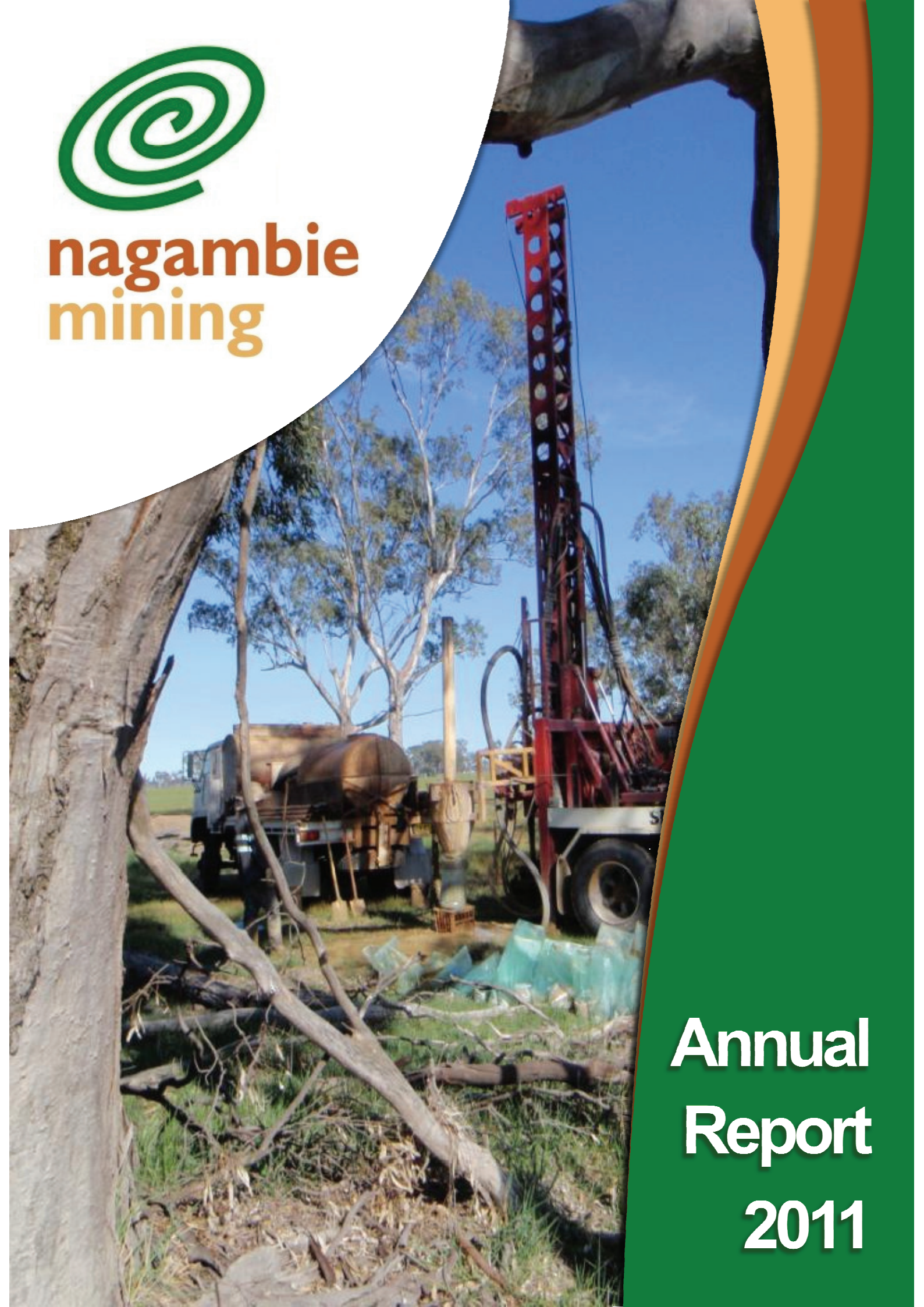




nagambie
mining



**Annual
Report
2011**

Corporate Directory

Front Cover:
AirCore Drilling at Nagambie North

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

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SHARE REGISTRY

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452 Johnston Street
Abbotsford Vic 3067
Tel: 1300 850 505 (within Australia) or
+613 9415 4000 (outside Australia)

DIRECTORS

Michael W Trumbull (Non-Executive Chairman)
Colin Glazebrook (Executive Director)
Geoff Turner (Non-Executive Director - Exploration)
Kevin J Perrin (Non-Executive Director Finance)

SECURITIES EXCHANGE LISTING

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

CHIEF EXECUTIVE OFFICER & EXPLORATION MANAGER

Colin Glazebrook

COMPANY SECRETARY

Alfonso M G Grillo

AUDITOR

William Buck Audit (Vic) Pty Ltd
Level 1, 465 Auburn Road
Hawthorn East, Vic 3123

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Chairman's Letter

Dear Shareholder

In my letter last year I said that the gold price was continuing to set all-time record highs in US\$ terms and that the coming years may well be very exciting times to be a Nagambie Mining shareholder, especially if the Company can develop its construction materials opportunities as a source of funding.

I am pleased to report this year that: (1) Nagambie Mining has added significant value to its 100%-owned gold properties, albeit that central Victoria has had one of its wettest and hence most disruptive years in living memory; (2) the gold price has continued its decade-long surge with no end in sight to the mounting "paper-money" economic problems in the US and Europe; and (3) earnings from sales of non-gold materials are now becoming very significant for the Company.

Gold

Following a review of operational aspects, it was decided to revert to a western extension of the West Pit at the Nagambie Mine, rather than develop a separate pit to the west. Nagambie Mining is targeting 25,000 ounces of gold mineralisation at 0.8 g/t gold in the proposed 200 metre strike extension.

A review of all historical drilling carried out within the Mining Licence at the Nagambie Mine has opened up the possibility of oxide gold mineralisation being present in the footwall (to the south) of the main north-plunging orebody mined to date. The only hole drilled more than 100 metres to the south of the main orebody intersected 25 metres of sulphide mineralisation averaging 0.62 g/t gold between 231 metres and 256 metres downhole. The mineralisation intersected (best 1-metre assay of 2.9 g/t gold) is interpreted to result from faulting associated with repeat local anticlinal folding. RC drilling of the oxide target within 80 metres of the surface will be carried out when a contract rig becomes available.

Two wide-spaced AirCore drilling programs at Nagambie North have outlined an anomalous gold zone 2.3 km north of the Nagambie Mine and coincident with the interpreted Racecourse Thrust. The outlining of the anomalous gold zone under cover at Nagambie North has enhanced the prospectivity of the structural and gold-in-soil anomalies to the south of the Nagambie Mine. An extensive soil sampling program at Nagambie South has recently been completed and assays are awaited. Target size for a gold discovery under cover in the Nagambie region is 200,000 ounces given the size of the Nagambie Mine orebody (184,000 ounces at 0.8 g/t gold mined in the 1990s plus 25,000 ounces targeted in the West Pit Extension).

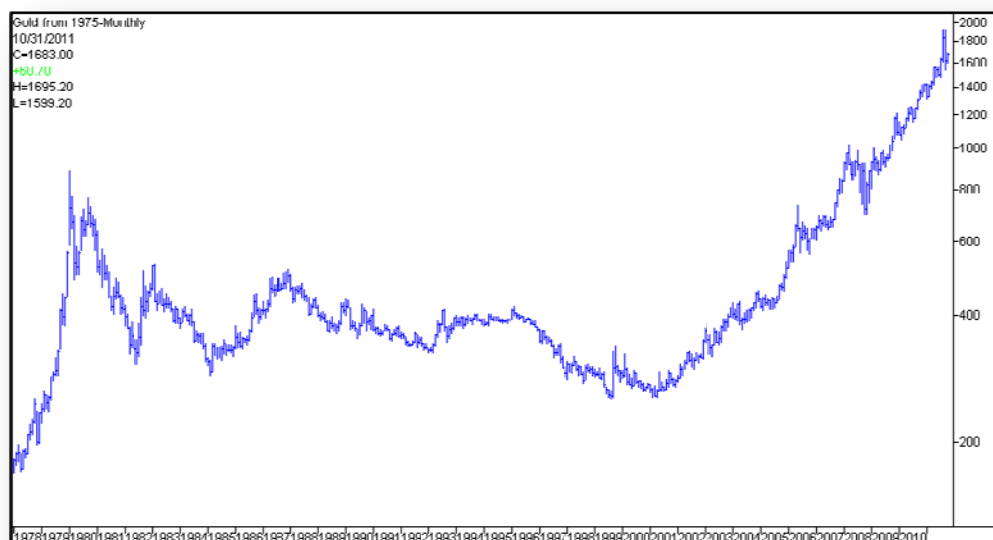
A third costeaning (surface trenching) program at the Redcastle Goldfield, including the Laura Mining Licence which was purchased during the year for \$40,000, has just been completed. Results of the geological mapping and sample assaying are awaited. Redcastle is very significant for Nagambie Mining given that gold mineralisation outcrops at surface in five areas outlined to date. The Company is targeting a total of at least 100,000 ounces of gold mineralisation at Redcastle averaging 1.0 to 2.0 g/t gold.

The medium term objective for Nagambie Mining is to establish operations at Nagambie and Redcastle to produce a total of 10,000 ounces of gold per year for at least 10 years.

Gold Price

Gold Price in US\$ showing the Exponential Growth in Price since 2001

(Source: www.the-privateer.com)



In the 1990s, the previous owner of the Nagambie Mine had reported cash costs of around A\$400 per ounce for the heap leach operation. Nagambie Mining is modelling current-day operating costs of around A\$700 per ounce for the targeted Nagambie and Redcastle heap-leachable gold mineralisation. Annual operating margin at the targeted 10,000 ounces per year and the current gold price of around A\$1,600 per ounce would be around \$9 million. The potential prize is very attractive given the Company's present market capitalisation is only around \$4 million.

Non-Gold

The Company is developing all the construction material opportunities on the freehold land (around 200 hectares) that it owns at the Nagambie Mine, including the sale of overburden and the commercialisation of sand deposits.

Income for Nagambie Mining from sales of non-gold materials, principally sized crushed rock and undifferentiated rock fill, for the 2011 financial year was \$214,000. Projected income from sales of non-gold materials in future years is \$500,000 per year.

The growth in non-gold income is largely a result of the liaison between Nagambie Mining and Global Contracting Pty Ltd ("Global") since June 2010. Global has a successful civil engineering, contracting and earthmoving business with ready access to crushing, screening and washing equipment while its earthmoving fleet includes a large range of excavators, tracked loaders, graders and tandem tippers.

I would again like to thank my fellow directors and the small but focussed management team for their continued efforts in advancing and streamlining the Company's activities. Colin Glazebrook and Geoff Turner have continued to successfully apply their experience to the geological modelling of the Nagambie and Redcastle goldfields. Colin, as CEO, is working closely with Global to upgrade the Nagambie Mine infrastructure and secure significant sales of rock and fill material. Liz Fuller, the Office Manager and Bookkeeper at the Nagambie Mine, provides great support to Colin. Kevin Perrin, as the Finance Director and Chair of the Audit and Compliance Committee, has done a sterling job throughout the year.



Mike Trumbull
Chairman
21 October 2011

Operations & Exploration Review

The Company's principal medium-term objectives are to:

- Establish gold production of 10,000 ounces of gold per year with a mine life of at least 10 years; and
- Develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings and the commercialisation of the sand deposits.

Despite unusually wet weather conditions during the year which delayed the field programs, it was a very busy year. The Company has been focussing its exploration effort on the Redcastle, Nagambie North and Nagambie South projects and been very encouraged by the results to date, in particular from the Nagambie North and Redcastle projects.

Overview

- Following a review of operational aspects for the previously proposed Pit 3 to the west of the existing West Pit at the Nagambie Mine, it was decided to revert to a western extension of the West Pit. Nagambie Mining is targeting 25,000 ounces of gold mineralisation in the 200 metre strike extension.
- A review of all historical drilling carried out at the Nagambie Mine has opened up the possibility of oxide gold mineralisation being present in the footwall of the main north-plunging orebody mined to date. RC drilling of the oxide target within 80 metres of the surface will be carried out when a contract rig becomes available.
- Two wide-spaced AirCore drilling programs at Nagambie North have outlined an anomalous gold zone 2.3 kilometres north of the Nagambie Mine and is coincident with the interpreted Racecourse Thrust.
- The outlining of the anomalous gold zone under cover at Nagambie North has enhanced the prospectivity of the structural and gold-in-soil anomalies to the south of the Nagambie Mine. An extensive, in-fill soil sampling program at Nagambie South has just been completed and assays are awaited. It is planned to carry out AirCore drilling at Nagambie South following analysis of the soil sampling assays.
- Target size for a gold discovery under cover in the Nagambie region is 200,000 ounces given the size of the Nagambie Mine orebody (184,000 ounces of gold mined in the 1990s plus 25,000 ounces targeted in the West Pit Extension).
- A third costeaning program at the Redcastle Goldfield, including the recently-acquired Laura Mining Licence, has also just been completed. Assays are awaited and will be analysed in conjunction with the detailed geological mapping of the costeans that was carried out.
- Abigroup, the main contractor for the Nagambie Bypass, excavated and trucked undifferentiated rock fill from both the Western and Eastern Overburden Dumps at the Nagambie Mine during the year.
- Income from sales of non-gold materials for the year was a record for the Company at \$214,000. Projected income from sales of non-gold materials for the 2012 financial year is \$500,000.
- The proposed Green Organics Recycling Facility of Australian Native Landscapes ("ANL") at the Nagambie Mine is progressing through the final permitting stages. In addition to lease payments for the land to be used by ANL, Nagambie Mining is well placed to provide rock fill and gravel during the construction of ANL's facility and provide sand during the operational phase.

Exploration & Development of Gold Assets

The Company is exploring and developing oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 100,000 to 200,000 ounces of heap-leachable gold mineralisation. The initial focus is on the two 100%-owned, complete historical goldfields at Nagambie and at Redcastle. Redcastle is 33 kilometres west of Nagambie, 19 kilometres east of the Fosterville Mine and 12 kilometres north of the Costerfield Mine.

Heap leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of total capital cost and operating cost per tonne. The recommencement of heap leach operations at the Nagambie Mine will benefit from the proven technology and the successful operations history at the Mine in the 1990s. Recommencement will also benefit from the bitumen public road access, the Company's freehold land and the process water available in the East Pit. Other usable infrastructure remaining on site include the haulage roads, the pondage civil works, the operations shed, the grid electricity supply and the potable water supply.

When the Nagambie Mine operated in the 1990s under its previous ownership, the average head grade of the 184,000 ounces of gold ore stacked on the heap leach pad was approximately 0.8 g/t gold. Heap leach gold recovery was approximately 80%. Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,500 to A\$1,800 per ounce. Costs for contract activities such as open-pit mining, trucking, crushing, agglomerating and conveyor stacking have not increased nearly as much as the A\$ gold price in the intervening years.

The planned West Pit Extension at the Nagambie Mine is targeted to contain 25,000 ounces of gold mineralisation over 200 metres strike length at 0.8 g/t gold. At 80% heap leach recovery, this would give 2 years life at 10,000 ounces of gold production per year.

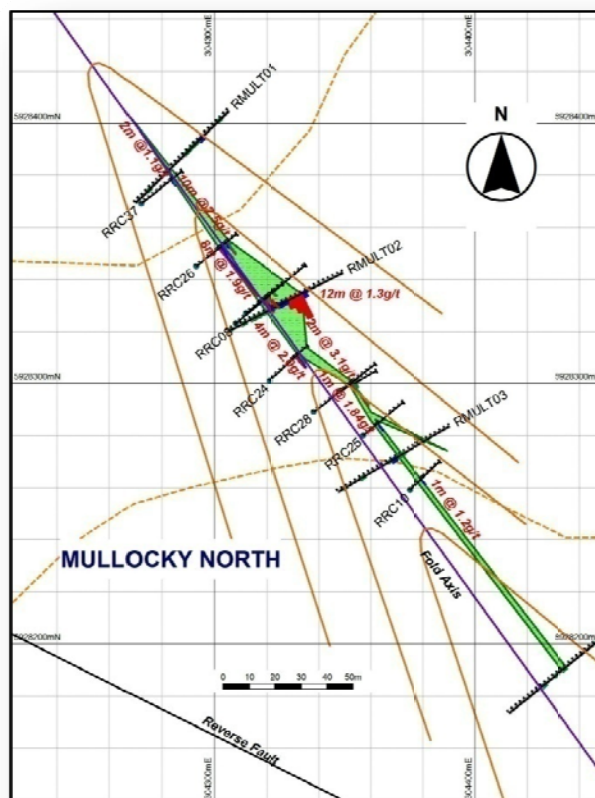
The target grade for prospective Nagambie-style oxide mineralisation at Nagambie North and Nagambie South is also 0.8 g/t gold. Target size for a gold discovery under cover in the Nagambie region is 200,000 ounces given the size of the Nagambie Mine orebody (184,000 ounces of gold mined in the 1990s plus 25,000 ounces targeted in the West Pit Extension).

The Company estimates that ore trucking costs from Redcastle to the Nagambie Mine (MIN 5412) would equate to around 0.2 g/t gold head grade equivalent. Hence an average head grade of 1.0 g/t gold or higher for Redcastle ore should produce attractive returns. Nagambie Mining is targeting various open pits at Redcastle with the potential for significant tonnage of mineralisation averaging 1.0 to 2.0 g/t gold, with a total target of at least 100,000 ounces of gold mineralisation.

TABLE 1 Group Areas, Projects and Licences

Group Area	Project	Name	Licence	Area km ²	Interest %
EXPLORATION GROUP AREAS					
NAGAMBIE	<i>RUSHWORTH</i>	Rushworth	EL 4723	34	100
	<i>NAGAMBIE NORTH</i>	Nagambie North	EL 4718	59	100
	<i>NAGAMBIE SOUTH</i>	Nagambie South	EL 5327	64	100
REDCASTLE	<i>REDCASTLE</i>	Redcastle	EL 3316	104	100
	<i>LAURA</i>	Laura Mine	MIN 4465	0.1	100
DEVELOPMENT GROUP AREA					
NAGAMBIE	<i>NAGAMBIE</i>	Nagambie Mine	MIN 5412	3.6	100
TOTAL				264.7	

**Mullocky North (Redcastle)
Mineralised Zone at Surface**



Non-Gold Assets

The Company is looking to develop all the construction material opportunities on the freehold land at the Nagambie Mine, including the sale of overburden and the commercialisation of sand deposits. Income for Nagambie Mining from sales of non-gold materials, principally sized crushed rock and undifferentiated rock fill, for the 2011 financial year was \$214,000. Projected income from sales of non-gold materials for the 2012 financial year is \$500,000.

The growth in non-gold income is largely a result of the liaison between Nagambie Mining and Global Contracting Pty Ltd ("Global") since June 2010. Global has a successful civil engineering, contracting and earthmoving business with ready access to crushing, screening and washing equipment while its earthmoving fleet includes a large range of excavators, tracked loaders, graders and tandem tippers.

Development Group Area

1.0 NAGAMBIE MINE - MIN 5412

Area: 3.64 km²

The planned West Pit Extension at the Nagambie Mine is targeted to contain 25,000 ounces of gold mineralisation.

Identified Projects: 4

An integral and ongoing part of the Company's rehabilitation program is the development of the site into an active construction materials source.

Identified Prospects: 6

1.1 WEST PIT EXTENSION

Following a review of operational aspects for the previously proposed Pit 3 to the west of the existing West Pit at the Nagambie Mine, it was decided to revert to a western extension of the West Pit. Previous drill hole intersections some 130 metres and 160 metres to the west of 27 metres at 1.04 g/t gold (including 6 metres at 2.2 g/t) and 8 metres at 1.6 g/t respectively, along with soil sampling results and AirCore sampling of basement rocks, clearly indicates that mineralisation extends to the west under alluvial cover.

A total of approximately 184,000 ounces of oxide gold ore at 0.8 g/t gold were mined in the East and West Pits at the Nagambie Mine (refer Figure 1 below) by the previous owners. The East and West Pits covered a total ore strike length of 1,330 metres. Average ounces mined per 100 metres of strike length was therefore approximately 13,800 ounces. The planned West Pit Extension covers 200 metres of strike length and Nagambie Mining is targeting 25,000 ounces of mineralisation at 0.8 g/t gold in the extension. A Work Plan Variation for the West Pit Extension is in the final stages of preparation for submission to the Department of Primary Industries ("DPI").

FIGURE 1 West Pit Extension at the Nagambie Mine



The overburden, which is predominantly free-dig alluvial cover, will be stockpiled on dumps to the north and south of the West Pit. A new plastic-lined heap leach pad and pregnant pond are planned for the area north of the East Pit and south of the large 1990s heap leach pad. The existing barren pond and overflow pond, immediately to the north of the existing heap leach pad, are planned to be recommissioned after the installation of new plastic liners. The existing operations shed, which previously housed the 1990s gold room, is also planned to be recommissioned with new gold room equipment and tankage.

Heap leach gold recovery in the previous operation was approximately 80% and Nagambie Mining believes it can achieve the same recovery for the recommissioned operation. The targeted 25,000 ounces of gold mineralisation could therefore result in gold production of some 20,000 ounces.

1.2 POSSIBLE FOOTWALL OXIDE GOLD MINERALISATION

A review of all historical drilling carried out within the Mining Licence at the Nagambie Mine has opened up the possibility of oxide gold mineralisation being present in the footwall (to the south) of the main north-plunging orebody mined to date. The main orebody is the result of faulting associated with local anticlinal folding. The axis of the anticline strikes ENE-WSW (hence the strike of the East and West Pits) and the anticlinal folding is clearly visible in the pit wall at the east end of the East Pit.

The only drill hole that was extended more than 100 metres to the south of the main orebody intersected 25 metres of sulphide mineralisation averaging 0.62 g/t gold between 231 metres and 256 metres downhole. The mineralisation intersected (best 1.0 metre assay of 2.9 g/t gold) is interpreted to result from faulting associated with repeat local anticlinal folding. RC drilling of the postulated oxide target within 80 metres of the surface will be carried out when a contract rig becomes available.

1.3 MIN 5412 REHABILITATION AND SITE UTILISATION

Before gold mining commenced at Nagambie in the 1990's, the site was a gravel quarry supplying the local region. An integral and ongoing part of the Company's rehabilitation program is the development of the site into an active construction materials source.

Through its association with earthmoving contractor Global Contracting Pty Ltd ("Global"), Nagambie Mining successfully concluded negotiations during the year with Abigroup, contractors for the main 13.5 km section of the Nagambie Bypass. Abigroup commenced excavating and trucking undifferentiated rock fill from both the Western Overburden Dump and the Eastern Overburden Dump in November 2010.

. Material from the Eastern Overburden Dump is planned to be crushed and screened to produce rock products in various size ranges (minus 20 mm through to minus 100 mm) for sale. Global has upgraded and is maintaining the mine haul roads for the Abigroup trucking operation.

The Company has also entered into a leasing agreement with Australian Native Landscapes Pty Ltd ("ANL") over 80 acres of surplus freehold land to the east of the Nagambie Mine. The lease period is initially for 8 years at commercial rates with options of extension and/or purchase available to ANL.

ANL is Australia's largest compost manufacturer with currently nine compost facilities in NSW and Victoria and will, subject to obtaining all regulatory approvals, construct a Green Organics Recycling Facility on the land leased from Nagambie Mining. The facility will produce a wide range of horticultural and agricultural products. ANL's development is progressing through the final permitting stages. Nagambie Mining is well placed to provide rock fill and crushed rock to ANL during the construction of ANL's facility and provide sand during the operational phase.

Investigations into the use of the extensive sand deposits that Nagambie Mining has located at the mine are continuing.

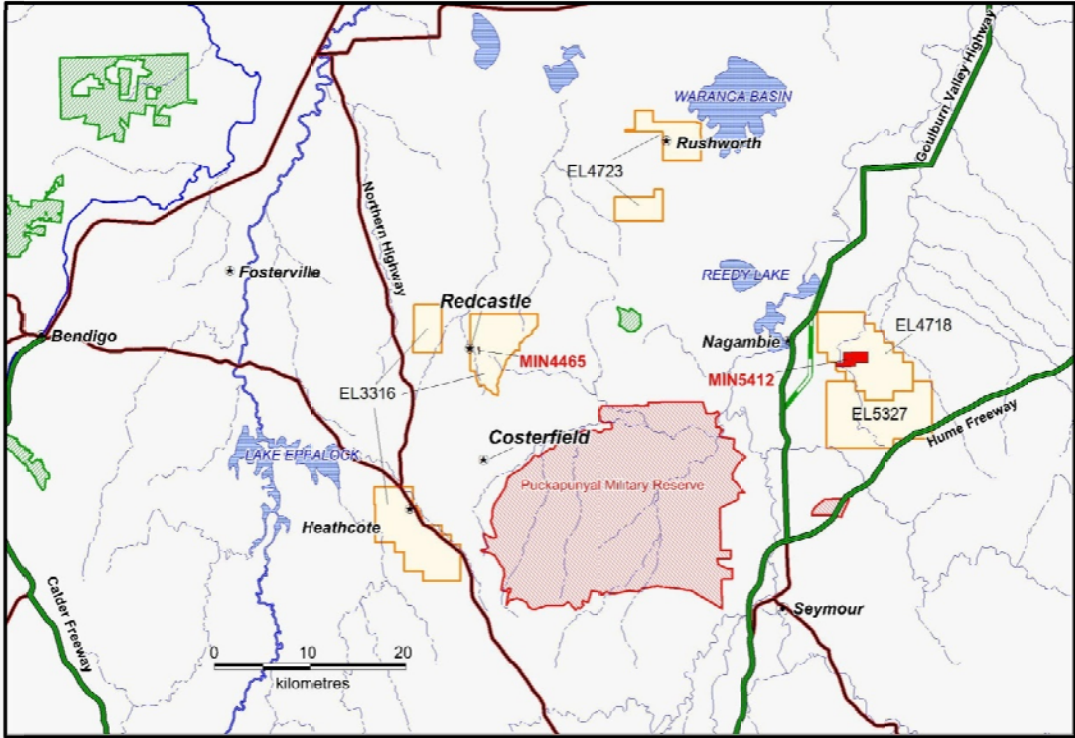
Abigroup Excavating and Trucking from the Eastern Overburden Dump



Exploration Group Areas

The exploration group areas are all in the Central Victorian Goldfields within the Melbourne Structural Zone. All mining and exploration licences are held 100% by Nagambie Mining.

FIGURE 2 Project Location Map – Central Victoria



AirCore Drilling at Nagambie North, April 2011



1.0 REDCASTLE – HEATHCOTE

Area: 104 km²

At Redcastle, the Company is planning to open-pit mine disseminated oxide gold mineralisation together with mineralised quartz veins that were left unmined by the historical operators. The target is to outline at least 100,000 ounces averaging 1.0 to 2.0 g/t gold .

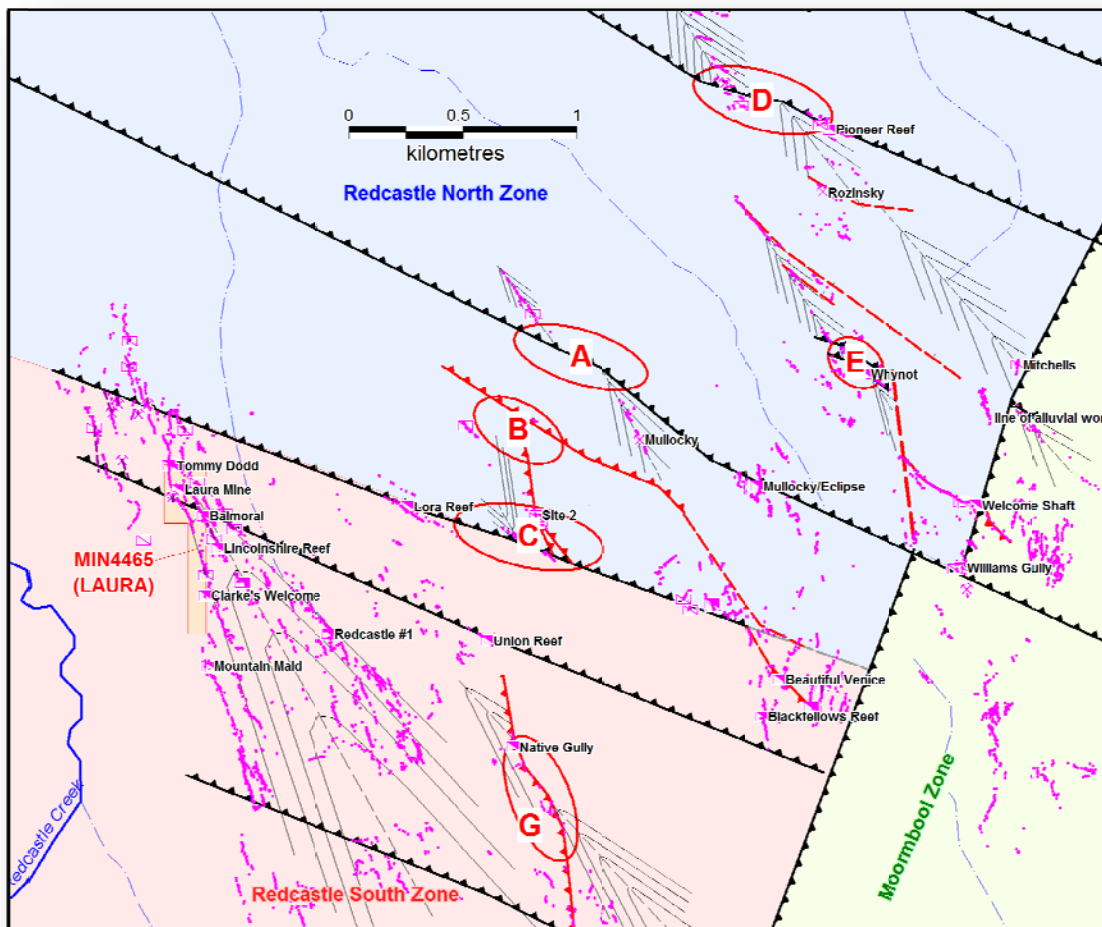
Identified Projects: 4

Identified Prospects: 9

1.1 REDCASTLE GOLDFIELD - EL 3316 (Central)

Area: 36 km²

FIGURE 3 Redcastle Historical Workings, Structural Interpretation and RC Drilling Targets to Date



Historical records for the Redcastle Goldfield are incomplete, however some mines reportedly produced over 30,000 ounces of oxide gold. The historical production (surface workings shown in purple in Figure 3) focussed entirely on narrow, high-grade quartz veins hosted by sedimentary rocks, predominantly sandstones and siltstones. Lower-grade, disseminated gold occurs in the sediments besides the mineralised quartz veins which occur in fractures associated with local anticlinal folding. The depth of oxidation at Redcastle is around 70 metres.

Nagambie Mining is planning to open-pit mine the lower-grade disseminated oxide gold, none of which was mined by the historical miners, together with the mineralised quartz veins that were left unmined. The remnant quartz veins would have been either too thin or too low grade for underground mining by the old timers but will lift the average grade of the open-pit mineralisation.

The best gold intersections from sporadic, shallow historical drilling at Redcastle (previously reported) include 8m at 5.2 g/t gold, 9m at 2.7 g/t, 8m at 1.9 g/t, 3m at 2.5 g/t, 2m at 10.7 g/t, 2m at 6.3 g/t, 4m at 3.0 g/t and 2m at 4.5 g/t.

The best gold intersections from the two previous costeaning programs at Redcastle (previously reported) include 6m at 2.8 g/t gold, 20m at 1.2 g/t, 12m at 1.3 g/t and 14m at 1.2 g/t. With the surface depletion that is interpreted to occur at Redcastle, the grades encountered in the surface costeans are encouraging.

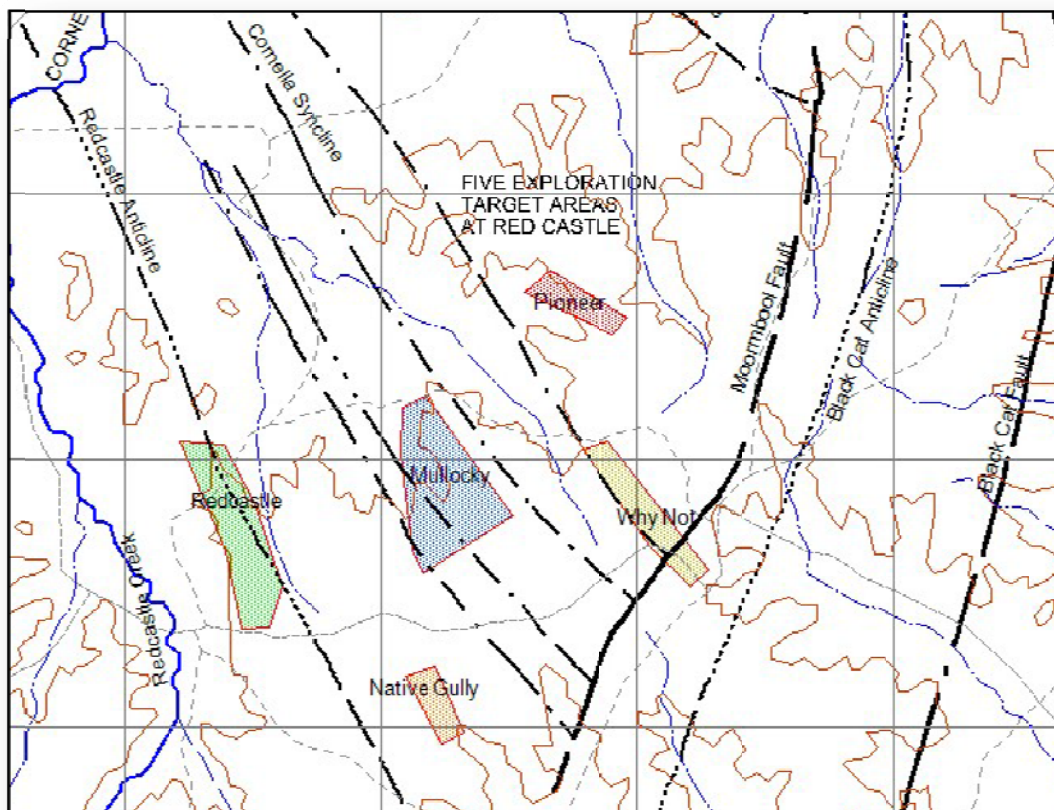
Nagambie Mining commenced a focussed 26 costean (surface trench) program for a total length of approximately 2,000 metres at the beginning of October 2011. The excavated costeans were left open only long enough to allow geological mapping and the taking of 2-metre long samples to occur. The program is now complete. Assays are awaited and will be analysed in conjunction with the detailed geological mapping.

The program was designed to develop Reverse Circulation (RC) drilling targets and particularly tested the Laura Mining Licence and the historical workings to the north and south of Laura, which together produced the majority of historical gold production on the goldfield (refer Figure 3).

The Company estimates that an average head grade of 1.0 g/t gold or higher for Redcastle mineralisation, mined and trucked to the Nagambie Mine (MIN 5412) for heap leach treatment, would produce attractive returns at current gold prices. Based on the extensive work carried out to date, Nagambie Mining is confident of being able to delineate various open pit targets at the Redcastle Goldfield with the potential to contain a significant tonnage of mineralisation averaging 1.0 to 2.0 g/t gold, with a potential target of at least 100,000 ounces.

The best five target zones at Redcastle (refer Figure 4) are Redcastle (including the Laura Mining Licence), Mullocky, Native Gully, Why Not and Pioneer.

FIGURE 4 Redcastle Target Zones



1.2 LAURA MINING LICENCE - MIN 4465

Area: 8.6 Ha

The transfer of MIN 4465 from Greater Bendigo Gold Mines Limited to the Company, at a purchase price of \$40,000, was completed in October 2010.

Acquisition of this Mining Licence now gives Nagambie Mining complete coverage of the Redcastle Goldfield and the opportunity to evaluate the mineralisation potential of the field as a whole.

The Mining Licence covers the historically most-productive, high-grade underground mines in the goldfield. There are five known parallel reefs encompassed by MIN 4465. The Laura Reef was worked to a depth of 60 metres with average results of around 1 ounce of gold per tonne. The Tommy Dodd Reef reported grades up to 6 ounces per tonne - this adjacent reef was only worked to the water table at approximately 43 metres. The Redcastle GM Company on the Welcome or Clarke's Reef reported yields of up to 42 ounces per tonne, and the reef was worked from surface to water level over a strike length of around 800 metres.

1.3 HEATHCOTE SOUTH PROJECT - EL3316

Area: 53 km²

1.4 HEATHCOTE NORTH PROJECT- EL 3316

Area: 15 km²

No significant work was carried out on the Heathcote projects during the year.



**Costeaning at Redcastle,
October 2011**

2.0 NAGAMBIE GROUP

Area: 157km²

Two wide-spaced AirCore drilling programs have outlined an anomalous gold zone 2.3 kilometres north of the Nagambie Mine.

An extensive soil sampling program at Nagambie South has recently been completed and assays are awaited.

Target size for a gold discovery under cover in the Nagambie region is 200,000 ounces.

Identified Projects: 3

Identified Prospects: 6

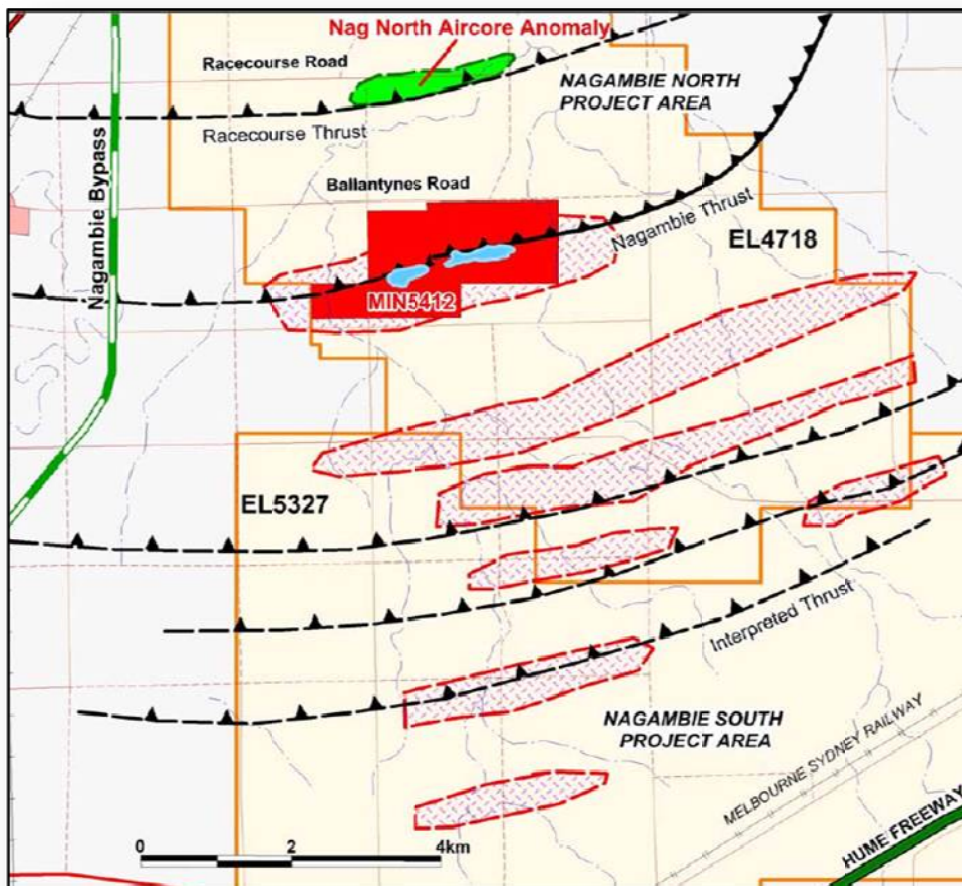


FIGURE 5
Nagambie North AirCore Anomaly, Nagambie South Preliminary Gold-in-Soil Anomalies and Interpreted Regional Thrusts

2.1 NAGAMBIE NORTH PROJECT – EL 4718

Area: 58.5 km²

Following extensive delays due to heavy rain and flooding of the area, two wide-spaced AirCore drilling programs were completed during the year at Nagambie North. They have outlined an anomalous gold zone 2.3 kilometres north of the Nagambie Mine and coincident with the interpreted Racecourse Thrust (shown in green in Figure 5).

The first round of AirCore drilling at Nagambie North was carried out in the March 2011 quarter. 37 holes tested a large prospective area, roughly 3.6 kilometres west to east and 2.6 kilometres north to south. The most encouraging preliminary result (reported previously) was 3 metres at 1.15 g/t gold at a depth of 32 metres in NNAC 023 (collar coordinates 341,553mE and 5,928,757mN).

The second round of AirCore drilling was carried out in the June 2011 quarter. 21 holes tested a smaller area around NNAC 023, over a maximum distance of 2.0 kilometres west to east and 1.5 kilometres north to south. The 3-metre composite basement AirCore assays gave a clustering of results in an anomalous zone, roughly 1.5 kilometres long by 0.3 kilometres wide. Of the 13 AirCore holes within this zone, including NNAC 023 which contains the best result to date, 11 holes contain gold assays significantly above background.

In order to adequately define RC drilling targets within the anomalous zone, it will be necessary to carry out more detailed AirCore drilling, closing up the spacing to 40 metres across strike and 200 metres along strike – giving approximately four times the current density of holes.

2.2 NAGAMBIE SOUTH PROJECT – ELs 4718 & 5327**Area: 64 km²**

The outlining of an anomalous gold zone under cover at Nagambie North, coincident with an interpreted thrust, greatly enhances the prospectivity of the preliminary gold-in-soil and structural anomalies to the south of the Nagambie Mine (refer Figure 5). The preliminary gold-in-soil anomalies at Nagambie South are based on historical roadside sampling and infill sampling of the paddocks between roadways was required to provide better definition.

An extensive, in-fill soil sampling program at Nagambie South commenced during the September 2011 quarter after a very lengthy delay due to the heavy rain and flooding in the area either side of Christmas 2010. After commencement, further delays to sampling occurred as a result of repeated follow-up rainfall. The program has just been completed and assays are awaited. It is planned to carry out AirCore drilling at Nagambie South following analysis of the soil sampling assays.

Target size for a gold discovery under cover in the Nagambie region is 200,000 ounces given the size of the Nagambie Mine orebody (184,000 ounces of gold mined in the 1990s plus 25,000 ounces targeted in the West Pit Extension).

***Nagambie Mining
Field Assistant
Megan Blackman
Soil Sampling at
Nagambie South***

**2.3 RUSHWORTH PROJECT - EL 4723****Area: 35 km²**

Following the 2010 costeaning program, the Company reassessed its Rushworth and Whroo tenements and reduced the area held from 68 km² to 34.4 km².

Colin Glazebrook

Chief Executive Officer

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Colin Glazebrook, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Glazebrook is a Director of Nagambie Mining Limited and consents to the inclusion in the report of the matters based on information in the form and context in which it appears. Mr Glazebrook has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Directors' report

The directors of Nagambie Mining Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2011. The directors report as follows:

Directors

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

Name	Particulars
<p>MICHAEL W TRUMBULL <i>Non-Executive Director</i> Appointed 28 July 2005 <i>Non-Executive Chairman</i> Appointed 20 December 2007</p>	<p>Michael W Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 35 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and BCD Resources.</p> <p>From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1993 to 2004, he was Executive Director for BCD Resources and was involved in the exploration and subsequent mine development at Beaconsfield.</p> <p>Michael is a member of the Audit and Compliance Committee</p> <p><i>Other current Directorships of Listed Companies:</i></p> <p>None</p> <p><i>Former Directorships of Listed Companies in last three years:</i></p> <p>BCD Resources NL – appointed March 1993, resigned February 2011</p> <p>BCD Resources (Operations) NL - appointed August 2007, resigned February 2011</p>
<p>COLIN GLAZEBROOK <i>Executive Director</i> <i>Chief Executive Officer</i> Appointed 20 December 2007</p>	<p>Colin Glazebrook is a geologist with a B.Sc. (Geology Hons, Geophysics) and a Fellow and Chartered Professional (Management) of the AusIMM. He has over 47 years experience in the resources industry including over 34 years involvement in gold and base metal exploration in all States and Territories in Australia and internationally in New Zealand, the South Pacific, Indonesia and the former Soviet Union. In Victoria, he has directed exploration and mining activities at various gold properties prior to Nagambie including the Wattle Gully Gold Mine at Castlemaine, the Poverty Reef at Tarnagulla, the A1 Mine at Woods Point, Glen Wills and Cassilis.</p> <p><i>Other Current Directorships of Listed Companies:</i></p> <p>None.</p> <p><i>Former Directorships of Listed Companies in last three years:</i></p> <p>None.</p>
<p>GEOFF TURNER <i>Non-Executive Director</i> <i>Exploration</i> Appointed 20 December 2007</p>	<p>Geoff Turner, a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology), is a Registered Professional Geoscientist with the Australian Institute of Geoscientists (AIG). He has over 30 years experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry.</p> <p>Geoff is a member of the Audit and Compliance Committee.</p> <p><i>Other Current Directorships of Listed Companies:</i></p> <p>None.</p> <p><i>Former Directorships of Listed Companies in last three years:</i></p> <p>Resource Base Ltd - appointed 11 November 2007, resigned 6 January 2009.</p>

KEVIN J PERRIN*Non-Executive Director Finance*

Appointed 17 September 2010

Deputy Chairman

Appointed 20 December 2010

Kevin Perrin is a Certified Practising Accountant (CPA) and since 1975 has been a partner in a Ballarat firm of CPAs, Prowse Perrin & Twomey, which conducts an accounting, taxation, audit and financial advisory practice. Since 1990, he has been a director and shareholder of PPT Financial Pty Ltd, an independent investment advisory firm holding an Australian Financial Services Licence. Prior to that time, he held a personal Securities Dealers Licence and was a member of the Stock Exchange of Ballarat Limited.

Kevin is Chairman of the Audit and Compliance Committee

Other Current Directorships of Listed Companies:

BCD Resources NL – appointed February 2006

BCD Resources (Operations) NL - appointed February 2007:

Former Directorships of Listed Companies in last three years

None.

Company Secretary**ALFONSO M G GRILLO BA LLB**

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

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

Chief Financial Officer**JOE FEKETE FCPA FCIS**

Joe Fekete retired as Chief Financial Officer on 4 March 2011.

Principal activities

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

Review of operations

As at 30 June 2011, the company held a total of six Exploration and Mining Licences in Victoria, a decrease of one licence during the year. The area under exploration increased from 247 km² to 265 km² however as the exploration area to the south of the Nagambie Mine was increased.

All tenements are in good standing. Total expenditure commitment on the six tenements for the 2011 financial year was \$569,980 and the company exceeded the total commitment by approximately \$24,000. The majority of the expenditure was for the Nagambie Mine, Redcastle and Nagambie North.

Name	Licence	Equity (%)	Area (km ²)
Rushworth	EL 4723	100	34
Nagambie North	EL 4718	100	59
Nagambie South	EL 5327	100	64
Redcastle	EL 3316	100	104
Laura Mine	MIN 4465	100	0.1
Nagambie Mine	MIN 5412	100	3.6
Total Area			264.7

The company's principal objectives continue to be to: (1) evaluate the 100% owned oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 100,000 to 200,000 ounces of gold; and (2) develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings and the commercialisation of the sand deposits.

Total revenue, principally from sales of non-gold materials, increased by \$206,030 to \$278,851 for the 2011 financial year. The net loss for the 2011 financial year was \$420,416, a \$564,916 improvement on the 2010 financial year loss of \$985,332.

\$1,000,000 was raised by the company in the 2011 financial year from the issue of 25.0 million 5-year convertible notes with a face value of 4.0 cents each. \$550,000 of funding for the 2012 financial year was raised on 2 September 2011 from the issue of a further 13.75 million 5-year convertible notes with a face value of 4.0 cents each.

Changes in state of affairs

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

Use of funds

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

Subsequent events

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

On 19 August 2011 the company was served with a claim in the Magistrates Court from L & S Essex Pty Ltd for an alleged debt and damages in the vicinity of \$44,000 to \$68,000. The company is strenuously defending the proceeding which is currently in its early stages.

\$0.55 Million Placement of Convertible Notes

Nagambie Mining placed 13.75 million convertible notes at 4.0 cents each to sophisticated and professional investors on 2 September 2011, raising a total of \$550,000.

The principal terms of the notes are:

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

Future developments

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

Environmental regulations

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

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

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2010: Nil).

Share options

Share options granted to directors and consultants

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

Michael W Trumbull	1,000,000
Colin Glazebrook	1,000,000
Geoff Turner	1,000,000
Kevin J Perrin	1,000,000
Alfonso Grillo	250,000

Shares under option or issued on exercise of options

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

Indemnification of officers and auditors

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

Directors' meetings

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

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

Directors	Board of directors		Audit and compliance committee	
	Held	Attended	Held	Attended
Michael W Trumbull	4	4	4	4
Colin Glazebrook	4	4	-	-
Geoff Turner	4	4	4	4
Kevin J Perrin	3	2	3	2

Kevin J Perrin was appointed a director on 17 September 2010.

Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
Michael W Trumbull	17,265,192	2,500,000
Colin Glazebrook	779,167	4,000,000
Geoff Turner	602,084	2,500,000
Kevin J Perrin	7,544,834	1,000,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel

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

Michael W Trumbull	Non-Executive Director
Colin Glazebrook	Executive Director and Chief Executive Officer
Geoff Turner	Non-Executive Director
Kevin J Perrin*	Non-Executive Director
Joe Fekete**	Chief Financial Officer
Alfonso Grillo	Company Secretary

* Mr Perrin was appointed a Director on 17 September 2010.

**Mr Fekete retired as Chief Financial Officer on 4 March 2011.

Remuneration Policy

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

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the company to non-executive directors for their services as directors is \$250,000. For the year ending 30 June 2011, the board resolved that the chairman's remuneration be set at \$78,750 (2010: \$78,750) per annum excluding superannuation and share based payments. For non-executive director's remuneration was set at \$42,000 (2010: \$42,000) per annum excluding superannuation and share based payments. Where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director then additional amounts will be payable.

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

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2011.

	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000
Revenue	279	73	84	223	188
Net loss before tax	(420)	(985)	(2,352)	(3,256)	(1,390)
Net loss after tax	(420)	(985)	(2,352)	(3,256)	(1,390)

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
Share price at start of year	\$0.030	\$0.030	\$0.030	\$0.092	\$0.125
Share price at end of year	\$0.023	\$0.030	\$0.030	\$0.030	\$0.092
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.25)	(0.63)	(2.10)	(3.47)	(2.00)
Diluted earnings per share (cents)	(0.25)	(0.63)	(2.10)	(3.47)	(2.00)

Director and executive remuneration

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

Year ended 30 June 2011	Short Term Benefits	Post Employment Benefits	Share Based Payment	Other Long Term Benefits	Termin- ation Benefits	Total
	Salary and fees	Super- annuation	Options			
	\$	\$	\$	\$	\$	\$
Directors						
Michael W Trumbull	42,919	42,919	6,000	-	-	91,838
Colin Glazebrook*	205,524	-	6,000	-	-	211,524
Geoff Turner (1)	107,075	3,780	6,000	-	-	116,855
Kevin J Perrin (2)	36,115	-	6,000	-	-	42,115
	391,633	46,699	24,000	-	-	462,332

Other Key Management Personnel

Alfonso Grillo (3)	35,767	-	1,500	-	-	37,267
Joe Fekete (4)	30,164	-	-	-	-	30,164
	65,931	-	1,500	-	-	67,431

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

Other Key Management Personnel

Alfonso Grillo (3)	33,601	-	3,175	-	-	36,776
Joe Fekete (4)	57,850	-	3,175	-	-	61,025
	91,451	-	6,350	-	-	97,801

* Colin Glazebrook is employed under a contract which expires on 30 June 2013. The terms of the contract provide that the company may terminate the contract by giving of 3 months prior written notice of termination.

Apart from the contract disclosed above there were no other contracts with management or directors in place during the 2011 and the 2010 financial years.

- (1) During the 2011 financial year Geoff Turner was paid director's fees of \$42,000 (2010: \$42,000) plus \$3,780 (2010: \$3,780) in superannuation for his services as a director of the company. The company also paid fees of \$65,075 (2010: \$85,901) to Exploration Management Services Pty Ltd, a company controlled by Geoff Turner, for professional geological consultancy services.
- (2) During the 2011 financial year fees of \$36,115 (2010: Nil) were paid to Vinda Pty Ltd, a company controlled by Kevin Perrin, for his services as a director of the company. The company also paid fees of \$6,150 (2010: Nil) to Prowse Perrin & Twomey for accounting services. Prowse Perrin & Twomey is a firm of Certified Practising Accountants in which Kevin Perrin is a partner.
- (3) During the 2011 financial year fees of \$61,342 (2010: \$50,549) were paid to Tresscox Lawyers which includes secretarial fees of \$35,767 (2010: \$33,601). Alfonso Grillo is a partner in the legal firm of TressCox Lawyers. Share options were also issued to Alfonso Grillo for the provision of services as company secretary.
- (4) Fees were paid to Fekete Management Services Pty Ltd for the provision of services of Joe Fekete as chief financial officer. Mr Fekete retired as chief financial officer on 4 March 2011.

Elements of compensation of directors and 5 named highest paid company executives consisting of securities

The directors, chief executive officer, company secretary and executive officer's compensation may include the issuance of securities. These are at the discretion of the board. Securities in the form of options were issued in the 2011, 2010 and 2009 financial years.

Executive Options

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

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

The options granted expire five years after their issue, 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 11,500,000 share options on issue under this plan, of which 10,750,000 are executive share options.

Options held at the end of the reporting period

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
550,000	04/09/2008	04/09/2010	04/09/2013	\$0.10
4,000,000	02/12/2008	02/12/2010	02/12/2013	\$0.10
550,000	09/07/2009	09/07/2011	09/07/2014	\$0.10
2,000,000	17/12/2009	17/12/2011	17/12/2014	\$0.10
4,000,000	26/11/2010	26/11/2012	26/11/2015	\$0.10
400,000	11/03/2011	11/03/2013	11/03/2016	\$0.10

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and senior management relate to the 2011 financial year:

Name	Option series	During the financial year				% of compensation for the year consisting of options
		Number granted	Number vested	% of grant vested	% of grant forfeited	
Michael W Trumbull	issued 26 Nov 2010	1,000,000	Nil	0%	0%	7%
Colin Glazebrook	issued 26 Nov 2010	1,000,000	Nil	0%	0%	3%
Geoff Turner	issued 26 Nov 2010	1,000,000	Nil	0%	0%	5%
Kevin J Perrin	issued 26 Nov 2010	1,000,000	Nil	0%	0%	14%
Alfonso Grillo	issued 11 Mar 2011	250,000	Nil	0%	0%	100%

The following table summarises the value of options granted, exercised or lapsed during the 2011 financial year to directors and senior management:

	Value of options granted at the grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse (ii)
	\$	\$	\$
Michael W Trumbull	6,000	Nil	Nil
Colin Glazebrook	6,000	Nil	Nil
Geoff Turner	6,000	Nil	Nil
Kevin J Perrin	6,000	Nil	Nil
Joe Fekete	Nil	Nil	Nil
Alfonso Grillo	1,500	Nil	Nil

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

No options were exercised or expired during the reporting period.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

Proceedings on behalf of the company

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

Auditor's independence declaration

The auditor's independence declaration is included on page 11 of the annual report.

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

On behalf of the directors



Michael W Trumbull

Non-Executive Chairman

Melbourne, 23 September 2011



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

William Buck

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

J. C. Luckins
Director

Dated in Melbourne this 23rd day of September, 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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STRATEGIC THINKING | TAILORED ADVICE | INTEGRATED SOLUTIONS

CHARTERED ACCOUNTANTS & ADVISORS

CORPORATE GOVERNANCE STATEMENT

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

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

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

1. Lay Solid Foundations for Management and Oversight

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

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

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

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

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

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

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

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

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

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

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

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

2. Structure the Board to Add Value

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

At the date of this statement, the Board comprises of four Directors, two of whom, Mr Geoff Turner and Mr Kevin Perrin are deemed as independent Directors as defined under the Board policy on Director independence. Mr Michael Trumbull was previously deemed an independent Director of the Company. However, Mr Trumbull became a substantial shareholder in the Company on 5 September 2008.

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

Recommendation 2.2: The chair should be an independent director

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

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

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

Recommendation 2.4: The board should establish a nomination committee

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

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

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

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

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

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

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

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

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

- (d) The term of office held by each Director as at the date of the Annual Report is detailed in the Director's Report.
- (e) Due to the small size of the Board, the Company does not have a separate nomination committee and therefore a charter or an appointment policy has not been created.
- (f) The performance of the Board, individual Directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5.

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

3. Promote Ethical and Responsible Decision-making

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Safeguard Integrity in Financial Reporting

Recommendation 4.1: The board should establish an audit committee.

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

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

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

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

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

The Audit and Compliance Committee consists of the three Non-Executive Directors of the Company, Mr Kevin Perrin, Mr Michael Trumbull and Mr Geoff Turner. Mr Kevin Perrin was appointed as Chairman of the Audit and Compliance Committee on 22 September 2010. Prior to this, Mr Michael Trumbull was chairman of the Audit and Compliance Committee.

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

Recommendation 4.3: The audit committee should have a formal charter

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

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

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

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

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

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

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

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

5. Make Timely and Balanced Disclosure

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

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

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

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

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

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

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

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

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

6. Respect the Rights of Shareholders

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

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

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

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

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

7. Recognise and Manage Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee

Due to the small size of the Board and the Company's current level of operations, the Company has not established a Remuneration Committee as a subcommittee of the Board. The Board is responsible for determining and reviewing the remuneration of the Directors, the Chief Executive Officer and the executive officers of the Company and reviewing the operation of the Company's Employee Option Plan. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executive with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

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

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

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

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

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

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

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

Statement of Comprehensive Income for the financial year ended 30 June 2011

	Note	Consolidated	
		2011 \$	2010 \$
Revenue	4	278,851	72,821
Corporate expenses		(480,910)	(535,546)
Depreciation and amortisation		(23,124)	(39,997)
Employee benefits expense	4	(51,684)	(54,732)
Finance costs	4	(143,549)	(12,289)
Impairment of capitalised exploration expenditure		-	(415,589)
Loss before income tax		(420,416)	(985,332)
Income tax expense	5	-	-
Loss for the year		(420,416)	(985,332)
Other comprehensive income		-	-
Total comprehensive income for the year		(420,416)	(985,332)
Earnings per share			
Basic per share in cents	6	(0.25)	(0.63)
Diluted per share in cents	6	(0.25)	(0.63)

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2011

	Note	Consolidated	
		2011 \$	2010 \$
Current assets			
Cash and cash equivalents	14(b)	19,227	152,918
Trade and other receivables	7	110,057	15,040
Total current assets		129,284	167,958
Non-current assets			
Property, plant and equipment	9	99,526	94,585
Exploration and evaluation assets	10	5,150,247	4,339,434
Other assets	8	582,961	637,852
Total non-current assets		5,832,734	5,071,871
Total assets		5,962,018	5,239,829
Current liabilities			
Trade and other payables	11	220,461	74,491
Borrowings	15	28,953	62,931
Provisions	16	1,348	7,046
Total current liabilities		250,762	144,468
Non-current liabilities			
Borrowings	15	1,009,911	-
Total non-current liabilities		1,009,911	-
Total liabilities		1,260,673	144,468
Net assets		4,701,345	5,095,361
Equity			
Issued capital	12	13,801,484	13,801,484
Reserves	13	99,559	73,159
Accumulated losses		(9,199,698)	(8,779,282)
Total equity		4,701,345	5,095,361

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the financial year ended 30 June 2011

	Consolidated			
	Issued capital \$	Options reserve \$	Accumulated losses \$	Total \$
Balance at 30 June 2009	12,557,004	40,774	(7,793,950)	4,803,828
Shares issued during the year	1,261,300	-	-	1,261,300
Recognition of share based payments	-	32,385	-	32,385
Share issue costs	(16,820)	-	-	(16,820)
Loss for the year	-	-	(985,332)	(985,332)
Balance at 30 June 2010	13,801,484	73,159	(8,779,282)	5,095,361
Shares issued during the year	-	-	-	-
Recognition of share based payments	-	26,400	-	26,400
Share issue costs	-	-	-	-
Loss for the year	-	-	(420,416)	(420,416)
Balance at 30 June 2011	13,801,484	99,559	(9,199,698)	4,701,345

The accompanying notes form part of these financial statements

Cash Flow Statement for the financial year ended 30 June 2011

	Consolidated	
	2011 \$	2010 \$
Cash flows from operating activities		
Receipts from customers	140,687	38,363
Payments to suppliers and employees	(450,928)	(560,539)
Interest received	43,147	33,908
Interest paid	(56,372)	(12,289)
Net cash used in operating activities	(323,466)	(500,557)
	14(a)	
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,065)	(53,935)
Payments for exploration expenditure	(755,396)	(669,262)
Payments for security bonds	-	(162,000)
Proceeds from cancellation of security bonds	54,891	21,466
Net cash used in investing activities	(728,570)	(863,731)
Cash flows from financing activities		
Repayment of borrowings	(24,067)	(38,465)
Proceeds from issue of ordinary shares	-	1,261,300
Proceeds from issue of convertible notes	1,000,000	-
Payment of share and note issue costs	(57,588)	(16,820)
Net cash provided by financing activities	918,345	1,206,015
Net decrease in cash and cash equivalents	(133,691)	(158,273)
Cash and cash equivalents at the beginning of the financial period	152,918	311,191
Cash and cash equivalents at the end of the financial period	19,227	152,918
	14(b)	

The accompanying notes form part of these financial statements

1. General information

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

Nagambie Mining Limited's registered office and its principal place of business are located at 648 Ballantynes Road, Nagambie Vic 3608.

2. Significant accounting policies

Statement of compliance

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

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

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. 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 2011 the consolidated net loss was \$420,416 (2010: \$985,332). The net cash outflows from operations for the year were \$323,466 (2010: \$500,557).

The Group has cancellable capital expenditure commitments under its leased tenements extending to 30 June 2012 of \$594,984 (2011: \$569,980).

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 and the anticipated growth in sales of non-gold materials from the Nagambie Mine. The assessment shows that the raising of \$550,000 on 2 September 2011 from the issue of 13.75 million convertible notes provides sufficient funding for the Group over the next 12 months.

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

- Reclaiming cash backed environmental bonds for mineral tenements with the Department of Primary Industries Victoria and therefore foregoing any capital commitments on those tenements surrendered: and
- Scaling back administrative and corporate costs.

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

(b) Basis of consolidation

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

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

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

(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.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Employee benefits

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

2. Significant accounting policies (continued)

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to the end of the reporting period.

Contributions to defined contribution superannuation plans are expensed when incurred.

(e) Financial assets and liabilities

Financial assets and liabilities are recognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value.

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

Financial assets and liabilities are subsequently measured at amortised cost using the effective interest rate method.

Effective interest method

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

Income is recognised on an effective interest rate basis for all debt instruments.

Impairment of financial assets

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

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

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

(f) Exploration and evaluation assets

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

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the end of the reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

2. Significant accounting policies (continued)

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

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

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

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

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

allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

(h) Income tax

Current tax

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

Deferred tax

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

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

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

2. Significant accounting policies (continued)

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

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

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

Current and deferred tax for the period

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

(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.

Group as lessor

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined. The respective lease assets are recognised in the statement of financial position based on their nature.

Group as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the

group's general policy on borrowing costs. Refer to note 3(b). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Lease incentives

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

(j) Property, plant and equipment

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

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

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

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

2. Significant accounting policies (continued)

(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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(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. There are no cartage expenses as the customer utilises their own assets to source and remove the rock.

Dividend and interest revenue

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

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

Rental income

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

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. When a clause is written into the share-based payment contract that permits management the discretion to override the vesting conditions the full fair value cost of the share-based payment is recognised at grant date.

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

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

(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 gross basis. The GST components of cash flows arising from investing or financial activities which are recoverable from a payable to the taxation authority, are presented as operating cash flows.

(o) Critical accounting judgements and key sources of estimation uncertainty

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

2. Significant accounting policies (continued)

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

Key sources of estimation uncertainty

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

Exploration and evaluation assets

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

Restoration and rehabilitation provision

Under its existing tenements, the Group has obligations to restore and rehabilitate its areas of interest disturbed by its exploratory activities. As the Group's operations are still in their extractive phase, the quantum and timing of any payments under these obligations cannot be reliably measured, and as such will be recognised when incurred.

Valuation of convertible notes

Convertible notes are measured at amortised cost as there is no market evidence available that would allow the Group to measure the fair value component of the notes in equity.

(p) Parent entity information

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

(q) Adoption of new and revised standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. Adoption of these standards has impacted the disclosures of these financial statements.

The following amendments were adopted by the Group.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation had no impact on the Group.

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. The Group has decided to early adopt these standards with the exception of the following noted below.

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

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

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

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

4. Revenue and expenses

Consolidated	
2011	2010
\$	\$

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

(a) Revenue**Operating revenue**

Sale of non-gold materials	214,316	38,363
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Other revenue

Interest	64,535	33,908
Rental	-	550

Total revenue

278,851	72,821
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(b) Expenses**Employee benefits expense**

Employee benefits	16,459	11,480
Share options	26,400	32,385
Defined contribution plans	8,825	10,867
	51,684	54,732

Finance costs

Interest	85,961	12,289
Note issue expenses	57,588	-
	143,549	12,289

5. Income tax

- (a) The tax rate used in this reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Loss from operations	(420,416)	(985,332)
Prima facie tax calculated at 30%	(126,125)	(295,600)
Add tax effect of:		
- Non deductible expenses	(7,199)	12,177
- Share based payments	(7,920)	9,715
Less tax effect of:		
- Capital raising costs	-	5,046
Movement in tax asset not recognised	-	(5,046)
Current year tax loss not recognised	141,244	273,708
Income Tax Expense	-	-

- (b) The following deferred tax asset is not recognised due to the uncertainty of timing in relation to when future taxable profits will be derived.

Future income tax benefit attributable to tax losses and timing differences not brought to account as a deferred tax asset.	3,007,628	2,913,554
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6. Earnings per share

Consolidated	
2011	2010
\$	\$

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

Net loss	420,416	985,332
Basic earnings per share (cents per share)	(0.25)	(0.63)
Diluted earnings per share (cents per share)	(0.25)	(0.63)
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	168,859,948	155,745,449

Diluted earnings per share is calculated after classifying all options on issue remaining unconverted at 30 June 2011 as potential ordinary shares. As at 30 June 2011 the company has 11,500,000 options (2010:7,100,000) over unissued capital on issue. As the notional exercise price of these options is greater than the current market price of the shares they have not been included in the calculation of diluted earnings per share and the company is making a loss.

7. Receivables

Trade receivables	91,206	480
GST receivable (net)	18,851	14,560
Other receivables (i)	-	49,341
Provision for impairment of other receivables	-	(49,341)
Total receivables	110,057	15,040

(i) Other receivables

Other receivables relate to monies due from a past director and a tenant of the company. Following legal action during the year these balances were found to be not recoverable. The full balance had been provided for in the 2010 financial accounts.

8. Other Assets

Current assets	-	-
Non-current assets		
Security deposits - environmental bonds (i)	579,343	635,466
Security deposits - rental bonds	3,618	2,386
Total other assets	582,961	637,852

(i) Security deposits – environmental bonds

The environmental bonds are lodged with the company's banker to cash back guarantees held by the Department of Primary Industries. Those guarantees are held to cover any future rehabilitation obligations the company may have on mining tenements. When all obligations in relation to a mining tenement are finalised the relevant guarantee will be released and associated environmental bond will be redeemed. The deposits are shown as non-current assets since it is not expected that they will be repaid during the coming 12 months. These cash deposits earn interest for the company.

9. Property, plant and equipment

	Consolidated				
	Land and buildings	Plant and equipment	Computer equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2009	-	12,451	124,831	130,845	268,127
Additions	2,506	53,935	-	-	56,441
Balance at 1 July 2010	2,506	66,386	124,831	130,845	324,568
Additions	24,522	1,037	-	-	25,559
Balance at 30 June 2011	27,028	67,423	124,831	130,845	350,127
Accumulated Depreciation					
Balance at 1 July 2009	-	(6,972)	(73,556)	(106,952)	(187,480)
Depreciation expense	-	(11,082)	(16,968)	(11,947)	(39,997)
Balance at 1 July 2010	-	(18,054)	(90,524)	(118,899)	(227,477)
Depreciation expense	-	(8,894)	(11,243)	(2,987)	(23,124)
Balance at 30 June 2011	-	(26,948)	(101,767)	(121,886)	(250,601)
Net book value					
As at 30 June 2010	2,506	48,332	34,307	11,946	97,091
As at 30 June 2011	27,028	40,475	23,064	8,959	99,526

10. Exploration and evaluation assets

	Consolidated	
	2011	2010
	\$	\$
Balance at beginning of the year	4,339,434	4,085,761
Exploration costs capitalised for the year	810,813	669,262
Impairment charge for the year	-	(415,589)
Balance at end of the year	5,150,247	4,339,434

During the financial year the company reassessed the recoverable value of all tenement areas of interest to which exploration costs had been capitalised and no impairment charges were deemed applicable.

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

11. Trade and other payables

Trade payables	209,538	74,491
Other payables	10,923	-
	220,461	74,491

12 Issued capital**(a) Issued and paid capital**

Ordinary shares fully paid	13,801,484	13,801,484
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(b) Movements in shares on issue

	Year ended		Year ended	
	30 June 2011		30 June 2010	
	Number of	Issued capital	Number of	Issued capital
	shares issued	\$	shares issued	\$
Balance at beginning of the year	168,859,948	13,801,484	129,931,199	12,557,004
Movements during the year				
- share placement July 2009	-	-	21,428,750	683,800
- share placement February 2010	-	-	17,499,999	577,500
Less cost of placement	-	-	-	(16,820)
Balance at end of the year	168,859,948	13,801,484	168,859,948	13,801,484

Share options granted under the employee share option plan

As at 30 June 2011 there were 1,500,000 options over ordinary shares. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees (2010: 1,100,000). Of these options 550,000 were vested by 30 June 2011 (2010: Nil).

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 2011 there were 10,000,000 options over ordinary shares issued to directors (2010: 6,000,000). Of these options 4,000,000 were vested by 30 June 2011 (2010: Nil).

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

13. Reserves**Options Reserve**

Balance at beginning of the year	73,159	40,774
Recognition of share based payments	26,400	32,385
Balance at end of the year	99,559	73,159

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

14 Notes to the cash flow statement

	Consolidated	
	2011 \$	2010 \$
(a) Reconciliation of loss after tax to net cash flows from operations		
Net loss for the period	(420,416)	(985,332)
Depreciation of property, plant and equipment	23,124	39,997
Impairment of exploration and evaluation assets	-	415,589
Equity settled share based payments	26,400	32,385
Finance costs – transfer to financing activity	57,588	-
<i>Changes in assets and liabilities</i>		
(Increase)/Decrease in receivables	(95,017)	(8,043)
(Increase)/Decrease in other assets	(55,417)	2,171
Increase/(Decrease) in creditors	145,970	(2,992)
(Decrease) in employee provisions	(5,698)	5,668
Net cash used in operating activities	(323,466)	(500,557)
(b) Reconciliation of cash		
Cash and cash equivalents comprise:		
Cash on hand and at call	19,227	152,918
	19,227	152,918

15. Borrowings

Current		
Secured chattel mortgage loans (i)	28,953	62,931
Non-current		
Secured chattel mortgage loans (i)	9,911	-
Unsecured convertible notes (ii)	1,000,000	-
	1,009,911	-
Total borrowings	1,038,864	62,931

- (i) Secured by asset under finance. These are fixed rate loans with finance companies with repayment periods not exceeding 2 years. The interest rates on the loans range between 11.7% to 13.8% per annum.
- (ii) On 14 September 2010 the company issued 25 million convertible notes at 4 cents each. These notes have a maturity date of 14 September 2015 and bear an interest rate of 10% per annum. They are able to be converted 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. If they are not converted by the maturity date then they are redeemable in cash on that date.

16. Provisions

	Consolidated	
	2011	2010
Current	\$	\$
Employee benefits – annual leave	1,348	7,046

17. Expenditure commitments**(a) Exploration expenditure commitments**

The amounts detailed below are the minimum expenditure required to maintain ownership of the current tenements held.

Not longer than 1 year	594,984	428,400
Longer than 1 year and not longer than 5 years	787,600	723,200
Longer than 5 years	-	-
	1,382,584	1,151,600

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2011 or 30 June 2010.

(c) Finance lease commitments

Not longer than 1 year	31,838	62,931
Longer than 1 year and not longer than 5 years	10,739	-
Longer than 5 years	-	-
	42,577	62,931

The above chattel mortgage loans are secured on the asset being financed.

(d) Operating lease commitments

Not longer than 1 year	33,392	9,974
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	33,392	9,974

The above relate to non-cancellable property leases on an office in Hawthorn and a house at Nagambie which are used for company business. They are for a 12 month period and there are no options to purchase the property at the end of the lease period.

18. Subsidiaries

<u>Name of entity</u>	<u>Country of incorporation</u>	Ownership interest	
		2011	2010
		%	%
Parent entity			
Nagambie Mining Limited	Australia	-	-
Subsidiaries			
Sierra Minerals Pty Ltd	Australia	100	100
Nagambie Developments Pty Ltd	Australia	100	100

19. Financial instruments

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

- It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;
- It has no significant outstanding receivable balances that have a credit risk;
- Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;
- All of its interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables have maturity dates within one financial year. The chattel mortgage loans have repayment terms up to 2 years. Term deposits on environmental bonds and convertible notes have interest rate yields consistent with current market rates;
- The majority of the financing for the Group is from equity and convertible note instruments with its only secured debt on its chattel mortgage commitments; and
- The Group has no externally imposed capital requirements.

(a) Categories of financial instruments

	Consolidated	
	2011 \$'000	2010 \$'000
Financial assets		
Term deposits and receivables	693,518	652,892
Cash and cash equivalents	19,227	152,918
Financial liabilities		
Trade and other payables	220,461	74,491
Borrowings	1,038,864	62,931

(b) Liquidity risk management

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

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

Consolidated liabilities	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	%	\$	\$	\$	\$	\$
2011						
Trade and other payables	-	220,461	-	-	-	-
Chattel mortgage liabilities	13.08	3,909	7,818	20,111	10,739	-
Convertible notes	10.00	-	50,000	50,000	1,400,000	-
		224,370	57,818	70,111	1,410,739	-
2010						
Trade and other payables	-	74,491	-	-	-	-
Chattel mortgage liabilities	7.77	2,138	34,900	25,823	-	-
		76,629	34,900	25,823	-	-

20. Share-based payments

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors. Each executive share option converts into one ordinary share of Nagambie Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. There is a total of 11,500,000 options on issue. Of these 1,500,000 (2010: 1,100,000) have been issued to executives and employees and the balance of 10,000,000 (2010: 6,000,000) have been issued to directors as approved by shareholders.

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

	30 June 2011		30 June 2010	
	Number of options	Weighted average	Number of options	Weighted average exercise
Balance at beginning of period	7,100,000	\$0.10	4,550,000	\$0.10
- granted	4,400,000	\$0.10	2,550,000	\$0.10
- lapsed/exercised	-	-	-	-
Balance at end of period	11,500,000	\$0.10	7,100,000	\$0.10

Options held at the end of the reporting period

No of options	Grant date	Vesting date	Expiry date	Weighted average exercise price	Fair value at grant date
550,000	04/09/2008	04/09/2010	04/09/2013	\$0.10	\$0.008
4,000,000	02/12/2008	02/12/2010	02/12/2013	\$0.10	\$0.009
550,000	09/07/2009	09/07/2011	09/07/2014	\$0.10	\$0.013
2,000,000	17/12/2009	17/12/2011	17/12/2014	\$0.10	\$0.013
4,000,000	26/11/2010	26/11/2012	26/11/2015	\$0.10	\$0.006
400,000	11/03/2011	11/03/2013	11/03/2016	\$0.10	\$0.006
11,500,000				\$0.10	

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

There were no options exercised during the financial year

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

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

The weighted average fair value of the share options granted during the financial year is \$0.006 (2010: \$0.013). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may not be exercised early, executives and senior employees are not be able to exercise the options before vesting date which has been set at 2 years after the grant date.

Inputs into the model	Options	
	Series 1	Series 2
Grant date	26/11/2010	11/03/2011
Options Issued	4,000,000	400,000
Share price at grant date	\$0.025	\$0.023
Exercise price	\$0.10	\$0.10
Expected volatility	65%	65%
Option life	5 years	5 years
Dividend yield	Nil	Nil
Risk free interest rate	4.92%	4.92%
Vesting date	26/11/2012	11/03/2013

21. Key management personnel compensation

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	457,564	498,111
Post-employment benefits	46,699	10,868
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	25,500	31,750
	529,763	540,729

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

There were 4,250,000 options issued during the reporting period relating to key management personnel (2010: 2,550,000).

(b) Shares issued on exercise of remuneration options

No shares were issued on the exercise of remuneration options during the reporting period relating to key management personnel (2010: Nil).

(c) Option holdings of key management personnel

Unlisted options held by key management personnel. Details of options are contained in Note 20.

Year ended 30 June 2011

Options	Opening Balance 1 July 2010	Granted as remuneration	Options exercised or transferred out	Closing Balance 30 June 2011	Vested and exercisable at 30 June 2011
Colin Glazebrook	3,000,000	1,000,000	-	4,000,000	2,000,000
Michael W Trumbull	1,500,000	1,000,000	-	2,500,000	1,000,000
Geoff Turner	1,500,000	1,000,000	-	2,500,000	1,000,000
Kevin J Perrin	-	1,000,000	-	1,000,000	-
Joe Fekete*	500,000	-	*500,000	-	-
Alfonso Grillo	500,000	250,000	-	750,000	250,000
Total	7,000,000	4,250,000	500,000	10,750,000	4,250,000

*Joe Fekete retired as chief financial officer on 4 March 2011

Year ended 30 June 2010

Options	Opening Balance 1 July 2009	Granted as remuneration	Options exercised or transferred out	Closing Balance 30 June 2010	Vested and exercisable at 30 June 2010
Colin Glazebrook	2,000,000	1,000,000	-	3,000,000	-
Michael W Trumbull	1,000,000	500,000	-	1,500,000	-
Geoff Turner	1,000,000	500,000	-	1,500,000	-
Joe Fekete	250,000	250,000	-	500,000	-
Alfonso Grillo	250,000	250,000	-	500,000	-
Total	4,500,000	2,500,000	-	7,000,000	-

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

Year ended 30 June 2011

Ordinary shares	Balance 1 July 2010	Granted as remuneration	On exercise of options	Net change	Balance 30 June 2011
Michael W Trumbull	11,810,039	-	-	5,455,153	17,265,192
Colin Glazebrook	779,167	-	-	-	779,167
Geoff Turner	602,084	-	-	-	602,084
Kevin J Perrin*	-	-	-	*7,544,834	7,544,834
Joe Fekete**	1,010,000	-	-	** (1,010,000)	-
Total	14,201,290	-	-	11,989,987	26,191,277

Net change refers to on market and off market acquisitions/disposals and the following movements.

* Kevin J Perrin was appointed a director on 17 September 2010

** Joe Fekete retired as chief financial officer on 4 March 2011

Year ended 30 June 2010

Ordinary shares	Balance 1 July 2009	Granted as remuneration	On exercise of options	Net change	Balance 30 June 2010
Michael W Trumbull	8,400,000	-	-	3,410,039	11,810,039
Colin Glazebrook	466,667	-	-	312,500	779,167
Geoff Turner	133,334	-	-	468,750	602,084
Joe Fekete	1,010,000	-	-	-	1,010,000
Total	10,010,001	-	-	4,191,289	14,201,290

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

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

The company paid consulting fees of \$205,524 (2010: \$200,009) to Glazco Consultants Pty Ltd, a company controlled by Colin Glazebrook.

The company paid consulting fees of \$65,075 (2010: \$85,901) to Exploration Management Services Pty Ltd, a company controlled by Geoff Turner.

The company paid consulting fees of \$36,115 (2010: Nil) to Vinda Pty Ltd, a company controlled by Kevin Perrin. The company also paid fees of \$6,150 (2010: Nil) to Prowse Perrin & Twomey for accounting services. Prowse Perrin & Twomey is a firm of Certified Practising Accountants in which Kevin Perrin is a partner.

The company paid legal and consulting fees of \$61,342 (2010: \$50,549) to TressCox Lawyers, a firm of solicitors of which Alfonso Grillo is a Partner. This amount includes the fees for Alfonso Grillo acting as Company Secretary.

The company paid fees for consulting and outgoings relating to use of premises of \$30,164 (2010: \$61,200) to Fekete Management Services Pty Ltd, a company controlled by Joe Fekete.

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

23. Segment information

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

24. Remuneration of auditors

	Consolidated	
	2011	2010
	\$	\$
Auditor of the parent entity		
Audit or review of the financial report	21,150	42,185
Other non-audit services – Tax	1,700	1,950
	22,850	44,135

25. Contingent liabilities

Apart from the matter described in Note 8 Nagambie Mining Limited has no contingent liabilities as at 30 June 2011.

26. Subsequent events

The following events occurred after balance date and are of significance to the company.

- (i) On 19 August 2011 the company was served with a claim in the Magistrates Court from L & S Essex Pty Ltd for an alleged debt and damages in the vicinity of \$44,000 to \$68,000. The company is strenuously defending the proceeding which is currently in its early stages.
- (ii) Nagambie Mining placed 13.75 million convertible notes at 4.0 cents each to sophisticated and professional investors on 2 September 2011, raising a total of \$550,000.

The principal terms of the notes are:

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

27. Parent entity disclosures

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

	Parent	
	2011	2010
	\$	\$
Current assets	129,284	167,958
Total assets	5,962,018	5,239,829
Current liabilities	250,762	144,468
Total liabilities	1,260,673	144,468
Issued capital	13,801,484	13,801,484
Options reserve	99,559	73,159
Accumulated losses	(9,199,698)	(8,779,282)
Loss	(420,416)	(985,332)
Total comprehensive income	(420,416)	(985,332)

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

Directors' Declaration

The directors declare that:

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

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

On behalf of the directors



Michael W Trumbull
Non-Executive Chairman

Melbourne, 23 September 2011



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

Report on the Financial Report

We have audited the accompanying financial report of Nagambie Mining Limited (the "company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

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Melbourne
Brisbane
Perth
Adelaide
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED AND CONTROLLED ENTITIES

Independence

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

Auditor's Opinion

In our opinion:

- a. the financial report of Nagambie Mining Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to Note 2 to the financial report, which indicates that the consolidated entity incurred a loss of \$420,416 (2010: loss of \$985,332) during the year ended 30 June 2011, and used net cash of \$323,466 (2010: \$500,557) in operating activities combined with \$728,570 (2010: \$863,731) in net cash used in investing activities.

These conditions along with other matters set forth in Note 2 indicate that there is a material uncertainty that may cast doubt regarding whether the Group will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.



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

Auditor's Opinion

In our opinion, the Remuneration Report of Nagambie Mining Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Nagambie Mining Limited for the year ended 30 June 2011 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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

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

A handwritten signature in blue ink, appearing to be 'J. C. Luckins'.

J. C. Luckins
Director

Dated in Melbourne this 23rd day of September, 2011

Additional ASX Information

Additional information required by the ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2011.

Number of holders of equity securities

Ordinary share capital

168,859,948 fully paid ordinary shares are held by 396 individual shareholders.
All issued ordinary shares carry one vote per share.

Options

11,500,000 options are held by 7 individual option holders.
Options do not carry a right to vote.

Unsecured convertible notes

38,750,000 unsecured convertible notes are held by 3 individual noteholders.
The convertible notes do not carry a right to vote.

Buy-Back

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

Distribution of holders of ordinary shares

	Number of Holders	Number of Shares
1 – 1,000	15	1,000
1,001 – 5,000	7	25,020
5,001 – 10,000	11	61,251
10,001 – 100,000	224	6,759,864
100,001 and over	139	162,012,813
Totals	396	168,859,948
Holding less than a marketable parcel as at 22 September 2011	117	1,080,022

Distribution of holders of unlisted options vesting 11/3/13 and expiring 11/3/16 exercisable at \$0.10

	Number of Holders	Number of Options
1 – 1,000		0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	2	400,000
Totals	2	400,000

Distribution of holders of unlisted options expiring 4/9/13 exercisable at \$0.10

	Number of Holders	Number of Options
1 – 1,000		0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	1	50,000
100,001 and over	2	500,000
Totals	3	550,000

Distribution of holders of unlisted options vesting 2/12/10 and expiring 2/12/13 and exercisable at \$0.10

	Number of Holders	Number of Options
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	3	4,000,000
Totals	3	4,000,000

Distribution of holders of unlisted options expiring 9/7/14 and exercisable at \$0.10

	Number of Holders	Number of Options
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	1	50,000
100,001 and over	2	500,000
Totals	3	550,000

Distribution of holders of unlisted options vesting 17 December 2011, expiring 17/12/14 and exercisable at \$0.10

	Number of Holders	Number of Options
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	3	2,000,000
Totals	3	2,000,000

Distribution of holders of unlisted options vesting 26/11/12 and expiring 26/11/15 and exercisable at \$0.10

	Number of Holders	Number of Options
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	4	4,000,000
Totals	4	4,000,000

Distribution of holders of unlisted convertible notes maturing 14/09/15

	Number of Holders	Number of Convertible Notes
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	3	25,000,000
Totals	3	25,000,000

Distribution of holders of unlisted convertible notes maturing 2/09/16

	Number of Holders	Number of Convertible Notes
1 – 1,000	0	0
1,001 – 5,000	0	0
5,001 – 10,000	0	0
10,001 – 100,000	0	0
100,001 and over	2	13,750,000
Totals	2	13,750,000

Substantial shareholders

Fully paid ordinary shareholders

	Voting power	Number of Shares
Mr Ralph Douglas Russell & Ms Anne-Maree Hynes	16.98%	28,670,817
Cairnglen Investments Pty Ltd	13.92%*	23,499,659
Michael W Trumbull	10.22%	17,265,192
	41.12%	69,435,668

* This figure represents Cairnglen Investments Pty Ltd's current shareholding in the company. Cairnglen Investments Pty Ltd lodged its last substantial holder notice on 20 November 2008 stating that it held 15,706,667 shares in the company, representing 14.50% of the issued capital in the company. Cairnglen Investments Pty Ltd acquired additional shares in the company under a share purchase plan in August 2009 and a placement in February 2010. However Cairnglen Investments Pty Ltd has not released a substantial holder notice in relation to its change of shareholding following these issues as its percentage interest has not moved by greater than 1% since 20 November 2008.

Optionholders holding greater than 20% of unlisted options

Optionholder name	Unquoted options	
	Options held	% held
Ecofer Pty Ltd as trustee for the Glazco Super Fund A/c	4,000,000	34.78%
Cypron Pty Ltd as trustee for the M W Trumbull Superannuation Fund	2,500,000	21.74%
Geoff Turner and Exploration Management Services Pty Ltd as trustee for Teejays Family A/c	2,500,000	21.74%
	9,000,000	78.26%

Convertible noteholders holding greater than 20% of unlisted convertible notes

Noteholder name	Unquoted convertible notes	
	Notes held	% held
PPT Nominees Pty Ltd	27,500,000	70.97%

Twenty largest holders of listed equity securities

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

Rank	Name	Units	% of Units
1.	CAIRNGLEN INVESTMENTS PTY LTD	23,499,659	13.92
2.	MR RALPH DOUGLAS RUSSELL + MS ANN MAREE HYNES <THE RUSSELL HYNES S/F A/C>	19,718,649	11.68
3.	PPT NOMINEES PTY LTD	12,604,090	7.46
4.	NEFCO NOMINEES PTY LTD	9,994,536	5.92
5.	CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C>	9,480,000	5.61
6.	NORMET INDUSTRIES NOMINEE PTY LTD	8,333,333	4.94
7.	MR RALPH DOUGLAS RUSSELL + MS ANNE-MAREE HYNES	8,276,084	4.90
8.	CYPRON PTY LTD	6,046,322	3.58
9.	ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C>	4,468,750	2.65
10.	ADARE MANOR PTY LTD	3,076,084	1.82
11.	MR GEOFFREY MICHAEL WALCOTT + MRS JULIE ANN WALCOTT <GEORET BEACON SUPERFUND A/C>	2,700,000	1.60
12.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	2,500,633	1.48
13.	MR ROBERT CARL GUERNIER + MRS JEAN GUERNIER	2,037,076	1.21
14.	HONEST REMARK PTY LTD	2,000,180	1.18
15.	MR GREGORY KELVYN STRANGE + MRS LYNETTE ELVIRA STRANGE <SUPER FUND A/C>	1,975,017	1.17
16.	MR NICHOLAS CHARLES RICHARDS	1,941,702	1.15
17.	MR DESMOND BROWN <DESRON SUPER FUND A/C>	1,751,000	1.04
18.	MCCARTHY CATTLE COMPANY PTY LTD <MCCARTHY FAMILY A/C>	1,500,000	0.89
19.	MR MICHAEL ROBERT HUDSON	1,383,000	0.82
20.	MR ANDREW HAROLD RANKINE + MRS JILL LOUISE RANKINE <JAR SUPER FUND A/C>	1,240,000	0.73
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES		124,526,115	73.75
Total Remaining Holders Balance		44,333,833	26.25

Unlisted options over unissued Shares

Exercise price	Grant Date	Vesting Date	Expiry Date	Number
\$0.10	4 September 2008	4 September 2010	4 September 2013	550,000
\$0.10	2 December 2008	2 December 2010	2 December 2013	4,000,000
\$0.10	9 July 2009	9 July 2011	9 July 2014	550,000
\$0.10	17 December 2009	17 December 2011	17 December 2014	2,000,000
\$0.10	26 November 2010	26 November 2012	26 November 2015	4,000,000
\$0.10	11 March 2011	11 March 2013	11 March 2015	400,000
Total options on issue				11,500,000



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