



Navarre Minerals Limited (ASX:NML)

Speculative Buy

The New Victorian 'undercover' Gold Rush

Current Price \$0.23

Analyst:

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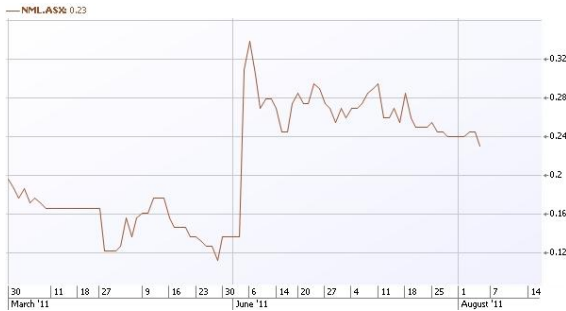
Capital Summary

Ordinary shares (post issue)	55.8m
Options	1.8m
Market Capitalisation (diluted)	\$13.2m
52 week low	\$0.115
52 week high	\$0.395
Share Price (5/08/11)	\$0.23
Cash (post issue)	\$5.6m

Directors & Management

Kevin Wilson	Chairman
Geoff McDermott	Managing Director
John Dorward	Non-Executive Director
Colin Naylor	Non-Executive Director
Trevor Shard	Company Secretary
Steve Harper	Chief Geologist

Share Price Graph (A\$)



Major Shareholders

Leviathan Resources Pty Ltd	4.2m	10.0%
Geoff McDermott	3.8m	9.0%
Kevin John Wilson	3.7m	8.9%
John Dorward	2.0m	4.8%
Colin Naylor	1.2m	2.9%

See: www.navarre.com.au

Our View

Navarre's flagship Bendigo North Gold Project (Tandarra) has early indications of a new major discovery in Victorian gold. It is located 40km north of Bendigo, along the same mineralised zone.

We believe this project is unique from other Victorian gold stories due to –

- **Reasons for this gold find only being discovered recently are due to the Murray Basin sediments that overlie the quartz-gold reefs. The sediment cover ranges between 20 – 110m thick**
- **Tandarra is a 'new' discovery, in that it is not an extension to previous historical mined resources**
- **Navarre is drilling for an open pit resource**

Some other key points on the Tandarra Prospect include -

- **In May the Company completed a 21 hole, 1,600m air-core drilling program, with best results including 10m at 34.4g/t Au from 37m below surface**
- **The recent ground-based geophysical survey at Tandarra West has produced 3 drilling targets along 3 different lines (anticlines)**
- **Historically the Bendigo goldfield produced 22 million ounces of gold. With most of the gold being extracted from the first 200m**
- **We see good reason why Navarre could be on the path to finding another Bendigo, Ballarat or Castlemaine goldfield equivalent. Ballarat and Castlemaine produced 12 million and 6 million ounces respectively**
- **Navarre recently launched a \$3.2m fully underwritten entitlement offer, at 23c, to fund an aggressive exploration program starting September this year**
- **The upcoming program will include 50,000m of RC drilling and 110 line kms of geophysical surveys. There is also 2,000m of additional air-core drilling to commence in August to confirm some recently discovered geophysical targets**
- **We see positive news flow throughout the course of the upcoming drilling campaign**

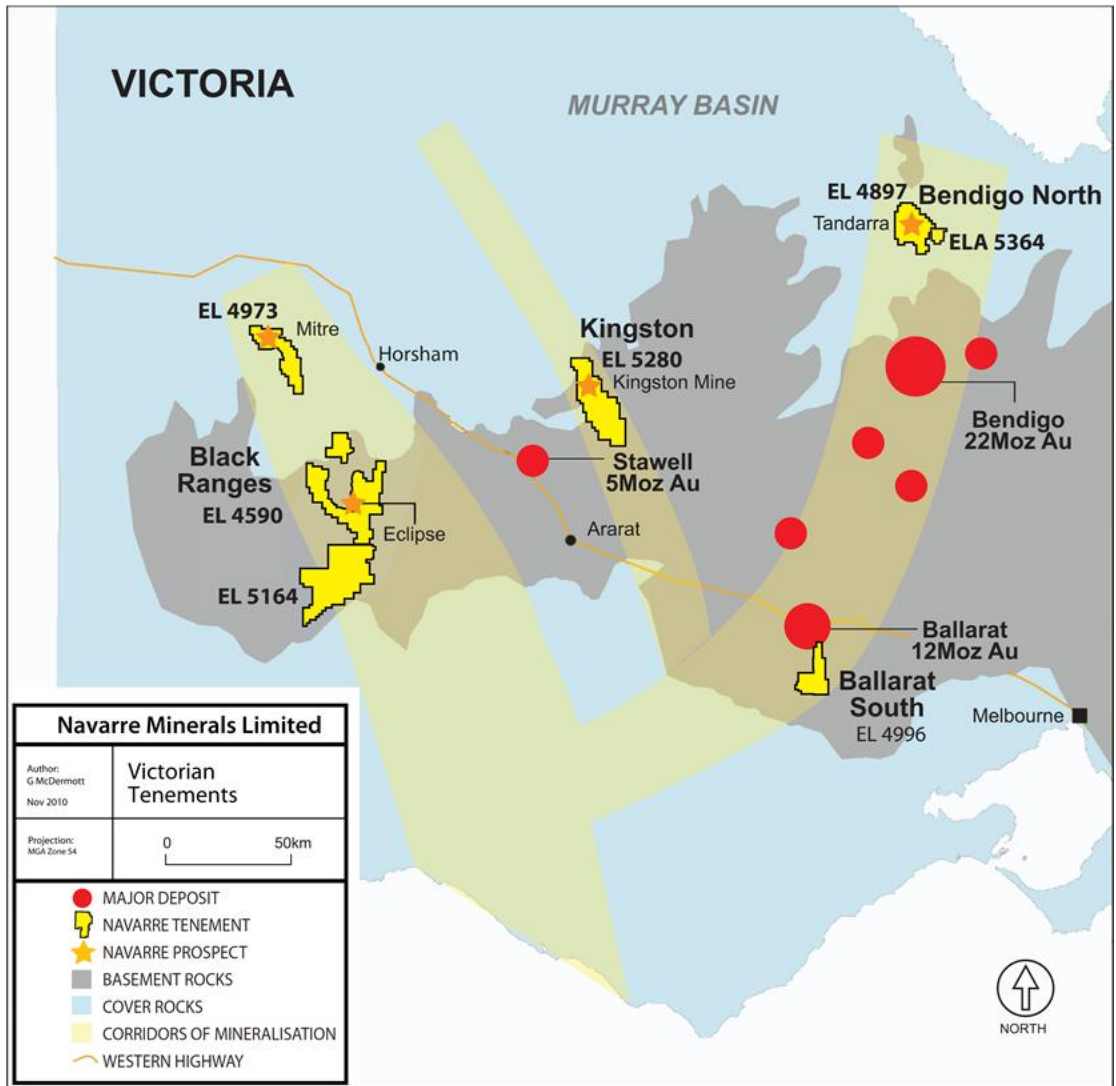
Company Overview

Navarre Minerals Limited (“Navarre” or the “Company”) officially commenced trading on the ASX on the 31st March 2011. The IPO raised \$3.5m to fund exploration on its gold and base metal targets in Victoria. Navarre’s projects include,

Navarre raised \$3.5m through an IPO that listed on the ASX in March 2011

- Bendigo North Gold Project
- Kingston Gold Project
- Black Ranges Base Metals Project
- Ballarat South Gold Project

Figure 1. Map of exploration ground held by Navarre (Source: Navarre Minerals Ltd)



Bendigo North Gold Project (Tandarra)

The Tandarra Project lies approximately 40km north of Bendigo in Victoria. The Tandarra Prospect is comprised of EL4897 and ELA5364. These licenses are 144 and 22 square kilometres in area respectively.

Gold mineralisation was previously discovered in the area by Leviathan Resources in 2005

Project History

The gold mineralisation in this area was previously discovered by Leviathan Resources Limited (“Leviathan”) in 2005. Leviathan drilled a number of air-core holes over gravity targets beneath the Murray Basin sedimentary cover. They also drilled 3 diamond holes through some gold anomalous areas and produced best results of 3m at 87.5g/t Au from 104 metres. At the time Leviathan did not have the defined drilling targets that Navarre now have (due the recent 3D

model produced from the geophysical results), therefore, were drilling a basement gravity high and not the identified structure that is required to correctly drill target the quartz reefs in the area.

In 2006, Perseverance Corporation Limited (“Perseverance”) bought Leviathan for AU\$46m, and in February 2008, Northgate Minerals Corporation (“Northgate”) bought out Perseverance for US\$257m. Northgate became the operator of 2 producing goldmines in Victoria, Stawell and Fosterville, both producing about 100,000 ounce of gold per year.

Figure 2. Location of Tandarra Prospect north of Bendigo (Source: Navarre Minerals Ltd)

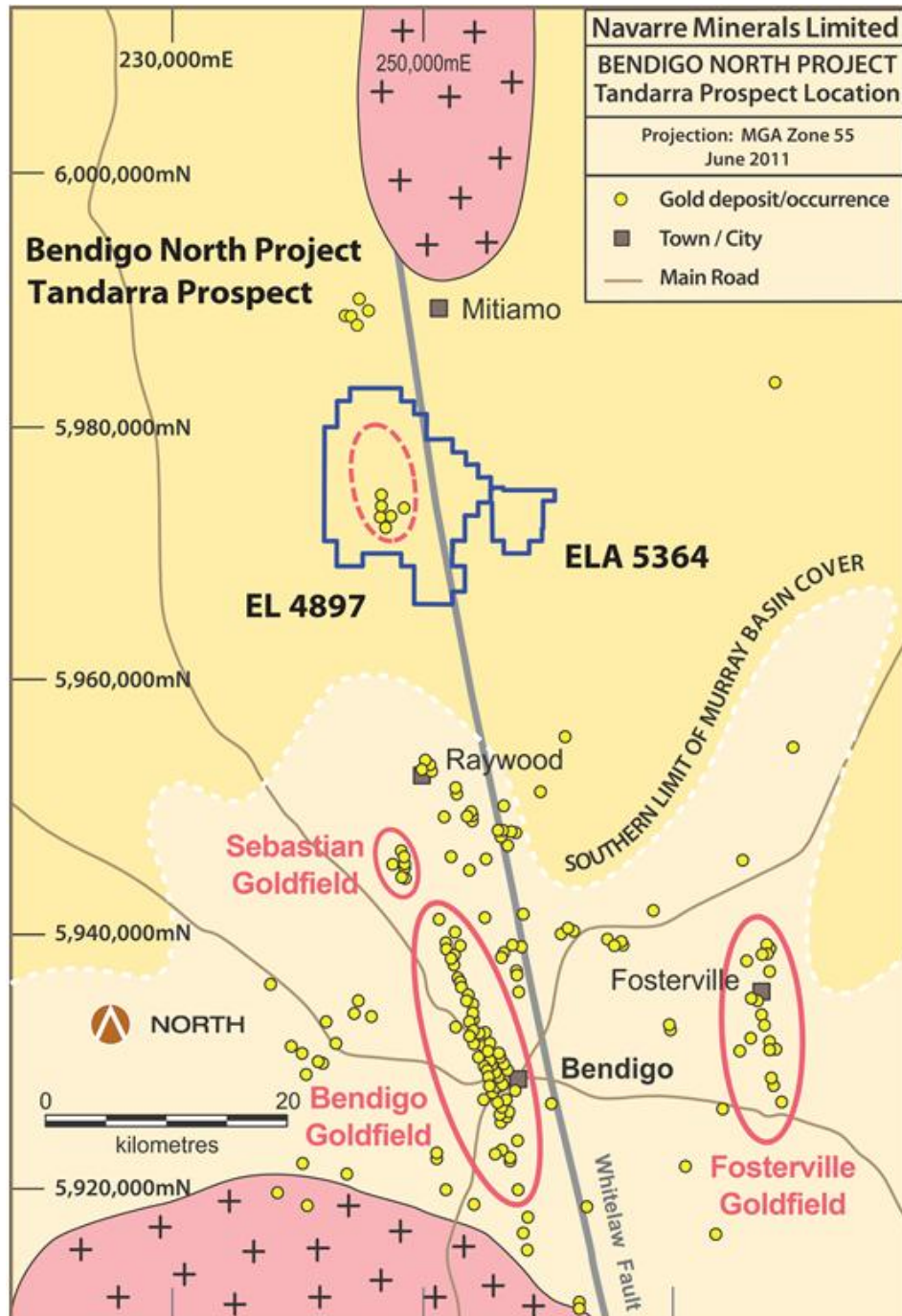
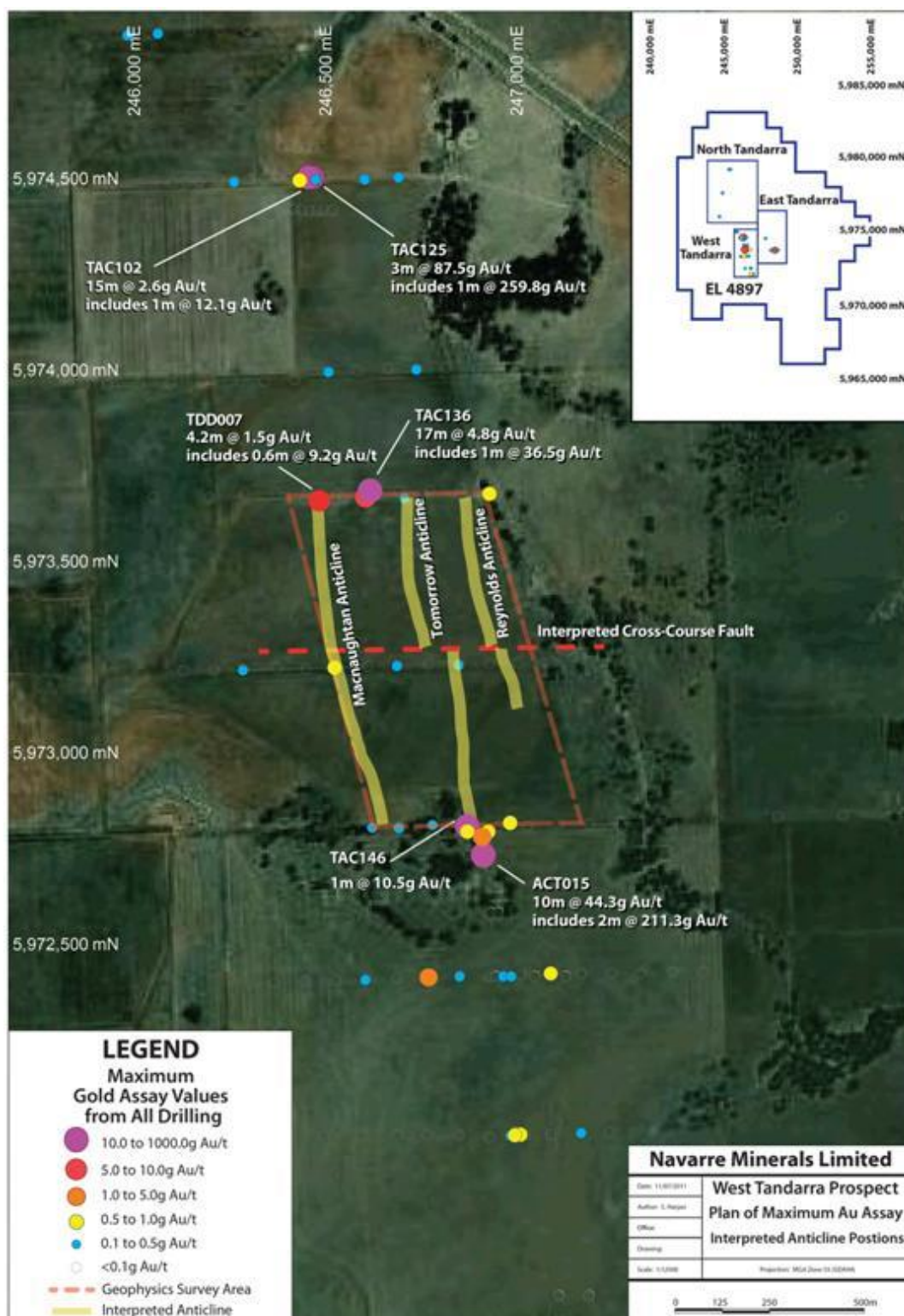


Figure 3. Showing interpreted shallow quartz reef on anticlines and maximum gold assay values over West Tandarra (Source: Navarre Minerals Ltd)



Historical explorers were blind from this mineralisation since the Ordovician sandstones and shales, which host the quartz-gold reefs, are covered by the Murray Basin sediments that overlie the gold mineralisation

Historical miners and explorers were blind from this mineralisation since the Ordovician sandstones and shales, which host the quartz-gold reefs, are covered by the Murray Basin sediments. These sediments are approximately 20 – 110m thick.

Brief Summary of the Bendigo Goldfield

The Bendigo goldfield produced 22 million ounces of gold at an average grade of 12g/t Au

If we just focus on the Bendigo goldfield, which produced 22 million ounces of gold, the historical data indicates that the gold was produced from alluvium (4 million ounces) and the quartz reefs (18 million ounces), which were mined from small underground operations at an average grade of 12g/t Au. Much of this gold was taken from the 1850's to WWI.

The difficulties with irregular, nuggetty gold deposits in Victoria can be eliminated if the resource is extracted as an open-pit

There is no doubt that the geology and quartz veining that needs to be understood to develop a JORC compliant resource, is very difficult for both geologists and engineers to work with. However, most of these difficulties regarding the irregular nature of the ore-bodies can be overcome simply if the operation is open pit. The inability of creating a robust resource shape (even with a high drill density), the high levels of mining dilution caused from a lack of understanding of the resource, the irregularity of the quartz bodies, the nuggetty nature of the gold within the quartz, and the high costs of an underground operation are some of the reasons why underground mining along the Ballarat-Bendigo line has proven unsuccessful in recent cases. To be put simply, it's not a lack of gold, but a lack of understanding.

Navarre's work to date

The discovery at the Tandarra Prospect is a 'new' discovery.

Navarre's Tandarra Prospect is unique for recent Victorian gold explorers, in that the discovery is 'new'. It is *not* a gold discovery that is beneath or an extension to historical workings; it is new field that has had no previously mining.

Best intersections from Navarre's 1,600m air-core program include 10m at 34.4 g/t Au from 37m

Navarre recently completed a 21 hole, 1,600m air-core drilling program. Best results include, **10m at 34.4g/t Au from 37m.**

Navarre has produced a contoured map of the basement topography. This is the topography if the Murray Basin sediments were stripped away leaving just the Ordovician sandstones and shales, which host the gold bearing quartz reefs.

This basement topography is significant in that not only does it represent the shallowest or thinnest cover to access the quartz reefs, but it can also be a good indication for areas that are more quartz rich. Since quartz is more resistant to weathering than the sandstones and shales, the hills that remain are often more quartz dominant and in this case can have a higher probability to contain gold.

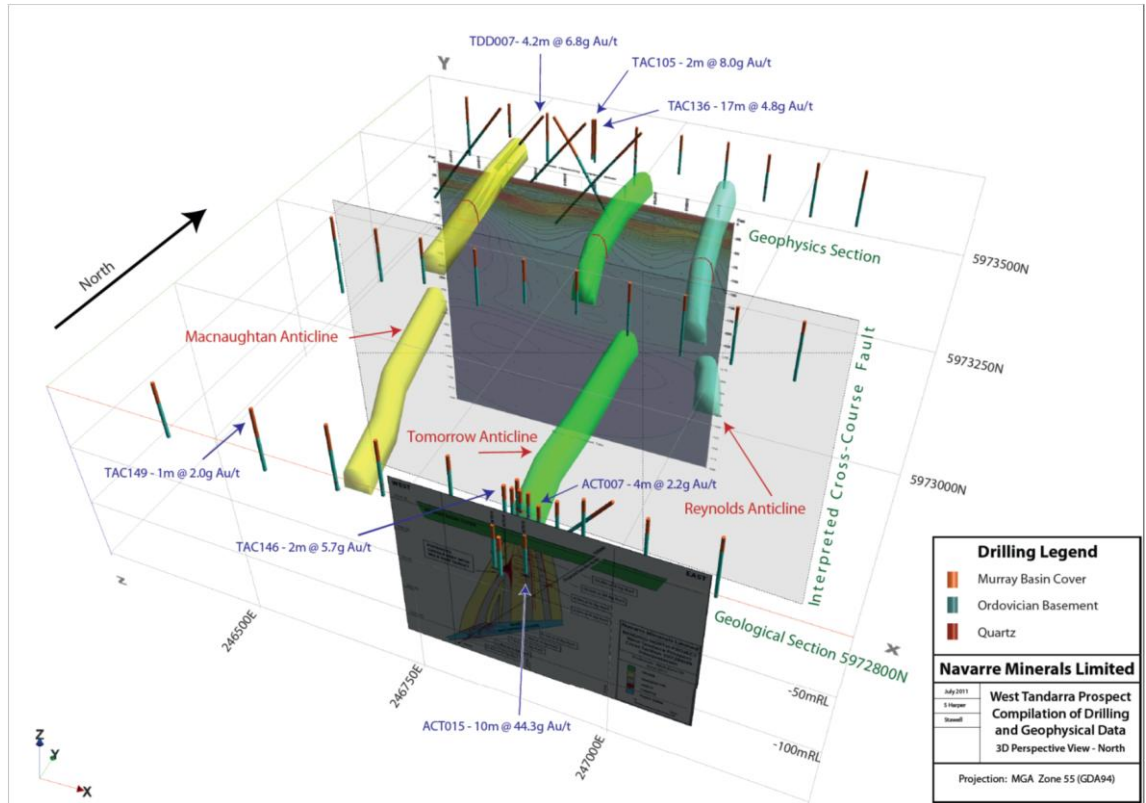
The recent geophysical survey has produced very promising results and validated the interpretations of the Navarre Geologists

The recent geophysical survey that was completed only last month (Figure 4) produced very promising results and validated the interpretations of the Navarre Geologists. The results have produced 3 anticlines named, McNaughtan, Tomorrow and Reynolds. With the 3D model produced from these results Navarre now have accurate drilling targets that need testing. The targets will be the anticlines themselves, as much of the gold bearing quartz reefs are formed in the hinges of anticlines (saddle reefs) and the eastern limb of the anticlines.

Navarre will produce an additional 110 line kilometres of geophysical data. These data will be interpreted and used to extend the mineralised zones along strike and find additional targets within the Bendigo North Gold Project.

The recent results from the geophysical survey have discovered 3 anticlines that are mineralised. This gives greater confidence defining valid drill targets

Figure 4. 3D model showing the 3 anticlines, air-core holes and significant results to date (Source: Navarre Minerals Ltd)



Drilling to date has identified 7km of gold mineralisation

Drilling to date has shown a mineralised zone that spans some 7 kilometres north and south. The geophysics recently done covers only about 1 kilometre strike length of the 7 kilometres. The air-core drilling cannot penetrate the hard Ordovician rock below the Murray Basin sediments, it only samples the upper weathered portion of the host rocks.

Navarre has a exploration program of \$4.2m, this includes 50,000m of RC drilling, 2,000m of air-core drilling and 110 line kms of geophysical surveying

Upcoming Exploration Program

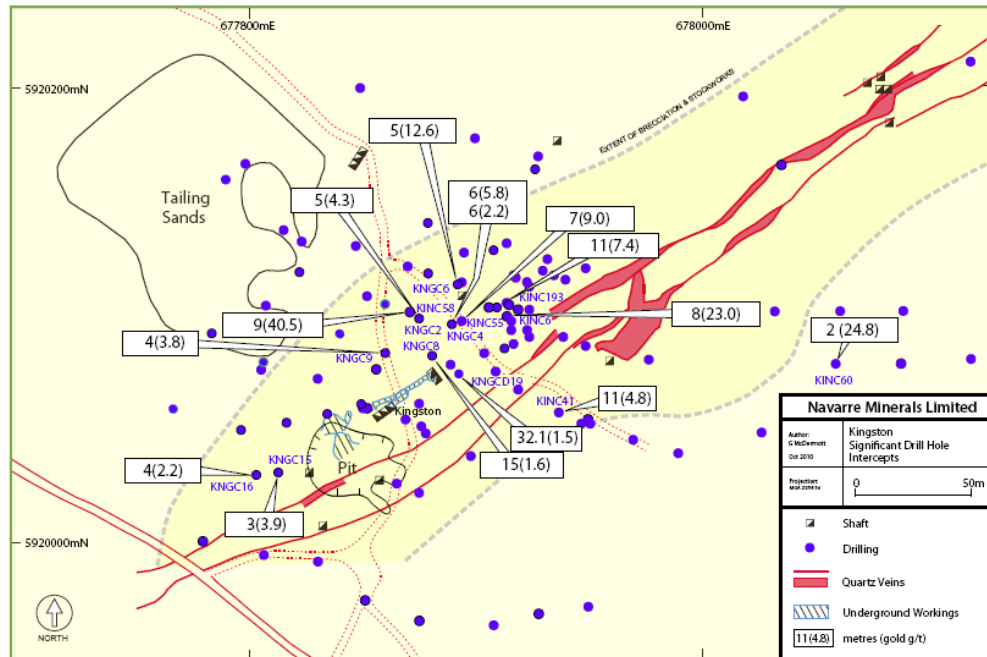
Navarre have a planned 50,000m of RC drilling and an additional 2,000m of air-core drilling to complete in conjunction with the 110 line kilometres of geophysics. This exploration program is estimated at \$4.2m. It is only now that a true drilling target can be warranted with a significant drilling program.

We see no reason to disprove that Navarre has scratched the surface of another equivalent of a Bendigo or Ballarat goldfield.

Kingston Gold Project

The Kingston Gold Project (EL 5280) lies 30km northeast of the Stawell Gold Mine (5 million ounces) in western Victoria.

Figure 5. Kingston Mine Prospect, with significant drilling results shown (Source: Navarre Minerals Ltd)



Best results at Kingston include 9m at 40.5g/t Au and 8m at 23g/t Au

An IP survey and 1,000m of diamond drilling is planned for Kingston

The Project hosts the old Kingston Mine deposit, which is a northeast trending quartz stockwork gold reef that has been mined over 1km of strike and to depths of up to 75m below surface.

Historic shallow high grade gold intercepts include, **9m at 40.5g/t Au from 78m** and **8m at 23g/t Au from 28m**.

An Induced Polarisation (IP) geophysical survey is planned for the second half of 2011, as well as planning for a work program comprising an initial 1,000m diamond drilling of 5 holes.

Black Ranges Base Metals Project

Three diamond holes were drilled at the Black Ranges Project, with no significant mineralisation being intersected

The Black Ranges Project is located in the Grampians – Stavelly region of western Victoria and is targeting base metals and gold mineralisation.

The area contains Cambrian aged volcanics that are interpreted to show similarities to the Mount Read Volcanics of northwest Tasmania, which host to a number of VMS deposits, such as, Rosebury and Hellyer.

Navarre have drilled 3 diamond holes, totalling 623m, and intersected the targeted volcanic but did not hit significant mineralisation. Minor bands of disseminated pyrite and pyrrhotite were intersected.

The Company is designing a new airborne electromagnetic program to explore for VMS deposits along the target area.

Ballarat South Gold Project

Navarre plans to undertake a ground gravity survey to map a prominent north-south trending gravity ridge at the Ballarat South Project

The Ballarat South Gold Project (EL 4996) is 15km south and along strike of the Castlemaine Goldfield Limited’s Ballarat East Operation.

Navarre plans to undertake a ground gravity survey to map a prominent north-south trending gravity ridge. This gravity ridge is interpreted to be mafic volcanic rocks which may be a possible source for gold bearing fluids that were introduced into the overlying quartz reefs.

Directors and Management

Mr Kevin Wilson – Non-Executive Chairman BSc(Hons), ARSM, MBA

Kevin 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. Kevin is currently Managing Director of Rey Resources Limited, a coal development company listed on the ASX.

This well rounded management team has significant Victorian mining and exploration experience

Mr Geoff McDermott – Managing Director BSc(Hons), MAIG

Geoff McDermott is an experienced geologist and senior company executive. He was appointed Managing Director on May 19, 2008. Geoff has over 20 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. 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 as well as with the Government of Northwest Territories, Canada. From 2002 until 2007 Geoff was Chief Geologist and Group Geologist with MPI Mines Limited and Leviathan Resources Limited. In 2007 Geoff started a consulting business specialising in metalliferous mining geology and minerals exploration.

Mr John Dorward – Non-Executive Director BComm(Hons), CFA

John Dorward was previously CFO of Mineral Deposits Limited where he was responsible for financing the Sabodala Gold Project in Senegal, West Africa. He was also CFO and Company Secretary of Leviathan Resources Limited and Commercial Executive and Company Secretary of MPI Mines Limited. Before joining MPI Mines Limited, John had eight years experience in the banking sector with a number of years spent in a senior resource project finance role with BankWest. John is currently the Vice President Business Development of Fronteer Gold Inc, a TSX listed gold and uranium developer.

Mr Colin Naylor – Non-Executive Director BBus(Acc), FCPA

Colin Naylor is currently Chief Financial Officer and Company Secretary of oil and gas explorer, MEO Australia Limited. Before joining MEO, Colin held a number of senior roles in major resource companies, including Woodside Petroleum, BHP Petroleum and Newcrest Mining. Colin also worked at MPI Mines Limited and Leviathan Resources Limited as Financial Controller.

Mr Trevor Shard – Company Secretary BEc, SA Fin

Trevor Shard has over 30 years experience in the resources industry. He is currently General Manager Commercial for RMDSTEM, a professional services firm. Prior to that he held a broad range of senior manager positions with Pasminco over a 15 year period, including investor and community relations, company secretarial and business development and strategy. He led the base metal concentrate sales and marketing teams with CRA (now Rio Tinto) before joining Pasminco. Trevor has been directly involved in equity capital raisings, asset acquisitions and divestments and takeovers.

Risks

We believe Navarre would be re-rated significantly higher in terms of market capitalisation before Leviathan has the options to earn a 60% interest

Like most junior explorers there is always exploration risk. We believe, due to the success of the recent geophysical surveys, that the success rate for the upcoming drilling program will be substantially increased due to the 3D model produced which provides accurate drilling targets of the now known anticlines.

Leviathan Resources Limited has a 60% claw back option over the North Bendigo Project (EL 4897) if Navarre reaches certain milestones. Leviathan has a once only right, but not an obligation to exercise its right. These milestones include –

- Navarre announces a resource of greater than 500,000 ounces, with half of which is in the indicated category
- Leviathan spends not less than three times the amount the Company expended in relation to EL4897 from the date of settlement of the Tenement Sale Agreement, and
- Leviathan has completed a bankable feasibility study in respect of a mineral resource within EL4897 not later than three years from the date the claw back right was exercised

We believe Navarre would be re-rated significantly higher in terms of market capitalisation before Leviathan has the right but not the obligation to earn a 60% interest in the North Bendigo Gold Project.

The exploration ground held by Navarre at the Bendigo North Project is on free-hold farming land. Therefore there is no native title or government held land in the Bendigo North Project to contend with. However the free-hold land is owned by the local farmers and working closely with the local owners will be crucial in moving the project forward.

We expect to see a number of positive drilling results and positive news flow

Recommendation

Navarre's exploration expenditure is \$4.2m for the upcoming geophysical and drilling program. This includes 50,000m of RC drilling, 2,000m of air-core drilling and 110 line kms of geophysical surveying. Since the geophysical results have accurately defined the targeted mineralised anticlines, we expect to see a number of positive drilling results and positive news flow throughout the program.

We rate Navarre as a
SPECULATIVE BUY

With regards to all of the above, we rate Navarre as a **SPECULATIVE BUY**.

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