**Nagambie Mining Limited**
ABN 42 111 587 163

174b High Street,
Heathcote,
Victoria, 3523

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Web: www.nagambiemining.com.au

# Annual Financial Report

## For the year ended 30 June 2009

# Corporate Directory

**NAGAMBIE MINING LIMITED**

ABN 42 111 587 163

**REGISTERED OFFICE**

174b High Street
Heathcote, Vic 3523
Tel: (03) 5433 3422
Fax: (03) 5433 3466

**SITE OFFICE**

648 Ballantynes Road
Nagambie, Vic 3608

**MELBOURNE OFFICE**

Suite 207, Pacific Tower
737 Burwood Road
Hawthorn, Vic 3122
Tel: (03) 8862 6374
Fax: (03) 8862 6335
Web: www.nagambiemining.com.au
Email: info@nagambiemining.com.au

**DIRECTORS**

Michael W Trumbull (Chairman)
Colin Glazebrook (Executive Director)
Geoff Turner (Exploration Director)

**CHIEF EXECUTIVE OFFICER & EXPLORATION MANAGER**

Colin Glazebrook

**COMPANY SECRETARY**

Alfonso M G Grillo

**CHIEF FINANCIAL OFFICER**

Joe Fekete

**AUDITOR AND INDEPENDENT ACCOUNTANT**

Deloitte Touche Tohmatsu
550 Collins Street
Melbourne Vic 3000

**PRINCIPAL LEGAL ADVISER**

TressCox Lawyers
Level 9, 469 La Trobe Street
Melbourne Vic 3000
Tel: (03) 9602 9444
Fax: (03) 9642 0382
www.tresscox.com.au

**SHARE REGISTRY**

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Tel: 1300 850 505 (within Australia) or
+613 9415 4000 (outside Australia)

**STOCK EXCHANGE LISTING**

Home Exchange - Melbourne
ASX Code – NAG

# Contents

# Directors' report

The directors of Nagambie Mining Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## Directors

The names and particulars of the Company directors in office during the financial period and until the date of this report are as follows. The directors were in office for this entire period unless otherwise stated:

| Name | Particulars |
|---|---|
| ***MICHAEL W TRUMBULL***<br>*Non-Executive Director*<br>*Appointed 28 July 2005*<br>*Chairman*<br>*Appointed 20 December 2007* | Michael W Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 35 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and Beaconsfield Gold.<br>From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1993 to 2004, he was an Executive Director for Beaconsfield Gold and was involved in the exploration and subsequent mine development at Beaconsfield.<br>Michael is Chairman of the Audit and Compliance Committee<br>*Other current Directorships of Listed Companies*<br>Beaconsfield Gold NL – appointed 16 March 1993<br>Allstate Explorations NL - appointed 23 August 2007<br>*Former Directorships of Listed Companies in last three years*<br>None |
| ***COLIN GLAZEBROOK***<br>*Executive Director*<br>*Chief Executive Officer*<br>*Appointed 20 December 2007* | Colin Glazebrook is a geologist with a B.Sc. (Geology Hons, Geophysics) and a Fellow and Chartered Professional (Management) of the AusIMM. He has over 46 years experience in the resources industry including 31 years involvement in gold and base metal exploration in all States and Territories in Australia and internationally in New Zealand, the South Pacific, Indonesia and the former Soviet Union. In Victoria, he has directed exploration and mining activities at various gold properties including the Wattle Gully Gold Mine at Castlemaine, the Poverty Reef at Tarnagulla, the A1 Mine at Woods Point, Glen Wills and Cassilis.<br>*Other Current Directorships of Listed Companies*<br>None.<br>*Former Directorships of Listed Companies in last three years*<br>None. |
| ***GEOFF TURNER***<br>*Non-Executive Director*<br>*Appointed 20 December 2007* | Geoff Turner, a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology), is a Registered Professional Geoscientist with the Australian Institute of Geoscientists (AIG). He has over 30 years experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry.<br>Geoff is a member of the Audit and Compliance Committee.<br>*Other Current Directorships of Listed Companies*<br>Resource Base Ltd - appointed 11 November 2007, resigned 6 January 2009.<br>*Former Directorships of Listed Companies in last three years*<br>None. |

## Company Secretary

### *ALFONSO M G GRILLO BA LLB*

Alfonso M G Grillo is a Partner at TressCox Lawyers. He holds a Bachelor of Arts and Bachelor of Law degrees. Alfonso has expertise in various aspects of commercial law, including company meeting practice and corporate governance procedures, fundraising and fundraising documentation, ASX Listing Rules and mergers and acquisitions.

Alfonso advises resource industry companies in relation to mining and exploration projects, acquisition and divestment of assets, joint ventures, due diligence assessments and native title issues.

## Chief Financial Officer

### *JOE FEKETE FCPA FCIS*

Joe Fekete holds a Bachelor of Business in Accounting and is a fellow of CPA Australia. Joe has over 20 years of experience in various industries including Mining, Wholesale & Retail distribution, Travel, Construction and Advertising. Joe is experienced at public disclosure requirements including statutory reporting and in the delivery of quality management information within the organisation.

## Principal activities

The principal activity of the economic entity during the financial period was exploration for gold and associated minerals in Victoria.

## Review of operations

As at 30 June 2009, the Company held 12 Exploration and Mining Licences in Victoria, a decrease of four licences during the year from both surrenders and amalgamations to reduce the area under exploration from 371 $km^2$ to 355 $km^2$. All licences are undergoing exploration for gold and associated minerals.

| Name | Licence | Equity (%) | Area ($km^2$) |
|---|---|---|---|
| Avenel | EL4887 | 100 | 23 |
| Howqua MIN | MIN5420 | 100 | 0.05 |
| Howqua | ELA5189 | 100 | 5 |
| Nagambie | EL5023 | 100 | 11 |
| Nagambie MIN | MIN5412 | 100 | 4 |
| Nagambie South | EL4718 | 100 | 23 |
| Nagambie North | EL 5027* | 100 | 85 |
| Redcastle | EL3316 | 100 | 113 |
| Graytown | EL 5020* | 100 | 6 |
| Mitchelltown | EL 5049* | 100 | 10 |
| Rushworth | EL4723 | 100 | 68 |
| Taradale Central | EL4527 | 100 | 7 |
| Total Area | | | 355.05 |

(*) Exploration Licences surrendered in July 2009.

## Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

## Use of funds

The Company has used cash and assets in the form readily convertible to cash in a manner consistent with the business objectives.

## Subsequent events

The following events occurred after balance date that are of significance to the company:

(a) 2009 Share Purchase Plan (SPP)
On 7 August 2009, the Company announced that it had issued 14,718,750 fully paid ordinary shares under the SPP at 3.2 cents per share, raising a total of $471,000.

(b) Placement to Sophisticated and Professional Investors
6,650,000 fully paid ordinary shares at 3.2 cents each were also placed by the Company at the time of the SPP, raising a further $212,800

A total of $683,800 was raised through this placement and the SPP.

(c) Licence Grants
EL 5189 was granted to the Company on 31 July 2009.

(d) Exploration Licences – Surrendered
ELs 5049, 5027 and 5020 were surrendered during July 2009 reducing the total area held by the Company to 254 $km^2$

## Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

## Environmental regulations

The Company's exploration and mining tenements are located in Victoria. The operation of these tenements is subject to compliance with the Victorian and Commonwealth mining and environmental regulations and legislation.

Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held. The directors are not aware of any breaches of mining and environmental regulations and legislation during the period covered by this report.

## Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment.

## Share options

**Share options granted to directors and consultants**

Options with an exercise price of $0.10 were granted during the year to the following directors and consultants:

| | |
|---|---|
| Michael Trumbull | 1,000,000 |
| Geoff Turner | 1,000,000 |
| Colin Glazebrook | 2,000,000 |
| Joe Fekete | 250,000 |
| Alfonso Grillo | 250,000 |

**Shares under option or issued on exercise of options**

There were no options exercised during the year.

## Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, the Chief Financial Officer and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

## Directors' meetings

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

During the financial year, 6 board meetings and 3 audit committee meetings were held.

| | Board of directors | | Audit committee | |
|---|---|---|---|---|
| Directors | Held | Attended | Held | Attended |
| Michael W Trumbull | 6 | 6 | 3 | 3 |
| Colin Glazebrook | 6 | 6 | - | - |
| Geoff Turner | 6 | 6 | 3 | 3 |

## Directors' shareholdings

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

| Directors | Fully paid ordinary shares Number | Share options Number |
|---|---|---|
| Michael W Trumbull | 10,557,039 | 1,000,000 |
| Colin Glazebrook | 779,167 | 2,000,000 |
| Geoff Turner | 602,084 | 1,000,000 |

## Remuneration report (Audited)

**Remuneration policy for directors and executives**

**Details of key management personnel**

The directors of Nagambie Mining Limited during the year were:

| | |
|---|---|
| Colin Glazebrook | Executive Director / CEO |
| Geoff Turner | Non-Executive Director |
| Michael W Trumbull | Non-Executive Director |
| Joe Fekete | Chief Financial Officer |
| Alfonso Grillo | Company Secretary |

**Remuneration Policy**

The Board is responsible for determining and reviewing the compensation of the directors, the Chief Executive Officer, the executive officers and senior managers of the Company and reviewing the operation of the Company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. The Board of Directors seeks the advice of external advisers in connection with the structure of remuneration packages. The Board of Directors also recommend levels and form of remuneration for Non-Executive Directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to Non-Executive Directors shall not exceed the sum fixed by members of the Company in general meeting.

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the Company to Non-Executive Directors for their services as directors is $250,000. For the year ending 30 June 2009, The Board resolved that the chairman's remuneration be set at $78,750 (2008: $75,000) and that Non-Executive Director's remuneration be set at $42,000 (2008: $40,000) per annum with additional amounts payable where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director.

There is no direct relationship between the Company's Remuneration Policy and the Company's performance. That is, no portion of the remuneration of Directors, Secretary or Senior Managers is 'at risk'. However, in determining the remuneration to be paid in each subsequent financial year, the Board will have regard to the Company's performance. Therefore, the relationship between the Remuneration Policy and the Company's performance is indirect.

**Relationship between the remuneration policy and company performance**

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009: please note that Nagambie Mining Limited listed on 21 June 2006.

| | 30 June 2009 $'000 | 30 June 2008 $'000 | 30 June 2007 $'000 | 30 June 2006 $'000 | 30 June 2005 $'000 |
|---|---|---|---|---|---|
| Revenue | 85 | 223 | 190 | 36 | 4 |
| Net profit before tax | (2,352) | (3,256) | (1,427) | (579) | (176) |
| Net profit after tax | (2,352) | (3,256) | (1,427) | (579) | (176) |

| | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006[1] | 30 June 2005[1] |
|---|---|---|---|---|---|
| Share price at start of year | $0.03 | $0.09 | $0.12 | $0.00 | N/A |
| Share price at end of year | $0.03 | $0.03 | $0.09 | $0.12 | N/A |
| Interim dividend | NIL | NIL | NIL | NIL | NIL |
| Final dividend | NIL | NIL | NIL | NIL | NIL |
| Basic earnings per share (cents) | (2.10) | (3.47) | (2.00) | (0.92) | (1.11) |
| Diluted earnings per share (cents) | (2.10) | (3.47) | (2.00) | (0.92) | (1.11) |

[1] Nagambie Mining Limited was incorporated on 29 October 2004 and listed on the Australian Securities Exchange on 23 June 2006.

**Director and executive remuneration**

The directors and the two identified Company consultants and group executives received the following amounts as compensation for their services as directors and executives of the Company and/or the Group during the year:

| **Year ended 30 June 2009** | | **Short Term Benefits** | **Post Employment Benefits** | **Share Based Payment** | **Other Long Term Benefits** | **Termin-ation Benefits** | **Total** |
|---|---|---|---|---|---|---|---|
| | | Salary and fees | Super-annuation | Options | | | |
| | | $ | $ | $ | $ | **$** | **$** |
| **Directors** | | | | | | | |
| Michael W Trumbull | | 79,020 | 5,970 | 4,086 | - | - | 89,076 |
| Colin Glazebrook (*) | | 200,369 | 18,033 | 8,174 | - | - | 226,576 |
| Geoff Turner | (1) | 75,689 | 3,765 | 4,086 | - | - | 83,540 |
| | | 355,078 | 27,768 | 16,346 | - | - | 399,192 |
| **Chief Financial Officer** | | | | | | | |
| Joe Fekete | (2) | 52,173 | - | 1,021 | - | - | 53,194 |
| **Company Secretary** | | | | | | | |
| Alfonso Grillo | (3) | - | - | 1,022 | - | - | 1,022 |
| | | 52,173 | - | 2,043 | - | - | 54,216 |

| **Year ended 30 June 2008** | | **Short Term Benefits** | **Post Employment Benefits** | **Share Based Payment** | **Other Long Term Benefits** | **Termin-ation Benefits** | **Total** |
|---|---|---|---|---|---|---|---|
| | | Salary and fees | Super-annuation | Options | | | |
| | | $ | $ | $ | $ | **$** | **$** |
| **Directors** | | | | | | | |
| Michael W Trumbull | | 57,500 | 4,875 | - | - | - | 62,375 |
| Colin Glazebrook (*) | (4) | 101,252 | 2,752 | - | - | - | 104,004 |
| Geoff Turner | (1) | 22,461 | 1,908 | - | - | - | 24,369 |
| John W Cornelius | (5) | 52,530 | 1,998 | - | - | - | 54,528 |
| Ian D Buckingham (**) | | 122,769 | 7,000 | - | - | - | 129,769 |
| Andrew R Ristrom | | 20,000 | 1,800 | - | - | - | 21,800 |
| Peter I Rudd | (6) | 27,500 | 2,475 | - | - | - | 29,975 |
| | | 404,012 | 22,808 | - | - | - | 426,820 |
| **Chief Financial Officer** | | | | | | | |
| Joe Fekete | (2) | 34,411 | - | - | - | - | 34,411 |
| **Exploration Manager** | | | | | | | |
| John W Cottle (***) | (7) | 97,090 | - | - | - | - | 97,090 |
| | | 131,501 | - | - | - | - | 131,501 |

(*) Colin Glazebrook is employed under a contract which has a three year duration ending on 18 April 2011. The terms of the contract provide that either party may terminate the contract on the giving of 6 months prior notice of termination. His employment contract ceased as at 30 June 2009. Colin Glazebrook has maintained his position as CEO but has reverted back to a contractor rather than an employee from 1 July 2009.

(**) Ian D Buckingham was employed under a contract which had a two year duration ending on 30 June 2008. The terms of the contract provided that either party could terminate the contract on the giving of 6 months prior notice of termination. Ian D Buckingham resigned on 5 September 2007. He continued to be paid at the then current rate of remuneration during a three month transition period.

(***) Dr. Cottle was employed under a contract during 2008 which had a two year duration commencing 1 February 2007. The terms of the contract provided that either party could terminate the contract on the giving of 1 months prior notice of termination. Dr Cottle resigned on 20 December 2007.

Apart from the three contracts disclosed above there were no other contracts with management or directors in place during the 2009 and the 2008 financial years.

(1) During the 2009 financial year, fees were paid to Exploration Management Services P/L a company owned by Geoff Turner. The fees charged $58,932 (2008: $1,256) were for professional geological consultancy services. An amount of $33,856 was directly provided by Geoff Turner beyond his scope and role as a director of the company.
(2) Fees were paid to Fekete Management Services Pty Ltd for the ongoing provision of services of Joe Fekete as Chief Financial Officer.
(3) Share Options were issued to Alfonso Grillo, a Partner of TressCox Lawyers for the provision of services as Company Secretary.
(4) Fees were paid to Glazco Consulting Pty Ltd for the provision of services of Colin Glazebrook as Exploration Manager during the period 20 December 2007 to 17 April 2008, prior to his employment contract being finalised on 18 April 2008.
(5) During the 2008 financial year, John W Cornelius charged $27,530 for additional consultancy services provided. These fees were paid to IMI Consulting Pty Ltd, a company controlled by John W Cornelius.
(6) During the 2008 financial year, Peter Rudd was paid $6,000 for the provision of services. These fees were paid to Balmerino Pty Ltd, a company controlled by Peter I Rudd.
(7) During the 2008 financial year, fees were paid to Cotlco Pty Ltd for the provision of services of John W Cottle as Exploration Manager

**Elements of compensation of Directors and 5 Named Highest Paid Company Executives Consisting of Securities**

The Directors, CEO, Company Secretary and Chief Financial Officer's compensation may include the issuance of securities. These are at the discretion of the board. Securities in the form of options were issued in the 2008/9 year.

**Executive Options**

The consolidated entity has an ownership-based remuneration scheme for staff and executives (including executive and non-executive directors) of the Company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, staff and executives of the Company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the Board of Directors. Each share option converts into one ordinary share of Nagambie Mining Limited on exercise by the payment of 10 cents. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the Board of Directors of the Company. The options granted expire five years after their issue, or one month after the resignation of the staff member or executive, whichever is the earlier. There are 4,550,000 share options on issue under this plan, of which 4,500,000 are executive share options.

Options held at the end of the reporting period

| No. of Options | Grant Date | Vesting Date | Expiry Date | Weighted Average Exercise Price |
|---|---|---|---|---|
| 4,000,000 | 02/12/2008 | 02/12/2010 | 02/12/2013 | $0.10 |
| 550,000 | 04/09/2008 | 04/09/2010 | 04/09/2013 | $0.10 |

**Value of options issued to directors and executives**

The following grants of share-based payment compensation to directors and senior management relate to the 2009 financial year:

| | | During the financial year | | | | % of compensation |
|---|---|---|---|---|---|---|
| **Name** | **Option series** | **No. granted** | **No. vested** | **% of grant vested** | **% of grant forfeited** | **for the year consisting of options** |
| M.Trumbull | (1) issued 02 Dec 2008 | 1,000,000 | Nil | 0% | 0% | 5% |
| G.Turner | (1) issued 02 Dec 2008 | 1,000,000 | Nil | 0% | 0% | 5% |
| C.Glazebrook | (1) issued 02 Dec 2008 | 2,000,000 | Nil | 0% | 0% | 4% |
| J.Fekete | (2) issued 04 Sept 2008 | 250,000 | Nil | 0% | 0% | 2% |
| A.Grillo | (2) issued 04 Sept 2008 | 250,000 | Nil | 0% | 0% | 100% |

The following table summarises the value of options granted, exercised or lapsed during the 2009 financial year to directors and senior management:

| | **Value of options granted at the grant date (i)** | **Value of options exercised at the exercise date** | **Value of options lapsed at the date of lapse (ii)** |
|---|---|---|---|
| | **$** | **$** | **$** |
| M.Trumbull | 8,961 | Nil | Nil |
| G.Turner | 8,961 | Nil | Nil |
| C.Glazebrook | 17,924 | Nil | Nil |
| J.Fekete | 2,240 | Nil | Nil |
| A.Grillo | 2,240 | Nil | Nil |

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

The following options were not exercised and expired during the reporting period:

| **No. of Options** | **Grant Date** | **Vesting Date** | **Expiry Date** | **Weighted average exercise price** |
|---|---|---|---|---|
| 1,500,000 | 20/05/2005 | 20/05/2005 | 30/06/2009 | $0.50 |

As released to the Australian Securities Exchange on 17 June 2009, Nagambie Mining Limited proposes to issue additional options to the directors of the Company, subject to approval by shareholders at the2009 Annual General Meeting, at an exercise price of $0.10 per share. The details of the proposed issue of options will be set out in the Notice of Meeting for the 2009 Annual General Meeting.

## Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

## Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

## Auditor's independence declaration

The auditor's independence declaration is included on page 22 of the annual report.

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

On behalf of the directors

Michael W Trumbull
Chairman

Colin Glazebrook
Executive Director & CEO

Melbourne, 28 September 2009

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Nagambie Mining Limited (*Nagambie Mining* or *the Company*) is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the ASX Corporate Governance Council's **Corporate Governance Principles and Recommendations: 2nd Edition (*Revised Principles)*** (*the Principles*), the corporate governance statement reports on the Company's adoption of the Principles on an exception basis. This statement provides specific information whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. Nagambie Mining's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

1: Lay solid foundations for management and oversight.

2: Structure the board to add value.

3: Promote ethical and responsible decision making.

4: Safeguard integrity in financial reporting.

5: Make timely and balanced disclosure.

6: Respect the rights of shareholders.

7: Recognise and manage risk.

8: Remunerate fairly and responsibly.

## 1. Lay Solid Foundations for Management and Oversight

***Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.***

The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return.

The Board is therefore concerned to ensure that the Company is properly managed to protect and enhance shareholder interests and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance.

The Board is responsible for, inter alia, development of strategy, oversight of management, risk management and compliance systems, and monitoring performance. The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised in this statement.

A statement as to the corporate governance policies adopted by the Company is available at the Company's website.

***Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.***

The performance of the Board, individual Directors and key executives is reviewed regularly, and has taken place during this reporting period.

The Company has not established a Remuneration or Nomination Committee as subcommittees of the Board. Remuneration and nomination issues are discussed and resolved at Board meetings and accordingly, the Board is responsible for determining and reviewing the remuneration of the Directors. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses the appropriate mix of skills and experience represented on the Board. The Board may also obtain information from, and consult with management and external advisers, as it considers appropriate.

The remuneration policy for the Directors is disclosed in the Directors' Report.

***Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.***

In accordance with the 'Guide to Reporting on Principle 1', the Company provides the following information:

- as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 1; and
- the Company has undertaken a performance evaluation for senior executives during the financial year in accordance with the process set out in Recommendation 1.2.

## 2. Structure the Board to Add Value

***Recommendation 2.1: A majority of the board should be independent directors***

At the date of this statement, the Board comprises of three Directors, one of which, Mr Geoff Turner is deemed an independent Director as defined under the Board policy on Director independence. Mr Michael Trumbull was previously deemed an independent Director of the Company. However, Mr Trumbull became a substantial shareholder in the Company on 5 September 2008.

The Board is currently of the view that the current composition of the Board is adequate, having regard to the Company's level of operations and cash resources.

***Recommendation 2.2: The chair should be an independent director***

The Chairman, Mr Michael Trumbull, is a Non-Executive Director, however is not deemed to be independent. Since December 2007, it was resolved by the current Directors that Mr Michael Trumbull be appointed Chairman having regard to his extensive mining industry experience as both an executive and director of ASX listed companies, the current size of the Board and the Company's current level of operations.

***Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same person***

Mr Michael Trumbull is the Chairman of the Board, and Mr Colin Glazebrook is the Chief Executive Officer.

***Recommendation 2.4: The board should establish a nomination committee***

Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee.

***Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.***

The Board reviews and evaluates the performance of the Board and the Board committees. The process is to involve the assessment of all of the Board's key areas of responsibility. The Board's contribution as a whole is reviewed and areas where improvement can be made are noted. The performance evaluation process is as follows:

(a) each Director will periodically evaluate the effectiveness of the Board and its committees and submit observation to the Chairman;

(b) the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;

(c) the Board will agree on development and actions required to improve performance;

(d) outcomes and actions will be minuted; and

(e) the Chairman will assess during the year the progress of the actions to be achieved.

This process aims to ensure that individual Directors and the Board as a whole contribute effectively in achieving the duties and responsibilities of the Board. The performance of the Board, individual Directors and key executives has taken place during this reporting period in accordance with the process set out above.

***Recommendation 2.6: Provide the information indicated in Guide to Reporting on Principle 2***

The 'Guide to Reporting on Principle 2' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available ideally on the Company's website.

In accordance with the 'Guide to Reporting on Principle 2', the Company provides the following information:

(a) The skills, experience and expertise relevant to the position of Director held by each Director as at the date of the Annual Report is detailed in the Director's Report.

(b) Mr Geoff Turner is considered by the Board to constitute an independent Director. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles. Mr Michael Trumbull was previously deemed an independent Director. However, he is now not deemed to be independent since becoming a substantial shareholder of the Company.

(c) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.

(d) The term of office held by each Director as at the date of the Annual Report is detailed in the Director's Report.

(e) Due to the small size of the Board, the Company does not have a separate nomination committee and therefore a charter or an appointment policy has not been created.

(f) The performance of the Board, individual Directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5.

As at the date of this statement, the Company is of the view that it has complied with each of the recommendations under Principle 2, except for Recommendations 2.1 and 2.4. An explanation for the departures from Recommendations 2.1 and 2.4 is set out above.

### 3. Promote Ethical and Responsible Decision-making

***Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:***

> ***(a) the practices necessary to maintain confidence in the company's integrity;***
>
> ***(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and***
>
> ***(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

The Board has established a Code of Conduct that provides a framework in which the Company and its representatives conduct their business and activities in a fiscally efficient and socially responsible manner whilst seeking to maximise shareholder returns.

The Code of Conduct outlines how the Company expects Directors, management and employees to behave and conduct business in a range of circumstances. In particular, the Operating Procedures and Policy Guidelines require awareness of and compliance with laws and regulations relevant to Nagambie Mining's operations including environmental laws and community concerns. All Board members are qualified professionals within their respective industries and accordingly conduct themselves in a professional and ethical manner in both their normal commercial activities and the discharge of their responsibilities as Directors.

The Code of Conduct adopted by the Company is available at the Company's website.

***Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.***

The Company has a policy concerning trading in the Company's securities by Directors, management and staff that is set out in the Company's 'Code of Conduct'. The main terms of the Code of Conduct are summarised below.

Any Director or employee wishing to buy or sell securities in the Company must advise the Chairman (in the case of Directors) or the Chief Executive Officer (in the case of an employee) of their intention beforehand. This applies to any dealings in the Company's securities by family members and other associates of Directors and employees, as well as to personal dealings by the Directors and employees.

Directors and employees must not buy or sell the Company's securities until approval has been given by the Chairman or Chief Executive Officer as the case requires.

The ASX Listing Rules require a director to notify the ASX within five (5) business days after any dealing in the Company's securities that results in a change in the relevant interests of the Director in the Company's securities.

Investment or divestment in other entities by management or staff is not permitted if it is known that the Company has commenced a programe to buy or sell investments in that entity.

***Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3***.

In accordance with the 'Guide to Reporting on Principle 3', the Company has made its Code of Conduct available on its website.

### 4. Safeguard Integrity in Financial Reporting

***Recommendation 4.1: The board should establish an audit committee.***

The Board has established an Audit and Compliance Committee. The composition of this committee and its effectiveness is reviewed on a regular basis. The Audit and Compliance Committee comprises of Non-Executive Directors, Mr Michael Trumbull and Mr Geoff Turner. Invitations to executives to attend meetings is extended where appropriate.

The Audit and Compliance Committee monitors and reviews the effectiveness of the Company's controls in the areas of operational and balance sheet risk and financial reporting.

Members of the management and the Company's external auditors attend meetings of the Audit and Compliance Committee by invitation. The Audit and Compliance Committee may also have access to financial and legal advisers in accordance with the Board's general policy.

***Recommendation 4.2: The audit committee should be structured so that it:***

***(a) consists only of non-executive directors;***

***(b) consists of a majority of independent directors;***

***(c) is chaired by an independent chair, who is not chair of the board; and***

***(d) has at least three members.***

Due to the small size of the Board, the Audit and Compliance Committee currently consists of the two Non-Executive Directors of the Company; Mr Michael Trumbull as chairman of the Audit and Compliance Committee, and Mr Geoff Turner.

The Board is currently of the view that:

(a) whilst Mr Geoff Turner is an independent director, Mr Michael Trumbull is the appropriate chairman for the Audit and Compliance Committee given his extensive mining industry experience as both an executive and director of ASX listed companies; and

(b) having regard to the Company's level of operations and cash resources the current composition of the Audit and Compliance Committee is adequate.

***Recommendation 4.3: The audit committee should have a formal charter***

The Audit and Compliance Committee operates under a charter approved by the Board.

It is the Board's responsibility to ensure that an effective internal control framework exists to examine the effectiveness and efficiency of significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with environmental regulations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control mechanisms for the management of the Company to the Audit and Compliance Committee.

The Audit and Compliance Committee meets at least every six months and is responsible for:

- overseeing the implementation and the operation of the Code of Conduct;
- administering continuous disclosure and compliance;
- external financial reporting;
- risk management, internal control structures and compliance with laws and regulations; and
- administering external audit activities.

***Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.***

The 'Guide to Reporting on Principle 4' provides that certain information should be included in the corporate governance section of the Company's Annual Report or be made publicly available ideally on the Company's website.

In accordance with the 'Guide to Reporting on Principle 4', the Company provides the following information:

The qualifications of the Audit and Compliance Committee members, Mr Michael Trumbull and Mr Geoff Turner, are detailed in the Directors report;

The Audit and Compliance Committee met three times throughout the year and Mr Michael Trumbull and Mr Geoff Turner were present at all meetings;

The Charter of the Audit Committee adopted by the Company is available at the Company's website; and

The Company periodically puts to private tender the appointment of its external auditor. The Company's external audit engagement partner is rotated in consultation with the external auditor, as required by Division 5 of the Corporations Act

.

## 5. Make Timely and Balanced Disclosure

***Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.***

The Board and senior management are aware of the continuous disclosure requirements of the ASX and have written policies and procedures in place, including a 'Continuous Disclosure and Compliance Policy' to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Directors and senior management of Nagambie Mining acknowledge that they each have an obligation to immediately identify and immediately disclose information that may be regarded as material to the price or value of the Company's securities.

The Chief Executive Officer and Chairman are authorised to make statements and representations on the Company's behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public. The Company Secretary must inform the Directors, senior management and employees of the Company's continuous disclosure obligations on a quarterly basis.

The Directors and senior management of Nagambie Mining ensure that the Company Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, shareholders, the media and the public. Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market is the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received may the information be presented.

If information that would otherwise be disclosed comprises of matters of supposition or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of Nagambie Mining's securities is unknown, Nagambie Mining may request that the ASX grant a trading halt or suspend Nagambie Mining's securities from quotation. Management of Nagambie Mining may consult Nagambie Mining's external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

The written policies and procedures in relation to the Company's continuous disclosure requirements with the ASX is available at the Company's website.

***Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.***

In accordance with the 'Guide to Reporting on Principle 5', the Company has made its Continuous Disclosure and Compliance Policy available on its website.

## 6. Respect the Rights of Shareholders

***Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.***

The Board aims to ensure that in accordance with Recommendation 6.1, all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual and half year reports, disclosures made to the ASX, notices of meetings and letters to shareholders where appropriate.

A description of the arrangements the Company has to promote communications with shareholders is detailed in the Code of Conduct available at the Company's website.

***Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.***

In accordance with the 'Guide to Reporting on Principle 6', the Company has made its Code of Conduct available on its website.

## 7. Recognise and Manage Risk

***Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.***
The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. Monthly reporting of financial performance is in place as are policies to manage credit, foreign exchange and other business risks.

The Company is committed to the proper identification and management of risk. Nagambie Mining regularly undertakes reviews of its risk management procedures which include implementation of a system of internal sign-offs to ensure not only that Nagambie Mining complies with its legal obligations, but that the Board and ultimately shareholders can take comfort that an appropriate system of checks and balances is in place regarding those areas of the business which present financial or operating risks.

The Audit and Compliance Committee meets regularly to ensure, amongst other things, that the risk management, internal control structures and compliance with laws and regulations are operating effectively.

The Code of Conduct sets out the Company's commitment to maintaining the highest level of integrity and ethical standards in all business practices which is available at the Company's website.

***Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.***

The Company's management is responsible for providing leadership and direction, for establishing a context which fosters a risk management culture and for ensuring business, financial and risk management approaches are integrated during the planning, implementation and reporting of major ventures at all levels within the organisation.

The Company regularly undertakes reviews of its risk management procedures, which include implementation of a system of internal approvals to ensure not only that it complies with its legal obligations, but that the Board and shareholders can take comfort that an appropriate system of checks and balances is in place in those areas of the business that present financial or operating risks.  As part of this risk management process, the Company's management has reported to the Board in relation to its management of the Company's material business risks.

***Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.***

Mr Colin Glazebrook, as the Company's Chief Executive Officer, and Mr Joe Fekete, as the Company's Chief Financial Officer have declared to the Board that the statement given to the Board regarding the Financial Reports (as discussed under Section 4 of this statement) is founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board.

Mr Colin Glazebrook and Mr Joe Fekete have also declared to the Board that the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

***Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.***

In accordance with the 'Guide to Reporting on Principle 7', the Company provides the following information:

(a) The Company has not departed from Recommendations 7.1 to 7.4.

(b) The Board has received the report from management under Recommendation 7.2.

(c) The Board has received assurance from Mr Colin Glazebrook, as the Company's Chief Executive Officer, and Mr Joe Fekete, as the Company's Chief Financial Officer, under Recommendation 7.3

**8. Remunerate Fairly and Responsibly**

***Recommendation 8.1: The board should establish a remuneration committee***

Due to the small size of the Board and the Company's current level of operations, the Company has not established a Remuneration Committee as a subcommittee of the Board.

The Board is responsible for determining and reviewing the remuneration of the Directors, the Chief Executive Officer and the executive officers of the Company and reviewing the operation of the Company's Employee Share and Option Plans. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executive with the skills to manage the Company's operations.  In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members having regard to the Company's level of operations and financial resources. Directors are remunerated with reference to market rates for comparable positions. Remuneration policies for each Non-Executive Director are disclosed in the Directors' Report.

The Board may obtain information from, and consult with management and external advisers, as it considers appropriate.

***Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.***

The remuneration structure of Non-Executive Directors and executives is disclosed in the Director's Report in this Annual Report. The remuneration of executives is dependent on the terms of the service agreement with those executives. The remuneration structure of Non-Executive Directors and executives is clearly distinguishable as required by recommendation 8.2.

***Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.***

In accordance with the 'Guide to Reporting on Principle 8', the Company provides the following information:

(a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the

Non-Executive Directors;

(b) due to the small size of the Board, the Company does not have a separate Remuneration Committee and therefore a charter or an appointment policy has not been created; and

(c) as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.

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The Board of Directors
Nagambie Mining Limited
174b High Street
HEATHCOTE VIC, 3523

28 September 2009

Dear Board Members

**Nagambie Mining Limited**

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

As lead audit partner for the audit of the financial statements of Nagambie Mining Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Ian Sanders
Partner
Chartered Accountant

Deloitte Touche Tohmatsu
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# Independent Auditor's Report to the Members of Nagambie Mining Limited

## Report on the Financial Report

We have audited the accompanying financial report of Nagambie Mining Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 22 to 53.

*Directors' Responsibility for the Financial Report*

The directors of the company 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 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*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 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.
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.

Deloitte.

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

*Auditor's Independence Declaration*

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

*Auditor's Opinion*

In our opinion:

(a) the financial report of Nagambie Mining Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

*Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that the consolidated entity and the company incurred a net loss of $2,351,890 and $3,011,889 respectively during the year ended 30 June 2009. This condition, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and Company's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Nagambie Mining Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 September 2009

# Directors' declaration

The directors declare that:

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

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

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

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

On behalf of the directors

Michael W Trumbull
Chairman

Colin Glazebrook
Executive Director & CEO

Melbourne, 28 September 2009

# Income statement
# for the financial year ended 30 June 2009

| | Note | Consolidated 2009 $ | Consolidated 2008 $ | Company 2009 $ | Company 2008 $ |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | 4 | **83,616** | 222,637 | **80,886** | 220,559 |
| Administration expenses | | **(275,683)** | (780,807) | **(272,996)** | (770,521) |
| Consultants fees | | **(56,673)** | (137,723) | **(56,673)** | (137,723) |
| Depreciation and amortisation expense | 4 | **(50,322)** | (92,457) | **(50,322)** | (91,869) |
| Employee benefits expense | 4 | **(117,298)** | (412,584) | **(117,298)** | (412,584) |
| Finance costs | 4 | **(12,289)** | (14,325) | **(12,289)** | (14,325) |
| Impairment of investment in subsidiary | | **-** | - | **(734,560)** | (1,275,185) |
| Impairment of exploration expenditure | 10 | **(1,825,664)** | (1,741,338) | **(1,751,060)** | (516,321) |
| Insurance | | **(41,116)** | (84,232) | **(41,116)** | (84,232) |
| Legal fees | | **(14,293)** | (133,352) | **(14,293)** | (128,979) |
| Printing stationery and supplies | | **(2,967)** | (10,757) | **(2,967)** | (10,757) |
| Secretarial | | **(37,207)** | (36,569) | **(37,207)** | (36,569) |
| Travel | | **(1,994)** | (34,947) | **(1,994)** | (34,947) |
| Total expenses | | **(2,435,506)** | (3,479,091) | **(3,092,775)** | (3,514,012) |
| Loss before tax | | **(2,351,890)** | (3,256,454) | **(3,011,889)** | (3,293,453) |
| Income tax expense | 5 | **-** | - | **-** | - |
| **Loss for the year** | | **(2,351,890)** | (3,256,454) | **(3,011,889)** | (3,293,453) |
| Attributable to: | | | | | |
| Equity holders of Nagambie Mining Limited | | **(2,351,890)** | (3,256,454) | **(3,011,889)** | (3,293,453) |
| **Earnings per share** | | | | | |
| Basic (cents per share) | 6 | (2.10) | (3.47) | | |
| Diluted (cents per share) | 6 | (2.10) | (3.47) | | |

Notes to the financial statements are included on pages 27 to 53.

# Balance sheet
# as at 30 June 2009

| | Note | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | | **$** | $ | **$** | $ |
| **Current assets** | | | | | |
| Cash and cash equivalents | 15(b) | **311,191** | 839,685 | **310,997** | 839,361 |
| Other receivables | 7 | **6,997** | 64,427 | **6,997** | 64,427 |
| Other assets | 8 | **2,171** | 3,667 | **2,171** | 2,237 |
| **Total current assets** | | **320,359** | 907,779 | **320,165** | 906,025 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | **80,647** | 129,252 | **80,647** | 129,252 |
| Exploration and evaluation assets | 10 | **4,085,761** | 5,188,287 | **3,134,357** | 2,927,647 |
| Other assets | 8 | **497,318** | 162,577 | **464,140** | 104,305 |
| Other financial assets | 11 | **-** | - | **324,774** | 2,320,663 |
| **Total non-current assets** | | **4,663,726** | 5,480,116 | **4,003,918** | 5,481,867 |
| **Total assets** | | **4,984,085** | 6,387,895 | **4,324,083** | 6,387,892 |
| **Current liabilities** | | | | | |
| Trade and other payables | 12 | **77,483** | 80,397 | **77,483** | 80,397 |
| Borrowings | 16 | **38,465** | 42,283 | **38,465** | 42,283 |
| Provisions | 17 | **1,378** | 16,002 | **1,378** | 16,002 |
| **Total current liabilities** | | **117,326** | 138,682 | **117,326** | 138,682 |
| **Non-current liabilities** | | | | | |
| Borrowings | 16 | **62,931** | 101,396 | **62,931** | 101,396 |
| **Total non-current liabilities** | | **62,931** | 101,396 | **62,931** | 101,396 |
| **Total liabilities** | | **180,257** | 240,078 | **180,257** | 240,078 |
| **Net assets** | | **4,803,828** | 6,147,817 | **4,143,826** | 6,147,814 |
| **Equity** | | | | | |
| Issued capital | 13 | **12,557,004** | 11,567,697 | **12,557,004** | 11,567,697 |
| Options reserves | 14 | **40,774** | 22,180 | **40,774** | 22,180 |
| Accumulated losses | | **(7,793,950)** | (5,442,060) | **(8,453,952)** | (5,442,063) |
| **Total equity** | | **4,803,828** | 6,147,817 | **4,143,826** | 6,147,814 |

Notes to the financial statements are included on pages 27 to 53

# Statement of changes in equity
# for the financial year ended 30 June 2009

**Consolidated**

| | Issued capital $ | Equity-settled employee benefits reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 30 June 2007** | **10,312,116** | **22,180** | **(2,185,606)** | **8,148,690** |
| Shares issued during the year | 1,298,781 | - | - | 1,298,781 |
| Share issue costs | (43,200) | - | - | (43,200) |
| Loss attributable to members of parent entity | - | - | (3,256,454) | (3,256,454) |
| **Balance at 30 June 2008** | **11,567,697** | **22,180** | **(5,442,060)** | **6,147,817** |
| Shares issued during the year | 1,049,370 | - | - | 1,049,370 |
| Recognition of share based payments | - | 18,594 | - | 18,594 |
| Share issue costs | (60,063) | - | - | (60,063) |
| Loss for the period | - | - | (2,351,890) | (2,351,890) |
| **Balance at 30 June 2009** | **12,557,004** | **40,774** | **(7,793,950)** | **4,803,828** |

**Company**

| | Issued capital $ | Equity-settled employee benefits reserve $ | Accumulated Losses $ | Total $ |
|---|---|---|---|---|
| **Balance at 30 June 2007** | **10,312,116** | **22,180** | **(2,148,610)** | **8,185,686** |
| Shares issued during the year | 1,298,781 | - | - | 1,298,781 |
| Share issue costs | (43,200) | - | - | (43,200) |
| Loss attributable to members of parent entity | - | - | (3,293,453) | (3,293,453) |
| **Balance at 30 June 2008** | **11,567,697** | **22,180** | **(5,442,063)** | **6,147,814** |
| Shares issued during the year | 1,049,370 | - | - | 1,049,370 |
| Recognition of share based payments | - | 18,594 | - | 18,594 |
| Share issue costs | (60,063) | - | - | (60,063) |
| Loss for the period | - | - | (3,011,889) | (3,011,889) |
| **Balance at 30 June 2009** | **12,557,004** | **40,774** | **(8,453,952)** | **4,143,826** |

Notes to the financial statements are included on pages 27 to 53

# Cash flow statement
# for the financial year ended 30 June 2009

| | Note | Consolidated 2009 $ | Consolidated 2008 $ | Company 2009 $ | Company 2008 $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Receipts from Sale of Rock | | **32,085** | 12,358 | **32,085** | 12,358 |
| Payments to suppliers and employees | | **(490,257)** | (1,773,390) | **(482,353)** | (1,724,494) |
| Interest received | | **45,410** | 109,720 | **42,680** | 107,642 |
| Interest paid | | **(12,289)** | (14,325) | **(12,289)** | (14,325) |
| **Net cash used in operating activities** | 15(a) | **(425,051)** | (1,665,637) | **(419,877)** | (1,618,819) |
| **Cash flows from investing activities** | | | | | |
| Purchase of plant and equipment | | **(1,717)** | (17,914) | **(1,717)** | (17,914) |
| Proceeds from Sale of plant & equipment | | **-** | 21,500 | **-** | 21,500 |
| Payment for exploration expenditure | | **(723,138)** | (551,777) | **(649,620)** | (283,647) |
| Payments as Bond deposits on exploration licences | | **(385,000)** | - | **(385,000)** | - |
| Proceeds from cancellation of Exploration Licences, refund of Bond Deposits | | **59,388** | - | **27,647** | - |
| Amounts advanced to related parties | | **-** | - | **(46,821)** | (314,870) |
| Payment for investment in subsidiary | | **-** | (700) | **-** | (700) |
| **Net cash used in investing activities** | | **(1,050,467)** | (548,891) | **(1,055,511)** | (595,631) |
| **Cash flows from financing activities** | | | | | |
| Repayment of borrowings | | **(42,283)** | (69,270) | **(42,283)** | (69,270) |
| Proceeds from issue of ordinary shares | | **1,049,370** | 1,298,781 | **1,049,370** | 1,298,781 |
| Payment of share issue costs | | **(60,063)** | (43,200) | **(60,063)** | (43,200) |
| **Net cash provided by financing activities** | | **947,024** | 1,186,311 | **947,024** | 1,186,311 |
| **Net decrease in cash and cash equivalents** | | **(528,494)** | (1,028,217) | **(528,364)** | (1,028,139) |
| Cash and cash equivalents at the beginning of the financial period | | **839,685** | 1,867,902 | **839,361** | 1,867,500 |
| **Cash and cash equivalents at the end of the financial period** | 15(b) | **311,191** | 839,685 | **310,997** | 839,361 |

Notes to the financial statements are included on pages 27 to 53

# Notes to the financial statements
# for the financial year ended 30 June 2009

| Note | Contents |
|---|---|
| 1 | General information |
| 2 | Standards and Interpretations in issue not yet adopted Significant accounting policies |
| 3 | Significant accounting policies |
| 4 | Revenue and expenses |
| 5 | Income tax |
| 6 | Earnings per share |
| 7 | Other receivables |
| 8 | Other assets |
| 9 | Plant and equipment |
| 10 | Exploration and evaluation assets |
| 11 | Other financial assets |
| 12 | Trade and other payables |
| 13 | Issued Capital |
| 14 | Reserves |
| 15 | Notes to the cashflow statement |
| 16 | Borrowings |
| 17 | Provisions |
| 18 | Commitments for expenditure |
| 19 | Leases |
| 20 | Jointly controlled assets |
| 21 | Subsidiaries |
| 22 | Financial instruments |
| 23 | Share-based payments |
| 24 | Key management personnel compensation |
| 25 | Related party transactions |
| 26 | Business and geographical segments |
| 27 | Remuneration of auditors |
| 28 | Contingent Liabilities |
| 29 | Subsequent events |

## 1. General information

Nagambie Mining Limited (the company) is a listed public company, incorporated in Australia and operating in Victoria.

Nagambie Mining Limited's registered office and its principal place of business are as follows:

| **Registered office** | **Principal place of business** |
|---|---|
| 174B High St | 174B High St |
| Heathcote Vic 3523 | Heathcote Vic 3523 |

## 2. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

| Standard | **Effective for annual reporting periods beginning on or after** | **Expected to be initially applied in the financial year ending** |
|---|---|---|
| • AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' | 1 January 2009 | 30 June 2010 |
| • AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' | 1 January 2009 | 30 June 2010 |
| • AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments' | 1 January 2009 | 30 June 2010 |

Initial application of the following Standards is not expected to have any material impact on the financial report of the Group and the company:

| Standard/Interpretation | **Effective for annual reporting periods beginning on or after** | **Expected to be initially applied in the financial year ending** |
|---|---|---|
| • AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' | 1 January 2009 | 30 June 2010 |
| • AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' | AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009) | 30 June 2010 |
| • Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards' and AASB 127 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' | 1 January 2009 | 30 June 2010 |
| • AASB 2008-1 'Ammendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations' | 1 January 2009 | 30 June 2010 |

| | | |
|---|---|---|
| • AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' | 1 January 2009 | 30 June 2010 |
| • AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' | 1 July 2009 | 30 June 2010 |
| • AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' | 1 January 2009 | 30 June 2010 |
| • AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners' | 1 July 2009 | 30 June 2010 |

## 3. Significant accounting policies

**Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 September 2009.

**Going Concern**

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the reasons described below, there is significant uncertainty whether the Company and the consolidated entity will continue as going concerns:

- The consolidated entity and Company have recorded a net loss of $2,351,890 and $3,011,889 respectively for the 2009 financial year and had net cash outflows from operating activities for the year of $425,051 and $419,877 respectively.
- The consolidated entity and Company at 30 June 2009 had commitments in the 2010 financial year of $524,462 and $451,462 respectively.
- On the basis of the company's cash flow forecast for the 2010 financial year, the Company will require sufficient revenue or additional capital to be raised as required to meet its expected outflows during the next twelve months of operations.

In relation to the ability of the Company and the consolidated entity to continue as going concerns:

- On 7 August 2009, Nagambie Mining announced that it had raised a total of $683,800 of additional working capital from the issue of 14,718,750 shares at 3.2 cents per share under the 2009 Share Purchase Plan and the placement of 6,650,000 shares at the same time, also at 3.2 cents per share.
- The directors consider that Nagambie Mining, following the raising of the $683,800, has sufficient working capital to fund its commitments until early calendar 2010. The Company has the potential to earn substantial income from the sale of rock from existing surface stockpiles on Nagambie MIN 5412, on an "as is, where is" basis over the 2010 and 2011 financial years for the construction of the Nagambie Bypass. The Company will be advised of the outcomes of the tender processes for the 1st and 2nd stages of the Nagambie Bypass in late calendar 2009 and early calendar 2010 respectively.
- The directors also have reasonable expectations, based on the success of the equity raising announced on 7 August 2009, that they could raise additional equity funds during the 2010 financial year if they were required. However, as stated above, the directors do not currently consider that further equity raisings will be necessary.

At the date of this report and having considered the above factors, the directors are confident that the Company and consolidated entity will be able to continue as going concerns. Notwithstanding this, there is significant uncertainty whether the Company and consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and consolidated entity not continue as going concerns.

**Basis of preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

## 3. Significant accounting policies (Cont'd)

**Adoption of new and revised Accounting Standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

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

**(a) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

**(b) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(c) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

**(d) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**(e) Employee benefits**

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

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

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

<u>Defined contribution plans</u>

Contributions to defined contribution superannuation plans are expensed when incurred.

**3. Significant accounting policies (Cont'd)**

**(f) Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**(g) Financial instruments issued by the company**

Debt and equity instruments

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**3. Significant accounting policies (Cont'd)**

**(h) Exploration and evaluation assets**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

- (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measure of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with the development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance will then be reclassified to development.

**(i) Impairment of tangible and intangible assets other than exploration and evaluation assets**

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

## 3. Significant accounting policies (Cont'd)

### (j) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax for the period

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

### (k) Joint venture arrangements

Jointly controlled assets

Interests in jointly controlled assets in which the Group is a venturer (and so has joint control) are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses incurred by or in respect of each joint venture. The Group also recognises income from the sale or use of output from the joint venture in accordance with its revenue policy in note 3(o).

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

### (l) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

**3. Significant accounting policies (Cont'd)**

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3(b). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(m) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including leasehold improvements.

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

The gain or loss arising on disposal or retirement of an item of property, plant or equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

**(n) Provisions**

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

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

**(o) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Sale of Rock revenue

Revenue from the sale of rock is measured at the fair value for the consideration received or receivable. There are no cartage expenses as the customer utilises their own assets to source and remove the rock.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

**3. Significant accounting policies (Cont'd)**

**(p) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of the Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

**(q) Goods and services tax**

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

**(r) Critical accounting judgements and key sources of estimation uncertainty**

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

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

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Exploration and evaluation assets</u>

The recoverability of the carrying amount of exploration and evaluation assets is dependant on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

## 4. Revenue and expenses

| | Consolidated 2009 $ | Consolidated 2008 $ | Company 2009 $ | Company 2008 $ |
|---|---|---|---|---|
| **(a) Revenue** | | | | |
| Revenue from continuing operations consisted of: | | | | |
| Interest | | | | |
| Bank deposits | 45,410 | 109,720 | 42,680 | 107,642 |
| Rental revenue: | | | | |
| Sub-rental revenue | 900 | 100,559 | 900 | 100,559 |
| Sale of Waste Rock | 37,306 | 12,358 | 37,306 | 12,358 |
| **Total Revenue** | 83,616 | 222,637 | 80,886 | 220,559 |
| **(b) Loss before income tax** | | | | |
| Loss before income tax has been arrived at after crediting/(charging) the following expenses from continuing operations: | | | | |
| Depreciation | 50,322 | 92,457 | 50,322 | 91,869 |
| Operating lease rental expenses | | | | |
| Minimum lease payments | 19,842 | 25,220 | 19,842 | 25,220 |
| Employee benefits expense: | | | | |
| Employee benefits | 66,059 | 361,019 | 66,059 | 361,019 |
| Share Options | 18,594 | - | 18,594 | - |
| Defined contribution plans | 32,645 | 51,565 | 32,645 | 51,565 |
| | 117,298 | 412,584 | 117,298 | 412,584 |
| Unwinding of discount on provisions | | | | |
| Interest on obligations under finance leases | 12,289 | 14,325 | 12,289 | 14,325 |

## 5. Income tax

| | | Consolidated 2009 $ | Consolidated 2008 $ | Company 2009 $ | Company 2008 $ |
|---|---|---|---|---|---|
| (a) | The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period | | | | |
| | Loss from operations | (2,351,890) | (3,256,454) | (3,011,889) | (3,293,453) |
| | Prima facie tax calculated at 30% | (705,567) | (976,936) | (903,567) | (988,036) |
| | Add tax effect of: | | | | |
| | - Non deductible expenses | 547,699 | 382,555 | 745,686 | 382,555 |
| | - Share based payments | 5,578 | - | 5,578 | - |
| | Less tax effect of: | | | | |
| | - Capital raising costs | 18,019 | 12,960 | 18,019 | 12,960 |
| | Movement in tax asset not recognised | (18,019) | (12,960) | (18,019) | (12,960) |
| | Current year tax loss not recognised | 152,290 | 594,381 | 152,303 | 605,481 |
| | | - | - | - | - |
| (b) | **Assets** | | | | |
| | **Non-current** | | | | |
| | Deferred tax asset comprises: | | | | |
| | - Capital raising costs | 18,019 | 12,960 | 18,019 | 12,960 |
| | - Amount not recognised | (18,019) | (12,960) | (18,019) | (12,960) |
| | | - | - | - | - |
| (c) | **Reconciliation** | | | | |
| | **(i) Gross movements** | | | | |
| | The overall movement in the deferred tax balances is as follows: | | | | |
| | Opening balance | - | - | - | - |
| | Charge/(credit) to income statement | - | - | - | - |
| | Charge/(credit) to the equity | - | - | - | - |
| | Closing balance | - | - | - | - |
| | **(ii) Deferred tax assets** | | | | |
| | The movement in the deferred tax asset for each temporary difference during the year is as follows: | | | | |
| | **Capital raising costs** | | | | |
| | Opening balance | - | - | - | - |
| | Charge to equity | 18,019 | 12,960 | 18,019 | 12,960 |
| | Amount not recognised | (18,019) | (12,960) | (18,019) | (12,960) |
| | | - | - | - | - |
| (d) | Deferred tax assets not bought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 3 (j) occur: | | | | |
| | Opening balance | 1,904,615 | 914,719 | 1,904,616 | 903,620 |
| | Temporary differences | 18,019 | 12,960 | 18,019 | 12,960 |
| | Tax losses - revenue | 152,290 | 594,381 | 152,303 | 605,481 |
| | Tax losses - capital | 547,699 | 382,555 | 745,686 | 382,555 |
| | Closing balance | 2,622,623 | 1,904,615 | 2,820,624 | 1,904,616 |

## 6. Earnings per share

| | Consolidated 2009 $ | Consolidated 2008 $ |
|---|---|---|
| The following reflects the income and share data used in calculating basic and diluted earnings per share: | | |
| Net loss | 2,351,890 | 3,256,454 |
| Basic earnings per share (cents per share) | (2.10) | (3.47) |
| Diluted earnings per share (cents per share) | (2.10) | (3.47) |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 111,733,900 | 93,791,016 |
| Weighted average number of ordinary shares used in the calculation of diluted earnings per share | 111,733,900 | 93,791,016 |

Diluted earnings per share is calculated after classifying all options on issue remaining unconverted at 30 June 2009 as potential ordinary shares. As at 30 June 2009, the Company has 4,550,000 options (2008:1,500,000) over unissued capital on issue. As the notional exercise price of these options is greater than the current market price of the shares they have not been included in the calculation of diluted earnings per share and the company is loss making.

## 7. Other receivables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| GST receivable (net) | 1,255 | 5,390 | 1,255 | 5,390 |
| Trade Receivables (ii) | 5,742 | - | 5,742 | - |
| Other receivables (i) | 46,305 | 114,140 | 46,305 | 114,140 |
| Allowance for Doubtful Debts | (46,305) | (55,103) | (46,305) | (55,103) |
| | 6,997 | 64,427 | 6,997 | 64,427 |

(i) Other receivables are non interest bearing and relate to monies due from Past Tenants, Past Directors, Employees or Officers of Nagambie Mining Limited.
(ii) Trade receivables that have not been provided for in the allowance for doubtful debts are all past due but not impaired as the receivables have either been collected subsequent to 30 June 2009 or the Directors consider these to be recoverable. Further details are listed in table below.

<u>Movement in the allowance for doubtful debts</u>

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Balance at the beginning of the year | (55,103) | - | (55,103) | - |
| Amounts recovered during the year | 12,087 | - | 12,087 | - |
| Impairment losses recognised on receivables | (3,289) | (55,103) | (3,289) | (55,103) |
| Balance at end of the year | (46,305) | (55,103) | (46,305) | (55,103) |

All impaired receivables are over 120 days old and have been individualy assessed for recoverability. The impairment recognised represents the difference between the carrying amount and the expected proceeds.

**Schedule of Other Receivables:**
Other Receivables are related to monies due from Past Tenants, Past Directors, Employees or Officers of Nagambie Mining Limited:

| | 2009 $ | 2008 $ |
|---|---|---|
| CNG-Tm P/L – Tenant Collins St Premises | 7,747 | 7,747 |
| John Cornelius – Former Director | 17,448 | - |
| IMI Consulting – Tenant & Expense Recovery | 21,110 | 22,602 |
| | 46,305 | 30,349 |

## 8. Other Assets

| | Consolidated 2009 $ | Consolidated 2008 $ | Company 2009 $ | Company 2008 $ |
|---|---|---|---|---|
| Current Assets | | | | |
| Prepayments | 2,171 | 3,667 | 2,171 | 2,237 |
| | 2,171 | 3,667 | 2,171 | 2,237 |
| Non-Current Assets | | | | |
| Deposits – environmental bonds | 494,940 | 160,241 | 461,762 | 101,969 |
| Rental Bond | 2,378 | 2,336 | 2,378 | 2,336 |
| | 497,318 | 162,577 | 464,140 | 104,305 |

## 9. Plant and Equipment

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Plant and equipment $ | Computer equipment and software $ | Leasehold improve-ments $ | Motor vehicles $ | Leased computer equipment $ | Total $ |
| **Gross carrying amount** | | | | | | |
| **Balance at 1 July 2007** | 17,253 | 50,983 | 11,137 | 159,677 | 55,597 | 294,647 |
| Additions | 1,380 | 16,534 | - | - | - | 17,914 |
| Disposals | (6,182) | - | (11,137) | (28,832) | - | (46,151) |
| **Balance at 1 July 2008** | 12,451 | 67,517 | - | 130,845 | 55,597 | 266,410 |
| Additions | - | 1,717 | - | - | - | 1,717 |
| Disposals | - | - | - | - | - | - |
| **Balance at 30 June 2009** | 12,451 | 69,234 | - | 130,845 | 55,597 | 268,127 |
| **Accumulated Depreciation** | | | | | | |
| **Balance at 1 July 2007** | (2,236) | (10,121) | - | (48,417) | (5,874) | (66,648) |
| Disposals | 1,144 | - | 557 | 20,246 | - | 21,947 |
| Depreciation expense | (4,832) | (16,852) | (557) | (54,887) | (15,329) | (92,457) |
| **Balance at 1 July 2008** | (5,924) | (26,973) | - | (83,058) | (21,203) | (137,158) |
| Disposal | - | - | - | - | - | - |
| Depreciation expense | (1,048) | (10,051) | - | (23,894) | (15,329) | (50,322) |
| **Balance at 30 June 2009** | (6,972) | (37,024) | - | (106,952) | (36,532) | (187,480) |
| **Net book value** | | | | | | |
| As at 30 June 2008 | 6,527 | 40,544 | - | 47,787 | 34,394 | 129,252 |
| As at 30 June 2009 | 5,479 | 32,210 | - | 23,893 | 19,065 | 80,647 |

### 9. Plant and equipment (cont'd)

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | Plant and equipment | Computer equipment and software | Leasehold improve-ments | Motor vehicles | Leased computer equipment | Total |
| | $ | $ | $ | $ | $ | $ |
| **Gross carrying amount** | | | | | | |
| **Balance at 1 July 2007** | 17,253 | 50,983 | 11,137 | 159,677 | 55,597 | 294,647 |
| Additions | 1,380 | 16,534 | - | - | - | 17,914 |
| Disposals | (6,182) | - | (11,137) | (28,832) | - | (46,151) |
| **Balance at 1 July 2008** | 12,451 | 67,517 | - | 130,845 | 55,597 | 266,410 |
| Additions | - | 1,717 | - | - | - | 1,717 |
| Disposals | - | - | - | - | - | - |
| **Balance at 30 June 2009** | 12,451 | 69,234 | - | 130,845 | 55,597 | 268,127 |
| **Accumulated Depreciation** | | | | | | |
| **Balance at 1 July 2007** | (2,236) | (10,121) | - | (48,417) | (5,874) | (66,648) |
| Disposals | 1,144 | - | 557 | 20,246 | - | 21,947 |
| Depreciation expense | (4,832) | (16,852) | (557) | (54,887) | (15,329) | (92,457) |
| **Balance at 1 July 2008** | (5,924) | (26,973) | - | (83,058) | (21,203) | (137,158) |
| Disposal | - | - | - | - | - | - |
| Depreciation expense | (1,048) | (10,051) | - | (23,894) | (15,329) | (50,322) |
| **Balance at 30 June 2009** | (6,972) | (37,024) | - | (106,952) | (36,532) | (187,480) |
| **Net book value** | | | | | | |
| As at 30 June 2008 | 6,527 | 40,544 | - | 47,787 | 34,394 | 129,252 |
| As at 30 June 2009 | 5,479 | 32,210 | - | 23,893 | 19,065 | 80,647 |

The following useful lives are used in the calculation of depreciation

| | | |
|---|---|---|
| Plant and equipment | 3 - 7 years | Diminishing value method |
| Computer equipment | 2.5 - 4 years | Diminishing value and straight line method |
| Leasehold improvements | 10 years | Straight line method |
| Motor vehicles | 4 years | Diminishing value method |
| Leased computer equipment and software | 4 years | Straight line method |

### 10. Exploration and evaluation assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Balance at beginning of the period | 5,188,287 | 6,258,989 | 2,927,647 | 3,047,301 |
| Additional expenditure carried forward | 723,138 | 670,635 | 649,620 | 396,667 |
| Expenditure Transferred from Subsidiary | - | - | 1,308,150 | - |
| Impairment losses for the year | (1,825,664) | (1,741,337) | (1,751,060) | (516,321) |
| | 4,085,761 | 5,188,287 | 3,134,357 | 2,927,647 |

During the financial year the group reassessed all the areas and determined the areas to be surrendered and the areas that are valid exploration and evaluation assets.

The recoverability of the carrying amount of exploration and evaluation assets is dependant on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

### 11. Other financial assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Investments carried at cost: | | | | |
| Investment in subsidiaries | - | - | 1,660,000 | 1,660,700 |
| Accumulated impairment | - | - | (1,660,000) | (1,275,185) |
| | - | - | - | 385,515 |
| Receivable from wholly owned subsidiary | - | - | 674,520 | 1,936,396 |
| Accumulated impairment | - | - | (349,746) | (1,248) |
| | - | - | 324,774 | 2,320,663 |

### 12. Trade and other payables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Trade payables (i) | 62,119 | 76,287 | 62,119 | 76,287 |
| Accrued Expenses (ii) | 15,364 | 4,110 | 15,364 | 4,110 |
| | 77,483 | 80,397 | 77,483 | 80,397 |

Terms and conditions relating to the above financial instruments:
(i) Trade payables are non-interest bearing and are usually settled on 30 day terms.
(ii) Accrued Expenses are non-interest bearing and have an average term of 30 days

## 13. Issued capital

| | Consolidated 2009 $ | Consolidated 2008 $ | Company 2009 $ | Company 2008 $ |
|---|---|---|---|---|
| (a) Issued and paid up capital | | | | |
| Ordinary shares fully paid | 12,557,004 | 11,567,697 | 12,557,004 | 11,567,697 |

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.
Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Movements in shares on issue

| | Year ended 30 June 2009 | | Year ended 30 June 2008 | |
|---|---|---|---|---|
| **Details** | Number of Shares Issued | Issued Capital $ | Number of Shares Issued | Issued Capital $ |
| Beginning of the financial year | 94,993,400 | 11,567,697 | 80,562,500 | 10,312,116 |
| Movements during the year | | | | |
| Less: costs of initial public offer share issue | - | - | - | - |
| - share placement 22 May 2007 | - | - | - | - |
| - share placement 23 July 2007 | - | - | 12,000,000 | 1,080,000 |
| - share placement 5 September 2007 | - | - | 2,430,900 | 218,781 |
| - rights issue 13 November 2008 | 13,359,010 | 400,770 | - | - |
| - share placement 10 February 2009 | 21,638,789 | 648,600 | - | - |
| Less: cost of placement | - | (60,063) | - | (43,200) |
| **Closing balance** | 129,931,199 | 12,557,004 | 94,993,400 | 11,567,697 |

**Share options granted under the employee share option plan**
In accordance with the provisions of the employee share option plan, as at 30 June 2009, executives and senior employees have 550,000 options of which none are vested (2008: NIL) ordinary shares.
Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 23 to the financial statements.

**Other share options on issue**
As at 30 June 2009, the company has 4,000,000 share options on issue , none of which have vested, that have been granted exercisable for 4,000,000 ordinary shares of the company (2008: 1,500,000). The options carry no rights to dividends and no voting rights.
Information with respect to the number of all options granted including executive options is as follows:

| | 30 June 2009 | | 30 June 2008 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of period | 1,500,000 | $0.50 | 8,637,000 | $0.27 |
| - granted | 4,550,000 | $0.10 | - | - |
| - lapsed/exercised | (1,500,000) | $0.50 | (7,137,000) | $0.27 |
| Balance at end of period | 4,550,000 | $0.10 | 1,500,000 | $0.50 |

Options held at the beginning and end of the reporting period

| **No. of Options** | **Grant Date** | **Vesting Date** | **Expiry Date** | **Weighted average exercise price** |
|---|---|---|---|---|
| 4,000,000 | 02/12/2008 | 02/12/2010 | 02/12/2013 | $0.10 |
| 550,000 | 04/09/2008 | 04/09/2010 | 04/09/2013 | $0.10 |

## 14. Reserves

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Options Reserve** | | | | |
| At the beginning of the financial period | 22,180 | 22,180 | 22,180 | 22,180 |
| Recognition of Share Based Payments | 18,594 | - | 18,594 | - |
| Options Reserve at the end of the financial period | 40,774 | 22,180 | 40,774 | 22,180 |

## 15. Notes to the cashflow statement

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **(a) Reconciliation of loss after tax to net cash flows from operations** | | | | |
| Net loss for the period | (2,351,890) | (3,256,454) | (3,011,889) | (3,293,453) |
| Depreciation of property, plant and equipment | 50,322 | 92,457 | 50,322 | 91,869 |
| Impairment of investment in subsidiaries | - | - | 734,560 | 1,275,185 |
| Impairment of exploration and evaluation assets | 1,825,664 | 1,741,338 | 1,751,060 | 516,321 |
| Gain on sale or disposal of non-current assets | - | (2,736) | - | (2,736) |
| Equity Settled share based payments | 18,594 | (275,446) | 18,594 | (274,858) |
| *Changes in assets and liabilities* | | | | |
| (Increase)/Decrease in receivables | 53,295 | (135,028) | 53,295 | (128,456) |
| Decrease in prepayments | 1,496 | 8,874 | 66 | 8,874 |
| Decrease in GST | 4,135 | 96,355 | 4,135 | 96,355 |
| (Increase)/ Decrease in rental bond | (42) | 110,684 | (42) | 110,684 |
| (Increase) in environmental bonds | (9,087) | (32,935) | (2,440) | (5,858) |
| (Decrease) in creditors | (2,914) | (275,446) | (2,914) | (274,858) |
| (Decrease) in employee provisions | (14,624) | (12,746) | (14,624) | (12,746) |
| **Net cash used in operating activities** | (425,051) | (1,665,637) | (419,877) | (1,618,819) |
| **(b) Reconciliation of cash** | | | | |
| Cash and cash equivalents comprise: | | | | |
| Cash on hand and at call | 311,191 | 839,685 | 310,997 | 839,361 |
| | 311,191 | 839,685 | 310,997 | 839,361 |

**(c) Non-cash financing and investing activities**

During the current financial year, Sierra Minerals , a wholly owned subsidiary of Nagambie Mining Limited transferred the licence MIN5412 -100% to Nagambie Mining Limited. The transfer of the Exploration and Evaluation Asset of $1,308,150 resulted in a decrease in the intercompany receivables.

## 16. Borrowings

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Secured – at amortised cost** | | | | |
| Current | | | | |
| Chattel Mortgage (i), (ii) | 24,612 | 22,765 | 24,612 | 22,765 |
| Finance lease liabilities (iii) | 13,853 | 19,518 | 13,853 | 19,518 |
| Non-current | | | | |
| Chattel Mortgage (i), (ii) | 62,931 | 87,543 | 62,931 | 87,543 |
| Finance lease liabilities (iii) | - | 13,853 | - | 13,853 |
| | 101,396 | 143,679 | 101,396 | 143,679 |
| Disclosed in the financial statements as: | | | | |
| Current borrowings | 38,465 | 42,283 | 38,465 | 42,283 |
| Non-current borrowings | 62,931 | 101,396 | 62,931 | 101,396 |
| | 101,396 | 143,679 | 101,396 | 143,679 |

(i) Fixed rate loans with finance companies with maturity periods not exceeding 5 years. The interest rates on the loans are from 7.5% to 8%p.a.
(ii) Secured by security over the chattel under finance.
(iii) Secured by the assets leased. Borrowings are fixed interest rate debt with repayments not exceeding 3 years. The current weighted effective interest rate on the loans is 10.33% p.a.

## 17. Provisions

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Current | | | | |
| Employee benefits – accrued leave | 1,378 | 16,002 | 1,378 | 16,002 |

## 18. Commitments for expenditure

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **(a) Exploration expenditure commitments** | | | | |
| Not longer than 1 year | 524,462 | 687,250 | 451,462 | 580,150 |
| Longer than 1 year and not longer than 5 years | 1,204,086 | 1,682,650 | 1,185,486 | 1,544,250 |
| Longer than 5 years | - | - | - | - |
| | 1,728,548 | 2,369,900 | 1,636,948 | 2,124,400 |

**(b) Lease commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 19 to the financial statements.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **(c) Other expenditure commitments** | | | | |
| Property Lease | | | | |
| Not longer than 1 year | 9,974 | 25,220 | 9,974 | 25,220 |
| Longer than 1 year and not longer than 5 years | - | 20,172 | - | 20,172 |
| Longer than 5 years | - | - | - | - |
| | 9,974 | 45,392 | 9,974 | 45,392 |

## 19. Leases

### Finance leases

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Chattel mortgage | | | | |
| Not longer than 1 year | 24,612 | 22,765 | 24,612 | 22,765 |
| Longer than 1 year and not longer than 5 years | 62,931 | 87,543 | 62,931 | 87,543 |
| Longer than 5 years | - | - | - | - |
| | 87,543 | 110,308 | 87,543 | 110,308 |

Leasing arrangements

Finance leases relate to computer equipment primarily used in exploration activities.

Finance lease liabilities

| | Minimum future lease payments | | | | Present value of minimum future lease payments | | | |
|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | Consolidated | | Company | |
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Not longer than 1 year | 15,965 | 23,526 | 15,965 | 23,526 | 13,853 | 19,518 | 13,853 | 19,518 |
| Longer than 1 year and not longer than 5 years | - | 16,626 | - | 16,626 | - | 13,853 | - | 13,853 |
| Longer than 5 years | - | - | - | - | - | - | - | - |
| Minimum future lease payments* | 15,965 | 40,152 | 15,965 | 40,152 | 13,853 | 33,371 | 13,853 | 33,371 |
| Less future finance charges | (2,112) | (6,781) | (2,112) | (6,781) | - | - | - | - |
| Present value of minimum lease payments | 13,853 | 33,371 | 13,853 | 33,371 | 13,853 | 33,371 | 13,853 | 33,371 |
| Included in the financial statements as: (note 16) | | | | | | | | |
| Current borrowings | | | | | 13,853 | 19,518 | 13,853 | 19,518 |
| Non-Current borrowings | | | | | - | 13,853 | - | 13,853 |
| | | | | | 13,853 | 33,371 | 13,853 | 33,371 |

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

### Operating leases

Property Lease arrangements

Nagambie Mining Limited has two (2) separate Operating leases that relate to the rental of Property.

These relate to the Heathcote office which is currently on a rolling 3 month lease with a 1 month termination clause and the other being the Hawthorn office which was a 2 year lease expiring on 31/1/2010. The Company / Group does not have an option to purchase the leased property at the expiry of the lease period.

## 20. Jointly controlled assets

The Company's wholly owned subsidiary Sierra Minerals was involved in the Nagambie Project joint venture with Perseverance Corporation Limited. The joint venture ceased and the mining license was purchased by Nagambie Mining Limited on the 16 Sept 2008. Accordingly, there are no attendant assets or liabilities.

The Group was a venturer in the following jointly controlled operations and assets:

| | | Output interest | |
|---|---|---|---|
| **Name of venture** | **Principal activity** | **2009 %** | **2008 %** |
| Nagambie Project | Exploration for minerals | 0 | 51 |

### Capital commitments and contingent liabilities

Capital commitments and contingent liabilities arising from the Group's interests in the joint venture was $Nil (2008:$687,250).

## 21. Subsidiaries

| Name of entity | Country of incorporation | Ownership interest 2009 % | Ownership interest 2008 % |
|---|---|---|---|
| **Parent entity** | | | |
| Nagambie Mining Limited | Australia | - | - |
| **Subsidiaries** | | | |
| Sierra Minerals Pty Ltd | Australia | 100 | 100 |
| Nagambie Developments Pty Ltd | Australia | 100 | 100 |

## 22. Financial instruments

### (a) Categories of financial instruments

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **Financial assets** | | | | |
| Loans and receivables | 504,315 | 224,668 | 795,911 | 2,108,119 |
| Cash and cash equivalents | 311,191 | 839,685 | 310,997 | 839,361 |
| **Financial liabilities** | | | | |
| Amortised cost | 178,879 | 224,076 | 178,879 | 224,076 |

### (b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.
The Group's overall strategy remains unchanged from 2008.
The capital structure of the Group consists of cash and cash equivalents and equity holders of the parent, comprising issued capital and reserves as disclosed in note 13 and the statement of changes in equity.
None of the Group's entities are subject to externally imposed capital requirements.

### (c) Interest rate risk management

The company and the Group are exposed to interest rate risk on cash and cash equivalents and environmental bonds.
The company and the Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note.

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net loss would decrease by $4,000 and increase by $4,000 (2008: net loss would increase by $5,000 and decrease by $5,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate cash deposits.

The Group's sensitivity to interest rates has decreased during the current period mainly due to a decrease in the level of cash and cash equivalents at balance date. The parent entity risk is the same as the group.

### (d) Credit risk management

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, to recognised financial assets is the carrying amount of those assets, net of any allowances for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.
The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group.

**22. Financial instruments (cont'd)**

**(e) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient cash balances.

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated Liabilities

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | 5+ years |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **2009** | | | | | | |
| Finance Lease Liability | 10.13 | (1,825) | (3,696) | (8,332) | - | - |
| Chattel Mortgage Liabilities | 7.77 | (1,979) | (3,995) | (18,638) | (62,931) | - |
| Trade and Other Payables | - | (77,483) | - | - | - | - |
| | | (81,287) | (7,691) | (26,970) | (62,931) | - |
| **2008** | | | | | | |
| Finance Lease Liability | 10.13 | (1,961) | (3,921) | (17,645) | (16,625) | - |
| Chattel Mortgage Liabilities | 7.77 | (2,551) | (5,102) | (21,858) | (95,965) | - |
| Trade and Other Payables | - | (80,397) | - | - | - | - |
| | | (84,909) | (9,023) | (39,503) | (112,590) | - |

Company Liabilities

| | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | 5+ years |
|---|---|---|---|---|---|---|
| | % | $ | $ | $ | $ | $ |
| **2009** | | | | | | |
| Finance Lease Liability | 10.13 | (1,825) | (3,696) | (8,332) | - | - |
| Chattel Mortgage Liabilities | 7.77 | (1,979) | (3,995) | (18,638) | (62,931) | - |
| Trade and other payables | - | (77,483) | - | - | - | - |
| | | (81,287) | (7,691) | (26,970) | (62,931) | - |
| **2008** | | | | | | |
| Finance Lease Liability | 10.13 | (1,961) | (3,921) | (17,645) | (16,625) | - |
| Chattel Mortgage Liabilities | 7.77 | (2,551) | (5,102) | (21,858) | (95,965) | - |
| Trade and other payables | - | (80,397) | - | - | - | - |
| | | (84,909) | (9,023) | (39,503) | (112,590) | - |

## 23. Share-based payments

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the Board of Directors. Each executive share option converts into one ordinary share of Nagambie Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the Board of Directors of the Company. The options granted expire five years after their issue, or one month of the resignation of the executive, whichever is the earlier. There is a total of 4,550,000 optionson issue. Of which 550,000 share options is allocated 500,000 to executive consultants and 50,000 to employees and the balance of 4,000,000 share options issued to Directors as approved by shareholders.

Information with respect to the number of all options granted including executive options is as follows:

| | **30 June 2009** | | **30 June 2008** | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of period | 1,500,000 | $0.50 | 8,637,000 | $0.27 |
| - granted | 4,550,000 | $0.10 | - | - |
| - lapsed/exercised | (1,500,000) | $0.50 | (7,137,000) | $0.22 |
| Balance at end of period | 4,550,000 | $0.10 | 1,500,000 | $0.50 |

Options held at the beginning and end of the reporting period

| **No. of Options** | **Grant Date** | **Vesting Date** | **Expiry Date** | **Weighted average exercise price** | **Fair Value at Grant Date** |
|---|---|---|---|---|---|
| 1,500,000 | 20/05/2005 | 20/05/2005 | 30/06/2009 | $0.50 | $0.003 |
| 4,000,000 | 02/12/2008 | 02/12/2010 | 02/12/2013 | $0.10 | $0.009 |
| 550,000 | 04/09/2008 | 04/09/2010 | 04/09/2013 | $0.10 | $0.008 |
| 4,550,000 | | | | $0.10 | |

There were 4,550,000 options granted in the past year.

**(i) Exercised during the financial year**
There were no options exercised during the financial year

**(ii) Equity-settled employee benefits reserve**
The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Of the total reserve of $40,774, $22,180 relates to options that have lapsed without being exercised.

The weighted average fair value of the share options granted during the financial year is $0.10 (2008:NIL).
Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of nontransferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may not be exercised early, executives and senior employees would not be able to exercise the options before vesting date which has been set at 2 years after the Grant Date.

| | Option Series | |
|---|---|---|
| Inputs into the model | Series 1 | Series 2 |
| Grant date | 4/09/2008 | 2/12/2008 |
| Share Price | $0.03 | $0.03 |
| Exercise Price | $0.10 | $0.10 |
| Expected Volatility | 62% | 62% |
| Option Life | 5 years | 5 years |
| Dividend Yield | NIL | NIL |
| Risk Free Interest rate | 5.615% | 5.615% |
| Vesting Date | 4/09/2010 | 2/12/2010 |

## 24. Key management personnel compensation

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **$** | $ | **$** | $ |
| Short-term employee benefits | 407,251 | 535,513 | 407,251 | 535,513 |
| Post-employment benefits | 27,768 | 22,808 | 27,768 | 22,808 |
| Other long-term benefits | - | - | - | - |
| Termination benefits | - | - | - | - |
| Share-based payment | 18,389 | - | 18,389 | - |
| | 453,408 | 558,321 | 453,408 | 558,321 |

Other non-salaried benefits supplied to Past Directors & Management included Mobile Phones, Car Parking and use of Computer Equipment. Whilst these were not part of their employment contracts, they were authorised by the previous management as a cost of doing business.

### (a) Remuneration Options: Granted and vested during the period

There was 4,550,000 options issued during the reporting period relating to key management personnel.

### (b) Share issued on exercise of remuneration options

No shares were issued on the exercise of remuneration options during the reporting period relating to key management personnel.

### (c) Option holdings of key management personnel

Unlisted options held by key management personnel. Details of options are contained in Note 23.

| | Opening Balance 1 July 2008 | Granted as remuneration | Options Exercised | Net Change Other | Closing Balance 30 June 2009 | Vested and exercisable at 30 June 2009 |
|---|---|---|---|---|---|---|
| Colin Glazebrook | - | 2,000,000 | - | 2,000,000 | 2,000,000 | - |
| Michael Trumbull | - | 1,000,000 | - | 1,000,000 | 1,000,000 | - |
| Geoff Turner | - | 1,000,000 | - | 1,000,000 | 1,000,000 | - |
| Joe Fekete | - | 250,000 | - | 250,000 | 250,000 | - |
| Alfonso Grillo | - | 250,000 | - | 250,000 | 250,000 | - |
| **Total** | - | 4,500,000 | - | 4,500,000 | 4,500,000 | - |

| Year ended 30 June 2008 | Opening Balance 1 July 2007 | Granted as remuneration | Options Exercised | Net Change Other | Closing Balance 30 June 2008 | Vested and exercisable at 30 June 2008 |
|---|---|---|---|---|---|---|
| Ian D Buckingham -Resigned 5 Sept 2007(*) | 2,500,000 | - | - | (2,500,000) | - | - |
| Andrew R Ristrom -Removed 20 Dec 2007(**) | 500,000 | - | - | (500,000) | - | - |
| **Total** | 3,000,000 | - | - | (3,000,000) | - | - |

(*) Director resigned/removed during period and in accordance with the issue of the options, the options were forfeited upon resignation.

(**) Granted as a result of a contract entered into prior to becoming a director of the Company, relating to capital raising activities.

**24. Key management personnel compensation (Cont'd)**

**(d) Shareholdings of key management personnel**

| Year ended 30 June 2009<br>Ordinary Shares | Balance 1 July 2008<br>No. | Granted as remuneration<br>No. | On exercise of Options<br>No. | Net Change Other<br>No. | Balance 30 June 2009<br>No. |
|---|---|---|---|---|---|
| Michael W Trumbull | 1,000,000 | - | - | 7,400,000 | 8,400,000 |
| Colin Glazebrook | 350,000 | - | - | 116,667 | 466,667 |
| Geoff Turner | 100,000 | - | - | 33,334 | 133,334 |
| **Total** | 1,450,000 | - | - | 7,550,001 | 9,000,001 |

| Year ended 30 June 2008<br>Ordinary Shares | Balance 1 July 2007<br>No. | Granted as remuneration<br>No. | On exercise of Options<br>No. | Net Change Other<br>No. | Balance 30 June 2008<br>No. |
|---|---|---|---|---|---|
| John W Cornelius<br>-Resigned 8 October 2007 | 1,800,000 | - | - | (1,800,000) | - |
| Ian D Buckingham<br>-Resigned 5 September 2007 | 2,800,000 | - | - | (2,800,000) | - |
| Peter I Rudd<br>-Removed 20 December 2007 | 2,050,000 | - | - | (2,050,000) | - |
| Michael W Trumbull | 625,000 | - | - | 375,000 | 1,000,000 |
| Andrew R Ristrom<br>-Removed 20 December 2007 | 300,000 | - | - | (300,000) | - |
| Colin Glazebrook<br>-Appointed 20 December 2007 | - | - | - | 350,000 | 350,000 |
| Geoff Turner<br>-Appointed 20 December 2007 | - | - | - | 100,000 | 100,000 |
| **Total** | 7,575,000 | - | - | (6,125,000) | 1,450,000 |

All equity transactions with key management personnel other than those arising from the exercise of options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

**25. Related party transactions**

**(a) Transactions with key management personnel**

During the 2008 financial year, John W Cornelius, who resigned on 8 October 2007, charged $199,755 for consulting and the provision of administrative and clerical staff.

The 2008 fees were paid to i2iGroup Pty Ltd and IMI Consulting Pty Ltd, both companies controlled by John W Cornelius.

The amount owing since the 2008 financial year by IMI Consulting Group Pty Ltd, a company controlled by John W Cornelious, for sub-lease and other expenses is $21,110. Nagambie Mining Limited has commenced recovery action to secure these outstandings.

The Company paid legal and consulting fees, which include secretarial fees, of $82,794 (2008: $146,466) to TressCox Lawyers, a firm of solicitors of which Alfonso Grillo is a Partner. Secretarial fees payable to Alfonso Grillo are paid to TressCox Lawyers.

The Company paid consulting fees of $NIL (2008: $30,963) to CBH Business Services Pty Ltd, a company controlled by Cherie L Harrison.

The Company paid consulting fees of $NIL (2008: $97,090) to Cotlco Pty Ltd, a company controlled by John Cottle.

The Company paid consulting fees of $NIL (2008: $65,025) to Glazco Consultants Pty Ltd, a company controlled by Colin Glazebrook.

The Company paid consulting fees of $58,932 (2008: $1,256) to Exploration Management Services Pty Ltd, a company controlled by Geoff Turner.

The Company paid consulting fees of $52,173 (2008: $34,411) to Fekete Management Services Pty Ltd, a company controlled by Joe Fekete.

**25. Related party transactions (Cont'd)**

**(b) Transactions between the Group and its related parties**

During the financial year, the following transactions occurred between the Group and its other related parties:

Nagambie Mining Limited advanced $48,252 to Sierra Minerals Pty Ltd to fund commitments and expenditure on Sierra Minerals Pty Ltd's licenses.
Sierra Minerals Limited on 16 Sept 2008 transferred the license for MIN5412 to Nagambie Mining Limited. The transfer of the Exploration and Evaluation Asset resulted in a decrease of intercompany receivables by $1,308,150.

Current loans totalling $399,337 is repayable by Sierra Minerals Pty Ltd to Nagambie Mining Limited (2008: $1,936,396).
All amounts advanced to related parties are unsecured and are subordinate to other liabilities.
No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.
Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

**26. Business and geographical segments**

The Group operates in one principal geographical area – in Victoria, Australia. The Group carries out exploration for gold and minerals in this area.

**27. Remuneration of auditors**

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| **Auditor of the parent entity** | | | | |
| Audit or review of the financial report | 39,943 | 30,000 | 39,943 | 30,000 |
| Other non-audit services – Tax | 6,500 | 18,565 | 6,500 | 18,565 |
| | 46,443 | 48,565 | 46,443 | 48,565 |

The auditor of Nagambie Mining Limited is Deloitte Touche Tohmatsu.

**28. Contingent Liabilities**
Nagambie Mining Limited has no contingent liabilities. All rehabilitation requirements for the MIN 5412 licence at Nagambie is covered by the monies held on deposit with the Department of Primary Industries, amounting to $385,000.

**29. Subsequent events**

The following events occurred after balance date that are of significance to the Company:

(a) 2009 Share Purchase Plan (SPP)
On 7 August 2009, the Company announced that it had issued 14,718,750 fully paid ordinary shares under the SPP at 3.2 cents per share, raising a total of $471,000.

(b) Placement to Sophisticated and Professional Investors
6,650,000 fully paid ordinary shares at 3.2 cents each were also placed by the Company at the time of the SPP, raising a further $212,800.

A total of $683,800 was raised through this placement and the SPP.

(c) Licence Grants
EL 5189 was granted to the Company on 31 July 2009.

(d) Exploration Licences – Surrendered
ELs 5049, 5027 and 5020 were surrendered during July 2009, reducing the total area held by the Company to 254 $km^2$.

# Additional ASX Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2009.

**Number of holders of equity securities**

Ordinary share capital

151,359,949 fully paid ordinary shares are held by 445 individual shareholders.
All issued ordinary shares carry one vote per share.

Options

5,100,000 options are held by 6 individual option holders.
Options do not carry a right to vote.

Buy-Back

The Company does not have a current on-market buy-back

**Distribution of holders of equity securities**

| | Number of Holders | Number of Shares |
|---|---|---|
| 1 – 1,000 | 12 | 1,897 |
| 1,001 – 5,000 | 13 | 58,020 |
| 5,001 – 10,000 | 56 | 535,218 |
| 10,001 – 100,000 | 233 | 9,867,942 |
| 100,001 and over | 131 | 140,896,872 |
| **Totals** | 445 | 151,359,949 |
| Holding less than a marketable parcel as at 23 September 2009 | 122 | 1,142,155 |

**Substantial shareholders**

| | Fully paid ordinary shares Number |
|---|---|
| Cairnglen Investments Pty Ltd | 21,075,417 |
| Normet Industries Nominee Pty Ltd | 8,333,333 |
| Mr. Ralph Douglas Russell & Ms Anne-Maree Hynes and Mr. Ralph Douglas Russell & Ms Anne-Maree Hynes <The Russell Hynes S/F A/C> | 15,873,521 |
| | 39,403,286 |

**Optionholders holding greater than 20% of unquoted options**

| | Unquoted options Number |
|---|---|
| Ecoper Pty Ltd as trustee for the Glazco Super Fund A/C | 2,000,000 |
| | **2,000,000** |

### Twenty largest holders of quoted equity securities

The names of the twenty largest holders and their shareholding in the quoted shares are as follows:

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1. | CAIRNGLEN INVESTMENTS PTY LTD | 21,075,417 | 13.92 |
| 2. | NEFCO NOMINEES PTY LTD | 9,994,536 | 6.60 |
| 3. | NORMET INDUSTRIES NOMINEE PTY LTD | 8,333,333 | 5.51 |
| 4. | MR RALPH DOUGLAS RUSSELL + MS ANNE-MAREE HYNES | 8,276,084 | 5.47 |
| 5. | MR RALPH DOUGLAS RUSSELL + MS ANN MAREE HYNES <THE RUSSELL HYNES S/F A/C> | 7,597,437 | 5.02 |
| 6. | MRS NANCY PENROSE TRUMBULL | 5,077,572 | 3.35 |
| 7. | MR MICHAEL WARD TRUMBULL | 4,608,750 | 3.04 |
| 8. | ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C> | 4,468,750 | 2.95 |
| 9. | PPT NOMINEES PTY LTD | 4,235,417 | 2.80 |
| 10. | CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C> | 3,963,750 | 2.62 |
| 11. | MRS GOLDIE ALLAN | 2,064,999 | 1.36 |
| 12. | HONEST REMARK PTY LTD | 2,000,180 | 1.32 |
| 13. | MR JOHN EDWARD CHRISTOE + MR MICHAEL WARD TRUMBULL <EST P L CHRISTOE A/C> | 1,984,539 | 1.31 |
| 14. | ADARE MANOR PTY LTD | 1,976,084 | 1.31 |
| 15. | MR NICHOLAS CHARLES RICHARDS | 1,941,702 | 1.28 |
| 16. | ANZ NOMINEES LIMITED <CASH INCOME A/C> | 1,830,095 | 1.21 |
| 17. | MR GREGORY KELVYN STRANGE + MRS LYNETTE ELVIRA STRANGE <SUPER FUND A/C> | 1,775,017 | 1.17 |
| 18. | SPRUZEN CORPORATION PTY LTD | 1,736,667 | 1.15 |
| 19. | ZAMOGRANGE PTY LTD | 1,666,667 | 1.10 |
| 20. | MR GEOFFREY MICHAEL WALCOTT | 1,500,000 | 0.99 |
| | **Totals: Top 20 holders of ORDINARY FULLY PAID SHARES** | **96,106,996** | **63.50** |

### Unquoted options over unissued Shares

| Exercise price | Grant Date | Vesting Date | Expiry Date | Number |
|---|---|---|---|---|
| $0.10 | 4 September 2008 | 4 September 2010 | 4 September 2013 | 550,000 |
| $0.10 | 2 December 2008 | 2 December 2010 | 2 December 2013 | 4,000,000 |
| $0.10 | 9 July 2009 | 9 July 2011 | 9 July 2014 | 550,000 |

**Company Secretary**

Alfonso M. G. Grillo

**Registered Office**

174B High Street

Heathcote Victoria 3523

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**Principal administration office**

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**Share Registry**

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