



Annual Financial Report

For the year ended 30 June 2019

Nagambie Resources Limited

and Controlled Entities

Corporate Directory

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

AUDITOR
 William Buck
 Level 20, 181 William Street
 Melbourne Vic 3000

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

533 Zanelli Road
 Nagambie Vic 3608
 Telephone: (03) 5794 1750
 Website: www.nagambieresources.com.au
 Email: info@nagambieresources.com.au

PRINCIPAL LEGAL ADVISER

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

POSTAL ADDRESS

PO Box 339
 Nagambie Vic 3608

SHARE REGISTRY

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

DIRECTORS

Michael W Trumbull (Executive Chairman)
 Alfonso M Grillo (Non-Executive Director)
 Gary R Davison (Non-Executive Director)

SECURITIES EXCHANGE LISTING

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

CHIEF EXECUTIVE OFFICER

James C Earle

COMPANY SECRETARY

Alfonso M Grillo

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Directors' Report

The directors of Nagambie Resources Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2019.

Directors

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

Name	Particulars
<p>MICHAEL W TRUMBULL <i>Non-Executive Director</i></p> <p>Appointed 28 July 2005</p> <p><i>Non-Executive Chairman</i></p> <p>Appointed 20 December 2007</p> <p><i>Executive Chairman</i></p> <p>Appointed 13 September 2013</p>	<p>Michael Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 40 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and BCD Resources.</p> <p>From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1985 to 1987, he was Project Manager and then Resident Manager of the Westonia open pit gold mine and treatment plant in Western Australia. From 1987 to 1991, he was General Manager – Investments for the ACM Group.</p> <p>From 1993 to 2011, he was a Director of the BCD Resources Group and was involved in the exploration, subsequent mine development and operation of the Beaconsfield underground gold mine in Tasmania. From 1993 to 2003, he was the sole Executive Director of BCD and, from 2003 to 2004, was the Managing Director.</p> <p><i>Other current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>
<p>KEVIN J PERRIN <i>Non-Executive Director</i> <i>Finance</i></p> <p><i>Non-independent</i></p> <p>Appointed 17 September 2010</p> <p><i>Deputy Chairman</i></p> <p>Appointed 20 December 2010</p> <p>Retired 30 June 2019</p>	<p>Kevin Perrin is a Certified Practising Accountant (CPA). Since 1 July 2012, he has been a consultant to PPT Accounting after having been a partner in that business for 37 years. PPT Accounting is a firm of CPA's located in Ballarat which conducts an accounting, taxation, audit and financial advisory practice.</p> <p>He is also a consultant to PPT Financial Pty Ltd, having been a director and shareholder of that company for 22 years. PPT Financial Pty Ltd is an independent investment advisory firm holding an Australian Financial Services Licence. Prior to that time, he held a personal Securities Dealers Licence and was a member of the Stock Exchange of Ballarat Limited.</p> <p>Kevin was Chairman of the Audit and Compliance Committee until he retired.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>

<p>ALFONSO M GRILLO <i>Non-Executive Director and Company Secretary</i> <i>Independent</i> Appointed 24 November 2017</p>	<p>Alfonso Grillo is a founding Partner at GrilloHiggins Lawyers. He holds a Bachelor of Arts and Bachelor of Law degree. Alfonso has 19 years experience as a corporate lawyer, including company meeting practice and corporate governance procedures, fundraising and fundraising documentation, ASX Listing Rules and mergers and acquisitions.</p> <p>Alfonso advises resource industry companies in relation to mining and exploration projects, acquisition and divestment of assets, joint ventures and due diligence assessments.</p> <p>Alfonso has been a member of the Audit and Compliance Committee since his appointment.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>
<p>GARY R DAVISON <i>Non-Executive Director</i> <i>Independent</i> Appointed 15 May 2019</p>	<p>Gary Davison is a mining engineer. He is Managing Director and principal Mining Engineer of Mining One Pty Ltd which he helped establish in August 2005, an employee-owned independent group which has over 60 technical consultants. Mining One provides expertise in Australia and internationally in resource geology, mine planning, geotechnical engineering, conceptual studies, feasibility studies and corporate strategic advice.</p> <p>Gary has over 41 years' experience in the mining industry in Australia and overseas. His career began at Renison, Tasmania in 1978 and he has worked at senior mine management levels in Tasmania, Western Australia, Victoria and New South Wales – covering principally underground, but also surface mines. In the early 1990's, Gary managed the Nagambie Mine open pit and heap leach treatment operations for Perseverance.</p> <p>Gary has been a member of the Audit and Compliance Committee since his appointment.</p> <p><i>Other Current Directorships of Listed Companies</i> None.</p> <p><i>Former Directorships of Listed Companies in last three years</i> None.</p>

Chief Executive Officer

JAMES C EARLE BE (Geological) MEM MBA

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

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

Operating and Financial Review

Principal Activities

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

Review of Operations

Gold exploration for Fosterville-style, high-grade underground sulphide-gold deposits in the Waranga Domain was strongly advanced during the 2019 financial year. Nagambie Resources' concept that hydrothermal fluids rising up the Wandean Crustal Fault under pressure resulted in the gold deposits at both the Nagambie Mine and Wandean, 9 km apart, is approaching final validation in the 2020 financial year.

"Prevent Oxidation" underwater WASS/PASS management, as approved for the Nagambie Mine legacy pits, is best practice for Melbourne's major tunnel infrastructure projects under Victorian environmental legislation and associated regulations. The Environment Effects Statement for the North East Link Project was released during the year and highlighted that around 6.6 million tonnes of WASS/PASS generated during tunnelling will require management and that disposal to Melbourne's remaining precious landfill space would be worst practice.

Gold Exploration Licences

The total area of ELs granted and applied for in the Waranga Domain at 30 June 2019 was 2,004 sq km.

Induced Polarisation (IP) Geophysical Surveys

A Ground IP survey was carried out over the Wandean Prospect area during the year and delineated a very encouraging east-west-striking sulphide-gold target 300m to the north of the oxide-gold mineralisation discovered in 2014 at Wandean. Six north-south lines, 100m apart, were surveyed and significant adjoining IP chargeability anomalies were outlined on each section. The highest reading recorded was 26 mV/m, four times stronger than the best anomaly beneath the Nagambie Mine East Pit. WTD002, a diamond drill hole designed to intersect the 26 mV/m maximum chargeability, commenced in September 2019.

A trial Radial-Down-The-Hole (Radial-DTH) IP survey was also carried out on diamond hole NND002, a north-south hole drilled west of the West Pit at The Nagambie Mine. 12 radial surface survey lines, up to 1,000m in length, were established with the down-hole probe set at 400m depth in temporary PVC casing in NND002. The results achieved were very encouraging, delineating more specific chargeability anomalies than the broad Ground IP survey previously carried out over the area.

Lithochemical Analysis for Hydrothermal Alteration in Drill Holes

Diamond-core geochemical and hyperspectral data was generated, at least every 50m down hole, for seven of the nine deep diamond holes drilled to date. The results obtained were compared to known hydrothermal alteration of siltstone and sandstone host rocks at the Fosterville gold mine and other mines using published data. The working hypothesis is that the hydrothermal alteration in the Waranga Domain is similar to that observed at Fosterville and that it can be used to vector towards and/or prioritise structures.

WTD001, the first deep diamond hole drilled at Wandean, and all the Nagambie Mine and Nagambie Mine West holes exhibited significant Fosterville-style hydrothermal alteration of the sediments. The results have proved to be very useful and lithochemical analysis of selected diamond holes will be carried out in the future.

WASS/PASS Management Project

WASS is waste acid sulfate soil and rock. PASS is potential acid sulfate soil and rock.

Total WASS/PASS in the Metro Rail, West Gate and North East Link projects that will require management is around 8.2 million tonnes. With future projects under consideration such as the very large Suburban Rail Loop, Metro Rail 2 and a variation on the original East-West Link, total WASS requiring management over the next 10 to 15 years may exceed 20.0 million tonnes.

Nagambie Resources has an EPA-approved Environment Management Plan (EMP) to store PASS in the legacy water-filled pits at the Nagambie Mine as part of the rehabilitation of those pits. PASS management capacity of the pits is around 5.0 million tonnes.

EPA WASS policy discourages disposal to landfill and encourages its management at facilities with an approved EMP, with a preference for those facilities that implement a management approach higher up the management hierarchy. In practical terms, underwater storage (prevent oxidation) ranks ahead of "liming" (reduce or neutralise acidity) while landfilling is worst practice in terms of the environment and sustainability.

Quarry Products

Nagambie Resources has commenced discussions with a large well-established company regarding commercial production of crushed rock from the overburden dumps at the Nagambie Mine and concrete aggregates from the tailings on the old heap leach pad.

Likely Developments

During the 2020 financial year, Nagambie Resources is planning to:

1. Drill WTD002 and follow up holes as required into the underground sulphide-gold target at Wandean. Possibly carry out lithogeochemical sampling of selected holes to assist in vectoring towards and/or prioritising structures;
2. Carry out a Ground IP geophysical survey over the Wandean Crustal Fault to the west of the Nagambie Mine and commence diamond drilling in the area if justified. Possibly carry out a Radial-DTH IP survey on the first hole drilled and lithogeochemical sampling of selected holes. Possibly carry out Ground IP surveys where the Wandean Crustal Fault intersects the Grimwade and Racecourse Thrust Faults between Wandean and the Nagambie Mine;
3. Secure a PASS Management contract for some of the estimated 8.2 million tonnes to be excavated from the tunnels for West Gate, Metro Rail and North East Link; and
4. Secure a commercial arrangement with a large well-established company for the production of crushed rock and concrete aggregates at the Nagambie Mine.

Financial Matters

The consolidated loss for the group for the year amounted to \$1,485,048 after tax. This compared to a loss after tax for the year ended 30 June 2018 of \$1,187,261. The increase of \$297,787 in the loss for the year relates to a decrease in revenue of \$433,259 an increase in expenditures of \$143,914 and receipt of an R&D tax incentive of \$279,386. The lower revenue all related to sales of various crushed rock products. The largest expenditure increases related to share based payments expense of \$249,018 (a non-cash item) and \$94,669 in finance costs. There was a reduction in the cost of sales and rehabilitation of \$245,928.

A total of \$2,025,500 before costs was raised in share capital by the company during the 2019 financial year. This included \$1,042,500 from issue of 16,814,473 shares at 6.2 cents from a share purchase plan, \$600,000 from issue of 9,677,417 shares at 6.2 cents in a placement and \$383,000 from the exercise of 3,830,000 incentive options at 10.0 cents. There was also \$700,000 raised from the issue of 7,000,000 convertible notes at 10 cents.

Changes in state of affairs

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

Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group, in future financial years.

Environmental regulations

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

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

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2018: Nil).

Share options

Share options granted to directors and executives

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

Michael Trumbull (director)	4,000,000
Kevin Perrin (director) retired 30/6/2019	2,000,000
Alfonso Grillo (director)	2,000,000
James Earle (chief executive officer)	4,000,000

Shares under option or issued on exercise of options

There were 3,830,000 options exercised during the year at a price of 10 cents per share.

Options on issue as at reporting date

Number of options	Grant date	Vesting date	Expiry date	Exercise price
10,100,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,300,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25.0 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents
4,500,000	22/8/2018	22/8/2018	22/8/2023	12.6 cents
10,500,000	23/11/2018	23/11/2018	23/11/2023	10.8 cents
2,000,000	27/2/2019	27/2/2019	27/2/2024	12.0 cents
67,650,000				

Indemnification of officers and auditors

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

Directors' meetings

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

During the financial year 7 board meetings and 4 audit and compliance committee meetings were held.

Directors	Board of directors		Audit and compliance committee	
	Held	Attended	Held	Attended
Michael Trumbull	7	7	-	-
Kevin Perrin (retired 30/6/2019)	7	7	4	4
Alfonso Grillo	7	7	4	4
Gary Davison (appointed 15/5/2019)	1	1	1	1

Directors' shareholdings and options

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

Directors	Fully paid ordinary shares Number	Share options Number
Michael Trumbull	20,602,454	20,000,000
Alfonso Grillo	1,371,935	7,000,000
Gary Davison	20,000	2,000,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel

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

Michael Trumbull	Executive Director
Kevin Perrin (retired 30/6/2019)	Non-Executive Director
Alfonso Grillo	Non-Executive Director
Gary Davison (appointed 15/5/2019)	Non-Executive Director
James Earle	Chief Executive Officer

Remuneration Policy

The Board is responsible for determining and reviewing the compensation of the directors, the chief executive officer, the executive officers and senior managers of the company and reviewing the operation of the company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executives with the skills to manage the company's operations. The board of directors also recommends levels and form of remuneration for non-executive directors with reference to performance and when required, sought independent expert advice. The total sum of remuneration payable to non-executive directors shall not exceed the sum fixed by members of the company in general meeting.

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the company to non-executive directors for their services as directors is \$250,000 per annum. For the year ending 30 June 2019, the board resolved that the executive chairman's remuneration be set at \$150,000 (2018: \$150,000) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at \$42,000 (2018: \$42,000) per annum excluding superannuation and share based payments. Where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director, then additional amounts will be payable.

There is no direct relationship between the company's remuneration policy and the company's performance. That is, no portion of the remuneration of directors, secretary or senior managers is 'at risk'. However, in determining the remuneration to be paid in each subsequent financial year, the board will have regard to the company's performance. Therefore, the relationship between the remuneration policy and the company's performance is indirect.

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

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2019.

	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Revenue	\$328,904	\$762,163	\$669,836	\$453,058	\$192,102
Net loss before tax	\$1,764,434	\$1,187,261	\$1,621,972	\$619,449	\$634,351
Net loss after tax	\$1,485,048	\$1,187,261	\$1,621,972	\$619,449	\$634,351
Share price at start of year (cents)	16.0	4.7	16.5	3.4	3.2
Share price at end of year (cents)	4.4	16.0	4.7	16.5	3.4
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.35)	(0.29)	(0.43)	(0.21)	(0.28)
Diluted earnings per share (cents)	(0.35)	(0.29)	(0.43)	(0.21)	(0.28)

Director and executive remuneration

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

		Short Term Benefits	Post Employment Benefits	Share Based Payment	Performance Related Benefits	Other LongTerm Benefits	Total
		Salary and fees	Superannuation	Options (non cash)			
		\$	\$	\$	\$	\$	\$
Directors							
Michael Trumbull (1)	2019	164,250	-	155,928	-	-	320,178
	2018	164,250	-	112,183	-	-	276,433
Kevin Perrin (2)	2019	45,990	-	77,964	-	-	123,954
	2018	45,990	-	56,092	-	-	102,082
Alfonso Grillo (3)	2019	45,990	-	77,964	-	-	123,954
	2018	27,468	-	56,092	-	-	83,560
Gary Davison (4)	2019	5,749	-	-	-	-	5,749
	2018	-	-	-	-	-	-
Chief Executive Officer							
James Earle (5)	2019	172,000	14,250	155,928	-	-	342,178
	2018	150,000	14,250	56,092	-	-	220,342
Total for Year	2019	433,979	14,250	467,784	-	-	916,013
Total for Year	2018	387,708	14,250	280,459	-	-	682,417

Apart from the contracts disclosed at (1) and (5) below there were no other contracts with management or directors in place during the 2019 and the 2018 financial years.

- (1) Michael Trumbull is employed as Executive Chairman under a consultancy agreement which commenced on 1 July 2013 and is ongoing. The fixed annual remuneration level was set at \$150,000 plus superannuation of \$14,250 (2018: \$150,000 plus superannuation of \$14,250) plus provision of a motor vehicle and reimbursement of out of pocket expenses. The contract may be terminated upon giving 6 months notice by the company or 3 months by the Consultant. Apart from accrued entitlements there are no other termination benefits.
During the 2019 financial year, fees of \$164,250 (2018: \$164,250) were paid to Cypron Pty Ltd, an entity controlled by Michael Trumbull, for his services as a director of the company.
- (2) Kevin Perrin retired as a director on 30 June 2019. During the 2019 financial year, fees of \$45,990 (2018: \$45,990) were paid to Vinda Pty Ltd, an entity controlled by Kevin Perrin, for his services as a director of the company. The amount of \$45,990 is comprised of \$42,000 director's fee plus an allowance of \$3,990 for superannuation. At 30 June 2019, there was an amount of \$22,995 (2018: Nil) owing to Vinda Pty Ltd.
- (3) During the 2019 financial year, fees of \$45,990 (2018: \$27,468) were paid to GrilloHiggins Lawyers, an entity in which Alfonso Grillo is a partner, for his services as a director of the company. The amount of \$45,990 is comprised of \$42,000 director's fee plus an allowance of \$3,990 for superannuation. During the 2019 financial year the company also paid fees of \$44,438 (2018: \$28,008) to GrilloHiggins Lawyers for secretarial and legal services provided by Alfonso Grillo and other GrilloHiggins personnel.
At 30 June 2019, there was an amount of \$3,770 (2018: \$3,300) owing to GrilloHiggins.
- (4) Gary Davison was appointed a director on 15 May 2019. From that date until 30 June 2019 he earned director's fees of \$5,749 (2018: Nil) for his services as a director of the company. The amount of \$5,749 is comprised of \$5,250 director's fee plus an allowance of \$499 for superannuation.
At 30 June 2019, there was an amount of \$5,749 (2018: Nil) owing to Gary Davison.
- (5) James Earle is employed as the Chief Executive Officer under an employment agreement which commenced on 8 August 2016 and is ongoing. The fixed remuneration is \$150,000 per annum plus superannuation. He is also entitled to a cash incentive bonus subject to performance hurdles. For the 2019 financial year a cash bonus of \$22,000 (2018: Nil) was paid following a performance review. The bonus was fully paid and no amount was forfeited. The agreement may be terminated by either party upon giving 3 months notice. Apart from accrued entitlements, there are no other termination benefits.

Shareholdings of key management personnel

	Balance 1 July 2018	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2019
Michael Trumbull	20,869,610	-	2,400,000	(2,667,156)	20,602,454
Kevin Perrin (2)	28,241,549	-	1,000,000	241,935	29,483,484
Alfonso Grillo	900,000	-	230,000	241,935	1,371,935
Gary Davison	-	-	-	-	-
James Earle	733,333	-	-	241,935	975,268
Total	50,744,492	-	3,630,000	(1,941,351)	52,433,141

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

(2) Closing balance is at retirement date.

Executive Options

The consolidated entity has an ownership-based remuneration scheme for staff and executives (including executive and non-executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, staff and executives of the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors.

Each share option converts into one ordinary share of Nagambie Resources Limited on exercise by the payment of the exercise price. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors of the company.

The options granted expire five years after their issue or one month after the resignation of the staff member or executive, whichever is the earlier, or as otherwise determined by the board of directors. There are 67,650,000 share options on issue under this plan, of which 48,000,000 are held by directors and key management personnel and 19,650,000 are held by other current and former executives and employees.

Options on issue at the end of the financial year

Number of options	Grant date	Vesting date	Expiry date	Exercise price
10,100,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,300,000	16/11/2015	16/11/2015	16/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents
4,500,000	22/8/2018	22/8/2018	22/8/2023	12.6 cents
10,500,000	23/11/2018	23/11/2018	23/11/2023	10.8 cents
2,000,000	27/2/2019	27/2/2019	27/2/2024	12.0 cents
67,650,000				

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and executives relate to the 2019 financial year:

Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for year consisting of options
Michael Trumbull	issued 23/11/2018	4,000,000	4,000,000	100%	0%	48.7%
Kevin Perrin	issued 23/11/2018	2,000,000	2,000,000	100%	0%	62.9%
Alfonso Grillo	issued 23/11/2018	2,000,000	2,000,000	100%	0%	62.9%
James Earle	issued 22/8/2018	2,000,000	2,000,000	100%	0%	45.6%
James Earle	issued 23/11/2018	2,000,000	2,000,000	100%	0%	45.6%

The following table summarises the value of options granted, exercised or lapsed during the 2019 financial year to directors and executives:

Name	Value of options granted at the grant date (i)	Value of options exercised at the exercise date (ii)	Value of options lapsed at the date of lapse
	\$	\$	\$
Michael Trumbull	155,928	\$240,000	Nil
Kevin Perrin	77,964	\$100,000	Nil
Alfonso Grillo	77,964	\$23,000	\$62,000
James Earle	155,928	Nil	Nil

- (i) The value of options granted during the period is recognised in compensation at the grant date which is also the vesting date. The assessed value was 3.90 cents per option.
- (ii) 3,630,000 directors options and 200,000 executives options were exercised during the reporting period. 620,000 directors options and 2,500,000 executives options lapsed during the reporting period.

Option holdings of key management personnel

	Balance 1 July 2018	Granted as remuneration	Options Exercised	Options Lapsed	Balance 30 June 2019	Vested and exercisable at 30 June 2019
Michael Trumbull	18,400,000	4,000,000	(2,400,000)	-	20,000,000	20,000,000
Kevin Perrin (2)	9,000,000	2,000,000	(1,000,000)	-	10,000,000	10,000,000
Alfonso Grillo	5,850,000	2,000,000	(230,000)	(620,000)	7,000,000	7,000,000
Gary Davison (1)	2,000,000	-	-	-	2,000,000	2,000,000
James Earle	5,000,000	4,000,000	-	-	9,000,000	9,000,000
Total	40,250,000	12,000,000	(3,630,000)	(620,000)	48,000,000	48,000,000

(1) Balance held at date of appointment

(2) Balance held at date of retirement

This concludes the Remuneration report which has been audited.

Corporate Governance

The Company's Corporate Governance Statement and other corporate governance related documents may be accessed from the Company's website at <https://www.nagambieresources.com.au/investor-information/corporate-governance-statement>.

Non-audit services

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

Auditor's independence declaration

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

Proceedings on behalf of the company

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

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

On behalf of the directors



Michael W Trumbull
Executive Chairman

Melbourne
26 September 2019

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

Alan Finnis

A. A. Finnis
Director

Melbourne, 26 September 2019

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

Statement of Profit and Loss and Other Comprehensive Income for the financial year ended 30 June 2019

	Note	Consolidated	
		2019 \$	2018 \$
Revenue	4	328,904	762,163
Corporate expenses		(628,971)	(602,056)
Cost of sales and rehabilitation		(199,923)	(404,423)
Depreciation		(122,195)	(141,293)
Employee benefits expense	4	(755,448)	(509,520)
Interest expense		(386,801)	(292,132)
Loss before income tax		(1,764,434)	(1,187,261)
Income tax benefit	5	279,386	-
Loss for the year		(1,485,048)	(1,187,261)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,485,048)	(1,187,261)
Loss per share			
Basic and diluted loss per share in cents	6	(0.35)	(0.29)

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2019

	Note	Consolidated	
		2019 \$	2018 \$
Current assets			
Cash and cash equivalents	14(b)	224,988	352,070
Trade and other receivables	7	68,477	164,702
Total current assets		293,465	516,772
Non-current assets			
Security deposits	8	635,479	635,000
Property, plant and equipment	10	817,051	925,436
Exploration and evaluation assets	9	11,768,062	9,675,955
Total non-current assets		13,220,592	11,236,391
Total assets		13,514,057	11,753,163
Current liabilities			
Trade and other payables	11	341,553	301,077
Borrowings	15	1,060,622	126,622
Provisions	16	15,523	26,218
Revenue in advance		-	39,306
Total current liabilities		1,417,698	493,223
Non-current liabilities			
Borrowings	15	3,330,489	3,675,535
Provisions	16	10,845	11,777
Total non-current liabilities		3,341,334	3,687,312
Total liabilities		4,759,032	4,180,535
Net assets		8,755,025	7,572,628
Equity			
Issued capital	12	24,123,551	22,091,390
Reserves	13	1,828,340	1,214,896
Accumulated losses		(17,196,866)	(15,733,658)
Total equity		8,755,025	7,572,628

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the financial year ended 30 June 2019

	Consolidated			Total \$
	Issued capital \$	Options reserve \$	Accumulated losses \$	
Balance at 30 June 2017	21,751,540	846,495	(14,566,822)	8,031,213
Shares issued during the year	315,000	-	-	315,000
Recognition of share based payments	-	413,676	-	413,676
Transfer on lapse of options	-	(20,425)	20,425	-
Transfer on exercise of options	24,850	(24,850)	-	-
Total comprehensive loss	-	-	(1,187,261)	(1,187,261)
Balance at 30 June 2018	22,091,390	1,214,896	(15,733,658)	7,572,628
Shares issued during the year	2,025,500	-	-	2,025,500
Share issue expenses	(20,749)	-	-	(20,749)
Recognition of share based payments	-	662,694	-	662,694
Transfer on lapse of options	-	(21,840)	21,840	-
Transfer on exercise of options	27,410	(27,410)	-	-
Total comprehensive loss	-	-	(1,485,048)	(1,485,048)
Balance at 30 June 2019	24,123,551	1,828,340	(17,196,866)	8,755,025

The accompanying notes form part of these financial statements

Statement of Cash Flows for the financial year ended 30 June 2019

		Consolidated	
Note		2019	2018
		\$	\$
Cash flows from operating activities			
	Receipts from customers	408,149	650,393
	Payments to suppliers and employees	(955,694)	(963,032)
	Interest received	16,980	17,280
	Interest paid	(340,506)	(249,805)
	R&D tax incentive	279,386	-
	Net cash inflows used in operating activities	(591,685)	(545,164)
14(a)			
Cash flows from investing activities			
	Purchase of property, plant and equipment	(13,810)	(40,118)
	Payments for exploration expenditure	(2,092,107)	(1,046,390)
	Payments for security bonds	(479)	-
	Proceeds from security bonds	-	520
	Net cash used in investing activities	(2,106,396)	(1,085,988)
Cash flows from financing activities			
	Proceeds from issue of shares	2,025,500	315,000
	Payment of share issue costs	(20,749)	-
	Proceeds from issue of convertible notes	700,000	1,800,000
	Net repayment of borrowings	(133,752)	(255,962)
	Net cash provided by financing activities	2,570,999	1,859,038
Net increase (decrease) in cash and cash equivalents		(127,082)	227,886
	Cash and cash equivalents at the beginning of the financial period	352,070	124,184
	Cash and cash equivalents at the end of the financial period	224,988	352,070
14(b)			

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the financial year ended 30 June 2019

1. General information

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

2. Significant accounting policies

Statement of compliance

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

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

Basis of preparation

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

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

(a) Going concern

For the year ended 30 June 2019, the consolidated net loss was \$1,485,048 (2018: \$1,187,261). The net cash outflows used in operations for the year were \$591,685 (2018: \$545,164). The Group had a net working capital deficiency of \$1,124,233 (2018: surplus \$23,549) at year end.

The Group has cancellable planned exploration expenditure under its leased tenements extending to 30 June 2020 of \$1,122,657 (2019: \$1,009,500).

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

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

- Drill WTD002 and follow up holes as required into the underground sulphide-gold target at Wandean. Possibly carry out lithogeochemical sampling of selected holes to assist in vectoring towards and/or prioritising structures;
- Carry out a Ground IP geophysical surveys over the Wandean Crustal Fault to the west of the Nagambie Mine and commence diamond drilling in the area if justified. Possibly carry a Radial-DTH IP survey on the first hole drilled and lithogeochemical sampling of selected holes. Possibly carry out Ground IP surveys where the Wandean Crustal Fault intersects the Grimwade and Racecourse Thrust Faults between Wandean and the Nagambie Mine;
- Secure a PASS Management contract for some of the estimated 8.2 million tonnes to be excavated from the tunnels for Westgate, Metro Rail and North East Link; and
- Secure a commercial agreement with a large well-established company for the production of crushed rock and concrete aggregates at the Nagambie Mine.

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

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

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

2. Significant accounting policies (continued)

(b) Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(c) Cash and cash equivalents

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

(d) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

(e) 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

2. Significant accounting policies (continued)

exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

(f) Impairment of tangible assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

(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.

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

2. Significant accounting policies (continued)

and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

(h) Research & development tax incentive

The Research & development (R&D) tax incentive refund relates to eligible R&D activities undertaken by the group. The tax credit is recognised when the money is received from the Australian Taxation Office. This credit is recognised in current tax (refer note 2(h) above).

(i) Leased assets

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

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

(j) Property, plant and equipment

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

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

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

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

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

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

(k) Provisions

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

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

(l) Revenue

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

Sale of rock revenue

Revenue from the sale of rock is measured at the fair value for the consideration received or receivable. The performance obligation is satisfied at a point in time when the rock is removed from the company premises. There are no cartage expenses as the customer utilises their own assets to source and remove the rock.

2. Significant accounting policies (continued)

Interest revenue

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

Rental revenue

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

(m) Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed when options are granted since in all cases there is no delay until options are vested.

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.

(n) Goods and services tax

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

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

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

(o) Trade and other payables

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

(p) Trade and other receivables

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

(q) Borrowings

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

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

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

Convertible notes are initially classified as a financial liability until extinguished on conversion or redemption. The corresponding interest on convertible notes is expensed to profit or loss.

(r) Finance costs

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

2. Significant accounting policies (continued)

(s) Critical accounting estimates and judgements

Exploration and evaluation costs

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

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

Management have assessed the balance of capitalised exploration costs in line with future planned exploration activities and the group's accounting policy and have determined that no impairment was necessary. If a tenement has been relinquished or reduced, then an impairment charge is taken. This charge is generally based on the pro-rata area reduced, however there can be other reasons for not using such an approach. When a tenement is not relinquished or reduced but is thought to be of reduced carrying value then an impairment based on management's estimate of fair value has been applied. Any charge for impairment is recognised in profit or loss immediately and also shown at Note 9.

Rehabilitation of tenements

The group has considered whether a provision for rehabilitation of any tenement is required. The directors do not consider that such a provision is necessary due to the fact that rehabilitation is being undertaken on a progressive basis. Whilst the company is in exploration phase it cannot reliably estimate the scope and costs of rehabilitation work that will need to be undertaken.

Recovery of deferred tax assets

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

Share based payments

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

Fair value of convertible notes

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

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

(t) Parent entity information

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

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

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. In the directors' view none of these standards and interpretations will have a material effect on these financial statements, with the exception of the following. Upon the adoption of AASB 16 *Leases* the group anticipates recognizing the present value of its operating lease commitments together with a right of use asset for the same amount in the statement of financial position. The right of use asset is expected to have a value of \$0.5 million.

Standard	Summary
AASB 9 <i>Financial Instruments</i>	AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 <i>Financial Instruments: Recognition and Measurement</i> .
AASB 15 <i>Revenue from Contracts with Customers</i>	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 <i>Revenue</i> and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services.

4. Revenue and expenses

Consolidated	
2019	2018
\$	\$

The loss before income tax includes the following items of revenue and expenses.

(a) Revenue

Revenue from contracts with customers

Rental income	194,695	190,574
Sale of rock and quarry products	102,601	537,490
Other revenue		
Interest	16,980	17,280
Sundry income	14,628	16,819
Total revenue	328,904	762,163

(b) Expenses

Employee benefits expense

Employee benefits	60,595	65,099
Share based payments expense	662,694	413,676
Superannuation expense	32,159	30,745
	755,448	509,520

5. Income tax

(a) Income tax expense

Loss from operations	(1,764,434)	(1,187,261)
Prima facie tax benefit calculated at 30% (2018: 30%)	529,330	356,178
Add tax effect of:		
- Non deductible expenses	1,727	(1,415)
- Share based payments	(198,808)	(124,103)
Less tax effect of:		
Current year tax loss not recognised	(332,249)	(230,660)
Add R&D tax incentive	279,386	-
Income tax benefit	279,836	-

(b) Deferred tax asset

A deferred tax asset attributable to tax losses and timing differences has not been brought to account due to the uncertainty of recoverability in future periods.	4,892,103	4,572,031
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6. Loss per share

	Consolidated	
	2019	2018
	\$	\$
Basic and diluted loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.		
Net loss	1,485,048	1,187,261
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	428,548,060	404,039,474
Basic and diluted loss per share in cents	0.35	0.29

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

7. Receivables

Trade receivables	4,039	120,195
Other receivables	64,438	44,507
Total receivables	68,477	164,702

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

Security deposits - environmental bonds (i)	585,479	585,000
Deposit on land	50,000	50,000
Total other assets	635,479	635,000

(i) Security deposits – environmental bonds

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

9. Exploration and evaluation assets

	Consolidated	
	2019	2018
	\$	\$
Balance at beginning of the year	9,675,955	8,629,565
Exploration costs capitalised for the year	2,092,107	1,046,390
Impairment charge for the year	-	-
Balance at end of the year	11,768,062	9,675,955

During the financial year the group reassessed the recoverable value of all tenement areas of interest to which exploration costs have been capitalised and no impairment charge was deemed applicable. This matter is discussed further in 'Critical accounting estimates and judgements' at Note 2(s).

10. Property, plant and equipment

	Consolidated				Total
	Land	Plant and equipment	Computer equipment	Motor vehicles	
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2017	45,063	465,594	94,138	195,143	799,938
Additions	-	521,735	10,731	-	532,466
Disposals	-	(592)	(78,918)	-	(79,510)
Balance at 1 July 2018	45,063	986,737	25,951	195,143	1,252,894
Additions	-	13,810	-	-	13,810
Disposals	-	-	-	-	-
Balance at 30 June 2019	45,063	1,000,547	25,951	195,143	1,266,704
Accumulated depreciation					
Balance at 1 July 2017	-	(71,411)	(86,072)	(107,155)	(264,638)
Depreciation expense	-	(118,121)	(9,025)	(15,184)	(142,330)
Disposals	-	592	78,918	-	79,510
Balance at 1 July 2018	-	(188,940)	(16,179)	(122,339)	(327,458)
Depreciation expense	-	(103,688)	(4,233)	(14,274)	(122,195)
Disposals	-	-	-	-	-
Balance at 30 June 2019	-	(292,628)	(20,412)	(136,613)	(449,653)
Net book value					
As at 30 June 2018	45,063	797,797	9,772	72,804	925,436
As at 30 June 2019	45,063	707,919	5,539	58,530	817,051

11. Trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	196,157	200,990
Other payables	145,396	100,087
	341,553	301,077

12. Issued capital

	2019	2018
	\$	\$
(a) Issued and paid capital		
Ordinary shares fully paid	24,123,551	22,091,390

(b) Movements in shares on issue

	Year ended 30 June 2019		Year ended 30 June 2018	
	Number of shares issued	Issued capital \$	Number of shares issued	Issued capital \$
Balance at beginning of the year	407,085,912	22,091,390	403,935,912	21,751,540
Movements during the year				
Placement of shares				
October 2018 issue price 6.2 cents	9,677,417	600,000	-	-
Share purchase plan				
October 2018 issue price 6.2 cents	16,814,473	1,042,500	-	-
Exercise of options at 10.0 cents	3,830,000	383,000	3,150,000	315,000
Options reserve transfers	-	27,410	-	24,850
Share issue expenses	-	(20,749)	-	-
Balance at end of the year	437,407,802	24,123,551	407,085,912	22,091,390

(c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held.

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

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

Share options granted under the employee share option plan

As at 30 June 2019 there were 19,650,000 (2018 24,350,000) options over ordinary shares in respect of the employee share option plan. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees. Of these options 19,650,000 were vested by 30 June 2019 (2018: 24,350,000).

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

Other share options on issue.

As at 30 June 2019 there were 48,000,000 options over ordinary shares issued to directors (2018:33,250,000). Of these options 48,000,000 were vested by 30 June 2019 (2018: 33,250,000).

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

(d) Capital management

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2018 Financial Statements.

13. Reserves

	Consolidated	
	2019	2018
	\$	\$
Options Reserve		
Balance at beginning of the year	1,214,896	846,495
Recognition of share based payments	662,694	413,676
Value of options exercised	(27,410)	(24,850)
Value of options lapsed	(21,840)	(20,425)
Balance at end of the year	1,828,340	1,214,896

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

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

Net loss for the period	(1,485,048)	(1,187,261)
Depreciation of property, plant and equipment	122,195	141,293
Share based payment expense	662,694	413,676
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in receivables	96,225	(94,490)
Increase in creditors	23,876	178,213
Increase/(Decrease) in employee provisions	(11,627)	3,405
Net cash from (used in) operating activities	(591,685)	(545,164)

(b) Reconciliation of cash

Cash and cash equivalents comprise:
Cash on hand and at call

224,988	352,070
224,988	352,070

(c) Non-cash investing activity

Assets acquired under finance agreements

-	491,311
-	491,311

15. Borrowings**Current**

Unsecured convertible notes (i)
Other borrowings

934,000	-
126,622	126,622
1,060,622	126,622

Non-current

Unsecured convertible notes (i)
Other borrowings

3,100,000	3,334,000
230,489	341,535
3,330,489	3,675,535

Total borrowings

4,391,111	3,802,157
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- (i) The Company has four series of Unsecured Convertible Notes outstanding for a total of \$4,034,000.

Series 4: 18,680,000 Notes issued at 5 cents on 15 April 2015 for a total of \$934,000
 Series 5: 3,333,333 Notes issued at 18 cents on 19 September 2016 for a total of \$600,000
 Series 6: 18,000,000 Notes issued at 10 cents on 17 November 2017 for a total of \$1,800,000
 Series 7: 7,000,000 Notes issued at 10 cents on 27 February 2019 for a total of \$700,000

Each series of Convertible Note has the following terms:

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

16. Provisions

	Consolidated	
	2019	2018
	\$	\$
Current		
Employee benefits	15,523	26,218
Non-current		
Employee benefits	10,845	11,777
Total provisions	26,368	37,995

17. Commitments

(a) Planned exploration expenditure

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

Not longer than 1 year	1,122,657	1,009,500
Longer than 1 year and not longer than 5 years	3,120,858	3,120,964
Longer than 5 years	-	-
	4,243,515	4,130,464

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2019 or 30 June 2018 except for the one noted at 17(d) below.

(c) Operating lease commitments

Not longer than 1 year	139,071	99,071
Longer than 1 year and not longer than 5 years	371,167	132,096
Longer than 5 years	-	-
	510,238	231,167

The above relates to a non-cancellable lease on a property used for company business. The lease expires on 17 October 2022. The company is in the process of purchasing this land as detailed at note 17(d).

(d) Property acquisition with deferred settlement

As noted in the 2018 Annual Financial Report the company is in the process of purchasing a farming property in the Nagambie area. Recently this contract has been renegotiated and the purchase price is now \$1,690,000. After payment of an additional deposit of \$110,000 on 15 October 2019 the balance due on or before 15 October 2022 will be \$1,513,488. The land as an asset and the balance due at settlement as a liability have not been brought to account since control and the title will not pass until settlement.

18. Contingent Liabilities

Apart from the matter discussed in Note 8 the group has no contingent liability as at 30 June 2019.

19. Financial instruments

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

- It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;
- It has no significant outstanding receivable balances that have a credit risk;
- Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;
- All of the interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables (except for convertible notes refer note 15) have maturity dates within one financial year. Term deposits on environmental bonds and convertible notes have interest rate yields consistent with current market rates;
- All of the financing for the group is from equity and convertible note instruments, and
- The group has no externally imposed capital requirements with the exception of an ASX requirement to not issue more than 25% of its share capital through a placement in a 12-month period.

(a) Categories of financial instruments

	Consolidated	
	2019 \$	2018 \$
Financial assets		
Security deposits and receivables	653,956	749,702
Cash and cash equivalents	224,988	352,070
Financial liabilities		
Trade and other payables	341,553	301,077
Borrowings	4,391,111	3,802,157

(b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the group's funding and liquidity management requirements. The group manages liquidity risk by maintaining sufficient cash balances to meet obligations as and when they fall due.

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

Consolidated liabilities	Interest rate	Less than 1 month	1-3 months	3+ months to 1 year	1-5 years	5+ years
	%	\$	\$	\$	\$	\$
2019						
Trade and other payables	-	202,436	72,565	66,552	-	-
Borrowings	10.0	11,283	87,565	1,373,943	4,157,512	-
		213,719	160,130	1,440,495	4,157,512	-
2018						
Trade and other payables	-	209,231	50,700	41,146	-	-
Borrowings	10.0	11,283	52,565	404,943	4,490,303	-
		220,514	103,265	446,089	4,490,303	-

20. Share-based payments

The group has an ownership-based remuneration scheme for executives (including executive directors) of the group. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors. Each executive share option converts into one ordinary share of Nagambie Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. The total of options on issue is 67,650,000 (2018: 57,600,000). Of these 28,650,000 (2018: 24,350,000) have been issued to executives and employees and the balance of 39,000,000 (2018: 33,250,000) have been issued to directors as approved by shareholders.

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

	30 June 2019		30 June 2018	
	Number of options	Exercise price	Number of options	Exercise price
Balance at beginning of period granted	57,600,000		50,750,000	
exercised *	17,000,000	10.8 - 12.6 cents	14,750,000	10 - 14.1 cents
lapsed	(3,830,000)	10 cents	(3,150,000)	10 cents
	(3,120,000)	10 cents	(4,750,000)	10 cents
Balance at end of period	67,650,000		57,600,000	

* 3,830,000 options were exercised on 14/8/2018 and 30/11/2018 at 10 cents

Options on issue at the end of the reporting period

Number of options	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
10,100,000	28/11/2014	28/11/2014	28/11/2019	10 cents	1.40 cents
11,300,000	16/11/2015	16/11/2015	16/11/2020	10 cents	1.00 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents	3.40 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents	3.44 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents	2.80 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents	2.80 cents
4,500,000	22/8/2018	22/8/2018	22/8/2023	12.6 cents	3.90 cents
10,500,000	23/11/2018	23/11/2018	23/11/2023	10.8 cents	3.90 cents
2,000,000	27/2/2019	27/2/2019	27/2/2024	12.0 cents	3.90 cents
67,650,000					

(i) Exercised during the financial year

There were 3,830,000 options exercised during the financial year

(ii) Equity-settled employee benefits reserve

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

(iii) There are no vesting conditions for the above options

The weighted average fair value of the share options granted during the financial year is 3.90 cents (2018: 2.80 cents). Options were priced using a Binomial option valuation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may be exercised early, but not before vesting date.

Inputs into the valuation model			
	Tranche 1	Tranche 2	Tranche 3
Grant date	22/8/2018	23/11/2018	27/2/2019
Options Issued	4,500,000	10,500,000	2,000,000
Share price at grant date	8.4 cents	7.2 cents	8.0 cents
Exercise price	12.6 cents	10.8 cents	12.0 cents
Expected volatility	56.6%	56.6%	56.6%

Option life	5 years	5 years	5 years
Dividend yield	Nil	Nil	Nil
Risk free interest rate	2.25%	2.25%	2.25%
Vesting date	22/8/2018	23/11/2018	27/2/2019

21. Key Management personnel compensation

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	433,979	387,708
Post-employment benefits	14,250	14,250
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	467,784	280,459
	916,013	682,417

22. Subsidiaries

<u>Name of entity</u>	<u>Country of incorporation</u>	Ownership interest	
		2019	2018
		%	%
Parent entity			
Nagambie Resources Limited	Australia	-	-
Subsidiaries			
Nagambie Landfill Pty Ltd	Australia	100	100
no business activity conducted during the year			
Nagambie Developments Pty Ltd	Australia	100	100
property owning entity			
Clonbinane Goldfield Pty Ltd	Australia	100	100
development of gold and associated minerals			

23. Related party transactions

Transactions with key management personnel and related parties

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

24. Segment information

The group operates in one principal geographical area – in Australia. The group carries out exploration for, and development of gold associated minerals and construction materials in the area. During the year the group earned \$166,345 (2018 \$156,374) of its rental income described in note 4 from the Department of Defence. There was no other major reliance on any other customer.

25. Remuneration of auditors

	Consolidated	
	2019	2018
	\$	\$
Auditor of the parent entity		
Audit or review of the financial report	25,962	23,384
Other non-audit services	-	-
	25,962	23,384

The auditor of Nagambie Resources Limited is William Buck

26. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group, in future financial years.

27. Parent entity disclosures

	Parent	
	2019	2018
	\$	\$
Current assets	292,068	546,282
Non-current assets	13,289,365	11,321,782
Total assets	13,581,433	11,868,064
Current liabilities	328,615	493,223
Non-current liabilities	4,391,111	3,687,312
Total liabilities	4,719,726	4,180,535
Issued capital	24,123,551	22,091,390
Options reserve	1,828,340	1,214,896
Accumulated losses	(17,090,184)	(15,618,757)
Total equity	8,861,707	7,687,529
Loss	(1,486,574)	(1,196,694)
Total comprehensive income	(1,486,574)	(1,196,694)

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

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

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

On behalf of the directors



Michael W Trumbull
Executive Chairman

Melbourne
26 September 2019

Nagambie Resources Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Modified Opinion

We have audited the financial report of Nagambie Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the matters described below in the Basis for Modified Opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Modified Opinion

Fair valuation of the debt component of convertible notes upon initial recognition

As disclosed in Note 15 to the financial statements in the current and prior year, the Company has raised \$2,500,000 from investors through the issue of Series 6 and Series 7 unsecured convertible notes. Both tranches of unsecured convertible notes have a coupon interest rate of 10% per annum and include an equity conversion feature, entitling the noteholder to convert the principal value of each note into ordinary shares at 10 cents per share. AASB 132 *Financial Instruments: Presentation* requires that the debt component of such convertible notes, with fixed conversion formulae, be valued at fair value upon initial recognition (the date upon which the Company and the convertible noteholder became party to contract), with any difference between the face value of those notes and the fair value of the debt component recognised in equity.

The directors of the Company believe there is no reliable basis for measuring at fair value the debt component at initial recognition, principally upon the basis that there is no readily accessible market for unsecured debt with no equity conversion rights for exploration enterprises with similar market capitalisation levels either in Australia or any other foreign jurisdiction, upon which it could benchmark a reliable discount rate to fair value the debt. Upon that basis, they have assessed the fair value of the debt component to equal the face value of the convertible notes for both tranches of convertible notes.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Notwithstanding this, we consider that a market value for the debt component of such convertible notes can be imputed from other like-for-like Australian-based listed exploration companies, principally due to the growth in popularity of convertible notes as a mechanism for obtaining finance in recent years. Our view is that the depth of the active market has become sufficient for our basis of opinion around the time that the Series 6 notes were issued. Based upon our analysis, we believe that 25% would be an appropriate discount rate for Series 6 and 25% for Series 7 to apply in calculating the fair value of the debt component of convertible notes at initial recognition.

Based upon this key assumption, had such a discount been applied against the two tranches of convertible notes which were issued during the current and prior years, the following adjustments would be required to these financial statements as at 30 June 2019:

Series 6

- Convertible notes held at \$1,800,000 in the statement of financial position would be restated to \$1,273,793;
- An equity reserve would be created, worth \$663,780, representing the difference between the face value and fair value of the Convertible Note at initial recognition; and
- An additional interest charge of \$165,630, representing the proportionate unwind of the discount applied to the convertible notes from initial recognition through to 30 June 2019.

Series 7

- Convertible notes held at \$700,000 in the statement of financial position would be restated to \$466,618;
- An equity reserve would be created, worth \$269,048, representing the difference between the face value and fair value of the Convertible Note at initial recognition; and
- An additional interest charge of \$35,666, representing the proportionate unwind of the discount applied to the convertible notes from initial recognition through to 30 June 2019.

Other matters relevant to the Basis for Modified Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided on the date of this report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which describes that during the year ended 30 June 2019 the Group incurred a net loss of \$1,485,048 and net cash outflows from operations of \$591,685 and, as of that date, the Group's current liabilities exceeded its current assets by \$1,124,233. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS	
Area of focus Refer also to notes 2 and 9	How our audit addressed it
<p>The Group has incurred exploration and evaluation costs for exploration projects in Victoria over a number of years.</p> <p>The Group holds the right to explore and evaluate those projects through tenement and licence agreements.</p> <p>There is a risk that the Group may lose its right to further explore and evaluate those areas of interest and therefore amounts capitalized to the statement of financial position from the current and historical periods be no longer recoverable.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the requirement to renew that tenement at its expiry; - Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying tenement expenditure plan; - Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest; and - From an overall perspective, comparing the market capitalisation of the Group to the net carrying value of its assets on the statement of financial position to identify any other additional indicators of impairment. <p>We assessed the adequacy of the Group's disclosures in respect of exploration and evaluation assets.</p>

SHARE BASED PAYMENTS	
Area of focus Refer also to notes 2, 13, 20 and the Remuneration Report	How our audit addressed it
<p>The Group rewards its key management personnel and employees through ownership-based incentive scheme through the granting and issuing of options.</p> <p>These are share-based payments which are charged to the profit or loss as they vest. These options had no performance hurdles or service conditions attached to their vesting, hence they vested immediately upon grant and issue.</p> <p>There were significant subjectivities relating to the accounting for these options in this financial report, including:</p> <ul style="list-style-type: none"> - The determination of the grant date for the options and their vesting period for identifying the appropriate share price used in the formula for calculating the value of the option; - Determining the volatility rate used in pricing the options and the selection and use of the Binomial model in computing the value of those options; and - Reflecting the vested benefit attributed to key management personnel in disclosures in the financial report and in the Remuneration Report. <p>The Group commissioned the use of an independent expert during the year to appraise the fair value of the options which were granted and issued.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> - Determining the grant dates, and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; - Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence; - Evaluating the vesting of the share-based payments; - For the specific application of the option pricing model, we assessed the experience of the external expert used to advise the value of the arrangement to management. We retested some of the key assumptions used in the model. - We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms. <p>We also reconciled the vesting of these share-based payment arrangements to disclosures made in both the disclosures in the Remuneration Report and the key management personnel compensation note.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

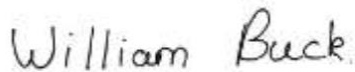
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Nagambie Resources Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in black ink that reads 'A. A. Finnis'.

A. A. Finnis

Director

Melbourne, 26 September 2019