



A New Dawn for Nagambie Mining



2014 Annual Report

CORPORATE DIRECTORY

NAGAMBIE MINING LIMITED ABN 42 111 587 163
CLOMBINANE 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

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SECURITIES EXCHANGE LISTING

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

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CHAIRMAN'S LETTER

Dear Shareholder

The last 12 month period has been clearly the most successful year for Nagambie Mining since listing and the future for the Company is looking very promising. The highlights have been:

- The purchase of the entire high grade Clonbinane Goldfield, 60 km south of the Nagambie Mine, in June 2014 for only 4% of the Company's expanded shares on issue;
- Declaring Wandean, 9 km north west of the Nagambie Mine, a virgin gold discovery in July 2014;
- The Australian Department of Defence commitment to lease an underwater explosives testing site at the Nagambie Mine from 1 October 2014 at \$150,000 per year, plus GST plus uncapped CPI, for 20 years; and
- Progress of the Nagambie Mining group's aspirations to receive and store both construction spoil, particularly potential acid sulphate material, and hard inert landfill waste, principally construction & demolition and commercial & industrial waste.

Clonbinane Goldfield

The current Inferred Resource for Clonbinane of 609,000 tonnes at 2.4 g/t gold for 47,000 ounces of gold was reported in 2008 in accordance with the guidelines of the JORC Code (2004). Exploration potential is considered to be very high.

Nagambie Mining is initially interested in mining the outcropping oxide zone of the Apollo Gold Prospect which has an Inferred Resource of 137,000 tonnes at 2.6 g/t gold for 11,450 ounces. Mining would be grade controlled and carried out using a hydraulic excavator, with no drilling and blasting being required. The mined ore would be trucked north to the Nagambie Mine for heap-leach treatment. Laboratory column leaching tests indicate gold recovery in the range of 80% to 85%, very high by industry standards. Total operating costs could be less than A\$500 per ounce of gold produced.

Mining of the oxide cap at Apollo is justifiable, if for no other reason, to eliminate the current hazardous state of the old workings at the site (refer example photo below).

One of the Old Apollo Gold Workings

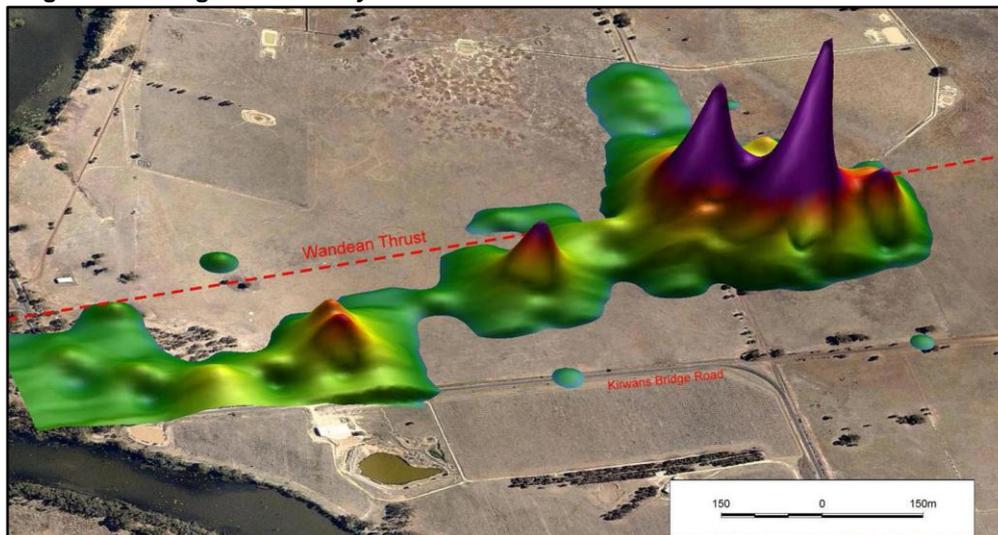


Wandean Gold Discovery

In July 2012, we announced that we had "cracked the code" for the Nagambie region and planned to systematically hunt down Nagambie Mine-style deposits that are amenable to low cost open-pit mining and heap-leach gold recovery using the 1990s facilities at the Nagambie Mine. To be able to announce the virgin discovery of Wandean two years later was very gratifying for the Company. Intersecting 1-metre high grade gold assays of 37.8 g/t and 21.1 g/t after initial drilling, well above the highest ever recorded for the Nagambie Mine of 16.3 g/t, was totally unexpected. The Wandean deposit remains open to the east with costeaning planned ahead of trial mining / bulk sampling. Total operating costs for Wandean could be less than A\$900 per ounce produced.

One of the keys to Nagambie Mining's exploration advantage in Central Victoria is its experimental surface soil sampling protocols. The protocols developed for Wandean succeeded in targeting the economic mineralisation below surface (refer diagram below) whereas historical soil sampling in the area had failed to do so.

Nagambie Mining Soil Anomaly at Wandean



Waste Storage Opportunities at the Nagambie Mine – 120 km North of Melbourne

There are various potential landfill sites at the Nagambie Mine for hard inert waste, all well above the groundwater table as required by the Victorian Environmental Protection Authority and with 10 to 15 metres of desirable impermeable clay at surface. The Nagambie Mine could ultimately, over many decades, take up to 20 million tonnes of hard inert waste. Environmental and waste management developments over the last decade in Victoria mean that landfill sites can be very profitable.

In recent months, Nagambie Mining has also become aware that the open pits at the Mine represent ideal under-water sites for potential acid sulphate spoil from construction projects in Melbourne. The first proposed site, the West Pit, has a volume of 1.4 million cubic metres below the water surface and could take up to around 2.7 million tonnes of spoil.

West Pit at the Nagambie Mine – First Proposed Site for Construction Spoil



Finally, I would again like to thank the Company's very supportive and patient shareholders, my fellow directors and the small but focussed Nagambie Mining management team for their continued efforts throughout the year. If the coming year is as successful as the last one, Nagambie Mining may well finally achieve lift off as a company.

Mike Trumbull
Executive Chairman

24 October 2014

OPERATIONS & EXPLORATION REVIEW

The Company's principal objectives are to:

1. Evaluate and develop oxide gold prospects within economic trucking distance of the Nagambie Mine, targeting a minimum of 10,000 ounces of gold production per year. The current priorities are the Wandean gold discovery in the Nagambie Goldfield and the Apollo gold deposit in the Clonbinane Goldfield;
2. Pursue construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings as gravel and the commercialisation of the shallow sand deposits known to exist at the Mine;
3. Develop a long term hard inert waste landfill operation at the Nagambie Mine to take construction & demolition plus commercial & industrial waste; and
4. Develop the 1990s water-filled open pits at the Nagambie Mine to accept construction spoil, principally potential acid sulphate material, from Melbourne.

EXPLORATION & DEVELOPMENT OF GOLD ASSETS

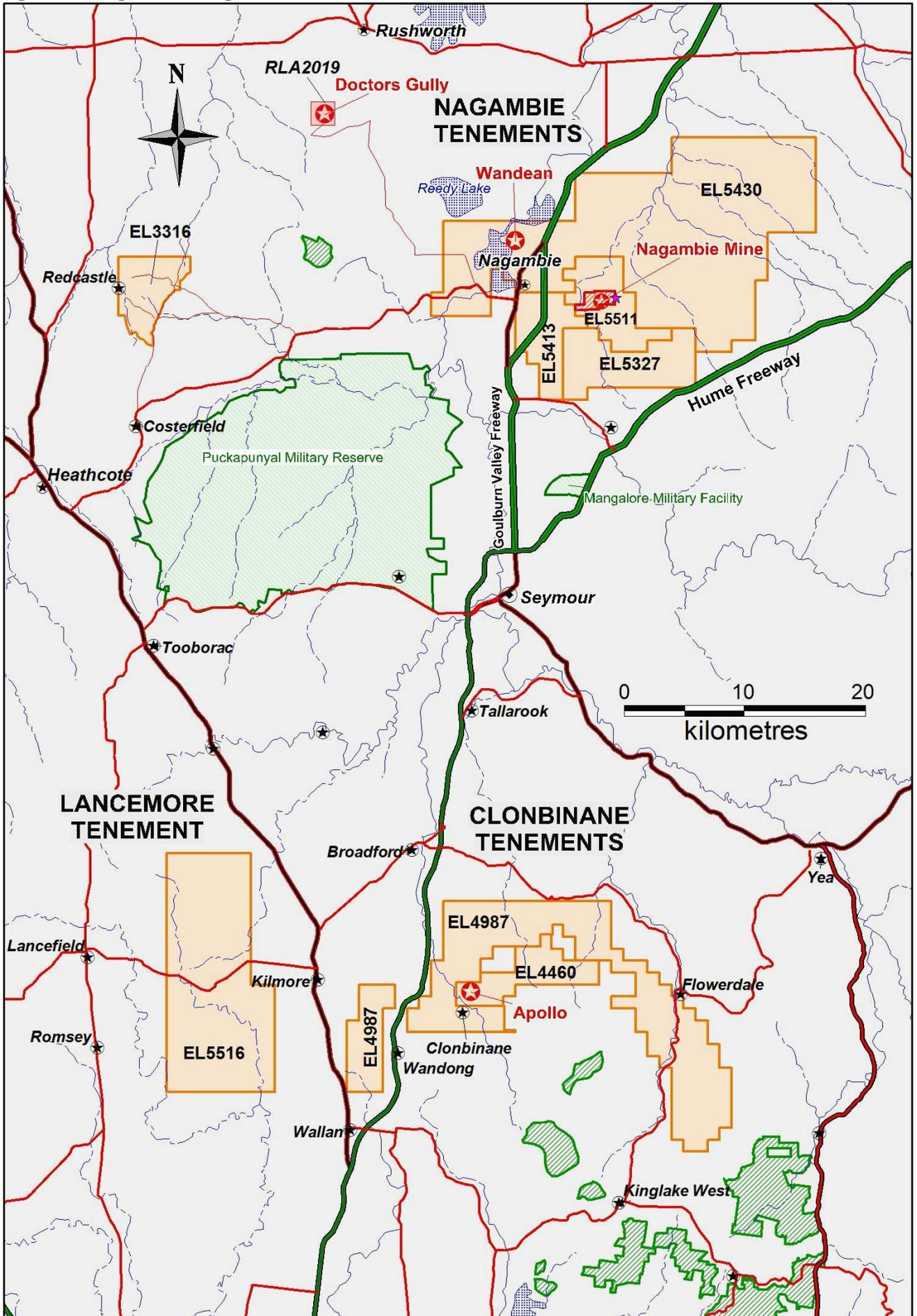
Nagambie Mining's key gold strategies in Victoria are:

- Focus on Central Victoria, particularly the Melbourne Zone;
- Focus on open-pit gold deposits – underground mining costs are fast becoming prohibitive in Victoria;
- Focus on disseminated, non-nuggetty, oxide, heap-leachable gold;
- Take advantage of the lower capital and operating costs associated with heap leaching;
- Take advantage of the heap-leach facilities remaining from the 1990s operation at the Nagambie Mine – truck all ore from the Company's deposits back to the Nagambie Mine for treatment;
- Only take on 100% ownership of gold properties – joint ventures are inefficient and expensive;
- Don't take on production royalties – royalties become problematic with multiple sources of heap-leach ore;
- Don't take on bank project finance – banks insist on acting in the interest of their shareholders ahead of the interests of their clients;
- Develop Inferred Resources (under the JORC Code) but not Reserves – the money spent on drilling out reserves is better used for dividends to shareholders;
- Focus strongly on mine bench grade control to minimise waste dilution and maximise ore head grade; and
- Use local contractors wherever possible to minimise up-front capital costs and provide operational flexibility – except for mine bench grade control and gold room operations.

Nagambie Mining's preference for exploring and developing gold assets in the Melbourne Zone of Victoria:

- **Melbourne Zone is Noted for Disseminated, Non-Nuggetty Gold:**
 - ✦ Extremely fine gold couldn't be panned by the "Old Timers" – outcrop still exists;
 - ✦ Gold in samples is evenly distributed – the opposite of nuggetty;
 - ✦ Reliable drilling results for disseminated gold versus problematic drilling of Bendigo and Ballarat-style nuggetty quartz veins;
 - ✦ Reliable evaluation of each open-pit, heap-leachable deposit;
 - ✦ Reliable bench grade control sampling during open-pit mining;
 - ✦ Minimal quartz in disseminated oxide deposits can mean no drilling and blasting is required; and
 - ✦ Fine, evenly-distributed gold means excellent heap-leach recovery.
- **Melbourne Zone has Outstanding Existing Infrastructure:**
 - ✦ Hume and Goulburn Valley Freeways connect the Nagambie and Clonbinane Goldfields;
 - ✦ Operators for the mining and heap-leach operations could come from Shepparton, Nagambie, Seymour, Broadford, Kilmore, Wallan, Wandong etc; and
 - ✦ Operators would drive themselves to the gates of the operations each day – the exact opposite, in terms of costs, of fly-in, fly-out operations in outback Australia.

Figure 1 Nagambie Mining Tenements as at October 2014



When the Nagambie Mine operated in the 1990s, the average head grade of the gold oxide ore stacked on the heap leach pad was approximately 0.8 g/t gold. Heap leach gold recovery was approximately 80%.

Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading around A\$1,400 per ounce. Costs for contract activities such as open-pit mining, trucking, crushing, agglomerating and stacking have not increased nearly as much as the A\$ gold price in the intervening years.

Photo 1 Heap Leach Facilities at the Nagambie Mine



The recommencement of heap leach operations at the Nagambie Mine will benefit from the proven technology and successful operations history at the Mine in the 1990s. Recommencement will also benefit from the bitumen public road access to the Mine gate, the Company's freehold land (around 200 hectares) and the process water that can be pumped from the East and West Pits. Other infrastructure remaining on site includes the haulage roads, the pondage civil works, the operations shed, the grid electricity supply and the potable water supply.

WANDEAN GOLD DISCOVERY – NAGAMBIE GOLDFIELD

Nagambie Mining declared Wandean a virgin gold discovery in July 2014, confirming the Company's long-held view that the Nagambie Mine would not be the only mineable deposit in the region. Following the discovery of Wandean, Nagambie Mining considers that at least several more mineable deposits remain to be found in the Nagambie Goldfield.

Wandean is 9 km north west of the Nagambie Mine in EL 5430 (refer Figure 1). Wandean conforms very closely with the Company's regional gold model as it has all the structural, rock type and mineralisation characteristics that were present at the Nagambie Mine before it was drilled out to establish gold resources, mined and heap leached in the 1990s.

Three progressive drill programs (refer Figure 2) were carried out in total before Nagambie Mining could understand the geology of the deposit and call it a discovery. Detailed geological logging and interpretation shows the gold mineralisation is associated with subvertical zones of silicification within saprolitic mudstones and sandstones.

Interpreted sections (Figures 3, 4, 5 and 6) show zones of low grade gold mineralisation less than 0.5 g/t gold (shown in yellow) enveloping discrete and continuous zones of higher grade mineralisation greater than 0.5 g/t gold (shown in red).

All intersections greater than 2.0 g/t gold for the drilling at Wandean are set out in Table 1, sorted by grade. Of the total of 52 intersections greater than 2.0 g/t gold, only 13 intersections (25%) are associated with 5% or more quartz (shown in bold red). With 75% of the intersections greater than 2.0 g/t gold being associated with minimal quartz (0% to 5%), significant supergene enrichment of the sedimentary beds in the oxide zone is indicated.

The average percentage quartz in the Wandean gold mineralisation is very low for a Victorian gold deposit. Nagambie Mining considers that no drilling and blasting would be required at Wandean.

Laboratory tests have indicated that the gold at Wandean is evenly distributed with high leach recoveries.

Samples from holes WRC 082 and WRC 101, with a good spread of assay results above a cut off of 0.3 g/t gold, were re-submitted to ALS-Minerals for 1 to 2 kilogram cyanide leaching enhanced with LeachWell® tabs. The calculated grade (refer Table 2) is the sum of the gold extracted after 24 hours of leaching plus the gold remaining in the residue. Cyanide recovery is the gold extracted versus the calculated grade.

Correlation of these calculated grades with the initial assays obtained by 25 gram aqua regia digest and AAS is high. The correlation for the 37.8 g/t sample is 96% and the simple average for the 10 samples is 100%. Such high correlations indicate that the gold is evenly distributed in the sample and fine grained in nature, even for the high grade samples. The evenly distributed, fine-grained (non-nuggetty) nature of the gold will greatly assist grade control sampling of benches during mining operations.

The 24-hour leaching extracted an average of 96% of the calculated grade and, for this limited sample size, an average of 96% of the initial assays (refer Table 2). These high laboratory gold recovery figures augur well for heap leach recoveries for Wandean gold mineralisation. The average heap leach recovery for the Nagambie Mine gold mineralisation of 80% in the 1990s could be exceeded for Wandean.

Figure 2 Wandean Drill Plan

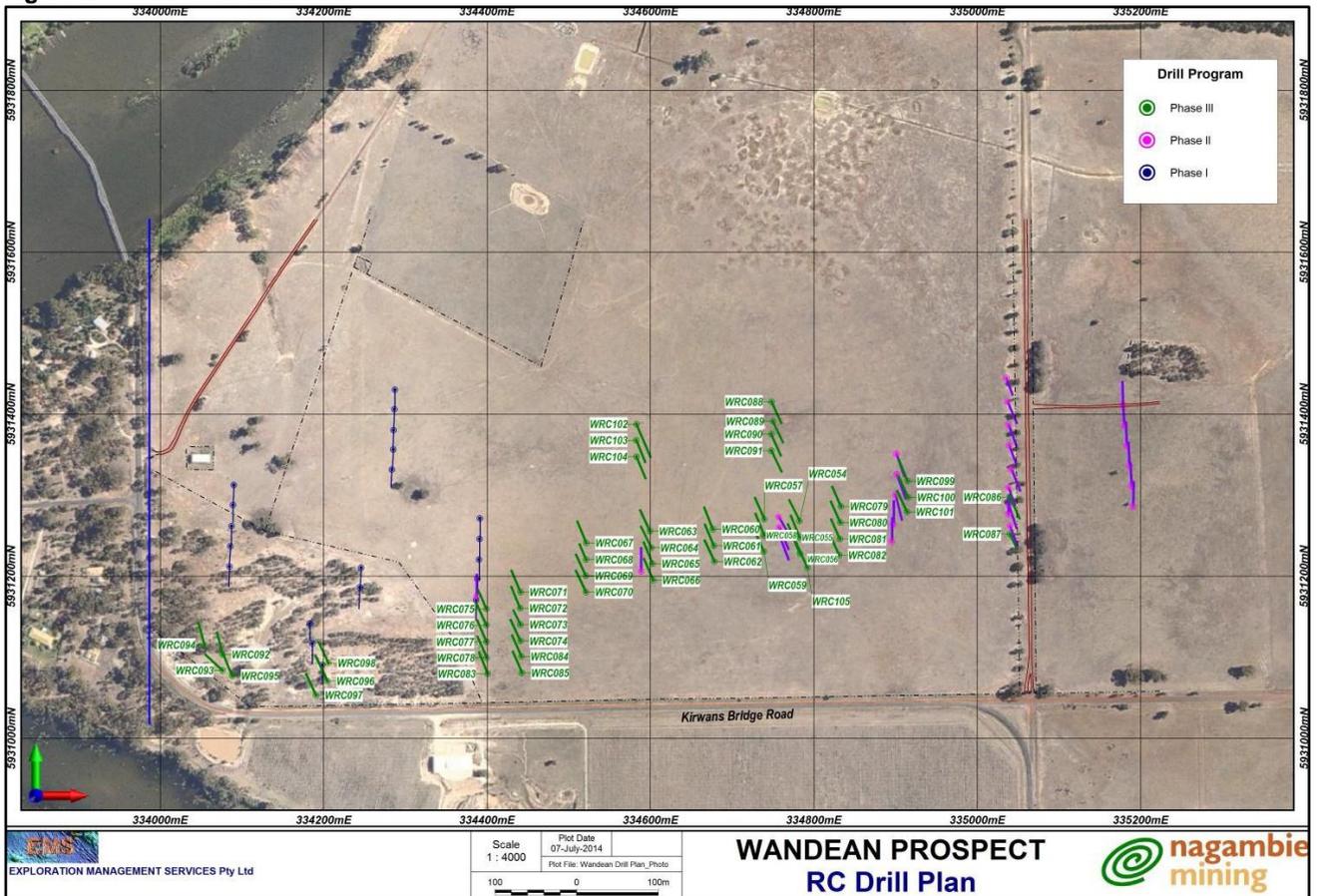


Photo 2 Interested “Steakholders” at Wandean during Drilling



Figure 3 Wandean Cross Section 334,675m East

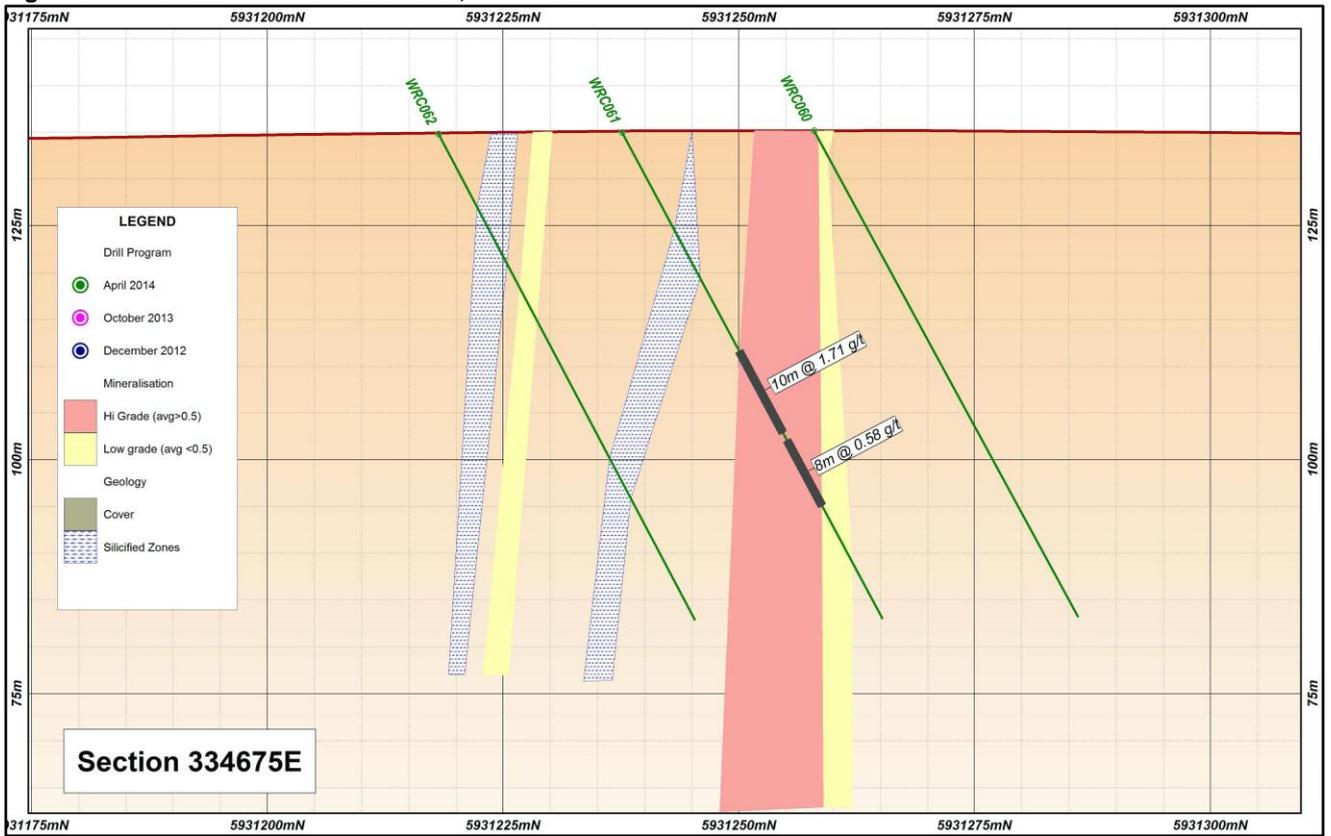


Figure 4 Wandean Cross Section 334,735m East

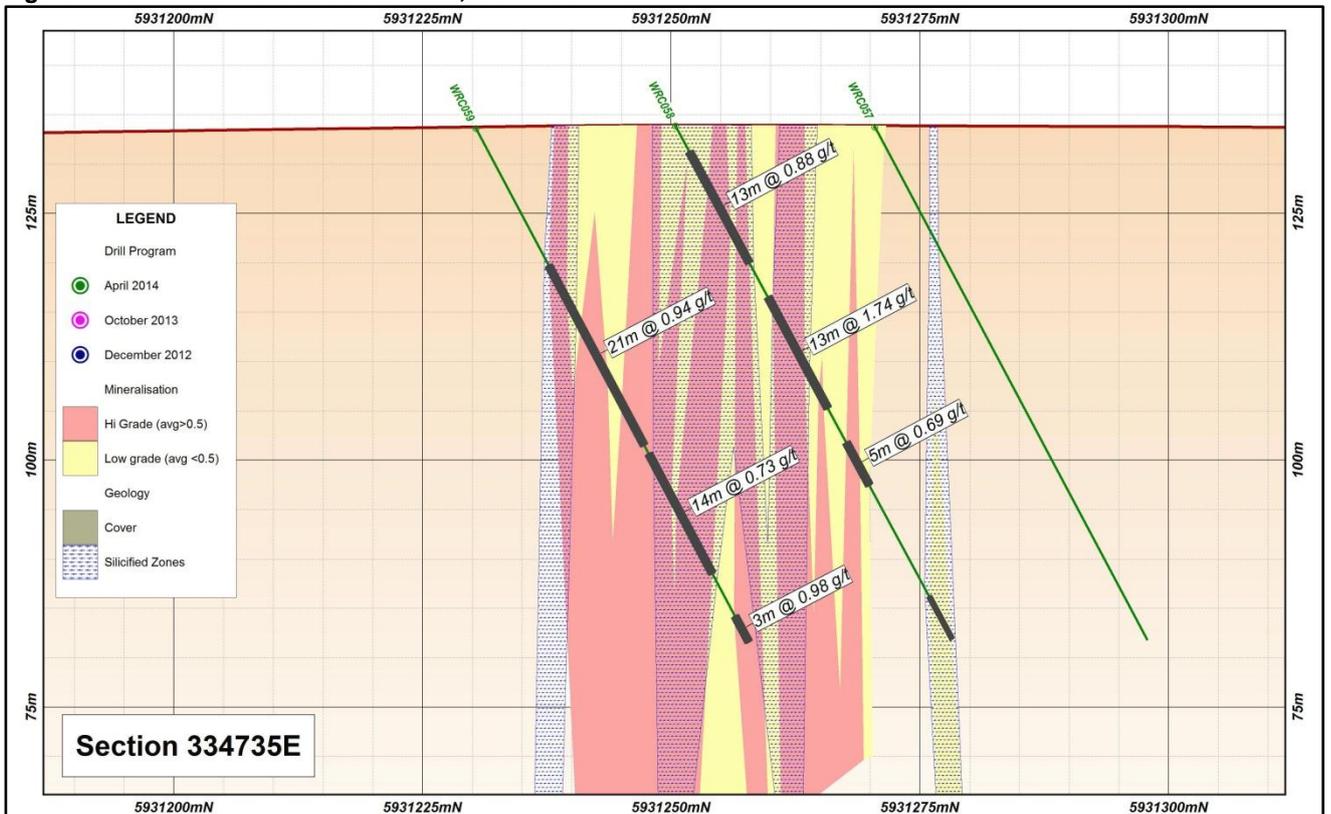


Figure 5 Wandean Cross Section 334,780m East

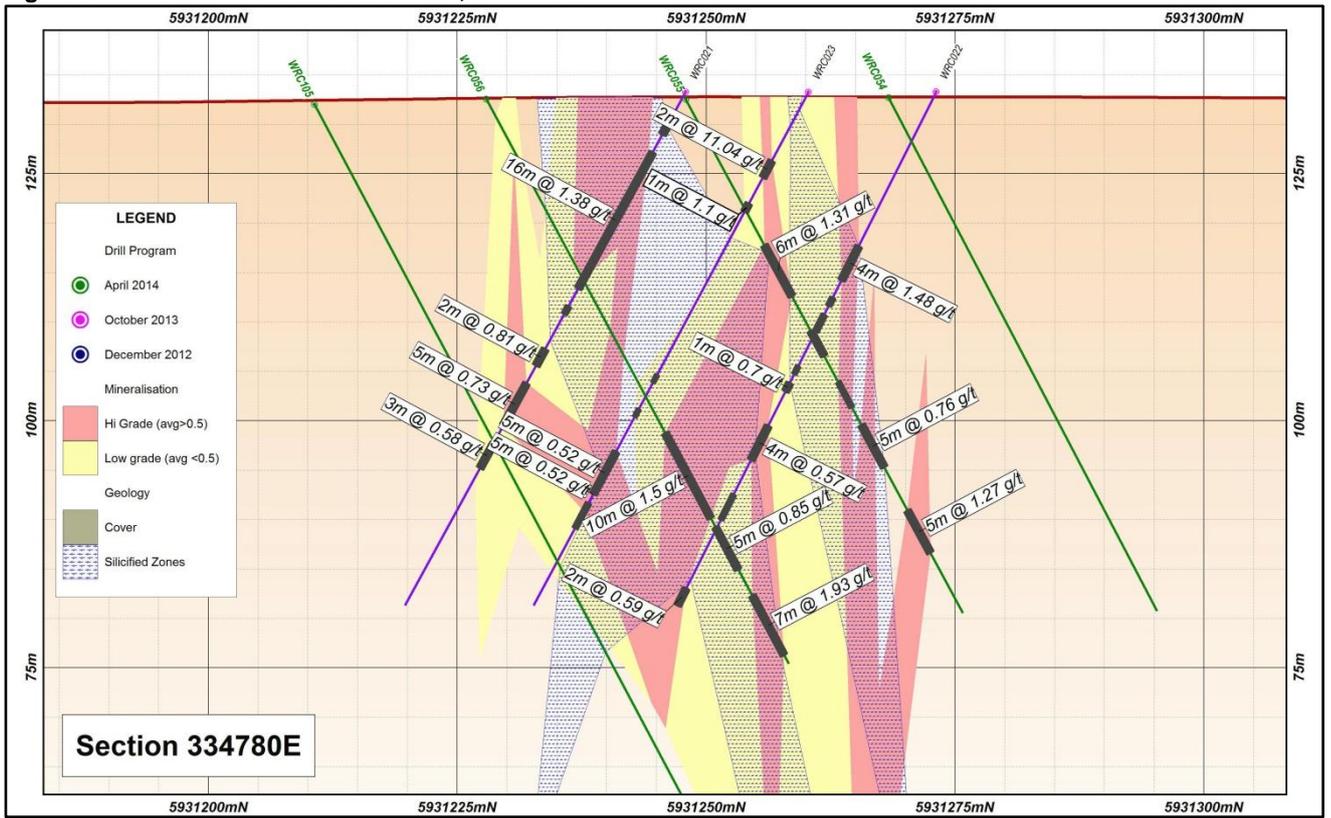


Figure 6 Wandean Cross Section 335,040m East

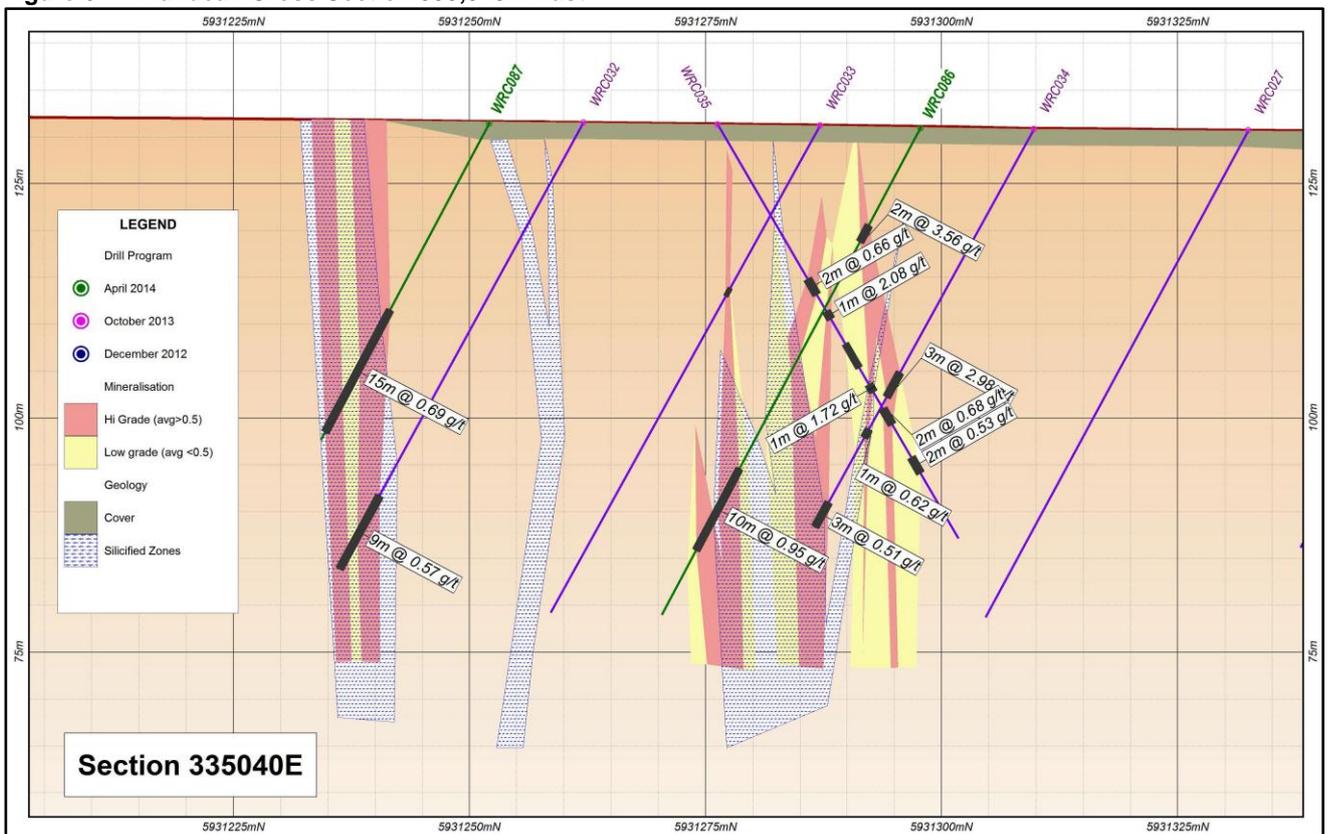


Table 1 Wandean Gold Intersections + 2.0 g/t

RC Hole	From (m)	To (m)	Lithology	Quartz %	Au (g/t)
WRC 101	54	55	sandstone	25	37.80
WRC 023	7	8	mudstone		21.10
WRC 101	55	56	sandstone	2	12.00
WRC 042	1	2	siltstone		10.60
WRC 101	53	54	sandstone	8	6.36
WRC 034	31	32	mudstone	0.1	6.17
WRC 086	13	14	sandstone		6.15
WRC 041	32	33	mudstone		5.42
WRC 049	62	63	mudstone		5.31
WRC 061	30	31	mudstone	30	5.30
WRC 068	38	39	mudstone	1	5.14
WRC 058	26	27	silicified	1	5.06
WRC 058	10	11	silicified		4.83
WRC 046	34	35	mudstone		4.80
WRC 025	48	49	mudstone	30	4.39
WRC 056	59	60	silicified	3	4.22
WRC 058	25	26	silicified	2	4.18
WRC 055	19	20	silicified	10	4.15
WRC 040	52	53	sandstone	1	3.59
WRC 056	61	62	mudstone	0.5	3.56
WRC 080	55	56	mudstone		3.56
WRC 058	21	22	silicified	3	3.47
WRC 056	41	42	sandstone	0.5	3.38
WRC 056	42	43	silicified	0.5	3.35
WRC 055	51	52	sandstone	2	3.30
WRC 089	53	54	shale	0.5	3.19
WRC 047	31	32	mudstone		3.19
WRC 059	34	35	mudstone	20	3.07
WRC 061	31	32	mudstone	10	3.07
WRC 046	31	32	mudstone		2.97
WRC 086	49	50	sandstone	3	2.89
WRC 059	36	37	mudstone	2	2.61
WRC 056	50	51	silicified	1	2.60
WRC 089	37	38	mudstone		2.60
WRC 025	49	50	sandstone	40	2.52
WRC 042	44	45	shale		2.45
WRC 058	27	28	silicified	3	2.42
WRC 064	44	45	silicified	5	2.42
WRC 089	54	55	sandstone	0.5	2.36
WRC 056	64	65	mudstone	2	2.28
WRC 061	33	34	sandstone	50	2.22
WRC 038	56	57	shale	0.1	2.16
WRC 075	33	34	mudstone	25	2.15
WRC 021	12	13	sandstone		2.15
WRC 092	30	31	mudstone		2.14
WRC 021	14	15	sandstone	15	2.13
WRC 086	43	44	silicified	1	2.10
WRC 059	50	51	mudstone	15	2.09
WRC 035	23	24	mudstone		2.08
WRC 064	8	9	mudstone	0.5	2.04
WRC 021	9	10	sandstone	0.1	2.01
WRC 082	34	35	shale		2.00

In summary, Nagambie Mining now knows the following about Wandean:

- Gold mineralisation is continuous in the vertical and horizontal sense;
- Gold occurs evenly distributed and fine grained in nature;
- Average gold grade remains to be determined but, subject to further work, could be in the range 1.0 g/t to 1.5 g/t;
- Early indications are that recovery by cyanide leaching in the laboratory after 24 hours could average as high as 96% of the assayed grade, which indicates that heap leach recovery for Wandean mineralisation could exceed the 80% average figure achieved at the Nagambie Mine in the 1990s; and
- Total operating costs for Wandean could be less than A\$900 per ounce of gold produced.

Table 2 Wandeane Comparative Cyanide Leach Data

Hole	From (m)	To (m)	AAS	24 Hr Cyanide	FA on Residue*	Calculated Grade	Calculated Grade	Cyanide Recovery (%)
			Au (ppm)	Au (ppm)	Au (ppm)	Au (ppm)	versus AAS (%)	
WRC101	54	55	37.80	35.90	0.48	36.38	96%	99%
WRC101	55	56	12.00	11.00	0.84	11.84	99%	93%
WRC101	53	54	6.36	7.36	0.44	7.80	123%	94%
WRC082	34	35	2.00	1.76	0.12	1.88	94%	94%
WRC101	48	49	1.34	1.26	0.25	1.51	112%	84%
WRC082	36	37	1.29	1.10	0.11	1.21	94%	91%
WRC101	49	50	0.76	0.73	0.04	0.77	101%	95%
WRC101	57	58	0.52	0.48	0.04	0.52	100%	92%
WRC101	50	51	0.48	0.45	0.04	0.49	102%	92%
WRC101	56	57	0.48	0.57	0.05	0.62	129%	92%
Averages			6.30	6.06	0.24	6.30	100%	96%

* Average of two residue samples

Nagambie Mining is now planning, progressively, the following for Wandeane:

- Within a fenced-off area, excavating a series of north-south costeans (trenches) to enable detailed channel sampling to be carried out along the west and east walls near the base of each costean;
- Based on the costean results, carrying out trial excavator mining / bulk sampling of a surface bench; and
- Carrying out column leach tests on bulk samples, probably crushed to minus 25 mm and tested for 14 days of leaching, to estimate the potential heap-leach gold recovery for Wandeane ore.

APOLLO GOLD PROJECT – CLONBINANE GOLDFIELD

The high grade Clonbinane Goldfield is extremely underexplored in terms of modern exploration techniques.

Siluro-Devonian turbidites (principally siltstone) are intruded by Late Devonian granite and diorite dykes. Previous explorers have established that gold mineralisation at Clonbinane occurs in steeply dipping, breccia-hosted pyrite and stibnite bearing lodes within and adjacent to numerous diorite dykes. Mineralisation generally extends outward from a high grade core into a broad halo of lower grade disseminated gold in both the hangingwall and footwall of the lodes.

Production figures for historic underground mines in the area are incomplete but the Golden Dyke Mine (refer Figure 7) is recorded as the second largest operation, producing 13,305 ounces of gold (tonnes and grade not known). The largest operation, the Langridge Mine, is 7 km north east of the Golden Dyke Mine (refer Figure 7) and is recorded as producing 20,620 ounces from 11,261 tonnes at an average recovered grade of 56.9 g/t gold. The third largest operation, the Doyles Reef Mine, is immediately north west of the Langridge Mine and is recorded as producing 12,431 ounces from 7,460 tonnes at an average recovered grade of 51.8 g/t gold.

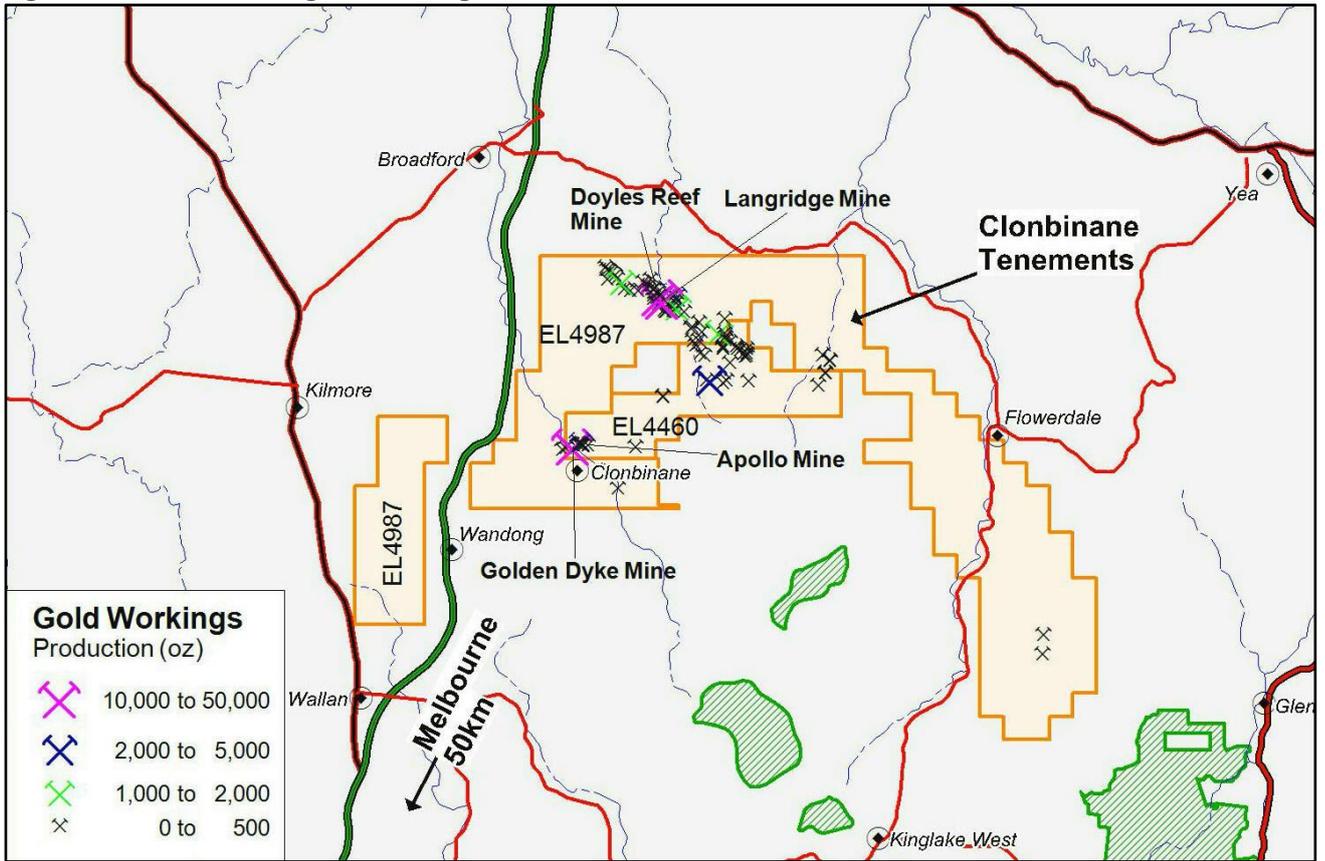
Based on the historical records for the underground mines at Clonbinane, the cores of the pyrite and stibnite lodes can be particularly high grade. The average recovered grades for the Langridge Mine and the Doyles Reef Mine were 56.9 and 51.8 g/t gold respectively. The head grades for both mines, before treatment plant recovery, could have been around 2 ounces of gold per tonne.

The exploration drilling carried out to date at Clonbinane indicates that some of these high grade cores have been left behind by the historical miners, no doubt due to the large number of fault offsets and the large number of lodes that may not have outcropped at surface. Further, the haloes of lower grade disseminated gold in both the hangingwalls and footwalls of the lodes would have been too low grade for the historical miners and would predominantly remain unmined. The high grade core remnants and the lower grade haloes together present as compelling oxide and sulphide open pit targets.

Detailed geological surface mapping, followed by selective costeaning (trenching) will be employed as first steps in exploring the Clonbinane Goldfield.

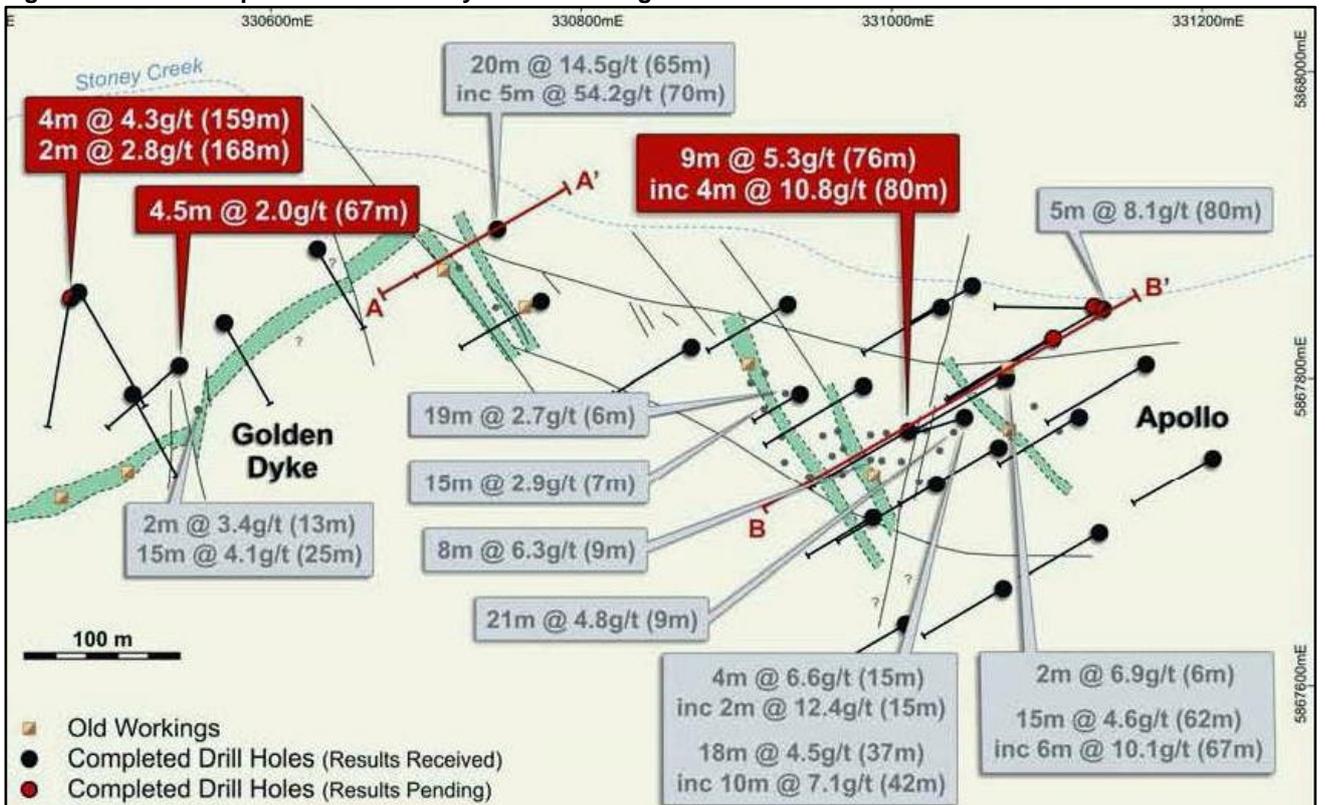
Where mineralisation outcrops at surface, trial mining / bulk sampling could then be employed in addition to close-pattern RC (reverse circulation percussion) drilling.

Figure 7 Location of Nagambie Mining Clonbinane Tenements and Historical Gold Mines



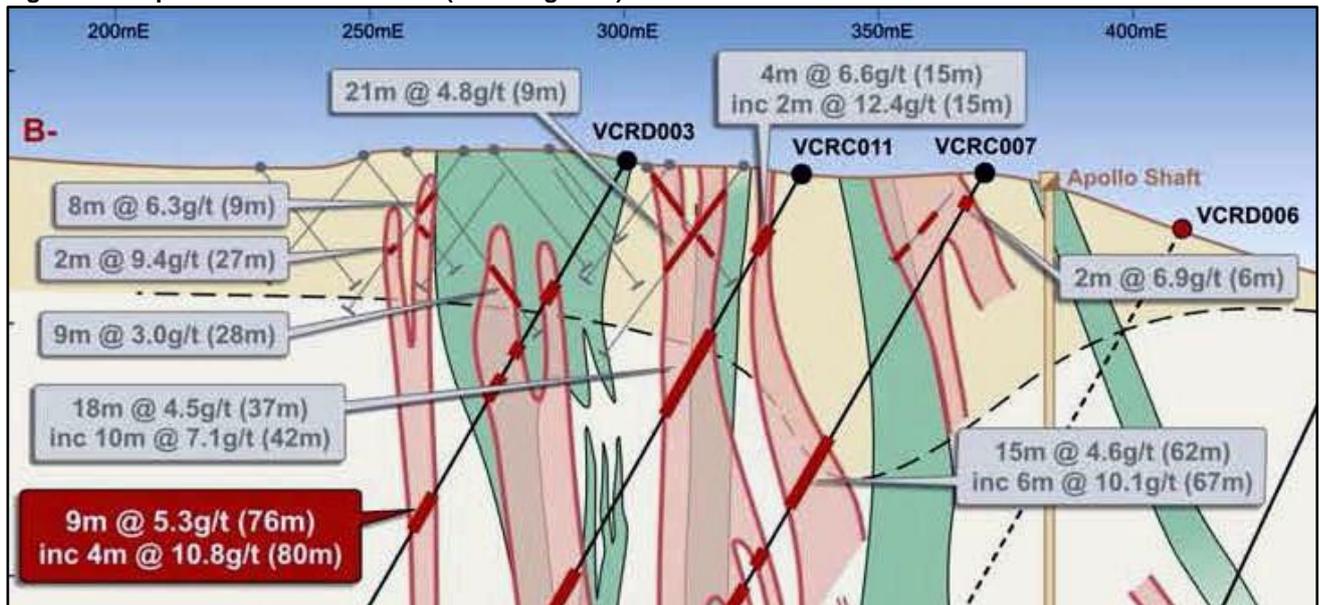
Some historical drilling in the Apollo & Golden Dyke area at Clonbinane is shown in the plan below.

Figure 8 Plan of Apollo and Golden Dyke Area Drilling



A cross section showing some of the historical drilling at Apollo is shown in Figure 9.

Figure 9 Apollo Cross Section B-B' (Refer Figure 8)



Based on column leach testwork carried out in 1987 on three bulk samples from Apollo, Nagambie Mining is confident that heap leach recovery for Apollo ore could be in the range 80% - 85%, very high by industry standards.

Total operating costs for Apollo could be less than A\$500 per ounce of gold produced.

Mike Trumbull
Executive Chairman

STATEMENT AS TO COMPETENCY

The Exploration Results in this report have been compiled by Mr Geoff Turner, who is a Fellow of the Australian Institute of Geoscientists, has more than ten years in the estimation, assessment, and evaluation of mineral resources and ore reserves, and has more than 20 years in exploration for the relevant style of mineralisation that is being reported. In these regards, Geoff Turner qualifies as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Turner is a Director of Nagambie Mining Limited and consents to the inclusion in this report of these matters based on the information in the form and context in which it appears.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "target", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Nagambie Mining and any of its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Exploration potential is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Readers are cautioned not to place undue reliance on forward-looking statements and Nagambie Mining assumes no obligation to update such information.

Directors' Report

The directors of Nagambie Mining Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2014.

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
<p>MICHAEL W TRUMBULL <i>Non-Executive Director</i> Appointed 28 July 2005</p> <p><i>Non-Executive Chairman</i> Appointed 20 December 2007</p> <p><i>Executive Chairman</i> Appointed 13 September 2013</p> <p>Age 64</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p><i>Other current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>
<p>GEOFF R TURNER <i>Non-Executive Director</i> <i>Exploration</i> Appointed 20 December 2007</p> <p>Age 66</p>	<p>Geoff Turner, a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology), 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.</p> <p>Geoff is a member of the Audit and Compliance Committee.</p> <p><i>Other Current Directorships of Listed Companies</i> None.</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>

<p>KEVIN J PERRIN</p> <p><i>Non-Executive Director Finance</i> Appointed 17 September 2010</p> <p><i>Deputy Chairman</i> Appointed 20 December 2010</p> <p>Age 65</p>	<p>Kevin Perrin is a Certified Practising Accountant (CPA). Since 1 July 2012, he has been a consultant to Prowse Perrin & Twomey after having been a partner in that business for 37 years. Prowse Perrin & Twomey 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.</p> <p>Kevin is Chairman of the Audit and Compliance Committee</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> BCD Resources NL – appointed February 2006, resigned September 2012 BCD Resources (Operations) NL - appointed February 2007, resigned September 2012</p>
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Company Secretary

ALFONSO M G GRILLO BA LLB

Alfonso M G 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.

Principal activities

The principal activity of the group during the financial period was exploration for, and development of, gold, associated minerals, and construction materials in Victoria. The group is also investigating waste handling opportunities.

Review of operations

The company's principal objectives are to: (1) evaluate and develop the 100% owned oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 10,000 ounces of gold production per year for 10 years; (2) develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings as gravel and the commercialisation of the sand deposits; (3) develop a hard inert waste landfill operation at the Nagambie Mine; and (4) develop the 1990s water-filled open pits at the Nagambie Mine to accept construction spoil from Melbourne.

As at 30 June 2014, the company had four granted Exploration Licences, one Mining Licence, one Exploration Licence Application and one Retention Licence Application in central Victoria, covering a total area of 571.0 km². All tenements are for gold and associated minerals and are in good standing.

Wandean, 9 km north west of the Nagambie Mine, was declared a virgin gold discovery following a third-phase drilling program at the prospect.

Total revenue, principally from sales of non-gold materials, decreased by \$41,487 to \$120,930 for the 2014 financial year. The net loss before impairments and income tax benefit from R&D incentive was \$535,353 for the year \$28,528 less than the 2013 financial year loss of \$563,881. Total impairment of exploration tenements for the 2014 financial year on the Rushworth and Nagambie tenements was \$391,297. An R&D tax incentive amount of \$183,878 reduced the overall net loss for the year to \$742,772.

A total of \$1,596,852 in funding was raised by the company during the 2014 financial year. This included \$820,000 for a share placement at 2.0 cents per share in September 2013, a smaller placement of \$76,852 in February 2014 at 2.8 cents per share and finally an amount of \$700,000 was raised from a share placement at 3.3 cents per share in March 2014.

Likely Developments

During the 2015 financial year, further evaluation of the Wandean gold discovery, within the Nagambie Goldfield, and the Apollo gold deposit, within the recently acquired Clonbinane Goldfield, will be carried out. Costeaming (trenching) programs followed by surface bulk sampling programs are planned ahead of applying for mining licences.

The company intends to prepare an Environmental Management Plan (EMP) with a view to developing the 1990s water-filled open pits at the Nagambie Mine to accept construction spoil, principally potential acid sulphate materials, from Melbourne.

The company will continue to seek a landfill licence in order to develop a hard inert waste landfill operation at the Nagambie Mine.

The company will also continue to develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings as gravel products and the commercialisation of the near-surface sand deposits known to exist at the Nagambie Mine.

Changes in state of affairs

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

Subsequent events

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

In July 2014, Nagambie Mining acquired 100% of Exploration Licences 4460 and 4987 at Clonbinane. The tenements, with a total area of 218.2 km², are approximately halfway between Melbourne and Nagambie, close to the Hume Freeway. The acquisition cost was 13.0 million of the company's fully paid ordinary shares plus \$23,000 in relation to an environmental tenement bond.

On 6 August 2014 the Company announced to the ASX that 300,000 shares had been issued on conversion of a similar number of Series 1 convertible notes which would have matured on 14 September 2015.

Environmental regulations

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

Licence requirements relating to ground disturbance, rehabilitation and waste disposal exist for all tenements held. The directors are not aware of any breaches of mining and environmental regulations and legislation during the 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 (2013:Nil).

Share options

Share options granted to directors and consultants

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

Michael Trumbull	4,000,000
Geoff Turner	2,000,000
Kevin Perrin	2,000,000
Alfonso Grillo	1,000,000

Shares under option or issued on exercise of options

There were no options exercised during the year. Details of issued options are included in the Remuneration Report.

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 8 board meetings and 4 audit and compliance committee meetings were held.

Directors	Board of directors		Audit and compliance committee	
	Held	Attended	Held	Attended
Michael Trumbull	8	8	-	-
Geoff Turner	8	7	4	4
Kevin Perrin	8	8	4	4

Directors' shareholdings

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	18,460,096	7,500,000
Geoff Turner	1,552,779	5,500,000
Kevin Perrin	10,809,780	5,000,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel

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

Michael Trumbull	Executive Director
Geoff Turner	Non-Executive Director
Kevin Perrin	Non-Executive Director
Alfonso Grillo	Company Secretary

Remuneration Policy

The Board is responsible for determining and reviewing the compensation of the directors, the chief executive officer, the executive officers and senior managers of the company and reviewing the operation of the company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the company's operations. The board of directors 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 2014, the board resolved that the executive chairman's remuneration be set at \$150,000 (2013: \$78,750) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at \$42,000 (2013: \$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.

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 2014.

	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Revenue	121	162	246	279	73
Net loss before tax	(743)	(1,355)	(473)	(420)	(985)
Net loss after tax	(743)	(1,355)	(473)	(420)	(985)

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	\$0.020	\$0.015	\$0.023	\$0.030	\$0.030
Share price at end of year	\$0.032	\$0.020	\$0.015	\$0.023	\$0.030
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.28)	(0.68)	(0.28)	(0.25)	(0.63)
Diluted earnings per share (cents)	(0.28)	(0.68)	(0.28)	(0.25)	(0.63)

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	Other LongTerm Benefits	Termination Benefits	Total
		Salary and fees	Superannuation	Options			
		\$	\$	\$	\$	\$	\$
Directors							
Michael Trumbull (1)	2014	163,875	-	28,000	-	-	191,875
	2013	78,750	7,088	4,300	-	-	90,138
Geoff Turner (2)	2014	236,528	3,885	14,000	-	-	254,413
	2013	135,600	3,780	4,300	-	-	143,680
Kevin Perrin (3)	2014	45,885	-	14,000	-	-	59,885
	2013	45,780	-	4,300	-	-	50,080
Colin Glazebrook (4)	2014	-	-	-	-	-	-
	2013	200,002	-	4,300	-	-	204,302
Other Key Management Personnel							
Alfonso Grillo (5)	2014	36,150	-	7,000	-	-	43,150
	2013	36,114	-	2,150	-	-	38,264
Total for Year	2014	482,438	3,885	63,000	-	-	549,323
Total for Year	2013	496,246	10,868	19,350	-	-	526,464

Apart from the contracts disclosed at (1) and (3) below there were no other contracts with management or directors in place during the 2014 and the 2013 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 \$163,875 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.
During the 2014 financial year fees of \$163,875 (2013: Nil) were paid to Cypron Pty Ltd, an entity controlled by Michael Trumbull, for his services as a director of the company. During the 2013 financial year Michael Trumbull was paid director's fees of \$78,750 plus \$7,088 in superannuation for his services as a director of the company.
- (2) During the 2014 financial year Geoff Turner was paid director's fees of \$42,000 (2013: \$42,000) plus \$3,885 (2013: \$3,780) in superannuation for his services as a director of the company. The company also paid fees of \$194,528 (2013: \$93,600) 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 2014 there was an amount of \$15,333 (2013: \$10,514) owing to EMS.
- (3) During the 2014 financial year fees of \$45,885 (2013: \$45,780) were paid to Vinda Pty Ltd, an entity controlled by Kevin Perrin, for his services as a director of the company.
- (4) Colin Glazebrook was employed under a contract which expired on 30 June 2013.
- (5) During the 2014 financial year fees of \$8,550 (2013: Nil) were paid to GrilloHiggins Lawyers which includes secretarial fees of \$3,000 (2013: Nil). Alfonso Grillo is a partner in the legal firm of GrilloHiggins Lawyers.
During the 2014 financial year fees of \$46,505 (2013: \$114,507) were paid to TressCox Lawyers which includes secretarial fees of \$33,150 (2013: \$36,114). Alfonso Grillo was a partner in the legal firm of TressCox Lawyers. Share options were also issued to Alfonso Grillo for the provision of services as company secretary.
At 30 June 2014 there was an amount of \$9,405 (2013: \$7,135) owing to GrilloHiggins Lawyers.

Shareholdings of key management personnel

	Balance 1 July 2013	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2014
Michael Trumbull	21,540,192	-	-	(3,080,096)	18,460,096
Geoff Turner	1,552,779	-	-	-	1,552,779
Kevin Perrin	10,809,780	-	-	-	10,809,780
Alfonso Grillo	-	-	-	-	-
Total	33,902,751	-	-	(3,080,096)	30,822,655

(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 Mining Limited on exercise by the payment of 10 cents. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors of the company.

The options granted expire five years after their issue or one month after the resignation of the staff member or executive, whichever is the earlier, or as otherwise determined by the board of directors. There are 25,600,000 share options on issue under this plan, of which 24,250,000 are executive share options.

Options held at the end of the reporting period

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
550,000	09/07/2009	09/07/2011	09/07/2014	10 cents
2,000,000	17/12/2009	17/12/2011	17/12/2014	10 cents
4,000,000	26/11/2010	26/11/2012	26/11/2015	10 cents
400,000	11/03/2011	11/03/2013	11/03/2016	10 cents
4,400,000	30/11/2011	30/11/2011	30/11/2016	10 cents
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
25,600,000				

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and senior management relate to the 2014 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 3 Dec 2013	4,000,000	4,000,000	100%	0%	14.6%
Geoff Turner	issued 3 Dec 2013	2,000,000	2,000,000	100%	0%	5.5%
Kevin Perrin	issued 3 Dec 2013	2,000,000	2,000,000	100%	0%	23.3%
Alfonso Grillo	issued 3 Dec 2013	1,000,000	1,000,000	100%	0%	16.2%

The following table summarises the value of options granted, exercised or lapsed during the 2013 financial year to directors and senior management:

Name	Value of options granted at the grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse
	\$	\$	\$
Michael Trumbull	28,000	Nil	Nil
Geoff Turner	14,000	Nil	Nil
Kevin Perrin	14,000	Nil	Nil
Alfonso Grillo	7,000	Nil	Nil

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

No options were exercised during the reporting period. 4,550,000 options lapsed during the reporting period.

Option holdings of key management personnel

	Balance 1 July 2013	Granted as remuneration	Options expired	Balance 30 June 2014	Vested and exercisable at 30 June 2014
Michael Trumbull	4,500,000	4,000,000	(1,000,000)	7,500,000	7,500,000
Geoff Turner	4,500,000	2,000,000	(1,000,000)	5,500,000	5,500,000
Kevin Perrin	3,000,000	2,000,000	-	5,000,000	5,000,000
Alfonso Grillo	1,500,000	1,000,000	(250,000)	2,250,000	2,250,000
Total	13,500,000	9,000,000	(2,250,000)	20,250,000	20,250,000

Non-audit services

As detailed in note 24 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
30 September 2014



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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 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

J.C. Luckins
J.C. Luckins
Director

Dated this 30th day of September, 2014

CHARTERED ACCOUNTANTS & ADVISORS

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Statement of Profit and Loss and Other Comprehensive Income for the financial year ended 30 June 2014

	Note	Consolidated	
		2014 \$	2013 \$
Revenue	4	120,930	162,417
Corporate expenses		(342,022)	(453,975)
Depreciation and amortisation		(9,769)	(10,184)
Employee benefits expense	4	(74,492)	(31,495)
Finance costs	4	(230,000)	(230,644)
Impairment of exploration assets	10	(391,297)	(791,300)
Loss before income tax		(926,650)	(1,355,181)
Income tax benefit	5	183,878	-
Loss for the year		(742,772)	(1,355,181)
Other comprehensive income		-	-
Total comprehensive income for the year		(742,772)	(1,355,181)
Earnings per share			
Basic and diluted earnings per share in cents	6	(0.28)	(0.68)

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2014

	Note	Consolidated	
		2014 \$	2013 \$
Current assets			
Cash and cash equivalents	14(b)	473,396	110,568
Trade and other receivables	7	94,962	35,407
Total current assets		568,358	145,975
Non-current assets			
Security deposits	8	575,215	594,231
Property, plant and equipment	9	59,708	67,619
Exploration and evaluation assets	10	6,125,364	5,591,202
Total non-current assets		6,760,287	6,253,052
Total assets		7,328,645	6,399,027
Current liabilities			
Trade and other payables	11	155,980	129,161
Provisions	16	4,132	5,613
Total current liabilities		160,112	134,774
Non-current liabilities			
Borrowings	15	2,300,000	2,300,000
Total non-current liabilities		2,300,000	2,300,000
Total liabilities		2,460,112	2,434,774
Net assets		4,868,533	3,964,253
Equity			
Issued capital	12	16,429,818	14,849,266
Reserves	13	208,924	142,424
Accumulated losses		(11,770,209)	(11,027,437)
Total equity		4,868,533	3,964,253

The accompanying notes form part of these financial statements

**Statement of Changes in Equity
for the financial year ended 30 June 2014**

	Consolidated			Total \$
	Issued capital \$	Options reserve \$	Accumulated losses \$	
Balance at 1 July 2012	13,801,484	121,999	(9,672,256)	4,251,227
Shares issued during the year	1,091,618	-	-	1,091,618
Share issue costs	(43,836)	-	-	(43,836)
Recognition of share based payments	-	20,425	-	20,425
Total comprehensive income	-	-	(1,355,181)	(1,355,181)
Balance at 30 June 2013	14,849,266	142,424	(11,027,437)	3,964,253
Shares issued during the year	1,596,852	-	-	1,596,852
Share issue costs	(16,300)	-	-	(16,300)
Recognition of share based payments	-	66,500	-	66,500
Total comprehensive income	-	-	(742,772)	(742,772)
Balance at 30 June 2014	16,429,818	208,924	(11,770,209)	4,868,533

The accompanying notes form part of these financial statements

Statement of Cash Flows for the financial year ended 30 June 2014

		Consolidated	
Note	2014 \$	2013 \$	
Cash flows from operating activities			
	56,839	123,992	
	(350,089)	(446,737)	
	29,948	38,478	
	(230,000)	(230,644)	
	183,878	-	
	(309,424)	(514,911)	
14(a)			
Cash flows from investing activities			
	(1,857)	-	
	(925,459)	(727,856)	
	19,016	-	
	-	(29,017)	
	(908,300)	(756,873)	
Cash flows from financing activities			
	-	(10,086)	
	1,596,852	1,091,618	
	(16,300)	(43,836)	
	1,580,552	1,037,696	
Net increase (decrease) in cash and cash equivalents			
	362,828	(234,088)	
	110,568	344,656	
	473,396	110,568	
14(b)			

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the financial year ended 30 June 2014

1. General information

Nagambie Mining 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.

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, 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 the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. 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 2014 the consolidated net loss was \$742,772 (2013: \$1,355,181). The net cash outflows for operations for the year were \$309,424 (2013: \$514,911).

The Group has cancellable planned exploration expenditure under its leased tenements extending to 30 June 2015 of \$578,212 (2014: \$596,126).

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 have detailed under 'Likely Developments' on page 4 of the Directors' Report initiatives which are being undertaken to improve Group income.

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

- Issue of additional shares;
- Reclaiming cash backed environmental bonds for mineral tenements with the Department of State Development, Business and Innovation 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 as far as possible.

The directors also have a reasonable expectation that they will be able to renegotiate the terms of convertible notes of \$1 million which are due to expire in September 2015 should the Group not have sufficient working capital available to extinguish these amounts in cash. As disclosed in Note 26, subsequent to year end 300,000 convertible notes which were due to mature in September 2015 were converted to equity.

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.

2. Significant accounting policies (continued)

(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 initially measured at fair value plus transaction costs. 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.

Classification and subsequent measurement

1. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method

2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

3. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

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.

2. Significant accounting policies (continued)

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.

(g) Impairment of tangible assets other than exploration and evaluation 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.

2. Significant accounting policies (continued)**(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.

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.

(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.

2. Significant accounting policies (continued)

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.

(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 the Binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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 gross 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.

2. Significant accounting policies (continued)

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 the bank overdraft
- interest on short-term and long-term borrowings

(t) Critical accounting estimates and judgements

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Employee benefits provision

As discussed in note 2(d), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

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 either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. 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.

2. Significant accounting policies (continued)**(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

During the year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. Adoption of these standards has not materially impacted these financial statements.

The Group has not adopted new and revised Australian Accounting Standards which have not yet become mandatory. This has not materially impacted these financial statements.

4. Revenue and expenses

	Consolidated	
	2014	2013
	\$	\$
The loss before income tax includes the following items of revenue and expenses.		
(a) Revenue		
Operating revenue		
Sale of non-gold materials	88,582	123,939
Other revenue		
Interest	32,348	38,478
Total revenue	120,930	162,417
(b) Expenses		
Employee benefits expense		
Employee benefits	4,154	6,227
Share based payments expense	66,500	20,425
Superannuation expense	3,838	4,843
	74,492	31,495
Finance costs		
Interest	230,000	230,644

5. Income tax**(a) The tax rate used in this reconciliation is the corporate tax rate of 30%**

Loss from operations	(926,650)	(1,355,181)
Prima facie tax calculated at 30% (2013: 30%)	(277,995)	(406,554)
Add tax effect of:		
- Non deductible expenses	(5,205)	(7,557)
- Share based payments	19,950	6,128
- R&D tax incentive payments	19,355	-
Less tax effect of:		
Current year tax loss not recognised	243,895	407,983
R&D tax incentive	183,878	-
Income Tax (Expense) Benefit	183,878	-

5. Income tax (continued)

	Consolidated	
	2014	2013
	\$	\$
(b) The following deferred tax asset is not recognised due to the uncertainty of timing in relation to when future taxable profits will be derived.		
A deferred tax asset attributable to tax losses and timing differences has not been brought to account.	3,694,993	3,535,804

6. Earnings per share

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

Net loss	742,772	1,355,181
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	263,731,167	199,013,837

As discussed in Note 20, the company has issued options over its unissued share capital. 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	34,214	2,471
Other receivables	60,478	32,936
Total receivables	94,962	35,407

8. Security deposits**Non-current assets**

Security deposits - environmental bonds (i)	574,000	593,016
Security deposits - rental bonds	1,215	1,215
Total other assets	575,215	594,231

(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 State Development, Business and Innovation 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. Property, plant and equipment

	Consolidated				
	Land	Plant and equipment	Computer equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2012	27,028	67,423	123,691	86,211	304,353
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at 1 July 2013	27,028	67,423	123,691	86,211	304,353
Additions	-	-	1,858	-	1,858
Disposals	-	-	-	-	-
Balance at 30 June 2014	27,028	67,423	125,549	86,211	306,211
Balance at 1 July 2012	-	(33,444)	(111,869)	(81,237)	(226,550)
Depreciation expense	-	(5,394)	(3,546)	(1,244)	(10,184)
Disposals	-	-	-	-	-
Balance at 1 July 2013	-	(38,838)	(115,415)	(82,481)	(236,734)
Depreciation expense	-	(4,496)	(4,340)	(933)	(9,769)
Disposals	-	-	-	-	-
Balance at 30 June 2014	-	(43,334)	(119,755)	(83,414)	(246,503)
Net book value					
As at 30 June 2013	27,028	28,585	8,276	3,730	67,619
As at 30 June 2014	27,028	24,089	5,794	2,797	59,708

10. Exploration and evaluation assets

	Consolidated	
	2014 \$	2013 \$
Balance at beginning of the year	5,591,202	5,654,646
Exploration costs capitalised for the year	925,459	727,856
Impairment charge for the year	(391,297)	(791,300)
Balance at end of the year	6,125,364	5,591,202

During the financial year the group reassessed the recoverable value of all tenement areas of interest to which exploration costs had been capitalised and some impairment charges were deemed applicable. The impairment charge for the year was determined at the end of the financial year and was calculated on a pro-rata basis of the specific area surrendered to the total area for that tenement.

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

11. Trade and other payables

Trade payables	94,306	61,494
Other payables	61,674	67,667
	155,980	129,161

12 Issued capital

	Consolidated	
	2014	2013
	\$	\$
(a) Issued and paid capital		
Ordinary shares fully paid	16,429,818	14,849,266

(b) Movements in shares on issue

	Year ended 30 June 2014		Year ended 30 June 2013	
	Number of shares issued	Issued capital \$	Number of shares issued	Issued capital \$
Balance at beginning of the year	223,440,832	14,849,266	168,859,948	13,801,484
Movements during the year				
Placement 6 September 2013	41,000,000	820,000	-	-
Placement 10 February 2014	2,761,056	76,852	-	-
Placement 21 March 2014	21,212,122	700,000	-	-
Rights issue 2 October 2012	-	-	37,330,884	746,618
Share purchase plan 29 April 2013	-	-	9,750,000	195,000
Placement 23 May 2013	-	-	7,500,000	150,000
Share issue expenses	-	(16,300)	-	(43,836)
Balance at end of the year	288,414,010	16,429,818	223,440,832	14,849,266

(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 2014 there were 3,600,000 options over ordinary shares. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees (2013: 2,650,000). Of these options 3,600,000 were vested by 30 June 2014 (2013: 2,650,000).

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 2014 there were 22,000,000 options over ordinary shares issued to directors (2013: 18,000,000). Of these options 22,000,000 were vested by 30 June 2014 (2013: 16,000,000).

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 2013 Annual Report.

13. Reserves

	Consolidated	
	2014	2013
	\$	\$
Options Reserve		
Balance at beginning of the year	142,424	121,999
Recognition of share based payments	66,500	20,425
Balance at end of the year	208,924	142,424

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

14 Notes to the statement of cash flows**(a) Reconciliation of loss after tax to net cash flows from operations**

Net loss for the period	(742,772)	(1,355,181)
Depreciation of property, plant and equipment	9,768	10,184
Share option expenses	66,500	20,425
Impairment of exploration and evaluation assets	391,297	791,300
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in receivables	(59,555)	53
Increase/(Decrease) in creditors	26,819	15,875
Increase/(Decrease) in employee provisions	(1,481)	2,433
Net cash used in operating activities	(309,424)	(514,911)

(b) Reconciliation of cash

Cash and cash equivalents comprise:		
Cash on hand and at call	473,396	110,568
	473,396	110,568

15. Borrowings

Current	-	-
Non-current		
Unsecured convertible notes (i)	2,300,000	2,300,000
Total borrowings	2,300,000	2,300,000

(i) The Company has issued 3 series of Unsecured Convertible Notes for a total of \$2,300,000.

Series 1: 25 million Notes issued at 4 cents on 14 September 2010 for a total of \$1,000,000.

Series 2: 13.75 million Notes issued at 4 cents on 2 September 2011 for a total of \$550,000

Series 3: 25 million Notes issued at 3 cents on 4 May 2012 for a total of \$750,000

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	
	2014	2013
	\$	\$
Current		
Employee benefits – annual leave	4,132	5,613

17. Planned exploration expenditure**(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	578,212	596,126
Longer than 1 year and not longer than 5 years	2,235,312	1,733,754
Longer than 5 years	-	-
	2,813,524	2,329,880

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2014 or 30 June 2013.

(c) Operating lease commitments

Not longer than 1 year	4,967	3,726
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	4,967	3,726

The above relates to a non-cancellable property lease on a house at Nagambie which is used for company business. The lease is for a 12 month period expiring in October 2014. There is no option to purchase the property at the end of the lease period.

18. Subsidiaries

<u>Name of entity</u>	<u>Country of incorporation</u>	Ownership interest	
		2014	2013
		%	%
Parent entity			
Nagambie Mining Limited	Australia	-	-
Subsidiaries			
Nagambie Landfill Pty Ltd	Australia	100	100
Nagambie Developments Pty Ltd	Australia	100	100

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. 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. The chattel mortgage loans have repayment terms up to 1 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.

19. Financial instruments (continued)**(a) Categories of financial instruments**

	Consolidated	
	2014	2013
	\$	\$
Financial assets		
Security deposits and receivables	670,177	629,638
Cash and cash equivalents	473,396	110,568
Financial liabilities		
Trade and other payables	155,980	129,161
Borrowings	2,300,000	2,300,000

(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	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	%	\$	\$	\$	\$	\$
2014						
Trade and other payables	-	155,980	-	-	-	-
Borrowings	10.00	-	77,500	152,500	2,812,500	-
		155,980	77,500	152,500	2,812,500	-
2013						
Trade and other payables	-	129,161	-	-	-	-
Borrowings	10.00	-	77,500	152,500	3,042,500	-
		129,161	77,500	152,500	3,042,500	-

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 Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. There is a total of 25,600,000 (2013: 20,650,000) options on issue. Of these 3,600,000 (2013: 2,650,000) have been issued to executives and employees and the balance of 22,000,000 (2013: 18,000,000) 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 2014		30 June 2013	
	Number of options	Exercise price	Number of options	Exercise price
Balance at beginning of period	20,650,000	10 cents	15,900,000	10 cents
granted during year	9,500,000	10 cents	4,750,000	10 cents
lapsed or exercised	(4,550,000)	10 cents	-	-
Balance at end of period	25,600,000	10 cents	20,650,000	10 cents

20. Share-based payments (continued)

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
550,000	09/07/2009	09/07/2011	09/07/2014	10 cents	1.30 cents
2,000,000	17/12/2009	17/12/2011	17/12/2014	10 cents	1.30 cents
4,000,000	26/11/2010	26/11/2012	26/11/2015	10 cents	0.60 cents
400,000	11/03/2011	11/03/2013	11/03/2016	10 cents	0.60 cents
4,400,000	30/11/2011	30/11/2011	30/11/2016	10 cents	0.51 cents
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
25,600,000					

(i) Exercised during the financial year

There were no options exercised during the financial year

(ii) Equity-settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

The weighted average fair value of the share options granted during the financial year is \$0.0070 (2013: \$0.0043). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of 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 not be exercised early, executives and senior employees are not able to exercise the options before vesting date.

Inputs into the model	Options
Grant date	3/12/2013
Options Issued	9,500,000
Share price at grant date	\$0.026
Exercise price	\$0.10
Expected volatility	75%
Option life	5 years
Dividend yield	Nil
Risk free interest rate	3.25%
Vesting date	3/12/2013

21. Key management personnel compensation

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits	482,438	496,246
Post-employment benefits	3,885	10,868
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	63,000	19,350
	549,323	526,464

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

There were 9,500,000 options issued during the reporting period relating to key management personnel (2013: 4,750,000).

(b) Shares issued on exercise of remuneration options

No shares were issued on the exercise of remuneration options during the reporting period relating to key management personnel (2013: Nil).

(c) Option holdings of key management personnel

Year ended 30 June 2014	Opening Balance 1 July 2013	Granted as remuneration	Options exercised expired or transferred out	Closing Balance 30 June 2014	Vested and exercisable at 30 June 2014
Michael Trumbull	4,500,000	4,000,000	(1,000,000)	7,500,000	7,500,000
Geoff Turner	4,500,000	2,000,000	(1,000,000)	5,500,000	5,500,000
Kevin Perrin	3,000,000	2,000,000	-	5,000,000	5,000,000
Colin Glazebrook	6,000,000	-	(6,000,000)	-	4,000,000
Alfonso Grillo	1,500,000	1,000,000	(250,000)	2,250,000	2,250,000
Total	19,500,000	9,000,000	(8,250,000)	20,250,000	24,250,000

Year ended 30 June 2013	Opening Balance 1 July 2012	Granted as remuneration	Options exercised expired or transferred out	Closing Balance 30 June 2013	Vested and exercisable at 30 June 2013
Michael Trumbull	3,500,000	1,000,000	-	4,500,000	4,500,000
Geoff Turner	3,500,000	1,000,000	-	4,500,000	4,500,000
Kevin Perrin	2,000,000	1,000,000	-	3,000,000	3,000,000
Colin Glazebrook	5,000,000	1,000,000	-	6,000,000	6,000,000
Alfonso Grillo	1,000,000	500,000	-	1,500,000	1,500,000
Total	15,000,000	4,500,000	-	19,500,000	19,500,000

21. Key management personnel compensation (continued)**(d) Shareholdings of key management personnel**

Year ended 30 June 2014 Ordinary shares	Balance 1 July 2013	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2014
Michael Trumbull	21,540,192	-	-	(3,080,096)	18,460,096
Geoff Turner	1,552,779	-	-	-	1,552,779
Kevin Perrin	10,809,780	-	-	-	10,809,780
Total	33,902,751	-	-	(3,080,096)	30,822,655

Year ended 30 June 2013 Ordinary shares	Balance 1 July 2012	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2013
Michael Trumbull	17,265,192	-	-	4,275,000	21,540,192
Geoff Turner	602,084	-	-	950,695	1,552,779
Kevin Perrin	7,544,834	-	-	3,264,946	10,809,780
Colin Glazebrook*	779,167	-	-	(779,167)	-
Total	26,191,277	-	-	7,711,474	33,902,751

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

* Colin Glazebrook resigned as a director on 30 June 2013

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

22. Related party transactions**(a) Transactions with key management personnel and related parties**

The company paid consulting fees of \$163,875 (2013: Nil) to Cypron Pty Ltd, an entity associated with Michael Trumbull. The company paid consulting fees of Nil (2013: \$78,750) to Michael Trumbull for directors fees.

The company paid consulting fees of \$194,528 (2013: \$93,600) to Exploration Management Services Pty Ltd, an entity controlled by Geoff Turner.

The company paid consulting fees of \$45,885 (2013: \$45,780) to Vinda Pty Ltd, an entity controlled by Kevin Perrin.

The company paid consulting fees of Nil (2013: \$200,002) to Glazco Consultants Pty Ltd, an entity controlled by Colin Glazebrook.

The company paid fees of \$8,550 (2013: Nil) to GrilloHiggins Lawyers which includes secretarial fees of \$3,000 (2013: Nil). Alfonso Grillo is a partner in the legal firm of GrilloHiggins Lawyers.

The company also paid fees of \$46,505 (2013: \$114,507) to TressCox Lawyers which includes secretarial fees of \$33,150 (2013: \$36,114). Alfonso Grillo was a partner in the legal firm of TressCox Lawyers.

All transactions between related parties were on normal terms and conditions no more favorable than those available to other parties unless otherwise stated.

As at 30 June 2014 the Group owed trade payables to related parties of its key management personnel totaling \$24,738 (2013: \$17,649). These liabilities were unsecured and payable at call and had no interest-bearing terms.

23. 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.

24. Remuneration of auditors

	Consolidated	
	2014	2013
	\$	\$
Auditor of the parent entity		
Audit or review of the financial report	20,020	20,020
Other non-audit services – taxation related	-	-
	20,020	20,020

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

25. Contingent liabilities

Apart from the matter described in Note 8 Nagambie Mining Limited has no contingent liability as at 30 June 2014.

26. Subsequent events

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

In July 2014, Nagambie Mining acquired 100% of Exploration Licences 4460 and 4987 at Clonbinane. The tenements, with a total area of 218.2 km², are approximately halfway between Melbourne and Nagambie, close to the Hume Freeway. The acquisition cost was 13.0 million of the company's fully paid ordinary shares plus \$23,000 in relation to an environmental tenement bond.

On 6 August 2014 the Company announced to the ASX that 300,000 shares had been issued on conversion of a similar number of Series 1 convertible notes which would have matured on 14 September 2015.

27. Parent entity disclosures

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

	Parent	
	2014	2013
	\$	\$
Current assets	568,358	145,975
Total assets	7,328,645	6,399,027
Current liabilities	160,112	134,774
Total liabilities	2,460,112	2,434,774
Issued capital	16,429,818	14,849,266
Options reserve	208,924	142,424
Accumulated losses	(11,770,209)	(11,027,437)
Loss	(742,772)	(1,355,181)
Total comprehensive income	(742,772)	(1,355,181)

There were no contingent liabilities and commitments of the parent entity not otherwise disclosed in the consolidated financial statements. Guarantees of the Company are discussed at note 8.

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
30 September 2014



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report of Nagambie Mining Limited (the Company) on pages 11 to 31, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of Nagambie Mining Limited on pages 11 to 31 is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in the going concern paragraph in Note 2 to the financial statements, there is inherent uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Nagambie Mining Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Nagambie Mining Limited for the year ended 30 June 2014 included on company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

William Buck

William Buck Audit (VIC) Pty Ltd

ABN: 59 116 151 136

J.C. Luckins

Director

Dated this 30th day of September, 2014

CORPORATE GOVERNANCE STATEMENT

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

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

- 1: Lay solid foundations for management and oversight.
- 2: Structure the board to add value.
- 3: Promote ethical and responsible decision making.
- 4: Safeguard integrity in financial reporting.
- 5: Make timely and balanced disclosure.
- 6: Respect the rights of shareholders.
- 7: Recognise and manage risk.
- 8: Remunerate fairly and responsibly.

1. Lay Solid Foundations for Management and Oversight

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

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

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

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

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

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

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

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

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

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

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

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

2. Structure the Board to Add Value

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

At the date of this statement, the Board comprises of three Directors, two of whom, Mr Geoff Turner and Mr Kevin Perrin are deemed as independent Directors as defined under the Board policy on Director independence.

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

Recommendation 2.2: The chair should be an independent director

The Chairman, Mr Michael Trumbull, is an Executive Director, and is not deemed to be independent. Since December 2007, it was resolved by the current Directors that Mr Michael Trumbull be appointed Chairman having regard to his extensive mining industry experience as both an executive and director of ASX listed companies, the current size of the Board and the Company's current level of operations. Mr Trumbull was a Non-Executive Chairman until 13 September 2013, when he was engaged as Executive Chairman.

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

Mr Michael Trumbull is the Executive Chairman of the Board. Following the retirement of Mr Colin Glazebrook as the Chief Executive Officer on 30 June 2013, Mr Michael Trumbull acted in the capacity of Non-Executive Chairman from 1 July 2013 until 13 September 2013. On 13 September 2013 he was formally engaged as Executive Chairman of the Company. Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate Chief Executive Officer.

Recommendation 2.4: The board should establish a nomination committee

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

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

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

- (a) each Director will periodically evaluate the effectiveness of the Board and its committees and submit observations to the Chairman;
- (b) the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;
- (c) the Board will agree on development and actions required to improve performance;
- (d) given the small size of the Company and the scale and nature of its current level of operations, the Board has considered and believes that the current mix of skills and diversity as outlined in the Directors' Report is adequate. The Board will continue to monitor the mix of skills and diversity it is looking to achieve periodically;
- (e) outcomes and actions will be minuted; and
- (f) the Chairman will assess during the year the progress of the actions to be achieved.

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

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

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

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

- (a) The skills, experience and expertise relevant to the position of Director held by each Director as at the date of the Annual Report is detailed in the Directors' Report.
- (b) Mr Geoff Turner and Mr Kevin Perrin are considered by the Board to constitute independent Directors. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles.
- (c) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.
- (d) The term of office held by each Director as at the date of the Annual Report is detailed in the Director's Report.
- (e) Due to the small size of the Board, the Company does not have a separate nomination committee and therefore a charter or an appointment policy has not been created.
- (f) The performance of the Board, individual Directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5.

As at the date of this statement, the Company is of the view that it has complied with each of the recommendations under Principle 2, except for Recommendations 2.2, 2.3 and 2.4. An explanation for the departures from Recommendations 2.2, 2.3 and 2.4 is set out above.

3. Promote Ethical and Responsible Decision-making

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

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

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

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

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

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company has not adopted a formal diversity policy and therefore, has not set measurable objectives for achieving gender diversity. The Board is of the view that the size of the Company and the scale and nature of its operations does not currently lend itself to an effective and meaningful application of such a policy. However, the Board intends to reconsider the adoption of a formal diversity policy periodically.

Recommendation 3.3: Companies should disclose in each Annual Report the measurable objectives for achieving gender diversity

The Company has not adopted a formal diversity policy and therefore, has not set measurable objectives for achieving gender diversity. The Board is of the view that the size of the Company and the scale and nature of its operations does not currently lend itself to an effective and meaningful application of such a policy. However, the Board intends to reconsider the adoption of a formal diversity policy periodically.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board

	Number	Percentage
Women in the whole organisation	1	50%
Women in senior executive positions	Nil	0%
Women on the board	Nil	0%

Recommendation 3.5: Provide the information indicated in the Guide to reporting on Principle 3

The Company has not adopted a formal diversity policy and therefore, has not set measurable objectives for achieving gender diversity. The Board is of the view that the size of the Company and the scale and nature of its operations does not currently lend itself to an effective and meaningful application of such a policy. However, the Board intends to reconsider the adoption of a formal diversity policy periodically.

4. Safeguard Integrity in Financial Reporting

Recommendation 4.1: The board should establish an audit committee.

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

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

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

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

- (a) consists only of non-executive directors;**
- (b) consists of a majority of independent directors;**
- (c) is chaired by an independent chair, who is not chair of the board; and**
- (d) has at least three members.**

The Audit and Compliance Committee consists of the two Non-Executive Directors of the Company, Mr Kevin Perrin and Mr Geoff Turner. Mr Kevin Perrin is Chairman of the Audit and Compliance Committee and is an independent director.

The Audit and Compliance Committee consists of a majority of independent directors.

Due to there only being two non-executive Directors on the Board the committee consists of those Directors and only comprises of 2 members.

Recommendation 4.3: The audit committee should have a formal charter

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

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

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

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

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

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

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

- (a) The qualifications of the Audit and Compliance Committee members, Mr Kevin Perrin, and Mr Geoff Turner, are detailed in the Directors report;
- (b) The Audit and Compliance Committee met four times throughout the year. Mr Kevin Perrin and Mr Geoff Turner were present at all meetings;
- (c) The Charter of the Audit Committee adopted by the Company is available at the Company's website; and
- (d) The Company periodically puts to private tender the appointment of its external auditor. The Company's external audit engagement partner is rotated in consultation with the external auditor, as required by Division 5 of the Corporations Act.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. Monthly reporting of financial performance is in place as are policies to manage credit, foreign exchange and other business risks.

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

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

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

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

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

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

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

Mr Michael Trumbull, as the Company's Executive Chairman, and Mr Kevin Perrin as the Company's Finance Director, have declared to the Board that the statement given to the Board regarding the Financial Reports (as discussed under Section 4 of this statement) is founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board.

Mr Michael Trumbull has also declared to the Board that the Company's risk management, internal compliance and control system is operating efficiently and effectively in all material respects.

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

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

- (a) The Company has not departed from Recommendations 7.1 to 7.4.
- (b) The Board has received the report from management under Recommendation 7.2.

- (c) The Board has received assurance from Mr Michael Trumbull, as the Company's Executive Chairman, and Mr Kevin Perrin, as the Company's Finance Director, under Recommendation 7.3.

8. Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee

Due to the small size of the Board and the Company's current level of operations, the Company has not established a Remuneration Committee as a subcommittee of the Board. The Board is responsible for determining and reviewing the remuneration of the Directors, the Executive Chairman and the executive officers 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 executive with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

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

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

Recommendation 8.2: The remuneration committee should be structured so that it:

- ***consists of a majority of independent directors***
- ***is chaired by an independent chair***
- ***has at least three members.***

The Company does not currently have a formal remuneration sub-committee and the relevant issues are the responsibility of the Board as a whole. There are two independent directors on the Board.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

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

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

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

- (a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the Non-Executive Directors;
- (b) due to the small size of the Board, the Company does not have a separate Remuneration Committee and therefore a charter or an appointment policy has not been created; and
- (c) as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.

Additional ASX Information

Additional information required by the ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 October 2014.

Number of holders of equity securities

Ordinary share capital

301,714,010 fully paid ordinary shares are held by 486 individual shareholders. All the shares carry one vote per share.

Options

25,050,000 options are held by 8 individual optionholders. Options do not carry a right to vote.

Unsecured convertible notes

63,450,000 unsecured convertible notes are held by 4 individual noteholders. The notes do not carry a right to vote.

Buy-Back

The company does not have a current on-market buy-back.

Distribution of holders of ordinary shares

	Number of holders	Number of shares
1 – 1,000	24	2,858
1,001 – 5,000	13	56,300
5,001 – 10,000	54	515,117
10,001 – 100,000	250	11,101,374
100,001 and over	145	290,038,361
Totals	486	301,714,010
Holding less than a marketable parcel as at 17 October 2014	94	606,900

Substantial shareholders

Fully paid ordinary shareholders		Number of shares
Mr Ralph Douglas Russell & Ms Ann Maree Hynes	16.87%	50,902,069
Cairnglen Investments Pty Ltd	13.83%*	41,713,182*
Mr Geoffrey Michael Walcott & Mrs Julie Ann Walcott	7.54%	22,750,000
Mr Michael W Trumbull	5.68%	17,125,096
	43.93%	132,490,347

* This figure represents Cairnglen Investments Pty Ltd's current shareholding in the company. Cairnglen Investments Pty Ltd lodged its last substantial holder notice on 20 November 2008 stating that it held 15,706,667 shares in the company, representing 14.50% of the issued capital in the company. Despite participating in share purchase plans and other capital raisings since 2008, Cairnglen Investments Pty Ltd has not released a substantial holder notice in relation to its change of shareholding following these issues as its percentage interest has not moved by more or less than 1% since 20 November 2008.

Distribution of holders of unquoted options

	Number of holders	Number of options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,000 and over	8	25,050,000
Totals	8	25,050,000

Distribution of holders of unquoted convertible notes

	Number of holders	Number of convertible notes
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,000 and over	4	63,450,000

Optionholders holding greater than 20% of the unquoted options

Optionholder name	Options held	% held
Cypron Pty Ltd <M W Trumbull Super Fund A/C>	6,500,000	25.91%

Convertible Noteholders holding more than 20% of the unquoted convertible notes

Noteholder name	Notes held	% held
PPT Nominees Pty Ltd	43,866,667	69.14%

Unquoted options over unissued shares

Exercise price	Grant Date	Vesting Date	Expiry Date	Number
\$0.10	17 December 2009	17 December 2011	17 December 2014	2,000,000
\$0.10	26 November 2010	26 November 2012	26 November 2015	4,000,000
\$0.10	11 March 2011	11 March 2013	11 March 2016	400,000
\$0.10	30 November 2011	30 November 2011	30 November 2016	4,400,000
\$0.10	31 October 2012	31 October 2012	31 October 2017	4,750,000
\$0.10	03 December 2013	03 December 2013	03 December 2018	9,500,000
Total				25,050,000

Twenty largest holders of quoted equity securities

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

Rank	Name	Units	%
1	PPT NOMINEES PTY LTD	44,723,099	14.82
2	CAIRNGLEN INVESTMENTS PTY LTD	32,682,879	10.83
3	MR RALPH DOUGLAS RUSSELL + MS ANN MAREE HYNES <PRECISION SUPER P/L>	31,291,532	10.37
4	MR GEOFFREY MICHAEL WALCOTT + MRS JULIE ANN WALCOTT <GEORET BEACON SUPERFUND A/C>	22,750,000	7.54
5	MR RALPH DOUGLAS RUSSELL + MS ANNE-MAREE HYNES	19,610,537	6.50
6	CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C>	13,780,000	4.57
7	NEFCO NOMINEES PTY LTD	9,932,786	3.29
8	CAIRNGLEN INVESTMENTS PTY LTD	9,030,303	2.99
9	NORMET INDUSTRIES NOMINEE PTY LTD	8,333,333	2.76
10	ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C>	6,708,334	2.22
11	MR ROBERT CARL GUERNIER + MRS JEAN GUERNIER	4,511,128	1.50
12	ADARE MANOR PTY LTD	4,101,446	1.36
13	GREGLYN INVESTMENTS PTY LTD <GK&LE STRANGE SUPERFUND A/C>	3,633,356	1.20
14	CYPRON PTY LTD	3,345,096	1.11
15	JP MORGAN NOMINEES AUSTRALIA LIMITED	3,044,717	1.01
16	MRS MARGARET MCKINSTREY HOLLWAY	2,650,000	0.88
17	R & N KUNG PTY LTD <RENE KUNG PERSONAL S/F A/C>	2,641,958	0.88
18	BLACKLAWS DRILLING PTY LTD	2,561,056	0.85
19	ADMIC SUPER PTY LTD	2,500,000	0.83
20	MR RICHARD EURO MOGOROVICH & MRS GIULIANA MOGOROVICH <MOGOROVICH SUPER FUND A/C>	2,333,334	0.77
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		230,164,894	76.29
Total Remaining Holders Balance		71,549,116	23.71