



# 2010 Annual Report

# Corporate Directory

## NAGAMBIE MINING LIMITED

ABN 42 111 587 163

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## DIRECTORS

Michael W Trumbull (Non-Executive Chairman)

Colin Glazebrook (Executive Director)

Geoff Turner (Non-Executive Director - Exploration)

Kevin J Perrin (Non-Executive Director)

## CHIEF EXECUTIVE OFFICER & EXPLORATION MANAGER

Colin Glazebrook

## COMPANY SECRETARY

Alfonso M G Grillo

## CHIEF FINANCIAL OFFICER

Joe Fekete

## AUDITOR

William Buck

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*Cover Pictures:  
Activities associated with Company operations*

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## Chairman's Letter

Dear Shareholder

Over the last year, Nagambie Mining has continued to focus on both its gold prospects and its non-gold, construction material opportunities.

### Gold

The second-stage costeaning program at Redcastle was completed during the year and provided further encouragement that the Company will be able to delineate various open pits containing a significant tonnage of heap-leachable, oxide mineralisation averaging 1.0 to 2.0 g/t gold. Drill-ready targets now include Mullocky, Pioneer, Why Not and Native Gully.

The purchase of the Laura Mine at Redcastle has been agreed. The transfer of the mining licence is awaiting approval by the Department of Primary Industries (DPI) and the first priority after the transfer will be to carry out an extensive costeaning program. The licence covers the historically most productive, high grade underground mines in the Redcastle Goldfield.

The Company is preparing a Work Plan Variation for submission to the DPI to extend mining approximately 230 metres to the west of the West Pit at the Nagambie Mine. Gold mineralisation extends westward with the waste to ore strip ratio increasing to the west under progressively thicker overburden cover. Previous drill holes 130 and 160 metres west of the West Pit had intersections of 27m at 1.04 g/t gold (including 6m at 2.2 g/t) and 8m at 1.6 g/t respectively. When the Nagambie Mine operated in the 1990s under its previous ownership, the average head grade of the ore stacked on the heap leach pad was approximately 0.8 g/t gold. Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,300 to A\$1,400 per ounce. The greatly increased gold price of today should more than compensate for the higher strip ratio and costs for the proposed pit extension.

Drilling of the large Nagambie North gold anomaly has been held up by the extensive, drought-breaking winter rainfall in the area, as has detailed soil sampling at Nagambie South.

### Non-Gold

The Company entered into a Memorandum of Understanding with Global Contracting Pty Ltd (Global) in June this year, under which Global will be the preferred contractor for all future earthmoving operations carried out by Nagambie Mining. Global's extensive earthmoving experience, equipment fleet and contacts within the industry should assist in obtaining larger orders in the region for rock and fill material, additional to the small orders already obtained locally by the Company.

In recent months, Global has led negotiations with Abigroup, contractors for the main 13.5 km section of the Nagambie Bypass, for the provision of fill for the road works. Abigroup have now agreed to commence using fill from the Nagambie Mine on a trial basis.

The Company, with the assistance of a well-regarded consultant to the extractive industries, commenced investigations during the year into the development and marketing of the sand deposits delineated by the Company's recent exploration work at the Nagambie Mine. Products that could be produced from the sand deposits after beneficiation include concrete, packing, filter and masonry sands.

During the year, to further centralise activities and reduce overheads, the rented office in Heathcote was closed and a transportable office was established adjacent to the existing main shed at the Nagambie Mine. That office now serves as the Company's head office, registered office and exploration office.

I would like to thank my fellow directors and all the management team for their continued efforts in advancing the Company's various projects. Colin Glazebrook and Geoff Turner have successfully applied their experience to the geological modelling of Redcastle which promises to bear fruit in the coming year. Colin, as CEO, is working hard with Global to upgrade the Nagambie Mine infrastructure and secure significant sales of rock and fill material. Kevin Perrin, recently appointed as a director, brings extensive accounting, auditing, corporate governance and finance skills to the Board.

The gold price is continuing to set all-time record highs in US\$ terms. The coming years may well be very exciting times to be in the gold business, especially if Nagambie Mining can develop its construction materials opportunities as a source of funding.



Mike Trumbull  
Chairman  
21 October 2010

## Chief Executive Officer's Review

The Company's principal objectives continue to be to:

- Evaluate the 100% owned oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 100,000 to 200,000 ounces of gold; and
- Develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings and the commercialisation of the sand deposits.

During the year, Nagambie Mining has continued to rationalise and amalgamate its tenement holdings by identifying those which have the most potential for early development. The Company's gold exploration is now focussed on Redcastle, the Nagambie Mine, Nagambie North, Nagambie South and Rushworth.

The Company has been very encouraged by exploration results to date, in particular from the Redcastle and North Nagambie Projects. Next year will see Nagambie Mining moving into an important drilling and testing phase as it looks to evaluate these areas for economic gold mineralisation in light of the continuing encouraging gold price.

## Corporate



Nagambie Mining as part of its rationalisation program has now moved its head office and operational base to the Nagambie Mine site.

The commissioning of the new office building (opposite) in January 2010 gave the Company a fully functioning technical and administrative capability at the Nagambie Mine which will assist in operational improvements as well as cost savings.

Work was also carried out on repairing the old mine shed facility to allow storage and improve employee facilities.

Upgrading of the roads and fences at the mine has also been undertaken in preparation for increased material movements.

During the September 2009 quarter, Nagambie Mining Ltd raised a total of \$683,800 by issuing:

- 14,718,750 fully paid ordinary shares at 3.2 cents per share under a shareholder share purchase plan; and
- 6,650,000 fully paid ordinary shares at 3.2 cents per share to sophisticated and professional investors.

During the March 2010 quarter, the Company placed 17.5 million fully paid ordinary shares at 3.3 cents per share to sophisticated and professional investors, raising a total of \$577,500.

Following the end of the 2010 financial year, the Company placed 25 million convertible notes at 4.0 cents each to sophisticated and professional investors, raising a total of \$1,000,000. The principal terms of the notes are:

- Interest payable every 6 months at a rate of 10% per annum;
- Notes convertible 1:1 into fully paid ordinary Nagambie Mining Limited shares at any time within the maximum 5-year life of the notes at the option of the holder;
- Notes redeemable in cash in full after 5 years if not converted;
- Notes are unsecured but rank ahead of shareholders; and
- Notes are protected for reorganisation events (bonus issues, share consolidations etc).

## Overview

- Very encouraging results were received from the second phase costean program at the Redcastle Project, enabling the identification of structural and lithological elements that control the gold mineralisation. From this modelling, five zones were identified for follow up trenching and drilling. The Company believes that these zones have the potential to yield significant tonnages of oxide mineralisation grading between 1 and 2 g/t gold.
- Terms for the purchase of the mining licence MIN 4465 in the Redcastle Goldfield were agreed, and when the transfer is successfully concluded the whole of the goldfield will be under licence to Nagambie. The area covers five parallel reefs and old reports on these lines of reef are very encouraging.
- Planning for aircore drill testing of basement under a series of well-defined gold and arsenic soil geochemistry anomalies at the Nagambie North Project is completed. The target is gold mineralisation in a similar structural setting to that at the Nagambie Mine. Extensive, drought-breaking winter rainfall in the area has delayed the commencement of the program.
- The re-location of the Head Office to the Nagambie Mine was completed, thus centralising all Company operations and leading to reduced costs and stronger operational control.
- A Memorandum of Understanding with Global Contracting Pty Ltd was activated under which Global will be the preferred contractor for all future earthmoving operations carried out by Nagambie Mining. Global is a civil contracting and earthmoving Company with an excellent reputation in the Australian construction industry, developed through a broad range of experience including earthworks, mining, pavement construction, piling, bridge and dam construction. The tie-up with Global will assist in fully developing the potential of the construction materials on the Nagambie Mine site. It will provide an on-call established contractor for exploration and mine development work and, through Global's contacts in the Victorian construction industry, will lead to improved access to potential customers for the mine material.
- Results from an aircore drilling program at the Nagambie Mine provided further indication that gold mineralisation extends to the west of the West Pit. The Company is now preparing a Work Plan Variation for submission to the DPI to extend mining approximately 230 metres to the west. When the Nagambie Mine operated in the 1990s under its previous ownership, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,300 to A\$1,400 per ounce. The greatly increased gold price of today should more than compensate for the increased costs for the proposed pit extension.
- The aircore drilling at the Nagambie Mine also outlined sand deposits which could prove to be of significant commercial value to Nagambie Mining. The drilling has defined three broad horizons of sand, gravel and pebbles. Potential products include concrete sands, aggregates (pebbles), packing sands and filter sand.

## Exploration and Development

The Company has continued to further evaluate and consolidate its operational areas using its exploration strategy to identify Exploration and Development Areas based on geological (structural and lithological) signatures. Over the past year, the Company has maintained its focus on historic goldfields that:

- have not been subject to intense exploration;
- have realised historic high recovered gold grades; and
- are amenable to the delineation of open pittable oxide gold resources.

The Company currently holds a 100% interest in 5 Exploration Licences and 1 Mining Licence in central Victoria, totalling over 240 km<sup>2</sup>. All the licences are actively being explored for gold and associated minerals.

Two areas failed to meet the Company's stated objectives and have been relinquished - Taradale and Howqua.

The Laura mining licence within the Redcastle Goldfield is currently being assessed by the DPI for transfer to the Company. Initial assessment of the historic workings within the tenement show this to be a significant addition to the Company's exploration assets and will give Nagambie Mining complete coverage of the goldfield.

*Table 1 Group Area, Projects and Licences*

Group Area	Project Name	Licence	Interest %	Holder
<b>EXPLORATION GROUP AREAS</b>				
<b>Nagambie</b>	Nagambie North	EL 4887	100	Nagambie
	Nagambie South	EL 4718	100	Nagambie
	Nagambie	EL 5023	100	Nagambie
	Rushworth	EL 4723	100	Nagambie
<b>Redcastle - Heathcote</b>	Redcastle	EL 3316	100	Nagambie
<b>DEVELOPMENT GROUP AREAS</b>				
<b>Nagambie</b>	Nagambie	MIN 5412	100	Nagambie

During the year, all of the exploration properties held by the Company's wholly owned subsidiary Sierra Minerals Pty Ltd were transferred to the parent Company. This reduces both commitment and reporting costs while allowing for amalgamation of selected licences for more intensive and coordinated exploration and development.

- **Exploration Targets:**

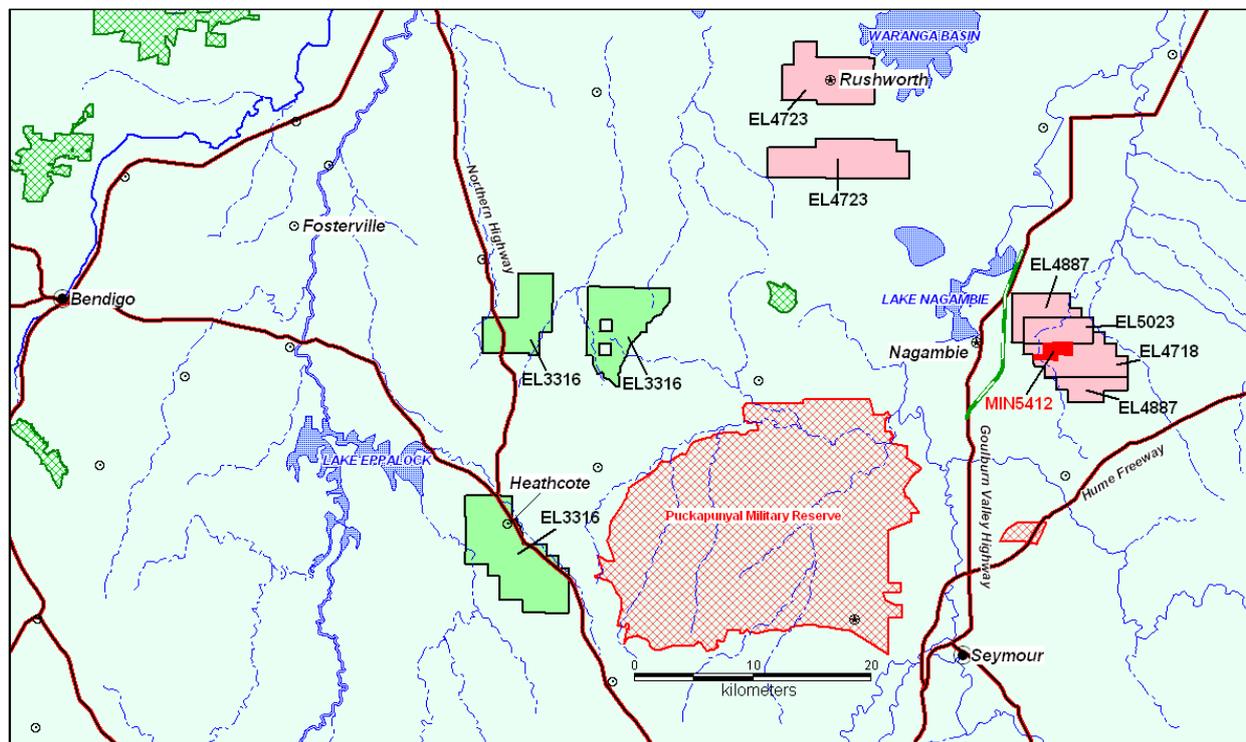
Two Exploration Group Areas located over two historic goldfields have similar structure, lithology and mineralisation characteristics and are strategically close to the Company's Nagambie Mine. Investigation throughout the year has further refined the inventory to 9 prospects.

- **Development Targets:**

The Company has one Development Group Area consisting of the mining licence MIN5412 and is moving to develop another target at Redcastle.

## Exploration Group Areas

The exploration group areas are all in the Central Victorian Goldfields within the Melbourne Structural Zone.



The exploration strategy has continued to focus on prospective areas within “secondary goldfields” that in the past have been mainly overlooked by other explorers and have prospectivity for the development of low grade, open pittable, heap leachable, oxide gold operations. The option of toll-treating higher grade mineralisation at existing treatment plants in central Victoria would be considered where feasible.

### 1. REDCASTLE – HEATHCOTE GROUP

Epizonal mineralisation is associated with quartz reefs in steeply west dipping faults often associated with anticlines and shear fissures.

Shown on Figure 1 as solid green areas totalling 113 km<sup>2</sup>

Identified Projects: 3

Identified Prospects: 7

#### 1.1 REDCASTLE PROJECT EL 3316 (Nagambie 100%)

The Redcastle Project has an area of 33 km<sup>2</sup> in the north-eastern part of EL 3316 and covers the old Redcastle Goldfield. below shows the terrain and a portion of the many diggings that abound within the goldfield.



*Figure 2 Redcastle Goldfield – Historic Diggings*

Gold mineralisation is controlled by a series of parallel, fault-disrupted anticlinal structures. Oxidation of sulphides occurs to around 70 metres and the gold mineralisation is hosted by both north-south and east-west fractures.

This makes it an attractive area for shallow open pit exploitation.

There are few reliable production records of the early mining in the Redcastle Goldfield, however very high grades of gold were recorded from nearly all lines of reefs, which were only worked to an average depth of 55 metres. The Redcastle Gold Mining Company is reported to have produced some 35,000 ounces of gold from Clarke's Reef at an average grade of 33 g/t.

#### **Economic Target at Redcastle**

Nagambie Mining's gold development focus is to systematically evaluate 100% owned, open pitable, oxide gold prospects on and within economic trucking distance of the Nagambie Mine. The aim is to drill out at least 100,000 to 200,000 ounces of gold mineralisation in the region that can be progressively heap leach treated at the Nagambie Mine. Heap leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of capital cost and operating cost per tonne. Higher grade mineralisation can be considered for toll treatment at existing treatment plants in the region.

Apart from the extension of the gold orebody to the west of the West Pit at the Nagambie Mine, Redcastle is the Company's most advanced oxide gold prospect. Less advanced satellite oxide gold prospects are Rushworth, Nagambie North and Nagambie South.

When the Nagambie Mine operated in the 1990s under its previous ownership, the average head grade of the ore stacked on the heap leach pad was approximately 0.8 g/t gold. Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,300 to A\$1,400 per ounce. Costs for activities such as contract mining, trucking, crushing, agglomerating and stacking have not increased nearly as much as the A\$ gold price in the intervening years.

The Company estimates that ore trucking costs from Redcastle to the Nagambie Mine would equate to around 0.2 g/t gold head grade equivalent. Hence an average head grade of 1.0 g/t gold or higher for Redcastle ore should produce attractive returns. The cut-off grade for Redcastle ore could be 0.5 g/t gold or even lower. Based on the extensive work carried out to date, Nagambie Mining is confident of being able to delineate various open pits at Redcastle containing a significant tonnage of mineralisation averaging 1.0 to 2.0 g/t gold.

### Additional Costeaming Work, Structural Interpretation

A second costeaming program involving the excavation, mapping and sampling of 24 costeans (depth of 1.5 metres, width of 1.5 metres and a maximum length of 110 metres) was completed during the year. The costeans were routinely tested with 2 metre continuous channel samples and all sedimentary beds, quartz veins and structures were mapped before the costeans were backfilled and rehabilitated.

As for the first program, the costeans tested the Silurian sediments for both disseminated and narrow vein gold mineralisation and, more importantly, enhanced the understanding of geological controls on the gold mineralisation over the entire goldfield.

Figure 3 shows the three structural zones identified through detailed structural analysis of data from the costean and associated surface geological mapping, supported by interpretation of publicly available geophysics imagery. Each of the three zones has its own characteristic controls on gold mineralisation:

- **Redcastle North Zone** (blue background in Figure 3)

Dominated by numerous historic minor workings with scattered deep shafts and stopes, in a setting of tight, small scale folds. Gold mineralisation is within narrow quartz veins as well as disseminated within fine sandstones, and is controlled by oblique (NW striking) reverse faults which have disrupted the anticlinal axes of local folds.

- **Redcastle South Zone** (red background in Figure 3)

Dominated by numerous localised historic workings, both minor and major. The main feature is a large scale anticline (Redcastle Anticline) which is locally offset by a number of WNW strike slip faults. The Native Gully Prospect is controlled by an east dipping fault disrupting a smaller parasitic anticline to the Redcastle Anticline. Gold has been won from quartz reef structures, but there is evidence of disseminated gold within fine grained sandstones.

- **Moormbool Zone** (yellow background in Figure 3)

Located in the hanging wall to the Moormbool Fault which is the eastern boundary of both the Redcastle North Zone and Redcastle South Zone. Largely within a National Park, the gold mineralisation is confined to narrow quartz stringers in sheared sandstones and siltstones. This Zone is currently low priority for Nagambie Mining.

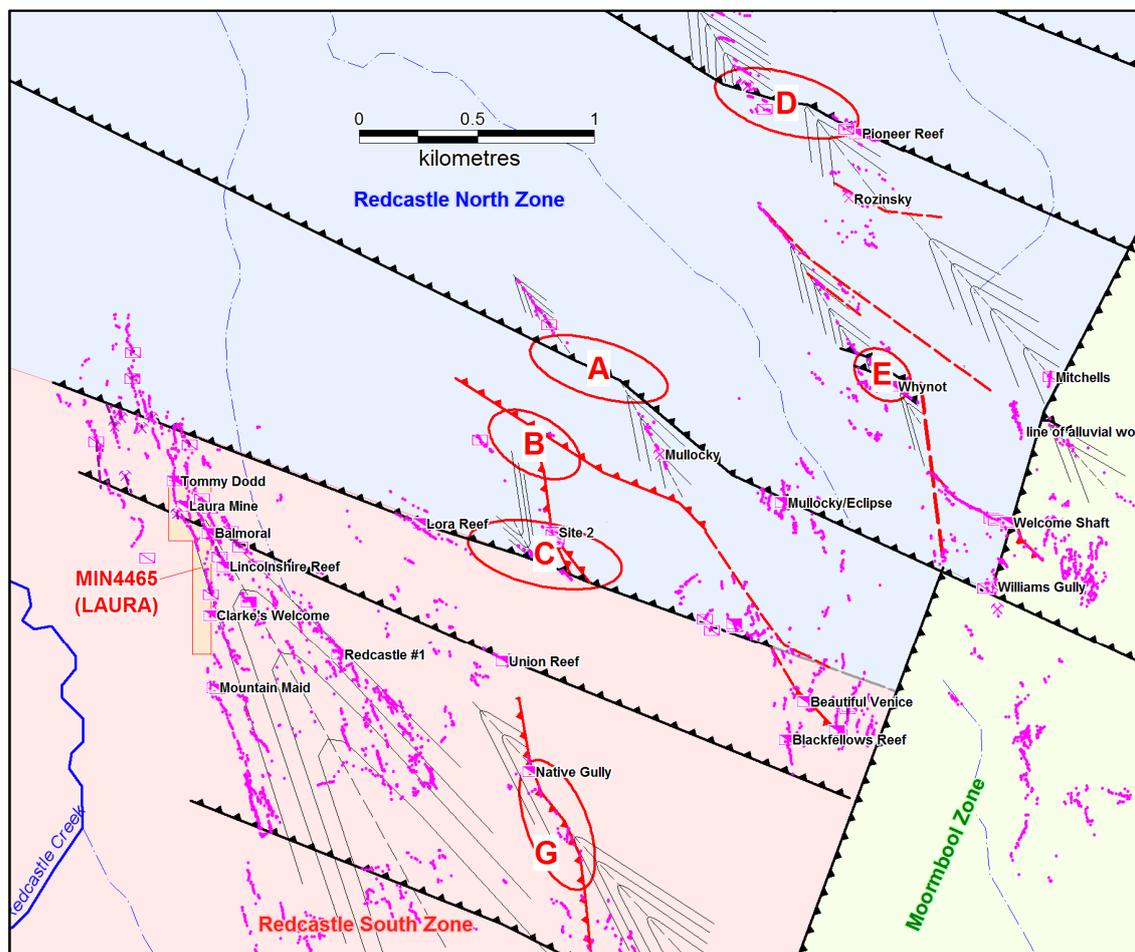


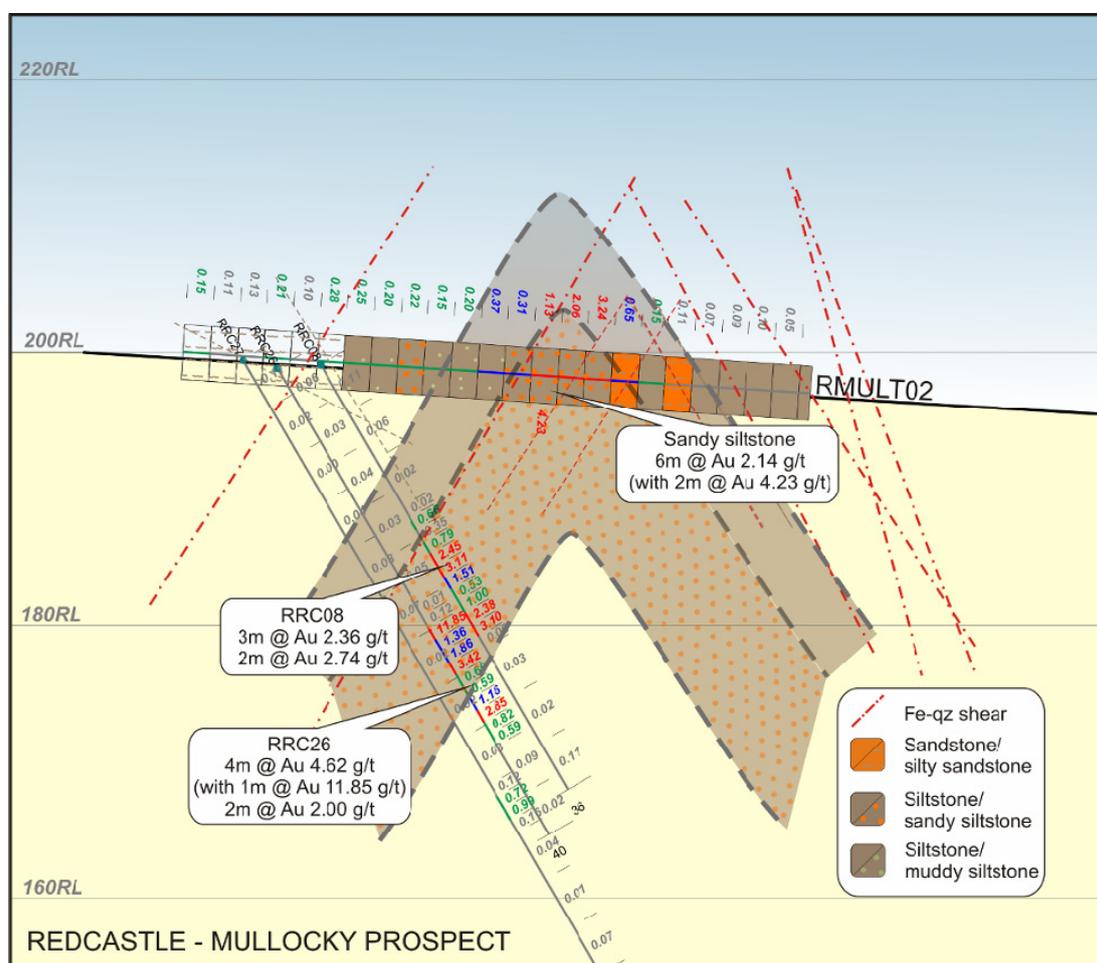
Figure 3 Redcastle historical workings, structural interpretation and Phase 1 RC drilling prospects

The majority of the Redcastle tenement (EL 3316) is located in the footwall of the major regional Moormbool Fault, which has a north-easterly inflexion as it trends north. A series of NW trending reverse faults appear to be splays from this zone of inflexion and may well be the main conduits for gold mineralising fluids. As such, these NW trending (NE dipping) reverse faults (shown in black in Figure 3) present as drill targets, particularly where they disrupt local anticlinal folds. Secondary fault splays from these structures (shown in red in Figure 3) have also been identified as drill targets.

A good example of the mineralisation style being targeted by Nagambie Mining at Redcastle is readily seen in the Mullocky Prospect within the Redcastle North Zone. A group of four costeans in the first costeaning program revealed an anticlinal fold at Mullocky plunging at approximately 6° to the south-east. Gold mineralisation was located at the exposed fold closure at surface in a sandy siltstone unit in costean RMULT02, coinciding with previous gold intersections at depth in nearby drillholes RRC08, RRC24 and RRC26, on the west dipping limb of the fold.

**Mullocky Target:**

Gold associated with stockwork quartz where oblique faults intersect thicker sandy units close to an anticlinal fold. As the folds plunge at a shallow angle to the south-east, multiple shoots can be expected, controlled by the anticline and confined to repeating (or stacked) sandstone beds. Target dimensions exceed 600 metres in length with average width of 10 metres for each shoot.



**Costeaning Results**

Significant assay results from the two costeaning programs conducted at Redcastle included 6 metres at 2.1 g/t gold at Mullocky, 10m at 1.6 g/t at Redcastle Anticline, 6m at 1.2 g/t at Pioneer, 4m at 1.1 g/t at Welcome, 6m at 2.8 g/t at Native Gully and 8m at 0.9 g/t at Site 2.

The two programs have been crucial to designing a cost-effective, focussed RC (reverse circulation percussion) drilling program. Previous drilling in the Redcastle Goldfield, while intersecting encouraging gold mineralisation, was carried out without a detailed understanding of structure. The new structural interpretation predicts the occurrence of gold at fault-anticlinal intersections, and along NE dipping reverse faults in favourable structural settings.

The Company now is planning to undertake an extensive RC drilling program – this will be supported by some further costean work where greater detail is still required before confidence in drill siting can be established.

### Laura MIN 4465

Nagambie Mining has agreed all terms for the acquisition of the Laura Mine (MIN 4465, refer Figure 3) from Greater Bendigo Gold Mines Limited. A transfer has been lodged with the DPI.

MIN 4465 includes the historic Clarke's Reef (or Welcome) and Laura underground gold mines. The MIN lies within the extensive Redcastle Anticline Target.

MIN 4465, 8.6 hectares in area, covers five parallel reefs. Old reports on these lines of reef are very encouraging. The Redcastle Gold Mining Company is reported to have produced some 35,000 ounces of gold from Clarke's Reef, averaging around 33 g/t (1.1 ounces per tonne) but with parcel yields up to around 40 ounces per tonne. Clarke's Reef was worked from surface to water level and over nearly 800 metres in length. The Laura Reef was worked to a depth of 60 metres and yielded an average grade of around 1.0 ounce per tonne. The adjacent Mary Anne and Leviathan Reefs were worked intermittently to water level at approximately 43 metres. The Tommy Dodd Reef next to the Laura Mine has assays from the 60 metre level of up to 6 ounces per tonne.

### 1.2 HEATHCOTE SOUTH PROJECT EL 3316 (Nagambie 100%)

This project of 53 km<sup>2</sup> in the southern part of EL3316 covers the historic Heathcote Goldfield. A 33 costean program completed early in 2009 followed by geological interpretation and assessment of assay data have led to only one prospect for follow up work. The potential of the area is thus being evaluated in the light of the Company's objectives.

### 1.3 HEATHCOTE NORTH PROJECT EL 3316 (Nagambie 100%)

This project consists of 27 km<sup>2</sup> in the north-western part of EL 3316 with three prospects identified. The area is not currently considered to be prospective for near surface oxide gold deposits and the Company is re-evaluating the area.

## 2. NAGAMBIE GROUP

Disseminated epizonal mineralisation occurs in quartz stockworks giving the potential for discovery of shallow, low grade oxide gold 'Nagambie Style' mineralisation.

<b>Nagambie</b>	<b>EL 5023</b>	<b>Nagambie South</b>	<b>EL 4718</b>
<b>Nagambie North</b>	<b>EL 4887</b>	<b>Rushworth</b>	<b>EL 4723</b>

Shown on Figure 1 as solid pink areas totalling 97 km<sup>2</sup>

Identified Projects: 3      Identified Prospects: 3

### 2.1 NAGAMBIE NORTH PROJECT ELs 5023 & 4887 (Nagambie 100%)

This project, with an area of 34 km<sup>2</sup>, is covered by EL5023 and the northern portion of EL4887 and lies approximately 4 kilometres north of the Nagambie Mine (MIN5412). 1 prospect has been identified so far. (refer Figure 4)

Following positive discussions with the DPI and the Strathbogie Council, the proposed aircore drilling program at Nagambie North will commence in the summer field season. The program of 65 holes will target mineralisation haloes associated with structurally controlled gold mineralisation in Devonian aged basement sediments. The target is in a similar structural setting to the Nagambie Mine which is approximately 4 km to the south.

The target mineralisation is indicated at surface by a series of well-defined gold and arsenic soil geochemical anomalies. Significantly, the anomalies cover an area several times the size of the Nagambie Mine.

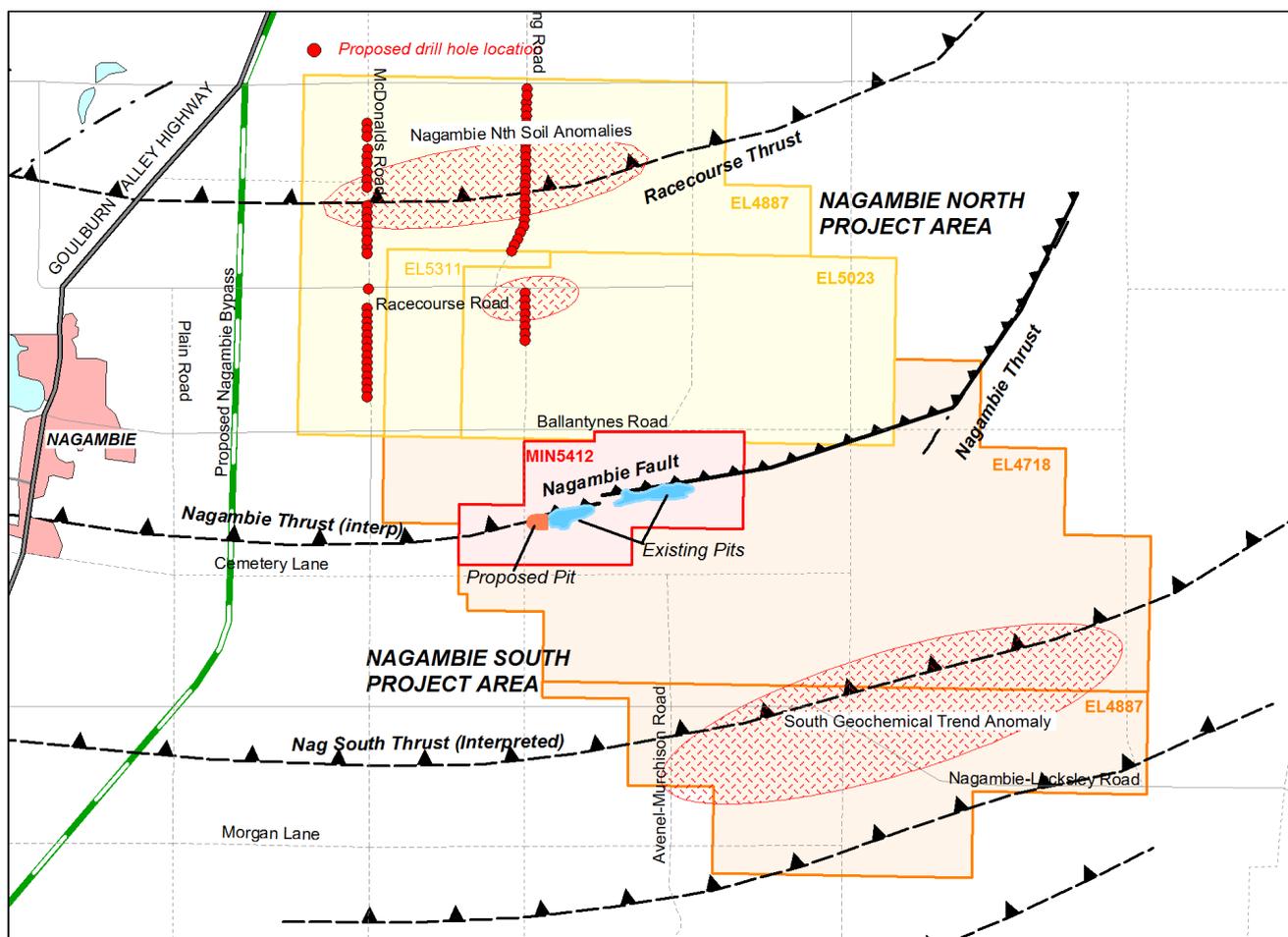


Figure 4. Nagambie North & South Project areas

## 2.2 NAGAMBIE SOUTH PROJECT EL 4718 (Nagambie 100%)

Previous surface geochemical work within EL 4718 south of the Nagambie Mine has been re-evaluated in the light of the exciting soil anomaly north of the mine and a trend anomaly identified (refer Figure 4). A soil sampling program similar to the successful program conducted at the North Nagambie project has been designed, however the recent wet weather has delayed implementation of this program.

## 2.3 RUSHWORTH PROJECT EL 4723 (Nagambie 100%)

This Project of 40 km<sup>2</sup> currently exists in two parts, Rushworth North and Rushworth South (Whroo). The Project area covers part of the historic Rushworth and Whroo Goldfields where total past production is estimated to have been 404,000 oz of gold with a field average of 12 g/t of gold. The gold within the sandstone beds most probably is derived from fine gold within arsenopyrite, stibnite and pyrite that has been released due to oxide weathering above the water table.

A program of 15 costeans designed to test Silurian-Devonian sediments for disseminated and narrow vein gold mineralisation and to enhance the understanding of geological controls on mineralisation was completed at Frenchman's and White Hills Prospects.

Five costeans over the White Hills area at Whroo were disappointing in that no anomalous gold values were encountered. Exploration emphasis on the Whroo portion of the Exploration Licence has now shifted to the west in the Doctors Gully area, which will be subject to confirmatory mapping and sampling.

The Frenchman's Prospect at Rushworth was subject to a 10 costean program and sampling confirmed wide areas of low grade gold mineralisation, indicating probable supergene enrichment and dispersal near surface. This enrichment may continue to depths of 40 metres as indicated by drilling by previous work.

## Development Group Areas

An area is classified as a development area if economic gold mineralisation has been or is in the process of being identified and/or other economic development is being investigated. The Company currently has one such area, the Nagambie Mine, and is in the process of developing a second within the Redcastle Goldfield project area.

### NAGAMBIE MIN 5412 (Nagambie 100%)

The Company has 100% ownership of MIN 5412 and the associated freehold land. During the year, work has concentrated on the assessment of the potential of the area for additional gold mineralisation, evaluation of the sand deposits on the mining licence and the rehabilitation of the site.

A principal component of the rehabilitation plan involves the sale of the substantial quantities of crushed and uncrushed waste rock stockpiles remaining as a result of the previous mining. Investigations into uses for road fill and other construction materials are continuing.

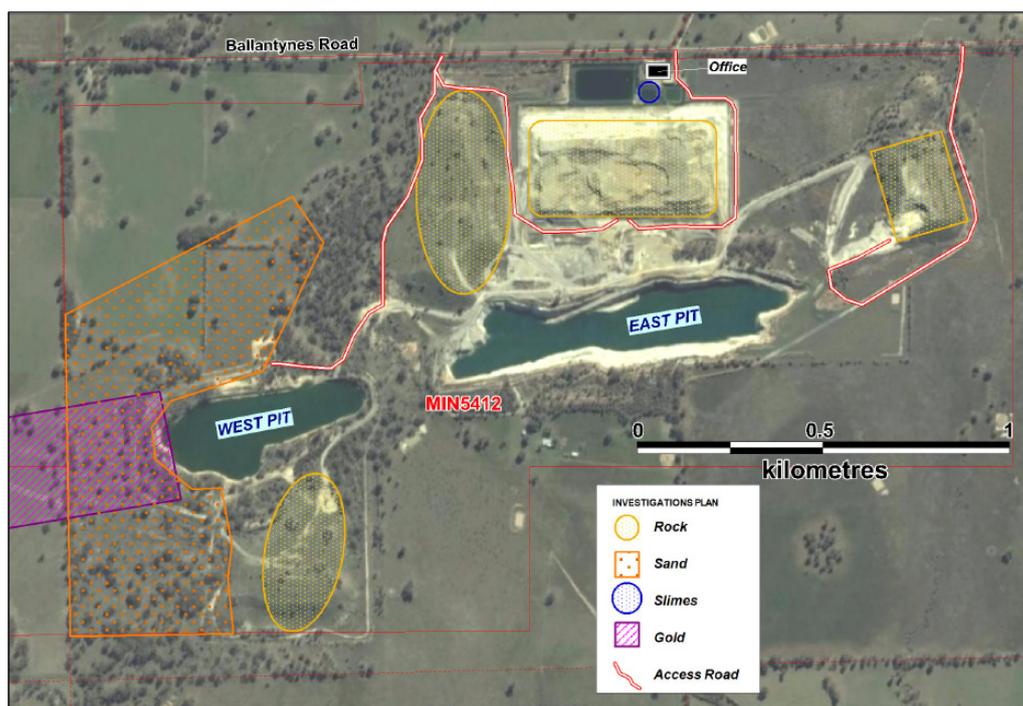


Figure 5 MIN 5412 – Investigations Plan

Figure 5 indicates the areas of the original mine site that the Company has evaluated and which have significant potential for:

- The mining of oxide gold mineralisation;
- The commercialisation of sand deposits; and
- The Investigation and utilization of waste rock for various construction uses.

#### 1.1 MIN 5412 OXIDE GOLD MINERALISATION

The extension of the gold orebody to the west of the West Pit at the Nagambie Mine is currently the Company's most obvious oxide gold project. Success at Redcastle and/or Nagambie North would of course change that position.

The Company is now preparing a Work Plan Variation for submission to the DPI to extend mining approximately 230 metres to the west of the West Pit.

Aircore drilling completed in the December 2009 quarter by Nagambie Mining confirmed, as expected, that overburden depth increases to the west, the reason that the previous owner of the Mine did not extend the West Pit further westwards. The average overburden depth for the Western Extension contemplated by Nagambie Mining is around 30 metres.

Previous drill holes 130 and 160 metres west of the West Pit intersections of 27m at 1.04 g/t gold (including 6m at 2.2 g/t) and 8m at 1.6 g/t respectively. When the Nagambie Mine operated in the 1990s under its previous ownership, the average head grade of the ore stacked on the heap leach pad was approximately 0.8 g/t gold. Importantly, the gold price averaged around

only A\$500 per ounce at that time but is currently trading in a range of A\$1,300 to A\$1,400 per ounce. The greatly increased gold price of today should more than compensate for the higher strip ratio and costs for the proposed pit extension. Cost increases for activities such as contract mining, trucking and crushing have been modest since the 1990s because of improved equipment productivities.

## **1.2 SAND DEPOSITS**

The aircore drilling also outlined three sand layers (Top, Mid and Bottom) within the overburden which could prove to be of significant commercial value to Nagambie Mining and defray the cost of mining the overburden for the proposed Western Extension gold pit.



Based on all the aircore drilling results, the Top, Mid and Bottom sands have average thicknesses of 4.7m, 4.1m and 7.1m respectively and are interbedded with silt/clay material. The lower layers contain coarse sand, gravels and pebbles. The sand deposits wrap around the western end of the West Pit (refer Figure 5).

A well-regarded consultant in the extractive industry area, Bell Cochrane & Associates, is providing evaluation assistance to Nagambie Mining. Several test pits were dug during the year to expose the Top sand layer and obtain bulk samples.

Products that could be produced from the sand deposits after beneficiation include:

- Concrete Sands;
- Aggregates (pebbles);
- Decoratives (pebbles);
- Packing Sand;
- Filter Sand; and
- Masonry Sand.

*Aircore drill rig in action at the Nagambie Mine*

## **1.3 MIN 5412 REHABILITATION AND SITE UTILISATION**

The Company is continuing to seek opportunities within the region for the use of the construction materials located on MIN 5412. More than 10 million tonnes of rock suitable for the construction industry is stockpiled on the mining licence.

Increasingly, small local orders are being received for the supply of material for road base and fill as it becomes more generally known that Nagambie Mining can supply a range of materials.

In June 2010, Nagambie Mining signed a Memorandum of Understanding (MOU) with Global Contracting Pty Ltd (Global) under which Global will be the preferred contractor for all future earthmoving operations carried out by Nagambie Mining. Activities that could be carried out by Global under the terms of the MOU include:

- Crushing, screening, loading and trucking of various rock and fill products to customers, utilising the existing overburden stockpiles at the Nagambie Mine;
- Loading and trucking of crushed mine tailings to concrete plants, utilising the existing mine tailings dump at the Nagambie Mine;
- Mining of sandy clay overlying the sand deposits discovered at the Nagambie Mine to produce a loam product for sale;
- Mining, washing and screening of the sand deposits at the Nagambie Mine and trucking various sand products, including concrete sands, to customers in central Victoria and outer Melbourne;
- Mining of overburden and gold ore at Nagambie Mining's various gold prospects in central Victoria;
- Trucking of better grade ore to toll treatment plants in central Victoria;
- Civil construction of a new heap leach pad at the Nagambie Mine; and
- Trucking, crushing, agglomerating and stacking of gold ore on a new heap leach pad.



Global is a civil contracting and earthmoving business owned by Neil and Penny David and based at Broadford, 45 km south of Nagambie. The Davids are well known in the construction industry Australia wide, and have a broad range of experience including earthmoving, mining, pavement construction, piling, bridge and dam construction. Global has ready access to crushing, screening and washing equipment while its earthmoving fleet includes 5.5 Tonne to 21 Tonne excavators, tracked loaders, bobcats, low loaders and tandem tippers.

In recent months, Global has led negotiations with Abigroup, contractors for the main 13.5 km section of the Nagambie Bypass, for the provision of fill for the road works. Abigroup have now agreed to commence using fill from the Nagambie Mine on a trial basis.

## Portfolio Improvement

Nagambie Mining will continue to energetically explore and develop its licences and also review other areas and opportunities in central Victoria in order to improve the quality of its portfolio of gold and construction material properties over time.

A handwritten signature in black ink, appearing to read 'Colin Glazebrook', is positioned above the name and title.

**Colin Glazebrook**

Chief Executive Officer

## Competent Persons Statement

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Colin Glazebrook, who is a Fellow of the Australasian Institute of Mining and Metallurgy.*

*Mr Glazebrook is a Director of Nagambie Mining Limited and consents to the inclusion in the report of the matters based on information in the form and context in which it appears.*

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

## Directors' report

The directors of Nagambie Mining Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2010. The directors report as follows:

### Directors

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

Name	Particulars
<p><b>MICHAEL W TRUMBULL</b> <i>Non-Executive Director</i> <i>Appointed 28 July 2005</i> <i>Non-Executive Chairman</i> <i>Appointed 20 December 2007</i></p>	<p>Michael W Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 35 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and 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 1993 to 2004, he was an Executive Director for BCD Resources and was involved in the exploration and subsequent mine development at Beaconsfield.</p> <p>Michael is Chairman of the Audit and Compliance Committee</p> <p><i>Other current Directorships of Listed Companies</i></p> <p>BCD Resources NL – appointed March 1993</p> <p>BCD Resources (Operations) NL - appointed August 2007</p> <p><i>Former Directorships of Listed Companies in last three years</i></p> <p>None</p>
<p><b>COLIN GLAZEBROOK</b> <i>Executive Director</i> <i>Chief Executive Officer</i> <i>Appointed 20 December 2007</i></p>	<p>Colin Glazebrook is a geologist with a B.Sc. (Geology Hons, Geophysics) and a Fellow and Chartered Professional (Management) of the AusIMM. He has over 45 years experience in the resources industry including over 30 years involvement in gold and base metal exploration in all States and Territories in Australia and internationally in New Zealand, the South Pacific, Indonesia and the former Soviet Union. In Victoria, he has directed exploration and mining activities at various gold properties including the Wattle Gully Gold Mine at Castlemaine, the Poverty Reef at Tarnagulla, the A1 Mine at Woods Point, Glen Wills and Cassilis.</p> <p><i>Other Current Directorships of Listed Companies</i></p> <p>None.</p> <p><i>Former Directorships of Listed Companies in last three years</i></p> <p>None.</p>
<p><b>GEOFF TURNER</b> <i>Non-Executive Exploration Director</i> <i>Appointed 20 December 2007</i></p>	<p>Geoff Turner, a geologist with a B.Sc (Hons) &amp; M.Sc (Exploration &amp; Mining Geology), is a Registered Professional Geoscientist with the Australian Institute of Geoscientists (AIG). He has over 30 years experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry.</p> <p>Geoff is a member of the Audit and Compliance Committee.</p> <p><i>Other Current Directorships of Listed Companies</i></p> <p>None.</p> <p><i>Former Directorships of Listed Companies in last three years</i></p> <p>Resource Base Ltd - appointed 11 November 2007, resigned 6 January 2009.</p>

<p><b>KEVIN J PERRIN</b>  <i>Non-Executive Director</i>  <i>Appointed 17 September 2010</i></p>	<p>Kevin Perrin is a Certified Practising Accountant (CPA) and since 1975 has been a partner in a Ballarat firm of CPAs, Prowse Perrin &amp; Twomey, which conducts an accounting, taxation, audit and financial advisory practice. Since 1990, he has been a director and shareholder of Prowse Perrin &amp; Twomey Investment Services Pty Ltd, 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><i>Other Current Directorships of Listed Companies</i></p> <p>BCD Resources NL – appointed February 2006</p> <p>BCD Resources (Operations) NL - appointed February 2007</p> <p><i>Former Directorships of Listed Companies in last three years</i></p> <p>None.</p>
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### Company Secretary

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

Alfonso M G Grillo is a Partner at TressCox Lawyers. He holds a Bachelor of Arts and Bachelor of Law 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.

### Chief Financial Officer

#### **JOE FEKETE FCPA FCIS**

Joe Fekete holds a Bachelor of Business in Accounting and is a fellow of CPA Australia. Joe has over 20 years of experience in various industries including mining, wholesale & retail distribution, travel, construction and advertising. Joe is experienced at public disclosure requirements including statutory reporting and in the delivery of quality management information within the organisation.

### Principal activities

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

### Review of operations

As at 30 June 2010, the Company held 7 Exploration and Mining Licences in Victoria, a decrease of five licences during the year from surrenders which reduced the area under exploration from 355 km<sup>2</sup> to 247 km<sup>2</sup>. All licences are undergoing exploration for gold and associated minerals and construction materials are being developed on the Mining Licence at Nagambie.

Name	Licence	Equity (%)	Area (km <sup>2</sup> )
Avenel	EL4887	100	23
Howqua*	EL5189	100	5
Nagambie	EL5023	100	11
Nagambie MIN	MIN5412	100	4
Nagambie South	EL4718	100	23
Redcastle	EL3316	100	113
Rushworth	EL4723	100	68
<b>Total Area</b>			<b>247</b>

\* Exploration Licence surrendered in July 2010.

## **Changes in state of affairs**

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

## **Use of funds**

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

## **Subsequent events**

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

### **(a) \$1.0 Million Placement of Convertible Notes**

Nagambie Mining Limited placed 25.0 million convertible notes at 4.0 cents each to sophisticated and professional investors on 14 September 2010, raising a total of \$1,000,000.

The principal terms of the notes are:

- Interest payable every 6 months at a rate of 10% per annum;
- Notes convertible 1:1 into fully paid ordinary Nagambie Mining Limited shares at any time within the maximum 5-year life of the notes at the option of the holder;
- Notes redeemable in cash in full after 5 years if not converted;
- Notes are unsecured but rank ahead of shareholders; and
- Notes are protected for reorganisation events (bonus issues, share consolidations etc).

### **(b) Exploration Licences – Surrendered**

EL5189 Howqua

The exploration licence at Howqua was surrendered in July 2010 following the decision of the Company to focus exploration and development on its central Victorian tenements. At 30 June 2010, all expenditure on Howqua was written off.

## **Future developments**

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

## **Environmental regulations**

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

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

## **Dividends**

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2009: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:

Colin Glazebrook 1,000,000  
Michael Trumbull 500,000  
Geoff Turner 500,000  
Joe Fekete 250,000  
Alfonso Grillo 250,000

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

There were no options exercised during the year. Details of issued options are included within 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, the Chief Financial Officer and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### Directors' meetings

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

During the financial year, 4 board meetings and 2 audit and compliance committee meetings were held.

Directors	Board of directors		Audit and compliance committee	
	Held	Attended	Held	Attended
Michael W Trumbull	4	4	2	2
Colin Glazebrook	4	4	-	-
Geoff Turner	4	4	2	2

### Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
Michael W Trumbull	12,010,039	1,500,000
Colin Glazebrook	779,167	3,000,000
Geoff Turner	602,084	1,500,000
Kevin J Perrin	7,544,834	-

## 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:

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

#### Remuneration Policy

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

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the Company to Non-Executive Directors for their services as directors is \$250,000. For the year ending 30 June 2010, the Board resolved that the chairman's remuneration be set at \$78,750 (2009: \$78,750) and that Non-Executive Director's remuneration be set at \$42,000 (2009: \$42,000) per annum with additional amounts payable where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director.

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

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

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2010: note that Nagambie Mining Limited listed on 21 June 2006.

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	\$	\$	\$	\$	\$
Revenue	72,821	83,616	222,637	188,491	34,875
Net profit/(loss) before tax	(985,322)	(2,351,890)	(3,256,454)	(1,389,881)	(578,712)
Net profit/(loss) after tax	(985,322)	(2,351,890)	(3,256,454)	(1,389,881)	(578,712)
	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006 <sup>1</sup>
Share price at start of year	\$0.03	\$0.03	\$0.09	\$0.12	\$0.00
Share price at end of year	\$0.03	\$0.03	\$0.03	\$0.09	\$0.12
Interim dividend	NIL	NIL	NIL	NIL	NIL
Final dividend	NIL	NIL	NIL	NIL	NIL
Basic earnings per share (cents)	(0.63)	(2.10)	(3.47)	(2.00)	(0.92)
Diluted earnings per share (cents)	(0.63)	(2.10)	(3.47)	(2.00)	(0.92)

<sup>1</sup> Nagambie Mining Limited was incorporated on 29 October 2004 and listed on the Australian Securities Exchange on 21 June 2006.

### Director and executive remuneration

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

Year ended 30 June 2010		Short Term Benefits	Post Employment Benefits	Share Based Payment	Other Long Term Benefits	Termin- ation Benefits	Total
		Salary and fees \$	Super- annuation \$	Options \$	\$	\$	\$
<b>Directors</b>							
		78,750	7,088	6,350	-	-	92,188
		200,009	-	12,700	-	-	212,709
	(1)	127,901	3,780	6,350	-	-	138,031
		406,660	10,868	25,400	-	-	442,928

### Other Key Management Personnel

	(2)	57,850	-	3,175	-	-	61,025
	(3)	33,601	-	3,175	-	-	36,776
		91,451	-	6,350	-	-	97,801

Year ended 30 June 2009		Short Term Benefits	Post Employment Benefits	Share Based Payment	Other Long Term Benefits	Termin- ation Benefits	Total
		Salary and fees \$	Super- annuation \$	Options \$	\$	\$	\$
<b>Directors</b>							
		79,020	5,970	4,086	-	-	89,076
		200,369	18,033	8,174	-	-	226,576
	(1)	75,689	3,765	4,086	-	-	83,540
		355,078	27,768	16,346	-	-	399,192

### Other Key Management Personnel

	(2)	52,173	-	1,021	-	-	53,194
	(3)	37,207	-	1,022	-	-	38,229
		89,380	-	2,043	-	-	91,423

(\*) Colin Glazebrook is employed under a contract which has a three year duration ending on 18 April 2011. The terms of the contract provide that either party may terminate the contract on the giving of 6 months prior notice of termination.

Apart from the contract disclosed above there were no other contracts with management or directors in place during the 2010 and the 2009 financial years.

- (1) During the 2010 financial year, fees were paid to Exploration Management Services Pty Ltd a company owned by Geoff Turner. Total fees charged of \$85,901 (2009: \$58,932) were for professional geological consultancy services and additionally \$42,000 were for director's fees.
- (2) Fees were paid to Fekete Management Services Pty Ltd for the ongoing provision of services of Joe Fekete as Chief Financial Officer.
- (3) Share Options were issued to Alfonso Grillo, a Partner of TressCox Lawyers for the provision of services as Company Secretary. The fees charged for secretarial services by Tresscox Lawyers for the year were \$33,601 (2009:\$37,207).

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

The Directors, CEO, Company Secretary and Chief Financial Officer's compensation may include the issuance of securities. These are at the discretion of the Board. Securities in the form of options were issued in the 2009/10 and 2008/09 years.

### Executive Options

The consolidated entity has an ownership-based remuneration scheme for staff and executives (including executive and non-executive directors) of the Company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, staff and executives of the Company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the Board of Directors. Each share option converts into one ordinary share of Nagambie Mining Limited on exercise by the payment of 10 cents. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the Board of Directors of the Company. The options granted expire five years after their issue, or one month after the resignation of the staff member or executive, whichever is the earlier. There are 7,100,000 share options on issue under this plan, of which 7,000,000 are executive share options.

Options held at the end of the reporting period

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
4,000,000	02/12/2008	02/12/2010	02/12/2013	\$0.10
550,000	04/09/2008	04/09/2010	04/09/2013	\$0.10
550,000	09/07/2009	09/07/2011	09/07/2014	\$0.10
2,000,000	17/12/2009	17/12/2011	17/12/2014	\$0.10

### Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and senior management relate to the 2010 financial year:

Name	Option series	During the financial year			% of compensation for the year consisting of options	
		No. granted	No. vested	% of grant vested	% of grant forfeited	
M.Trumbull	issued 17 Dec 2009	500,000	Nil	0%	0%	7%
G.Turner	issued 17 Dec 2009	500,000	Nil	0%	0%	5%
C.Glazebrook	issued 17 Dec 2009	1,000,000	Nil	0%	0%	6%
J.Fekete	issued 09 Jul 2009	250,000	Nil	0%	0%	5%
A.Grillo	issued 09 Jul 2009	250,000	Nil	0%	0%	100%

The following table summarises the value of options granted, exercised or lapsed during the 2010 financial year to directors and senior management:

	Value of options granted at the grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse (ii)
	\$	\$	\$
M.Trumbull	6,350	Nil	Nil
G.Turner	6,350	Nil	Nil
C.Glazebrook	12,700	Nil	Nil
J.Fekete	3,175	Nil	Nil
A.Grillo	3,175	Nil	Nil

- (i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
- (ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

No options were exercised or expired during the reporting period.

### Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 25 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

### Proceedings on behalf of the Company

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

### Auditor's independence declaration

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

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

On behalf of the directors



Michael W Trumbull  
Non-Executive Chairman



Colin Glazebrook  
Executive Director

Melbourne 24 September 2010

24 September 2010

The Board of Directors  
Nagambie Mining Limited  
648 Ballantynes Road  
NAGAMBIE VIC 3608

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF NAGAMBIE MINING LIMITED**

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

As lead audit partner for the audit of the financial report of Nagambie Mining Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporation Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Jeffrey Luckins**  
Director  
William Buck Audit (VIC) Pty Ltd  
ABN 59 116 151 136

**Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland**

Dated in Melbourne, Australia on this 24<sup>th</sup> day of September 2010

Level 1, 465 Auburn Road, Hawthorn East VIC 3123  
PO Box 185, Toorak VIC 3142  
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**Praxity**  
ASSOCIATE  
GLOBAL ALLIANCE OF  
INDEPENDENT FIRMS

## 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: 2<sup>nd</sup> 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 on 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 four Directors, two of which, Mr Geoff Turner and Mr Kevin Perrin, are deemed independent Directors as defined under the Board policy on Director independence. Mr Michael Trumbull was previously deemed an independent Director of the Company. However, Mr Trumbull became a substantial shareholder in the Company on 5 September 2008. The Board is currently of the view that the current composition of the Board is adequate, having regard to the Company's level of operations and cash resources.

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

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

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

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

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

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

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

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

- (a) each Director will periodically evaluate the effectiveness of the Board and its committees and submit observation to the Chairman;
- (b) the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;
- (c) the Board will agree on development and actions required to improve performance;
- (d) outcomes and actions will be minuted; and
- (e) the Chairman will assess during the year the progress of the actions to be achieved.

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

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

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

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

- (a) The skills, experience and expertise relevant to the position of Director held by each Director as at the date of the Annual Report is detailed in the Director's Report.
- (b) Mr Geoff Turner and Mr Kevin Perrin are considered by the Board to be 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. Mr Michael Trumbull was previously deemed an independent Director. However, he is now not deemed to be independent since becoming a substantial shareholder of the Company.
- (c) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4. Safeguard Integrity in Financial Reporting

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

The Board has established an Audit and Compliance Committee. The composition of this committee and its effectiveness is reviewed on a regular basis. The Audit and Compliance Committee currently comprises of Non-Executive Directors, Mr Michael Trumbull 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.**

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

The Board is currently of the view that:

- (a) whilst Mr Geoff Turner is an independent director, Mr Michael Trumbull is the appropriate chairman for the Audit and Compliance Committee given his extensive mining industry experience as both an executive and director of ASX listed companies; and
- (b) having regard to the Company's level of operations and cash resources, the current composition of the Audit and Compliance Committee is adequate.

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

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

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

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

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

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

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

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

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

The Audit and Compliance Committee met on two occasions during the year and Mr Michael Trumbull and Mr Geoff Turner were present at both meetings;

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

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

## 5. Make Timely and Balanced Disclosure

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

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

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

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

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

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

The written policies and procedures in relation to the Company's continuous disclosure requirements with the ASX is available on 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 on 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 each of the Directors. 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 on 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 Colin Glazebrook, as the Company's Chief Executive Officer, and Mr Joe Fekete, as the Company's Chief Financial Officer have declared to the Board that the statement given to the Board regarding the Financial Reports (as discussed under Section 4 of this statement) is founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the Board.

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

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

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

- (a) The Company has not departed from Recommendations 7.1 to 7.4.
- (b) The Board has received the report from management under Recommendation 7.2.
- (c) The Board has received assurance from Mr Colin Glazebrook, as the Company's Chief Executive Officer, and Mr Joe Fekete, as the Company's Chief Financial Officer, under Recommendation 7.3

## 8. Remunerate Fairly and Responsibly

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

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

The Board is responsible for determining and reviewing the remuneration of the Directors, the Chief Executive Officer and the executive officers of the Company and reviewing the operation of the Company's Employee Share and Option Plans. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining an

executive with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

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

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

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

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

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

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

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

## Statement of Comprehensive Income for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>Continuing operations</b>			
Revenue	4	72,821	83,616
Administration expenses		(343,339)	(275,683)
Consultants fees		(57,850)	(56,673)
Depreciation and amortisation expense	4	(39,997)	(50,322)
Employee benefits expense	4	(54,732)	(117,298)
Finance costs	4	(12,289)	(12,289)
Impairment of capitalised exploration expenditure	10	(415,589)	(1,825,664)
Insurance		(53,118)	(41,116)
Legal fees		(42,933)	(14,293)
Printing stationery and supplies		(2,596)	(2,967)
Secretarial		(33,601)	(37,207)
Travel		(2,109)	(1,994)
<b>Total expenses</b>		<b>(1,058,153)</b>	<b>(2,435,506)</b>
Loss before tax		(985,332)	(2,351,890)
Income tax expense	5	-	-
<b>Loss for the year attributable to members of Nagambie Mining Limited</b>		<b>(985,332)</b>	<b>(2,351,890)</b>
Other comprehensive income		-	-
<b>Total comprehensive income attributable to members of Nagambie Mining Limited</b>		<b>(985,332)</b>	<b>(2,351,890)</b>
<b>Earnings per share</b>			
Basic (cents per share)	6	(0.63)	(2.10)
Diluted (cents per share)	6	(0.63)	(2.10)

Notes to the financial statements are included on pages 34 to 53

## Statement of Financial Position as at 30 June 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	14(b)	152,918	311,191
Other receivables	7	15,040	6,997
Other assets	8	-	2,171
<b>Total current assets</b>		<b>167,958</b>	<b>320,359</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	94,585	80,647
Exploration and evaluation assets	10	4,339,434	4,085,761
Other assets including cash-backed environmental bonds	8	637,852	497,318
<b>Total non-current assets</b>		<b>5,071,871</b>	<b>4,663,726</b>
<b>Total assets</b>		<b>5,239,829</b>	<b>4,984,085</b>
<b>Current liabilities</b>			
Trade and other payables	11	74,491	77,483
Borrowings	15	62,931	38,465
Provisions	16	7,046	1,378
<b>Total current liabilities</b>		<b>144,468</b>	<b>117,326</b>
<b>Non-current liabilities</b>			
Borrowings	15	-	62,931
<b>Total non-current liabilities</b>		<b>-</b>	<b>62,931</b>
<b>Total liabilities</b>		<b>144,468</b>	<b>180,257</b>
<b>Net assets</b>		<b>5,095,361</b>	<b>4,803,828</b>
<b>Equity</b>			
Issued capital	12	13,801,484	12,557,004
Options reserve	13	73,159	40,774
Accumulated losses		(8,779,282)	(7,793,950)
<b>Total equity</b>		<b>5,095,361</b>	<b>4,803,828</b>

Notes to the financial statements are included on pages 34 to 53

## Statement of Changes in Equity for the financial year ended 30 June 2010

Consolidated	Issued capital \$	Options reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 30 June 2008</b>	<b>11,567,697</b>	<b>22,180</b>	<b>(5,442,060)</b>	<b>6,147,817</b>
Shares issued during the year	1,049,370	-	-	1,049,370
Recognition of share based payments	-	18,594	-	18,594
Share issue costs	(60,063)	-	-	(60,063)
Loss attributable to members of Nagambie Mining Limited	-	-	(2,351,890)	(2,351,890)
<b>Balance at 30 June 2009</b>	<b>12,557,004</b>	<b>40,774</b>	<b>(7,793,950)</b>	<b>4,803,828</b>
Shares issued during the year	1,261,300	-	-	1,261,300
Recognition of share based payments	-	32,385	-	32,385
Share issue costs	(16,820)	-	-	(16,820)
Loss attributable to members of Nagambie Mining Limited	-	-	(985,332)	(985,332)
<b>Balance at 30 June 2010</b>	<b>13,801,484</b>	<b>73,159</b>	<b>(8,779,282)</b>	<b>5,095,361</b>

Notes to the financial statements are included on pages 34 to 53

## Cash Flow Statement

### for the financial year ended 30 June 2010

		Consolidated	
		2010	2009
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from sale of construction materials		38,363	32,085
Payments to suppliers and employees		(560,539)	(490,257)
Interest received		33,908	45,410
Interest paid		(12,289)	(12,289)
<b>Net cash used in operating activities</b>	14(a)	<b>(500,557)</b>	<b>(425,051)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(53,935)	(1,717)
Payments for exploration expenditure		(669,262)	(723,138)
Payments for cash-backed environmental bonds		(162,000)	(385,000)
Proceeds from cancellation of Exploration Licences, refund of environmental bonds		21,466	59,388
<b>Net cash used in investing activities</b>		<b>(863,731)</b>	<b>(1,050,467)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(38,465)	(42,283)
Proceeds from issue of ordinary shares		1,261,300	1,049,370
Payment of share issue costs		(16,820)	(60,063)
<b>Net cash provided by financing activities</b>		<b>1,206,015</b>	<b>947,024</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(158,273)</b>	<b>(528,494)</b>
Cash and cash equivalents at the beginning of the financial period		311,191	839,685
<b>Cash and cash equivalents at the end of the financial period</b>	14(b)	<b>152,918</b>	<b>311,191</b>

Notes to the financial statements are included on pages 34 to 53

## Notes to the financial statements

For the financial year ended 30 June 2010

### 1. General information

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

Nagambie Mining Limited's registered office and its principal place of business is:

**Registered office**

648 Ballantynes Rd  
Nagambie Vic 3608

**Principal place of business**

648 Ballantynes Rd  
Nagambie Vic 3608

### 2. Significant accounting policies

**Statement of compliance**

The financial statements are general purpose financial statements which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. The financial statements include the consolidated financial statements of the Group.

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

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

**(a) Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of 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.

**(b) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**(c) Employee benefits**

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

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

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

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

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

### (d) Financial assets

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### Effective interest method

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

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

#### Loans, receivables and environmental bonds

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

Interest is recognised by applying the effective interest rate.

#### Impairment of financial assets

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

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

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

### (e) 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 development.

## **2. Significant accounting policies (Cont'd)**

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

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

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

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

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

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

### **(g) 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. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted 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 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.

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

### (h) Leased assets

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

#### Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

#### Group as lessee

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

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

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

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

#### Lease incentives

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

### (i) Property, plant and equipment

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

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

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

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

### (j) Provisions

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

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

### (k) Revenue

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

#### Sale of Rock revenue

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

#### Dividend and interest revenue

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

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

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

### Group as lessor

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

### (l) **Share-based payments**

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

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

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

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

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

### (m) **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.

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

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

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

#### **Key sources of estimation uncertainty**

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

##### Exploration and evaluation assets

The recoverability of the carrying amount of exploration and evaluation assets is dependant on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. An amount was impaired in the current financial year in respect of expenditure capitalised on the Howqua tenement which was surrendered in July 2010. For details of the impairment, refer to note 10.

### (o) **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 28

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

### (p) Adoption of new and revised standards

During the current 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 impacted the disclosures of these financial statements. The following is an explanation of the impact that these standards had on the financial statements of Nagambie Mining Limited:

#### **AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

##### *Disclosure impact*

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

### 3. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided to early adopt these standards with the exception of the following noted below.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

### 3. New Accounting Standards for Application in Future Periods (Cont'd)

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB.

These amendments are not expected to impact the Group.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).
- This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

### 4. Revenue and expenses

	Consolidated	
	2010 \$	2009 \$
<b>(a) Revenue</b>		
Revenue from continuing operations consisted of:		
Interest from Bank deposits	33,908	45,410
Rental revenue	550	900
Sale of construction materials	38,363	37,306
<b>Total Revenue</b>	<b>72,821</b>	<b>83,616</b>
<b>(b) Loss before income tax</b>		
Loss before income tax has been arrived at after crediting/(charging) the following expenses from continuing operations:		
Depreciation	39,997	50,322
Operating lease rental expenses		
Minimum lease payments	9,974	19,842
Employee benefits expense:		
Employee benefits	11,480	66,059
Share options	32,385	18,594
Defined contribution plans	10,867	32,645
	<b>54,732</b>	<b>117,298</b>
Interest on obligations under finance leases	12,289	12,289

**5. Income tax**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a)</b> The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period		
Loss from operations	(985,332)	(2,351,890)
Prima facie tax calculated at 30%	(295,600)	(705,567)
Add tax effect of:		
- Non deductible expenses	12,177	547,699
- Share based payments	9,715	5,578
Less tax effect of:		
- Capital raising costs	5,046	18,019
Movement in tax asset not recognised	(5,046)	(18,019)
Current year tax loss not recognised	273,708	152,290
Income Tax Expense	-	-

**(b)** Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 2(g) occur:

Opening balance	2,622,623	1,904,615
Temporary differences	5,046	18,019
Tax losses - operating	273,708	152,290
Tax losses - capital	12,177	547,699
Closing balance	2,913,554	2,622,623

**6. Earnings per share**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
The following reflects the income and share data used in calculating basic and diluted earnings per share:		
Net loss	985,332	2,351,890
Basic earnings per share (cents per share)	(0.63)	(2.10)
Diluted earnings per share (cents per share)	(0.63)	(2.10)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	155,745,449	111,733,900

Diluted earnings per share is calculated after classifying all options on issue remaining unconverted at 30 June 2010 as potential ordinary shares. As at 30 June 2010, the Company has 7,100,000 options (2009:4,550,000) over unissued capital on issue. As the notional exercise price of these options is greater than the current market price of the shares they have not been included in the calculation of diluted earnings per share and the company is loss making.

**7. Other receivables**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
GST receivable (net)	14,560	1,255
Trade Receivables (ii)	480	5,742
Other receivables (i)	49,341	46,305
Provision for Impairment of receivables	(49,341)	(46,305)
	<u>15,040</u>	<u>6,997</u>

(i) Other receivables are non interest bearing and relate to monies due from past tenants, past directors, employees or officers of Nagambie Mining Limited.

(ii) Trade receivables that have not been provided for in the allowance for doubtful debts are all past due but not impaired as the receivables have either been collected subsequent to 30 June 2010 or the Directors consider these to be recoverable. Further details are listed in the table below.

Movement in the provision for impairment of receivables

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	(46,305)	(55,103)
Amounts recovered during the year	-	12,087
Impairment losses recognised on receivables	(3,036)	(3,289)
Balance at end of the year	<u>(49,341)</u>	<u>(46,305)</u>

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

**Schedule of Other Receivables:**

Other Receivables are related to monies due from past tenants, past directors, employees or officers of Nagambie Mining Limited:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
CNG-Tm Pty Ltd – Tenant Collins St Premises	-	7,747
John Cornelius – Former Director	23,368	17,448
IMI Consulting – Tenant & Expense Recovery	25,973	21,110
	<u>49,341</u>	<u>46,305</u>

**8. Other Assets**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Current Assets		
Prepayments	-	2,171
	<u>-</u>	<u>2,171</u>
Non-Current Assets		
Deposits – environmental bonds	635,466	494,940
Rental Bond	2,386	2,378
	<u>637,852</u>	<u>497,318</u>

**9. Plant and Equipment**

	<b>Consolidated</b>				
	Plant and equipment	Computer equipment	Motor vehicles	Leased computer equipment	Total
	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2008</b>	12,451	67,517	130,845	55,597	266,410
Additions	-	1,717	-	-	1,717
<b>Balance at 1 July 2009</b>	12,451	69,234	130,845	55,597	268,127
Additions	53,935	-	-	-	53,935
<b>Balance at 30 June 2010</b>	66,386	69,234	130,845	55,597	322,062
<b>Accumulated Depreciation</b>					
<b>Balance at 1 July 2008</b>	(5,924)	(26,973)	(83,058)	(21,203)	(137,158)
Depreciation expense	(1,048)	(10,051)	(23,894)	(15,329)	(50,322)
<b>Balance at 1 July 2009</b>	(6,972)	(37,024)	(106,952)	(36,532)	(187,480)
Depreciation expense	(11,082)	(11,248)	(11,947)	(5,720)	(39,997)
<b>Balance at 30 June 2010</b>	(18,054)	(48,272)	(118,899)	(42,252)	(227,477)
<b>Net book value</b>					
As at 30 June 2009	5,479	32,210	23,893	19,065	80,647
As at 30 June 2010	48,332	20,962	11,946	13,345	94,585

The following useful lives are used in the calculation of depreciation  
Plant and equipment 3 - 7 years Diminishing value method  
Computer equipment 2.5 - 4 years Diminishing value and straight line method  
Motor vehicles 4 years Diminishing value method

**10. Exploration and evaluation assets**

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of the year	4,085,761	5,188,287
Exploration costs capitalised for the year	669,262	723,138
Impairment losses for the year	(415,589)	(1,825,664)
	4,339,434	4,085,761

During the financial year the group reassessed the recoverable value of all tenemented areas of interest to which exploration costs had been capitalised. At 30 June 2010, all expenditure on the Howqua tenement was impaired. The Howqua tenement was surrendered in July 2010.

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

**11. Trade and other payables**

	Consolidated	
	2010	2009
	\$	\$
Trade payables (i)	74,491	62,119
Accrued Expenses (ii)	-	15,364
	74,491	77,483

Terms and conditions relating to the above financial instruments:

- (i) Trade payables are non-interest bearing and are settled on 30 day terms.
- (ii) Accrued Expenses are non-interest bearing and have an average term of 30 days

**12. Issued capital**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
(a) Issued and paid up capital		
Ordinary shares fully paid	13,801,484	12,557,004

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Movements in shares on issue

	<b>Year ended 30 June 2010</b>		<b>Year ended 30 June 2009</b>	
<b>Details</b>	Number of Shares Issued	Issued Capital \$	Number of Shares Issued	Issued Capital \$
Beginning of the financial year	129,931,199	12,557,004	94,993,400	11,567,697
Movements during the year				
- rights issue November 2008	-	-	13,359,010	400,770
- share placement February 2009	-	-	21,638,789	648,600
- share placement July 2009	21,428,750	683,800	-	-
- share placement February 2010	17,499,999	577,500	-	-
Less: cost of placement	-	(16,820)	-	(60,063)
<b>Closing balance</b>	168,859,948	13,801,484	129,931,199	12,557,004

**Share options granted under the employee share option plan**

In accordance with the provisions of the employee share option plan, as at 30 June 2010, executives and senior employees have 1,100,000 options over ordinary shares of which none are vested (2010: 550,000). Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 21 to the financial statements.

**Other share options on issue**

As at 30 June 2010, the company has 6,000,000 share options unrelated to the employee share plan on issue, none of which have vested, that have been granted exercisable for 6,000,000 ordinary shares of the company (2009: 4,000,000). The options carry no rights to dividends and no voting rights.

**13. Reserves**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Options Reserve</b>		
At the beginning of the financial period	40,774	22,180
Recognition of share based payments	32,385	18,594
Options reserve at the end of the financial period	73,159	40,774

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 cashflow statement

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of loss after tax to net cash flows from operations</b>		
Net loss for the period	(985,332)	(2,351,890)
Depreciation of property, plant and equipment	39,997	50,322
Impairment of exploration and evaluation assets	415,589	1,825,664
Equity Settled share based payments	32,385	18,594
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in receivables	(8,043)	53,295
Decrease in other assets	2,171	5,631
(Increase)/ Decrease in rental bond	-	(42)
(Increase) in environmental bonds	-	(9,087)
(Decrease) in creditors	(2,992)	(2,914)
(Decrease) in employee provisions	5,668	(14,624)
<b>Net cash used in operating activities</b>	<b>(500,557)</b>	<b>(425,051)</b>
<b>(b) Reconciliation of cash</b>		
Cash and cash equivalents comprise:		
Cash on hand and at call	152,918	311,191
	<b>152,918</b>	<b>311,191</b>

**15. Borrowings**

	Consolidated	
	2010	2009
	\$	\$
<b>Secured – at amortised cost</b>		
<u>Current</u>		
Chattel Mortgage (i), (ii)	62,931	24,612
Finance lease liabilities (iii)	-	13,853
<u>Non-current</u>		
Chattel Mortgage (i), (ii)	-	62,931
Finance lease liabilities (iii)	-	-
	62,931	101,396
Disclosed in the financial statements as:		
Current borrowings	62,931	38,465
Non-current borrowings	-	62,931
	62,931	101,396

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

**16. Provisions**

	Consolidated	
	2010	2009
	\$	\$
<u>Current</u>		
Employee benefits – accrued leave	7,046	1,378

**17. Commitments for expenditure**

	Consolidated	
	2010	2009
	\$	\$

**(a) Exploration expenditure commitments**

The commitments detailed below is the required expenditure to maintain ownership of the tenements.

Not longer than 1 year	428,400	524,462
Longer than 1 year and not longer than 5 years	723,200	1,204,086
Longer than 5 years	-	-
	1,151,600	1,728,548

**(b) Lease commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 18 to the financial statements.

	Consolidated	
	2010	2009
	\$	\$

**(c) Other expenditure commitments**

Property Lease

Not longer than 1 year	9,974	9,974
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	9,974	9,974

## 18. Leases

### Finance leases

	Consolidated	
	2010	2009
	\$	\$
<u>Chattel mortgage</u>		
Not longer than 1 year	62,931	24,612
Longer than 1 year and not longer than 5 years	-	62,931
Longer than 5 years	-	-
	<u>62,931</u>	<u>87,543</u>

### Leasing arrangements

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

### Finance lease liabilities

Minimum future lease payments:

	Consolidated	
	2010	2009
	\$	\$
Not longer than 1 year	62,931	15,965
Longer than 5 years	-	-
Minimum future lease payments*	62,931	15,965
Less future finance charges	-	(2,112)
Present value of minimum lease payments	<u>62,931</u>	<u>13,853</u>

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

## Operating leases

### Property Lease arrangements

Nagambie Mining Limited has one operating lease that relates to the rental of property.

This relates to the Hawthorn office which was a 2 year lease expiring on 31/1/2010 and has now been extended for 12 months. The Group does not have an option to purchase the leased property at the expiry of the lease period.

## 19. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2010	2009
Parent entity		%	%
Nagambie Mining Limited	Australia	-	-
<b>Subsidiaries</b>			
Sierra Minerals Pty Ltd	Australia	100	100
Nagambie Developments Pty Ltd	Australia	100	100

## 20. 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 unimpaired 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 its interest bearing liabilities are held at amortised cost which have fair values that approximate their carrying values as all cash, payables and borrowings have maturity dates within one financial year and term deposits on environmental bonds have interest rate yields consistent with current market rates;
- The majority of the group's financing is from equity instruments with its only secured debt on its finance lease commitments; and
- The group has no externally imposed capital requirements.

### (a) Categories of financial instruments

	Consolidated	
	2010	2009
	\$'000	\$'000
<b>Financial assets</b>		
Loans and receivables	652,892	504,315
Cash and cash equivalents	152,918	311,191
<b>Financial liabilities</b>		
Trade and other payables	74,491	77,483
Borrowings	62,931	101,396

### (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 non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

#### Consolidated Liabilities

	Weighted average effective interest rate	Less than	1-3 months	3 months	1-5 years	5+ years
		1 month	1-3 months	to 1 year	1-5 years	5+ years
	%	\$	\$	\$	\$	\$
<b>2010</b>						
Finance Lease Liability	10.13	-	-	-	-	-
Chattel Mortgage Liabilities	7.77	2,138	34,900	25,823	-	-
Trade and Other Payables	-	74,491	-	-	-	-
		76,629	34,900	25,823	-	-
<b>2009</b>						
Finance Lease Liability	10.13	1,825	3,696	8,332	-	-
Chattel Mortgage Liabilities	7.77	1,979	3,995	18,638	62,931	-
Trade and Other Payables	-	77,483	-	-	-	-
		81,287	7,691	26,970	62,931	-

## 21. Share-based payments

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the Board of Directors. Each executive share option converts into one ordinary share of Nagambie Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the Board of Directors of the Company. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. There is a total of 7,100,000 options on issue. Of which share options are allocated 1,000,000 to executive consultants, 100,000 to employees and the balance of 6,000,000 share options issued to Directors as approved by shareholders.

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

	30 June 2010		30 June 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of period	4,550,000	\$0.10	1,500,000	\$0.50
- granted	2,550,000	\$0.10	4,550,000	\$0.10
- lapsed/exercised	-	-	(1,500,000)	\$0.50
Balance at end of period	7,100,000	\$0.10	4,550,000	\$0.10

Options held at the beginning and end of the reporting period

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price	Fair Value at Grant Date
4,000,000	02/12/2008	02/12/2010	02/12/2013	\$0.10	\$0.009
550,000	04/09/2008	04/09/2010	04/09/2013	\$0.10	\$0.008
550,000	09/07/2009	09/07/2011	09/07/2014	\$0.10	\$0.013
2,000,000	17/12/2009	17/12/2011	17/12/2014	\$0.10	\$0.013
7,100,000				\$0.10	

There were 2,550,000 options granted in the past year.

**(i) Exercised during the financial year**

There were no options exercised during the financial year

**(ii) Equity-settled employee benefits reserve**

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. This was transferred out through a negative charge in prior year.

The weighted average fair value of the share options granted during the financial year is \$0.10 (2009:\$0.10). 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 would not be able to exercise the options before vesting date which has been set at 2 years after the grant date.

Inputs into the model	Options	
	Series 1	Series 2
Grant date	9/07/2009	17/12/2009
Share price at grant date	\$0.03	\$0.03
Exercise price	\$0.10	\$0.10
Expected volatility	65%	65%
Option life	5 years	5 years
Dividend yield	NIL	NIL
Risk free interest rate	5.11%	5.11%
Vesting date	9/07/2011	17/12/2011

**22. Key management personnel compensation**

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	498,111	444,458
Post-employment benefits	10,868	27,768
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	31,750	18,389
	<u>540,729</u>	<u>490,615</u>

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

There were 2,550,000 options issued during the reporting period relating to key management personnel (2009:1,550,000).

**(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 (2009: Nil).

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

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

<b>Year ended 30 June 2010</b>	<b>Opening Balance 1 July 2009</b>	<b>Granted as remuneration</b>	<b>Options Exercised</b>	<b>Closing Balance 30 June 2010</b>	<b>Vested and exercisable at 30 June 2010</b>
Colin Glazebrook	2,000,000	1,000,000	-	3,000,000	-
Michael Trumbull	1,000,000	500,000	-	1,500,000	-
Geoff Turner	1,000,000	500,000	-	1,500,000	-
Joe Fekete	250,000	250,000	-	500,000	-
Alfonso Grillo	250,000	250,000	-	500,000	-
<b>Total</b>	<u>4,500,000</u>	<u>2,500,000</u>	<u>-</u>	<u>7,000,000</u>	<u>-</u>

<b>Year ended 30 June 2009</b>	<b>Opening Balance 1 July 2008</b>	<b>Granted as remuneration</b>	<b>Options Exercised</b>	<b>Closing Balance 30 June 2009</b>	<b>Vested and exercisable at 30 June 2009</b>
Colin Glazebrook	-	2,000,000	-	2,000,000	-
Michael Trumbull	-	1,000,000	-	1,000,000	-
Geoff Turner	-	1,000,000	-	1,000,000	-
Joe Fekete	-	250,000	-	250,000	-
Alfonso Grillo	-	250,000	-	250,000	-
<b>Total</b>	<u>-</u>	<u>4,500,000</u>	<u>-</u>	<u>4,500,000</u>	<u>-</u>

## 22. Key management personnel compensation (Cont'd)

### (d) Shareholdings of key management personnel

	Year ended 30 June 2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Purchases /(Sales)	Balance 30 June 2010
Ordinary Shares	No.	No.	No.	No.	No.	No.
Michael W Trumbull		8,400,000	-	-	3,410,039	11,810,039
Colin Glazebrook		466,667	-	-	312,500	779,167
Geoff Turner		133,334	-	-	468,750	602,084
Joe Fekete		1,010,000	-	-	-	1,010,000
<b>Total</b>		<b>10,010,001</b>	<b>-</b>	<b>-</b>	<b>4,191,289</b>	<b>14,201,290</b>

	Year ended 30 June 2009	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Purchases /(Sales)	Balance 30 June 2009
Ordinary Shares	No.	No.	No.	No.	No.	No.
Michael W Trumbull		1,000,000	-	-	7,400,000	8,400,000
Colin Glazebrook		350,000	-	-	116,667	466,667
Geoff Turner		100,000	-	-	33,334	133,334
Joe Fekete		710,000	-	-	300,000	1,010,000
<b>Total</b>		<b>2,160,000</b>	<b>-</b>	<b>-</b>	<b>7,850,001</b>	<b>10,010,001</b>

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

## 23. Related party transactions

### (a) Transactions with key management personnel and related parties

The Company paid legal and consulting fees, which include secretarial fees, of \$50,549 (2009: \$82,794) to TressCox Lawyers, a firm of solicitors of which Alfonso Grillo is a Partner. Secretarial fees payable to Alfonso Grillo are paid to TressCox Lawyers.

The Company paid consulting fees of \$200,009 (2009: \$NIL) to Glazco Consultants Pty Ltd, a company controlled by Colin Glazebrook.

The Company paid consulting fees of \$85,901 (2009: \$58,932) to Exploration Management Services Pty Ltd, a company controlled by Geoff Turner.

The Company paid fees for consulting and outgoings relating to use of premises of \$61,200 (2009: \$52,173) to Fekete Management Services Pty Ltd, a company controlled by Joe Fekete.

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

## 24. Segment information

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

**25. Remuneration of auditors**

	Consolidated	
	2010	2009
	\$	\$
<b>Auditor of the parent entity</b>		
Audit or review of the financial report	42,185	39,943
Other non-audit services – Tax	1,950	6,500
	44,135	46,443

The auditor of Nagambie Mining Limited is William Buck.

**26. Contingent Liabilities**

Nagambie Mining Limited has no contingent liabilities. All rehabilitation requirements for the MIN 5412 licence at Nagambie are covered by the monies held on deposit with the Department of Primary Industries, amounting to \$500,000.

**27. Subsequent events**

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

(a) \$1.0 Million Placement of Convertible Notes

Nagambie Mining placed 25.0 million convertible notes at 4.0 cents each to sophisticated and professional investors on 14 September 2010, raising a total of \$1,000,000.

The principal terms of the notes are:

- Interest payable every 6 months at a rate of 10% per annum;
- Notes convertible 1:1 into fully paid ordinary Nagambie Mining Limited shares at any time within the maximum 5-year life of the notes at the option of the holder;
- Notes redeemable in cash in full after 5 years if not converted;
- Notes are unsecured but rank ahead of shareholders; and
- Notes are protected for reorganisation events (bonus issues, share consolidations etc).

(b) Exploration Licences – Surrendered  
EL5189 Howqua

The exploration licence at Howqua was surrendered in July 2010 following the decision of the Company to focus exploration and development on its central Victorian tenements. At 30 June 2010, all expenditure on Howqua was written off.

**28. Parent entity disclosures**

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

	Parent	
	2010	2009
	\$	\$
Current Assets	167,958	320,359
Total Assets	5,239,829	4,984,085
Current Liabilities	144,468	117,326
Total Liabilities	144,468	180,257
Issued Capital	13,801,484	12,557,004
Options reserve	73,159	40,774
Accumulated losses	(8,779,282)	(7,793,950)
Loss	(985,332)	(3,011,889)
Total comprehensive income	(985,332)	(3,011,889)

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

## **Directors' declaration**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards 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  
Non-Executive Chairman



Colin Glazebrook  
Executive Director

Melbourne, 24 September 2010

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

ABN 42 111 587 163

***Report on the Financial Report***

We have audited the accompanying financial report of Nagambie Mining Limited (the "company") and Controlled Entities (the "economic entity"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the economic 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ("IFRS") ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

**Auditor's Responsibility**

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

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

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

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

ABN 42 111 587 163 (Continued)

**Independence**

In conducting our audit, we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

**Auditor's Opinion**

In our opinion:

- a) the financial report of Nagambie Mining Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the economic entity's financial position as at 30 June 2010 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;
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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 2010 complies with section 300A of the Corporations Act 2001.



**Jeffrey Luckins**  
Director  
William Buck Audit (VIC) Pty Ltd  
ABN 59 116 151 136

Dated in Melbourne, Australia on this 24<sup>th</sup> day of September 2010

## 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 21 October 2010.

### Number of holders of equity securities

#### Ordinary share capital

168,859,948 fully paid ordinary shares are held by 431 individual shareholders.  
 All issued ordinary shares carry one vote per share.

#### Options

7,100,000 options are held by 7 individual option holders.  
 Options do not carry a right to vote.

#### Unsecured convertible notes

25,000,000 unsecured convertible notes are held by 3 individual noteholders.  
 The convertible 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 equity securities

	Number of Holders	Number of Shares
1 – 1,000	15	2,399
1,001 – 5,000	12	54,020
5,001 – 10,000	51	485,218
10,001 – 100,000	223	9,256,268
100,001 and over	130	159,062,043
<b>Totals</b>	<b>431</b>	<b>168,859,948</b>
Holding less than a marketable parcel as at 21 October 2010	154	1,793,751

### Substantial shareholders

Ordinary shareholders		Number of Shares
Mr Ralph Douglas Russell & Ms Anne-Maree Hynes	(16.98%)	28,670,817
Cairnglen Investments Pty Ltd	(13.92%)*	23,499,659
Michael W Trumbull	(7.11%)**	12,010,039
		<b>64,180,515</b>

\* 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. Cairnglen Investments Pty Ltd acquired additional shares in the Company under a share purchase plan in August 2009 and a placement in February 2010. However 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 greater than 1% since 20 November 2008.

\*\* This figure represents Michael W Trumbull's current interest in shares in the Company. Michael W Trumbull lodged his last substantial holder notice on 19 November 2008 stating that he had an interest in 7,400,000 shares in the Company, representing 6.83% of the issued capital in the Company. Michael W Trumbull has acquired additional interests in shares in the Company under a share purchase plan in August 2009 and various share purchases, both on-market and off-market, since 19 November 2008. However Michael W Trumbull has not released a substantial holder notice in relation to his changes of interest in shares as his percentage interest has not moved by greater than 1% since 19 November 2008.

**Nagambie Mining Limited  
Annual Report 2010**

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

Optionholder	<u>Unquoted options Number</u>
Ecofer Pty Ltd as trustee for the Glazco Super Fund A/C	3,000,000
Cypron Pty Ltd as trustee for the M W Trumbull Superannuation Fund	<u>1,500,000</u>
	<b><u>4,500,000</u></b>

**Convertible noteholders holding greater than 20% of unquoted convertible notes**

Convertible noteholder	<u>Unquoted convertible notes Number</u>
PPT Nominees Pty Ltd	15,000,000
Mr Ralph Douglas Russell & Ms Ann Maree Hynes <The Russell Hynes S/F A/C>	<u>7,500,000</u>
	<b><u>22,500,000</u></b>

**Twenty largest holders of quoted equity securities**

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

Rank	Name	Units	% of Units
1.	CAIRNGLEN INVESTMENTS PTY LTD	23,499,659	13.92
2.	MR RALPH DOUGLAS RUSSELL + MS ANN MAREE HYNES <THE RUSSELL HYNES S/F A/C>	19,718,649	11.68
3.	NEFCO NOMINEES PTY LTD	9,994,536	5.92
4.	NORMET INDUSTRIES NOMINEE PTY LTD	8,333,333	4.94
5.	MR RALPH DOUGLAS RUSSELL + MS ANNE-MAREE HYNES	8,276,084	4.90
6.	PPT NOMINEES PTY LTD	8,008,712	4.74
7.	CYPRON PTY LTD	6,046,322	3.58
8.	CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C>	5,416,750	3.21
9.	MR MICHAEL WARD TRUMBULL	4,608,750	2.73
10.	ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C>	4,468,750	2.65
11.	ADARE MANOR PTY LTD	3,076,084	1.82
12.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,155,095	1.28
13.	HONEST REMARK PTY LTD	2,000,180	1.18
14.	MR JOHN EDWARD CHRISTOE + MR MICHAEL WARD TRUMBULL <EST P L CHRISTOE A/C>	1,984,539	1.18
15.	MR GREGORY KELVYN STRANGE + MRS LYNETTE ELVIRA STRANGE <SUPER FUND A/C>	1,975,017	1.17
16.	MR NICHOLAS CHARLES RICHARDS	1,941,702	1.15
17.	MR DESMOND BROWN <DESRON SUPER FUND A/C>	1,751,000	1.04
18.	ZAMOGRANGE PTY LTD	1,666,667	0.99
19.	MR GEOFFREY MICHAEL WALCOTT + MRS JULIE ANN WALCOTT <GEORET BEACON SUPERFUND A/C>	1,500,000	0.89
20.	MONTE NOMINEES PTY LTD <CHRISTOE RETIREMENT FUND A/C>	1,468,750	0.87
	<b>Totals: Top 20 holders of ORDINARY FULLY PAID SHARES</b>	<b>117,890,579</b>	<b>69.82</b>
	<b>Total Remaining Holders Balance</b>	<b>50,969,369</b>	<b>30.18</b>

**Unquoted options over unissued Shares**

<b>Exercise price</b>	<b>Grant Date</b>	<b>Vesting Date</b>	<b>Expiry Date</b>	<b>Number</b>
\$0.10	4 September 2008	4 September 2010	4 September 2013	550,000
\$0.10	2 December 2008	2 December 2010	2 December 2013	4,000,000
\$0.10	9 July 2009	9 July 2011	9 July 2014	550,000
\$0.10	17 December 2009	17 December 2011	17 December 2014	2,000,000

**Registered Office**

648 Ballantynes Road  
Nagambie Victoria 3608

Tel: (03) 5794 1750

**Principal administration office**

648 Ballantynes Road  
Nagambie Victoria 3608

Tel: (03) 5794 1750

**Share Registry**

Computershare Investor Services Pty Limited

GPO Box 505

Melbourne Victoria 8060

Tel: 1300 85 05 05

**Company Secretary**

Alfonso M. G. Grillo

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mining**  
annual report 2010