

**NAGAMBIE MINING LIMITED
AND CONTROLLED ENTITIES**

Financial Report

Half-year ended
31 December 2013

CORPORATE DIRECTORY

NAGAMBIE MINING LIMITED ABN 42 111 587 163
NAGAMBIE DEVELOPMENTS PTY LTD ABN 37 130 706 311
NAGAMBIE LANDFILL PTY LTD ABN 90 100 048 075

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

533 Zanelli Road
Nagambie Vic 3608
PO Box 339
Telephone: (03) 5794 1750
Facsimile: (03) 5794 1790
Website: www.nagambiemining.com.au
Email: info@nagambiemining.com.au

DIRECTORS

Michael W Trumbull (Executive Chairman)
Geoff Turner (Non-Executive Director - Exploration)
Kevin J Perrin (Non-Executive Director - Finance)

COMPANY SECRETARY

Alfonso M G Grillo

PRINCIPAL LEGAL ADVISER

TressCox Lawyers
Level 9, 469 La Trobe Street
Melbourne Vic 3000
Telephone: (03) 9602 9444
Website: www.tresscox.com.au

AUDITOR

William Buck Audit (VIC) Pty Ltd
Level 20, 181 William Street
Melbourne Vic 3000

SHARE REGISTRY

Advanced Share Registry Limited
150 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 8033

SECURITIES EXCHANGE LISTING

Nagambie Mining Limited shares are listed
on the Australian Securities Exchange
ASX Code: NAG

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NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2013, for Nagambie Mining Limited (the "Company") and its controlled entities (the "Group").

DIRECTORS

The names of Directors in office at all times during or since the end of the half-year are:

Michael W Trumbull (Executive Chairman)
Geoff Turner (Non-Executive Director - Exploration)
Kevin J Perrin (Non-Executive Director - Finance)

REVIEW OF OPERATIONS

The loss of the Group for the half-year ended 31 December 2013 after income tax amounted to \$329,124 compared to a loss of \$273,494 for the 2012 half year, an increase of \$55,630.

The company's principal objectives continue to be to: (1) evaluate the 100% owned oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 100,000 to 200,000 ounces of gold mineralisation; and (2) develop all the non-gold revenue opportunities at the Nagambie Mine.

A second round of RC percussion drilling was carried out at Wandean, 9 km north west of the Nagambie Mine, in October 2013. The results of the drilling were announced to the ASX on 20 January 2014. Better intersections included:

- ✧ **37m at 0.85 g/t gold** from 7m down hole (including **15m at 1.45 g/t** from 7m) in drill hole WRC 21;
- ✧ **2m at 11.0 g/t** from 7m (including **1m at 21.1 g/t** from 7m) in WRC 23;
- ✧ **4m at 3.3 g/t** from surface (including **1m at 10.6 g/t** from 1m) in WRC 42;
- ✧ **5m at 2.2 g/t** from 30m (including **1m at 4.8 g/t** from 34m) in WRC 46;
- ✧ **3m at 3.0 g/t** from 30m (including **1m at 6.2 g/t** from 31m) in WRC 34; and
- ✧ **4m at 2.1 g/t** from 29m (including **1m at 5.4 g/t** from 32m) in WRC 41.

21.1 g/t gold is the highest gold grade ever recorded in drilling for the Nagambie region. The previous best oxide gold assay was 16.3 g/t gold at the historic Nagambie Mine. The presence of shallow high grade gold at Wandean will significantly increase the average grade and improve the potential economics of the gold mineralisation.

During the half year, the company developed a proposal for a landfill site at the Nagambie Mine to take residual inert hard waste ("residuals") from Melbourne recycling operations. Victoria's most pressing waste management issue is the impending shortfall in landfill capacity to accept residuals being generated in the Melbourne East area. The shortfall is estimated to grow to 1.2 million tonnes per year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor has provided a declaration of independence, as required under Section 307C of the Corporations Act 2001. This declaration is included at page 3.

This report is signed in accordance with a resolution of the directors:



Michael Ward Trumbull

Executive Chairman

Dated in Melbourne on 12 March 2014

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NAGAMBIE MINING LTD

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2013 there have been:

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



William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



J.C. Luckins
Director

Dated this 12th day of March 2014

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | Hawthorn: Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

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NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Revenue from sale of non-gold materials	1,930	59,004
Other income	14,976	21,499
Total Revenue	16,906	80,503
Corporate and administration	(155,339)	(203,823)
Depreciation and amortisation	(5,813)	(5,092)
Employee benefits expense	(69,878)	(29,606)
Finance costs	(115,000)	(115,476)
Total Expenses	(346,030)	(353,997)
Loss before income tax	(329,124)	(273,494)
Income tax expense	-	-
Loss for the period	(329,124)	(273,494)
Other comprehensive income	-	-
Total comprehensive loss for the period	(329,124)	(273,494)
Loss per share		
Basic and diluted loss per share in cents	(0.12)	(0.15)

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Consolidated		
	Note	31 Dec 2013	30 June 2013
		\$	\$
Current assets			
Cash and cash equivalents		360,848	110,568
Trade and other receivables		39,363	35,407
Prepayments		10,595	-
Total current assets		410,806	145,975
Non-current assets			
Security deposits		575,215	594,231
Property, plant & equipment		63,664	67,619
Exploration and evaluation assets		5,942,232	5,591,202
Total non-current assets		6,581,111	6,253,052
Total assets		6,991,917	6,399,027
Current liabilities			
Trade and other payables		178,133	129,161
Provisions		3,955	5,613
Total current liabilities		182,088	134,774
Non-current liabilities			
Borrowings		2,300,000	2,300,000
Total non-current liabilities		2,300,000	2,300,000
Total liabilities		2,482,088	2,434,774
Net assets		4,509,829	3,964,253
Equity			
Issued capital	2	15,657,466	14,849,266
Reserves		208,924	142,424
Accumulated losses		(11,356,561)	(11,027,437)
Total equity		4,509,829	3,964,253

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF CHANGES IN EQUITY**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Issued capital \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	13,801,484	121,999	(9,672,256)	4,251,227
Loss for the half-year	-	-	(273,494)	(273,494)
Options issued	-	20,425	-	20,425
Shares issued	746,618	-	-	746,618
Share issue costs	(37,824)	-	-	(37,824)
Balance at 31 December 2012	14,510,278	142,424	(9,945,750)	4,706,952
Balance at 1 July 2013	14,849,266	142,424	(11,027,437)	3,964,253
Loss for the half-year	-	-	(329,124)	(329,124)
Options issued	-	66,500	-	66,500
Shares issued	820,000	-	-	820,000
Share issue costs	(11,800)	-	-	(11,800)
Balance at 31 December 2013	15,657,466	208,924	(11,356,561)	4,509,829

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF CASH FLOWS**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Consolidated	
	31 Dec 2013	31 Dec 2012
	\$	\$
Cash flow from operating activities		
Receipts from customers	2,471	59,004
Payments to suppliers and employees	(126,495)	(186,530)
Interest received	14,976	2,482
Interest paid	(115,000)	(115,476)
Net cash used in operating activities	(224,048)	(240,520)
Cash flow from investing activities		
Payments for exploration expenditure	(351,030)	(383,974)
Payments for security deposits	-	(10,000)
Proceeds from security deposits	19,016	-
Purchase of property, plant & equipment	(1,858)	-
Net cash used in investing activities	(333,872)	(393,974)
Cash flow from financing activities		
Proceeds from share issue	820,000	746,618
Share issue costs	(11,800)	(37,824)
Repayment of borrowings	-	(4,896)
Net cash provided by financing activities	808,200	703,898
Net increase (decrease) in cash and cash equivalents held	250,280	69,404
Cash and cash equivalents at the beginning of the half-year	110,568	344,656
Cash and cash equivalents at end of the half-year	360,848	414,060

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report does not include all the notes and full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 2013 annual report and any public announcements made by Nagambie Mining Limited during the half-year.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2013 financial report.

Changes in Accounting Policies

During the half-year, AASB 10: *Consolidated Financial Statements* became mandatory for the first time. This standard replaces the guidance on control and consolidation in AASB 127: *Separate Financial Statements* and in Interpretation 112: *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power. The group has reviewed its investments in other entities to determine whether there were any differences in the consolidation principles in AASB 127: *Separate Financial Statements*, and conclude that no such differences were noted, and therefore this standard has had no impact on the recognised amounts in the financial statements.

Going Concern

For the half-year ended 31 December 2013 the consolidated net loss was \$329,124 (2012: \$273,494), which increased total accumulated losses to \$11,356,561 (30 June 2013: \$11,027,437). The net cash outflows from operations for the half-year were \$224,048 (2012: \$240,520). The Group has capital commitments extending to 31 December 2014 of \$596,000 (to 31 December 2013: \$680,000).

The directors have assessed the current cash balances available to the entity, along with the operating and capital expenditure plans and expected obligations over the next 12 months. In considering its future cash flow forecast the directors have determined that they have further capacity to meet its financial commitments through the following:

- the ability to place an additional 25% of its issued share capital in any 12 month period without further shareholder approval. A share placement of \$700,000 announced to the ASX on 6 March 2014 reduces this capacity to 17.1%;
- anticipated growth in non-gold revenue from the Nagambie Mine;
- the ability to scale back exploration costs and activities and to reclaim cash-backed environmental bonds for mineral tenements from the Victorian Department of Primary Industries ("DPI") and therefore foregoing any capital commitments on those tenements surrendered; and
- the ability to scale back its administrative and corporate costs.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	31 Dec 2013	30 June 2013
	\$	\$
2. ISSUED CAPITAL		
Issued and paid up capital		
264,440,832 (30 June 2013: 223,440,832) ordinary shares, fully paid	<u>15,657,466</u>	<u>14,849,266</u>

During the period 41,000,000 new shares were issued through a placement at 2 cents per share. This raised funds of \$820,000 before costs.

3. SHARE OPTIONS

During the half-year 9,500,000 options were issued to Directors and Officers, all exercisable at 10c per share. The share options vested on their grant and issue date which was 3 December 2013 and expire 5 years after that date.

4,000,000 options lapsed unexercised during the half-year.

4. SEGMENT REPORTING

The Group operates in one business segment, being the exploration for mineral resources in Australia.

5. COMMITMENTS FOR CAPITAL EXPENDITURE

The Group holds various tenements for its mineral exploration activities. These tenements require the Group to meet minimum capital expenditure requirements. In order to satisfy those requirements the Group has budgeted to spend \$596,000 for the 12 months ending 31 December 2014 and thereafter it expects to spend approximately \$500,000 every 12 months, indexed for CPI inflation, for as long as it maintains its current portfolio of tenements.

These tenements also have environmental clauses that require the company to restore the disturbed area of interest back to a condition that satisfies the Victorian Department of Primary Industries. As the Group plans to hold onto its existing tenements indefinitely, no allowance has been made in the statement of financial position for any obligation that may arise should the Group decide not to continue holding any of its tenements.

6. CONTINGENT ASSETS AND LIABILITIES

There has been no change in contingent assets and liabilities since the last annual financial report.

7. EVENTS SUBSEQUENT TO BALANCE DATE

The Company announced to the ASX on 6 March 2014 that it received firm commitments for a \$700,000 share placement. This placement represents 7.9% of the existing shares on issue. In the opinion of the directors, there has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations or state of affairs of the Group in the subsequent financial year.

NAGAMBIE MINING LIMITED

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DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the Group as at 31 December 2013 and of its performance, for the half-year ended on that date; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Michael W Trumbull
Executive Chairman

Dated in Melbourne on 12 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nagambie Mining Limited (the "company"), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of Nagambie Mining Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Nagambie Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Brisbane
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Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | Hawthorn: Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nagambie Mining Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Nagambie Mining Limited's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and
- b) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to the conclusion expressed above, attention is drawn to Note 1 of the interim financial report, which indicates that the company incurred an after tax loss of \$329,124 (to December 2012: loss \$273,494) during the half-year ended 31 December 2013, and generated net cash outflows from operating activities of \$224,048 (to December 2012: \$240,520). These conditions along with other matters set forth in Note 1 indicate that there is a material uncertainty that may cast doubt regarding whether the company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report.

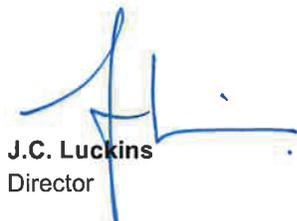
Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half year financial report of Nagambie Mining Limited for the half year ended 31 December 2013 included on Nagambie Mining Limited's web site. The company's directors are responsible for the integrity of the Nagambie Mining Limited's web site. We have not been engaged to report on the integrity of the Nagambie Mining Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136

A handwritten signature in blue ink that reads 'J.C. Luckins'.

J.C. Luckins

Director

Dated this 12th day of March 2014