NAVIGATOR RESOURCES LTD

ACN 82 063 366 487

Financial report for the financial year ended 30 June 2006

Annual financial report
for the financial year ended 30 June 2006

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Corporate governance statement

INTRODUCTION

Navigator Resources Limited ("**Company**") has adopted systems of control and accountability as the basis for the administration of Corporate Governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's Corporate Governance practices is set out on the Company's website at www.navigatorresources.com.au:

- Corporate Governance Disclosures and Explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Code of Conduct for Company Executives;
- Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure;
- Shareholder Communication Strategy;
- Company's Risk Management Policy and Internal Compliance and Control System;
- Statement of process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

Explanations for departures from Best Practice Recommendations

During the Reporting Period the Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations, which can be found at the ASX Corporate Governance Council's website www.asx.com.au/supervision/governance/index.htm , other than in relation to the matters specified below.

Principle Ref	BPR Ref	Notification of Departure	Explanation for Departure
2	2.4	There is no nomination committee.	The duties usually performed by a nomination committee are carried out by the full Board.
4	4.3	The audit committee comprises 2 members, one of whom is quasi executive. The chairperson of the audit committee is also chairperson of the Company.	The Board considers, given the Company's present structure, the 2 member committee is able to carry out a proper review process.

TERM OF OFFICE OF EACH DIRECTOR

Name	Date of Appointment
Allan Trench	14 November 2005
Thomas Sanders	02 February 1994
John Shipp	7 August 2006
Ian Macpherson	03 July 2003
Barry Bolitho	3 July 2003 (resigned 7 August 2006)

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent directors of the Company are Allan Trench and John Shipp. Mr Ian Macpherson also satisfies the criteria of independence as agreed to by the Board albeit that a company which Mr Macpherson is associated with provides Company Secretarial services to Navigator Resources Ltd. The fees received for the service do not constitute a material portion of the total earnings of the service provider.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

Nomination Committee responsibilities are carried out by the full board. The following table identifies directors who attended board meetings where nomination committee issues were considered.

Name	No. of meetings where nomination committee issues were considered	No. of relevant meetings attended
Barry Bolitho	1	1
Thomas Sanders	2	2
Ian Macpherson	2	2
Allan Trench	1	1

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBER

Mr Trench and Mr Macpherson are members of the audit committee.

Mr Trench has 28 years experience in the minerals industry. Mr Macpherson has 27 years experience as an accountant.

NUMBER OF AUDIT COMMITTEE MEETINGS AND NAMES OF ATTENDEES

Name	No. of meetings held	No. of meetings attended
Barry Bolitho	1	1
Ian Macpherson	1	1

During the Reporting Period the Audit Committee held one meetings. Mr Bolitho and Mr Macpherson both attended that audit committee meeting.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period an evaluation of the Board and its members was carried out. The evaluation process comprised the Chairperson facilitating open discussions of the Board's performance over the financial year highlighting strengths and weaknesses.

COMPANY'S REMUNERATION POLICIES

Mr Trench as a non-executive chairman received fees of $40,000 per annum and Mr Macpherson and Mr Shipp as non-executive director receive directors fees of $30,000 each, per annum.

Mr Sanders received a fixed salary for the executive services he provided to the Company. Details are set out on note 4 of this Annual Report.

Remuneration levels for executives are set to attract the most qualified and experienced candidates, taking into account prevailing market conditions and individual's experience and qualifications.

Each of the non-executive directors receives a fixed fee for their services as directors. There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of certain key performance indicators.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

Remuneration Committee responsibilities are carried out by Mr Bolitho (now Mr Trench) and Mr Macpherson. The following table identifies directors who attended board meetings where remuneration issues were considered.

Name	No of meetings held	No of meetings attended
Barry Bolitho	1	1
Ian Macpherson	1	1

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

There are no termination and retirement benefits for non-executive directors.

Directors' report

The directors of Navigator Resources Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Directors

Barry Bolitho **B.Sc. (Extractive Metallurgy) FAusIMM**
Non-Executive Chairman

Mr Bolitho holds tertiary qualifications in both metallurgy and chemistry and has over 28 years experience in the minerals industry. During this time he has gained extensive experience with nickel, mineral sands, tin, tantalum, gold and silver. Over the last 15 years he has held a number of executive management positions in the resource sector including board positions with both producer and exploration companies. Mr Bolitho has been responsible for the development and executive management of greenfields projects in Australia and offshore and has an extensive experience base over most facets of the minerals industry, including acting as an Independent Expert for a number of financial institutions. He is currently Managing Director of Matilda Minerals Ltd.

Mr Bolitho has been a Fellow of the Australasian Institute of Mining & Metallurgy for the past 15 years.

During the past three (3) years Mr Bolitho has held directorships in the following other listed companies:

Company	Appointed	Resigned
Matilda Minerals Ltd	7 February 2003	Current
Laverton Gold NL	23 June 1997	Current
Fox Resources Ltd	1 July 2003	21 February 2005

Mr Bolitho resigned from the Board of Directors on 7 August 2006.

Tom Sanders **B.Sc. (Geology) M.Sc. (Mineral Economics) MAusIMM FAICD**
Managing Director

Mr Sanders is a geologist with over 29 years experience in the mining industry. He graduated from the University of Sydney in 1977 with a Bachelor of Science in Geology, and obtained a Master of Science in Mineral Economics in WA following part time studies in 1996. He has extensive technical expertise in exploration, evaluation and mining with an emphasis on gold and nickel in Western Australia. Mr Sanders has several published works relating to nickel and gold in WA, and mineralisation in the East Kimberley.

Mr Sanders is a founding director of Navigator Resources Limited and prior to that worked as a consultant for a large number of listed resource companies. He has operational experience on several underground and open pit mines and has been responsible for or has managed a large number of exploration projects, several of which he has followed through into production. He has been in an executive management role with Navigator since 1994.

During the past three (3) years Mr Sanders has held directorships in the following other listed companies:

Company	Appointed	Resigned
GVM Metals Ltd	15 February 2002	22 September 2003

Dr Allan Trench **B.Sc. (Hons. Geology) Ph.D (Geophysics) M.Sc. (Mineral Economics) MBA (Oxon) MAusIMM**
Non-Executive Director

Dr Allan Trench is a geologist/geophysicist and business management consultant with over 15 years experience within the Australian resources sector across a number of commodity groups including gold, nickel, oil & gas and LNG. Dr Trench was appointed to the Navigator Board of Directors on 14 November 2005 as Non-executive Director.

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

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

During the past three (3) years Mr Trench has held the following directorships in other listed companies:

Company	Appointed	Resigned
Pioneer Nickel Ltd	8 September 2003	Current
Heron Resources Ltd	8 December 2003	Current

***Ian Macpherson* B.Comm CA**
Non-Executive Director & Company Secretary

Mr Macpherson is a graduate from the University of Western Australia with a Bachelor of Commerce in 1977. He commenced his career in commerce in 1978 prior to entering the Chartered Accounting profession. Mr Macpherson was admitted as a partner of the firm that became known as KMG Hungerfords in 1986, having built up a specialist practice in the provision of corporate and financial advice to the mining and mineral exploration industry. In 1987 the firm merged with Arthur Andersen & Co.

In 1990 Mr Macpherson resigned from the partnership of Arthur Andersen & Co to establish Ord Partners. Mr Macpherson has specialised in the area of corporate advice with a particular emphasis on capital structuring, equity and debt raising, Corporate Affairs and Stock Exchange compliance procedures for public companies, both mining and industrial. He has acted in the role of director and company secretary for a number of his clients and has been involved in numerous asset acquisition and disposal engagements involving the preparation of detailed Information Memorandum, pre-acquisition review and Independent Reports. He is currently non-executive Chairman of Visiomed Group Limited and Talisman Mining Ltd.
Mr Macpherson is an Associate Member of the Institute of Chartered Accountants in Australia and past member, Executive Council of the Association of Mining Exploration Companies (WA) Inc.

During the past three (3) years Mr Macpherson has held directorships in the following other listed companies:

Company	Appointed	Resigned
Helix Resources Limited	26 August 1985	1 December 2004
Visiomed Group Limited	27 July 1995	Current
Preston Resources Limited	9 March 2004	22 November 2004
Talisman Resources Limited	10 September 2002	Current
Precious Metals Australia Limited	3 March 2004	3 February 2006

Mr John Shipp ACSM (Mining), FAusIMM, MAICD
Non-Executive Director

Mr Shipp has nearly 40 years of international experience in Australia, Africa, Fiji and Europe involving open cut and underground mining for gold and base metals.

Prior to joining the Navigator board, Mr Shipp was President of Barrick Gold Corporation's Australia Africa Business Unit and was recently involved in the corporate acquisition of Placer Dome to form what is now the largest gold mining company in the world. Before this he was General Manager of Australia's biggest gold mine, KCGM, in Kalgoorlie. This followed a period as General Manager of the Boddington joint venture, then Australia's second largest gold mine.

During his career Mr Shipp has worked in a variety of different operational environments and has experience in both underground and open pit mining at small and large scale. In addition he has been involved in plant design, construction and commissioning. In recent years his direction has been towards business development and the determination of strategic direction at corporate level.

During the past three (3) years Mr Shipp has held no directorships in other listed companies:

The abovenamed directors held office during and since the end of the financial year except for:

- Dr Allan Trench – appointed 14 November 2005
- Mr Barry Bolitho – resigned 7 August 2006
- Mr John Shipp – appointed 7 August 2006

Principal activities

Precious and base metal explorer in Western Australia.

Review of operations

Leonora Gold Project (100%)

Navigator's objective at Leonora is to increase the resource inventory to 1 million ounces, and establish a 100,000 ounce/yr production profile. Infrastructure in the region is excellent with three established mills.

Since acquisition of the Leonora project from Sons of Gwalia (Administrators Appointed) in September 2004, the Company has doubled the resource to 444,000 ounces and identified **two, 2km zones of gold mineralization within its 35km-long, Cardinia-Mertondale belt.**

Navigator plans to invest approximately $4m on resource delineation drilling and scoping activities in the coming year, focusing primarily on **Mertondale**, where a staged 50,000m reverse circulation drilling program is in progress to test a 1.8 km zone extending south of the 800m long Mertondale 3_4 open pit (previous production 1.3mt @ 4.3 g/t Au), which has similar gold ounce per vertical metre characteristics (3,000oz/m) as the world class Sons of Gwalia deposit in Leonora.

Reverse circulation (RC) drilling results from the Mertondale area since January 2006 (immediately south of the Mertondale 3_4 open pit) has resulted in intersections of: - **26m @ 4.8 g/t Au, 20m @ 5.3 g/t Au, 24m @ 4.0 g/t Au, 20m @ 3.2 g/t Au (incl 10m @ 4.8 g/t Au), 13m @ 5.4 g/t Au, and 20m @ 2.8 g/t Au.** Mineralisation is dominated by a several sulphide-bearing, shear-parallel lodes, hosted by felsic porphyry or mafic schist within the Mertondale Shear Zone. The drill results indicate excellent scope for significant resource extensions and for bulk or selective high grade mining strategies in an open pit or underground mining scenario. Mineralisation is open along strike and at depth.

Recently announced drill results from the newly granted **Merton's Reward** area (September 2006) include: - **20m @ 8.1 g/t (incl 12m @ 12.8 g/t Au), 12m @ 4.5 g/t (incl 4m @ 11.3 g/t Au), 16m @ 3.6 g/t (incl 8m @ 6.7 g/t Au), 7m @ 8.7 g/t, 12m @ 3.0 g/t, 8m @ 5.0 g/t (incl 4m @ 9.4 g/t Au), and 12m @ 4.7 g/t (or 32m @ 2.8 g/t Au).** The Merton's Reward tenement covers the historic Merton's Reward mine (c1900 production 90,000t @ 20.8 g/t Au) and the Mertondale 2 open pit.

Drilling of the Company's second 2km gold system at **Cardinia** has delivered a large number of shallow, high grade gold intersections with excellent potential for development. Drill intercepts include **3m at 54.7 g/t Au, 6m at 8.9 g/t Au and 9m at 9.0 g/t Au**. The mineralisation is flat lying and related to supergene enrichment. Navigator plans to expand the resource with air core drilling (concurrent with the Mertondale RC drilling) prior to conducting deeper drilling. In addition, step out drilling 1.4kms to the north of the Cardinia centre has returned intercepts of **3m at 17.2 g/t Au and 3m at 8.5 g/t Au** at what is now termed the **Pelsart discovery**. A 30,000m aircore drill program in the Cardinia/Pelsart area is planned to commence in October 2006.
An interim resource upgrade is planned for the Leonora project by the end of October 2006.

East Kimberley Nickel, Platinum, Zinc, Uranium and Gold (100%)

Navigator has several strategic tenements in the East Kimberley region located along strike from recent discoveries, and close to existing treatment facilities. Joint ventures with Sally Malay Exploration Ltd and Magma Metals Limited (earning 70% at the Wills Creek, Eastman and Laura River Projects) result in free-carried upside exposure to several commodities at no cost. **Navigator retains a 30% free-carried interest to decision to mine**.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

Navigator Resources will continue to explore its projects in the search for economic gold and base metal deposits. The Company will simultaneously seek joint venture opportunities for those projects in an effort to balance the risks and rewards associated with exploration thereby maximizing returns to shareholders.

Environmental regulations

The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Share options

Share options granted to directors and executives

During and since the end of the financial year an aggregate of share options were granted to the following directors and executives of the company:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
Barry Bolitho	1,000,000	Navigator Resources Ltd	1,000,000
Tom Sanders	4,000,000	Navigator Resources Ltd	4,000,000
Ian Macpherson	1,000,000	Navigator Resources Ltd	1,000,000
Allan Trench	1,000,000	Navigator Resources Ltd	1,000,000

Share options that expired/lapsed during the year

Details of options that expired are:

Issuing entity	Number of options expiring	Class of shares	Exercise price of option	Expiry date of options
Navigator Resources Ltd	2,000,000	Ordinary	20 cents each	30 June 2006

Share options on issue at the date of this report or exercised during the year and up to date of this report

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Navigator Resources Ltd	19,150,000	Ordinary	20 cents each	30 June 2007 (i)
Navigator Resources Ltd	2,000,000	Ordinary	20 cents each	29 June 2007
Navigator Resources Ltd	1,000,000	Ordinary	20 cents each	30 June 2008
Navigator Resources Ltd	500,000	Ordinary	25 cents each	30 June 2008
Navigator Resources Ltd	500,000	Ordinary	30 cents each	30 June 2008
Navigator Resources Ltd	700,000	Ordinary	12 cents each	30 November 2008 (ii)
Navigator Resources Ltd	5,000,000	Ordinary	25 cents each	30 June 2009

(i) Quoted options. All other options are unlisted;
(ii) These options are only exercisable when the share price has exceeded 25 cents for the month prior to exercise, after the initial 12 month period from date of grant.

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

No shares were issued during the financial year as a result of exercise of an option.

Indemnification of officers and auditors

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 every Director and Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Director or Officer of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;

since the beginning of the financial year the Company has paid insurance premiums of $18,688 in respect of directors and officers liability and corporate reimbursement, for directors and officers in the Company. The insurance premiums relate to:

- any loss for which the directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer of the Company or any related corporation, first made against them jointly or severally during the year of insurance; and

indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer of the Company or any related corporation, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 7 board meetings, 1 nomination and remuneration committee meetings and 1 audit committee meetings were held.

	Board of directors		Nomination & remuneration committee		Audit committee	
Directors	Held	Attended	Held	Attended	Held	Attended
Barry Bolitho	7	6	1	1	1	1
Tom Sanders	7	7	2	2		
Ian Macpherson	7	7	2	2	1	1
Allan Trench	3	3	1	1		

In addition to the above, 5 circular resolutions were passed by the directors.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Ordinary Shares	Option over Shares
Barry Bolitho	59,006	2,000,000
Tom Sanders	5,609,029	5,000,000
Ian Macpherson	800,000	1,050,000
Allan Trench	952,881	1,000,000

Remuneration report

Remuneration policy for directors and executives

The Board policy for determining emoluments is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Director and executive details

The directors of Navigator Resources Ltd during the year were:

- Barry Bolitho
- Tom Sanders
- Ian Macpherson
- Allan Trench

Senior group executive employed by Navigator Resources Ltd during the year was as follows.

- Alan Downie

Elements of director and executive remuneration

Remuneration packages contain the following key elements:

a) Primary benefits (being salary, fees, bonus and non monetary benefits)
b) Post-employment benefits (being superannuation)
c) Equity (being share options granted)
d) Other benefits

Tom Sanders is the Company's Managing Director. The Board has approved a two year (expiring 31 December 2007) remuneration package for the Executive Director, comprising $144,000 per annum (inclusive of superannuation entitlements) and reimbursement of work related expenses.

The following table discloses the remuneration of the directors and executive of the Company:

	Primary			Post-employment			Equity	Other	Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other	Options	benefits	
2006	$	$	$	$	$	$	$	$	$
Directors									
Barry Bolitho	40,000						108,884	3,737	152,621
Tom Sanders	144,000						280,918	3,737	428,655
Ian Macpherson	30,000						108,884	3,737	142,621
Allan Trench	18,750						108,884	3,737	131,371
Executive									
Alan Downie	120,000			10,800			28,500	3,737	163,037

Elements of remuneration related to performance

During the year the Board approved the issue of 7,000,000 options to Directors and 1,000,000 options to key management exercisable into 8,000,000 ordinary shares in Navigator Resources Ltd. The exercise prices of options exceeded market price of the Company's share at time of grant or entailed performance hurdles which require the share price to exceed 25 cents per share prior to exercise. The options can be exercised on various dates subject to achieving hurdles where applicable and expire from 30 June 2008 to 30 June 2009.

Value of options issued to directors and executive

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed[(3)]	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	$	$	$	$	$	%
Barry Bolitho	108,884	-	-	108,884	108,884	71
Tom Sanders	280,918	-	-	280,918	280,918	66
Ian Macpherson	108,884	-	-	108,884	108,884	76
Allan Trench	108,884	-	-	108,884	108,884	83
Alan Downie	28,500	-	-	28,500	28,500	17

Value of options - basis of calculation

The following factors and assumptions were used in determining the fair value of options at grant date:

Grant Date	Expiry Date	Fair Value per Option (cents)	Exercise Price (cents)	Share Price on Grant Date (cents)	Estimated Volatility %	Risk Free Interest Rate %
24 November 2005	30 June 2008	3.7	20	11.5	68	5.3
24 November 2005	30 June 2008	2.9	25	11.5	68	5.3
24 November 2005	30 June 2008	2.3	30	11.5	68	5.3
24 November 2005	30 June 2007	3.2	20	11.5	(i)	(i)
24 November 2005	30 November 2008	2.5	25 (ii)	11.5	68	5.3
26 May 2006	30 June 2009	10.9	25	18.5	99	5.63

(i) Quoted options and price quoted on date of grant was 3.2 cents per options.

(ii) These options are exercisable at 12 cents each after the share price has been above 25 cents per share for one month prior to exercise after an initial 12 month period.

Proceedings on behalf of the company

No persons have applied for leave pursuant to section 237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of Navigator Resources Ltd.

Non-audit services

There were no non-audit services performed during the year, by the auditor (or by another person or firm on the auditor's behalf).

Auditor's independence declaration

The auditor's independence declaration is included on page 12 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Tom Sanders
Managing Director

Perth, 27 September 2006

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

27 September 2006

Board of Directors
Navigator Resources Limited
Suite 2, 47 Ord Street
WEST PERTH WA 6005

Dear Sirs

RE: NAVIGATOR RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Navigator Resources Limited.

As Audit Director for the audit of the financial statements of Navigator Resources Limited for the year ended 30 June 2006, 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.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF NAVIGATOR RESOURCES LIMITED

SCOPE

The financial report and directors' responsibility
The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash-flows, accompanying notes to the financial statements, and the directors' declaration for Navigator Resources Limited (the Company) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001.*

AUDIT OPINION

In our opinion, the financial report of Navigator Resources Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

STANTONS INTERNATIONAL
(Authorised Audit Company)

Stantons International

J P Van Dieren
Director

Perth, Western Australia
27 September 2006

Directors' declaration

The directors declare that:

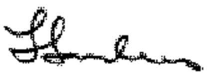
(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Tom Sanders
Managing Director

Perth, 27 September 2006

Income statement for the financial year ended 30 June 2006

		Consolidated		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Revenue	2	242,096	71,344	239,110	69,819
Consulting & employee benefits expense		(724,411)	(152,203)	(644,872)	(37,641)
Finance costs		(72)	(608)	(72)	(608)
Depreciation and amortisation expense		(24,328)	(22,865)	(23,130)	(22,685)
Corporate expense		(126,768)	(115,209)	(82,323)	(59,448)
Occupancy expense		(40,323)	(37,686)	(3,255)	(11,777)
Administration expense		(131,865)	(78,460)	(46,888)	(27,851)
Provision against recovery of loans to the controlled entity		-	-	(244,257)	(245,316)
Loss before income tax	2	(805,671)	(335,687)	(805,687)	(335,687)
Income tax expense/benefit	3	-	-	-	-
Loss attributable to members		(805,671)	(335,687)	(805,687)	(335,687)
Loss per share:					
Basic (cents per share)	15	(1.38)	(0.81)	(1.38)	(0.81)
Diluted (cents per share)		(1.38)	(0.81)	(1.38)	(0.81)

Notes to the financial statements are included on pages 21 to 40.

Balance sheet
as at 30 June 2006

		Consolidated		Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Current assets					
Cash and cash equivalents	22	5,269,956	1,415,496	5,261,576	1,398,827
Trade and other receivables	6	93,898	40,445	51,249	11,996
Total current assets		5,363,854	1,455,941	5,312,825	1,410,823
Non-current assets					
Trade and other receivables	7	81,228	77,387	2,989,865	1,136,795
Property, plant and equipment	8	96,451	86,158	60,250	86,158
Exploration, evaluation & development	9	4,407,614	2,702,510	1,483,079	1,381,462
Total non-current assets		4,585,293	2,866,055	4,533,194	2,604,415
Total assets		9,949,147	4,321,996	9,846,019	4,015,238
Current liabilities					
Trade and other payables	10	123,835	295,977	75,723	44,219
Provisions	11	68,004	58,449	13,004	3,449
Total current liabilities		191,839	354,426	88,727	47,668
Total liabilities		191,839	354,426	88,727	47,668
Net assets		9,757,308	3,967,570	9,757,292	3,967,570
Equity					
Issued capital	12	11,648,861	5,690,381	11,648,861	5,690,381
Reserves	13	636,929	-	636,929	-
Accumulated losses	14	(2,528,482)	(1,722,811)	(2,528,498)	(1,722,811)
Total equity		9,757,308	3,967,570	9,757,292	3,967,570

Notes to the financial statements are included on pages 21 to 40.

Statement of Changes in Equity
for the financial year ended 30 June 2006

Consolidated

For the year ended 30 June 2006	Issued Capital $	Option Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders			
At beginning of year	5,690,381	-	(1,722,811)	3,967,570
Loss for the year	-	-	(805,671)	(805,671)
Issue of shares	6,335,500	-	-	6,335,500
Issue of options	-	636,929	-	636,929
Shares issue expenses	(377,020)	-	-	(377,020)
At end of year	11,648,861	636,929	(2,528,482)	9,757,308

For the year ended 30 June 2005	Issued Capital $	Option Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders			
At beginning of year	4,051,724	-	(1,387,124)	2,664,600
Loss for the year	-	-	(335,687)	(335,687)
Issue of shares	1,705,540	-	-	1,705,540
Shares issue expenses	(66,883)	-	-	(66,883)
At end of year	5,960,381	-	(1,722,811)	3,967,570

Notes to the financial statements are included on pages 21 to 40.

Statement of Changes in Equity
for the financial year ended 30 June 2006

Company

For the year ended 30 June 2006	Issued Captial $	Option Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders			
At beginning of year	5,690,381	-	(1,722,811)	3,967,570
Loss for the year	-	-	(805,687)	(805,687)
Issue of shares	6,335,500	-	-	6,335,500
Issue of options	-	636,929	-	636,929
Shares issue expenses	(377,020)	-	-	(377,020)
At end of year	11,648,861	636,929	(2,528,498)	9,757,292

For the year ended 30 June 2005	Issued Capital $	Option Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders			
At beginning of year	4,051,724	-	(1,387,124)	2,664,600
Loss for the year	-	-	(335,687)	(335,687)
Issue of shares	1,705,540	-	-	1,705,540
Shares issue expenses	(66,883)	-	-	(66,883)
At end of year	5,690,381	-	(1,722,811)	3,967,570

Notes to the financial statements are included on pages 21 to 40.

Cash flows statement
for the financial year ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Receipts from customers					
Payments to suppliers and employees		(624,745)	(332,966)	(132,303)	(304,848)
Interest and other costs of finance paid		(72)	-	(72)	-
Net cash provided by/(used in) operating activities	22(c)	(624,817)	(332,966)	(132,375)	(304,848
Cash flows from investing activities					
Interest received		81,511	71,344	78,525	69,819
Amounts advanced to related parties		-	-	(2,096,472)	(1,234,310)
Payment for property, plant and equipment		(50,257)	(39,426)	(12,858)	(39,426)
Proceeds from sale of property, plant and equipment and interests		169,066	-	169,066	-
Payment for exploration, evaluation and development		(1,624,523)	(1,683,506)	(46,617)	(492,458)
Net cash (used in)/provided by investing activities		(1,424,203)	(1,651,588)	(1,908,356)	(1,696,375)
Cash flows from financing activities					
Proceeds from issues of equity securities		6,280,500	1,575,540	6,280,500	1,575,540
Payment for share issue costs		(377,020)	(66,883)	(377,020)	(66,883)
Net cash provided by/(used in) financing activities		5,903,480	1,508,657	5,903,480	1,508,657
Net increase/(decrease) in cash and cash equivalents		3,854,460	(475,697)	3,862,749	(492,566)
Cash and cash equivalents at the beginning of the financial year		1,415,496	1,891,393	1,398,827	1,891,393
Cash and cash equivalents at the end of the financial year	22(a)	5,269,956	1,415,496	5,261,576	1,398,827

Notes to the financial statements are included on pages 21 to 40.

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 September 2006.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's financial position, financial performance and cash flows is discussed in note 24.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 24), the entity's date of transition, except for the accounting policies in respect of financial instruments.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

1. Summary of accounting policies (cont'd)

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Financial assets at fair value through profit or loss</u>

The consolidated entity classifies certain shares and options as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 23.

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(d) Financial instruments issued by the company

<u>Debt and equity instruments</u>

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

<u>Transaction costs on the issue of equity instruments</u>

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the cash flows statement on a gross basis. 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.

1. Summary of accounting policies (cont'd)

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.
Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

1. Summary of accounting policies (cont'd)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation
The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Navigator Resources Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group as and when they arise.

(h) Intangible assets
Exploration and Evaluation Expenditure
Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(i) Joint ventures
Jointly controlled assets and operations
Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities
Interests in jointly controlled entities are accounted for under the equity method in the financial statements and the cost method in the company financial statements.

(j) Operating cycle
The operating cycle of the entity coincides with the annual reporting cycle.

(k) Trade and other payables
Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

1. Summary of accounting policies (cont'd)

(l) Presentation currency
The entity operates entirely within Australia and the presentation currency is Australian dollars.

(m) Principles of consolidation
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 18 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(n) Plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Classes of fixed asset	Depreciation rate (%)
• Office furniture and equipment	7.5 – 40.0
• Exploration equipment	4.8 – 20.0

(o) Provisions
Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Receivables
Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

1. Summary of accounting policies (cont'd)

(q) Revenue recognition

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(r) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(s) Comparative information – financial instruments

The entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed above. The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) Trade and other payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(c) Trade and other receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Effect of changing the accounting policies for financial instruments

There was no effect as a result of changes in the accounting policies for financial instruments on the balance sheet as at 1 July 2004, 30 June 2005 and 30 June 2006.

1. Summary of accounting policies (cont'd)

(t) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation for the year ended 30 June 2006.

— share based payments

One of the inputs into the option valuation model is volatility of the underlying share price which is estimated on the two year history of the share price and has been estimated at approximately 100%.

Vesting terms for options have also been estimated by Directors as being a two year period for options granted but subject to a conditional event, being the share price reaching 25 cents per share.

Key judgments — doubtful debts provision

The directors believe that the intercompany loan from Navigator Resources Ltd to Mazzelli Pty Ltd is ultimately recoverable but only in the long term and have therefore provided for the full amount as at 30 June 2006.

2. Loss from operations

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
(a) Revenue				
Interest revenue:	81,511	71,344	78,525	69,819
Sale of interests in projects	160,585	-	160,585	-
(b) Loss before income tax				
Loss before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations:				
Loss on sale/transfer of assets	7,155	1,914	7,155	1,914
Finance costs:				
Other interest expense	72	-	72	-
Total interest expense	72	-	72	-
Depreciation of non-current assets:				
Exploration equipment	9,201	9,374	8,001	9,374
Office furniture and equipment	15,127	13,491	15,127	13,491
Operating lease rental expenses:				
Minimum lease payments	29,433	44,823	2,350	26,305
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	37,036	13,452	18,421	2,026
Share-based payments:				
Equity settled share-based payments	636,929	-	636,929	-

3. Income tax

(a) Income tax recognised in profit or loss

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Tax expense/(income) comprises:				
Current tax expense/(income)	-	-	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-	-	-
Total tax expense/(income)	-	-	-	-
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:				
Loss from operations	(805,671)	(335,687)	(805,687)	(335,687)
Income tax expense calculated at 30%	(241,701)	(100,706)	(241,706)	(100,706)
Income accrual	(3,491)	-	(3,491)	-
Provisions	7,405	(1,892)	7,405	(1,892)
Capital raising cost	1,012	940	1,012	940
Capitalised exploration expenditure	(48,557)	(47,857)	(48,557)	(47,857)
Loan write down	(511,531)	(810,753)	(511,531)	(810,753)
Options expensed	73,277	-	73,277	-
Unused tax losses not recognised as deferred tax assets	191,079	960,268	191,079	960,268
Other	532,507	-	532,512	-
Income tax attributable to operating loss	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Taxable and deductible temporary differences arise from the following:

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Tax losses – revenue	1,745,966	1,213,459	1,745,971	1,213,459
Tax losses – capital	-	-	-	-
Receivables	(3,491)	-	(3,491)	-
Exploration, evaluation and development	(1,322,284)	(810,753)	(1,322,284)	(810,753)
Payables and provisions	20,401	17,534	20,401	17,534
Share issue expenses	146,368	81,818	146,368	81,818
	586,960	502,058	586,965	502,058

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Navigator Resources Ltd. The members of the tax-consolidated group are identified at note 18.

4. Key management personnel remuneration

The directors of Navigator Resources Ltd during the year were:

- Barry Bolitho
- Tom Sanders
- Ian Macpherson
- Allan Trench

The specified executive of Navigator Resources Ltd during the year:

- Alan Downie

(a) Key management personnel remuneration

The Board policy for determining emoluments is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Directors' remuneration

	Short term			Post-employment			Equity*	Other	Total
	Salary & fees	Bonus	Non-monetary	Super-annua-tion	Pre-scribed benefits	Other	Options	bene-fits (i)	
2006	$	$	$	$	$	$	$	$	$
Barry Bolitho	40,000	-	-	-	-	-	108,884	3,737	152,621
Tom Sanders	144,000	-	-	-	-	-	280,918	3,737	428,655
Ian Macpherson	30,000	-	-	-	-	-	108,884	3,737	142,621
Allan Trench	18,750	-	-		-	-	108,884	3,737	131,371
Alan Downie	120,000	-	-	10,800	-	-	28,500	3,737	163,037
Total	352,750	-	-	10,800	-	-	636,070	18,685	1,081,305

(i) Directors and officers liability insurance.

Tom Sanders is the Company's Managing Director. The Board has approved a two year (expiring 31 December 2007) remuneration package for the Executive Director, comprising $144,000 per annum (inclusive of superannuation entitlements) and reimbursement of work related expenses.

During the year the Board approved the issue of 8,000,000 options exercisable into 8,000,000 ordinary shares in Navigator Resources Ltd at varying exercise prices. The options can be exercised on or before 30 June 2008 to 30 June 2009.

	Short term			Post-employment			Equity*	Other	Total
	Salary & fees	Bonus	Non-monetary	Super-annua-tion	Pre-scribed benefits	Other	Options	bene-fits*	
2005	$	$	$	$	$	$	$	$	$
Barry Bolitho	24,000	-	-		-	-	-	3,559	27,559
Tom Sanders	142,708	-	-		-	-	-	37,502	180,210
Ian Macpherson	18,000	-	-		-	-	-	61,180	79,180
Simon Coxhell	128,411	-	-		-	-	-	-	128,411
Alan Downie	30,000	-	-	2,700	-	-	-	-	32,700
Total	343,119	-	-	2,700	-	-	-	95,939	448,060

The following share-based payment were made during the period:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
30 June 2008	1,000,000	12 December 2005	30 June 2008	20 cents each	0.037
30 June 2008	500,000	12 December 2005	30 June 2008	25 cents each	0.029
30 June 2008	500,000	12 December 2005	30 June 2008	30 cents each	0.023
30 June 2007 (listed)	500,000	12 December 2005	30 June 2007	20 cents each	0.032
30 November 2008 (i)	500,000	12 December 2005	30 November 2008	12 cents each	0.025
30 June 2009	5,000,000	7 June 2006	30 June 2009	25 cents each	0.109

4. Key management personnel remuneration (cont'd)

(i) Exercisable at 12 cents once the share price has exceeded 25 cents per share for one month prior to exercise, after the first 12 months after date of grant.

The fair value of the share options granted during the financial year is $636,929 (2005: $Nil). Options were priced using a Black and Scholes model. The expected life used in the model has not been adjusted. Expected volatility is based on the movement of the underlying share price around its average price over the previous 24 months. No allowance has been made for the effects of early exercise.

	Option series			
Inputs into the model	30 June 2008	30 June 2007	30 November 2008	30 June 2009
Grant date share price	12	(i)	11.5	11.5 cents
Exercise price	20, 25 & 30 Cents	20 cents	25 cents	25 cents
Expected volatility	68%	(i)	60%	99%
Option life	2.5 years	(i)	3 years	1,118 days
Dividend yield	Nil	(i)	Nil	Nil
Risk-free interest rate	5.3	(i)	5.3	5.63%

(i) These are listed options and had a quoted price of 3.2 cents per option at date of grant.

The following reconciles the outstanding share options granted to key management personnel at the beginning and end of the financial year:

	2006		2005	
	Number of options	Exercise price $	Number of options	Exercise price $
Balance at beginning of the financial year	4,200,000	0.20	5,200,000	0.20
Resignation of Director	-	-	(1,000,000)	0.20
Granted during the financial year	8,000,000	-	-	-
Expired during the financial year	(2,000,000)	(0.20)	-	-
Balance at end of the financial year	10,200,000	0.228	4,200,000	0.20
Exercisable at end of the financial year	9,700,000	0.234	4,200,000	0.20

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had weighted average exercise price of $0.228 and a weighted average remaining contractual life of 2.23 years.

5. Remuneration of auditors

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Audit or review of the financial report	20,115	10,019	20,115	10,019
	20,115	10,019	20,115	10,019

The auditor of Navigator Resources Ltd is Stantons International.

6. Current trade and other receivables

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Other debtors	51,249	28,449	29,658	-
Prepayment and accrued income	42,469	11,996	21,591	11,996
	93,898	40,445	51,249	11,996

7. Non-current trade and other receivables

Loans to subsidiary	-	-	3,460,782	1,364,310
Provision for loans to subsidiary	-	-	(489,573)	(245,316)
	-	-	2,971,209	1,118,994
Other debtors	81,228	77,387	18,656	17,801
	81,228	77,387	2,989,865	1,136,795

8. Property, plant and equipment

	Consolidated		
	Office furniture and equipment at cost $	Evaluation equipment at cost $	Total $
Gross carrying amount			
Balance at 1 July 2004	57,486	32,039	89,525
Additions	5,853	33,573	39,426
Disposals	(1,914)	-	(1,914)
Balance at 1 July 2005	61,425	65,612	127,037
Additions	12,113	38,144	50,257
Disposals	-	(21,097	(21,097)
Balance at 30 June 2006	73,538	82,659	156,197
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2004	12,436	5,578	18,014
Depreciation expense	13,491	9,374	22,865
Balance at 1 July 2005	25,927	14,952	40,879
Depreciation expense	15,127	9,201	24,328
Diposals	-	(5,461)	(5,461)
Balance at 30 June 2006	41,054	18,692	59,746
Net book value			
As at 30 June 2005	35,484	50,660	86,158
As at 30 June 2006	32,484	63,967	96,451

	Company		
	Office furniture and equipment at cost $	Evaluation equipment at cost $	Total $
Gross carrying amount			
Balance at 1 July 2004	57,486	32,039	89,525
Additions	5,853	33,573	39,426
Disposals	(1,914)	-	(1,914)
Balance at 1 July 2005	61,425	65,612	127,037
Additions	12,113	745	12,858
Disposals	-	(21,097)	(21,097)
Balance at 30 June 2006	73,538	45,260	118,798
Accumulated depreciation/ amortisation and impairment			
Balance at 1 July 2004	12,436	5,578	18,014
Depreciation expense	13,491	9,374	22,865
Balance at 1 July 2005	25,927	14,952	40,879
Depreciation expense	15,127	8,003	23,130
Disposals	-	(5,461)	(5,461)
Balance at 30 June 2006	41,054	17,494	58,548
Net book value			
As at 30 June 2005	35,498	50660	86,158
As at 30 June 2006	32,484	27,766	60,250

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$

8. Property, plant and equipment (cont'd)

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Office furniture and equipment	15,127	13,491	15,127	13,491
Exploration equipment	9,201	9,374	8,003	9,374
	24,328	22,865	23,130	22,865

9. Exploration, evaluation and development

Carried forward expenditure	2,702,510	889,004	1,381,462	889,004
Capitalised during the year	1,705,104	1,813,506	101,617	492,458
Balance at end of year	4,407,614	2,702,510	1,483,079	1,381,462

10. Current trade and other payables

Trade payables (i)	84,947	274,351	36,835	20,105
Other	38,888	21,626	38,888	24,114
	123,835	295,977	75,723	44,219

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

11. Current provisions

Provision for rehabilitation	55,000	55,000	-	-
Employee benefits	13,004	3,449	13,004	3,449
	68,004	58,449	13,004	3,449

12. Issued capital

92,297,934 fully paid ordinary shares (2005: 49,292,934)	11,648,861	5,690,381	11,648,861	5,690,381
	11,648,861	5,690,381	11,648,861	5,690,381

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

12 Issued capital (cont'd)

	2006		2005	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	49,292,934	5,690,381	35,163,434	4,051,724
Leonora acquisition – 24 September 2004	-	-	1,000,000	130,000
Placement – 9 December 2004	-	-	6,700,000	804,000
Placement – 6 April 2005	-	-	6,429,500	771,540
Share Purchase Plan – 12 December 2005	9,005,000	900,500	-	-
Placement – 4 January 2006	4,500,000	450,000	-	-
Tenement acquisition – 19 May 2006 (i)	500,000	55,000	-	-
Placement – 7 June 2006	29,000,000	4,930,000	-	-
Share issue costs	-	(377,020)	-	(66,883)
Balance at end of financial year	92,297,934	11,648,861	49,292,934	5,690,381

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(i) The fair value was determined by reference to the trading price of the shares at the time of negotiating the acquisition.

13. Reserves

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Option reserve	636,929	-	636,929	-
	636,929	-	636,929	-
Option reserves				
Balance at beginning of financial year	-	-	-	-
Incentive options – 12 December 2005	92,509	-	92,509	-
Directors options – 7 June 2006	544,420	-	544,420	-
Balance at end of financial year	636,929	-	636,929	-

Share options

As at 30 June 2006, options over 28,850,000 ordinary shares in aggregate are as follows:

Share options on issue at year end or exercised during the year

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Navigator Resources Ltd	19,150,000	Ordinary	20 cents each	30 June 2007
Navigator Resources Ltd	2,000,000	Ordinary	20 cents each	29 June 2007
Navigator Resources Ltd	1,000,000	Ordinary	20 cents each	30 June 2008
Navigator Resources Ltd	500,000	Ordinary	25 cents each	30 June 2008
Navigator Resources Ltd	500,000	Ordinary	30 cents each	30 June 2008
Navigator Resources Ltd	700,000	Ordinary	12 cents each	30 June 2008
Navigator Resources Ltd	5,000,000	Ordinary	25 cents each	30 June 2009

The 19,150,000 30 June 2007 options are quoted options. All the other share options are unlisted options, carry no rights to dividends and no voting rights.

During the year 2,000,000 unlisted options with an exercise price of 20 cents each and exercisable on or before 30 June 2006 expired.

14. Accumulated losses

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of financial year	(1,722,811)	(1,387,124)	(1,722,811)	(1,387,124)
Loss attributable to members of the parent entity	(805,671)	(335,687)	(805,687)	(335,687)
Balance at end of financial year	(2,528,482)	(1,722,811)	(2,528,498)	(1,722,811)

15. Loss per share

	Consolidated 2006 cents	Consolidated 2005 cents
Basic loss per share:		
From continuing operations	(1.38)	(0.81)
Total basic loss per share	(1.38)	(0.81)

Basic earnings/(loss) per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2006 $	2005 $
(Loss) for the year	(805,671)	(335,687)

	2006 No.	2005 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	58,294,304	41,663,764

Diluted earnings/(loss) per share

The diluted earnings per share is not disclosed as the result is anti-dilutive in nature.

16. Commitments for expenditure

(a) Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are not provided for in the financial report and are payable:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Not longer than 1 year	1,049,535	1,189,450	143,642	291,681
Longer than 1 year and not longer than 5 years	2,465,131	3,568,350	83,464	875,043
Longer than 5 years	928,255	-	-	-
	4,442,921	4,757,800	227,106	1,166,724

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

16. Commitments for expenditure (cont'd)

(b) Lease commitments

Non-cancellable operating lease commitments not provided for in the financial statements:

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Within a year	30,480	51,733	30,480	51,733
One year or later and no later than five years	6,978	9,547	6,978	9,547
	37,458	61,280	37,458	61,280

17. Contingent liabilities and contingent assets

In the opinion of the directors, there are no contingent liabilities as at 30 June 2006 and none were incurred in the interval between the year end and the date of this financial report.

18. Subsidiaries

Name of entity	Country of Incorporation	Ownership Interest 2006 %	Ownership Interest 2005 %
Parent entity:			
Navigator Resources Ltd (i)	Australia		
Subsidiaries:			
Mazzelli Holdings Pty Ltd	Australia	100%	100%

(i) Navigator Resources Ltd is the head entity within the tax consolidated group. All the companies are members of the tax consolidation group.

19. Segment information

The Company operates predominantly in one geographical segment, being Western Australia, and in one industry, mineral mining and exploration.

20. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 18 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

20. Related party disclosures (cont'd)

(c) Key management personnel equity holdings

Fully paid ordinary shares of Navigator Resources Ltd

	Balance@ 1/7/05	Granted as remuneration	Received on exercise of options	Net other change	Balance@ 30/6/06
	No.	No.	No.	No.	No.
Directors					
Barry Bolitho	59,006	-	-	-	59,006
Tom Sanders	5,399,029	-	-	210,000	5,609,029
Ian Macpherson	500,000	-	-	300,000	800,000
Allan Trench	-	-	-	952,881	952,881
	-	-	-	-	-
	5,958,035	-	-	1,462,881	7,420,916

Share options of Navigator Resources Ltd

	Bal @ 1/7/05	Granted as remu-neration	Exer-cised	Net other change	Bal @ 30/6/06	Bal vested @ 30/6/06	Vested but not exerci-sable	Vested and exerci-sable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
Barry Bolitho	1,000,000	1,000,000	-	-	2,000,000	2,000,000	-	2,000,000	1,000,000
Tom Sanders	3,000,000	4,000,000	-	(2,000,000)	5,000,000	5,000,000	-	5,000,000	4,000,000
Ian Macpherson	200,000	1,000,000	-	(150,000)	1,050,000	1,050,000	-	1,050,000	1,000,000
Allan Trench	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
Key management personnel									
Alan Downie	-	1,000,000	-	-	1,000,000	500,000	-	500,000	500,000
	4,200,000	8,000,000	-	(2,150,000)	10,050,000	9,550,000	-	9,550,000	7,500,000

During the financial year, no options were exercised by directors for ordinary shares in Navigator Resources Ltd.

Further details of the share options granted during the financial year is contained in notes 4 to the financial statements.

(d) Other transactions with directors

The loss from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with directors or their personally-related entities:

	Consolidated 2006 $	Consolidated 2005 $
Exploration expenditure (1)	39,760	31,200
Consultancy (2)	73,435	61,180
Motor vehicle expenditure exploration (3)	1,742	6,302
Travelling (4)	2,291	3,559
Total recognised as expenses	117,228	102,241

(1) Salaries and wages to related parties of Tom Sanders.
(2) Fees for company secretarial services to an entity associated with Ian Macpherson.
(3) Hire by company of Tom Sanders personal vehicle.
(4) Reimbursement of travel expenses to Barry Bolitho.

20. Related party disclosures (cont'd)

(e) Transactions with other related parties

Other related parties include:

- the parent entity;
- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;
- subsidiaries;
- former key management personnel; and
- other related parties.

Amounts receivable from and payable to these related parties are disclosed in note 7 to the financial statements. All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. No interest is charged. During the financial year, Navigator Resources Ltd received interest of nil (2005: Nil) from loans to subsidiaries, and paid interest of Nil (2005: Nil) to subsidiaries.

(f) Parent entities

The ultimate parent entity in the consolidated entity is Navigator Resources Ltd.

21. Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

22. Notes to the cash flow statement

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(a) Reconciliation of cash and cash equivalents				
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash at bank	510,389	522,754	502,009	606,085
Term deposit	4,759,567	792,742	4,759,567	792,742
	5,269,956	1,415,496	5,261,576	1,398,827
(d) Non-cash financing and investing activities				
Shares issued for the acquisition of tenements	55,000	130,000	55,000	130,000

22. Notes to the cash flow statement

(c) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(Loss) for the year	(805,671)	(335,687)	(805,687)	(335,687)
(Gain)/loss on sale or disposal of non-current assets	7,155	1,914	7,155	1,914
(Gain)/loss on disposal of interests	(160,585)	-	(160,585)	-
Depreciation and amortisation of non-current assets	24,328	22,865	23,130	22,865
Provision for loan to subsidiary	-	-	244,257	245,316
Provision for rehabilitation	-	55,000	-	-
Equity settled share-based payment	636,929	-	636,929	-
Interest income received and receivable	(81,571)	-	(78,525)	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(508,895)	(141,025)	(39,253)	(51,465)
Non-current receivables	(3,841)	-	(855)	-
Increase/(decrease) in liabilities:				
Current payables	(200,281)	63,967	31,504	(187,791)
Current provisions	9,555	-	9,555	-
Net cash used in operating activities	(624,817)	(332,966)	(132,375)	(304,848)

23. Financial instruments

(a) Financial risk management objectives

The consolidated entity manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates. The consolidated entity does not use derivative financial instruments to manage its exposure to interest rate risk.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Foreign currency risk management

The group does not transact in foreign currency, hence no exposure to exchange rate fluctuation arise.

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

23. Financial instruments (cont'd)

2006	Weighted average effective interest rate %	Variable interest rate $	Fixed maturity dates: Less than 1 year $	Fixed maturity dates: 1-5 years $	Fixed maturity dates: More than 5 years $	Non interest bearing $	Total $
Financial assets:							
Cash and cash equivalents	5.4	510,248	4,759,567	-	-	141	5,269,956
Trade and other receivables		-	81,228	-	-	93,898	175,126
		510,248	4,840,795	-	-	94,039	5,445,082
Financial liabilities:							
Trade and other payables		-	-	-	-	(123,835)	(123,835)
		-	-	-	-	(123,835)	(123,835)

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

2005	Weighted average effective interest rate %	Variable interest rate $	Maturity dates: Less than 1 year $	Maturity dates: 1-5 years $	Maturity dates: More than 5 years $	Non interest bearing $	Total $
Financial assets:							
Cash and cash equivalents		622,755	792,741	-		-	1,415,496
Trade and other receivables		-	77,387	-		28,449	105,836
		622,755	870,128	-		28,449	1,521,332
Financial liabilities:							
Trade and other payables		-	-	-		(295,977)	(295,977)
		-	-	-		(295,977)	(295,977)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(e) Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2005: net fair value).

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

23. Financial instruments (cont'd)

(f) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

24. Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, where the date of transition is 1 July 2005 (refer note 1(s)).

The transition from superseded policies to A-IFRS has not impacted the company and consolidated entity's financial position, financial performance and cash flows as at 1 July 2004, 30 June 2005 and 30 June 2006.