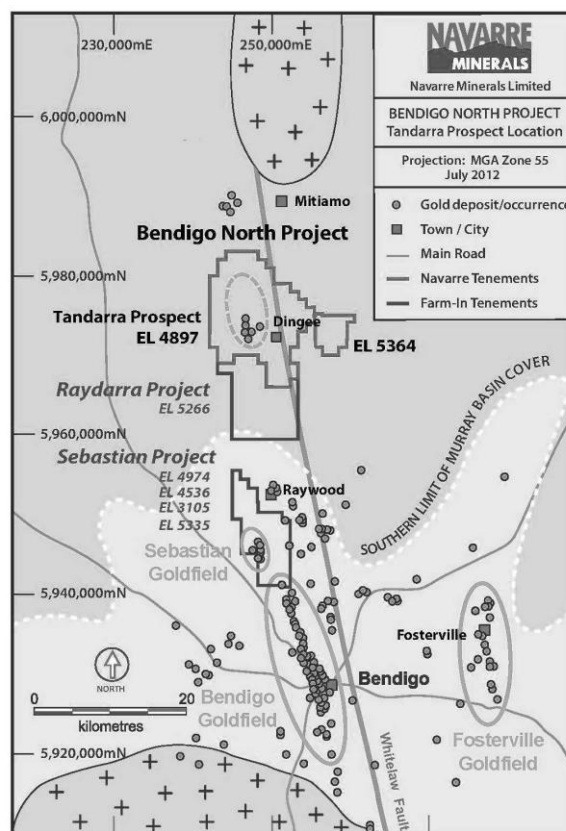


Figure 1: Bendigo North Gold Project location map

## **Navarre Minerals Limited**

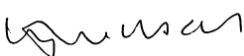
ABN 66 125 140 105

### **CHAIRMAN'S REPORT (cont.)**

I would also like to thank the communities in which we are exploring for their support. In particular, I would like to thank our farming neighbours at Tandarra and the people of the nearby town of Dingee who have assisted us during our drill campaigns.

Lastly, I would like to thank our shareholders for their loyal support during our formative first year, with particular thanks to those shareholders who have participated in our recent capital raisings (the 2011 Entitlement Issue and the 2012 Share Purchase Plan). I also thank our largest shareholder, Crocodile Gold Corp., for help and encouragement with the construction of a bulk sampling plant at Stawell. This plant will allow for the efficient treatment of bulk drill samples from Tandarra and potentially from our other projects.

Navarre has made enormous progress in the past year to add value for the benefit of all shareholders and this has occurred in an environment where global governments continue to wrestle with their fiscal difficulties by printing more money which is always good for the gold price outlook. I look forward to seeing many of you at our annual meeting where Geoff and the team will provide a detailed presentation on all our projects. The notice of meeting will reach you shortly and I urge you to make the time available to attend.



**Kevin Wilson**  
**Chairman**

3 October 2012

## Navarre Minerals Limited

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### MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2012

The Tandarra prospect, part of the Bendigo North group of gold projects, has continued to be the major focus of the Company's activities over the past year. An aggressive exploration program of geophysics and over 20,000 metres of air-core, reverse circulation and diamond drilling on Tandarra has delivered good results for our shareholders. Our vision to define a maiden mineral resource and to become a low-cost Victorian gold producer through exploration success is a step closer to reality.

Much has been achieved over the course of the past year.

#### Bendigo North Group of Gold Projects

##### *Tandarra prospect*

The Tandarra prospect is a recent greenfields gold discovery under shallow cover, 40 kilometres north of the 22 million ounce Bendigo Goldfield (Figure 2). The Company believes that Tandarra is part of a potential new goldfield emerging in central Victoria with opportunities for open pit mining.

Navarre's prime focus during 2012 was the execution of a major program of drilling and geophysics at Tandarra, which is one of the largest greenfields gold exploration projects in Victoria. Since the successful July 2011 trial of leading-edge geophysics to detect potential gold bearing quartz reef targets under cover, the Company has completed 67 line kilometres of CSAMT geophysics resulting in the detection of 29 quartz reef targets for follow-up drill testing. To date, 14 of these quartz reef targets have been confirmed by scout and limited infill air-core drilling to contain gold mineralisation.

On 19 December 2011, the Company commenced reverse circulation (RC) resource evaluation drilling over two of the shallowest and highest gold endowed lines of quartz reef intersected to date – namely, the Tomorrow and Macnaughtan lines. This drilling, complemented with information from eight diamond holes, has outlined near surface high-grade gold mineralisation contained within an expansive envelope of gold-bearing quartz stockwork veining. RC drilling, which is more advanced on the Tomorrow line of reef, has now delivered significant results indicating shallow and potentially economic gold mineralisation over a strike length of 850 metres from within a 2.5km zone previously established by air-core drilling. The Company believes the project has potential for open cut mining and continues to work towards that objective. Importantly, the Tomorrow line of reef, as well as the Macnaughtan line, remains open to both the north and south of the current RC drilling. A selection of the best drill intersections, as announced previously include:

|                               |                             |                          |                    |
|-------------------------------|-----------------------------|--------------------------|--------------------|
| <b>24.0m @ 2.5g</b> Au/t from | 35.0m in RCT006, including  | <b>12.0m @ 4.9g</b> Au/t | (Tomorrow Line)    |
| <b>4.0m @ 9.4g</b> Au/t from  | 44.0m in RCT050, including  | <b>1.0m @ 33.6g</b> Au/t | (Tomorrow Line)    |
| <b>4.0m @ 9.2g</b> Au/t from  | 18.0m in RCT063, including  | <b>1.0m @ 30.9g</b> Au/t | (Tomorrow Line)    |
| <b>8.0m @ 3.4g</b> Au/t from  | 163.0m in RCT010, including | <b>1.0m @ 24.0g</b> Au/t | (Tomorrow Line)    |
| <b>14.0m @ 1.5g</b> Au/t from | 22.0m in RCT051             |                          | (Tomorrow Line)    |
| <b>11.0m @ 2.0g</b> Au/t from | 35.0m in RCT062, including  | <b>4.0m @ 4.5g</b> Au/t  | (Tomorrow Line)    |
| <b>17.0m @ 1.2g</b> Au/t from | 76.0m in RCT062, including  | <b>7.0m @ 2.2g</b> Au/t  | (Tomorrow Line)    |
| <b>29.1m @ 1.6g</b> Au/t from | 20.1m in DDT001, including  | <b>0.7m @ 28.6g</b> Au/t | (Tomorrow Line)    |
| <b>16.0m @ 1.1g</b> Au/t from | 71.0m in RCT001, including  | <b>3.0m @ 4.3g</b> Au/t  | (Tomorrow Line)    |
| <b>12.0m @ 1.8g</b> Au/t from | 73.0m in RCT028, including  | <b>5.0m @ 3.9g</b> Au/t  | (Tomorrow Line)    |
| <b>19.0m @ 1.1g</b> Au/t from | 60.0m in RCT042, including  | <b>1.0m @ 7.5g</b> Au/t  | (Tomorrow Line)    |
| <b>18.0m @ 1.0g</b> Au/t from | 53.0m in RCT043, including  | <b>9.0m @ 1.8g</b> Au/t  | (Tomorrow Line)    |
| <b>17.0m @ 1.1g</b> Au/t from | 27.0m in RCT045, including  | <b>1.0m @ 10.8g</b> Au/t | (Tomorrow Line)    |
| <b>8.0m @ 1.1g</b> Au/t from  | 37.0m in RCT073, including  | <b>1.0m @ 7.3g</b> Au/t  | (Macnaughtan Line) |

\* All results are reported as down-hole lengths. See ASX release dated 26 July 2012 for complete table of results.

The Bendigo North tenements cover about 18 kilometres of the prospective regional Whitelaw Fault and to date the Company has only partially tested about 3 kilometres of the strike length.

Preliminary 3D modelling of the Tandarra geology and mineralisation is helping determine the structure of the gold bearing quartz mineralisation and also the mineralised trends on the Macnaughtan and Tomorrow lines that have been missed by recent drilling and offer compelling targets for follow-up testing.

As announced to the ASX on 26 July 2012, the Company acquired a bulk sample treatment plant (Plant) for the purpose of testing larger samples from the drill programs for contained gold at Tandarra. The Plant has been dismantled and will be re-assembled on site at the Stawell Gold Mine, which is located near Stawell in western Victoria. The Plant will be operated by Navarre personnel, but Stawell Gold Mines' personnel will be made available to provide technical support and maintenance services for the Plant, on a cost recovery basis.

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## MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2012 (cont.)

On 5 September 2012, the Company announced an agreement with Crocodile Gold Corp., Navarre's largest shareholder and owner of the Stawell Gold Mine, to exchange Crocodile's right to earn a majority interest in Tandarra for a 2% net smelter royalty over future gold production. The Company also has the right to buy back 1% of the net smelter royalty for \$2 million within four years, which would reduce the royalty to 1%. This deal with Crocodile ensures that Navarre's shareholders enjoy the benefits of full ownership of the Tandarra prospect. Formal documentation of the agreement is expected to be completed in the coming months.

The outlook for the Bendigo North group of gold projects is a continued effort to scope, delineate and develop the gold bearing quartz reefs discovered at Tandarra with the aim of delivering a maiden mineral resource. Drilling at Tandarra is scheduled to recommence in the fourth quarter of 2012.

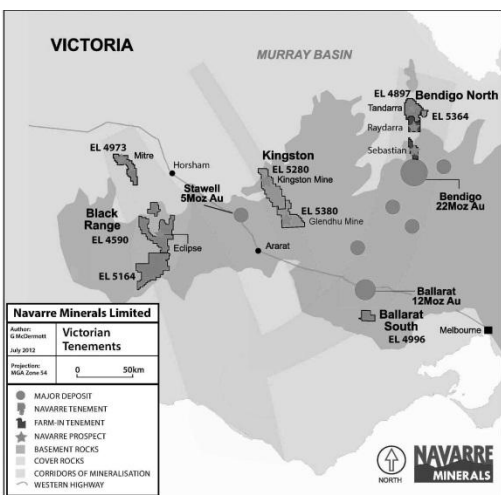
### Raydarra and Sebastian Gold Projects

On 20 February 2012, Navarre and Castlemaine Goldfields Limited (ASX Code: CGT) announced two farm-in agreements covering the Raydarra and Sebastian Gold Projects, located between Tandarra and Bendigo (Figure 2). Under the terms of the deal, Navarre may earn up to a 75% interest in the Projects. These farm-in deals fit Navarre's strategy of increasing the Company's land position along the prospective regional Whitelaw Fault which is believed to be a major control on gold accumulations in the Bendigo Goldfield.

The Company has undertaken a similar exploration approach to these properties as proved successful at defining mineralised quartz reefs at Tandarra. Several potential gold bearing quartz reef targets have been identified for follow-up air-core drill testing in the fourth quarter of 2012.

### Landsborough Fault Gold Project (Kingston & Glendhu)

The Landsborough Fault is believed to be the major control on gold mineralisation in western Victoria. Navarre has a dominant land position along the Landsborough Fault, a parallel fault system to the nearby Stawell Fault which is considered to be one of the regional controlling structures for over 6 million ounces of historic gold production from the Stawell and Ararat Goldfields (Figure 2).



During the year Navarre completed 4,200 line kilometre airborne magnetic survey, a trial program of CSAMT geophysics which detected a 300m wide resistive anomaly beneath the historic Kingston workings and a 451 metre diamond drill program in 3 holes returning a best result of 16.9m at 5.5g of gold per tonne from a depth of 65.7m down-hole including 3.1m at 29.5g Au/t (ASX release 24 January 2012).

In addition to follow-up of the high-grade intercepts and CSAMT targets, the Company has identified possible repetitions of the Kingston style of mineralisation for reconnaissance mapping and sampling prior to drill testing.

Figure 2: Location of Navarre's mineral projects, interpreted major mineral corridors, exposure of basement rocks and extent of cover rock sequences

Exploration at Kingston is at an early stage; however, the project is close to the operating Stawell Gold Mine which is owned by our largest shareholder, Crocodile Gold Corp.

### Black Range Base Metals Project

The Black Range Project incorporates a former Rio Tinto base metals and gold exploration prospect in the Grampians – Stavely region of western Victoria (Figure 2). The project area contains about 60 strike kilometres of Cambrian age volcanics that show geological similarities to the Mount Read Volcanics of northwest Tasmania, which are host to a number of volcanic massive sulphide deposits such as Rosebery, Hellyer and Que River and the large Mt Lyell copper-gold deposit.

A report reviewing the geology and exploration conducted on the Black Range Project has been received from the Centre of Excellence in Ore Deposits at the University of Tasmania. The report, which synthesizes previous exploration data, will be used to identify new exploration targets. The Company has commenced planning for a soil sampling program over epithermal and porphyry copper style targets.

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### **MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2012 (cont.)**

#### **Share Purchase Plan 2012**

On 10 September 2012, the Company announced a Share Purchase Plan (SPP) offer to shareholders to raise up to \$2.5 million. The SPP allows eligible shareholders to subscribe for up to \$15,000 worth of new shares in the Company at an issue price of \$0.15 each. Proceeds from the SPP will be applied to advancing the exploration effort on the Company's Bendigo North, Kingston and Black Range projects, and to meet ongoing working capital requirements. The SPP opened on 11 September 2012 and is due to close on 5 October 2012.

In conjunction with the SPP, the Company announced the proposed issue of bonus options to shareholders who participate in the SPP on the basis of one bonus option for every two new shares subscribed for under the SPP. The Company intends to issue a disclosure document for the issue of the bonus options, containing full terms and conditions of the bonus options, within the next 2 months.

#### **Conclusion**

In a little over a year since our initial discovery hole, Tandarra has demonstrated the potential for an exciting gold discovery at a shallow depth on our Bendigo North property. The successful completion of an aggressive exploration campaign during the 2011-2012 field season has resulted in the discovery of significant near surface gold mineralisation at Tandarra. Resource evaluation drilling on two parallel lines of gold-bearing quartz reefs, which remain open to the north and south, underlines the potential for this project to deliver the Company a maiden mineral resource. Definition of the extent of these reefs will require further drill testing with the program able to be commenced in the second half of 2012. The majority of the funds raised under the Company's SPP will be directed to this program.

The coming year holds great promise for our shareholders and we look forward to keeping you informed through regular market updates as our exploration programs progress.



**Geoff McDermott**  
**Managing Director**

3 October 2012

# Navarre Minerals Limited

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## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

The directors present their report together with the consolidated financial statements of the group comprising Navarre Minerals Limited (variously the "Company", "Navarre" and "Navarre Minerals") and its subsidiary (together, the "Group") for the financial year ended 30 June 2012. Navarre Minerals is a company limited by shares, incorporated and domiciled in Australia. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### 1. DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. The directors were in office during the entire period unless otherwise stated.

| Director  | Designation & independence status                                    | Qualifications, experience & expertise  | Directorships of other listed companies    | Special responsibilities during the year  |
|---|--|---|--|---|
| <p><b>Kevin Wilson</b></p> <p>Appointed<br/>30 April 2007</p>   | <p>Chairman</p> <p>Non-executive<br/>Non-independent<sup>1</sup></p> | <p><i>BSc (Hons), ARSM, MBA</i></p> <p>Mr Wilson has over 30 years' experience in the minerals and finance industries. He was the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its initial public offering in 2005 through to its sale in 2006. His previous experience includes 8 years as a geologist with the Anglo American Group in Africa and North America and 14 years as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and USA.</p> <p>Mr Wilson is currently Managing Director of Rey Resources Limited, a coal development company listed on the ASX.</p>                              | <p>Rey Resources Limited<br/>(ongoing)</p> | <p>Chairman of the Board</p> <p>Chairman of the Remuneration &amp; Nomination Committee</p>         |
| <p><b>Geoff McDermott</b></p> <p>Appointed<br/>19 May 2008</p>  | <p>Managing Director<br/>Executive</p>                               | <p><i>BSc (Hons), MAIG</i></p> <p>Mr McDermott has over 25 years' industry experience working as a geologist in surface and underground metalliferous mining operations, in mineral exploration and as a consultant to the minerals industry.</p> <p>He has a broad range of international experience having worked as a geologist in Canada, Fiji and Australia for companies such as WMC and Rio Tinto and with the Government of the Northwest Territories, Canada. From 2002 until 2007, Mr McDermott was Chief Geologist and Group Geologist with MPI Mines Limited and Leviathan Resources Limited.</p>   | <p>None</p>                                | <p>Member of the Remuneration &amp; Nomination Committee</p>  |
| <p><b>John Dorward</b></p> <p>Appointed<br/>15 August 2008</p>  | <p>Director</p> <p>Non-executive<br/>Non-independent<sup>1</sup></p> | <p><i>BComm (Hons), GradDipAppFin, ACSA</i></p> <p>Mr Dorward was previously the Vice President Business Development of Fronteer Gold Inc, a TSX listed gold and uranium developer. Prior to joining Fronteer, he was CFO of Mineral Deposits Limited where he was responsible for financing the Sabodala Gold Project in Senegal, West Africa. Preceding this he was CFO and Company Secretary of Leviathan Resources Limited and Commercial Executive and Company Secretary of MPI Mines Limited.</p> <p>Before joining MPI Mines Limited, Mr Dorward had 8 years' experience in the banking sector with a number of years spent in a senior resource project finance role with BankWest.</p> | <p>Pilot Gold Inc.<br/>(ongoing)</p>       | <p>Member of the Audit Committee</p> <p>Member of the Remuneration &amp; Nomination Committee</p>   |
| <p><b>Colin Naylor</b></p> <p>Appointed<br/>5 November 2010</p> | <p>Director</p> <p>Non-executive<br/>Independent</p>                 | <p><i>B.Bus (Acc), FCPA</i></p> <p>Mr Naylor is currently Chief Financial Officer and Company Secretary of oil and gas explorer, MEO Australia Limited. Before joining MEO, Mr Naylor held a number of senior roles in major resource companies, including Woodside Petroleum, BHP Petroleum and Newcrest Mining. Mr Naylor also worked at MPI Mines Limited and Leviathan Resources Limited as Financial Controller.</p> <p>Mr Naylor has previously been a member of the Victorian Divisional Council of the CPA and a previous member of the Group of 100 National Executive and Victorian State Chapter.</p>  | <p>None</p>                                | <p>Chairman of the Audit Committee</p> <p>Member of the Remuneration &amp; Nomination Committee</p> |

<sup>1</sup> See page 23 for information about director independence.



## Navarre Minerals Limited

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 1. DIRECTORS (cont.)

##### Interests in the shares and options of the company

As at the date of this report, the relevant beneficial and non-beneficial interests of each of the directors in the shares and share options in the Company were:

|             | Ordinary<br>Shares | Options   |
|-------------|--------------------|-----------|
| K Wilson    | 4,367,174          | 250,000   |
| G McDermott | 4,607,307          | 1,500,000 |
| J Dorward   | 3,255,000          | 200,000   |
| C H Naylor  | 1,630,000          | 200,000   |

The terms of the options are set out in Note 19 to the consolidated financial statements. Details, including fair value at date of grant of the options granted to directors, are set out in the Remuneration Report.

#### 2. COMPANY SECRETARY

Mr Trevor Shard resigned and Ms Jane Nosworthy was appointed on 16 January 2012.

#### 3. DIVIDENDS

No dividend has been paid, provided or recommended during the financial year and to the date of this report (2011: nil).

#### 4. PRINCIPAL ACTIVITIES

The principal activities during the year were gold and base metals mineral exploration in Victoria, Australia.

The Company had 12 employees at 30 June 2012 including directors (2011: 7).

#### 5. REVIEW OF OPERATIONS

##### Environment, Health and Safety

The Group conducts exploration activities in Victoria. No mining activity has been conducted by the Group on its exploration licences.

The Group's exploration operations are subject to environmental and health and safety regulations under the various laws of Victoria and the Commonwealth.

While exploration activities to date have had a low level of environmental impact, the Group has adopted a best practice approach in satisfaction of the regulations of relevant government authorities.

##### Exploration Licences

During the year the Group maintained an active exploration program with the objective of identifying economic mineral deposits. Exploration programs were undertaken at the Black Range, Kingston and Bendigo North projects located in Victoria.

Exploration expenditure was \$3,795,946 for the FY 2011 – 2012 reflecting an aggressive program of work to progress the Bendigo North Tandarra prospect and also the Kingston and Black Range Projects. Much has been achieved over the course of the past year and is summarised below:

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 5. REVIEW OF OPERATIONS (cont.)

##### a. Bendigo North Gold Project (Tandarra prospect)

Navarre's prime focus during 2012 was the execution of a major program of drilling and geophysics at Tandarra involving 67 line kilometres of CSAMT geophysics and the completion of over 20,000 metres of drilling in 8 diamond holes, 100 reverse circulation (RC) holes and 126 scout air-core holes. Geophysics detected 29 quartz reef targets for follow-up drill testing, of which 14 were confirmed by drilling to contain gold mineralisation.

RC resource evaluation drilling was undertaken over the Tomorrow and Macnaughtan lines of reef, two of the shallowest and highest gold endowed lines of quartz reef identified. The drilling successfully outlined near surface high-grade gold mineralisation contained within an expansive envelope of gold-bearing quartz stockwork veining. Potentially economic gold mineralisation was outlined on the Tomorrow Line over a strike length of 850 metres from within a 2.5km zone previously established by air-core drilling. The Company is working towards demonstrating the economic potential of an open pit mine at this location. Importantly, the Tomorrow line of reef, as well as the Macnaughtan line, remains open to both the north and south of the completed RC drilling.

Outstanding gold drill intersections reported from Tandarra during the year included:

|                               |                             |                          |                    |
|-------------------------------|-----------------------------|--------------------------|--------------------|
| <b>24.0m @ 2.5g</b> Au/t from | 35.0m in RCT006, including  | <b>12.0m @ 4.9g</b> Au/t | (Tomorrow Line)    |
| <b>4.0m @ 9.4g</b> Au/t from  | 44.0m in RCT050, including  | <b>1.0m @ 33.6g</b> Au/t | (Tomorrow Line)    |
| <b>4.0m @ 9.2g</b> Au/t from  | 18.0m in RCT063, including  | <b>1.0m @ 30.9g</b> Au/t | (Tomorrow Line)    |
| <b>8.0m @ 3.4g</b> Au/t from  | 163.0m in RCT010, including | <b>1.0m @ 24.0g</b> Au/t | (Tomorrow Line)    |
| <b>14.0m @ 1.5g</b> Au/t from | 22.0m in RCT051             |                          | (Tomorrow Line)    |
| <b>11.0m @ 2.0g</b> Au/t from | 35.0m in RCT062, including  | <b>4.0m @ 4.5g</b> Au/t  | (Tomorrow Line)    |
| <b>17.0m @ 1.2g</b> Au/t from | 76.0m in RCT062, including  | <b>7.0m @ 2.2g</b> Au/t  | (Tomorrow Line)    |
| <b>29.1m @ 1.6g</b> Au/t from | 20.1m in DDT001, including  | <b>0.7m @ 28.6g</b> Au/t | (Tomorrow Line)    |
| <b>16.0m @ 1.1g</b> Au/t from | 71.0m in RCT001, including  | <b>3.0m @ 4.3g</b> Au/t  | (Tomorrow Line)    |
| <b>12.0m @ 1.8g</b> Au/t from | 73.0m in RCT028, including  | <b>5.0m @ 3.9g</b> Au/t  | (Tomorrow Line)    |
| <b>19.0m @ 1.1g</b> Au/t from | 60.0m in RCT042, including  | <b>1.0m @ 7.5g</b> Au/t  | (Tomorrow Line)    |
| <b>18.0m @ 1.0g</b> Au/t from | 53.0m in RCT043, including  | <b>9.0m @ 1.8g</b> Au/t  | (Tomorrow Line)    |
| <b>17.0m @ 1.1g</b> Au/t from | 27.0m in RCT045, including  | <b>1.0m @ 10.8g</b> Au/t | (Tomorrow Line)    |
| <b>8.0m @ 1.1g</b> Au/t from  | 37.0m in RCT073, including  | <b>1.0m @ 7.3g</b> Au/t  | (Macnaughtan Line) |

\* All results are reported as down-hole lengths. See ASX release dated 26 July 2012 for complete table of results.

Preliminary 3D models of the Tandarra geology and mineralisation have helped determine the structure and geometry of the gold bearing quartz mineralisation and also the mineralised trends for follow-up drill evaluation during the 2012/2013 field season.

Drilling at Tandarra is scheduled to recommence in the fourth quarter of 2012.

##### b. Raydarra and Sebastian Gold Projects

On 20 February 2012 Navarre and Castlemaine Goldfields Limited (ASX Code: CGT) announced two farm-in agreements covering the Raydarra and Sebastian Gold Projects, located between Tandarra and Bendigo. Under the terms of the deal, Navarre may earn up to a 75% interest in the Projects. These farm-in deals fit Navarre's strategy of increasing the Company's land position along the prospective regional Whitelaw Fault which is believed to be a major control on gold accumulations in the Bendigo Goldfield and at Tandarra.

##### c. Landsborough Fault Gold Project (Kingston & Glendhu)

At Kingston the Company completed a 4,200 line kilometre airborne magnetic survey, a trial program of CSAMT geophysics which detected a 300m wide resistive anomaly beneath the historic Kingston workings and a 451 metre diamond drill program in 3 holes returning a best result of 16.9m at 5.5g of gold per tonne from a depth of 65.7m down-hole including 3.1m at 29.5g Au/t (ASX release 24 January 2012).

In addition to follow-up of the high-grade intercepts and CSAMT targets, the Company has identified possible repetitions of the Kingston style of mineralisation for reconnaissance mapping and sampling prior to drill testing.

In April 2012, the Company was granted exploration licence EL 5380 (Glendhu), covering 185 square kilometres of the Landsborough Fault adjoining the southern end of the Kingston Gold Project. The Landsborough Fault is believed to be a major control on gold mineralisation and a parallel fault system to the nearby Stawell Fault which is considered to be the controlling structure for over 6 million ounces of historic gold production from the Stawell and Ararat Goldfields.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 5. REVIEW OF OPERATIONS (cont.)

##### d. Black Range Base Metals Project

A review of the geology and exploration conducted on the Black Range Project was undertaken on behalf of the Company by the Centre of Excellence in Ore Deposits at the University of Tasmania. A report, which synthesizes previous exploration data was received and will be used to identify new exploration targets.

#### Corporate

In August 2011, Navarre raised \$3,210,198 (before transaction costs of \$227,643) from issuing 13,957,381 shares in a fully underwritten 1 for 3 non-renounceable entitlement offer at \$0.23 per share. The funds have been used to accelerate the Group's exploration program at its Bendigo North Project.

#### Results for the year

The net loss for the financial year, after provision for income tax, was \$843,061 (2011: loss after tax of \$945,122).

#### Review of Financial Condition

At balance date the Group held cash and cash equivalents of \$1,505,134. During the year the Group decreased the cash balance by \$1,195,869 following net capital raisings of \$2,977,737 and interest received of \$197,732 which was used to meet exploration and capital cash outflows of \$3,775,831 and corporate costs of \$595,507.

#### 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the affairs of the Group during the financial year were as follows:

- (a) Total equity increased to \$6,130,495 from \$3,832,599 an increase of \$2,297,896. The movement was mainly due to net equity injections totalling \$2,982,555 partly offset by the net loss of \$843,061.
- (b) During the year the Group raised \$3,210,198 before costs following the completion of a fully underwritten 1 for 3 non-renounceable entitlement offer at \$0.23 per share. On 26 August 2011, 13,957,381 new shares were allotted, pursuant to the entitlement offer.
- (c) On 25 November 2011, the Annual General Meeting of shareholders approved the following resolutions:
  - The issue of 650,000 options over unissued ordinary shares in the capital of the Company under the Company's Option Plan to directors of the Company; and
  - The appointment of RSM Bird Cameron Partners as the new auditor of the Group.
- (d) On 16 January 2012, Jane Nosworthy was appointed Company Secretary replacing Trevor Shard and, on the same date, the Company's corporate and registered office was relocated to 40 – 44 Wimmera Street Stawell Victoria, Australia.
- (e) On 20 February 2012, Navarre and Castlemaine Goldfields Limited (ASX Code: CGT) announced execution of two farm-in agreements covering the Raydarra and Sebastian Gold Projects, located between Tandarra and Bendigo. Under the terms of the deal, Navarre may earn up to a 75% interest in these projects.
- (f) On 2 May 2012, Navarre incorporated Black Range Metals Pty Ltd as an entity for the purpose of holding the Group's interests in base metal properties.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Significant changes in the affairs of the Group after the balance date are as follows:

- (a) On 6 July 2012, 233,333 unlisted Navarre options lapsed as a result of an employee ceasing employment with the Company.
- (b) On 16 July 2012, the Company announced the appointment of Mr Wessley Edgar as Exploration Manager, effective 13 August 2012. Mr Edgar's appointment coincides with the departure of the Chief Geologist who ceased employment with the Company on 6 July 2012.

#### 8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the course of the next financial year, the Group will continue its mineral exploration activities and will investigate additional resource opportunities in which the Group may wish to participate.

#### 9. SHARE OPTIONS

##### Options granted to directors and executives of the Company

There were 250,000 share options granted by the Company to senior managers of the Company and 650,000 share options granted to the Non-Executive Directors of the Company during the financial year.

##### Unissued shares under options

At the date of this report, unissued ordinary shares of the Company under option are:

| Expiry Date      | Exercise Price | Number of Shares |
|------------------|----------------|------------------|
| 31 December 2014 | \$0.20         | 1,500,000        |
| 31 December 2014 | \$0.25         | 650,000          |
| 31 December 2016 | \$0.30         | 150,000          |
| 12 May 2017      | \$0.25         | 66,667           |

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the ability to exercise the options is conditional on meeting the vesting conditions. These options do not entitle the holder to participate in any share issue of the Company.

##### Shares issued on the Exercise of Compensation Options

During or since the end of the financial year, there has been no issue of ordinary shares as a result of the exercise of options.

#### 10. INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company paid a premium in respect of a contract insuring all directors of the Company against legal costs incurred in defending proceedings as permitted by Section 199B of the *Corporations Act 2001*.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 11. BOARD AND COMMITTEE MEETINGS

The following table sets out the members of the Board of Directors and the members of the Committees of the Board, the number of meetings of the Board and of the Committees held during the year and the number of meetings attended during each director's period of office.

|             | Board of Directors |    | Audit Committee |   | Remuneration & Nomination Committee |   |
|-------------|--------------------|----|-----------------|---|-------------------------------------|---|
|             | A                  | B  | A               | B | A                                   | B |
| K Wilson    | 10                 | 10 |                 |   | 3                                   | 3 |
| G McDermott | 10                 | 10 |                 |   | 3                                   | 3 |
| J Dorward   | 10                 | 10 | 5               | 5 | 3                                   | 3 |
| C H Naylor  | 10                 | 10 | 5               | 5 | 3                                   | 3 |

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

#### 12. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received the independence declaration from the auditor, RSM Bird Cameron Partners, set out on page 13.

##### Non Audit Services

There were no non audit services provided during the year by Auditor RSM Bird Cameron Partners.

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Navarre Minerals Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*  
**RSM BIRD CAMERON PARTNERS**

*J S Croall*  
**J S CROALL**  
Partner

Dated: 4 September 2012  
Melbourne, Victoria

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited)

The Remuneration Report for the year ended 30 June 2012 outlines the remuneration arrangements of the Company, in accordance with Section 300A of the *Corporations Act 2001* and its regulations.

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

The Remuneration Report details the remuneration arrangements for Key Management Personnel ("KMP"), who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

##### 13.1 Key Management Personnel for the year ended 30 June 2012

###### **Directors**

|             |                                      |
|-------------|--------------------------------------|
| K Wilson    | Chairman (non-executive)             |
| G McDermott | Managing Director                    |
| J Dorward   | Director (non-executive)             |
| C H Naylor  | Director (independent non-executive) |

###### **Executives**

|             |   |
|-------------|---|
| S Harper    | Chief Geologist (resigned 06 July 2012)       |
| J Nosworthy | Company Secretary (appointed 16 January 2012) |

###### **Consultants holding key management positions**

|         |  |
|---------|--|
| T Shard | Company Secretary (resigned 16 January 2012) |
|---------|--|

##### 13.2 Board oversight of remuneration

The policy for determining the nature and amount of remuneration for directors and executives is set by the Board of Directors as a whole. The Board established a Remuneration and Nomination (R&N) Committee to provide the Board with a regular, structured opportunity to focus on remuneration and nomination issues. All directors of the Company, including the Managing Director, are members of the R&N Committee. Any potential for, or perception of, conflict of interest resulting from the Managing Director's membership of the R&N Committee is addressed by ensuring that the Managing Director withdraws from committee meetings during any discussion of his remuneration arrangements or performance, and takes no part in the discussion or decision-making process in relation to such matters.

The Board may obtain professional advice when appropriate to ensure that the Company attracts and retains talented and motivated directors and employees who can enhance Company performance through their contributions and leadership.

##### 13.3 Non-executive director remuneration arrangements

The Board seeks to set non-executive director remuneration at a level that provides the Company with the ability to attract and retain directors of high calibre, at a cost acceptable to shareholders.

The amount of aggregate remuneration approved by shareholders and the fee structure for non-executive directors is reviewed annually by the Board against fees paid to non-executive directors of comparable companies.

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by members in a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The maximum aggregate annual remuneration for non-executive directors is currently set at \$300,000 per annum. Any increase in this amount will require shareholder approval at a general meeting.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

##### 13.3 Non-executive director remuneration arrangements (cont.)

Non-executive directors are remunerated at marketplace levels by way of fixed fees, in the form of cash and statutory superannuation contributions, and options issued through the Navarre Minerals Limited Option Plan ("NMLOP"). The Chairman, Mr Wilson, receives a base fee of \$40,000 per annum (excluding statutory superannuation) and the other non-executive directors receive \$30,000 per annum (excluding statutory superannuation).

In addition, the directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. No additional remuneration is paid to directors for service on board committees or on the board of the wholly owned subsidiary.

The non-executive directors have no leave entitlements and do not receive any retirement benefits, other than statutory superannuation and salary sacrifice superannuation (if directors wish to exercise their discretion to make additional superannuation contributions by way of salary sacrifice).

The remuneration of the Company's non-executive directors for the year ended 30 June 2012 and 30 June 2011 is detailed in Table 1 and Table 2 of this Remuneration Report.

##### 13.4 Executive remuneration arrangements

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- ensure total remuneration is competitive by market standards;
- reward executives for exceptional individual performance; and
- align the interests of executives with those of shareholders.

Executive remuneration consists of fixed remuneration and, where appropriate, variable (at risk) remuneration.

##### ***Fixed remuneration***

The base salaries of the Managing Director and other executives are fixed. Fixed remuneration is set at a market competitive level, taking into account an individual's responsibilities, performance, qualifications and experience, and current market conditions in the mining industry. Base salaries are reviewed annually, but executive contracts do not guarantee any increases in fixed remuneration.

Executives receive statutory superannuation from the Company and may, in their discretion, make additional superannuation contributions by way of salary sacrifice.

The fixed component of executives' remuneration is detailed in Table 1 and Table 2 of this Report.

##### ***Variable/at risk remuneration***

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Variable remuneration is linked to predetermined performance criteria.

##### ***Short term incentives***

A short term incentive was approved by the Board (excluding the Managing Director) for the Managing Director for calendar year 2011, structured as a cash payment of up to \$50,000, with the amount paid to be determined based on achievement of certain key performance indicators (KPIs). The KPIs comprised performance measures related to delivery of the drill program set out in the Company's prospectus. Following a review in March 2012 of the performance of the Managing Director against these KPIs, the Board (excluding the Managing Director) determined that the Managing Director had achieved the agreed KPIs and, accordingly, the Board (excluding the Managing Director) approved a cash payment of \$50,000 to the Managing Director.



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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

##### 13.4 Executive remuneration arrangements (cont.)

A short term incentive has been approved by the Board (excluding the Managing Director) for the Managing Director for calendar year 2012, structured as a cash payment of up to \$60,000, with the amount paid to be determined based on achievement of agreed KPIs. The KPIs comprise performance measures in relation to:

- health and safety, because the Company regards the safety of its people as a major priority; and
- delivery of drill programs and exploration success, because these are key drivers of shareholder value.

The Managing Director's performance against these KPIs will be assessed by the R&N Committee (excluding the Managing Director) in January 2013.

##### *Long term incentives*

The Company considers the retention of high calibre staff to be essential to the growth and success of the Company. Executives are eligible to participate in the NMLOP, which is used to provide long term performance and retention incentives, as appropriate, in the form of the grant of share options over unissued shares in the Company.

Long term performance and retention incentives were adopted for the Managing Director for calendar year 2011. The Managing Director was eligible for the grant of up to 500,000 options, with the actual number of options granted to be determined based on achievement of certain KPIs. The KPIs related to improvement in the Company's share price relative to the listing price of 20 cents per share, tested on the basis of the volume weighted average price of the Company's shares in December 2011. Following a review in March 2012 of the performance of the Managing Director against these KPIs, the Board (excluding the Managing Director) determined that the KPIs had been met. Accordingly, the Board (excluding the Managing Director) approved the grant of 500,000 options to the Managing Director, subject to shareholder approval, which will be sought at the Company's Annual General Meeting in 2012.

Long term performance and retention incentives have also been adopted for the Managing Director for calendar year 2012. The Managing Director is eligible for the grant of up to 500,000 options (250,000 as a long term performance incentive and 250,000 as a long term retention incentive). The actual number of options granted will be determined based on achievement of certain KPIs. The KPIs relate to improvement in the Company's share price during the 2012 calendar year, relative to the prevailing share price when the KPIs were set by the Board (excluding the Managing Director) in March 2012, tested on the basis of the volume weighted average price of the Company's shares in December 2012 (in the case of the 250,000 performance options) or the Company's share price on 31 December 2012 (in the case of the 250,000 retention options). The Managing Director will be eligible to receive half (125,000) of the performance options if the VWAP of the Company's shares in December 2012 is 30 cents or higher, and he will be eligible to receive the other half (125,000) if the VWAP is 35 cents or higher. The Managing Director will be eligible to receive half (125,000) of the retention options if the Company's share price on 31 December 2012 is 30 cents or higher, and he will be eligible to receive the other half (125,000) if the share price on 31 December 2012 is 35 cents or higher. These target prices are higher than the prevailing share price of the Company of 26 cents per share when the KPIs were set, and therefore provide an incentive. Shareholder approval for the grant of these options will be sought at the Company's 2012 AGM. If shareholder approval is obtained, the Managing Director's performance against the KPIs applicable to these options will be assessed by the Board (excluding the Managing Director) in January 2013 and, if the KPIs have been met, the options will be granted shortly thereafter.

During the financial year, other executives and senior employees have been granted options which have time-based vesting conditions, therefore requiring them to remain employed with the Company through to the vesting date of the options.

See page 20 for details of options granted to the Managing Director and other key management personnel during the financial year.

The Company prohibits executives from entering into arrangements to protect the value of unvested share options. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

##### 13.4 Executive remuneration arrangements (cont.)

###### *Consultants*

Subject to the exception noted below, the Managing Director approves the terms and conditions of consultants' contracts, including fees, taking into account market conditions for the services that are provided. Consulting contracts do not include any guaranteed fee increases.

In the case of Mr Dorward's consulting contract with the Company, the terms and conditions of the contract were approved by the Board (excluding Mr Dorward).

##### 13.5 Executive Contractual Arrangements

Remuneration arrangements for Key Management Personnel are formalised in service agreements. Details of these contracts are provided below.

- *Managing Director*

Mr Geoff McDermott entered into an executive service agreement dated 10 December 2010 which contains the following major terms:-

- **Term:** From 31 March 2011 until either the Company or Mr McDermott terminates the agreement.
- **Notice:** The Company may terminate the agreement at any time by giving six months' notice in writing. Mr McDermott may terminate the agreement at any time by giving six months' written notice to the Company or on one month's written notice to the Company if a 'fundamental change' to his employment occurs or the Company has failed to remedy a notified breach of its obligations under the agreement. The Company may immediately terminate the agreement by giving written notice if serious misconduct has occurred. The Company may elect to pay Mr McDermott in lieu of part or all of any notice period.
- **Base salary:** From 1 April 2012, Mr McDermott's total fixed remuneration is \$245,936 per annum (plus statutory superannuation). This is reviewed by the R&N Committee (excluding the Managing Director) at the completion of each twelve months of service.
- **Short-term incentive:** Mr McDermott is eligible to receive an annual short-term incentive payment on terms decided by the Board (excluding the Managing Director). For calendar year 2012, the maximum short-term incentive payment that Mr McDermott is eligible to receive is \$60,000.
- **Long-term incentive:** Subject to receiving any required or appropriate shareholder approval, Mr McDermott is eligible to participate in the Company's long-term incentive arrangements (as amended or replaced) on terms decided by the Board. For calendar year 2012, the maximum number of options that may be granted to Mr McDermott by way of long-term incentives is 500,000, depending on the achievement of KPIs as approved by the Board.
- **Termination payments:** Mr McDermott is not entitled to a lump sum payment on termination of his employment by the Company, other than any amount paid to Mr McDermott in lieu of notice. If Mr McDermott resigns within six months of a 'fundamental change', Mr McDermott is entitled to a lump sum payment equivalent to the total fixed remuneration paid to Mr McDermott in the six months prior to his resignation.

- *Other Executives*

All executives have standard employment agreements. The Company may terminate the executive's employment agreement by written notice (ranging from four weeks to three months' notice) or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The Company may terminate the agreement at any time without notice if serious misconduct has occurred. The executive may terminate the agreement by written notice to the Company (ranging from four weeks to three months' notice). On cessation of employment, any options that have not vested will be forfeited and any options that have vested must be exercised within 90 days or will be forfeited.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

##### 13.5 Executive Contractual Arrangements (cont.)

- *Consultants*

Prior to the change of Company Secretary on 16 January 2012, RMDSTEM Limited provided the services of Mr Trevor Shard as Company Secretary, for which RMDSTEM Limited received a fee of \$1,600 per day. The agreement has been terminated.

##### 13.6 Remuneration of Key Management Personnel of the Company

Table 1: Remuneration for the year ended 30 June 2012

|   | Short term           |                |                      | Post Employment               | Share-based Payment | Long term                | Total          | Performance Related |
|---|----------------------|----------------|----------------------|-------------------------------|---------------------|--------------------------|----------------|---------------------|
|   | Directors fees<br>\$ | Salary<br>\$   | STI cash bonus<br>\$ | Superannuation benefits<br>\$ | *Option plan<br>\$  | Long service leave<br>\$ | \$             | %                   |
| <b>Non-executive directors</b>                      |                      |                |                      |                               |                     |                          |                |                     |
| K Wilson  | 40,000               | -              | -                    | 3,600                         | 26,682              | -                        | 70,282         | 38.0                |
| J Dorward**   | 30,000               | 50,000         | -                    | 2,700                         | 21,345              | -                        | 104,045        | 20.5                |
| C H Naylor  | 20,275               | -              | -                    | 12,425                        | 21,345              | -                        | 54,045         | 39.5                |
| <b>Sub-total non-executive directors</b>            | <b>90,275</b>        | <b>50,000</b>  | <b>-</b>             | <b>18,725</b>                 | <b>69,372</b>       | <b>-</b>                 | <b>228,372</b> | <b>30.4</b>         |
| <b>Executive director</b>                           |                      |                |                      |                               |                     |                          |                |                     |
| G McDermott   | -                    | 227,928        | 50,000               | 25,000                        | 64,310              | -                        | 367,238        | 31.1                |
| <b>Other key management personnel</b>               |                      |                |                      |                               |                     |                          |                |                     |
| S Harper  | -                    | 132,150        | -                    | 12,275                        | 15,562              | -                        | 159,987        | 9.7                 |
| J Nosworthy   | -                    | 40,446         | -                    | 3,640                         | 3,851               | -                        | 47,937         | 8.0                 |
| <b>Other key management personnel – consultants</b> |                      |                |                      |                               |                     |                          |                |                     |
| T Shard***  | -                    | 19,899         | -                    | -                             | -                   | -                        | 19,899         | -                   |
| <b>Sub-total executive KMP</b>                      | <b>-</b>             | <b>420,423</b> | <b>50,000</b>        | <b>40,915</b>                 | <b>83,723</b>       | <b>-</b>                 | <b>595,061</b> | <b>22.5</b>         |
| <b>TOTAL</b>  | <b>90,275</b>        | <b>470,423</b> | <b>50,000</b>        | <b>59,640</b>                 | <b>153,095</b>      | <b>-</b>                 | <b>823,433</b> | <b>24.7</b>         |

\* Refer Note 19 to the consolidated financial statements for fair value calculation of options.

\*\* Includes fees paid/payable for consulting services provided by entities of the director. Refer to Note 18 for details.

\*\*\* Represents fees paid/payable for services provided by entities of the consultant.

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

#### 13.6 Remuneration of Key Management Personnel of the Company (cont.)

Table 2: Remuneration for the year ended 30 June 2011

|   | Short term           |                | Post Employment               | Share-based Payment | Long term                | Total          | Performance Related |
|---|----------------------|----------------|-------------------------------|---------------------|--------------------------|----------------|---------------------|
|   | Directors fees<br>\$ | Salary<br>\$   | Superannuation benefits<br>\$ | Option plan<br>\$   | Long service leave<br>\$ |                |                     |
|   |                      |                |                               |                     |                          | \$             | %                   |
| <b>Non - executive directors</b>                    |                      |                |                               |                     |                          |                |                     |
| K Wilson *  | 26,667               | -              | 2,400                         | -                   | -                        | 29,067         | -                   |
| J Dorward *   | -                    | -              | 21,800                        | -                   | -                        | 21,800         | -                   |
| C H Naylor *  | -                    | -              | 21,800                        | -                   | -                        | 21,800         | -                   |
| <b>Sub-total non-executive directors</b>            | <b>26,667</b>        | <b>-</b>       | <b>46,000</b>                 | <b>-</b>            | <b>-</b>                 | <b>72,667</b>  | <b>-</b>            |
| <b>Executive director</b>                           |                      |                |                               |                     |                          |                |                     |
| G McDermott   | -                    | 58,222         | 5,240                         | 22,769              | -                        | 86,231         | 26.4                |
| <b>Other key management personnel</b>               |                      |                |                               |                     |                          |                |                     |
| S Harper  | -                    | 23,167         | 2,085                         | 2,147               | -                        | 27,399         | 7.8                 |
| <b>Other key management personnel - consultants</b> |                      |                |                               |                     |                          |                |                     |
| T Shard **  | -                    | 32,936         | -                             | -                   | -                        | 32,936         | -                   |
| <b>Sub-total executive KMP</b>                      | <b>-</b>             | <b>114,325</b> | <b>7,325</b>                  | <b>24,916</b>       | <b>-</b>                 | <b>146,566</b> | <b>17.0</b>         |
| <b>TOTAL</b>  | <b>26,667</b>        | <b>114,325</b> | <b>53,325</b>                 | <b>24,916</b>       | <b>-</b>                 | <b>219,233</b> | <b>11.4</b>         |

\* Fees were payable from 1 November 2010

\*\* Represents fees paid/payable for services provided by entities of the consultant

#### 13.7 Remuneration Mix

The Company's executive remuneration is structured as a mix of fixed annual remuneration and variable 'at risk' remuneration. The mix of these components varies for different management levels.

Table 3: Relative proportion and components of total remuneration packages for the year ended 30 June 2012

|                   | % of Total Remuneration |                                |                          |
|-------------------|-------------------------|--------------------------------|--------------------------|
|                   | Fixed remuneration<br>% | Performance-based remuneration |                          |
|                   |                         | Short Term Incentive<br>%      | Long Term Incentive<br>% |
| <b>Directors</b>  |                         |                                |                          |
| K Wilson          | 55.7                    | -                              | 44.3                     |
| G McDermott       | 83.5                    | 16.5                           | -                        |
| J Dorward         | 74.9                    | -                              | 25.1                     |
| C H Naylor        | 54.1                    | -                              | 45.9                     |
| <b>Executives</b> |                         |                                |                          |
| S Harper          | 88.6                    | -                              | 11.4                     |
| J Nosworthy       | 70.3                    | -                              | 29.7                     |

## Navarre Minerals Limited

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

##### 13.8 Equity instruments

Table 4: Options granted, vested and lapsed during the year

|                   | Number of options granted during 2012 | Grant date | Fair value per option at grant date (\$) | Exercise price per option (\$) | Expiry Date | Vest Date | Number of options vested during 2012 | Number of options lapsed during 2012 |
|-------------------|---------------------------------------|------------|--|--------------------------------|-------------|-----------|--------------------------------------|--------------------------------------|
| <b>Directors</b>  |                                       |            |  |                                |             |           |                                      |                                      |
| K Wilson          | 125,000                               | 25 Nov 11  | 0.1387                                   | 0.25                           | 31 Dec 14   | 31 Dec 11 | 125,000                              | -                                    |
| K Wilson          | 125,000                               | 25 Nov 11  | 0.1387                                   | 0.25                           | 31 Dec 14   | 31 Dec 12 | -                                    | -                                    |
| J Dorward         | 100,000                               | 25 Nov 11  | 0.1387                                   | 0.25                           | 31 Dec 14   | 31 Dec 11 | 100,000                              | -                                    |
| J Dorward         | 100,000                               | 25 Nov 11  | 0.1387                                   | 0.25                           | 31 Dec 14   | 31 Dec 12 | -                                    | -                                    |
| C H Naylor        | 100,000                               | 25 Nov 11  | 0.1387                                   | 0.25                           | 31 Dec 14   | 31 Dec 11 | 100,000                              | -                                    |
| C H Naylor        | 100,000                               | 25 Nov 11  | 0.1387                                   | 0.25                           | 31 Dec 14   | 31 Dec 12 | -                                    | -                                    |
| G McDermott       | -                                     |            |  |                                |             | 31 Dec 11 | 500,000                              | -                                    |
| <b>Executives</b> |                                       |            |  |                                |             |           |                                      |                                      |
| S Harper          | 33,333                                | 19 Mar 12  | 0.1754                                   | 0.30                           | 31 Dec 16   | 1 Jan 13  | -                                    | -                                    |
| S Harper          | 33,333                                | 19 Mar 12  | 0.1867                                   | 0.30                           | 31 Dec 16   | 1 Jan 14  | -                                    | -                                    |
| S Harper          | 33,334                                | 19 Mar 12  | 0.1963                                   | 0.30                           | 31 Dec 16   | 1 Jan 15  | -                                    | -                                    |
| J Nosworthy       | 33,333                                | 19 Mar 12  | 0.1754                                   | 0.30                           | 31 Dec 16   | 1 Jan 13  | -                                    | -                                    |
| J Nosworthy       | 33,333                                | 19 Mar 12  | 0.1867                                   | 0.30                           | 31 Dec 16   | 1 Jan 14  | -                                    | -                                    |
| J Nosworthy       | 33,333                                | 19 Mar 12  | 0.1963                                   | 0.30                           | 31 Dec 16   | 1 Jan 15  | -                                    | -                                    |
| S Harper          | -                                     |            |  |                                |             | 12 May 12 | 66,667                               | -                                    |

All options expire on the earlier of their expiry date or termination of the employee's employment. These options do not entitle the holder to participate in any share issue of the Company.

Table 5: Shares issued on exercise of options

There was no exercise of compensation options during the reporting period.

Table 6: Value of options granted, exercised and lapsed during the year

|                   | Value of options granted during the year<br>\$ | Value of options exercised during the year<br>\$ | Value of options lapsed during the year<br>\$ |
|-------------------|--|--|---|
| <b>Directors</b>  |  |  |   |
| K Wilson          | 34,686   | -  | -   |
| J Dorward         | 27,749   | -  | -   |
| C H Naylor        | 27,749   | -  | -   |
| <b>Executives</b> |  |  |   |
| S Harper          | 18,613   | -  | -   |
| J Nosworthy       | 18,613   | -  | -   |

For details on the valuation of options, including models and assumptions used, please refer to Note 19 to the consolidated financial statements.

## Navarre Minerals Limited

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2012

#### 13. REMUNERATION REPORT (Audited) (cont.)

##### 13.9 Company performance

The remuneration of executives and consultants is not linked to financial performance measures of the Company, with the exception of the Managing Director (who has long-term incentives linked to improvements in the Company's share price over the course of the calendar year).

In accordance with Section 300A of the *Corporations Act 2001*, the following table summarises Navarre's performance in the financial year ended 30 June 2012 (the first full financial year of the Company since its listing in March 2011):

|   | <b>2012</b> |
|---|-------------|
| Net profit/(loss) - \$000                         | (843)       |
| Basic earnings/(loss) per share – cents per share | (1.57)      |
| Share price at the beginning of year - \$         | 0.26        |
| Share price at end of year - \$                   | 0.15        |
| Dividends per share – cents                       | Nil         |

Signed in accordance with a resolution of the Directors made pursuant to s298(2) of the *Corporations Act 2001*.

**On behalf of the Directors**



**G McDermott**  
Managing Director  
Melbourne, 4 September 2012

## Navarre Minerals Limited

ABN 66 125 140 105

### CORPORATE GOVERNANCE STATEMENT

#### INTRODUCTION

The Board and management are committed to good corporate governance and recognise the eight core principles contained in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 amendments ("ASX Principles"). The Board assesses the compliance of the Company with the ASX Principles and, in accordance with ASX Listing Rule 4.10.3, reports the extent of the Company's compliance with the ASX Principles.

Additional information about the Company's corporate governance practices and policies is set out on the Company's website at [www.navarre.com.au](http://www.navarre.com.au).

#### CORPORATE GOVERNANCE DISCLOSURES

##### **Principle 1 – Lay solid foundations for management and oversight**

**Companies should establish and disclose the respective roles and responsibilities of board and management.**

###### ***Board Role and Responsibilities***

The Board's primary role is to set the Company's values, direction, strategies and financial objectives and to ensure effective monitoring of corporate performance, capabilities and management of risk consistent with creating shareholder value and maintaining effective corporate governance. The Board is also responsible for the appointment, and for monitoring the performance, of the Managing Director.

The Board operates in accordance with the Company's Constitution and has adopted a Board charter which outlines a framework for the Board's operation, the matters reserved to the Board and the functions delegated to management. The charter is available on the Company's website.

###### ***Management Role and Responsibilities***

Responsibility for the operation and administration of the Company and the implementation of the corporate strategy and budgets approved by the Board is formally delegated by the Board to the Managing Director, who is supported by a small team of executives. The performance of the Managing Director is reviewed at least annually and includes agreement on key performance measures for the following year. In March 2012, the Board assessed the performance of the Managing Director against his agreed key performance measures for 2011 and agreed his key performance measures for 2012, and the Chairman conducted a performance review with the Managing Director.

Newly appointed executives receive formal employment contracts describing their terms of appointment, duties, rights and responsibilities. The Managing Director conducts annual performance reviews for the executives reporting directly to him. The Managing Director completed performance reviews for his direct reports in December 2011.

##### **Principle 2 – Structure the Board to add value**

**Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.**

###### ***Board Composition and Expertise***

At the date of this report, the Board comprises a non-executive chairman, two non-executive directors and the Managing Director. The roles of chairperson and managing director are not exercised by the same individual. A profile of each director is set out in the Directors' Report. The Board aims to ensure that it has a mix of skills and capabilities among its members, including technical skills, business development experience and financial management experience. The Board considers that the directors collectively bring the range of skills, knowledge and experience necessary to direct the Company. The size and composition of the Board, and its mix of skills and capabilities, is expected to change as the Company evolves.

## **Navarre Minerals Limited**

ABN 66 125 140 105

### **CORPORATE GOVERNANCE STATEMENT**

#### ***Director Independence***

A director is regarded as independent if that director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. When determining the independent status of a director, the Board has regard to the existence of any of the relationships listed in Box 2.1 of the ASX Principles.

Mr Kevin Wilson and Mr John Dorward, are not regarded as independent under the guidelines in Principle 2, as each of them is, or is an officer of, or otherwise associated directly with, a substantial shareholder of the Company. Mr Dorward also provides consulting services to the Company in relation to business development, although these are not in themselves considered to be material. Accordingly, the Company does not meet Recommendation 2.1 of the ASX Principles (a majority of the board should be independent directors) or Recommendation 2.2 (the chair should be an independent director). Despite this, the Board considers that its composition is appropriate for the size and scale of the Company and its activities, and that the Company benefits from Mr Wilson's and Mr Dorward's long-standing experience in the resources and finance industries. Mr Wilson and Mr Dorward also consider that they bring quality, independent judgment to bear on all relevant issues falling within the scope of the role of chairman and non-executive director (respectively), notwithstanding their substantial interests in shares of the Company.

As the Company evolves, the Board will consider the appointment of additional independent directors when appropriate.

#### ***Remuneration and Nomination Committee***

The Board has established a Remuneration and Nomination (R&N) Committee to provide the Board with a regular, structured opportunity to focus on remuneration and nomination issues. The role and responsibilities of the Committee are set out in the Committee's Charter, which is available on the Company's website. The Committee is chaired by Mr Kevin Wilson. Given the size of the Board, all members of the Board are members of the R&N Committee. The Directors' Report sets out the attendance of directors at meetings of the R&N Committee.

Recommendations for nomination of new directors are considered by the R&N Committee and approved by the Board as a whole.

#### ***Retirement and Re-election of Directors***

The Company's Constitution states that at each annual general meeting, one third of the Company's non-executive directors cease to hold office. Directors who retire as required may offer themselves for re-election by shareholders. Any director appointed to fill a casual vacancy since the date of the previous annual general meeting must also submit themselves to shareholders for election at the next annual general meeting.

#### ***Board Performance Evaluation***

In May 2012, the Board conducted the first assessment since the Company's listing of the performance of the Board and its committees. Directors completed an agreed questionnaire, the results of which were confidentially summarised and distributed, and were then discussed at a meeting of the R&N Committee. An action plan to address areas for development has been formulated. The Board intends to use the same procedure for its next annual assessment of its performance, but will also include an assessment of the performance of individual directors.

#### ***Professional Advice***

In accordance with the Board Charter, each director has the right to seek independent professional advice to assist them to carry out their duties as directors, at the expense of the Company, after consultation with the Chairman.

All directors also have direct access to the management of the Company, including the Company Secretary.



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### CORPORATE GOVERNANCE STATEMENT

#### **Principle 3 – Promote ethical and responsible decision-making**

**Companies should actively promote ethical and responsible decision-making.**

##### ***Code of Conduct***

The Board has adopted a Code of Conduct that sets the standard of ethical behaviour required of the Company's directors and employees. The Code of Conduct is posted on the Company's website. Failure to comply with the Code of Conduct may result in the Board requiring the resignation of any director or employee who breaches the Code.

##### ***Diversity***

The Board has also adopted a Diversity Policy, which is available on the Company's website. This policy affirms the Board's commitment to workplace diversity for the Company (including gender diversity). It includes requirements for the Board to establish measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Board reports that the Company's workforce, although small, includes significant female participation at all levels. As at 30 June 2012, 45% of the Company's employees (inclusive of permanent and casual staff) were women, including three of four direct reports to the Managing Director.

The Company's objective is to maintain a significant level of female participation in the Company's workforce at all levels, with a particular emphasis on gender diversity in technical roles. Given the size of the Company and the challenges of recruiting appropriately qualified staff in a regional area, the Board considers it unrealistic to commit to a specific level of female participation in the Company's workforce on an ongoing basis. However, the Board supports measures to attract women to the Company, including continuing to offer flexible work arrangements and setting out clear expectations of behaviours for employees that foster a supportive and inclusive work environment.

There are no female members of the Board at the date of this report. If a vacancy arises or the Board is expanded in future, the Board will consider a diverse range of candidates who will be assessed on merit based on their judgment, skills, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members and the extent to which the candidate would be a desirable addition to the Board and its committees.

#### **Principle 4 – Safeguard integrity in financial reporting**

**Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.**

##### ***Audit Committee***

The Board has an Audit Committee. Its role and responsibilities are set out in its charter, which is posted on the Company's website. The Committee is chaired by Mr Naylor, who is an independent non-executive director with substantial accounting/financial experience. The other committee member is Mr Dorward, a non-executive director with substantial finance and industry experience. The qualifications of Mr Naylor and Mr Dorward and their attendance at meetings are described in detail in the Directors' Report. The Audit Committee met five times during the year as stated in the Directors' Report.

The structure of the Audit Committee meets Recommendation 4.2 of the ASX Principles insofar as it consists only of non-executive directors and is chaired by an independent chair who is not chair of the Board. It does not meet Recommendation 4.2 insofar as it does not consist of a majority of independent directors and does not have at least three members. Nonetheless, the Board considers that the size of the Audit Committee is appropriate, in light of the current size of the Board and the current size and stage of development of the Company, and that Messrs Naylor and Dorward have the appropriate expertise to discharge their duties as committee members.

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### CORPORATE GOVERNANCE STATEMENT

#### *External Auditor Relationship*

The Company's independent external auditor is RSM Bird Cameron Partners. RSM Bird Cameron Partners was appointed by shareholders at the 2011 Annual General Meeting in accordance with the Corporations Act. The Audit Committee oversees the terms of engagement of the Company's external auditor, including provisions directed at maintaining the independence of the external auditor and in assessing whether the provision of any proposed non-audit services by the external auditor is appropriate. The Company requires the rotation of the external audit engagement partner at least every five years.

#### **Principle 5 – Make timely and balanced disclosure**

**Companies should promote timely and balanced disclosure of all material matters concerning the company.**

The Company has an obligation under the ASX Listing Rules to ensure that all investors have equal and timely access to factual, material information concerning the Company, presented in a clear and balanced way. The Company has a Continuous Disclosure Policy that includes procedures designed to ensure compliance with the ASX Listing Rules' disclosure requirements and to ensure accountability at senior executive level for the compliance. This policy is available on the Company's website.

#### **Principle 6 – Respect the rights of shareholders**

**Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.**

#### *Shareholder Communication*

The Company has a formal policy on shareholder communication, which reflects the Board's objective of maintaining active communication with shareholders as owners of the Company. Mechanisms used by the Company for communicating with shareholders include:

- the Company's annual report, which is distributed, or otherwise made available, to all shareholders;
- the Company's quarterly activities reports;
- the Company's half-year financial report;
- the Company's annual general meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate;
- Company announcements;
- the Company's website;
- direct email alerts of ASX releases and other information to shareholders and other interested parties who register their email address via the Company's website; and
- webcasts via Boardroom Radio.

The Company posts all shareholder-related information and Company ASX announcements (other than disclosures of a routine compliance nature) on the Company's website in an accessible manner.

#### *Shareholder Meetings*

The Company encourages shareholders attending annual and other general meetings to ask questions of the directors regarding the Company's governance and business performance, and of the external auditor regarding the conduct of the audit and the contents of the audit report. In addition, the Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive and not in the public domain.

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### CORPORATE GOVERNANCE STATEMENT

#### **Principle 7 – Recognise and manage risk**

**Companies should establish a sound system of risk oversight and management and internal control.**

The Board defines risk to be any event that, if it occurs, will have a material impact (whether financial or non-financial) on the Company's ability to achieve its objectives. The identification and effective management of risk, including calculated risk taking, is viewed as an essential part of the Company's approach to creating shareholder value.

#### ***Risk Management Roles and Responsibilities***

The Board is responsible for overseeing the effectiveness of risk management systems. The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policy, internal compliance and internal control. The Board considers it important for all Board members to be part of this process and, as such, has not established a separate risk management committee.

The Company has a Risk Oversight Policy, which is available on the Company's website. The Board has established various specific policies and practices designed to identify and manage significant business risks, including:

- detailed monthly financial and operational reporting to the Board;
- approval of budgets;
- policies regarding internal controls and authority levels for expenditure; and
- policies and procedures relating to health, safety and environment.

Day-to-day responsibility for risk oversight and management is delegated to the Managing Director, who is primarily responsible for identifying, monitoring and communicating risk events to the Board and responding to risk events.

Given the size of the Company, the implementation of the policies and practices outlined above and the existence of open channels of communication between the Board and management, the Board does not consider it necessary to have separate, stand-alone risk management and control systems designed by management which are reported to the Board.

#### ***Management Assurances in relation to Financial Reporting***

The Board has received statements in writing from the Managing Director and Accountant that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

#### **Principle 8 – Remunerate fairly and responsibly**

**Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.**

#### ***Remuneration & Nomination Committee***

As noted above, the Board has established a R&N Committee. The R&N Committee is responsible for determining compensation arrangements for directors, including the Managing Director, and reviewing compensation arrangements for senior executives. Details of the role and responsibilities of the Committee are set out in the Committee's Charter, which is available on the Company's website.

Given the size of the Board, all members of the Board are members of the R&N Committee. The Committee is chaired by Mr Kevin Wilson. As a result, the Company does not meet Recommendation 8.2 of the ASX Principles insofar as the R&N Committee is not chaired by an independent chair and does not consist of a majority of independent directors. Nonetheless, the Board considers that the R&N Committee effectively discharges its mandate. Any potential for, or perception of, conflict of interest resulting from the Managing Director's membership of the R&N Committee is addressed by ensuring that the Managing Director withdraws from committee meetings during any discussion of his remuneration arrangements or performance, and takes no part in the discussion or decision-making process in relation to such matters.

The Directors' Report sets out the attendance of directors at meetings of the R&N Committee.

## Navarre Minerals Limited

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### CORPORATE GOVERNANCE STATEMENT

#### *Structure of Non-executive Director Remuneration and Executive Remuneration*

The structure of non-executive directors' remuneration is distinguished from that of the Managing Director and senior executives. The R&N Committee assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The non-executive directors are remunerated by way of fixed annual fees (within the aggregate fee limit approved by shareholders) but may also receive fees for additional services provided to the Company. The non-executive directors do not receive any retirement benefits, other than statutory superannuation. The non-executive directors have, with the prior approval of shareholders, received options to subscribe for shares in the Company. For a company of the size and limited cash resources of the Company, the grant of options is a useful tool for attracting and retaining quality non-executive directors without diminishing the Company's cash resources. The Board is aware that the ASX Corporate Governance Council's guidelines do not support the issue of options to non-executive directors as part of their remuneration. As the Company grows and its cash resources increase, the Board will review the practice of issuing options to non-executive directors.

The senior executives of the Company are remunerated by way of a total salary package which includes a balance of fixed remuneration (including statutory superannuation) and performance-based remuneration in the form of cash bonuses, linked to clearly specified short-term performance targets. Equity-based remuneration, in the form of options to subscribe for shares in the Company, is also offered in connection with long-term performance objectives appropriate to the Company's circumstances and goals.

Further details about the remuneration of the non-executive directors, the Managing Director and other senior executives are set out in the Remuneration Report. The Remuneration Report also outlines the Company's policy of prohibiting key management personnel from hedging remuneration that is unvested or is vested but subject to a holding lock.

## Navarre Minerals Limited

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### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

|  | Note | 2012<br>\$       | 2011<br>\$       |
|--|------|------------------|------------------|
| Interest income                                |      | 190,748          | 59,420           |
| <b>Income</b>                                  |      | <b>190,748</b>   | <b>59,420</b>    |
| Net administration expenses                    | 4    | (691,152)        | (235,024)        |
| Exploration expenditure written-off            |      | (342,657)        | (769,518)        |
| <b>Loss before income tax</b>                  |      | <b>(843,061)</b> | <b>(945,122)</b> |
| Income tax expense                             | 5    | -                | -                |
| <b>Net loss for the period</b>                 |      | <b>(843,061)</b> | <b>(945,122)</b> |
| <b>Total comprehensive loss for the period</b> |      | <b>(843,061)</b> | <b>(945,122)</b> |
| Basic loss per share (cents per share)         | 6    | (1.57)           | (4.91)           |
| Diluted loss per share (cents per share)       | 6    | (1.57)           | (4.91)           |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Navarre Minerals Limited

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### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

|                                  | Note | 2012<br>\$       | 2011<br>\$       |
|----------------------------------|------|------------------|------------------|
| <b>CURRENT ASSETS</b>            |      |                  |                  |
| Cash and cash equivalents        | 7    | 1,505,134        | 2,701,003        |
| Trade and other receivables      | 8    | 205,745          | 152,064          |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>1,710,879</b> | <b>2,853,067</b> |
| <b>NON-CURRENT ASSETS</b>        |      |                  |                  |
| Property, plant and equipment    | 9    | 160,368          | 102,252          |
| Leasehold improvements           | 10   | 5,869            | 7,115            |
| Exploration and evaluation costs | 11   | 4,535,724        | 1,082,435        |
| <b>TOTAL NON-CURRENT ASSETS</b>  |      | <b>4,701,961</b> | <b>1,191,802</b> |
| <b>TOTAL ASSETS</b>              |      | <b>6,412,840</b> | <b>4,044,869</b> |
| <b>CURRENT LIABILITIES</b>       |      |                  |                  |
| Trade and other payables         | 12   | 260,274          | 204,484          |
| Provisions                       | 13   | 22,071           | 7,786            |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>282,345</b>   | <b>212,270</b>   |
| <b>TOTAL LIABILITIES</b>         |      | <b>282,345</b>   | <b>212,270</b>   |
| <b>NET ASSETS</b>                |      | <b>6,130,495</b> | <b>3,832,599</b> |
| <b>EQUITY</b>                    |      |                  |                  |
| Contributed equity               | 14   | 7,782,800        | 4,800,245        |
| Share based payments reserve     | 14   | 179,936          | 25,667           |
| Accumulated losses               | 14   | (1,832,241)      | (993,313)        |
| <b>TOTAL EQUITY</b>              |      | <b>6,130,495</b> | <b>3,832,599</b> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## Navarre Minerals Limited

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### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

|  | Issued Capital<br>\$ | Share Based<br>Payments<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total Equity<br>\$ |
|--|----------------------|--|-----------------------------|--------------------|
| <b>Balance at 1 July 2011</b>                                | <b>4,800,245</b>     | <b>25,667</b>                            | <b>(993,313)</b>            | <b>3,832,599</b>   |
| Net loss for the period                                      |                      |  | (843,061)                   | (843,061)          |
| <b>Total comprehensive loss for the year</b>                 |                      |  | <b>(843,061)</b>            | <b>(843,061)</b>   |
| <b>Transactions with owners in their capacity as owners:</b> |                      |  |                             |                    |
| Cost of share based payments                                 | -                    | 158,402                                  | -                           | 158,402            |
| Share issues   | 3,210,198            |  | -                           | 3,210,198          |
| Costs of issues  | (227,643)            |  | -                           | (227,643)          |
| Transfer of equity instruments expired<br>unvested           | -                    | (4,133)                                  | 4,133                       | -                  |
| <b>At 30 June 2012</b>                                       | <b>7,782,800</b>     | <b>179,936</b>                           | <b>(1,832,241)</b>          | <b>6,130,495</b>   |
|  | Issued Capital<br>\$ | Share Based<br>Payments<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | Total Equity<br>\$ |
| <b>Balance at 1 July 2010</b>                                | <b>710,090</b>       | <b>-</b>                                 | <b>(48,191)</b>             | <b>661,899</b>     |
| Net loss for the period                                      |                      |  | (945,122)                   | (945,122)          |
| <b>Total comprehensive loss for the year</b>                 |                      |  | <b>(945,122)</b>            | <b>(945,122)</b>   |
| <b>Transactions with owners in their capacity as owners:</b> |                      |  |                             |                    |
| Cost of share based payments                                 | -                    | 25,667                                   | -                           | 25,667             |
| Share issues   | 4,522,045            | -  | -                           | 4,522,045          |
| Costs of issues  | (431,890)            | -  | -                           | (431,890)          |
| <b>At 30 June 2011</b>                                       | <b>4,800,245</b>     | <b>25,667</b>                            | <b>(993,313)</b>            | <b>3,832,599</b>   |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Navarre Minerals Limited

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### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

|   | 2012               | 2011             |
|---|--------------------|------------------|
|   | \$                 | \$               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                    |                  |
| Payments to suppliers and employees                           | (595,507)          | (188,219)        |
| Interest received   | 197,732            | 46,598           |
| <b>Net cash (used in) operating activities (Note 15)</b>      | <b>(397,775)</b>   | <b>(141,621)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                    |                  |
| Expenditure on plant and equipment                            | (99,215)           | (104,521)        |
| Expenditure on leasehold improvements                         | (273)              | (7,329)          |
| Expenditure on exploration tenements                          | (3,676,343)        | (619,738)        |
| <b>Net cash (used in) investing activities</b>                | <b>(3,775,831)</b> | <b>(731,588)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                    |                  |
| Proceeds from share issues                                    | 3,210,198          | 3,702,345        |
| Transaction costs on issue of shares                          | (232,461)          | (427,228)        |
| <b>Net cash from financing activities</b>                     | <b>2,977,737</b>   | <b>3,275,117</b> |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>(1,195,869)</b> | <b>2,401,908</b> |
| Cash and cash equivalents at beginning of period              | 2,701,003          | 299,095          |
| <b>Cash and cash equivalents at end of period (Note 7)</b>    | <b>1,505,134</b>   | <b>2,701,003</b> |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 1: CORPORATE INFORMATION

The financial report of Navarre Minerals Limited (“Navarre Minerals”, or the “Company”) for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 4 September 2012.

Navarre Minerals Limited is a company limited by shares incorporated in Australia. The Company’s shares are publicly traded on Australian Stock Exchange.

The nature of operations and principal activities of the Group are described in Note 3.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, and is presented in Australian dollars. The financial report has also been prepared on a historical cost basis.

##### (b) Compliance with IFRS

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

##### (c) New Accounting Standards and Interpretations

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011. Adoption of these standards did not have a material effect on the financial position or performance of the Group:

| Reference          | Title   |
|--------------------|---|
| AASB 124 (Revised) | The revised AASB 124 <i>Related Party Disclosures (December 2009)</i> .   |
| AASB 2009-12       | Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]  |
| AASB 2010-4        | Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]   |
| AASB 1054          | <p>Australian Additional Disclosures</p> <p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"><li>(a) Compliance with Australian Accounting Standards</li><li>(b) The statutory basis or reporting framework for financial statements</li><li>(c) Whether the entity is a for-profit or not-for-profit entity</li><li>(d) Whether the financial statements are general purpose or special purpose</li><li>(e) Audit fees</li><li>(f) Imputation credits</li></ul> |

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (c) New Accounting Standards for Application in Future Periods (cont.)

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2012. Adoption of these standards is not expected to have a material effect on the financial position or performance of the Group however the position will be further reviewed during the FY2012 – 2013:

| Reference | Title                             | Summary  | Application date of standard | Application date for Group |
|-----------|-----------------------------------|--|------------------------------|----------------------------|
| AASB 10   | Consolidated Financial Statements | <p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p>  | 1 January 2013               | 1 July 2013                |
| AASB 11   | Joint Arrangements                | <p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i>. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.</p> | 1 January 2013               | 1 July 2013                |

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (c) New Accounting Standards for Application in Future Periods (cont.)

The following standard has been issued by the AASB but is not yet effective for the period ending 30 June 2012. Adoption of this Standard is not expected to have a material effect on the financial position or performance of the Group but may result in additional disclosures in respect of joint venture. The position will be further reviewed during FY2012 – 2013.

| Reference | Title                                     | Summary  | Application date of standard | Application date for Group |
|-----------|---|--|------------------------------|----------------------------|
| AASB 12   | Disclosure of Interests in Other Entities | AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. | 1 January 2013               | 1 July 2013                |

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2012. Adoption of these Standards is not expected to have an impact on the Group however the position will be further reviewed during FY 2012 – 2013.

|                               |  |   |                |             |
|-------------------------------|--|---|----------------|-------------|
| AASB 2011-9                   | Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income | AASB 2011-9 amends AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049 as a consequence of the issuance of AASB 101 <i>Presentation of Items of Other Comprehensive Income</i> .   | 1 July 2013    | 1 July 2013 |
| AASB 13                       | Fair Value Measurement   | AASB 13 provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.   | 1 January 2013 | 1 July 2013 |
| AASB 119                      | Employee Benefits  | AASB 119 changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is not based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. | 1 January 2013 | 1 July 2013 |
| Annual Improvements 2009-2011 | Annual Improvements to IFRSs 2009-2011 cycle   | This Standard makes amendments to AASB 1, 101, 116, 132, 134 & Interpretation 2 as a result from 2009-2011 Annual Improvements Cycle.   | 1 January 2013 | 1 July 2013 |
| AASB 9                        | Financial Instruments  | AASB 9 replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of Phase 1 of the IASB's project to replace IAS 39  | 1 January 2013 | 1 July 2013 |

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Navarre Minerals Limited and its subsidiaries as at 30 June 2012 and the results of all the subsidiaries for the year then ended (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income, expenses and profit and losses from intra group transactions, have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

##### (e) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

###### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined using either a Black Scholes or binomial option pricing model, and using the assumptions detailed in Note 19.

###### *Exploration and evaluation costs*

Exploration and evaluation costs are accumulated separately for each area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 30 June 2012, apart from the tenement at Ballarat South that was written off during the year, exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of ore reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when ore reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

##### (f) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### (g) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which range from 3 to 5 years.

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (g) Plant and equipment (cont)

###### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period the item is derecognised.

##### (h) Exploration and evaluation costs

Exploration and evaluation expenditure is carried at cost. If indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Exploration and evaluation costs are accumulated separately for each current area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

###### *Impairment of exploration and evaluation costs*

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits/ (losses) and net assets will be varied in the period in which this determination is made.

###### *Farm-outs*

The Group will account for farm-out arrangements as follows:

- The Group will not record any expenditure made by the farminee on its behalf;
- The Group will not recognise a gain or loss on the farm-out arrangement but rather will redesignate any costs previously capitalised in relation to the whole interest as relating to the partial interest retained; and
- Any cash consideration to be received will be credited against costs previously capitalised in relation to the whole interest with any excess to be accounted for by the Group as gain on disposal.

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position.

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (i) Loans and receivables (cont.)

###### *Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

###### *Subsequent measurement*

Loans and receivables are carried at amortised cost using the effective interest method.

###### *Impairment*

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

##### (j) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use a specific asset or assets and the arrangement conveys a right to use the asset.

Leases under which the lessor retains substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

##### (k) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services.

##### (l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

###### ***Employee leave benefits***

###### *Wages, salaries, annual leave and sick leave*

Liabilities for wage and salaries, including non-monetary benefits and annual leave entitlements expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (l) Provisions

###### *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date in national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

##### (m) Share-based payment transactions

The Group provides benefits to employees and directors of the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of options is determined using either a Black Scholes or binomial option pricing model. The fair value of options with non-market performance criteria is determined by reference to the Company's share price at date of grant.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the recipient becomes fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors, based on the best available information at balance date, will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in determination of fair value at grant date. The charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

##### (n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Specific recognition criteria must also to be met:

##### *Interest income*

Revenue is recognised as the interest accrues using the effective interest method.

##### (p) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be used, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be applied.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right of set off exists to set off current tax assets against current liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of comprehensive income.



## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

##### (q) Goods and services tax

Revenues, expenses and assets are recognised net of GST, except receivables and payables which are stated with GST included. Where GST incurred on a purchase of goods or services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

##### (r) Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit/(loss) attributable to members divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

##### (s) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation and settlement of liabilities in the normal course of the business.

The Group incurred a loss of \$843,061 and had net cash outflows from operating and investing activities of \$397,775 and \$3,775,831, respectively, for the year ended 30 June 2012. Notwithstanding this, the Directors are satisfied that the Group will have sufficient cash resources to meet its working capital requirements in the future.

The Group will seek to raise further capital, if required, as and when necessary to meet its projected operations. The decision of how the Group will raise future capital will depend on market conditions existing at that time. It is the Group's plan that this capital will be raised by any one or a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the Group's intention to meet its obligations by either partial sale of the Group's interests or farm-out, the latter course of action being part of the Group's overall strategy.

Based on the above, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate.

##### (t) Parent entity financial information

The financial information for the parent entity, Navarre Minerals Limited, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### *Investments in subsidiaries*

Investments in subsidiaries are accounting for at cost less accumulated impairment losses in the financial statements of Navarre Minerals Limited.

#### NOTE 3: SEGMENT INFORMATION

The Group's reportable segment is confined to mineral exploration only.

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 4: NET ADMINISTRATION EXPENSES

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2012         | 2011        |
|   | \$           | \$          |
| <b>Net administration expenses</b>          |              |             |
| Consultants fees and expenses               | 117,931      | 23,328      |
| Directors remuneration (non-executive)      | 109,000      | 72,667      |
| Salaries and on-costs                       | 930,293      | 120,147     |
| Share based payments                        | 158,402      | 25,667      |
| Investor relations                          | 33,481       | 7,163       |
| Motor vehicle expenses                      | 27,641       | 5,002       |
| Audit costs                                 | 27,234       | 19,000      |
| Stock exchange registry and reporting costs | 44,004       | 24,186      |
| Travel costs                                | 31,916       | 16,693      |
| Depreciation and amortisation               | 40,715       | 4,384       |
| Other administration expenses               | 84,137       | 46,865      |
| Gross administration expenses               | 1,604,754    | 365,102     |
| Allocated to exploration licences           | (913,602)    | (130,078)   |
|   | <hr/>        | <hr/>       |
| Net administration expenses                 | 691,152      | 235,024     |
|   | <hr/> <hr/>  | <hr/> <hr/> |

#### NOTE 5: INCOME TAX

|   | Consolidated |           |
|---|--------------|-----------|
|   | 2012         | 2011      |
|   | \$           | \$        |
| <b>Statement of Comprehensive Income</b>  |              |           |
| <i>Current income tax</i>   |              |           |
| Current income tax credit   | 1,280,869    | 497,302   |
| Tax losses not recognised as not probable   | (243,601)    | (238,780) |
|   | <hr/>        | <hr/>     |
|   | 1,037,268    | 258,522   |
| <i>Deferred income tax</i>  |              |           |
| Relating to origination and reversal of temporary differences                     | (1,037,268)  | (258,522) |
|   | <hr/>        | <hr/>     |
|   | (1,037,268)  | (258,522) |
| Income tax expense reported in the consolidated statement of comprehensive income | <hr/>        | <hr/>     |
|   | -            | -         |

|   | Consolidated |             |
|---|--------------|-------------|
|   | 2012         | 2011        |
|   | \$           | \$          |
| <b>Tax Reconciliation</b>   |              |             |
| A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows: |              |             |
| Accounting loss before tax  | (843,061)    | (945,122)   |
| At the statutory 30% tax rate (2011: 30%)   | 252,918      | 283,537     |
| Share based payment expense   | (47,520)     | (7,700)     |
| Non-deductible expenses   | (1,369)      | -           |
| Tax losses not brought to account   | (204,029)    | (275,837)   |
|   | <hr/>        | <hr/>       |
| Income tax expense reported in the consolidated statement of comprehensive income   | -            | -           |
|   | <hr/> <hr/>  | <hr/> <hr/> |

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 5: INCOME TAX (cont.)

| Deferred Income Tax  | Statement of Financial |                  | Income Statement |           |
|--|------------------------|------------------|------------------|-----------|
|  | Position               |                  | 2012             | 2011      |
|  | 2012                   | 2011             | 2012             | 2011      |
|  | \$                     | \$               | \$               | \$        |
| Deferred income tax at 30 June relates to the following:           |                        |                  |                  |           |
| CONSOLIDATED   |                        |                  |                  |           |
| <i>Deferred tax liabilities</i>                                    |                        |                  |                  |           |
| Interest receivable  | (1,752)                | (45,619)         | 43,867           | (45,619)  |
| Exploration and evaluation costs                                   | (1,360,717)            | (324,731)        | (1,035,986)      | (215,359) |
| Gross deferred income tax liabilities                              | <u>(1,362,469)</u>     | <u>(370,350)</u> |                  |           |
| <i>Deferred tax assets</i>   |                        |                  |                  |           |
| Accruals   | 8,060                  | -                | 8,060            | -         |
| Provisions   | 6,621                  | 2,336            | 4,285            | 2,336     |
| Share issue costs  | 68,293                 | 129,567          |                  |           |
| Temporary differences not recognised as not probable               | (68,293)               | (129,567)        |                  |           |
| Tax losses brought to account to offset net deferred tax liability | <u>1,347,788</u>       | <u>368,014</u>   | 979,774          | 258,642   |
| Gross deferred income tax assets                                   | <u>1,362,469</u>       | <u>370,350</u>   |                  |           |
| Net Deferred Tax Asset   | -                      | -                |                  |           |
| Deferred tax expense   |                        |                  | <u>-</u>         | <u>-</u>  |

#### Tax consolidation

##### (i) Members of the tax consolidated group

Navarre Minerals Limited and its 100% owned Australian resident subsidiary formed a tax consolidated group with effect from 2 May 2012. Navarre Minerals Limited is the head entity of the tax consolidated group.

##### (ii) Tax effect accounting by members of the tax consolidated group

#### *Measurement method adopted under UIG 1052 Tax Consolidated Accounting*

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

#### Tax losses

At balance date, the Group has estimated unused gross tax losses of \$6,359,000 (2011: \$2,070,000) that are available to offset against future taxable profits subject to continuing to meet relevant statutory tests. To the extent that it does not offset a net deferred tax liability, a deferred tax asset has not been recognised in the accounts for these unused losses because it is not probable that future taxable profit will be available to use against such losses.

## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 6: EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

For the year ended 30 June 2012 and for the comparative period, there are no dilutive potential ordinary shares as conversion of share options and performance rights would decrease the loss per share and hence are non-dilutive.

The following data was used in the calculations of basic and diluted loss per share:

|  | Consolidated      |                   |
|--|-------------------|-------------------|
|  | 2012              | 2011              |
|  | \$                | \$                |
| Net loss   | (843,061)         | (945,122)         |
|  | Shares            | Shares            |
| Weighted average number of ordinary shares used in calculation of basic and diluted loss per share | <u>53,655,913</u> | <u>19,248,699</u> |

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these consolidated financial statements.

#### NOTE 7: CASH AND CASH EQUIVALENTS

|                          | Consolidated     |                  |
|--------------------------|------------------|------------------|
|                          | 2012             | 2011             |
|                          | \$               | \$               |
| Cash at bank and in hand | 60,800           | 81,397           |
| Short term deposits      | <u>1,444,334</u> | <u>2,619,606</u> |
|                          | <u>1,505,134</u> | <u>2,701,003</u> |

Cash at bank earns interest at floating rates based on daily bank rates.

Short term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

#### NOTE 8: TRADE AND OTHER RECEIVABLES

|                               | Consolidated   |                |
|-------------------------------|----------------|----------------|
|                               | 2012           | 2011           |
|                               | \$             | \$             |
| Goods and services tax refund | 181,848        | 139,242        |
| Interest receivable           | 5,838          | 12,822         |
| Other                         | <u>18,059</u>  | <u>-</u>       |
|                               | <u>205,745</u> | <u>152,064</u> |

At balance date, there are no trade receivables that are past due but not impaired. Due to the short term nature of these receivables, their carrying value approximates fair value. Trade receivables are non-interest bearing and are generally on 30-90 day terms. Details regarding the credit risk of current receivables are disclosed in Note 16.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 9: PROPERTY, PLANT AND EQUIPMENT

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2012           | 2011           |
|  | \$             | \$             |
| At cost                                  | 203,735        | 106,423        |
| Accumulated depreciation                 | (43,367)       | (4,171)        |
|  | <u>160,368</u> | <u>102,252</u> |
| <i>Movement in Plant and Equipment</i>   |                |                |
| Net carrying amount at beginning of year | 102,252        | -              |
| Additions                                | 97,312         | 106,423        |
| Depreciation                             | (39,196)       | (4,171)        |
|  | <u>160,368</u> | <u>102,252</u> |

The useful life of the plant and equipment is estimated for 2012 as 3 to 5 years.

#### NOTE 10: LEASEHOLD IMPROVEMENTS

|   | Consolidated |              |
|---|--------------|--------------|
|   | 2012         | 2011         |
|   | \$           | \$           |
| At cost                                   | 7,602        | 7,329        |
| Accumulated depreciation                  | (1,733)      | (214)        |
|   | <u>5,869</u> | <u>7,115</u> |
| <i>Movement in Leasehold Improvements</i> |              |              |
| Net carrying amount at beginning of year  | 7,115        | -            |
| Additions                                 | 273          | 7,329        |
| Depreciation                              | (1,519)      | (214)        |
|   | <u>5,869</u> | <u>7,115</u> |

The useful life of the Leasehold Improvements is estimated as 5 years.

#### NOTE 11: EXPLORATION AND EVALUATION COSTS

|   | Consolidated     |                  |
|---|------------------|------------------|
|   | 2012             | 2011             |
|   | \$               | \$               |
| Balance at beginning of year            | 1,082,435        | 364,573          |
| Expenditure for the year                | 3,795,946        | 1,487,380        |
| Expenditure written-off during the year | (342,657)        | (769,518)        |
|   | <u>4,535,724</u> | <u>1,082,435</u> |

Capitalised exploration and evaluation costs at 30 June 2012 are \$4,535,724 (2011: \$1,082,435) which relate to Bendigo North (\$3,875,231), Black Range (\$297,497) and Kingston (\$362,996).

#### NOTE 12: TRADE AND OTHER PAYABLES

|                 | Consolidated   |                |
|-----------------|----------------|----------------|
|                 | 2012           | 2011           |
|                 | \$             | \$             |
| Trade Creditors | <u>260,274</u> | <u>204,484</u> |

Trade payables are non-interest bearing and are normally settled on 30 day terms.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 13: PROVISIONS

|                          | Consolidated |       |
|--------------------------|--------------|-------|
|                          | 2012         | 2011  |
|                          | \$           | \$    |
| CURRENT                  |              |       |
| Annual leave entitlement | 22,071       | 7,786 |

#### NOTE 14: CONTRIBUTED EQUITY AND RESERVES

|   | Consolidated      |                  |                   |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | 2012              | 2012             | 2011              | 2011             |
|   | Shares            | \$               | Shares            | \$               |
| ISSUED AND PAID UP CAPITAL                                    |                   |                  |                   |                  |
| Ordinary shares   | 55,829,603        | 7,782,800        | 41,872,222        | 4,800,245        |
|   | <u>55,829,603</u> | <u>7,782,800</u> | <u>41,872,222</u> | <u>4,800,245</u> |
| <b>Movements in Ordinary Shares</b>                           |                   |                  |                   |                  |
| Balance at beginning of year                                  | 41,872,222        | 4,800,245        | 17,725,000        | 710,090          |
| <i>Share Issues:</i>  |                   |                  |                   |                  |
| Seed capital raising at \$0.10                                | -                 | -                | 2,000,000         | 200,000          |
| Shares to Managing Director in lieu of salary                 | -                 | -                | 450,000           | 45               |
| Shares issued to Leviathan on transfer of exploration permits | -                 | -                | 4,187,222         | 820,000          |
| Initial Public Offering at \$0.20                             | -                 | -                | 17,510,000        | 3,502,000        |
| Entitlement offer at \$0.23                                   | 13,957,381        | 3,210,198        | -                 | -                |
| Transaction costs   | -                 | (227,643)        | -                 | (431,890)        |
|   | <u>55,829,603</u> | <u>7,782,800</u> | <u>41,872,222</u> | <u>4,800,245</u> |

#### (a) Terms and Condition of Ordinary Shares

Ordinary shares entitle their holder to receive dividends as declared. In the event of winding up the Company, ordinary shares entitle their holder to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up or which should have been paid up on shares held. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a meeting of the Company. Ordinary shares issued during the year and since the end of the year, from date of issue rank equally with the ordinary shares on issue.

#### (b) Share Options

At 30 June 2012 2,600,000 options over unissued shares granted to Non-Executive directors, executives and consultants were outstanding. The options are granted pursuant to the Navarre Minerals Limited Option Plan, details of which are set out in Note 19.

#### (c) Capital Management

Capital is defined as equity. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits of other stakeholders. All methods of returning funds to shareholders outside of dividend payments or raising funds are considered within the context of the Group's objectives.

The Group will seek to raise further capital, if required, as and when necessary to meet its projected operations. The decision of how the Group will raise future capital will depend on market conditions existing at that time. It is the Group's plan that this capital will be raised by any one or a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the Group's intention to meet its obligations by either partial sale of the Group's interests or farm-out, the latter course of action being part of the Group's overall strategy.

The Group is not subject to any externally imposed capital requirements.

## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 14: CONTRIBUTED EQUITY AND RESERVES (cont.)

##### OTHER RESERVES

##### Share Based Payments Reserve

The share based payments reserve records the value of benefits provided as equity instruments to directors, employees and consultants under share-based payment plans (Note 19).

|   | Consolidated |        |
|---|--------------|--------|
|   | 2012         | 2011   |
|   | \$           | \$     |
| Balance at beginning of year  | 25,667       | -      |
| Cost of share based payments  | 158,402      | 25,667 |
| Cost of unvested expired equity instruments transferred to accumulated losses | (4,133)      | -      |
|   | <hr/>        | <hr/>  |
| Balance at end of year  | 179,936      | 25,667 |

##### ACCUMULATED LOSSES

|   | Consolidated |           |
|---|--------------|-----------|
|   | 2012         | 2011      |
|   | \$           | \$        |
| Balance at beginning of year                | (993,313)    | (48,191)  |
| Net loss for the year                       | (843,061)    | (945,122) |
| Cost of equity instruments expired unvested | 4,133        | -         |
|   | <hr/>        | <hr/>     |
| Balance at end of year                      | (1,833,241)  | (993,313) |

#### NOTE 15: STATEMENT OF CASH FLOWS RECONCILIATION

##### Reconciliation of net loss after tax to net cash flows used in operating activities

|   | Consolidated |           |
|---|--------------|-----------|
|   | 2012         | 2011      |
|   | \$           | \$        |
| Net loss  | (843,061)    | (945,122) |
| <i>Adjustments for:</i>   |              |           |
| Exploration expenditure written-off                                       | 342,657      | 769,518   |
| Depreciation and amortisation (net of allocation to exploration licences) | 3,723        | 304       |
| Share based payments (net of allocation to exploration licences)          | 111,080      | 25,667    |
| Deferred income tax expense   | -            | -         |
| <i>Changes in assets and liabilities</i>                                  |              |           |
| (Increase)/decrease in trade and other receivables                        | (52,747)     | (105,979) |
| (Decrease)/increase in trade and other payables                           | 32,968       | 111,919   |
| Increase in provisions (net of allocation to exploration licences)        | 7,605        | 2,072     |
|   | <hr/>        | <hr/>     |
| Net cash flows (used in) operating activities                             | (397,775)    | (141,621) |

## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits, the main purpose of which is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The Board of Directors has reviewed each of those risks and has determined that they are not significant in terms of the Group's current activities.

##### *Credit risk*

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the results being that the Group's exposure to bad debts is not significant.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. Exposure at balance date is the carrying value as disclosed in each applicable note.

##### *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate:

|                           | <b>Consolidated</b> |             |
|---------------------------|---------------------|-------------|
|                           | <b>2012</b>         | <b>2011</b> |
|                           | <b>\$</b>           | <b>\$</b>   |
| Cash and cash equivalents | 1,505,134           | 2,701,003   |

Short term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Taking into account past performances, future expectations economic forecasts, and management's knowledge and experience of the financial markets, the Group believes that +/- 1.0% from the year-end rates of 4.25% represents the 'reasonably possible' movement interest rates over the next 12 months. The following is the impact of this on the profit or loss with all other variables including foreign exchange rates held constant:

|  | <b>Consolidated Net Profit</b> |             |
|--|--------------------------------|-------------|
|  | <b>2012</b>                    | <b>2011</b> |
|  |                                | <b>\$</b>   |
| +1.0% (100 basis points) increase in interest rates with all other variables held constant | 15,100                         | 27,000      |
| -1.0% (100 basis points) decrease in interest rates with all other variables held constant | (15,100)                       | (27,000)    |

There is no impact on equity other than the above net profit sensitivities on retained earnings/accumulated losses.

##### *Liquidity Risk*

The Group's exposure to financial obligations relating to corporate administration and projects expenditure, are subject to budgeting and reporting controls, to ensure that such obligations do not exceed cash held and known cash inflows for a period of at least 1 year.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built in an appropriate liquidity risk framework for the management of the Group's short, medium and longer term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate equity funding through the monitoring of future cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.



## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

The Group has limited financial resources and will need to raise additional capital from time to time as such fund raisings will be subject to factors beyond the control of the Group and its directors. When Navarre requires further funding for its programs, then it is the Group's intention that the additional funds will be raised by any one or a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the Group's intention to meet its obligations by either partial sale of the Group's interests or farm-out, the latter course of action being part of the Group's overall strategy.

##### *Maturity Analysis*

At balance date, the Group holds \$260,275 of financial liabilities consisting of trade and other payables. All financial liabilities have a contractual maturity of 30 days.

##### *Fair Values*

The aggregate net fair values of the financial assets and liabilities are the same as the carrying values in the consolidated statement of financial position.

#### NOTE 17: COMMITMENTS AND CONTINGENCIES

##### (a) Commitments

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | \$            | \$            |
| <b>Operating Lease</b>  |               |               |
| Future minimum rentals payable under operating lease for office premises at balance date: |               |               |
| Payable not later than one year   | 10,755        | 14,340        |
| Payable later than one year but not later than five years                                 | -             | 10,755        |
|   | <u>10,755</u> | <u>25,095</u> |
|   | 2012          | 2011          |
|   | \$            | \$            |

##### Exploration Commitments – Exploration Permits

Estimated cost of minimum work requirements contracted for under exploration permit is estimated at balance date

|   |                  |                  |
|---|------------------|------------------|
| Payable not later than one year                           | 659,637          | 482,150          |
| Payable later than one year but not later than five years | 1,812,400        | 1,125,300        |
|   | <u>2,472,037</u> | <u>1,607,450</u> |

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements. These obligations are expected to be fulfilled in the normal course of operations. Exploration interests may be relinquished or joint ventured to reduce this amount. The Victorian State Government has the authority to defer, waive or amend the minimum expenditure requirements.

##### (b) Contingent Liabilities

In June 2008, Navarre Minerals signed a Tenement Sale Agreement with Leviathan Resources, which is currently owned by Crocodile Gold, to acquire exploration licence EL 4897. Under the terms of the Agreement, Leviathan has a "once-off" right but not the obligation to earn a 60% interest in EL 4897 in the event that Navarre announces a Resource of not less than 500,000 ounces of gold and not less than one-half of which is an Indicated Mineral Resource or higher category. If the Earn In Right is exercised, Leviathan shall have the right to earn a 60% interest by sole funding all further exploration and development of EL4897 until Leviathan has spent not less than three times the total expenditure incurred by Navarre in EL 4897 and completed a Bankable Feasibility Study.

## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 18: KEY MANAGEMENT PERSONNEL

##### *Directors*

K Wilson  
G McDermott  
J Dorward  
C H Naylor

##### *Executives*

S Harper Chief Geologist (resigned 06 July 2012)  
J Nosworthy Company Secretary (appointed 16 January 2012)

##### *Consultants holding key management positions*

T Shard Company Secretary (resigned 16 January 2012)

After the reporting date, Mr W Edgar was appointed as Exploration Manager, with effect from 13 August 2012.

There were no other changes to the directors and executive after the reporting date and before the date the financial report was authorised for issue.

##### **Compensation of key management personnel by category:**

|                              | <b>Consolidated</b> |                |
|------------------------------|---------------------|----------------|
|                              | <b>2012</b>         | <b>2011</b>    |
|                              | \$                  | \$             |
| Short term employee benefits | 610,698             | 140,992        |
| Post-employment benefits     | 59,640              | 53,325         |
| Share-based payments         | 153,095             | 24,916         |
|                              | <u>823,433</u>      | <u>219,233</u> |

Details of compensation of individual key management personnel are set out in the Remuneration Report.

During the year fees for consulting services were paid by the Group to entities controlled by directors as follows:

| <b>Director</b> | <b>Consulting<br/>Fees Paid</b> | <b>Outstanding<br/>at Balance<br/>Date</b> |
|-----------------|---------------------------------|--|
|                 | <b>2012</b>                     | <b>2012</b>                                |
|                 | \$                              | \$   |
| J Dorward       | <u>50,000</u>                   | <u>10,000</u>                              |

## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 18: KEY MANAGEMENT PERSONNEL

##### Movement in shares

The movement during the reporting period in the number of ordinary shares in Navarre Minerals Limited held directly, indirectly or beneficially, by key management personnel, including their related parties, is as follows:

|   | Held at 1 |           | Received on |       | Held at 30 |
|---|-----------|-----------|-------------|-------|------------|
| 30 June 2012  | July 2011 | Purchases | Exercise of | Sales | June 2012  |
| Options   |           |           |             |       |            |
| <b>Shares held in Navarre Minerals Limited (number)</b> |           |           |             |       |            |
| <i>Directors</i>  |           |           |             |       |            |
| K Wilson  | 3,715,000 | 652,174   | -           | -     | 4,367,174  |
| G McDermott   | 3,850,000 | 752,307   | -           | -     | 4,602,307  |
| J Dorward   | 3,025,000 | 225,000   | -           | -     | 3,250,000  |
| C H Naylor  | 1,222,500 | 407,500   | -           | -     | 1,630,000  |
| <i>Executives</i>                                       |           |           |             |       |            |
| S Harper  | -         | -         | -           | -     | -          |
| T Shard   | 915,000   | 305,000   | -           | -     | 1,220,000  |
| J Nosworthy   | 100,000   | -         | -           | -     | 100,000    |

|   | Held at 1 |                        | Received on |       | Held at 30 |
|---|-----------|------------------------|-------------|-------|------------|
| 30 June 2011  | July 2010 | Purchases              | Exercise of | Sales | June 2011  |
| Options   |           |                        |             |       |            |
| <b>Shares held in Navarre Minerals Limited (number)</b> |           |                        |             |       |            |
| <i>Directors</i>  |           |                        |             |       |            |
| K Wilson  | 2,600,000 | 1,115,000 <sup>1</sup> | -           | -     | 3,715,000  |
| G McDermott   | 2,700,000 | 1,150,000 <sup>1</sup> | -           | -     | 3,850,000  |
| J Dorward   | 1,900,000 | 1,125,000 <sup>1</sup> | -           | -     | 3,025,000  |
| C H Naylor  | 1,000,000 | 222,500 <sup>1</sup>   | -           | -     | 1,222,500  |
| <i>Executives</i>                                       |           |                        |             |       |            |
| S Harper  | -         | -                      | -           | -     | -          |
| T Shard   | 800,000   | 115,000 <sup>1</sup>   | -           | -     | 915,000    |

<sup>1</sup> Includes conversion of 600 Class A shares into 15,000 fully paid ordinary shares.

## Navarre Minerals Limited

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 18: KEY MANAGEMENT PERSONNEL (cont.)

##### Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Navarre Minerals Limited held, directly, indirectly and beneficially by key management personnel, including their related parties is as follows:

|  | Held at 1 July<br>2011 | Granted as<br>Remuneration | Options<br>Exercised | Options<br>Lapsed | Held at 30<br>June 2012 | Vested in<br>2012 | Vested and<br>exercisable<br>at 30 June<br>2012 |
|--|------------------------|----------------------------|----------------------|-------------------|-------------------------|-------------------|---|
| <b>Options held in Navarre Minerals Limited (number)</b> |                        |                            |                      |                   |                         |                   |   |
| <i>Directors</i>   |                        |                            |                      |                   |                         |                   |   |
| K Wilson   | -                      | 250,000                    | -                    | -                 | 250,000                 | 125,000           | 125,000   |
| G McDermott  | 1,500,000              | -                          | -                    | -                 | 1,500,000               | 500,000           | 500,000   |
| J Dorward  | -                      | 200,000                    | -                    | -                 | 200,000                 | 100,000           | 100,000   |
| C H Naylor   | -                      | 200,000                    | -                    | -                 | 200,000                 | 100,000           | 100,000   |
| <i>Executives</i>  |                        |                            |                      |                   |                         |                   |   |
| S Harper   | 200,000                | 100,000                    | -                    | -                 | 300,000                 | 66,667            | 66,667  |
| J Nosworthy  | -                      | 100,000                    | -                    | -                 | 100,000                 | -                 | -   |

|  | Held at 1 July<br>2010 | Granted as<br>Remuneration | Options<br>Exercised | Options<br>Lapsed | Held at 30<br>June 2011 | Vested in<br>2011 | Vested and<br>exercisable<br>at 30 June<br>2011 |
|--|------------------------|----------------------------|----------------------|-------------------|-------------------------|-------------------|---|
| <b>Options held in Navarre Minerals Limited (number)</b> |                        |                            |                      |                   |                         |                   |   |
| <i>Directors</i>   |                        |                            |                      |                   |                         |                   |   |
| G McDermott  | -                      | 1,500,000                  | -                    | -                 | 1,500,000               | -                 | -   |
| <i>Executives</i>  |                        |                            |                      |                   |                         |                   |   |
| S Harper   | -                      | 200,000                    | -                    | -                 | 200,000                 | -                 | -   |

#### NOTE 19: SHARE BASED PAYMENT PLANS

##### Navarre Minerals Limited Option Plan

Share options are granted to senior executives and non-executive directors. There were 900,000 options granted during the financial year (2011: 1,770,000 options).

##### Movements in share options on issue during the year:

|  | 2012<br>Options  | 2011<br>Options  |
|--|------------------|------------------|
| Outstanding at the beginning of the year | 1,770,000        | -                |
| Granted during the year                  | 900,000          | 1,770,000        |
| Lapsed during the year                   | (70,000)         | -                |
| Exercised during the year                | -                | -                |
|  | <u>2,600,000</u> | <u>1,770,000</u> |

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 19: SHARE BASED PAYMENT PLANS (cont.)

On 25 November 2011, 650,000 share options were granted to the non-executive directors exercisable at a price of 25 cents per option on or before 31 December 2014. The options vest 50% on 31 December 2011 and 50% on 31 December 2012.

The fair value of the options at date of grant was estimated to be 13.87 cents. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

|                         |       |                          |         |
|-------------------------|-------|--------------------------|---------|
| Expected volatility     | 81%   | Contractual life (years) | 3 years |
| Risk-free interest rate | 5.08% | Dividend yield           | 0%      |

The total amount expensed in the year relating to these share options was \$69,372.

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

On 19 March 2012, 250,000 share options were granted to senior employees of the Company exercisable at a price of 30 cents per option on or before 31 December 2016. The options vest in three tranches, one third on 1 January 2013, one third on 1 January 2014 and one third on 1 January 2015.

The fair value of the options at date of grant is estimated to be 17.54 cents for the first tranche, 18.67 cents for the second tranche and 19.63 cents for the third tranche. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

|                         |       |                  |         |
|-------------------------|-------|------------------|---------|
| Expected volatility     | 120%  | Contractual life | 5 years |
| Risk-free interest rate | 3.79% | Dividend yield   | 0%      |

The total amount expensed in the year relating to these share options was \$9,627.

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

#### NOTE 20: AUDITOR'S REMUNERATION

|  | Consolidated  |               |
|--|---------------|---------------|
|  | 2012          | 2011          |
|  | \$            | \$            |
| Amounts received or due and receivable by the auditor for: |               |               |
| Audit or review of the financial reports:                  |               |               |
| AFS & Associates   | 2,234         | 19,000        |
| RSM Bird Cameron Partners                                  | 25,000        | -             |
| Non-audit services   | -             | 5,980         |
|  | <u>27,234</u> | <u>24,980</u> |

## Navarre Minerals Limited

ABN 66 125 140 105

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 21: RELATED PARTY DISCLOSURES

##### Subsidiaries

The consolidated financial statements include the financial statements of Navarre Minerals Limited and the following subsidiary:

|                              | Country of<br>Incorporation | Entity Interest |      |
|------------------------------|-----------------------------|-----------------|------|
|                              |                             | 2012            | 2011 |
|                              |                             | %               | %    |
| Black Range Metals Pty Ltd * | Australia                   | 100             | -    |

\* Black Range Metals Pty Ltd was incorporated in May 2012

#### NOTE 22: PARENT ENTITY INFORMATION

|   | 2012             | 2011             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Information relating to Navarre Minerals Limited</b>   |                  |                  |
| Current assets  | 1,710,878        | 2,853,067        |
| <b>Total assets</b>   | <b>6,412,840</b> | <b>4,044,869</b> |
| Current liabilities   | 282,345          | 212,270          |
| <b>Total liabilities</b>  | <b>282,345</b>   | <b>212,270</b>   |
| Issued capital  | 7,782,800        | 4,800,245        |
| Share based payment reserve   | 179,936          | 25,667           |
| Accumulated losses  | (1,832,241)      | (993,313)        |
| <b>Total shareholders' equity</b>   | <b>6,130,495</b> | <b>3,832,599</b> |
| (Loss) of the parent entity   | (843,061)        | (945,122)        |
| Total comprehensive (loss) of the parent entity   | (843,061)        | (945,122)        |
| Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries        | n/a              | n/a              |
| Details of any contingent liabilities of the parent entity  | n/a              | n/a              |
| Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment | n/a              | n/a              |

#### NOTE 23: EVENTS SUBSEQUENT TO BALANCE DATE

Significant changes in the affairs of the Group after the balance date are as follows:

- (a) On 6 July 2012 233,333 unlisted Navarre options lapsed as a result of an employee ceasing employment with the Company.
- (b) On 16 July 2012, the Company announced the appointment of Mr Wessley Edgar as Exploration Manager, effective 13 August 2012. Mr Edgar's appointment coincides with the departure of the Chief Geologist who ceased employment with the Company on 6 July.

## Navarre Minerals Limited

ABN 66 125 140 105

### DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Navarre Minerals Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of Navarre Minerals Limited for the financial year ending 30 June 2012 are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2012.
  - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).
- (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

**On behalf of the Board**



**G McDermott**  
**Managing Director**  
**Melbourne, 4 September 2012**

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**NAVARRE MINERALS LIMITED**

We have audited the accompanying financial report of Navarre Minerals Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Navarre Minerals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of Navarre Minerals Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

We have audited the Remuneration Report included at point 13 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Navarre Minerals Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

  
**RSM BIRD CAMERON PARTNERS**

  
**JS CROALL**  
Partner

Dated: 4 September 2012  
Melbourne, Victoria

## Navarre Minerals Limited

ABN 66 125 140 105

### ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 24 September 2012.

#### 1. Distribution of Shareholders

(i) Analysis of number of shareholders by size of holding:

| Ranges           | Holders    | Total Units       | % IC          |
|------------------|------------|-------------------|---------------|
| 1 – 1000         | 16         | 4,446             | 0.01          |
| 1,001 – 5,000    | 103        | 339,926           | 0.78          |
| 5,001 – 10,000   | 173        | 1,401,183         | 3.23          |
| 10,001 – 100,000 | 366        | 11,591,173        | 26.68         |
| >100,001         | 75         | 42,492,875        | 69.30         |
| <b>Totals</b>    | <b>733</b> | <b>55,829,603</b> | <b>100.00</b> |

(ii) There were 70 shareholders with less than a marketable parcel of ordinary shares.

#### 2. 20 Largest Shareholders

The names of the 20 largest shareholders are set out in the table below. The table includes escrowed shares and shares quoted on the ASX.

| Shareholder  | Escrow 24 months  | Ordinary shares   | Total             | % Issued capital |
|--|-------------------|-------------------|-------------------|------------------|
| New Chum Holdings Pty Ltd  | 2,853,500         | 1,657,142         | 4,510,642         | 8%               |
| Mr Kevin John Wilson   | 2,103,500         | 2,263,674         | 4,367,174         | 8%               |
| Leviathan Resources Pty Ltd  | 4,187,222         | 0                 | 4,187,222         | 7%               |
| Kautag Pty Ltd   | 1,578,500         | 661,500           | 2,245,000         | 4%               |
| Lujeta Pty Ltd   | 0                 | 2,000,000         | 2,000,000         | 4%               |
| Mr John Darroch, Mrs Gloria Darroch, Mr Richard Darroch & Ms Helen Darroch | 0                 | 1,893,333         | 1,893,333         | 3%               |
| Mr Colin Henry Naylor & Mrs Anne Naylor                                    | 903,500           | 726,500           | 1,630,000         | 3%               |
| Dalregal Pty Ltd   | 0                 | 1,560,722         | 1,560,722         | 3%               |
| Mr Trevor James Shard & Ms Lidia Lee Merzel                                | 753,500           | 466,500           | 1,220,000         | 2%               |
| Mad Fish Management Pty Ltd  | 0                 | 1,130,000         | 1,130,000         | 2%               |
| Ms Katherine Griffin   | 0                 | 1,010,000         | 1,010,000         | 2%               |
| Northgate Australian Ventures Corporation Pty Ltd                          | 0                 | 1,000,000         | 1,000,000         | 2%               |
| Zen Asset Management Pty Ltd   | 0                 | 990,000           | 990,000           | 2%               |
| Yavern Creek Holdings Pty Ltd  | 0                 | 933,333           | 933,333           | 2%               |
| Calama Holdings Pty Ltd  | 0                 | 900,000           | 900,000           | 2%               |
| Karrina Mitchell   | 0                 | 900,000           | 900,000           | 2%               |
| Mr Wayne Daryl King & Mr Craig Alan King                                   | 0                 | 834,000           | 834,000           | 1%               |
| Yelwac Pty Ltd   | 0                 | 563,683           | 563,683           | 1%               |
| Kevin Philip Wilkie & Kerry Wilkie   | 0                 | 544,000           | 544,000           | 1%               |
| Mr Alnis Ernst Vedig & Mrs Rasma Vedig                                     | 0                 | 500,000           | 500,000           | 1%               |
|  | <b>12,379,722</b> | <b>20,534,387</b> | <b>32,919,109</b> | <b>59%</b>       |

#### 3. Substantial Shareholders

The substantial holders were as follows:

| Shareholder   | No of shares | %   |
|---|--------------|-----|
| Leviathan Resources Pty Ltd (including Northgate Australian Ventures Corporation Pty Ltd) | 5,187,222    | 9.3 |
| Mr Geoffrey McDermott (including New Chum Holdings Pty Ltd and others)                    | 4,610,507    | 8.3 |
| Mr Kevin John Wilson  | 4,367,174    | 7.8 |
| Mr John Dorward (including Kautag Pty Ltd and Ms Katherine Griffin)                       | 3,255,000    | 5.8 |

## Navarre Minerals Limited

ABN 66 125 140 105

### ADDITIONAL SHAREHOLDER INFORMATION

#### 4. Voting Rights

At a general meeting of shareholders:

- (i) On a show of hands, each person who is a member or sole proxy has one vote.
- (ii) On a poll, each shareholder is entitled to one vote for each fully paid share.

#### TENEMENT INFORMATION (as at 24 September 2012)

| Project                     | Tenement Details | Group Interest |
|-----------------------------|------------------|----------------|
| <b>Bendigo North</b>        |                  |                |
| Tandarra                    | EL4897           | 100%           |
| Tandarra East               | EL5364           | 100%           |
| <b>Castlemaine Gold JV</b>  |                  |                |
| Raydarra <sup>1</sup>       | EL5266           | 0%             |
| Sebastian 1 <sup>1</sup>    | EL3105           | 0%             |
| Sebastian 2 <sup>1</sup>    | EL4536           | 0%             |
| Sebastian 3 <sup>1</sup>    | EL4974           | 0%             |
| Sebastian 4 <sup>1</sup>    | EL5335           | 0%             |
| <b>Landsborough Fault</b>   |                  |                |
| Kingston                    | EL5280           | 100%           |
| Glendhu                     | EL5380           | 100%           |
| Ballarat South              | EL4996           | 100%           |
| <b>Delamerian Fold Belt</b> |                  |                |
| Black Range                 | EL4590           | 100%           |
| Mitre                       | EL4973           | 100%           |
| Mooralla                    | EL5164           | 100%           |

Notes <sup>1</sup>Navarre may earn up to a 75% interest in these projects.