

NAVARRE MINERALS LIMITED

ABN 66 125 140 105

Annual Report 2011

Corporate Directory

Directors

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

Company Secretary

Trevor Shard

Registered Office

Level 4, 448 St Kilda Road
Melbourne Victoria 3004 Australia
Telephone +61 (3) 9820 5509
Facsimile +61 (3) 9820 2586
Email: info@navarre.com.au

Principal Operations Office

40-44 Wimmera Street
PO Box 385
Stawell, Victoria 3380 Australia
Telephone +61 (3) 5358 8633

Share Registrar

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

Auditor

Andrew Frewin & Stewart
61-65 Bull Street
Bendigo Victoria 3550 Australia

Stock Exchange Listing

ASX Limited
Level 45, South Tower, Rialto
525 Collins Street
Melbourne Victoria 3000 Australia

ASX Code: NML

Website www.navarre.com.au

Incorporated 30 April 2007
Victoria, Australia

Contents

Chairman's letter.....	2
Managing Directors review of operations.....	3
Directors' report.....	5
Auditor's independence declaration.....	10
Remuneration report.....	11
Corporate Governance Statement.....	16
Statement of comprehensive income.....	18
Statement of financial position.....	19
Statement of changes in equity.....	20
Statement of cash flows.....	21
Notes to the financial statements.....	22
Directors' declaration.....	43
Independent auditor's review report.....	46

FORWARD LOOKING STATEMENTS

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

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

Navarre Minerals Limited

ABN 66 125 140 105

CHAIRMAN'S LETTER

On behalf of the Directors of Navarre Minerals Limited (Navarre), I am delighted to present our maiden annual report as a listed company on the Australian Securities Exchange. In the relatively short time since listing on 31 March 2011 your Company has met with significant exploration success at our Bendigo North Gold Project, which I will outline later in my letter.

Navarre's focus is in Victoria, a State which has been the home of a great deal of Australia's mineral wealth, but one which has seen exploration efforts languish in recent decades relative to successful exploitation of natural resources in Western Australia and Queensland in particular. Your Company feels that Victoria has a lot to offer and the seeds of our initial success have come from the work done by our pioneering miners.

Your board and executive have spent much of our professional careers working on Victorian projects. We feel we have a good understanding of the potential of Victorian mineralisation, our unique goldfields in particular. There is a great deal of historical knowledge in various archives upon which to draw and employ as a basis upon which we can apply modern day exploration techniques, especially in the area of geophysical interpretation of Victoria's unique rock types.

Navarre has taken some giant steps since the successful completion of our \$3.5 million Initial Public Offering (IPO) and our subsequent listing on the Australian Securities Exchange on 31 March 2011. We would like to extend a warm welcome to all investors who participated in the IPO as well as thanking our seed investors for their support and patience over several years. Following the IPO, Leviathan Resources Pty Ltd, the owner of the Stawell Gold Mine and a wholly owned subsidiary of Northgate Australian Ventures Corporation Pty Ltd emerged as the Company's largest shareholder and we thank Northgate for its continued support.

Your Company has been extremely active. We commenced exploration activities soon after listing, including an air-core drilling campaign at Bendigo North. Our team of geologists delivered some exciting gold intercepts in air-core holes, which your Managing Director will describe more fully. The gold generally occurs in quartz reefs and is thought to have a typical nuggetty and erratic distribution throughout the quartz. Our interpretation is that this is an extension of the 22 million ounce Bendigo Goldfield, located some 40 kilometres to the south of Tandarra. These quartz reefs are hidden under a blanket of much younger Murray Basin clays and sands. The early drill intercepts were considered encouraging enough to shift the main focus of the Company to Bendigo North and, subsequent to the end of the financial year, to commence an intense follow up exploration program which is currently in progress and will extend well into 2012. Bendigo North is expected to be the flagship property of your Company over the next few years.

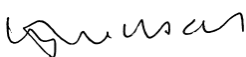
To fund this current program of exploration an entitlement offer was undertaken that delivered a further \$3.2 million of funding in August 2011. Your directors thought it important to raise these funds through an underwritten entitlement issue in order to give existing shareholders first chance to participate in any upside for our exploration. We enjoyed support from both existing and new shareholders in this capital raising.

I would like to say that your board is most encouraged by the early success of the Company and the outlook for 2012 is for more exploration success at Bendigo North. We look forward to sharing the results of the current drilling exploration program at Bendigo North as soon as these results are available.

The Company's success, to date, is attributed to the dedication and skill of the Company's management team and I would like to take this opportunity of thanking Managing Director Geoff McDermott and his team for its excellent work. The team at Navarre worked hard over the course of the year ended 30 June 2011 to ensure that the Company quickly commenced its exploration programs as it started life as a listed entity. An aggressive approach to testing concepts and applying cutting edge exploration science are key goals for the Company. Navarre is well funded and has one of the largest exploration programs in Victoria in recent years to prosecute over the coming months.

I would also like to acknowledge my fellow directors who played pivotal roles in the listing of the Company and are providing guidance and support to myself and the Navarre team.

Thank you for your support and interest and we look forward to success from our exploration efforts over the next 12 months.



Kevin Wilson
Chairman

Navarre Minerals Limited

ABN 66 125 140 105

MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2011

BEDIGO NORTH

On 3 June 2011, Navarre released the results of an air-core drilling program at its Tandarra prospect which forms part of the large Bendigo North land package. The highlight of these results was 10 metres @ 34.4g/t of gold intercept starting from 37 metres down-hole. While this is an outstanding hole in its own right, it is useful to put it into context with some of the historical results received by the previous owner, which included one metre @ 259.8g/t of gold and one metre @ 36.5g/t of gold over a total mineralised strike extent of 2 kilometres.

Our air-core drilling to date has targeted quartz reef mineralisation which is believed to be located within the core of anticlinal structures, which is one of the classic Victorian style gold deposits. Following the success of the initial program, we undertook a geophysical program to better enable us to target these quartz bearing structures under cover. Starting in an area of known mineralisation, the geophysics surveys were run in order to establish a "fingerprint" or "roadmap" for how these structures might be revealed when applied to undrilled areas.

Results from the initial geophysics survey were used to plan a small air-core program at Tandarra post balance date in the September Quarter. This program was designed as a proof of concept exercise to determine the targeting efficiency of the geophysics. The program was successful in that it showed we can drill into the quartz reef structures with a high degree of confidence that targets will be hit. Results of gold grades from this drill program are currently awaited.

On 25 July 2011, Navarre announced a fully underwritten non-renounceable Entitlement Offer on a 1 for 3 basis at an issue price of \$0.23. The issue was well supported and the \$3.2 million in funds raised will be used for an aggressive \$4.2 million exploration program at Tandarra. The program is scheduled to commence in September 2011.

KINGSTON

A geophysical survey was undertaken at Kingston which will assist Navarre to complete a reinterpretation of the geological controls on mineralisation and to better understand the influence of a controlling geological feature known as the Landsborough Fault. The Kingston area is a little-explored field 30 km northeast of Stawell, which contains the old Kingston mine deposit, a northeast trending quartz stockwork hosted gold reef which was mined over 1,000m of strike to a depth of up to 75m below surface. The archival material we have obtained about the field suggests that exploitation of this field was hampered by a lack of capital during the Depression years of the 1930s. The field has enjoyed only superficial attention from other explorers in the intervening years.

Further geophysics are planned to assist with targeting for a follow-up diamond drill campaign during the next 12 months. Some excellent historic results include 9.0 metres @ 40.5g/t of gold and 8.0 metres @ 23.0g/t of gold.

BLACK RANGES

Drilling was undertaken at the Company's Black Ranges Project during the three months prior to 30 June 2011. Two diamond holes drilled over the Company's New Moon prospect intersected volcanic rocks which contained minor bands of disseminated pyrite and pyrrhotite mineralisation but did not contain significant base metal or precious metals. A drill-hole targeting a shallow IP target on the eastern end of the Eclipse prospect intersected volcanic rocks containing low levels of gold and copper. According to the Company's volcanic massive sulphide predictive model, these rocks are interpreted to represent an interface between the favourable or "Holy Host" stratigraphic horizon and hangingwall rocks.

Further modelling and geophysical interpretation will be undertaken to further refine the stratigraphic horizon ahead of the next round of drilling which is currently expected in 2012.

BALLARAT SOUTH

Ballarat South is a well-located lease in the proximity of the Ballarat Gold Mine, currently being re-opened by Castlemaine Goldfields Limited. Work on this project is at an early phase and we look forward to reporting on this project over the coming quarters.

Navarre Minerals Limited

ABN 66 125 140 105

MANAGING DIRECTOR'S REVIEW OF OPERATIONS 2011 (cont)

CONCLUSION

The early success at Bendigo North necessitates that Tandarra is our priority project. We have expanded our geological team to handle this exciting project and look forward to focussing all resources we have at our disposal to unlock the potential of this strategically well-located site.

In many ways, the work we are doing at Tandarra is symptomatic of an awakening of interest in the Victorian gold industry. Australia's gold miners are making record profit margins, even despite rising cost and taxation pressures in the resource sector. Gold exploration and mining is an extremely attractive industry in this environment and your Company intends to be at the forefront of work in the Victorian industry. We are successfully using the most modern exploration techniques and coming up with exciting results. The next 12 months will be extremely interesting for shareholders of Navarre Minerals Limited.



Geoff McDermott
Managing Director

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The directors of Navarre Minerals Limited (variously the "Company", "Navarre" and "Navarre Minerals") submit herewith the annual financial report for the financial year ended 30 June 2011. Navarre Minerals is a company limited by shares, incorporated and domiciled in Australia. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

1. DIRECTORS

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

Kevin Wilson *Non-Executive Chairman (Appointed independent non-executive director 30 April 2007)*

Qualifications BSc (Hons), ARSM, MBA

Mr Kevin Wilson has over 30 years experience in the minerals and finance industries. He was the Managing Director of Leviathan Resources Limited, a Victorian gold mining company, from its initial public offering in 2005 through to its sale in 2006. His previous experience includes 8 years as a geologist with the Anglo American Group in Africa and North America and 14 years as a stockbroking analyst and investment banker with CS First Boston and Merrill Lynch in Australia and USA.

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

Directorships in listed entities Rey Resources Limited

Geoff McDermott *Managing Director (Appointed 19 May 2008)*

Qualifications BSc (Hons), MAIG

Mr Geoff McDermott has over 20 years industry experience working as a geologist in surface and underground metalliferous mining operations, in mineral exploration and as a consultant to the minerals industry.

He has a broad range of international experience having worked as a geologist in Canada, Fiji and Australia for companies such as WMC and Rio Tinto as with the Government of the Northwest Territories, Canada. From 2002 until 2007 Geoff was Chief Geologist and Group Geologist with MPI Mines Limited and Leviathan Resources Limited.

Directorships in listed entities None

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

1. DIRECTORS (cont)

John Dorward *Independent Non-Executive Director (Appointed 15 August 2008)*

Qualifications BComm (Hons)

Mr John Dorward was previously the Vice President Business Development of Fronteer Gold Inc., a TSX listed gold and uranium developer. Prior to joining Fronteer Gold Inc. he was CFO of Mineral Deposits Limited where he was responsible for financing the Sabodala Gold Project in Senegal, West Africa. Preceding this he was CFO and Company Secretary of Leviathan Resources Limited and Commercial Executive and Company Secretary of MPI Mines Limited.

Before joining MPI Mines Limited, John had 8 years experience in the banking sector with a number of years spent in a senior resource project finance role with BankWest. John holds a Bachelor of Commerce (Hons) from the University of Melbourne, a Graduate Diploma in Applied Finance and Investment and a Graduate Diploma from Chartered Secretaries Australia. He has also completed the Chartered Financial Analyst (CFA) Program.

Mr Dorward is a member of the Audit Committee.

Directorships in listed entities Pilot Gold Inc.

Colin H Naylor *Independent Non-Executive Director (Appointed 5 November 2010)*

Qualifications B.Bus (Acc) FCPA

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

Colin is a Fellow of the Certified Practising Accountants and has previously been a member of the Victorian Divisional Council of the CPA and a previous member of the Group of 100 National Executive and Victorian State Chapter.

Mr Naylor is the Chairman of the Audit Committee.

Directorships in listed entities None

Interests in the shares and options of the company

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

	Ordinary Shares	Options
K Wilson	4,367,174	250,000 ¹
G McDermott	4,610,199	1,500,000
J Dorward	3,250,000	200,000 ¹
C H Naylor	1,630,000	200,000 ¹

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

¹ Subject to shareholder approval as set out in Section 15.2 of the Navarre Minerals Limited Prospectus dated 24 December 2010.

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

2. COMPANY SECRETARY

Mr Trevor Shard was appointed Navarre Minerals Limited Company Secretary on 22 October 2010.

3. DIVIDENDS

No dividend has been paid, provided or recommended during the financial year and to the date of this report (2010: nil).

4. PRINCIPAL ACTIVITIES

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

The Company had 7 employees at 30 June 2011 including directors (2010: nil).

5. REVIEW OF OPERATIONS

Environment, Health and Safety

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

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

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

Exploration Licences

During the year the Company maintained an active exploration program with the objective of identifying economic mineral deposits. Exploration programs were completed at the Black Ranges and Bendigo North projects located in Victoria.

Corporate

In November 2010, Navarre raised \$200,000 from issuing 2,000,000 shares at a price of \$0.10 per share. The funds raised were initially used to fund the Initial Public Offering.

In March 2011, Navarre raised \$3,502,000 million (before transaction costs) from issuing 17,510,000 shares at a price of \$0.20 per share. The funds raised were initially used to underpin the financial commitments for gold and base metals exploration licence areas.

Results for the year

The net loss for the financial year, after provision for income tax, was \$945,122 (2010: loss after tax of \$45,471).

Review of Financial Condition

At balance date the Company held cash and cash equivalents of \$2,701,003. During the year the Company increased the cash balance by \$2,401,908 following net capital raisings of \$3,275,117 and interest received of \$46,598 which was used to meet exploration and capital cash outflows of \$731,588 and corporate costs of \$188,219.

Share Issues

During the year the Company raised a total of:

- \$45 from the issue of 450,000 shares to the Managing Director in lieu of salary for 2010;
- \$200,000 from the issue of 2,000,000 shares at \$0.10 per share; and
- \$3,502,000 (before transaction costs of \$431,890) from the issue of 17,510,000 shares at \$0.20 per share.

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased to \$3,832,599 from \$661,899 an increase of \$3,170,700. The movement was mainly due to net equity injections totalling \$4,090,155 partly offset by the net loss of \$945,122.

7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 25 July 2011 the Company announced a fully underwritten 1 for 3 non-renounceable entitlement offer at \$0.23 per share. The Company raised \$3,210,198 before costs. The funds will be used to accelerate the Company's exploration program at its Bendigo North Project.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or state of affairs of the Company, in future financial years.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company has raised additional equity to fund an accelerated exploration program at the Bendigo North Project. The exploration program will be completed during the 2011/2012 financial year and the directors will consider the future direction of the Company following receipt of drilling results.

9. SHARE OPTIONS

Options granted to directors and executives of the Company

There were 1,770,000 share options granted by the Company to the Managing Director, executives and other employees during or since the end of the financial year.

650,000 share options to the Non-Executive directors of the Company are subject to shareholder approval as set out in Section 15.2 of the prospectus dated 24 December 2010.

Unissued shares under options

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

Expiry Date	Exercise Price	Number of Shares
31 December 2014	\$0.20	1,500,000
12 May 2017	\$0.25	270,000

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

Shares issued on the Exercise of Compensation Options

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

10. INDEMNIFICATION AND INSURANCE OF DIRECTORS

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

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

11. BOARD AND COMMITTEE MEETINGS

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

	Board of Directors		Audit Committee	
	A	B	A	B
K Wilson	8	10	-	-
G McDermott	10	10	-	-
J Dorward	9	10	1	1
C H Naylor	9	9	1	1

A – Number of meetings attended

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

In addition to the formally constituted Board of Directors meetings set out above, Directors attended various due diligence meetings held prior to the issue of the Prospectus and listing of the Company.

12. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received the independence declaration from the auditor, Andrew Frewin & Stewart, set out on page 10.

Non Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, and is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non audit services by the auditor, as set out in the notes, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non audit services have been reviewed to ensure they do not impact on the integrity and objectivity of the auditor.
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Andrew Frewin & Stewart received or are due to receive the following amounts for the provision of non-audit services:

	\$
Valuation of Employee Options	980
Investigating Accountants Report	5,000
	5,980



AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2011 TO THE DIRECTORS OF NAVARRE MINERALS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Graeme Stewart', written over a horizontal line.

GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 12th day of September 2011

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

13. REMUNERATION REPORT (Audited)

The Remuneration Report outlines the remuneration arrangements in place for directors and executives in accordance with Section 300A of the *Corporations Act 2001* and its Regulations.

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

The policy for determining the nature and amount of remuneration for Directors and Executives was agreed by the Board of Directors as a whole. The Board obtains professional advice where necessary to ensure that the Company attracts and retains talented and motivated Directors and employees who can enhance Company performance through their contributions and leadership.

Remuneration Philosophy

The Company's remuneration policy has been designed to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives based on key performance areas through the Navarre Minerals Limited option plan (NMLOP). All options are issued under this NMLOP. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Company, as well as creating consistent goals between Directors, Executives and shareholders.

Executive Remuneration

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration package to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, a separate Remuneration Committee is not considered appropriate. Remuneration is regularly compared with the market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration may consist of fixed remuneration and a long term incentive portion as appropriate.

All Executives are eligible to receive a base salary (which is based on factors such as experience and comparable industry information), fringe benefits, options, and performance incentives. The Board reviews the Managing Director's remuneration package, and the Managing Director reviews the senior Executives' remuneration packages annually by reference to the Company's performance, executive performance and comparable information within the industry.

The performance of Executives is measured against criteria agreed annually with each Executive and is based predominantly on the overall success of the Company in achieving its broader corporate goals. Bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can require changes to the Managing Director's recommendations. This policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Directors, Executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the NMLOP.

Executives and Directors receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits (except salary sacrifice superannuation which is at the discretion of the employee).

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Non-Executive Director Remuneration

Non-executive Directors are remunerated by way of fees in the form of cash and superannuation contribution at marketplace levels and options issued through the NMLOP. The Chairman, Mr Wilson, receives a base fee of \$40,000 per annum and the other Non-executive Directors receive \$30,000 per annum. The maximum aggregate fees and equity-based payments payable to all Non-executive Directors is currently set at \$300,000 per annum. Any increase in this amount will require shareholder approval at a general meeting.

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

13. REMUNERATION REPORT (Audited) (cont)

Non-executive directors will be issued, subject to shareholder approval, options over ordinary shares in the Company as set out in Section 15.2 of the Prospectus dated 24 December 2010.

Performance Based Remuneration

As part of each Executive's remuneration package there may be a performance-based component. The remuneration of the Managing Director and Executives has been linked to the share price of the Company through participation in the NMLOP.

Relationship between remuneration policy and company performance

With the Company having listed on 31 March 2011 it is not deemed relevant to track earnings and share price movement against remuneration.

Key management personnel compensation

The named Key Management Personnel of Navarre Minerals Limited, as set out below, held their current positions as at 30 June 2011 and since the end of the financial year.

Directors and executive officer

K Wilson	Chairman (independent non-executive) – appointed 30 April 2007
G McDermott	Managing Director – appointed 19 May 2008
J Dorward	Director (independent non-executive) – appointed 15 August 2008
C H Naylor	Director (independent non-executive) – appointed 5 November 2010

Executives

S Harper	Chief Geologist – appointed 27 April 2011
T Shard	Company Secretary – appointed 22 October 2010

Details of remuneration for year ended 30 June 2011

The remuneration for each Director and Key Management Personnel of the Company during the year was as follows:

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

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

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT**FOR THE YEAR ENDED 30 JUNE 2011****13. REMUNERATION REPORT (Audited) (cont)**

There was no remuneration paid to Key Management Personnel in 2010.

No Director or senior management person appointed during the period received a payment as part of his consideration for agreeing to hold the position.

Options issued as part of remuneration for the year ended 30 June 2011

Options have been issued to Managing Director and Key Management Personnel as part of their remuneration. The options are issued to align the interests of Directors, management and shareholders.

	Number of options granted during 2011	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry Date	Vest Date	Number of options vested during 2011
Directors							
G McDermott	500,000	31 Mar 11	0.0803	0.20	31 Dec 14	31 Dec 11	-
G McDermott	500,000	31 Mar 11	0.0803	0.20	31 Dec 14	31 Dec 12	-
G McDermott	500,000	31 Mar 11	0.0803	0.20	31 Dec 14	31 Dec 13	-
Executives							
S Harper	66,667	12 May 11	0.1054	0.25	12 May 17	12 May 12	-
S Harper	66,667	12 May 11	0.1054	0.25	12 May 17	12 May 13	-
S Harper	66,666	12 May 11	0.1054	0.25	12 May 17	12 May 14	-

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

Exercise of options granted as compensation

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

Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration are detailed below.

Options Granted					Financial years in which grant vests
	Number	Date	% vested in year	% forfeited in year	
Directors					
G McDermott	500,000	31 Mar 11	-	-	30 Jun 12
G McDermott	500,000	31 Mar 11	-	-	30 Jun 13
G McDermott	500,000	31 Mar 11	-	-	30 Jun 14
Executives					
S Harper	66,667	12 May 11	-	-	30 Jun 12
S Harper	66,667	12 May 11	-	-	30 Jun 13
S Harper	66,666	12 May 11	-	-	30 Jun 14

Analysis of movements in options granted as part of remuneration

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$
G McDermott	120,450	-	-
S Harper	21,080	-	-

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

13. REMUNERATION REPORT (Audited) (cont)

Shares issued as part of remuneration for the year ended 30 June 2011

There were no shares issued as part of remuneration during the year ended 30 June 2011. As such there will be no impact on remuneration in the current or future periods.

Employment Contracts

Remuneration and other terms of employment for the Managing Director and Chief Geologist are formalised in service agreements. These agreements provide for participation in the NMLOP. The contract with the Chief Geologist may be terminated by either party with one months' notice. Other major provisions of the agreements relating to remuneration are set out below.

Name	Term of agreement	Base salary including superannuation
Mr G McDermott <i>Managing Director</i>	On-going commencing 31 March 2011	\$ 250,000
Mr S Harper <i>Chief Geologist</i>	On-going commencing 27 April 2011	\$ 141,700

- *Managing Director Remuneration*

On 31 March 2011, Mr Geoff McDermott was employed by Navarre in the role of Managing Director. Mr McDermott entered into an executive service agreement dated 10 December 2010 which contains the following major terms:-

- Mr McDermott receives a fixed remuneration per annum plus superannuation which is reviewed by the Board Committee at the completion of each twelve months of service.

The fixed remuneration is \$250,000 per annum inclusive of superannuation.

- Mr McDermott was granted 1,500,000 options to be vested equally over a three year period.
- Mr McDermott is eligible to receive an annual short-term incentive payment (\$50,000), long-term incentives (250,000 options) and retention incentives (250,000 options) depending on the achievement of KPIs as approved by the Board.
- Mr McDermott may resign from his position and thus terminate this contract by giving six months written notice. On resignation any unvested options will lapse.
- The Company may terminate this employment agreement by giving six months' prior notice in writing.
- The Company may immediately terminate this employment agreement by giving written notice if serious misconduct has occurred. Where termination occurs all options which have not been exercised at the date of termination of employment will automatically lapse.

- *Other Executives (standard contracts)*

All executives have standard employment contracts. The Company may terminate the executive's employment agreement by providing written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On termination of notice any options that have vested or that will vest during the notice period will be released. Options that have not vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

- *Consultants Contracts*

RMDSTEM Limited provides the services of Company Secretary, Mr Trevor Shard, for which RMDSTEM Limited received a fee of \$1,600 per day. The agreement can be terminated by giving not less than three months notice in writing.

Navarre Minerals Limited

ABN 66 125 140 105

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'G McDermott', with a stylized flourish at the end.

**G McDermott
Managing Director
Melbourne, 12 September 2011**

Navarre Minerals Limited

ABN 66 125 140 105

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board and management are committed to good corporate governance and recognise the eight core principles contained in ASX Corporate Governance Council's document, Corporate Governance Principles and Recommendations, August 2007.

The Company complies in large part with the ASX's corporate governance recommendations as per the detail contained in this report. The Company's corporate governance disclosures are set out below.

Additional information about the Company's corporate governance practices is set out on the Company's website at www.navarre.com.au.

CORPORATE GOVERNANCE DISCLOSURES

Principle 1 – The role of the Board and management

The roles of the Board and management have been defined in their letters of appointment and role descriptions. Senior executive key performance indicators are contained in the Remuneration Report.

Principle 2 – Board structure

The Board comprises two independent Non-Executive Directors, the Managing Director and Non-Executive Chairman.

All three Non-Executive Directors are significant shareholders in Navarre. The Directors have considered the guidelines for determining a directors' independence and notwithstanding their shareholdings, the Directors regard themselves as independent.

The size and composition of the Board is considered appropriate for the Company's size and scale of activities. The Board will consider the appointment of additional independent Directors when deemed appropriate. The role of the nomination committee is carried out by the full Board.

A Board performance review will take place during the 2012 year.

The Board has in place a procedure to take independent professional advice at the Company's expense.

A profile of each Director is set out in the Directors' Report.

Principle 3 – Ethical and responsible decision making

The company has a Code of Conduct and Share Trading Policy in place, which are included on the Company's website.

Principle 4 – Financial Integrity

An Audit Committee, comprising the two independent Non Executive Directors, has been established. Its charter is on the Company's website. The Committee is chaired by Mr Naylor. The other committee member is Mr Dorward. The Board believes Messrs Naylor and Dorward have the appropriate expertise to discharge their duties as committee members. . The Audit Committee met once during the year as stated in the Directors' Report.

Principle 5 – Timely and balanced disclosure

The Company has a Continuous Disclosure Policy in place, which is included on the Company's website.

Principle 6 – Shareholder rights

The Company places all ASX releases and other information about the Company's activities on its website. The Company's first Annual General Meeting will be held in 2012. A communications policy will be generated in 2012.

CORPORATE GOVERNANCE STATEMENT (cont)

Principle 7 – Risk management

The Board meets monthly. Material business risks are considered as a regular agenda item. Management have put internal control systems in place and have reported to the Board as to the effectiveness of these systems and provided the assurance contained section 295A of the Corporations Act.

Principle 8 – Remuneration

The full Board carried out the functions of the remuneration committee throughout the year.

All matters of remuneration are determined by the Board in accordance with the Corporations Act requirements, especially in respect of related party transactions. That is, no Directors participated in any decisions regarding his own remuneration or related issues.

The Chairman receives Directors' fees of \$40,000 per annum. The Non-Executive Directors receive Director's fees \$30,000 per annum. The Managing Director does not receive Director's fees.

The Company's remuneration policy is designed to motivate Directors and employees to pursue the long-term growth and success of the Company within a framework that demonstrates a clear relationship between key executive performance and remuneration.

There are no retirement benefits for non-executive Directors.

Navarre Minerals Limited

ABN 66 125 140 105

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011	2010
		\$	\$
Interest income		59,420	4,703
Income		59,420	4,703
Directors, employees and consultants	4	(148,252)	-
Exploration expenditure written-off		(769,518)	(42,533)
Other expenses	4	(86,772)	(7,641)
Loss before income tax		(945,122)	(45,471)
Income tax expense	5	-	-
Net loss for the period		(945,122)	(45,471)
Total comprehensive loss for the period		(945,122)	(45,471)
Basic loss per share (cents per share)	6	(4.91)	
Diluted loss per share (cents per share)	6	(4.91)	

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

Navarre Minerals Limited

ABN 66 125 140 105

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	Note	2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	7	2,701,003	299,095
Trade and other receivables	8	152,064	300
TOTAL CURRENT ASSETS		2,853,067	299,395
NON-CURRENT ASSETS			
Property, plant and equipment	9	102,252	-
Leasehold improvements	10	7,115	-
Exploration and evaluation costs	11	1,082,435	364,573
TOTAL NON-CURRENT ASSETS		1,191,802	364,573
TOTAL ASSETS		4,044,869	663,968
CURRENT LIABILITIES			
Trade and other payables	12	204,484	2,069
Provisions	13	7,786	-
TOTAL CURRENT LIABILITIES		212,270	2,069
TOTAL LIABILITIES		212,270	2,069
NET ASSETS		3,832,599	661,899
EQUITY			
Contributed equity	14	4,800,245	710,090
Share based payments reserve	14	25,667	-
Accumulated losses	14	(993,313)	(48,191)
TOTAL EQUITY		3,832,599	661,899

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

Navarre Minerals Limited

ABN 66 125 140 105

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	710,090	-	(48,191)	661,899
Net loss for the period			(945,122)	(945,122)
Total comprehensive loss for the year			(945,122)	(945,122)
Transactions with owners in their capacity as owners:				
Cost of share based payments	-	25,667	-	25,667
Share issues	4,522,045	-	-	4,522,045
Costs of issues	(431,890)	-	-	(431,890)
At 30 June 2011	4,800,245	25,667	(993,313)	3,832,599

	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2009	367,500	-	(2,720)	364,780
Net loss for the period			(45,471)	(45,471)
Total comprehensive loss for the year			(45,471)	(45,471)
Transactions with owners in their capacity as owners:				
Share issues	342,590	-	-	342,590
At 30 June 2010	710,090	-	(48,191)	661,899

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

Navarre Minerals Limited

ABN 66 125 140 105

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(188,219)	(7,642)
Interest received	46,598	4,703
Net cash (used in) operating activities (note 15)	(141,621)	(2,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on plant and equipment	(104,521)	-
Expenditure on leasehold improvements	(7,329)	-
Expenditure on exploration tenements	(619,738)	(208,000)
Net cash (used in) investing activities	(731,588)	(208,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	3,702,345	342,590
Transaction costs on issue of shares	(427,228)	-
Net cash from financing activities	3,275,117	342,590
Net increase in cash and cash equivalents	2,401,908	131,651
Cash and cash equivalents at beginning of period	299,095	167,444
Cash and cash equivalents at end of period (note 7)	2,701,003	299,095

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

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: CORPORATE INFORMATION

The financial report of Navarre Minerals Limited ("Navarre Minerals", or the "Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 12 September 2011.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

(b) Compliance with IFRS

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

(c) New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Subject to AASB 1049, general government sectors of the Australian Government and state and territory governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and state, territory and local governments.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the company.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the company has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale.

This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the company.

(d) Basis of consolidation

The financial statements comprise the financial statements of Navarre Minerals Limited as at 30 June 2011 and the results for the year then ended.

(e) Significant accounting judgements, estimates and assumptions

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

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using a Black Scholes pricing model, and using the assumptions detailed in note 19.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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

Exploration and evaluation costs

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

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

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 30 June 2011 exploration activities in each area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

(f) Cash and cash equivalents

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

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which range from 4 to 15 years.

Impairment

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

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

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

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

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(h) Exploration and evaluation costs

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

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

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

Impairment of exploration and evaluation costs

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

Farm-outs

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

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

(i) Loans and receivables

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

Recognition and derecognition

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

Subsequent measurement

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

Impairment

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(j) Leases

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

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

(k) Trade and other payables

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

(l) Provisions

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

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

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

Employee leave benefits

Wages, salaries, annual leave and sick leave

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

Long service leave

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(m) Share-based payment transactions

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

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of options and performance rights with market based performance criteria is determined by an external valuer using a binomial option pricing model. The fair value of performance plan rights with non-market performance criteria is determined by reference to the Company's share price at date of grant.

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

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

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

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

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

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

(n) Contributed equity

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

(o) Revenue

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

Interest income

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(p) Income tax

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

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

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

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

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

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

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

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

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

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

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

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(q) Goods and services tax

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

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

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

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

(r) Earnings per share

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

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

NOTE 3: SEGMENT INFORMATION

The Company's reportable segments are confined to mineral exploration.

The following tables represent revenue, profit/(loss) information and certain asset and liability information regarding operating segments for the years ended 30 June 2011 and 30 June 2010.

BUSINESS SEGMENTS	EXPLORATION			
	2011	2010	2011	2010
	\$	\$	\$	\$
Revenue:				
Segment revenue			-	-
Interest revenue	59,420	4,703	59,420	4,703
Total revenue			59,420	4,703
Result:				
Segment loss	(769,518)	(42,533)	(769,518)	(42,533)
Non-segment expenses:				
- Directors, employees and consultants			(148,252)	-
- Other			(86,772)	(7,641)
Loss before income tax			(945,122)	(45,471)
Income tax expense			-	-
Net loss for the year			(945,122)	(45,471)

The segment assets at 30 June 2011 for Exploration total \$1,082,435 (30 June 2010: \$364,573).

All non-current assets are located in Australia.

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 4: EXPENSES**

	2011	2010
	\$	\$
Directors, Employees and Consultants		
Consultants fees and expenses	11,354	-
Directors remuneration (non-executive)	66,667	-
Directors superannuation	6,000	-
Directors insurance	13,209	-
Payroll tax and workcover	493	-
Provision for annual and long service leave	7,786	-
Salaries (including executive director)	102,631	-
Share based payments	25,667	-
Superannuation	9,237	-
Gross Expenditure before allocation to exploration licences	243,044	-
Allocation to exploration licences	(94,792)	-
Net expenditure	148,252	-
	2011	2010
	\$	\$
Other expenses		
Administration and other expenses	65,395	5,172
Audit costs	19,000	-
Stock exchange registry and reporting costs	20,240	-
Travel costs	17,423	2,469
Gross expenditure before allocation to exploration licenses	122,058	7,641
Allocation to exploration licences	(35,286)	-
Net expenditure	86,772	7,641

NOTE 5: INCOME TAX

	2011	2010
	\$	\$
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax credit	497,302	123,013
Tax losses not recognised as not probable	(238,780)	(73,553)
	258,522	49,460
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(258,552)	(49,640)
	(258,522)	(49,460)
Income tax expense reported in the Statement of Comprehensive Income	-	-
	2011	2010
	\$	\$
Tax Reconciliation		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the applicable income tax rate is as follows:		
Accounting loss before tax	(945,122)	(45,471)
At the statutory 30% tax rate (2010: 30%)	283,537	13,641
Share based payment expense	(7,700)	-
Tax losses not brought to account	(275,837)	(13,641)
Income tax expense reported in the Statement of Comprehensive Income	-	-

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 5: INCOME TAX (cont)**

Deferred Income Tax	Statement of Financial		Profit or Loss	
	Position			
	2011	2010	2011	2010
	\$	\$	\$	\$
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Trade and other receivables	(45,619)	-	(45,619)	-
Exploration and evaluation costs	(324,731)	(109,372)	(215,359)	(49,640)
Gross deferred income tax liabilities	<u>(370,350)</u>	<u>(109,372)</u>		
<i>Deferred tax assets</i>				
Provisions	2,336	-	2,336	-
Share issue costs	129,567	-		
Temporary differences not recognised as not probable	(129,567)	-		
Tax losses brought to account to offset net deferred tax liability	<u>368,014</u>	<u>109,372</u>	258,642	49,640
Gross deferred income tax assets	<u>370,350</u>	<u>109,372</u>		
Net Deferred Tax Asset	<u>-</u>	<u>-</u>		
Deferred tax expense			<u>-</u>	<u>-</u>

Tax losses

At balance date, the Company has estimated unused gross tax losses of \$2,070,000 (2010: \$412,764) that are available to offset against future taxable profits subject to continuing to meet relevant statutory tests. To the extent that it does not offset a net deferred tax liability, a deferred tax asset has not been recognised in the accounts for these unused losses because it is not probable that future taxable profit will be available to use against such losses.

NOTE 6: EARNINGS/(LOSS) PER SHARE

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

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

For the year ended 30 June 2011 and for the comparative period, there are no dilutive potential ordinary shares as conversion of share options and performance rights would decrease the loss per share and hence are non-dilutive.

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

	2011
	\$
Net loss	(945,122)
	Shares
Weighted average number of ordinary shares used in calculation of basic and diluted loss per share	<u>19,248,699</u>

Transactions involving ordinary shares or potential ordinary shares that have occurred between the reporting date and the date of completion of these financial statements are set out in note 21. No dividends were paid during the year and no dividends are proposed. No franking credits are held by the Company.

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 7: CASH AND CASH EQUIVALENTS**

	2011	2010
	\$	\$
Cash at bank and in hand	81,397	299,095
Short term deposits	2,619,606	-
	2,701,003	299,095

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

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

NOTE 8: TRADE AND OTHER RECEIVABLES

	2011	2010
	\$	\$
Goods and services tax refund	139,242	-
Interest receivable	12,822	-
Other	-	300
	152,064	300

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

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2011	2010
	\$	\$
At cost	106,423	-
Accumulated depreciation	(4,171)	-
	102,252	
<i>Movement in Plant and Equipment</i>		
Net carrying amount at beginning of year	-	-
Additions	106,423	-
Asset disposals – cost	-	-
Depreciation	(4,171)	-
Asset disposals – accumulated depreciation	-	-
Net carrying amount at end of year	102,252	-

The useful life of the plant and equipment is estimated for 2011 as 3 to 5 years.

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 10: LEASEHOLD IMPROVEMENTS**

	2011	2010
	\$	\$
At cost	7,329	-
Accumulated depreciation	(214)	-
	<u>7,115</u>	<u>-</u>
<i>Movement in Leasehold Improvements</i>		
Net carrying amount at beginning of year	-	-
Additions	7,329	-
Asset scrapped – cost	-	-
Depreciation	(214)	-
Asset scrapped – accumulated depreciation	-	-
	<u>7,115</u>	<u>-</u>
Net carrying amount at end of year	<u>7,115</u>	<u>-</u>

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

NOTE 11: EXPLORATION AND EVALUATION COSTS

	2011	2010
	\$	\$
Balance at beginning of year	364,573	199,106
Expenditure for the year	1,487,380	208,000
Expenditure written-off during the year	(769,518)	(42,533)
	<u>1,082,435</u>	<u>364,573</u>

Capitalised exploration and evaluation costs at 30 June 2011 are \$1,082,435 (2010: \$364,573) which relate to Bendigo North (\$464,934), Black Ranges (\$249,088), Ballarat South (\$328,827) and Kingston (\$39,586).

NOTE 12: TRADE AND OTHER PAYABLES

	2011	2010
	\$	\$
Trade Creditors	<u>204,484</u>	<u>2,069</u>

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

NOTE 13: PROVISIONS

	2011	2010
	\$	\$
CURRENT		
Annual leave entitlement	<u>7,786</u>	<u>-</u>

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 14: CONTRIBUTED EQUITY AND RESERVES**

	2011 Shares	2011 \$	2010 Shares	2010 \$
ISSUED AND PAID UP CAPITAL				
Ordinary shares	41,872,222	4,800,245	17,725,000	710,090
	<u>41,872,222</u>	<u>4,800,245</u>	<u>17,725,000</u>	<u>710,090</u>
Movements in Ordinary Shares				
Balance at beginning of year	17,725,000	710,090	9,975,000	367,500
<i>Share Issues:</i>				
Seed capital raising at \$0.10	2,000,000	200,000	-	-
Seed capital raising at \$0.05	-	-	6,850,000	342,500
Shares to Managing Director in lieu of salary	450,000	45	900,000	90
Shares issued to Leviathan on transfer of exploration permits	4,187,222	820,000	-	-
Initial Public Offering at \$0.20	17,510,000	3,502,000	-	-
Transaction costs	-	(431,890)	-	-
	<u>41,872,222</u>	<u>4,800,245</u>	<u>17,725,000</u>	<u>710,090</u>

(a) Terms and Condition of Ordinary Shares

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

(b) Share Options

At 30 June 2011 1,770,000 options over unissued shares granted to directors/ex-directors, executives and consultants were outstanding. The options are granted pursuant to the Navarre Minerals Limited Option Plan, details of which are set out in note 19.

A further 650,000 options over unissued shares are subject to shareholder approval as set out in Section 15.2 of the prospectus dated 24 December 2010.

(c) Capital Management

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

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

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

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 14: CONTRIBUTED EQUITY AND RESERVES (cont)****OTHER RESERVES****Share Based Payments Reserve**

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

	2011	2010
	\$	\$
Balance at beginning of year	-	-
Cost of share based payments	25,667	-
Balance at end of year	25,667	-

ACCUMULATED LOSSES

	2011	2010
	\$	\$
Balance at beginning of year	(48,191)	(2,720)
Net loss for the year	(945,122)	(45,471)
Balance at end of year	(993,313)	(48,191)

NOTE 15: STATEMENT OF CASH FLOWS RECONCILIATION**Reconciliation of net loss after tax to net cash flows used in operating activities**

	2011	2010
	\$	\$
Net loss	(945,122)	(45,471)
<i>Adjustments for:</i>		
Exploration expenditure written-off	769,518	42,533
Depreciation and amortisation	304	-
Share based payments	25,667	-
Deferred income tax expense	-	-
<i>Changes in assets and liabilities</i>		
(Increase) in trade and other receivables	(105,979)	-
(Decrease)/increase in trade and other payables	111,919	(1)
Increase in provisions	2,072	-
Net cash flows from/(used in) operating activities	(141,621)	(2,939)

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 16: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

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

Interest rate risk

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

	2011
	\$
Cash and cash equivalents	2,701,003

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

Taking into account past performances, future expectations economic forecasts, and management's knowledge and experience of the financial markets, the company believes that +/- 1.0% from the year-end rates of 5.5% represents the 'reasonably possible' movement interest rates over the next 12 months. The following is the impact of this on the profit or loss with all other variables including foreign exchange rates held constant:

	Net Profit
	2011
	\$
+1.0% (100 basis points) increase in interest rates with all other variables held constant	27,000
-1.0% (100 basis points) decrease in interest rates with all other variables held constant	(27,000)

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

Liquidity Risk

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

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

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

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

Maturity Analysis

At balance date, the company holds \$204,484 of financial liabilities consisting of trade and other payables. All financial liabilities have a contractual maturity of 30 days.

Fair Values

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

NOTE 17: COMMITMENTS AND CONTINGENCIES

(a) Commitments

	2011 \$	2010 \$
Operating Lease		
Future minimum rentals payable under operating lease for office premises at balance date:		
Payable not later than one year	14,340	-
Payable later than one year but not later than five years	10,755	-
	<u>25,095</u>	<u>-</u>
	2011 \$	2010 \$

Exploration Commitments – Exploration Permits

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

Payable not later than one year	482,150	-
Payable later than one year but not later than five years	1,125,300	-
	<u>1,607,450</u>	<u>-</u>

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. These obligations are expected to be fulfilled in the normal course of operations. Exploration interests may be relinquished or joint ventured to reduce this amount. The Victorian State Government has the authority to defer, waive or amend the minimum expenditure requirements.

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 18: KEY MANAGEMENT PERSONNEL****Directors**

K Wilson J Dorward C H Naylor

ExecutivesG McDermott
S Harper
T Shard

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

Compensation of key management personnel by category:

	2011	2010
	\$	\$
Short term employee benefits	140,992	-
Post employment benefits	53,325	-
Share-based payments	24,916	-
	<u>219,233</u>	<u>-</u>

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

During the year executive and other fees were paid by the Company to entities controlled by directors as follows:

Director	Executive and Other Fees Paid 2011	Outstanding at Balance Date 2011
	\$	\$
G McDermott*	<u>45,000</u>	<u>-</u>

* Payments were paid to a related entity for Mr McDermott prior to his commencing employment with Navarre as Managing Director.

Movement in shares

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

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

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

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 18: KEY MANAGEMENT PERSONNEL (cont)****Movement in shares (cont)**

30 June 2010	Held at 1 July 2009	Purchases	Received on Exercise of Options	Sales	Held at 30 June 2010
Shares held in Navarre Minerals Limited (number)					
Directors					
K Wilson	1,600,000	1,000,000	-	-	2,600,000
J Dorward	1,400,000	500,000	-	-	1,900,000
C H Naylor	1,000,000	-	-	-	1,000,000
Executives					
G McDermott	1,600,000	1,100,000	-	-	2,700,000
T Shard	600,000	200,000	-	-	800,000

Options over equity instruments

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

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

A further 650,000 options over unissued shares to be issued to the Non-executive directors are subject to shareholder approval as set out in Section 15.2 of the Prospectus dated 24 December 2010.

NOTE 19: SHARE BASED PAYMENT PLANS*Navarre Minerals Limited Option Plan*

Share options are granted to senior executives and non-executive directors. There were 1,770,000 options granted during the financial year (2010: nil options).

Movements in share options on issue during the year:

	2011 Options
Outstanding at the beginning of the year	-
Granted during the year	1,770,000
Lapsed during the year	-
Exercised during the year	-
	<u>1,770,000</u>

Navarre Minerals Limited

ABN 66 125 140 105

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: SHARE BASED PAYMENT PLANS (cont)

On 12 May 2011, 200,000 share options were granted to the Chief Geologist.

The share options package is as follows:-

The expiry date for these options is 12 May 2017.

The fair value of the options at date of grant is estimated to be 10.54 cents. The fair value was determined using a Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	81%	Contractual life	6 years
Risk-free interest rate	47.5%	Dividend yield	0%

The total amount expensed in the year relating to these share options was \$2,147 (2010: nil).

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

On 12 May 2010, 70,000 share options were granted to the Field Supervisor.

The share options package is as follows:-

The expiry date for these options is 12 May 2017.

The fair value of the options at date of grant is estimated to be 10.54 cents. The fair value was determined using a Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	81%	Contractual life	6 years
Risk-free interest rate	47.5%	Dividend yield	0%

The total amount expensed in the year relating to these share options was \$751 (2010: nil).

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

On 31 March 2011, 1,500,000 share options were granted to the Managing Director.

The share options package is as follows:-

The expiry date for these options is 31 December 2014.

The fair value of the options at date of grant is estimated to be 8.03 cents. The fair value was determined using a Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	81%	Contractual life	3 years
Risk-free interest rate	5.375%	Dividend yield	0%

The total amount expensed in the year relating to these share options was \$22,769 (2010: nil).

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

Navarre Minerals Limited

ABN 66 125 140 105

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****NOTE 20: AUDITORS' REMUNERATION**

	2011	2010
	\$	\$
Amounts received or due and receivable by the auditor for:		
Audit or review of the financial reports	19,000	-
Non-audit services	5,980	-
	<u>24,980</u>	<u>7,000</u>

NOTE 21: EVENTS SUBSEQUENT TO BALANCE DATE

On 25 July 2011 the Company announced a fully underwritten 1 for 3 non-renounceable entitlement offer at \$0.23 per share. The Company raised \$3,210,198 before costs. The funds will be used to accelerate the Company's exploration program at its Bendigo North Project.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or state of affairs of the Company, in future financial years.

Navarre Minerals Limited

ABN 66 125 140 105

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the Company are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date.
 - (ii) Complying with Accounting Standards and *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

On behalf of the Board



G McDermott
Managing Director
Melbourne, 12 September 2011

Navarre Minerals Limited

ABN 66 125 140 105

ADDITIONAL SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 August 2011.

1. Distribution of Shareholders

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

Ranges	Holders	Total Units	% IC
1-1000	10	2,271	0.00%
1,001 – 5,000	45	147,713	0.27%
5,001 – 10,000	107	951,685	1.71%
10,001 – 100,000	328	10,877,746	19.48%
>100,001	78	43,850,188	78.54%
Totals	568	55,829,603	100.00%

(ii) There were 10 shareholders with less than a marketable parcel of ordinary shares.

2. 20 Largest Shareholders

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

Shareholder	Escrow 12 months	Escrow 24 months	Ordinary shares	Total	% Issued capital
New Chum Holdings Pty Ltd	0	2,853,500	1,628,367	4,481,867	8%
Mr Kevin John Wilson	0	2,103,500	2,263,674	4,367,174	8%
Leviathan Resources Pty Ltd	0	4,187,222	0	4,187,222	7%
Taycol Nominees Pty Ltd	0	0	3,887,845	3,887,845	7%
Kautag Pty Ltd	0	1,578,500	661,500	2,240,000	4%
Mr Colin Henry Naylor & Mrs Anne Naylor	0	903,500	726,500	1,630,000	3%
Dalregal Pty Ltd	0	0	1,600,000	1,600,000	3%
Mr Trevor James Shard & Mrs Lidia Lee Merzel	0	753,500	466,500	1,220,000	2%
Ms Katherine Griffin	0	0	1,010,000	1,010,000	2%
Northgate Australian Ventures	0	0	1,000,000	1,000,000	2%
Mr John Darroch & Mrs Gloria Darroch	0	0	950,287	950,287	2%
Yavern Creek Holdings Pty Ltd	0	0	933,333	933,333	2%
Karrina Mitchell	50,000	0	850,000	900,000	2%
Zen Asset Management Pty Ltd	0	0	790,000	790,000	1%
Mad Fish Management Pty Ltd	50,000	0	615,000	665,000	1%
Walkaround Pty Limited	0	0	600,000	600,000	1%
Mrs Carmel Elizabeth Whiting	0	0	566,667	566,667	1%
Yelwac Pty Ltd	0	0	563,683	563,683	1%
Kevin Philip Wilke	50,000	0	494,000	544,000	1%
Mad Fish Management Pty Ltd	0	0	530,000	530,000	1%
	150,000	12,379,722	20,137,356	32,667,078	59%

3. Substantial Shareholders

As at 31 August 2011 the substantial holders were as follows:

Shareholder	No of shares	%
Leviathan Resources Pty Ltd (including Northgate Australian Ventures)	5,187,222	9.3
Mr Geoff McDermott (including New Chum Holdings and others)	4,610,199	8.2
Mr Kevin John Wilson	4,367,174	7.8
Mr John Dorward (and Mrs Katherine Griffin)	3,250,000	5.8

Navarre Minerals Limited

ABN 66 125 140 105

4. Voting Rights

At a general meeting of shareholders:

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

TENEMENT INFORMATION (as at 31 August 2011)

Project	Tenement Details	Company Interest
Black Range	EL4590	100%
Wartook ¹	EL4647	100%
Tandarra (Bendigo North)	EL4897	100%
Natimuk ²	EL4973	100%
Mitre ²	EL4986	100%
Ballarat South	EL4996	100%
Mooralla (Black Range South)	EL5164	100%
Kingston	EL5280	100%
Bendigo North 2	EL5364	100%
Glendhu	ELA5380	100%

Notes ¹ Wartook EL4647 was surrendered on 9 February 2011.

² Natimuk EL4973 and Mitre EL4986 were amalgamated on 23 March 2011 to form EL4973 Mitre.



INDEPENDENT AUDITOR'S REPORT

To the members of Navarre Minerals Limited.

We have audited the accompanying financial report of Navarre Minerals Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of Navarre Minerals Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with Corporations Regulations 2001.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

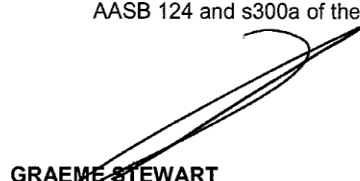
Navarre Minerals Limited

ABN 66 125 140 105

Auditor's Opinion

In our opinion:

- a. the financial report of Navarre Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- c. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124 and s300a of the *Corporations Act 2001*.



GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 12th day of September 2011