



31 October 2011

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2011

REPORT SUMMARY

- A detailed mapping and costeaning program is being prepared to evaluate Doctors Gully at Rushworth ahead of follow-up drilling. Doctors Gully recently became available due to the surrender of an old mining licence within Nagambie Mining's 100%-owned exploration licence. The most compelling gold target is a broad mineralized halo zone striking north south and parallel to an extensive shear system. The best RC drilling intersections by a previous explorer in the 1980s included 7 metres at 4.1 g/t gold from 40 metres downhole, 8 metres at 3.2 g/t from 40 metres downhole and 1 metre at 14.6 g/t from 62 metres downhole.
- The infill soil sampling program at Nagambie South, held up by flooding in the area, finally got underway during the quarter. Sampling concluded just after the close of the quarter and assay results are awaited.
- The 26-costean program at Redcastle commenced just after the close of the quarter and has now been completed. Sample assay results are awaited and will be evaluated in conjunction with detailed geological mapping. The program was designed to further develop RC drilling targets at Mullocky and Pioneer and to test for the first time the historical workings within the Laura Mining Licence.
- A review of all historical drilling carried out within the Mining Licence at the Nagambie Mine has opened up the possibility of oxide gold mineralisation being present approximately 100 metres in the footwall (to the south) of the main north-plunging orebody mined to date. RC drilling of the oxide target within 80 metres of the surface will be carried out when a contract rig becomes available.
- Work continued during the quarter on the West Pit Extension and associated infrastructure planning. The planned West Pit Extension covers 200 metres of strike length and Nagambie Mining is targeting 25,000 ounces of mineralisation at 0.8 g/t gold in the extension.
- Abigroup continued excavating and trucking undifferentiated rock fill from the Western Overburden Dump, although quantities were significantly less than anticipated due to continued rainfall throughout the quarter.

ABOUT NAGAMBIE

Nagambie Mining Limited (ASX Code: NAG) listed on the ASX in 2006 and is an Australian gold company whose principal focus is on the evaluation and development of shallow open cut gold deposits in Victoria.

The Company currently holds 100% of over 260 km² of exploration tenements in Central Victoria encompassing several historic goldfields. It is testing new structural and mineralisation concepts through employing geological, geophysical and geochemical techniques over the tenements.

The Company is also looking to fully develop all the construction material opportunities at the Nagambie Mine site, principally for rock & sand products and to ultimately maximise the value of the freehold land owned by the Company at the mine.

SHARES ON ISSUE

Quoted: 168,859,948

Issued: 168,859,948

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**NAGAMBIE MINING OBJECTIVES****GOLD EXPLORATION AND DEVELOPMENT**

The medium term objective for Nagambie Mining is to produce 10,000 ounces of gold per year at an operating cost around A\$700 per ounce with a projected mine life of at least 10 years.

The Company is evaluating and developing 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 heap-leachable gold mineralisation. The initial focus is on the two 100%-owned, complete historical goldfields at Nagambie and at Redcastle. Redcastle is 33 km west of Nagambie, 19 km east of the Fosterville Mine and 12 km north of the Costerfield Mine.

Heap leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of total capital cost and operating cost per tonne. The recommencement of heap leach operations at the Nagambie Mine will benefit from the proven technology and successful operations history at the Mine in the 1990s. Recommencement will also benefit from the bitumen public road access to the Mine gate, the Company's freehold land (roughly 200 hectares) and the process water that can be pumped from the East Pit. Other infrastructure remaining on site includes the haulage roads, the pondage civil works, the operations shed, the grid electricity supply and the potable water supply.

When the Nagambie Mine operated in the 1990s under its previous ownership, the average head grade of the 184,000 ounces of gold ore stacked on the heap leach pad was approximately 0.8 g/t gold. Heap leach gold recovery was approximately 80%. Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,500 to A\$1,800 per ounce. Costs for contract activities such as open-pit mining, trucking, crushing, agglomerating and conveyor stacking have not increased nearly as much as the A\$ gold price in the intervening years.

The planned West Pit Extension at the Nagambie Mine is targeted to contain 25,000 ounces of gold mineralisation over 200 metres strike length at 0.8 g/t gold. At 80% heap leach recovery, this would give 2 years' life at 10,000 ounces of gold production per year. The target grade for prospective Nagambie-style oxide mineralisation at Nagambie North and Nagambie South is also 0.8 g/t gold. Target size for a gold discovery under cover in the Nagambie region is 200,000 ounces given the size of the Nagambie Mine orebody (184,000 ounces of gold mined in the 1990s plus 25,000 ounces targeted in the West Pit Extension).

The Company estimates that ore trucking costs from Redcastle to the Nagambie Mine (MIN 5412) would equate to around 0.2 g/t gold head grade equivalent. Hence an average head grade of 1.0 g/t gold or higher for Redcastle ore should produce attractive returns. Nagambie Mining is confident of being able to delineate various open pits at Redcastle containing a significant tonnage of mineralisation averaging 1.0 to 2.0 g/t gold, with a total target of at least 100,000 ounces of gold mineralisation.

NON-GOLD INCOME

The Company is developing all the construction material opportunities on the freehold land at the Nagambie Mine, including the sale of overburden and the commercialisation of sand deposits. Projected income from sales of non-gold materials for the 2012 financial year is \$500,000.

The growth in non-gold income is largely a result of the liaison between Nagambie Mining and Global Contracting Pty Ltd ("Global") since June 2010. Global has a successful civil engineering, contracting and earthmoving business with ready access to crushing, screening and washing equipment while its earthmoving fleet includes a large range of excavators, tracked loaders, graders and tandem tipplers.



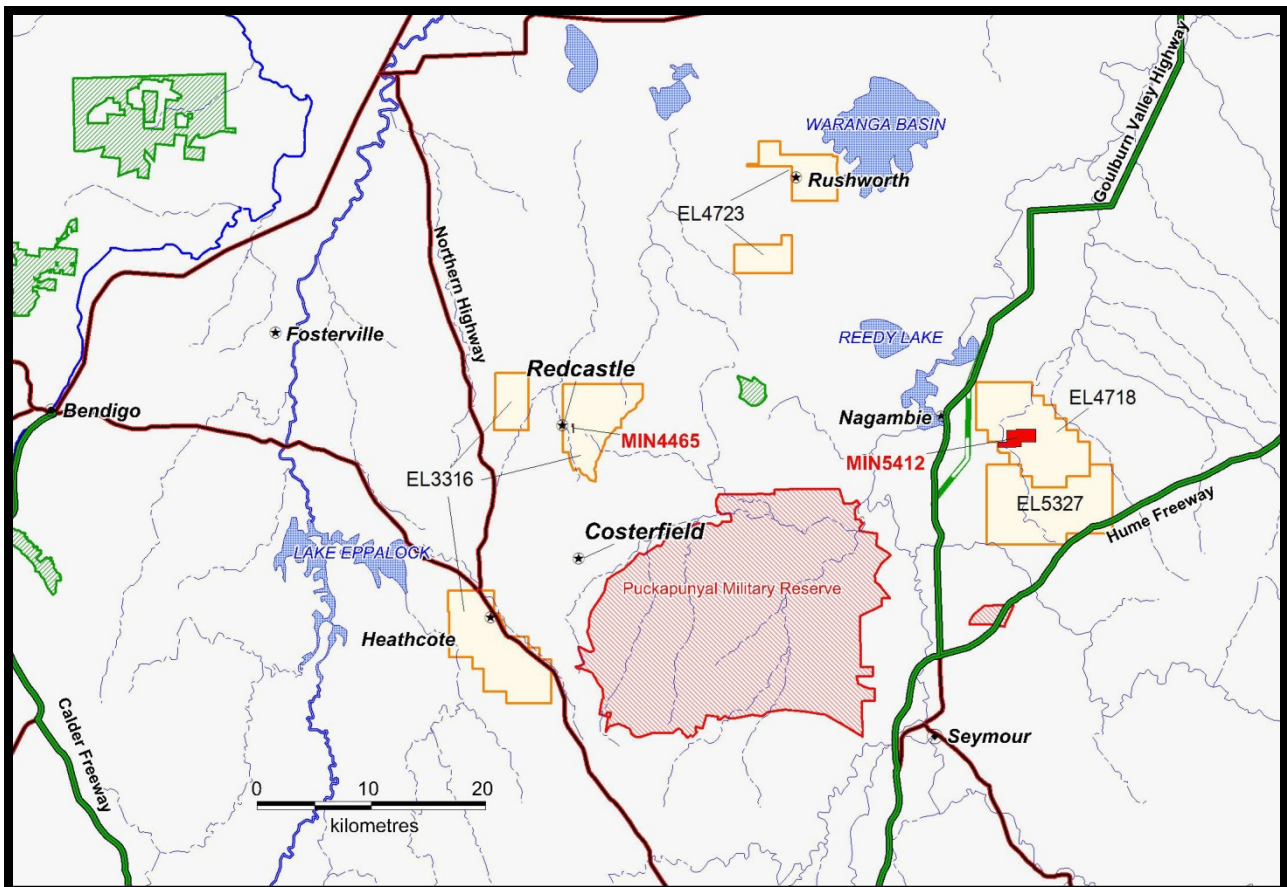
NAGAMBIE MINING PROJECTS

Nagambie Mining holds a 100% interest in four Exploration Licences and two Mining Licences in Central Victoria, with a total area of 264.7 km². All licences are for gold and associated minerals.

Table 1 Nagambie Mining Limited Tenement Holdings

| Group Area | Project | Name | Licence Number | Area km ² | Interest % |
|--------------------------------|-----------------------|----------------|----------------|----------------------|------------|
| EXPLORATION GROUP AREAS | | | | | |
| NAGAMBIE | <i>RUSHWORTH</i> | Rushworth | EL 4723 | 34.0 | 100 |
| | <i>NAGAMBIE NORTH</i> | Nagambie North | EL 4718 | 59.0 | 100 |
| | <i>NAGAMBIE SOUTH</i> | Nagambie South | EL 5327 | 64.0 | 100 |
| REDCASTLE | <i>REDCASTLE</i> | Redcastle | EL 3316 | 104.0 | 100 |
| | <i>LAURA</i> | Laura Mine | MIN 4465 | 0.1 | 100 |
| DEVELOPMENT GROUP AREA | | | | | |
| NAGAMBIE | <i>NAGAMBIE</i> | Nagambie Mine | MIN 5412 | 3.6 | 100 |
| TOTAL | | | | 264.7 | |

Figure 1 Project Locations



**DEVELOPMENT GROUP AREA**

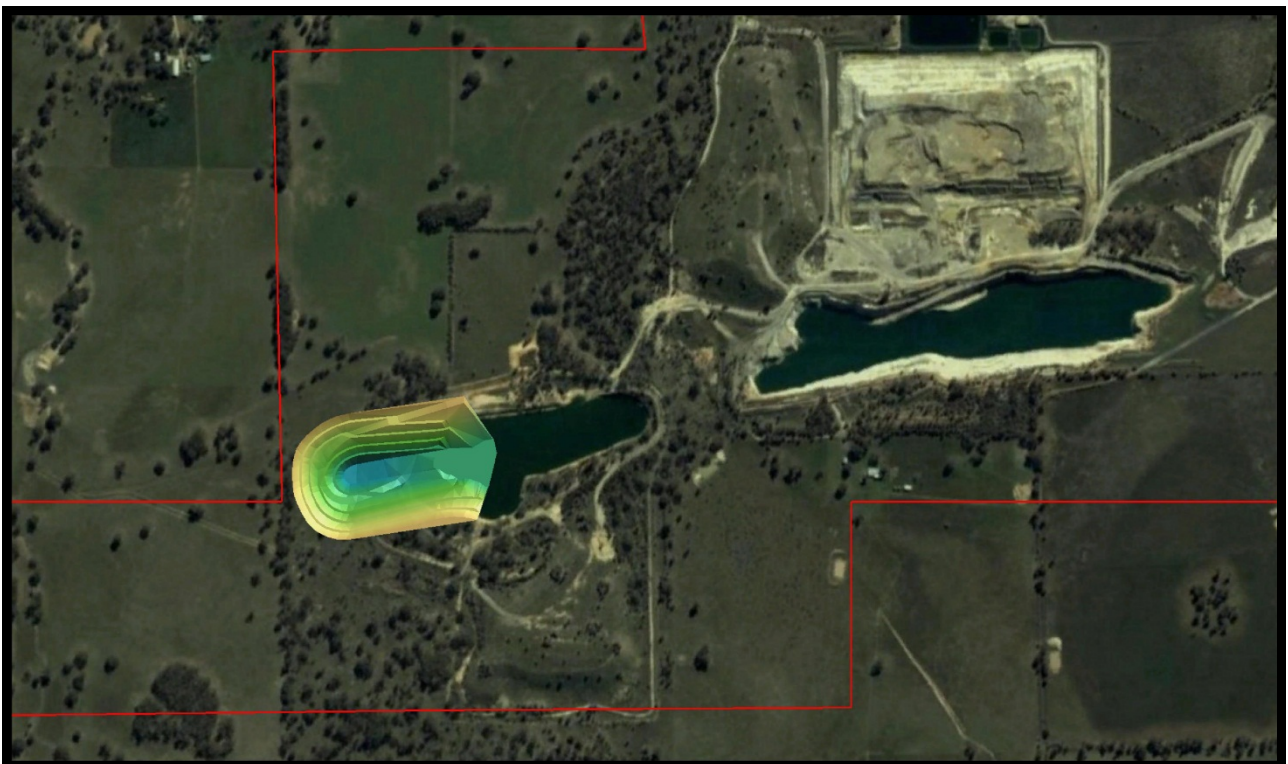
1. NAGAMBIE MINE - MIN 5412 **Area: 3.64 km²** **Identified Projects: 4**

1.1 MIN 5412 ADDITIONAL OXIDE GOLD MINERALISATION

Work continued during the quarter on the West Pit Extension and associated infrastructure development.

The planned West Pit Extension covers 200 metres of strike length and Nagambie Mining is targeting 25,000 ounces of mineralisation at 0.8 g/t gold in the extension.

Figure 2 West Pit Extension at the Nagambie Mine (25,000 Ounces of Gold Mineralisation Targeted).



1.2 POSSIBLE FOOTWALL OXIDE GOLD MINERALISATION

A review of all historical drilling carried out within the Mining Licence at the Nagambie Mine has opened up the possibility of oxide gold mineralisation being present in the footwall (to the south) of the main north-plunging orebody mined to date. The main orebody is the result of faulting associated with local anticlinal folding. The axis of the anticline strikes ENE-WSW (hence the strike of the East and West Pits) and the anticlinal folding is clearly visible in the pit wall at the east end of the East Pit.

The only drill hole that was extended more than 100 metres to the south of the main orebody intersected 25 metres of sulphide mineralisation averaging 0.62 g/t gold between 231 metres and 256 metres downhole. The mineralisation intersected (best 1-metre assay of 2.9 g/t gold) is interpreted to result from faulting associated with repeat local anticlinal folding. RC drilling of the postulated oxide target within 80 metres of the surface will be carried out when a contract rig becomes available.



1.3 MIN 5412 REHABILITATION AND SITE UTILISATION

Abigroup, the main contractor for the construction of the Nagambie Bypass, continued to take significant quantities of undifferentiated rock fill from the Western Overburden Dump during the quarter, although there were several shut down periods due to recurring rainfall in the area.

In association with Global, the Company is investigating crushing and screening of the undifferentiated rock fill in the Eastern Overburden Dump to produce a better class gravel product for supply to local Shires, developers and nurseries.

Investigations into the use of the extensive sand deposits that Nagambie Mining has located at the Mine continued.

The proposed Green Organics Recycling Facility of Australian Native Landscapes (“ANL”) at the Nagambie Mine is still awaiting final Council and EPA approvals.

The Company successfully negotiated the purchase of Crown land allotment 52A (7.77 hectares) from the Department of Sustainability and Environment, lifting Nagambie Mining’s total freehold land holdings to approximately 195 hectares.

EXPLORATION GROUP AREAS

| | | |
|--------------------------|---------------------------------|-------------------------|
| 1. NAGAMBIE GROUP | Area: 157 km² | Project Areas: 3 |
| | | Prospects: 6 |
| Nagambie North | EL 4718 | |
| Nagambie South | EL 4718 & EL 5327 | |
| Rushworth | EL 4723 | |

1.1 NAGAMBIE NORTH PROJECT – EL 4718 Area: 58.5 km²

Two wide-spaced AirCore drilling programs at Nagambie North have outlined an anomalous gold zone 2.3 km north of the Nagambie Mine and coincident with the interpreted Racecourse Thrust (refer Figure 3). Further drilling at Nagambie North is planned.

1.2 NAGAMBIE SOUTH PROJECT – ELs 4718 & 5327 Area: 64 km²

The infill soil sampling program at Nagambie South, held up by flooding in the area, finally got underway during the quarter. The program was designed to follow up historic roadside sampling which led to a structural explanation of the gold-in-soil anomalies at Nagambie South (refer Figure 3). Sampling concluded just after the close of the quarter and assay results are awaited.

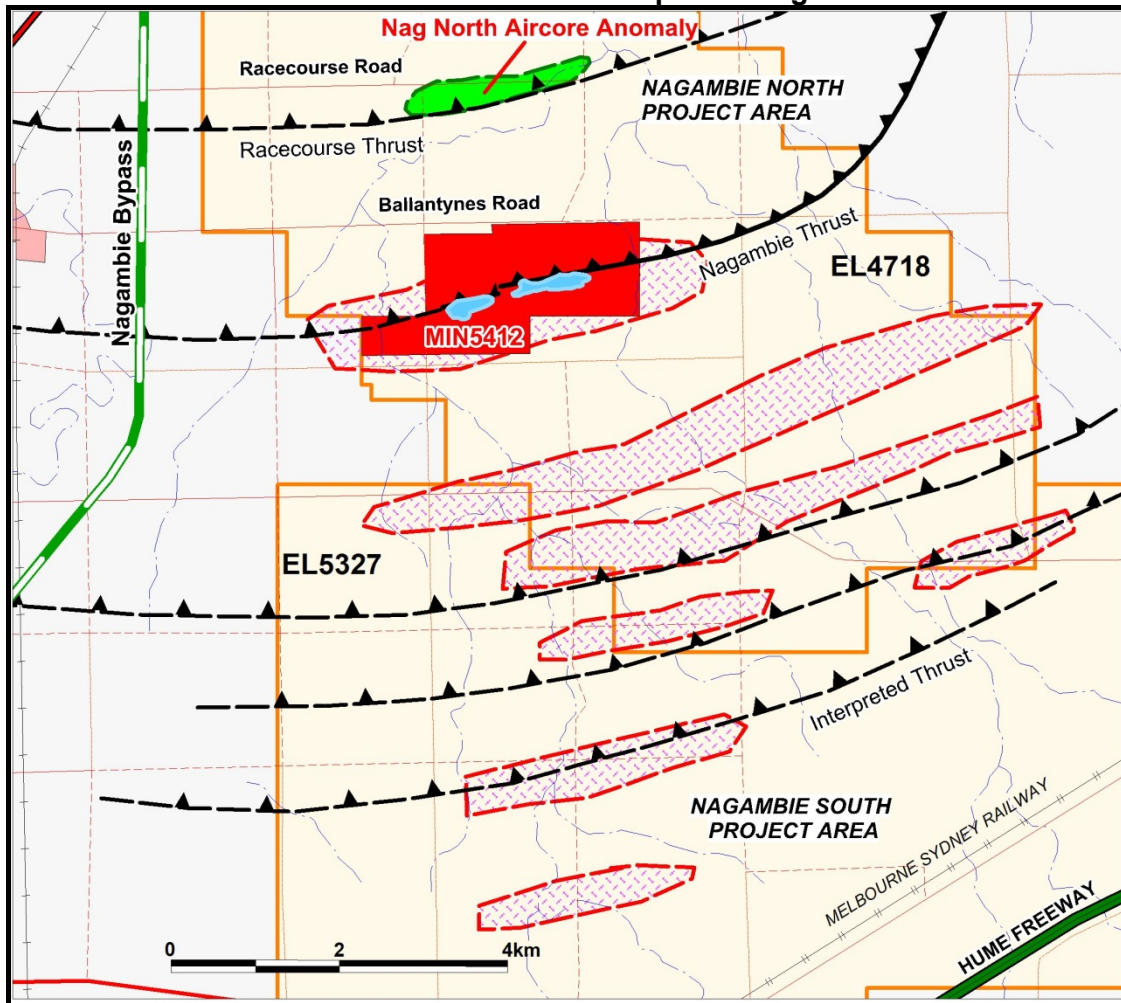
1.3 RUSHWORTH PROJECT - EL 4723 Area: 35 km²

Nagambie Mining is concentrating on the Doctors Gully Prospect in the Whroo Goldfield which recently became available to the Company due to the surrender of an old mining licence within the southern portion of EL 4723. Previous exploration had established potential for two open cuts to exploit four parallel reef structures contained within a broad mineralized halo zone striking north south and parallel to an extensive shear system. A detailed mapping and costeaning program is being prepared to evaluate the very compelling gold target ahead of follow-up drilling.

The best RC drilling intersections at Doctors Gully by a previous explorer in the 1980s included 7 metres at 4.1 g/t gold from 40 metres downhole in WHP7, 8 metres at 3.2 g/t from 40 metres downhole in WHP26 and 1 metre at 14.6 g/t from 62 metres downhole in WHP26.



Figure 3 Nagambie North AirCore Anomaly, Nagambie South Preliminary Gold-in-Soil Anomalies and Interpreted Regional Thrusts



Soil Sampling at Nagambie South, September 2011



**2. REDCASTLE – HEATHCOTE****Area: 104 km²****Project Areas: 4
Prospects: 9**

Redcastle (North, Central & South)

EL 3316

2.1 REDCASTLE GOLDFIELD - EL 3316 (Central) and MIN 4465 (Laura)

EL 3316 is 36 km² in area and MIN 4465 is 8.6 Ha in area.

The Company's 26-costean program commenced just after the close of the quarter and has now been completed. Sample assay results are awaited and will be evaluated in conjunction with detailed geological mapping.

The program was designed to develop RC drilling targets at Mullocky and Pioneer and to test for the first time potential ground within the Laura Mining Licence and the extensive historically productive reefs along strike of the Laura group of workings.

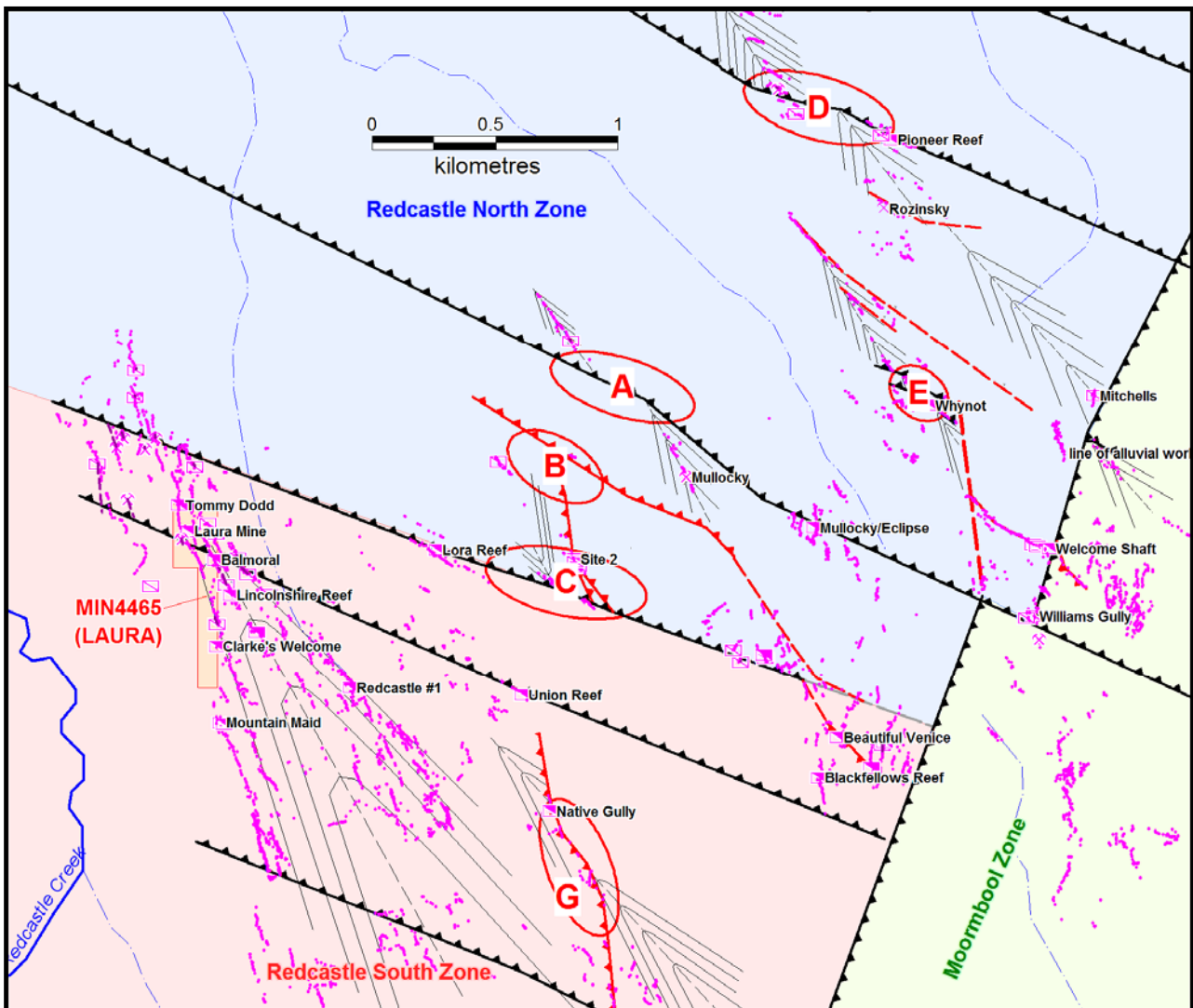
The historical production (surface workings shown in purple in Figure 4) focussed entirely on narrow, high-grade quartz veins hosted by sedimentary rocks being predominantly sandstones and siltstones. Apart from the mineralised quartz veins which occur in fractures associated with local anticlinal folding, lower-grade, disseminated gold has been identified within the sediments, thus presenting as large open-cut style targets. The depth of oxidation at Redcastle is around 70 metres.

Nagambie Mining is planning to mine by open pit the lower-grade disseminated oxide gold, none of which was mined by the historical miners, together with the mineralised quartz veins that remain. These remnant quartz veins would have been either too thin or too low grade for previous underground mining operations, but will lift the average grade of the open-pit mineralisation.

Costeaning at Redcastle, October 2011



Figure 4 Redcastle Historical Workings, Structural Interpretation and RC Drilling Targets to Date.



2.2 HEATHCOTE SOUTH PROJECT - EL3316 Area: 53 km²

No significant work was carried out on the project during the quarter.

2.3 HEATHCOTE NORTH PROJECT- EL 3316 Area: 15 km²

No significant work was carried on the project during the quarter.

TENEMENT CHANGES

No tenement changes occurred during the quarter.

**CORPORATE****ISSUE OF CONVERTIBLE NOTES**

The Company placed 13.75 million convertible notes at 4.0 cents each to sophisticated and professional investors during the quarter, raising a total of \$550,000. The 4.0 cent price represented a 48% premium to the last sale price for the fully paid ordinary shares at the time of 2.7 cents.

CASH POSITION

At 30 September 2011, total cash held by the Company was \$862,000.

INCOME FROM SALES OF NON-GOLD MATERIALS

Income from sales of non-gold materials for the quarter was \$38,000. Sales were significantly less than anticipated due to continued rainfall throughout the quarter which affected trucking operations.

Projected income from sales of non-gold materials for the 2012 financial year is \$500,000.

ASX ANNOUNCEMENTS

The following ASX announcements were released during the quarter:

| | |
|------------|--------------------------------------|
| 28/09/2011 | Change of Director`s Interest Notice |
| 23/09/2011 | Annual Report to shareholders |
| 02/09/2011 | Appendix 3B |
| 02/09/2011 | Convertible Notes Issue Announcement |
| 22/08/2011 | Change of Director`s Interest Notice |
| 29/07/2011 | Quarterly Activities Report |
| 29/07/2011 | Quarterly Cashflow Report |
| 21/07/2011 | Change of Director`s Interest Notice |

COMPANY INFORMATION**DIRECTORS**

| | |
|--------------------|--|
| Michael W Trumbull | Non-Executive Chairman |
| Colin Glazebrook | Executive Director |
| Geoff Turner | Non-Executive Director - Exploration |
| Kevin J Perrin | Non-Executive Director - Finance and Deputy Chairman |

CHIEF EXECUTIVE OFFICER AND EXPLORATION MANAGER

Colin Glazebrook

COMPANY SECRETARY

Alfonso M G Grillo

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SHARE REGISTRY

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SHARES ON ISSUE

168.9 Million
ASX Code: NAG

SIGNIFICANT SHAREHOLDERS

- 16.98% Mr Ralph Douglas Russell & Ms Anne-Maree Hynes;
- 13.92% Cairnglen Investments Pty Ltd; and
- 10.22% Mr Michael Ward Trumbull

TOP 20

The Top 20 Shareholders currently hold 73.8% of the shares on issue.

CONVERTIBLE NOTES ON ISSUE

38.75 Million unlisted convertible notes issued at 4.0 cents face value = \$1.55 Million.

- 25.0 Million issued 13 September 2010 and 13.75 Million issued 2 September 2011;
- Interest payable every 6 months at a rate of 10% per annum;
- Convertible 1:1 into fully paid ordinary NAG shares at a conversion price of 4.0 cents per share any time within the maximum 5-year life of the notes at the option of the holder;
- Redeemable in cash in full after 5 years if not converted;
- Unsecured but rank ahead of shareholders; and
- Protected for reorganization events (bonus issues, share consolidations etc).



OPTIONS ON ISSUE

11.5 Million unlisted options issued to employees and directors.

- All have an exercise price of 10.0 cents per share; and
- Expiry dates from 4 September 2013 to 11 March 2016.

For further information regarding the Company and its projects, contact:

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Chief Executive Officer

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Colin Glazebrook, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Glazebrook is a Director of Nagambie Mining Limited and consents to the inclusion in this report information in the form and context in which it appears.

Mr Glazebrook has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.