Annual Financial Report

For the year ended 30 June 2017

Nagambie Resources Limited

and Controlled Entities

Corporate Directory

NAGAMBIE RESOURCES LIMITED ABN 42 111 587 163
CLONBINANE GOLDFIELD PTY LTD ACN 160 928 932
NAGAMBIE DEVELOPMENTS PTY LTD ABN 37 130 706 311
NAGAMBIE LANDFILL PTY LTD ABN 90 100 048 075

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS
533 Zanelli Road
Nagambie Vic 3608
Telephone: (03) 5794 1750
Facsimile: (03) 5794 1790
Website: www.nagambieresources.com.au
Email: info@nagambieresources.com.au

POSTAL ADDRESS
PO Box 339
Nagambie Vic 3608

DIRECTORS
Michael W Trumbull (Executive Chairman)
Geoff R Turner (Non-Executive Director – Exploration)

Kevin J Perrin (Non-Executive Director – Finance)

CHIEF EXECUTIVE OFFICER
James C Earle

COMPANY SECRETARY
Alfonso M G Grillo

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

PRINCIPAL LEGAL ADVISER
GrilloHiggins Lawyers
Level 4,114 William Street
Melbourne Vic 3000
Telephone: (03) 8621 8881
www.grillohiggins.com.au

SHARE REGISTRY
Automic Pty Ltd
Level 3, 50 Holt Street
Surry Hills NSW 2010
Telephone: 1300 288 664
www.automic.com.au

SECURITIES EXCHANGE LISTING
Nagambie Resources Limited shares are listed on the Australian Securities Exchange
ASX code: NAG

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Directors' Report

The directors of Nagambie Resources Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2017.

Directors

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

Name	Particulars
MICHAEL W TRUMBULL *Non-Executive Director* Appointed 28 July 2005 *Non-Executive Chairman* Appointed 20 December 2007 *Executive Chairman* Appointed 13 September 2013 *Age 67*	Michael 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 40 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and BCD Resources. From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1985 to 1987, he was Project Manager and then Resident Manager of the Westonia open pit gold mine and treatment plant in Western Australia. From 1987 to 1991, he was General Manager – Investments for the ACM Group. From 1993 to 2011, he was a Director of the BCD Resources Group and was involved in the exploration, subsequent mine development and operation of the Beaconsfield underground gold mine in Tasmania. From 1993 to 2003, he was the sole Executive Director of BCD and, from 2003 to 2004, was the Managing Director. *Other current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None
GEOFF R TURNER *Non-Executive Director Exploration* Appointed 20 December 2007 *Age 69*	Geoff Turner is a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology). He is a Registered Professional Geoscientist and Fellow of the Australian Institute of Geoscientists (AIG). He has 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. Geoff is a member of the Audit and Compliance Committee. *Other Current Directorships of Listed Companies* None. *Former Directorships of Listed Companies in last three years* None

KEVIN J PERRIN *Non-Executive Director Finance* Appointed 17 September 2010 *Deputy Chairman* Appointed 20 December 2010 *Age 68*	Kevin Perrin is a Certified Practising Accountant (CPA). Since 1 July 2012, he has been a consultant to PPT Accounting after having been a partner in that business for 37 years. PPT Accounting is a firm of CPA's located in Ballarat which conducts an accounting, taxation, audit and financial advisory practice. He is also a consultant to PPT Financial Pty Ltd, having been a director and shareholder of that company for 22 years. PPT Financial Pty Ltd is an independent investment advisory firm holding an Australian Financial Services Licence. Prior to that time, he held a personal Securities Dealers Licence and was a member of the Stock Exchange of Ballarat Limited. Kevin is Chairman of the Audit and Compliance Committee *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None

Chief Executive Officer

***JAMES C EARLE** BE (Geological) MEM MBA*

James Earle was appointed as Chief Executive Officer on 4 July 2016. He is a Geological Engineer with over 15 years broad experience with environmental impact assessments and approvals, waste management, environmental management plans, soil and water assessments and strategic advice. The majority of his experience has been in public infrastructure development and site-based environmental management.

He has held positions with consulting organisations and government departments in Australia and the UK. The most recent positions held by James were Manager of the Victorian practice of Ramboll Environ and prior to that he was a Senior Consultant, Service Group Manager and Principal Consultant at GHD. Both of these groups are global engineering and environmental consultancies. James has also lectured at the Australian National University.

Company Secretary

***ALFONSO M G GRILLO** BA LLB*

Alfonso Grillo is a Partner at GrilloHiggins Lawyers. He holds a Bachelor of Arts and Bachelor of Law degree. 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.

Operating and Financial Review

Principal Activities

The principal activities of the group during the financial period were the investigation and development of waste handling assets and the exploration for, and development of, gold, associated minerals, and construction materials in Australia.

Operating Results

The consolidated loss for the group for the year amounted to $1,621,972 after tax. This compared to a loss after tax for the year ended 30 June 2016 of $619,449. This significant increase of $1,002,523 in the loss primarily relates to several unusual items. Firstly there was a much higher value placed on options issued to key management personnel and staff of $382,570 which were valued when the company share price was much higher. Secondly there was large expenditure incurred on rehabilitation and cost of sales of $629,975 and thirdly there were higher corporate and administration costs of $425,769. A large part of these latter two items has arisen as the company prepares itself for management of potential PASS contracts and development of additional income streams.

Review of Operations

Progress was achieved on various fronts during the 2017 financial year.

PASS Management Project
PASS stands for **P**otential **A**cid **S**ulphate **S**oil (or silt or rock). PASS only becomes a problem when it is excavated from below the water table and exposed to the air (that is, removed from its anaerobic state). Underwater storage is the best environmental solution for PASS as it prevents the oxidation of the sulphides in the material. The water in the Nagambie Mine open pits is naturally saline and alkaline, making it ideal tor PASS management.

Nagambie Resources' tender during the year for PASS management in the "Pre-Works" part of the Melbourne Metro Rail Project was unsuccessful. However, the Company remains very confident of being awarded large tonnages of PASS management in future tenders for major infrastructure projects, as compared to the relatively low tonnage in the "Pre-Works" part of the MMRP.

The major infrastructure projects that will be of particular interest to Nagambie Resources for PASS Management will be the main MMRP starting in early CY2018, the North East Link Project starting in early CY2019 and the East West Link Project (which is recommended by both Infrastructure Australia and Infrastructure Victoria).

The Lend Lease consortium was announced as the preferred bidder for the main MMRP in July 2017. The Environmental Effects Statement for the MMRP indicates that total PASS to be managed will be around 1.4 million tonnes.

Gold Exploration
Six new East-West structures were interpreted from a 550 sq km Aeromagnetic survey carried out during the year in the Nagambie region. The results enabled the company to establish that known gold mineralisation and anomalies in the region are coincident with the intersection of the deep, gravity-interpreted faults and the shallower, aeromagnetic-interpreted structures. Preliminary soil sampling has subsequently verified this new structural intersection model for Nagambie gold mineralisation.

Exploration Licence EL 6352, Miepoll, of 456 sq km was granted during the year, but after the 550 sq km Aeromagnetic survey was carried out. Within EL 6352, which is to the north east of Wandean and the Nagambie Mine, previous explorers established gold prospects some 30 years ago at Tubbs Road and Shire Dam Road. Recent structural geology mapping by Nagambie Resources has located a number of East-West anticlinal structures in the vicinity of the Tubbs Road and Shire Dam Road occurrences and it is planned to carry out detailed proprietary soil sampling in the area.

A 450 sq km Aeromagnetic survey over EL 6352 is planned to test for additional East-West structures and complete the surveying of all the company's tenements, totalling over 1,000 sq km, in the the Nagambie region..

As a result of the bonanza sulphide gold grades continuing to be intersected at the Fosterville underground gold mine to the west of Nagambie in the same geological setting, Nagambie Resources is expanding its exploration strategy to include locating sulphide gold deposits beneath known oxide mineralisation. The company has established that surface IP (Induced Polarisation) can locate gold anomalies at Wandean. Detailed IP programs, looking up to 500 metres in depth below the known surface oxide gold mineralisation, are planned at both the Nagambie Mine and Wandean.

Dry Screening of Heap Leach Material to Produce Aggregates for Concrete Manufacture
Following consultation with relevant industry participants, Nagambie Resources is planning to dry screen tailings on the historic heap leach pad at the Nagambie Mine to separate the aggregates from the fine material. Three sizes of aggregates (7mm, 10mm and 14mm) will be produced for sale to concrete manufacturers in regional Victoria and Melbourne. The market for concrete aggregates of consistent quality and reliable long term supply is strong because of the accelerated infrastructure work being carried out in the CBD and outer reaches of Melbourne.

The fine material from the screening process will be stockpiled and regularly sampled and assayed for gold content. Nagambie Resources considers that the fines may well have been over-represented in impermeable zones that formed on the pad during the 1990s heap leaching, and thus be higher in gold content. The fines would only need to be re-agglomerated before being heap leached again.

Financial
The company carried out significant capital expenditure during the 2017 financial year. The first 2.5 million tonnes of PASS management capacity in the West Pit was developed, a state-of-the-art weighbridge was constructed and commissioned, and its gold model for the Nagambie region was significantly advanced.

Nagambie Resources took over all quarrying activities at the Nagambie Mine in the second half of the year after the three-year agreement with a contractor expired on 24 December 2016. The installation of the weighbridge at the site has assisted in increasing the sales of quarry products.

Total revenue increased by $216,778 to $669,836 for the 2017 financial year. With the company taking over all quarrying operations at the end of the first half of the year, total revenue for the second half of the year was $476,471 or 71% of total revenue for the full year.

At the end of the year, the board moved to reduce all non-essential, discretionary cash expenditure wherever appropriate. As part of those cash conservation measures, the directors will not be paid their director fees from 1 July 2017 until cashflow from operations reaches appropriate levels.

Likely Developments

During the 2018 financial year, Nagambie Resources is planning to:

1. Tender for the management of PASS material from the Melbourne Metro Rail Project in Melbourne, the PASS to be placed underwater to backfill the West Pit at the Nagambie Mine;
2. Carry out detailed soil sampling of the Tubbs Road and Shire Dam Road Prospects within the Miepoll exploration licence, EL 6352, to the north east of Wandean and the Nagambie Mine;
3. Carry out a 450 sq km Aeromag survey over EL 6352 to test for additional East-West structures that could host additional gold deposits;
4. Carry out detailed surface IP surveys at Wandean and the Nagambie Mine to test for potential high grade sulphide gold beneath the known oxide gold deposits;
5. Start producing aggregates for concrete manufacture by dry screening the heap leach material on the 1990s heap leach pad at the Nagambie Mine;
6. Continue selling the heap leach material "as is" as high-compaction gravel for forming roads and for use under concrete slabs; and
7. Apply for an Extractive Industries Licence to quarry and treat the sand and quartz aggregate deposits at the western end of the West Pit at the Nagambie Mine.

Financial Position

Despite incurring a large loss, the net assets of the consolidated group have increased by $1,604,281 over the year. They have risen from $6,426,932 at 30 June 2016 to be $8,031,213 at 30 June 2017.

This has primarily arisen as a result of an increase in issued capital of $2,732,763. Shareholders have supported a share purchase plan and two share placements during the year. Additional funds were raised from the issue of shares upon exercise of employee options and the conversion of convertible notes.

Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year other than already disclosed.

Subsequent events

The following event occurred after reporting date and is of significance to the company:

On 18 July 2017 the company announced to the ASX that it had arranged a loan facility of $1,000,000 with PPT Nominees Pty Ltd. The facility provides for a maximum drawdown of $1,000,000 over a term of 2 years. The interest rate is 10% on the amount drawn at any time and is payable quarterly in arrears. The loan is unsecured. The purpose of this facility is to allow the company time to negotiate future tenders for large volumes of PASS management associated with major Melbourne infrastructure projects and to enable the progressive development of its other planned revenue streams.

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 ongoing breaches of mining and environmental regulations and legislation during the year and up to the date of this report.

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2016: Nil).

Share options

Share options granted to directors and executives

The following options were granted to directors and executives during the year: Refer to page 10 of the remuneration report for full details.

Michael Trumbull (director)	4,000,000
Geoff Turner (director)	2,000,000
Kevin Perrin (director)	2,000,000
James Earle (chief executive officer)	3,000,000
Alfonso Grillo (secretary)	1,000,000

Shares under option or issued on exercise of options

There were 800,000 options exercised during the year at a price of $0.10 per share.

Options held as at reporting date

Number of options	Grant date	Vesting date	Expiry date	Exercise price
4,750,000	31/10/2012	31/10/2012	31/10/2017	10 cents
9,500,000	3/12/2013	3/12/2013	3/12/2018	10 cents
10,500,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,500,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25.0 cents
50,750,000				

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, executive officers and any related body corporate against a liability incurred by 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 7 board meetings and 4 audit and compliance committee meetings were held.

	Board of directors		Audit and compliance committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Michael Trumbull	7	7	-	-
Geoff Turner	7	7	4	4
Kevin Perrin	7	7	4	4

Directors' shareholdings and options

The following table sets out each director's relevant interest in shares, debentures, and rights or options on shares 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 Trumbull	20,269,610	17,000,000
Geoff Turner	4,257,325	9,000,000
Kevin Perrin	27,241,549	9,000,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel
The directors and key management personnel of Nagambie Resources Limited during the financial year were:

Michael Trumbull	Executive Director
Geoff Turner	Non-Executive Director
Kevin Perrin	Non-Executive Director
James Earle	Chief Executive Officer

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 also recommends levels and form of remuneration for non-executive directors with reference to performance and when sought 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 2017, the board resolved that the executive chairman's remuneration be set at $164,250 (2016: $164,250) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at $42,000 (2016: $42,000) per annum excluding superannuation and share based payments. Where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director then additional amounts will be payable.

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.

Options are issued to employees under the company's Employee Option Plan at the discretion of the board. Options issued to directors require the approval of shareholders at a general meeting. The purpose of the issue of options is to remunerate employees and directors as an incentive for future services. The directors consider it important that the company is able to attract and retain people of the highest calibre and believe that the most appropriate means of achieving this is to provide an opportunity to participate in the company's future growth and give them an incentive to contribute to that growth.

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 2017.

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Revenue	$669,836	$453,058	$192,102	$120,930	$162,417
Net loss before tax	$1,621,972	$619,449	$634,351	$742,772	$1,355,181
Net loss after tax	$1,621,972	$619,449	$634,351	$742,772	$1,355,181
Share price at start of year (cents)	16.5	3.4	3.2	2.0	1.5
Share price at end of year (cents)	4.7	16.5	3.4	3.2	2.0
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.43)	(0.21)	(0.28)	(0.68)	(0.28)
Diluted earnings per share (cents)	(0.43)	(0.21)	(0.28)	(0.68)	(0.28)

Director and executive remuneration

The directors, executives and consultants detailed below received the following amounts as compensation for their services during the year:

		Short Term Benefits	Post Employment Benefits	Share Based Payment	Performance Related Benefits	Other LongTerm Benefits	Total
		Salary and fees	Superannuation	Options non cash			
		$	$	$	$	$	$
Directors							
Michael Trumbull (1)	**2017**	**164,250**	**-**	**137,474**	**-**	**-**	**301,724**
	2016	164,250	-	40,000	-	-	204,250
Geoff Turner (2)	**2017**	**73,395**	**3,990**	**68,737**	**-**	**-**	**146,122**
	2016	113,200	3,990	20,000	-	-	137,190
Kevin Perrin (3)	**2017**	**45,990**	**-**	**68,737**	**-**	**-**	**114,727**
	2016	45,990	-	20,000	-	-	65,990
Chief Executive Officer							
James Earle (4)	**2017**	**184,375**	**12,766**	**102,332**	**-**	**-**	**299,473**
	2016	-	-	-	-	-	-
Total for Year	**2017**	**468,010**	**16,756**	**377,280**	**-**	**-**	**862,046**
Total for Year	2016	323,440	3,990	80,000	-	-	407,430

Apart from the contracts disclosed at (1) and (4) below there were no other contracts with management or directors in place during the 2017 and the 2016 financial years.

(1) Michael Trumbull is employed as Executive Chairman under a consultancy agreement which commenced on 1 July 2013 and is ongoing. The fixed remuneration level was set at $164,250 (2016: $164,250) per annum plus provision of a motor vehicle and reimbursement of out of pocket expenses. The contract may be terminated upon giving 6 months notice by the company or 3 months by the Consultant. Apart from accrued entitlements there are no other termination benefits.

During the 2017 financial year fees of $164,250 (2016: $164,250) were paid to Cypron Pty Ltd, an entity controlled by Michael Trumbull, for his services as a director of the company.

(2) During the 2017 financial year Geoff Turner was paid director's fees of $42,000 (2016: $42,000) plus $3,990 (2016: $3,990) in superannuation for his services as a director of the company. The company also paid fees of $31,395 (2016: $71,200) to Exploration Management Services Pty Ltd (EMS), an entity controlled by Geoff Turner, for professional geological consultancy services provided by Geoff Turner and other EMS personnel.

At 30 June 2017 there was an amount of $9,240 (2016: $6,908) owing to EMS.

(3) During the 2017 financial year fees of $45,990 (2016: $45,990) were paid to Vinda Pty Ltd, an entity controlled by Kevin Perrin, for his services as a director of the company.

(4) James Earle is employed as the Chief Executive Officer under an employment agreement which commenced on 8 August 2016 and is ongoing. The fixed remuneration is $150,000 per annum plus superannuation. He is also entitled to a cash incentive bonus subject to performance hurdles. The agreement may be terminated by either party upon giving 3 months notice. Apart from accrued entitlements there are no other termination benefits.

Shareholdings of key management personnel

	Balance 1 July 2016	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2017
Michael Trumbull	20,019,610	-	-	250,000	20,269,610
Geoff Turner	4,007,325	-	-	250,000	4,257,325
Kevin Perrin	26,491,549	-	-	750,000	27,241,549
James Earle	-	-	-	-	-
Total	**50,518,484**	**-**	**-**	**1,250,000**	**51,768,484**

(1) Net change refers to on and off market acquisitions/disposals.

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 Resources Limited on exercise by the payment of the exercise price. 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, or as otherwise determined by the board of directors. There are 50,750,000 share options on issue under this plan, of which 38,000,000 are executive share options.

Options held at the end of the financial year

Number of options	Grant date	Vesting date	Expiry date	Exercise price
4,750,000	31/10/2012	31/10/2012	31/10/2017	10 cents
9,500,000	3/12/2013	3/12/2013	3/12/2018	10 cents
10,500,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,500,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents
50,750,000				

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and executives relate to the 2017 financial year:

Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for year consisting of options
Michael Trumbull	issued 30/11/2016	4,000,000	4,000,000	100%	0%	45.6%
Geoff Turner	issued 30/11/2016	2,000,000	2,000,000	100%	0%	47.0%
Kevin Perrin	issued 30/11/2016	2,000,000	2,000,000	100%	0%	59.9%
James Earle	issued 4/7/2016	2,000,000	2,000,000	100%	0%	22.6%
James Earle	issued 30/11/2016	1,000,000	1,000,000	100%	0%	11.5%

The following table summarises the value of options granted, exercised or lapsed during the 2017 financial year to directors and executives:

Name	Value of options granted at the grant date	Value of options exercised at the exercise date (iii)	Value of options lapsed at the date of lapse
	$	$	$
Michael Trumbull	137,474 (i)	Nil	Nil
Geoff Turner	68,737 (i)	Nil	Nil
Kevin Perrin	68,737 (i)	Nil	Nil
James Earle	67,964 (ii)	Nil	Nil
James Earle	34,368 (i)	Nil	Nil

(i) The value of options granted during the period is recognised in compensation at the grant date which is also the vesting date. The assessed value was 3.44 cents per option.

(ii) The value of options granted during the period is recognised in compensation at the grant date which is also the vesting date. The assessed value was 3.40 cents per option.

(iii) No options were exercised during the reporting period. No directors or executives options lapsed during the reporting period.

Option holdings of key management personnel

	Balance 1 July 2016	Granted as remuneration	Options exercised	Balance 30 June 2017	Vested and exercisable at 30 June 2017
Michael Trumbull	13,000,000	4,000,000	-	17,000,000	17,000,000
Geoff Turner	7,000,000	2,000,000	-	9,000,000	9,000,000
Kevin Perrin	7,000,000	2,000,000	-	9,000,000	9,000,000
James Earle	-	3,000,000	-	3,000,000	3,000,000
Total	**27,000,000**	**11,000,000**	**-**	**38,000,000**	**38,000,000**

Non-audit services

As detailed in note 25 to the financial statements no amount has been paid to the auditor during the financial year for non-audit services.

Auditor's independence declaration

The auditor's independence declaration is attached to this directors' report.

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.

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
Executive Chairman

Melbourne
27 September 2017

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

N. S. Benbow
Director

Dated this 27th day of September, 2017

CHARTERED ACCOUNTANTS & ADVISORS

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Statement of Profit and Loss and Other Comprehensive Income
for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue	4	**669,836**	453,058
Corporate expenses		**(767,894)**	(342,125)
Depreciation and amortisation		**(42,814)**	(11,415)
Employee benefits expense	4	**(588,970)**	(144,262)
Finance costs	4	**(208,034)**	(215,412)
Impairment of exploration assets	9	**(54,121)**	(461,678)
Rehabilitation and cost of sales		**(629,975)**	-
Loss before income tax		**(1,621,972)**	(721,834)
Income tax benefit	5	**-**	102,385
Loss for the year		**(1,621,972)**	(619,449)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(1,621,972)**	(619,449)
Loss per share			
Basic and diluted loss per share in cents	6	**(0.43)**	(0.18)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2017

		Consolidated	
	Note	**2017** **$**	2016 $
Current assets			
Cash and cash equivalents	14(b)	**124,184**	318,594
Trade and other receivables	7	**70,212**	27,984
Total current assets		**194,396**	346,578
Non-current assets			
Security deposits	8	**635,520**	612,449
Property, plant and equipment	10	**535,300**	71,939
Exploration and evaluation assets	9	**8,629,565**	7,627,371
Total non-current assets		**9,800,385**	8,311,759
Total assets		**9,994,781**	8,658,337
Current liabilities			
Trade and other payables	11	**226,429**	166,136
Borrowings	15	**42,013**	1,101,683
Provisions	16	**26,281**	23,388
Total current liabilities		**294,723**	1,291,207
Non-current liabilities			
Borrowings	15	**1,660,536**	934,000
Provisions	16	**8,309**	6,198
Total non-current liabilities		**1,668,845**	940,198
Total liabilities		**1,963,568**	2,231,405
Net assets		**8,031,213**	6,426,932
Equity			
Issued capital	12	**21,751,540**	19,018,777
Reserves	13	**846,495**	353,005
Accumulated losses		**(14,566,822)**	(12,944,850)
Total equity		**8,031,213**	6,426,932

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the financial year ended 30 June 2017

	Consolidated			
	Issued capital $	Options reserve $	Accumulated losses $	Total $
Balance at 30 June 2015	**17,714,489**	**355,924**	**(12,404,560)**	**5,665,853**
Shares issued during the year	1,267,317	-	-	1,267,317
Share issue costs	(1,789)	-	-	(1,789)
Recognition of share based payments	-	115,000	-	115,000
Transfer on lapse of options	-	(79,159)	79,159	-
Transfer on exercise of options	38,760	(38,760)	-	-
Total comprehensive income	-	-	(619,449)	(619,449)
Balance at 30 June 2016	**19,018,777**	**353,005**	**(12,944,850)**	**6,426,932**
Shares issued during the year	2,743,683	-	-	2,743,683
Share issue costs	(15,000)	-	-	(15,000)
Recognition of share based payments	-	497,570	-	497,570
Transfer on exercise of options	4,080	(4,080)	-	-
Total comprehensive income	-	-	(1,621,972)	(1,621,972)
Balance at 30 June 2017	**21,751,540**	**846,495**	**(14,566,822)**	**8,031,213**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the financial year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Receipts from customers		**653,911**	433,075
Payments to suppliers and employees		**(1,457,447)**	(306,642)
Interest received		**15,925**	19,983
Interest paid		**(210,907)**	(213,736)
R&D tax incentive		**-**	102,385
Net cash inflows from (used in) operating activities	14(a)	**(998,518)**	35,065
Cash flows from investing activities			
Purchase of property, plant and equipment		**(375,773)**	(13,103)
Payments for exploration expenditure		**(1,056,315)**	(1,270,872)
Payments for security bonds		**-**	(14,234)
Proceeds from security bonds		**26,929**	-
Net cash used in investing activities		**(1,405,159)**	(1,298,209)
Cash flows from financing activities			
Proceeds from issue of shares		**1,627,000**	967,211
Proceeds from issue of convertible notes		**600,000**	420,000
Repayment of borrowings		**(17,733)**	-
Net cash provided by financing activities		**2,209,267**	1,387,211
Net increase (decrease) in cash and cash equivalents		**(194,410)**	124,067
Cash and cash equivalents at the beginning of the financial period		**318,594**	194,527
Cash and cash equivalents at the end of the financial period	14(b)	**124,184**	318,594

Notes to the Financial Statements for the financial year ended 30 June 2017

1. General information

Nagambie Resources Limited (the Company) is a listed for-profit public company, incorporated in Australia and operating in Victoria. The registered office and principal place of business for the Company are located at 533 Zanelli Road, Nagambie Vic 3608. These financial statements were authorised for issue on the date of the signing of the attached Directors' Declaration.

2. Significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*, Australian Accounting Standards and Interpretations. The financial statements include the consolidated financial statements of the Group.

Compliance with Australian Accounting Standards (AASBs) ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

Basis of preparation

The financial statements have been prepared on an accruals basis using historical cost and the going concern basis of accounting. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the functional and presentation currency of the Company and its controlled entities. Comparative information where necessary has been reclassified in order to achieve consistency in presentation with amounts disclosed in the current year.

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

(a) Going concern

For the year ended 30 June 2017 the consolidated net loss was $1,621,972 (2016: $619,449). The net cash outflows used in operations for the year were $998,518 (2016: net cash inflows $35,065) and the Group had a net working capital deficiency of $100,327 (2016: $944,629) at year end.

On 18 July 2017 the company announced to the ASX that it had arranged a loan facility of $1,000,000 with PPT Nominees Pty Ltd. The facility provides for a maximum drawdown of $1,000,000 over a term of 2 years. The interest rate is 10% on the amount drawn at any time and is payable quarterly in arrears. The loan is unsecured. The purpose of this facility is to allow the company time to negotiate future tenders for large volumes of PASS management associated with major Melbourne infrastructure projects and to enable the progressive development of its other planned revenue streams.

The Group has received written representations from the directors that they will not call on the payment of directors fees until cash flow from operations reaches appropriate levels.

The Group has cancellable planned exploration expenditure under its leased tenements extending to 30 June 2018 of $867,750 (2016: $696,350).

The directors have assessed the current cash balances available to the entity, along with the operating and capital expenditure plans and expected obligations over the next 12 months. They are mindful of their obligations to ensure that there is adequate working capital available for operations and in this regard the following initiatives are being planned to improve group income.

1. Tender for the management of PASS material from the Melbourne Metro Rail Project in Melbourne, the PASS to be placed underwater to backfill the West Pit at the Nagambie Mine;
2. Carry out detailed soil sampling of the Tubbs Road and Shire Dam Road Prospects within the Miepoll exploration licence, EL 6352, to the north east of Wandean and the Nagambie mine;
3. Carry out a 450 sq km Aeromag survey over EL 6352 to test for additional East-West structures that could host additional gold deposits;
4. Carry out detailed surface IP surveys at Wandean and the Nagambie Mine to test for potential high grade sulphide gold beneath the known oxide gold deposits;
5. Start producing aggregates for concrete manufacture by dry screening the heap leach material on the 1990s heap leach pad at the Nagambie Mine;
6. Continue selling the heap leach material "as is" as high-compaction gravel for forming roads and for use under concrete slabs; and
7. Apply for an Extractive Industries Licence to quarry and treat the sand and quartz aggregate deposits at the western end of the West Pit at the Nagambie Mine.

2. Significant accounting policies (continued)

If necessary, the Group has additional capacity to meet its financial commitments through the following:

- Issue of additional shares and/or convertible notes:
- Reclaiming cash backed environmental bonds for mineral tenements with the Department of Environmental Development Jobs Transport and Resources Victoria and therefore foregoing any capital commitments on those tenements surrendered: and
- Scaling back its administrative and corporate costs, including a reduction in fees payable to directors.

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (referred to as 'the Group' in these financial statements). The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income 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.

(c) 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.

(d) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(e) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

2. Significant accounting policies (continued)

Classification and subsequent measurement

Financial assets are classified on initial recognition as those to be subsequently measured at fair value or amortised cost using the effective interest method dependent on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Loans and receivables

Loans and receivables are subsequently recognised at amortised costs less an allowance for any uncollectible amounts. Loans and receivables are included in current assets, except for those which are not expected to be received within 12 months after the end of the reporting period.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets will be deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors, or a group of debtors, are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter into bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having undertaken all possible measures of recovery, if the management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(f) 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 end of the reporting period 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 capitalised development costs.

2. Significant accounting policies (continued)

(g) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

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.

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.

(h) 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 at the end of the reporting period. 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 liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. 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.

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 at the end of the reporting period. 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 end of the reporting period, 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 Group intends to settle its current tax assets and liabilities on a net basis.

2. Significant accounting policies (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, 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.

(i) Research & development tax incentive

The Research & development (R&D) tax incentive refund relates to eligible R&D activities undertaken by the group. The tax credit is recognised when it is probable that the economic benefit will flow to the company and the amount can be reliably measured. This credit is recognised in current tax (refer note 2(h) above).

(j) 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.

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.

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment except for freehold land.

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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes recognised on a prospective basis.

The range of useful lives for each class of plant equipment for the year were:

Plant and equipment:	4-10 years
Computer equipment:	3-5 years
Motor vehicles:	3-5 years

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.

(l) 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 the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(m) 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. The revenue is recognised when the rock is removed from the company premises. There are no cartage expenses as the customer utilises their own assets to source and remove the rock.

Interest revenue

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.

2. Significant accounting policies (continued)

Rental revenue

Property rental income is recognised on a straight-line basis over the period of the lease term.

(n) 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 a Binomial option pricing 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.

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.

(o) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financial activities which are recoverable from a payable to the taxation authority are presented as operating cash flows.

(p) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(q) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(r) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(s) Finance costs

Finance costs are expensed in the period in which they are incurred, including interest on bank accounts and interest on short-term and long-term borrowings.

2. Significant accounting policies (continued)

(t) Critical accounting estimates and judgements

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity may commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and directly allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest or activities that are not at a stage that permits a reasonable estimate of the existence of economically recoverable reserves. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Management have assessed the balance of capitalised exploration costs in line with future planned exploration activities and the entity's accounting policy and have determined that impairment was necessary. If a tenement has been relinquished or reduced then an impairment charge is taken. This charge is generally based on the pro-rata area reduced, however there can be other reasons for not using such an approach. When a tenement is not relinquished or reduced but is thought to be of reduced carrying value then an impairment based on management's estimate of fair value has been applied. Any charge for impairment is recognised in profit or loss immediately and also shown at Note 9.

Rehabilitation of tenements

The company has considered whether a provision for rehabilitation of any tenement is required. The directors do not consider that such a provision is necessary due to the fact that rehabilitation is being undertaken on a progressive basis. Whilst the company is in exploration phase it is also impossible to reliably estimate how much, if any, should be provided.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial valuation method of taking into account the terms and conditions upon which the instruments were granted. The company employs an external consultant to complete the valuation and this takes into account the expected volatility of the share price as one of the key components of the valuation. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value of convertible notes

Under the consolidated entity's accounting policy for convertible notes with cash redemption features, at initial recognition an amount equal to the fair value of the convertible notes issued is recognised as a financial liability ("debt"), and the residual value, being the proceeds of consideration less the debt component recognised at fair value, is recognised in equity.

On initial recognition, the directors have assessed the terms of the convertible notes and determined that in their view the fair value of the debt component is equal to the proceeds such that there is no residual amount to be allocated to an equity component. In making this determination, the directors are of the view that the value of the consideration received, net of costs, provided reliable evidence of the fair value of the debt component of the convertible note.

(u) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

3. New Accounting Standards for Application in Current and Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. In the directors view none of these standards and interpretations will have a material effect on these financial statements.

4. Revenue and expenses

	Consolidated	
	2017 $	2016 $
The loss before income tax includes the following items of revenue and expenses.		
(a) Revenue		
Operating revenue		
Rental income	**181,968**	151,275
Sale of non-gold materials	**425,619**	256,067
Other revenue		
Interest	**15,925**	19,983
Sundry income	**46,324**	25,733
Total revenue	**669,836**	453,058
(b) Expenses		
Employee benefits expense		
Employee benefits	**47,756**	11,065
Share based payments expense	**497,570**	115,000
Superannuation expense	**43,644**	18,197
	588,970	144,262
Finance costs		
Interest	**208,034**	215,412

5. Income tax

		2017 $	2016 $
(a)	**Income tax expense**		
	Loss from operations	**(1,621,972)**	(619,449)
	Prima facie tax benefit calculated at 30% (2016: 30%)	**486,592**	185,835
	Add tax effect of:		
	- Non deductible expenses	**(931)**	(3,356)
	- Share based payments	**(149,271)**	(34,500)
	Less tax effect of:		
	Current year tax loss not recognised	**(336,389)**	(147,979)
	R&D tax incentive	**-**	102,385
	Income tax benefit	**-**	102,385
(b)	**Deferred tax asset**		
	A deferred tax asset attributable to tax losses and timing differences has not been brought to account due to the uncertainty of their recoverability in future periods.	**4,341,371**	3,992,804

6. Earnings per share

	Consolidated	
	2017 **$**	2016 $
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net loss	**1,621,972**	619,449
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**373,436,970**	340,205,393
Basic and diluted loss per share in cents	**0.43**	0.18

As discussed in Note 20, the company has issued options over its unissued share capital. All these options are anti-dilutive in nature due to the company incurring losses and the share price being less than the exercise price. They therefore have not been incorporated into the diluted earnings per share calculation.

7. Receivables

Trade receivables	**45,779**	13,067
Other receivables	**24,433**	14,917
Total receivables	**70,212**	27,984

8. Security deposits

Non-current assets		
Security deposits - environmental bonds (i)	**585,520**	611,234
Deposit on land	**50,000**	-
Security deposits - rental bonds	**-**	1,215
Total other assets	**635,520**	612,449

(i) Security deposits – environmental bonds

The company holds security deposits, in the form of term deposits with its banker. These are guarantees for performance conditions set by the Department of Economic Development, Jobs, Transport and Resources Victoria on mining tenements held by the company. Those guarantees are held to cover any future rehabilitation obligations the company may have on the mining tenements. When all obligations in relation to a mining tenement are finalised the relevant guarantee will be released and associated environmental bond will be redeemed. The deposits are shown as non-current assets since it is not expected that they will be repaid during the coming 12 months. These cash deposits earn interest for the company.

9. Exploration and evaluation assets

	Consolidated	
	2017 **$**	2016 $
Balance at beginning of the year	**7,627,371**	6,818,177
Exploration costs capitalised for the year	**1,056,315**	1,270,872
Impairment charge for the year	**(54,121)**	(461,678)
Balance at end of the year	**8,629,565**	7,627,371

During the financial year the group reassessed the recoverable value of all tenement areas of interest to which exploration costs have been capitalised and an impairment charge was deemed applicable. This matter is discussed further in ‘Critical accounting estimates and judgements’ at Note 2(t).

10. Property, plant and equipment

	Consolidated				
	Land $	Plant and equipment $	Computer equipment $	Motor vehicles $	Total $
Gross carrying amount					
Balance at 1 July 2015	27,028	67,423	127,665	106,211	328,327
Additions	-	-	13,103	-	13,103
Disposals	-	-	-	-	-
Balance at 1 July 2016	27,028	67,423	140,768	106,211	341,430
Additions	**18,035**	**399,208**	**-**	**88,932**	**506,175**
Disposals	**-**	**(1,037)**	**(46,630)**	**-**	**(47,667)**
Balance at 30 June 2017	**45,063**	**465,594**	**94,138**	**195,143**	**799,938**
Accumulated depreciation					
Balance at 1 July 2015	-	(47,093)	(122,287)	(88,696)	(258,076)
Depreciation expense	-	(3,151)	(3,885)	(4,379)	(11,415)
Disposals	-	-	-	-	-
Balance at 1 July 2016	-	(50,244)	(126,172)	(93,075)	(269,491)
Depreciation expense	**-**	**(22,204)**	**(6,530)**	**(14,080)**	**(42,814)**
Disposals	**-**	**1,037**	**46,630**	**-**	**47,667**
Balance at 30 June 2017	**-**	**(71,411)**	**(86,072)**	**(107,155)**	**(264,638)**
Net book value					
As at 30 June 2016	27,028	17,179	14,596	13,136	71,939
As at 30 June 2017	**45,063**	**394,183**	**8,066**	**87,988**	**535,300**

11. Trade and other payables

	Consolidated	
	2017 **$**	2016 $
Trade payables	**202,315**	101,032
Other payables	**24,114**	65,104
	226,429	166,136

12. Issued capital

	2017	2016
(a) Issued and paid capital	**$**	$
Ordinary shares fully paid	**21,751,540**	19,018,777

(b) Movements in shares on issue

	Year ended 30 June 2017		Year ended 30 June 2016	
	Number of shares issued	**Issued capital $**	Number of shares issued	Issued capital $
Balance at beginning of the year	**351,238,110**	**19,018,777**	328,201,015	17,714,489
Movements during the year				
Placement of shares				
July 2016 issue price 15.0 cents	**4,666,666**	**700,000**	-	-
March 2017 issue price 6.0 cents	**2,366,667**	**142,000**	-	-
Share purchase plan				
March 2017 issue price 6.0 cents	**12,000,022**	**720,000**	-	-
September 2015 issue price 3.3	**-**	**-**	8,151,542	269,000
Conversion of convertible notes				
Series 2 issue price 4.0 cents	**11,575,000**	**463,000**	2,175,000	87,000
Series 3 issue price 3.0 cents	**21,289,447**	**638,683**	3,710,553	111,317
Series 4 issue price 5.0 cents	**-**	**-**	2,000,000	100,000
Exercise of options at 10.0 cents	**800,000**	**80,000**	7,000,000	700,000
Options reserve transfers	**-**	**4,080**	-	38,760
Share issue expenses	**-**	**(15,000)**	-	(1,789)
Balance at end of the year	**403,935,912**	**21,751,540**	351,238,110	19,018,777

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up 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 the shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Share options granted under the employee share option plan

As at 30 June 2017 there were 15,750,000 (2016 9,650,000) options over ordinary shares in respect of the employee share option plan. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees. Of these options 15,750,000 were vested by 30 June 2017 (2016: 9,650,000).

Share options granted under the employee share option plan carry no rights to dividends and have no voting rights. Further details of the employee share option plan are contained in note 20 to the financial statements.

Other share options on issue

As at 30 June 2017 there were 35,000,000 options over ordinary shares issued to directors (2016:27,000,000). Of these options 35,000,000 were vested by 30 June 2017 (2016: 27,000,000).

The options carry no rights to dividends and have no voting rights. Further details of these options are shown in note 20 to the financial statements.

(d) Capital management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2016 Financial Statements.

13. Reserves

	Consolidated	
	2017 $	2016 $
Options Reserve		
Balance at beginning of the year	**353,005**	355,924
Recognition of share based payments	**497,570**	115,000
Value of options exercised	**(4,080)**	(20,760)
Value of options lapsed	**-**	(97,159)
Balance at end of the year	**846,495**	353,005

The options reserve represents the fair value of unvested and vested ordinary shares under options granted to directors, consultants and employees.

14. Notes to the statement of cash flows

		2017 $	2016 $
(a)	**Reconciliation of loss after tax to net cash flows from operations**		
	Net loss for the period	**(1,621,972)**	(619,449)
	Depreciation of property, plant and equipment	**42,814**	11,415
	Share option expenses	**497,570**	115,000
	Impairment of exploration and evaluation assets	**54,121**	461,678
	Changes in assets and liabilities		
	(Increase)/Decrease in receivables	**(42,228)**	(961)
	Increase/(Decrease) in creditors	**66,173**	42,579
	Increase/(Decrease) in employee provisions	**5,004**	24,803
	Net cash from (used in) operating activities	**(998,518)**	35,065
(b)	**Reconciliation of cash**		
	Cash and cash equivalents comprise:		
	Cash on hand and at call	**124,184**	318,594
		124,184	318,594
(c)	**Non-cash investing activity**		
	Issue of shares to settle convertible notes	**1,101,683**	298,317
	Motor vehicles acquired under lease finance	**88,932**	-
		1,190,615	298,317

15. Borrowings

	2017 $	2016 $
Current		
Unsecured convertible notes (i)	**-**	1,101,683
Other borrowings	**42,013**	-
	42,013	1,101,683
Non-current		
Unsecured convertible notes (i)	**1,534,000**	934,000
Other borrowings	**126,536**	-
	1,660,536	934,000
Total borrowings	**1,702,549**	2,035,683

(i) The Company has two series of Unsecured Convertible Notes outstanding for a total of $1,534,000.

Series 4: 18,680,000 Notes issued at 5 cents on 15 April 2015 for a total of $934,000
Series 5: 3,333,333 Notes issued at 18 cents on 19 September 2016 for a total of $600,000

Each series of Convertible Note has the following terms:

- Interest is payable at 10% per annum every six months after the issue date;
- Convertible on a 1 for 1 basis into ordinary shares in the company at any time prior to the maturity date at the option of the note holder;
- Redeemable for cash in full after 5 years, if not converted;
- Unsecured but rank ahead of shareholders; and
- Protected for reorganisation events such as bonus issues and share consolidations.

16. Provisions

	Consolidated	
	2017 $	2016 $
Current		
Employee benefits – annual leave	**26,281**	23,388
Non-current		
Employee benefits – long service leave	**8,309**	6,198
Total provisions	**34,590**	29,586

17. Commitments

(a) Planned exploration expenditure

The amounts detailed below are the minimum expenditure required to maintain ownership of the current tenements held. An obligation may be cancelled if a tenement is surrendered.

Not longer than 1 year	**867,750**	696,350
Longer than 1 year and not longer than 5 years	**2,764,912**	2,071,855
Longer than 5 years	**-**	-
	3,632,662	2,768,205

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2017 or 30 June 2016.

(c) Operating lease commitments

Not longer than 1 year	**99,071**	4,867
Longer than 1 year and not longer than 5 years	**231,167**	-
Longer than 5 years	**-**	-
	330,238	4,867

The above relates to a non-cancellable lease on a property used for company business. The lease expires on 17 October 2019. The company is in the process of purchasing this land as detailed at note 17(d).

(d) Property acquisition with deferred settlement

On 15 October 2016 Nagambie Developments Pty Ltd entered into a contract to purchase a farming property for $1,470,000. A deposit of $66,512 has been paid and the balance of $1,403,488 is due at settlement on 15 October 2019. The land as an asset and the balance due at settlement as a liability have not been brought to account since control and the title will not pass until 15 October 2019. The land is the subject of an operating lease as detailed at Note 17(c).

18. Contingent Liabilities

Apart from the matters discussed in Notes 8 and 17, the group has no contingent liability as at 30 June 2017.

19. Financial instruments

The board of directors is responsible for monitoring and managing the financial risk exposures of the Group, to which end it monitors the financial risk management policies and exposures and approves financial transactions and reviews related internal controls within the scope of its authority. The board has determined that the only significant financial risk exposure of the Group is liquidity risk. Other financial risks are not significant to the Group due to the following:

- It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;
- It has no significant outstanding receivable balances that have a credit risk;
- Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;
- All of the interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables have maturity dates within one financial year. Term deposits on environmental bonds and convertible notes have interest rate yields consistent with current market rates;
- All of the financing for the Group is from equity and convertible note instruments, and
- The Group has no externally imposed capital requirements with the exception of an ASX requirement to not issue more than 25% of its share capital through a placement in a 12 month period.

(a) Categories of financial instruments

	Consolidated	
	2017 $	2016 $
Financial assets		
Security deposits and receivables	**655,732**	640,433
Cash and cash equivalents	**124,184**	318,594
Financial liabilities		
Trade and other payables	**226,429**	166,136
Borrowings	**1,702,549**	2,035,683

(b) 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 to meet obligations as and when they fall due.

The following tables detail the company's and the Group's remaining contractual maturity for its 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	**Interest rate**	**Less than 1 month**	**1-3 months**	**3+ months to 1 year**	**1-5 years**	**5+ years**
	%	**$**	**$**	**$**	**$**	**$**
2017						
Trade and other payables	**-**	**132,766**	**93,663**	**-**	**-**	-
Borrowings	**10.0**	**14,351**	**35,030**	**146,033**	**2,087,997**	
		147,117	**128,693**	**146,033**	**2,087,997**	-
2016						
Trade and other payables	-	166,136	-	-	-	-
Borrowings	10.0	-	486,617	825,951	1,454,200	
		166,136	486,617	825,951	1,454,200	-

20. 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 Resources 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. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. The total of options on issue is 50,750,000 (2016: 37,050,000). Of these 15,750,000 (2016: 10,050,000) have been issued to executives and employees and the balance of 35,000,000 (2016: 27,000,000) have been 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 2017		30 June 2016	
	Number of options	**Exercise price**	Number of options	Exercise price
Balance at beginning of period	**37,050,000**		33,550,000	
granted	**14,500,000**	**25 - 25.5 cents**	11,500,000	10 cents
exercised *	**(800,000)**	**10 cents**	(7,000,000)	10 cents
lapsed	**Nil**	**-**	(1,000,000)	10 cents
Balance at end of period	**50,750,000**		37,050,000	

*150,000 options were exercised on 14/7/2016 at 10 cents
*250,000 options were exercised on 11/8/2016 at 10 cents
*400,000 options were exercised on 30/11/2016 at 10 cents

Options held at the end of the reporting period

Number of options	**Grant date**	**Vesting date**	**Expiry date**	**Exercise price**	**Fair value at grant date**
4,750,000	31/10/2012	31/10/2012	31/10/2017	10 cents	0.43 cents
9,500,000	3/12/2013	3/12/2013	3/12/2018	10 cents	0.70 cents
10,500,000	28/11/2014	28/11/2014	28/11/2019	10 cents	1.40 cents
11,500,000	16/11/2015	16/11/2015	16/11/2020	10 cents	1.00 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents	3.40 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents	3.44 cents
50,750,000					

(i) Exercised during the financial year
There were 800,000 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.

The weighted average fair value of the share options granted during the financial year is 3.43 cents (2016: 1.0 cents). Options were priced using a Binomial option valuation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, 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 be exercised early, but not before vesting date.

Inputs into the valuation model					
	Tranche 1	**Tranche 2**		**Tranche 1**	**Tranche 2**
Grant date	4/7/2016	30/11/2016	Option life	5 years	5 years
Options Issued	2,000,000	14,500,000	Dividend yield	Nil	Nil
Share price at grant date	9.2 cents	9.2 cents	Risk free interest rate	2.30%	2.30%
Exercise price	25.5 cents	25.0 cents	Vesting date	4/7/2016	30/11/2016
Expected volatility	70.3%	70.3%			

21. Key management personnel compensation

	Consolidated	
	2017 **$**	2016 $
Short-term employee benefits	**468,010**	323,440
Post-employment benefits	**16,756**	3,990
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payment	**377,280**	80,000
	862,046	407,430

(a) Remuneration options: granted and vested during the period

There were 11,000,000 options issued during the reporting period relating to key management personnel (2016: 8,000,000).

(b) Shares issued on exercise of remuneration options

800,000 shares were issued at 10.0 cents per share on the exercise of remuneration options during the reporting period relating to key management personnel (2016: 6,000,000).

22. Subsidiaries

		Ownership interest	
Name of entity	Country of incorporation	**2017** **%**	2016 %
Parent entity			
Nagambie Resources Limited	Australia	-	-
Subsidiaries			
Nagambie Landfill Pty Ltd no business activity conducted during the year	Australia	100	100
Nagambie Developments Pty Ltd property owning entity	Australia	100	100
Clonbinane Goldfield Pty Ltd development of gold and associated minerals	Australia	100	100

23. Related party transactions

Transactions with key management personnel and related parties

There were no related party transactions undertaken during the year other than disclosures already identified elsewhere in this report.

24. Segment information

The Group operates in one principal geographical area – in Australia. The Group carries out exploration for, and development of gold associated minerals and construction materials in the area. During the year the Group earned $153,293 (2016 $151,275) of its rental income described in note 4 from the Department of Defence. There was no other major reliance on any other customer.

25. Remuneration of auditors

	Consolidated	
	2017 **$**	2016 $
Auditor of the parent entity		
Audit or review of the financial report	**23,400**	21,440
Other non-audit services	**-**	-
	23,400	21,440

The auditor of Nagambie Resources Limited is William Buck Audit (Vic) Pty Ltd

26. Subsequent events

The following events have occurred after reporting date and are of significance to the company:

On 18 July 2017 the company announced to the ASX that it had arranged a loan facility of $1,000,000 with PPT Nominees Pty Ltd. The facility provides for a maximum drawdown of $1,000,000 over a term of 2 years. The interest rate is 10% on the amount drawn at any time and is payable quarterly in arrears. The loan is unsecured. The purpose of this facility is to allow the company time to negotiate future tenders for large volumes of PASS management associated with major Melbourne infrastructure projects and to enable the progressive development of its other planned revenue streams.

27. Parent entity disclosures

The following information are the disclosures pertaining to the parent entity:

	Parent	
	2017	2016
	$	$
Current assets	**197,228**	347,475
Total assets	**10,104,328**	8,767,884
Current liabilities	**303,033**	1,291,207
Total liabilities	**1,963,569**	2,231,406
Issued capital	**21,751,540**	19,018,777
Options reserve	**846,495**	353,005
Accumulated losses	**(14,457,276)**	(12,835,303)
Loss	**(1,616,618)**	(616,109)
Total comprehensive income	**(1,616,618)**	(616,109)

There were no contingent liabilities and commitments of the parent entity not otherwise disclosed in the consolidated financial statements.

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 which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting 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
Executive Chairman

Melbourne
27 September 2017

Nagambie Resources Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nagambie Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of $1,621,972 during the year ended 30 June 2017 and, as of that date, the Group's current liabilities exceeded its current assets by $100,327. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1,

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indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS	
Area of focus **Refer also to notes 2 and 9**	**How our audit addressed it**
The Group have incurred exploration costs for their Gold projects in Victoria over a number of years.There is a risk that accounting criteria associated with the capitalisation of exploration and evaluation expenditure may no longer be appropriate and that capitalised costs exceed the value in use. An impairment review is only required if an impairment trigger is identified. Due to the nature of the gold industry, indicators of impairment applying the value in use model could include: — Significant decrease seen in global gold prices; — Changes to exploration plans; — Loss of rights to tenements; — Changes to reserve estimates; and — Costs of extraction and production.	Our audit procedures included: — A review of the directors' assessment of the criteria for the capitalisation of exploration expenditure and evaluation of whether there are any indicators of impairment to capitalised costs; — Review of the integrity of the discounted cash flow model used by the directors to make an assessment as to whether impairment had occurred; and — Challenging and testing the key assumptions for sensitivity to the model. These key assumptions included: the expected future revenue and costs associated with the extraction and sale of the gold deposits, future gold prices, demand for gold and the discount rate utilised in the financial model. We assessed the adequacy of the Group's disclosures in respect of exploration and evaluation assets.

SHARE BASED PAYMENTS	
Area of focus **Refer also to notes 2 and 20**	**How our audit addressed it**
The Group has an ownership-based remuneration scheme for executives (including executive directors) of the company, including: — The issue of options to purchase parcels of ordinary shares at an exercise price	Our audit procedures included: - Determining the grant dates, and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements;

determined at the discretion of the board of directors — There were two parcels of options granted during the current financial year Each of these arrangements required significant judgments and estimations by management, including the following: — Evaluation of the grant date of each arrangement, and the evaluation of the fair value of the underlying share price of the company as at that grant date; — Evaluation of the vesting charge taken to the profit or loss in-respect of the accrual of conditions attached to those share-based payment arrangements; and — Evaluation of key inputs into the option pricing model, including the significant judgment of the forecast volatility of the share option over its exercise period. The results of these share-based payment arrangements materially affect disclosures in the financial statements and the Remuneration Report.	- Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence; - Evaluating the vesting of the share-based payments; - For the specific application of the option pricing model, we assessed the experience of the external expert used to advise the value of the arrangement to management. We retested some of the key assumptions used in the model. - We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms. We also reconciled the vesting of these share-based payment arrangements to disclosures made in both the disclosures in the Remuneration Report and the key management personnel compensation note.

CONVERTIBLE NOTE	
Area of focus **Refer also to notes 2 and 18**	**How our audit addressed it**
The Group issued convertible notes during the current financial period for \$600k. Accounting for these transactions is complex, as the Group's accounting policy requires that upon initial recognition, where the note is convertible to a fixed number of shares, that any residual amount not included in the market value of the underlying debt component is recognised directly in equity. The Group has assessed that all of the convertible note's market value at initial recognition was embedded within the debt component, and therefore no residual value was reflected in equity. The assessment of the market value component of the note is subjective and dependent upon the following: — The availability of published market data for similar debt instruments; and	Our audit procedures included: — understanding the terms of the convertible note agreements, including an assessment of classification between current and non-current for the underlying host contract and a determination that the conversion formula was of a fixed nature, and therefore a requirement to firstly measure the market value of the debt component upon initial recognition before an attribution of the residual component to equity; — examining the assumptions applied in measuring the fair value of the debt component at initial recognition of the convertible note tranche to ensure that the Group's treatment of attributing all of the proceeds from the issue of the note to debt was materially correct; and — verifying that the value attributed to the issue of the convertible note tranche was in

CONVERTIBLE NOTE (CONTINUED)	
— The Group's own credit profile.	line with the terms of the convertible note agreements. We also assessed the adequacy of the Group's disclosures in respect of the convertible notes.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Nagambie Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

William Buck

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

N. Benbow
Director

Melbourne, 27 September 2017