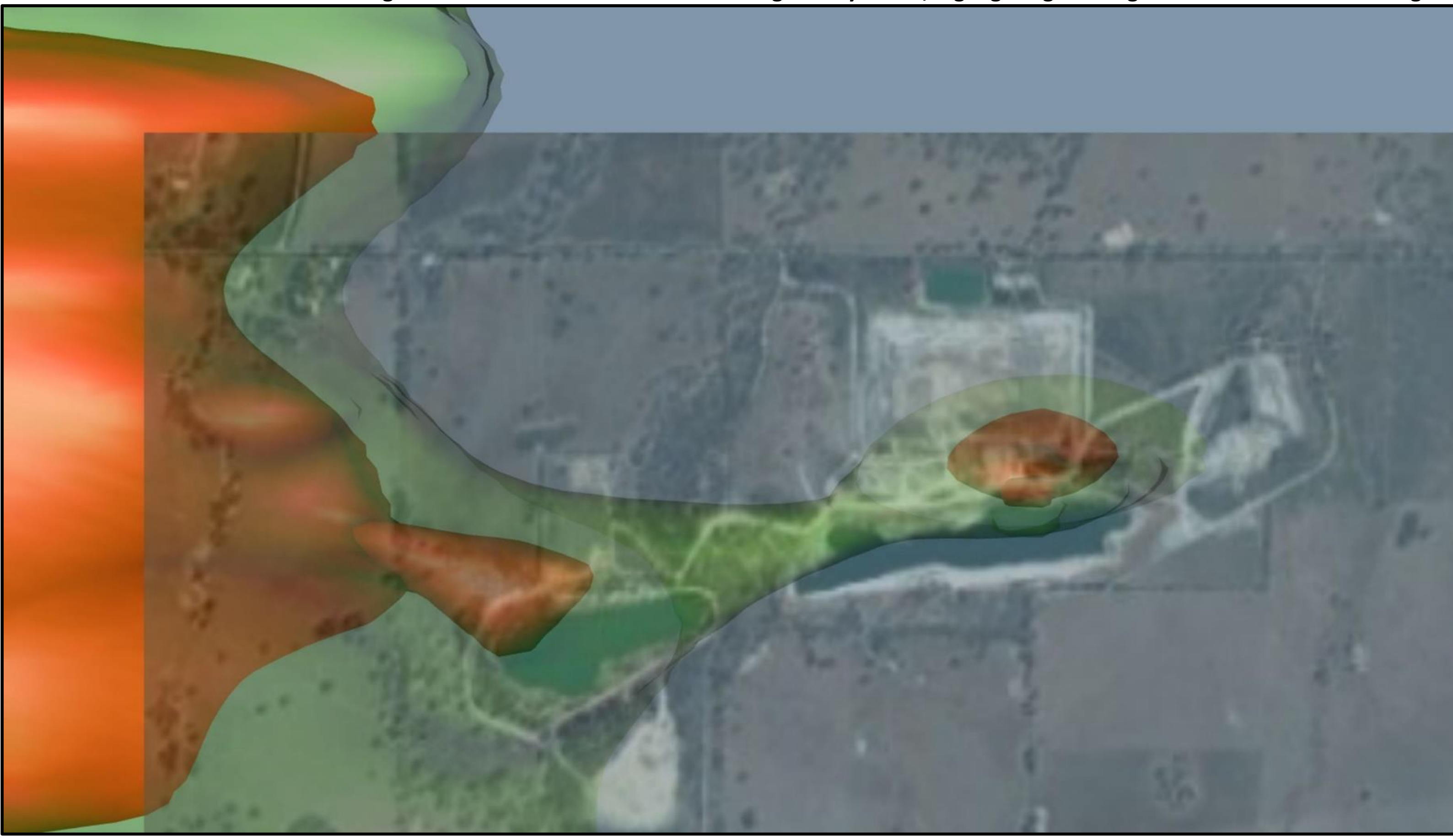
NAGAMBIE RESOURCES

Plan View showing 1990s East and West Pits and IP Chargeability Auras, highlighting the Nagambie Mine West Gold Target



2018 Annual Report

CORPORATE DIRECTORY

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

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS
533 Zanelli Road
Nagambie Vic 3608
PO Box 339
Telephone: (03) 5794 1750
Website: www.nagambieresources.com.au
Email: info@nagambieresources.com.au

DIRECTORS
Michael W Trumbull (Executive Chairman)
Kevin J Perrin (Non-Executive Director – Finance)
Alfonso M G Grillo (Non-Executive Director – Corporate)

CHIEF EXECUTIVE OFFICER
James C Earle

COMPANY SECRETARY
Alfonso M G Grillo

PRINCIPAL LEGAL ADVISER
GrilloHiggins Lawyers
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Melbourne Vic 3000
Telephone: (03) 8621 8881
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William Buck Audit (VIC) Pty Ltd
Level 20, 181 William Street
Melbourne Vic 3000

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

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

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Note: Corporate Governance Statement

The Corporate Governance Statement was approved by the Board at the same time as this Annual Report and can be found at: www.nagambieresources.com.au under Investor Information / Corporate Governance Statement.

CHAIRMAN'S LETTER

Dear Shareholder

Significant progress in 2017/2018 has put the Company in an excellent position. In particular, gold exploration for Fosterville-style high-grade underground gold deposits in the Nagambie region has been advanced to an exciting drilling stage and all permitting for PASS Management at the Nagambie Mine is now in place.

Gold Exploration

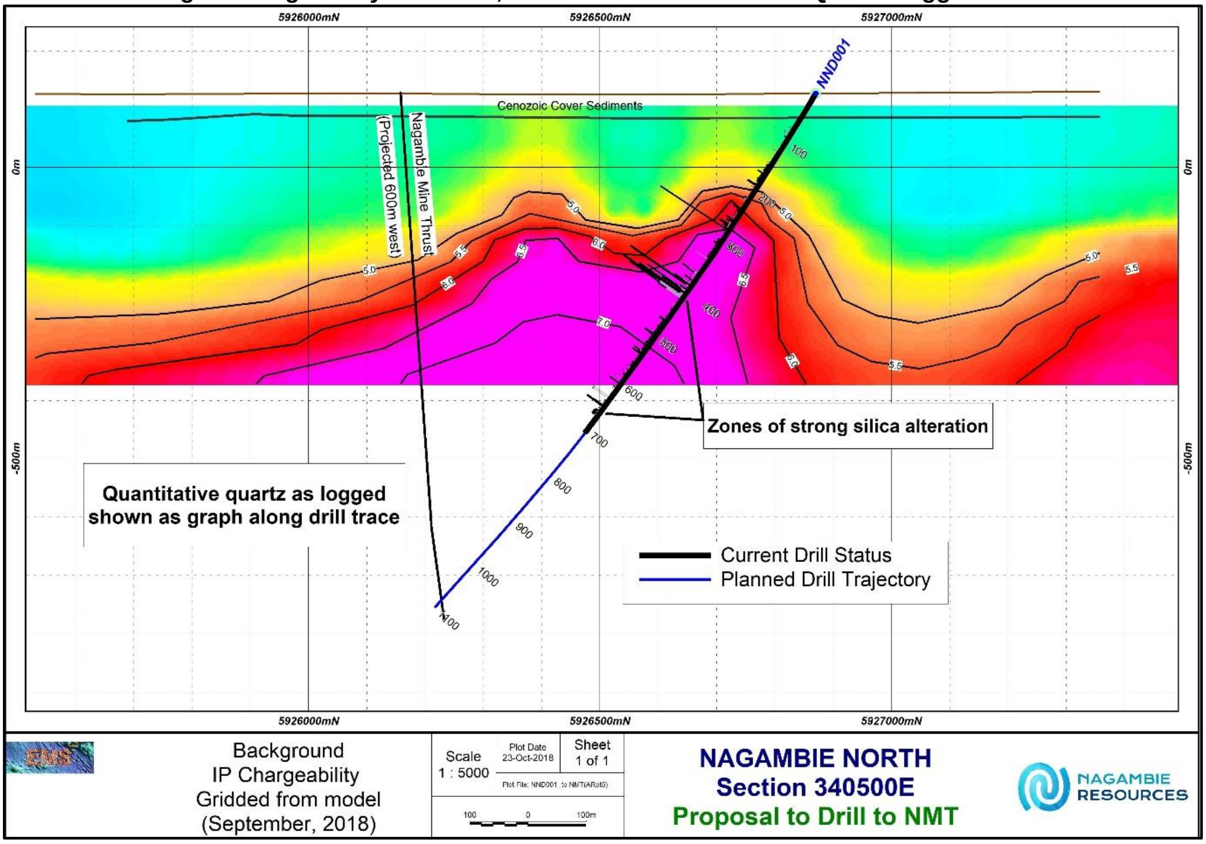
As Nagambie Resources' confidence in its regional sulphide-gold model grew, an additional 1,157 sq km of exploration licences were pegged in the Waranga Province during the year. The Company now has over 2,000 sq km of tenements in the province, covering virtually all of the most prospective ground.

Induced Polarisation (IP) geophysical surveys were carried out in the Nagambie Mine area. IP can detect anomalous concentrations of sulphides at depth and the surveys were successful in locating anomalies to 400m depth below surface. The main sulphides associated with hydrothermal gold mineralisation in sediments in the Waranga Province are pyrite (iron sulphide), arsenopyrite (arsenic-iron sulphide) and stibnite (antimony sulphide).

Detailed 3D modelling of the IP chargeability data for the Nagambie Mine area has shown that the most intensive, highest-grade, sulphide-gold mineralisation could occur at Nagambie Mine West, between 0.3 km and 1.8 km to the west of the 1990s West Pit. The modelling supports the hypothesis that hydrothermal crustal fluids rose up the mapped north-west-striking Wandean Crustal Fault under pressure (around 370 million years ago) and then flowed eastwards for up to 3.4 km along nearer-surface, east-west-striking thrust faults. As pressure and temperature fell to optimum levels, quartz, various carbonates, various sulphides and gold precipitated out of the fluids. Ironically, the gold mineralisation that was mined in the 1990s East Pit, the only gold to occur at the current-day surface, was also likely the lowest grade gold as the great majority of the precipitation of pyrite, arsenopyrite and gold would have occurred to the west, nearer to the crustal fault.

NND001, the first deep diamond drill hole into the eastern edge of the Nagambie Mine West sulphide-gold target, is planned to go to 1,100m down hole. The section for NND001 is below, showing the depth of the hole to date, the significant visual intersections, and the IP chargeability contours. Notably, coarse sandstones in NND001 are flooded with both hydrothermal quartz and carbonate whereas little carbonate is present in the Nagambie Mine mineralisation to the east. As drilling steps out westwards from NND001 further into Nagambie Mine West, Nagambie Resources' gold model predicts that the concentrations of all the precipitates, including gold, could increase to maximums that correlate to optimum pressure and temperature at the time of formation.

Section showing IP Chargeability Contours, NND001 Drill Trace and % Quartz Logged to date



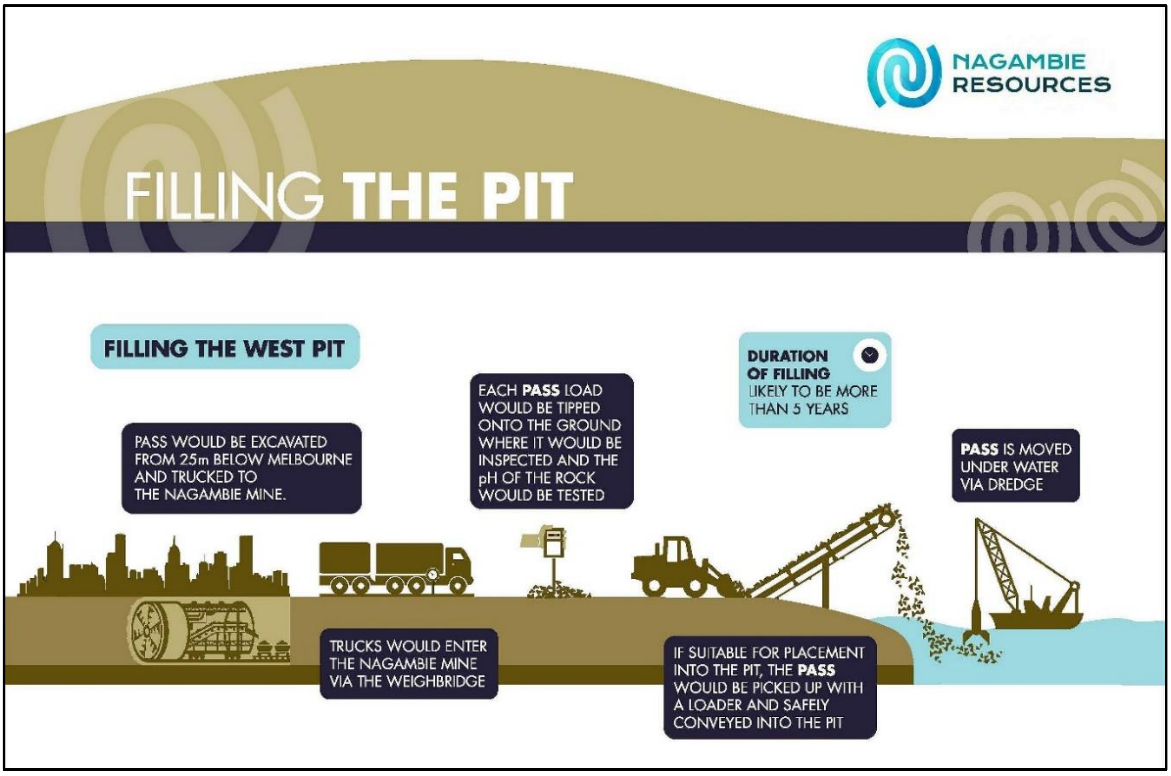
The Wandean Crustal Fault is now considered by the Company to be the pathway responsible for the sulphide-gold mineralisation at both the Nagambie Mine and the Wandean Prospect. Wandean, 9 km north west of the Nagambie Mine, was discovered by Nagambie Resources in 2014. Further IP surveys are being planned to search both east and west of the Wandean Crustal Fault over this highly prospective 9 km distance.

PASS Management Milestones

All the key construction and permitting milestones for PASS Management at the Nagambie Mine are now in place:

- Civil works for the West Pit completed, including new haulroads;
- State-of-the-art truck weighbridge constructed and commissioned;
- EPA Victoria has extended Nagambie Resources' Environmental Management Plan (EMP) for PASS Management until 2028;
- The mining licence for the Nagambie Mine, MIN 5412, has been renewed by Earth Resources Victoria (ERR) for 13 years to 2031; and
- The Work Plan Variation for MIN 5412 has been approved by ERR. This work plan includes the rehabilitation of the water-filled West Pit by backfilling with PASS material.

During the year, the Company conducted two evenings of community consultation at one of the Nagambie primary schools. The event was advertised for several weeks and was well attended on both evenings by interested locals and representatives of both the Strathbogie Shire Council and EPA Victoria. One of the many information boards prepared by Nagambie Resources is below.



James Earle has now completed his second year as CEO. His Operations and Exploration Review follows this letter and I recommend that all shareholders read James' report. His extensive environmental experience has assisted greatly in the enhanced rehabilitation planned for the Nagambie Mine, involving the backfilling of the pits and the recycling of the tailings and overburden dumps into concrete aggregates and gravel products respectively. James is currently preparing an application to the relevant authorities for the mining of the sand deposits that exist to the west of the 1990s West Pit on the Company's freehold land.

Fund Raising

The recent 2018 Shareholder Share Purchase Plan (SPP) at 6.2 cents per share raised a total of $1.04 million. This was a strong show of support from shareholders, raising 45% more than the 2017 SPP. At the same time, placements to sophisticated and professional investors at the same price raised $0.6 million.

The total raising of $1.64 million puts the Company in a good position to advance its exploration for Fosterville-style sulphide-gold deposits in 2018/2019.

As usual I would again like to thank the Company's very supportive and patient shareholders, my fellow directors and the small but focused management team for their very productive efforts throughout the year.

Mike Trumbull
Executive Chairman

24 October 2018

CEO’s OPERATIONS & EXPLORATION REVIEW

GOLD EXPLORATION

Gold exploration for Fosterville-style high-grade underground sulphide-gold deposits in the Waranga Province was advanced significantly during the year.

Induced Polarisation (IP) Geophysical Surveys

Ground IP surveys were carried out over the Nagambie Mine area and the adjoining Racecourse area to the north. IP can detect anomalous concentrations of sulphides at depth. Both surveys were successful in locating anomalies to 400m depth below surface. The primary sulphides associated with gold mineralisation in sediments in the Waranga Province are pyrite (iron sulphide), arsenopyrite (arsenic-iron sulphide) and stibnite (antimony sulphide).

Four sulphide-gold targets were delineated: the Nagambie Mine and Nagambie North targets in the Nagambie Mine survey; and the Racecourse and Cahill targets in the Racecourse survey.

The east-west strike length of the IP chargeability auras in the region is a reasonable guide to the length of the anomalous sulphides being detected. The north-south width of the IP chargeability auras is not indicative of the thickness of the anomalous sulphides being detected, rather it is more likely to reflect the intensity of the sulphides. At one end of the spectrum, massive sulphides will result in a very wide aura. Weakly disseminated sulphides in rock, at the other end of the spectrum, will result in a much narrower aura.

More detailed examination and three-dimensional (3D) modelling of the IP chargeability data for the Nagambie Mine area were carried out by the IP contractor, Zonge Engineering and Research Organisation, and one of Nagambie Resources’ geological consultants, Geoff Turner.

The 3D model developed (summarised in Figures 1 and 2 on the next page), highlighting the Nagambie Mine West anomaly, has been determined to be robust. The principal qualification with the 3D model is that the significant widening of the IP chargeability aura to the west of the West Pit is not indicative of increasing relative width of the sulphide mineralisation causing the aura, although some increase in width could occur. Rather, the significant increase in the width of the aura at Nagambie Mine West is mostly indicative of the increasing intensity or grade of the sulphide mineralisation giving off the IP chargeability aura.

Nagambie Resources’ Gold Model for the Waranga Province

The gold model has been enhanced since the discovery of the Wandean gold mineralisation by the Company in 2014 and in summary it currently includes:

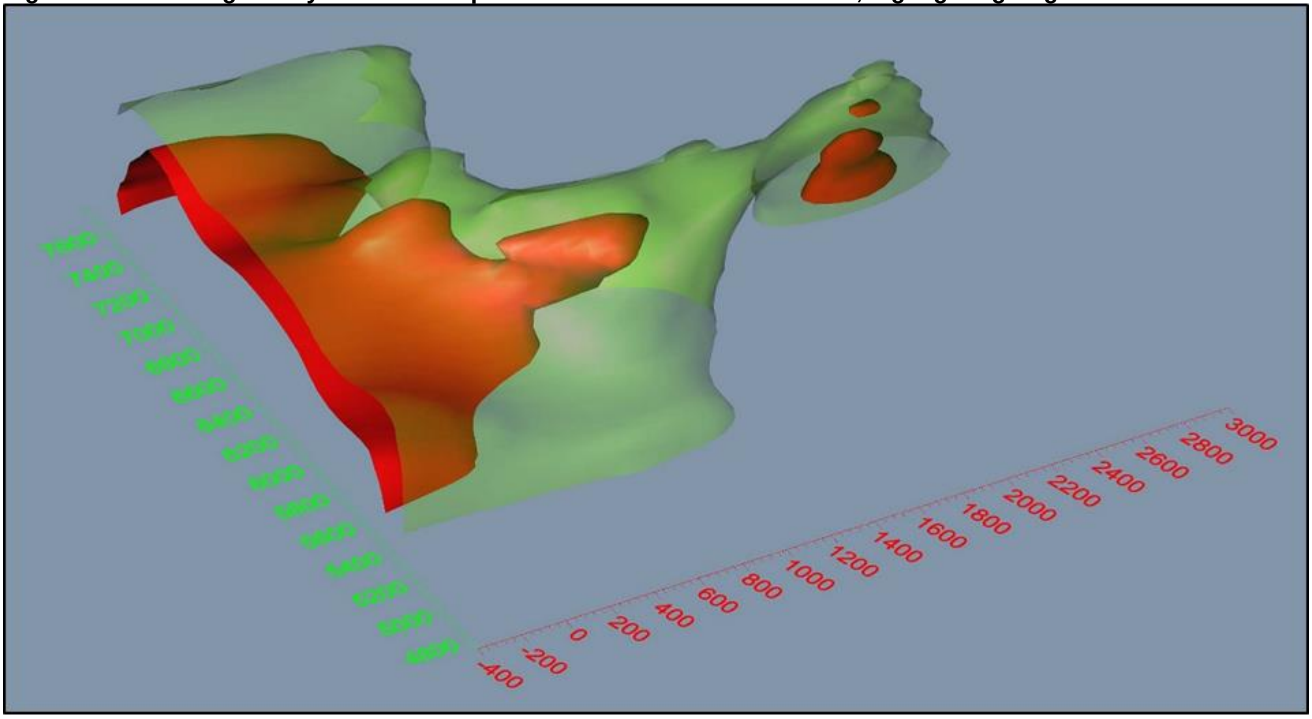
- The surface rocks are extensive marine siltstone and sandstone sediments (turbidites) with a total current-day thickness of around 6 km. Significant erosion of these rocks since formation is believed to have occurred as it is considered unlikely that the Strathbogie granites to the south outcropped at the time of formation. The turbidites rarely outcrop in the region, the East Pit at the Nagambie Mine being an exception, being mostly covered by recent Murray Basin unconsolidated clays and sands;
- A regional north-south tectonic compression event caused progressive folding of these originally-horizontal sedimentary rocks, resulting in numerous east-west-striking and near-vertical north-dipping thrust faults. Adjacent to these thrust faults, folding and fracturing of the rocks was pronounced;
- Crustal hydrothermal fluids rose up deep crustal faults under pressure around 370 million years ago;
- Where the deep crustal faults, predominantly north-west striking, intersected the nearer-surface east-west-striking thrust faults, the hydrothermal fluids moved along and up the thrust faults under pressure, filling all the available fracture openings in the adjacent sedimentary rocks. When the temperature and pressure conditions at formation fell to conducive levels, precipitation of quartz, various carbonates (principally calcium carbonate, calcite), pyrite (iron sulphide), arsenopyrite (arsenic-iron sulphide), stibnite (antimony sulphide) and gold from the hydrothermal fluids took place;
- Gold grade correlates well with both % pyrite and % arsenopyrite at the Nagambie Mine and Wandean. The gold grade correlation with % stibnite is generally very poor;
- Sulphide-gold mineralisation will occur in folded and fractured siltstone-rich zones, but more intense mineralisation will occur in the brittle sandstone-rich zones; and
- Discrete IP chargeability highs in the Waranga Province will most likely represent anomalous concentrations of hydrothermal pyrite and arsenopyrite within folded and fractured sandstone-rich zones adjacent to the major thrust faults.

Hydrothermal Fluids Flow Hypothesis for the Nagambie Mine

Prior to the detailed 3D interrogation of the 2018 IP geophysical survey data for the Nagambie Mine area, a principal hypothesis had been that the Nagambie Crustal Fault (NCF) had been the pathway for the gold mineralisation at the Nagambie Mine.

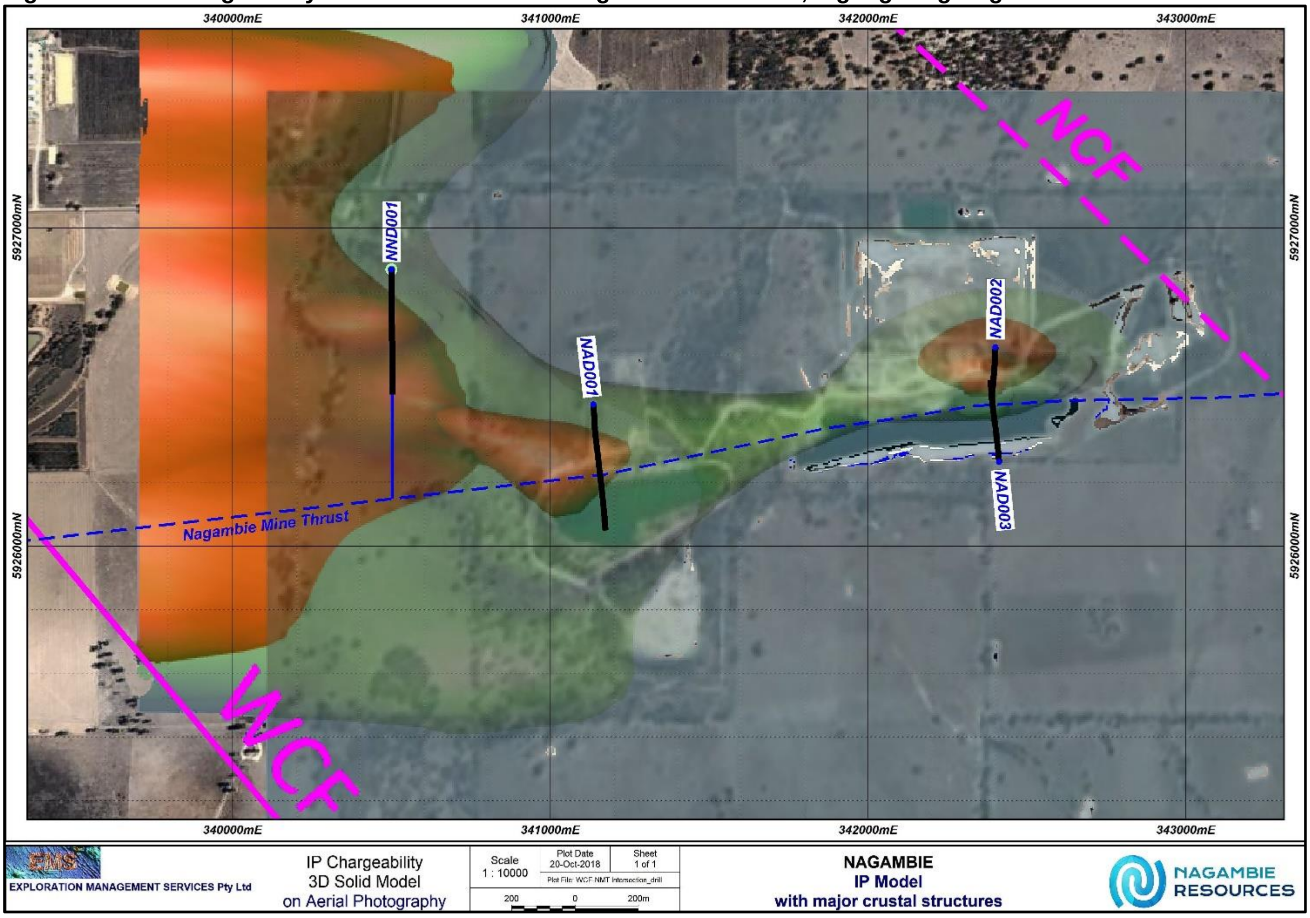
The NCF and the Wandean Crustal Fault (WCF) are both north-west-striking crustal faults picked up by Nagambie Resources from publicly available gravity data. The NCF is around 500m to the east of the East Pit at the Nagambie Mine and the WCF is around 1,800m to the west of the West Pit at the Nagambie Mine. The two pits and the unmined ground between them cover around 1,600m. The two crustal faults are around 3,900m apart in an east-west direction.

Figure 1 3D Chargeability Shells - Perspective View from the South West, highlighting Nagambie Mine West



(1) Outer green shell is IP chargeability 5.0; inner red shell (looks orange through green) is IP chargeability 6.6.
(2) Eastings and northings used for the IP survey are in metres.
(3) Vertical scale is exaggerated x 3
(4) The significant widening of the IP chargeability aura at Nagambie Mine West is not indicative of increasing width of the sulphides causing the aura, rather the increasing intensity or grade of the sulphides to the west.

Figure 2 3D Chargeability Shells - Plan View of Nagambie Mine Area, highlighting Nagambie Mine West



(1) WCF and NCF show the interpreted positions of the Wandean Crustal Fault and the Nagambie Crustal Fault respectively.
(2) The significant widening of the IP chargeability aura at Nagambie Mine West is not indicative of increasing width of the sulphides causing the aura, rather the increasing intensity or grade of the sulphides to the west.

The WCF is indicated to be only around 400m west of the western limit of the Nagambie Mine IP Survey where the WCF and the Nagambie Mine Thrust intersect. The new replacement hypothesis for the hydrothermal fluids is that the fluids rose up the WCF (not the NCF) under pressure and then flowed eastwards (not westwards) and upwards along the Nagambie Thrust Fault and other adjacent east-west-striking thrust faults, resulting in the indicated sulphides at Nagambie North and finally the mineralisation at the Nagambie Mine. The width of the IP chargeability high, mostly representing the intensity of the indicated sulphide-gold mineralisation, decreases significantly to the east, implying that the greatest precipitation of mineralisation out of the hydrothermal fluids occurred closer to the WCF, where the temperature and pressure dropped to optimal levels. Under the new hypothesis, the gold mineralisation at the East Pit is the only place where the hydrothermal fluids reached the current day surface (at Hill 158) and represents the most-eastern, least-sulphidic, lowest-grade gold mineralisation.

The WCF, under the company's regional gold model, also is the indicated pathway for the hydrothermal fluids that resulted in the gold mineralisation at Wandean, 9 km north west of the Nagambie Mine, that the Company discovered in 2014. The gold grades intersected in the reverse cycle percussion (RC) drill holes at Wandean were statistically higher than the gold grades recorded at the Nagambie Mine, which may reflect the Wandean mineralisation being closer to the WCF than the Nagambie Mine mineralisation.

Initial Target Diamond Drilling Program

Drilling commenced in April 2018 and is ongoing. To date, six diamond holes have been completed: NAD001, NAD002 and NAD003 targeting the Nagambie Mine IP chargeability anomalies; CAD001 and CAD002 targeting the Cahill anomaly; and RAD001 targeting the Racecourse anomaly. NND001, the first diamond hole targeting the Nagambie North sulphide-gold target within Nagambie Mine West, has commenced. Drill traces for NAD001, NAD002, NAD003 and NND001 are shown in Figure 2.

What has been determined to date includes:

- The Nagambie Mine IP anomaly appears to have accurately delineated the quartz-sulphide-gold hydrothermal mineralisation under the West and East Pits to 400m depth below surface. Significantly higher grade mineralisation is now considered to exist to the west of the West Pit, including at the Nagambie North IP target, in an area now called Nagambie Mine West. This new area, based on the detailed 3D computer modelling of the IP survey data, has an east-west strike length of approximately 1.5 km, commencing 0.3 km west of the West Pit;
- The Cahill IP anomaly has been eliminated as a sulphide-gold target. Some massive pyrite was intersected in the drilling (explaining the strong anomaly) but it was stratigraphic syngenetic pyrite associated with marine-animal fossil beds, not hydrothermal pyrite;
- The Racecourse IP anomaly has been downgraded as a high-grade sulphide-gold target. As expected, the Racecourse Thrust Fault was intersected in RAD001, under a previous 1.1 g/t gold intersection in a shallow percussion hole. However, the sediments adjacent to the major thrust fault were siltstone-rich, not sandstone-rich. Further drilling at Racecourse will be justified in due course to locate sandstone-rich beds adjacent to thrust faults, but diamond drilling at Nagambie Mine West is clearly the highest priority; and
- NND001, the first deep diamond drill hole into the eastern edge of the Nagambie Mine West sulphide-gold target, is planned to go to 1,100m down hole. Notably, coarse sandstones intersected in NND001 to date are flooded with both hydrothermal quartz and carbonate whereas little carbonate is present in the Nagambie Mine mineralisation to the east. As drilling steps out westwards from NND001 further into Nagambie Mine West, the Company's gold model predicts that the concentrations of all the precipitates, including gold, could increase to maximums that correlate to optimum pressure and temperature at the time of formation.

Gold Tenements

As Nagambie Resources' confidence in its regional sulphide-gold model grew, additional exploration licences were pegged. The total area of ELs granted and applied for in the Waranga Province at 30 June 2018 was 2,191 sq km, 1,157 sq km greater than the total area at 30 June 2017 of 1,034 sq km.

All the Company's tenements including those at Clonbinane and Redcastle, which are outside the Waranga Province, are shown in Figure 3 and Table 1.

PASS MANAGEMENT PROJECT

PASS stands for Potential Acid Sulphate Soil (or silt or rock). PASS only becomes a problem when it is excavated from below the water table and exposed to the air (that is, removed from its anaerobic state).

Underwater storage is the best environmental solution for PASS as it prevents the oxidation of the sulphides in the material. The water in the Nagambie Mine open pits is naturally saline and alkaline, making it ideal tor PASS management.

The major Melbourne infrastructure projects that will be of particular interest to Nagambie Resources for PASS management will be Metro Rail and West Gate Tunnel, both starting mid CY2019, and North East Link, starting in CY2020. Other possible near-term projects include Airport Rail and East West Link (which is recommended by both Infrastructure Australia and Infrastructure Victoria).

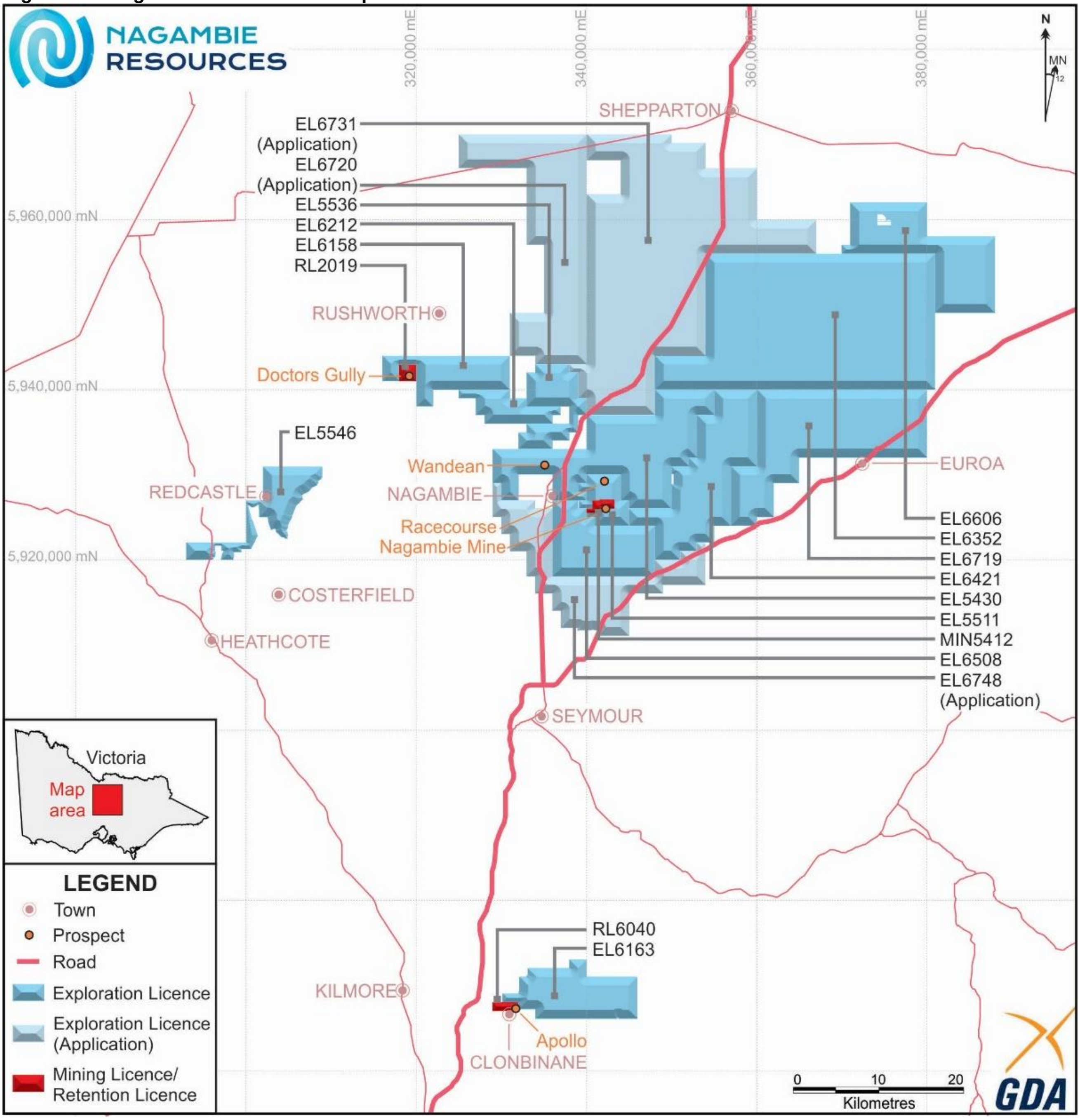
PASS Management Milestones

All the key construction and permitting milestones to commence PASS Management at the Nagambie Mine are now in place:

- Civil works for the West Pit completed, including new haulroads;

- State-of-the-art truck weighbridge constructed and commissioned;
- EPA Victoria has extended Nagambie Resources' Environmental Management Plan (EMP) for PASS Management until 2028;
- The mining licence for the Nagambie Mine, MIN 5412, has been renewed by Earth Resources Victoria (ERR) for 13 years to 2031; and
- The Work Plan Variation for MIN 5412 has been approved by ERR. This work plan includes the rehabilitation of the water-filled West Pit by backfilling with PASS material.

Figure 3 Nagambie Resources Group Tenements as at 30 June 2018



QUARRY PRODUCTS

The approved Work Plan Variation for MIN 5412 also allows for the continued rehabilitation of the historic mine site by:

- The production of road base and gravel products from the Overburden Dumps;
- The production of concrete aggregates from the tailings on the Heap Leach Pad; and
- The sale of the tailings "as is" subject to EPA Victoria conditions.

Three sizes of concrete aggregates are planned – 7mm, 10mm and 14mm – rather than a combined 7mm to 14mm product (see Photo 1) which has been previously produced but which is not favoured by concrete product manufacturers.

Table 1 Nagambie Resources Group Tenements as at 30 June 2018

Tenement Number	Tenement Name	sq km
MIN 5412	**Nagambie Mining Licence**	3.6
EL 5430	**Bunganail Exploration Licence**	181.0
EL 5511	**Nagambie Exploration Licence**	27.0
EL 5536	**Wandean North Exploration Licence**	48.0
EL 6212	**Reedy Lake North Exploration Licence**	30.0
EL 6158	**Rushworth Exploration Licence**	56.0
RL 2019	**Doctors Gully Retention Licence**	4.0
EL 6352	**Miepoll Exploration Licence**	455.0
EL 6421	**Pranjip Exploration Licence**	139.0
EL 6508	**Tabilk Exploration Licence**	84.0
EL 6606	**Gowangardie Exploration Licence**	120.0
EL 6719	**Euroa Exploration Licence**	204.0
ELA 6720	**Tatura Exploration Licence Application**	214.0
ELA 6731	**Arcadia Exploration Licence Application**	493.0
ELA 6748	**Waranga Exploration Licence Application**	136.0
	Subtotal Waranga Province	**2,194.6**
EL 6163	**Clonbinane South Exploration Licence**	79.0
RL 6040	**Clonbinane Retention Licence**	3.0
EL 5546	**Redcastle Exploration Licence**	69.0
	Total	**2,345.6**

Photo 1 7mm to 14mm Combined Aggregates

PROPOSED SAND MINING

The Company is currently preparing an application to the relevant authorities for the mining of the quartz sand and aggregates deposits that exist to the west of the 1990s West Pit on the Company's freehold land.

The type of sand and quartz aggregate material around the West Pit is illustrated in Photo 2. Some of the shallow sand could be sold "as is" as "brickies" sand while the balance of the sand could be sold as concrete quartz sand after screening which is in high demand in Victoria. The quartz aggregates could be washed and screened and sold as concrete quartz aggregates and high-value white quartz landscaping pebbles.

DOD UETF CONSTRUCTION

Construction of the underwater explosives testing facility (UETF) at the eastern beach of the East Pit at the Nagambie Mine by the Australian Department of Defence (DOD) is nearing completion. Lease fees for the site payable by DOD to Nagambie Resources under the initial 20-year agreement commenced in October 2014 at $150,000 per annum, increasing by the Melbourne CPI quarterly figures.

Photo 2 Quartz Sand and Aggregate Material in Drill Core to the west of the West Pit

James Earle
Chief Executive Officer

STATEMENT AS TO COMPETENCY

The Exploration Results in this report have been compiled by Dr Rod Boucher and Mr Geoff Turner. Rod Boucher has a PhD in Geology, is a Member and RPGeo of the Australian Institute of Geoscientists, is a Member of the Australian Institute of Mining and Metallurgy, has more than ten years in the estimation, assessment, and evaluation of mineral resources and ore reserves, and has more than 20 years in exploration for the relevant style of mineralisation that is being reported. Geoff Turner is a Fellow of the Australian Institute of Geoscientists, has more than ten years in the estimation, assessment, and evaluation of mineral resources and ore reserves, and has more than 20 years in exploration for the relevant style of mineralisation that is being reported. In these regards, both Rod Boucher and Geoff Turner qualify as Competent Persons as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and both consent to the inclusion in this report of these matters based on the information in the form and context in which it appears.

FORWARD-LOOKING STATEMENTS

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

Directors' Report

The directors of Nagambie Resources Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2018.

Directors

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

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

ALFONSO M GRILLO *Non-Executive Director and* *Company Secretary* *Independent* Appointed 24 November 2017	Alfonso Grillo is a founding Partner at GrilloHiggins Lawyers. He holds a Bachelor of Arts and Bachelor of Law degree. Alfonso has 18 years experience as a corporate lawyer, including company meeting practice and corporate governance procedures, fundraising and fundraising documentation, ASX Listing Rules and mergers and acquisitions. Alfonso advises resource industry companies in relation to mining and exploration projects, acquisition and divestment of assets, joint ventures and due diligence assessments. Alfonso has been a member of the Audit and Compliance Committee since his appointment. *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None
GEOFF R TURNER *Non-Executive Director* *Exploration* Appointed 20 December 2007 Retired 24 November 2017	Geoff Turner is a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology). He is a Registered Professional Geoscientist and Fellow of the Australian Institute of Geoscientists (AIG). He has 30 years' experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry. Geoff was a member of the Audit and Compliance Committee until he retired. *Other Current Directorships of Listed Companies* None. *Former Directorships of Listed Companies in last three years* None

Chief Executive Officer

JAMES C EARLE BE (Geological) MEM MBA

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

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

Operating and Financial Review

Principal Activities

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

Review of Operations

Gold exploration for Fosterville-style high-grade underground sulphide-gold deposits in the Waranga Province was advanced significantly during the 2018 financial year. All permitting for PASS Management at the Nagambie Mine as part of mine rehabilitation is now in place.

Exploration Licences

As the company's confidence in its regional sulphide-gold model grew, additional exploration licences were pegged. The total area of ELs granted and applied for in the Waranga Province at 30 June 2018 was 2,191 sq km, 1,157 sq km greater than the total area at 30 June 2017 of 1,034 sq km.

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Ground IP surveys were carried out over the Nagambie Mine area and the adjoining Racecourse area to the north. IP can detect anomalous concentrations of sulphides at depth. Both surveys were successful in locating anomalies to 400m depth below surface. The sulphides associated with gold mineralisation in sediments in the Waranga Province are pyrite (iron sulphide) and arsenopyrite (arsenic-iron sulphide).

Four sulphide-gold targets were delineated: the Nagambie Mine and Nagambie North targets in the Nagambie Mine survey; and the Racecourse and Cahill targets in the Racecourse survey.

The east-west strike length of the IP chargeability auras in the region is a reasonable guide to the length of the anomalous sulphides being detected. The north-south width of the IP chargeability auras is not indicative of the thickness of the anomalous sulphides being detected, rather it is more likely to reflect the intensity of the sulphides. At one end of the spectrum, massive sulphides will result in a very wide aura. Weakly disseminated sulphides in rock, at the other end of the spectrum, will result in a much narrower aura.

Initial Target Diamond Drilling Program

Drilling commenced on 16 April 2018 and is ongoing. To date, six diamond holes have been completed: NAD001, NAD002 and NAD003 targeting the Nagambie Mine IP chargeability anomalies; CAD001 and CAD002 targeting the Cahill anomaly; and RAD001 targeting the Racecourse anomaly. NND001, the first diamond hole targeting the Nagambie North sulphide-gold target, has commenced.

As at 25 September 2018, the final assessments for the first six holes, including some assay data for later holes, were not completed. What was determined at that date included:

- The Nagambie Mine IP anomaly appears to have accurately delineated the quartz-sulphide-gold hydrothermal mineralisation under the West and East Pits to 400m depth below surface. Significantly higher grade mineralisation is now considered to exist to the west of the West Pit, including at the Nagambie North IP target, in an area now called Nagambie Mine West. This new area, based on detailed 3D computer modelling of the IP survey data, has an east-west strike length of approximately 1.5 km, commencing 0.3 km west of the West Pit;

- The Cahill IP anomaly has been eliminated as a sulphide-gold target. Some massive pyrite was intersected in the drilling (explaining the strong anomaly) but it was stratigraphic syngenetic pyrite associated with marine-animal fossil beds, not hydrothermal pyrite; and

- The Racecourse IP anomaly has been downgraded as a high-grade sulphide-gold target. As expected, the Racecourse Thrust Fault was intersected in RAD001, under a previous 1.1 g/t gold intersection in a shallow percussion hole. However, the sediments adjacent to the major thrust fault intersected in RAD001 were more ductile siltstone beds, not brittle sandstone beds which are more likely to fracture when folded. Further drilling at Racecourse will be justified in due course but diamond drilling at Nagambie Mine West, where the sediments are sandstone-rich, is the highest priority.

PASS Management Project

PASS stands for **P**otential **A**cid **S**ulphate **S**oil (or silt or rock). PASS only becomes a problem when it is excavated from below the water table and exposed to the air (that is, removed from its anaerobic state).

Underwater storage is the best environmental solution for PASS as it prevents the oxidation of the sulphides in the material. The water in the Nagambie Mine open pits is naturally saline and alkaline, making it ideal tor PASS management.

The major Melbourne infrastructure projects that will be of particular interest to Nagambie Resources for PASS management will be Metro Rail starting mid CY2019 and North East Link starting in CY2020. Other possible near-term projects include Airport Rail and East West Link (which is recommended by both Infrastructure Australia and Infrastructure Victoria).

PASS Management Permitting

During the year, the mining licence for the Nagambie Mine, MIN 5412, was renewed by Earth Resources Victoria (ERR) for 13 years to 2031.

The Work Plan Variation for MIN 5412 has subsequently been approved by ERR. This work plan includes the rehabilitation of the water-filled West Pit by backfilling with PASS material.

EPA Victoria has also extended Nagambie Resources' Environmental Management Plan (EMP) for PASS Management until 2028.

Quarry Products

The approved Work Plan Variation for MIN 5412 also allows for the continued rehabilitation of the historic mine site by: (1) the production of crushed rock from the Overburden Dumps; (2) the production of concrete aggregates from the tailings on the Heap Leach Pad; and (3) the sale of the tailings "as is" subject to EPA Victoria conditions.

DOD UETF Construction

Construction of the underwater explosives testing facility (UETF) at the eastern beach of the East Pit at the Nagambie Mine by the Australian Department of Defence (DOD) is nearing completion. Lease fees for the site payable by DOD to Nagambie Resources under the initial 20-year agreement commenced in October 2014 at $150,000 per annum, increasing by the Melbourne CPI quarterly figures.

Likely Developments

During the 2019 financial year, Nagambie Resources is planning to:

- Carry out IP geophysical surveys over the Wandean Gold Prospect and the 9 km between Nagambie Mine West and Wandean;
- Carry out diamond drilling at Nagambie Mine West and other high-grade sulphide-gold underground targets defined by the new IP surveys;
- Secure a PASS Management contract for some of the estimated 1.2 million tonnes to be excavated for Metro Rail;
- Produce aggregates for concrete manufacture by screening the tailings on the 1990s Heap Leach Pad at the Nagambie Mine;
- Continue selling the heap leach material "as is" as high-compaction gravel for forming roads and for use under concrete slabs;
- Continue selling gravel products produced from the Overburden Dumps; and
- Complete the application for an Extractive Industries Licence to quarry and treat the sand and quartz aggregate deposits at the western end of the West Pit at the Nagambie Mine.

Financial Matters

The consolidated loss for the group for the year amounted to $1,187,261 after tax. This compared to a loss after tax for the year ended 30 June 2017 of $1,621,972. The improvement of $434,711 in the loss for the year relates to an increase in revenue of $92,327 and a reduction in expenditures of $342,384. The revenue increase was principally from increased sales of various crushed rock products. The largest expenditure savings were $165,838 in corporate expenses and $225,552 in rehabilitation costs, now that the site preparation works for PASS Management at the West Pit have been completed. Expenditures relating to finance costs increased by $84,098 as did depreciation (a non-cash item) by $98,479 with the acquisition of additional plant and equipment.

A total of $2,115,000 was raised by the company during the 2018 financial year. This included $1,800,000 from the issue of 18,000,000 convertible notes at $0.10 each in November 2017 and $315,000 from the exercising of 3,150,000 unlisted options at $0.10 each in June 2018.

In July 2017, the company accepted an offer of a two-year unsecured loan facility of up to $1,000,000. Interest payable is 10% per annum on the drawn amount at any time and repayments can be made at any time without incurring fees. The facility was undrawn at 30 June 2018.

Changes in state of affairs

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

Subsequent events

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

- On 6 August 2018, the company announced to the ASX that it had received an extension of 10 years for its Environmental Management Plan for receival and management of PASS from the Environment Protection Authority of Victoria;

- On 6 September 2018, the company announced to the ASX that it would conduct a Share Purchase Plan whereby shareholders could acquire additional shares up to a value of $15,000; and

- On 20 September 2018, the company announced to the ASX details of its new hypothesis for high-grade gold mineralisation at Nagambie Mine West, Wandean, and potentially along the 9 km of the mapped Wandean Crustal Fault between those two areas.

Environmental regulations

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

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

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2017: Nil).

Share options

Share options granted to directors and executives

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

Michael Trumbull (director)	4,000,000
Kevin Perrin (director)	2,000,000
Alfonso Grillo (director) appointed 24/11/2017	2,000,000
Geoff Turner (director) retired 24/11/2017	1,000,000
James Earle (chief executive officer)	2,000,000

Shares under option or issued on exercise of options

There were 3,150,000 options exercised during the year at a price of $0.10 per share.

Options held as at reporting date

Number of options	Grant date	Vesting date	Expiry date	Exercise price
6,750,000	3/12/2013	3/12/2013	3/12/2018	10 cents
10,100,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,500,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25.0 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents
57,600,000				

Indemnification of officers and auditors

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

Directors' meetings

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

During the financial year 5 board meetings and 5 audit and compliance committee meetings were held.

	Board of directors		Audit and compliance committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Michael Trumbull	5	5	-	-
Kevin Perrin	5	5	5	5
Alfonso Grillo (appointed 24/11/2017)	3	3	3	3
Geoff Turner (retired 24/11/2017)	3	3	3	3

Directors' shareholdings and options

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

Directors	Fully paid ordinary shares Number	Share options Number
Michael Trumbull	20,869,610	18,400,000
Kevin Perrin	28,241,549	9,000,000
Alfonso Grillo	900,000	5,850,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel

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

Michael Trumbull	Executive Director
Kevin Perrin	Non-Executive Director
Alfonso Grillo (appointed 24/11/2017)	Non-Executive Director
Geoff Turner (retired 24/11/2017)	Non-Executive Director
James Earle	Chief Executive Officer

Remuneration Policy

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

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the company to non-executive directors for their services as directors is $250,000 per annum. For the year ending 30 June 2018, the board resolved that the executive chairman's remuneration be set at $150,000 (2017: $150,000) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at $42,000 (2017: $42,000) per annum excluding superannuation and share based payments. Where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director, then additional amounts will be payable.

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

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

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2018.

	30 June 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Revenue	$762,163	$669,836	$453,058	$192,102	$120,930
Net loss before tax	$1,187,261	$1,621,972	$619,449	$634,351	$742,772
Net loss after tax	$1,187,261	$1,621,972	$619,449	$634,351	$742,772
Share price at start of year (cents)	4.7	16.5	3.4	3.2	2.0
Share price at end of year (cents)	16.0	4.7	16.5	3.4	3.2
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.29)	(0.43)	(0.21)	(0.28)	(0.68)
Diluted earnings per share (cents)	(0.29)	(0.43)	(0.21)	(0.28)	(0.68)

Director and executive remuneration

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

		Short Term Benefits	Post Employment Benefits	Share Based Payment	Performance Related Benefits	Other LongTerm Benefits	Total
		Salary and fees	Superannuation	Options (non cash)			
		$	$	$	$	$	$
Directors							
Michael Trumbull (1)	**2018**	**164,250**	**-**	**112,183**	**-**	**-**	**276,433**
	2017	164,250	-	137,474	-	-	301,724
Kevin Perrin (2)	**2018**	**45,990**	**-**	**56,092**	**-**	**-**	**102,082**
	2017	45,990	-	68,737	-	-	114,727
Alfonso Grillo (3)	**2018**	**27,468**	**-**	**56,092**	**-**	**-**	**83,560**
	2017	-	-	-	-	-	-
Geoff Turner (4)	**2018**	**17,500**	**5,495**	**28,046**	**-**	**-**	**51,041**
	2017	73,395	3,990	68,737	-	-	146,122
Chief Executive Officer							
James Earle (5)	**2018**	**150,000**	**14,250**	**56,092**	**-**	**-**	**220,342**
	2017	184,375	12,766	102,332	-	-	299,473
Total for Year	**2018**	**405,208**	**19,745**	**308,505**	**-**	**-**	**733,458**
Total for Year	2017	468,010	16,756	377,280	-	-	862,046

Apart from the contracts disclosed at (1) and (5) below there were no other contracts with management or directors in place during the 2018 and the 2017 financial years.

(1) Michael Trumbull is employed as Executive Chairman under a consultancy agreement which commenced on 1 July 2013 and is ongoing. The fixed remuneration level was set at $164,250 (2017: $164,250) per annum plus provision of a motor vehicle and reimbursement of out of pocket expenses. The contract may be terminated upon giving 6 months notice by the company or 3 months by the Consultant. Apart from accrued entitlements there are no other termination benefits.

During the 2018 financial year, fees of $164,250 (2017: $164,250) were paid to Cypron Pty Ltd, an entity controlled by Michael Trumbull, for his services as a director of the company.

(2) During the 2018 financial year, fees of $45,990 (2017: $45,990) were paid to Vinda Pty Ltd, an entity controlled by Kevin Perrin, for his services as a director of the company.

(3) Alfonso Grillo was appointed a director on 24 November 2017. From that date until 30 June 2018 fees of $27,468 (2017: Nil) were paid to GrilloHiggins Lawyers, an entity in which Alfonso Grillo is a partner, for his services as a director of the company. During that same period the company also paid fees of $28,008 to GrilloHiggins Lawyers for secretarial and legal services provided by Alfonso Grillo and other GrilloHiggins personnel.

At 30 June 2018, there was an amount of $3,300 (2017: Nil) owing to GrilloHiggins.

(4) Geoff Turner retired as a director on 24 November 2017. From 1 July 2017 up to that date Geoff Turner was paid director's fees of $17,500 (2017: $42,000) plus $5,495 (2017: $3,990) in superannuation for his services as a director of the company. The company also paid fees of $20,100 (2017: $31,395) to Exploration Management Services Pty Ltd (EMS), an entity controlled by Geoff Turner, for professional geological consultancy services provided by Geoff Turner and other EMS personnel.

At 30 June 2018, there was an amount of $9,900 (2017: $9,240) owing to EMS.

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

Shareholdings of key management personnel

	Balance 1 July 2017	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2018
Michael Trumbull	20,269,610	-	1,600,000	(1,000,000)	20,869,610
Kevin Perrin	27,241,549	-	1,000,000	-	28,241,549
Alfonso Grillo (2)	750,000	-	150,000	-	900,000
Geoff Turner (3)	4,257,325	-	-	-	4,257,325
James Earle	733,333	-	-	-	733,333
Total	**53,251,817**	**-**	**2,750,000**	**(1,000,000)**	**55,001,817**

(1) Net change refers to on and off market acquisitions/disposals.
(2) Opening balance is at appointment date.
(3) Closing balance is at retirement date.

Executive Options

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

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

The options granted expire five years after their issue or one month after the resignation of the staff member or executive, whichever is the earlier, or as otherwise determined by the board of directors. There are 57,600,000 share options on issue under this plan, of which 24,350,000 are executive share options.

Options held at the end of the financial year

Number of options	Grant date	Vesting date	Expiry date	Exercise price
6,750,000	3/12/2013	3/12/2013	3/12/2018	10 cents
10,100,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,500,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents
57,600,000				

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and executives relate to the 2018 financial year:

Name	Option series	Number granted	Number vested	% of grant vested	% of grant forfeited	% of compensation for year consisting of options
Michael Trumbull	issued 24/11/2017	4,000,000	4,000,000	100%	0%	40.6%
Kevin Perrin	issued 24/11/2017	2,000,000	2,000,000	100%	0%	54.9%
Alfonso Grillo	issued 24/11/2017	2,000,000	2,000,000	100%	0%	67.1%
Geoff Turner	issued 24/11/2017	1,000,000	1,000,000	100%	0%	54.9%
James Earle	issued 24/11/2017	2,000,000	2,000,000	100%	0%	25.5%

The following table summarises the value of options granted, exercised or lapsed during the 2018 financial year to directors and executives:

Name	Value of options granted at the grant date (i)	Value of options exercised at the exercise date (ii)	Value of options lapsed at the date of lapse
	$	$	$
Michael Trumbull	112,183	Nil	Nil
Kevin Perrin	56,092	Nil	Nil
Alfonso Grillo	56,092	Nil	Nil
Geoff Turner	28,046	Nil	Nil
James Earle	56,092	Nil	Nil

(i) The value of options granted during the period is recognised in compensation at the grant date which is also the vesting date. The assessed value was 2.80 cents per option.

(ii) 2,750,000 directors options and 400,000 executives options were exercised during the reporting period. 3,500,000 directors options and 1,250,000 executives options lapsed during the reporting period.

Option holdings of key management personnel

	Balance 1 July 2017	Granted as remuneration	Options Exercised	Options Lapsed	Balance 30 June 2018	Vested and exercisable at 30 June 2018
Michael Trumbull	17,000,000	4,000,000	(1,600,000)	(1,000,000)	18,400,000	18,400,000
Kevin Perrin	9,000,000	2,000,000	(1,000,000)	(1,000,000)	9,000,000	9,000,000
Alfonso Grillo (1)	4,000,000	2,000,000	(150,000)	-	5,850,000	5,850,000
Geoff Turner (2)	9,000,000	1,000,000	-	(1,000,000)	9,000,000	9,000,000
James Earle	3,000,000	2,000,000	-	-	5,000,000	5,000,000
Total	**42,000,000**	**11,000,000**	**(2,750,000)**	**(3,000,000)**	**47,250,000**	**47,250,000**

(1) Balance held at date of appointment
(2) Balance held at date of retirement

Non-audit services

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

Auditor's independence declaration

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

Proceedings on behalf of the company

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

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

On behalf of the directors

Michael W Trumbull
Executive Chairman

Melbourne
25 September 2018

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 there have been:

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

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

William Buck

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

N. Benbow
Director

Melbourne, 25 September 2018

CHARTERED ACCOUNTANTS & ADVISORS
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Statement of Profit and Loss and Other Comprehensive Income for the financial year ended 30 June 2018

		Consolidated	
	Note	**2018 $**	2017 $
Revenue	4	**762,163**	669,836
Corporate expenses		**(602,056)**	(767,894)
Cost of sales and rehabilitation		**(404,423)**	(629,975)
Depreciation and amortisation		**(141,293)**	(42,814)
Employee benefits expense	4	**(509,520)**	(588,970)
Finance costs	4	**(292,132)**	(208,034)
Impairment of exploration assets	9	**-**	(54,121)
Loss before income tax		**(1,187,261)**	(1,621,972)
Income tax benefit	5	**-**	-
Loss for the year		**(1,187,261)**	(1,621,972)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(1,187,261)**	(1,621,972)
Loss per share			
Basic and diluted loss per share in cents	6	**(0.29)**	(0.43)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Current assets			
Cash and cash equivalents	14(b)	**352,070**	124,184
Trade and other receivables	7	**164,702**	70,212
Total current assets		**516,772**	194,396
Non-current assets			
Security deposits	8	**635,000**	635,520
Property, plant and equipment	10	**925,436**	535,300
Exploration and evaluation assets	9	**9,675,955**	8,629,565
Total non-current assets		**11,236,391**	9,800,385
Total assets		**11,753,163**	9,994,781
Current liabilities			
Trade and other payables	11	**301,077**	226,429
Borrowings	15	**126,622**	42,013
Provisions	16	**26,218**	26,281
Revenue in advance		**39,306**	-
Total current liabilities		**493,223**	294,723
Non-current liabilities			
Borrowings	15	**3,675,535**	1,660,536
Provisions	16	**11,777**	8,309
Total non-current liabilities		**3,687,312**	1,668,845
Total liabilities		**4,180,535**	1,963,568
Net assets		**7,572,628**	8,031,213
Equity			
Issued capital	12	**22,091,390**	21,751,540
Reserves	13	**1,214,896**	846,495
Accumulated losses		**(15,733,658)**	(14,566,822)
Total equity		**7,572,628**	8,031,213

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the financial year ended 30 June 2018

	Consolidated			
	Issued capital $	Options reserve $	Accumulated losses $	Total $
Balance at 30 June 2016	**19,018,777**	**353,005**	**(12,944,850)**	**6,426,932**
Shares issued during the year	2,743,683	-	-	2,743,683
Share issue costs	(15,000)	-	-	(15,000)
Recognition of share based payments	-	497,570	-	497,570
Transfer on exercise of options	4,080	(4,080)	-	-
Total comprehensive income	-	-	(1,621,972)	(1,621,972)
Balance at 30 June 2017	**21,751,540**	**846,495**	**(14,566,822)**	**8,031,213**
Shares issued during the year	315,000	-	-	315,000
Recognition of share based payments	-	413,676	-	413,676
Transfer on lapse of options	-	(20,425)	20,425	-
Transfer on exercise of options	24,850	(24,850)	-	-
Total comprehensive income	-	-	(1,187,261)	(1,187,261)
Balance at 30 June 2018	**22,091,390**	**1,214,896**	**(15,733,658)**	**7,572,628**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the financial year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers		**650,393**	653,911
Payments to suppliers and employees		**(963,032)**	(1,457,447)
Interest received		**17,280**	15,925
Interest paid		**(249,805)**	(210,907)
Net cash inflows used in operating activities	14(a)	**(545,164)**	(998,518)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(40,118)**	(375,773)
Payments for exploration expenditure		**(1,046,390)**	(1,056,315)
Proceeds from security bonds		**520**	26,929
Net cash used in investing activities		**(1,085,988)**	(1,405,159)
Cash flows from financing activities			
Proceeds from issue of shares		**315,000**	1,627,000
Proceeds from issue of convertible notes		**1,800,000**	600,000
Net repayment of borrowings		**(255,962)**	(17,733)
Net cash provided by financing activities		**1,859,038**	2,209,267
Net increase (decrease) in cash and cash equivalents		**227,886**	(194,410)
Cash and cash equivalents at the beginning of the financial period		**124,184**	318,594
Cash and cash equivalents at the end of the financial period	14(b)	**352,070**	124,184

Notes to the Financial Statements
for the financial year ended 30 June 2018

1. General information

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

2. Significant accounting policies

Statement of compliance

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

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

Basis of preparation

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

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

(a) Going concern

For the year ended 30 June 2018, the consolidated net loss was $1,187,261 (2017: $1,621,972). The net cash outflows used in operations for the year were $545,164 (2017: $998,518). The Group had a net working capital surplus of $23,549 (2017: deficiency $100,327) at year end.

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

The Group has cancellable planned exploration expenditure under its leased tenements extending to 30 June 2018 of $1,009,500 (2017: $867,750).

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

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

- Carry out IP geophysical surveys over the Wandean Gold Prospect and the 9 km between Nagambie Mine West and Wandean;
- Carry out diamond drilling at Nagambie Mine West and other high-grade sulphide-gold underground targets defined by the new IP surveys;
- Secure a PASS Management contract for some of the estimated 1.2 million tonnes to be excavated for Metro Rail;
- Produce aggregates for concrete manufacture by screening the tailings on the 1990s Heap Leach Pad at the Nagambie Mine;
- Continue selling the heap leach material "as is" as high-compaction gravel for forming roads and for use under concrete slabs;
- Continue selling gravel products produced from the Overburden Dumps; and
- Complete the application for an Extractive Industries Licence to quarry and treat the sand and quartz aggregate deposits at the western end of the West Pit at the Nagambie Mine.

2. Significant accounting policies (continued)

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

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

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

(b) Basis of consolidation

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

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

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

(c) Cash and cash equivalents

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

(d) Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

(e) Financial instruments

Recognition and initial measurement

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

Financial instruments are classified and measured as set out below.

Derecognition

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

2. Significant accounting policies (continued)

Classification and subsequent measurement

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

Loans and receivables

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

Impairment

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

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

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

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

(f) Exploration and evaluation assets

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

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

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

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

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

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

2. Significant accounting policies (continued)

(g) Impairment of tangible assets

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

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

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

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

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

(h) Income tax

Current tax

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

Deferred tax

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

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

A deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

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

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

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

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

Current and deferred tax for the period

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

2. Significant accounting policies (continued)

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.

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

(j) Property, plant and equipment

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

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

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

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

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

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

(k) Provisions

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

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

(l) Revenue

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

<u>Sale of rock revenue</u>

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

<u>Interest revenue</u>

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.

<u>Rental revenue</u>

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

(m) Share-based payments

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

2. Significant accounting policies (continued)

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

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

(n) Goods and services tax

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

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

(o) Trade and other payables

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

(p) Trade and other receivables

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

(q) Borrowings

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

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

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

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

(r) Finance costs

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

(s) Critical accounting estimates and judgements

Exploration and evaluation costs

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

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

2. Significant accounting policies (continued)

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

Rehabilitation of tenements

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

Recovery of deferred tax assets

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

Share based payments

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

Fair value of convertible notes

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

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

(t) Parent entity information

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

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

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. In the directors view none of these standards and interpretations will have a material effect on these financial statements, with the exception of the following. Upon the adoption of AASB 16 *Leases,* the group anticipates recognizing the present value of its operating lease commitments together with a right of use asset for the same amount in the statement of financial position. Refer note 17c.

4. Revenue and expenses

	Consolidated 2018 $	2017 $
The loss before income tax includes the following items of revenue and expenses.		
(a) Revenue		
Operating revenue		
Rental income	**190,574**	181,968
Sale of rock and quarry products	**537,490**	425,619
Other revenue		
Interest	**17,280**	15,925
Sundry income	**16,819**	46,324
Total revenue	**762,163**	669,836
(b) Expenses		
Employee benefits expense		
Employee benefits	**65,099**	47,756
Share based payments expense	**413,676**	497,570
Superannuation expense	**30,745**	43,644
	509,520	588,970
Finance costs		
Interest	**292,132**	208,034

5. Income tax

		2018 $	2017 $
(a)	**Income tax expense**		
	Loss from operations	**(1,187,261)**	(1,621,972)
	Prima facie tax benefit calculated at 30% (2017: 30%)	**356,178**	486,592
	Add tax effect of:		
	- Non deductible expenses	**(1,415)**	(931)
	- Share based payments	**(124,103)**	(149,271)
	Less tax effect of:		
	Current year tax loss not recognised	**(230,660)**	(336,389)
	Income tax benefit	**-**	-
(b)	**Deferred tax asset**		
	A deferred tax asset attributable to tax losses and timing differences has not been brought to account due to the uncertainty of recoverability in future periods.	**4,572,031**	4,341,371

6. Earnings per share

	Consolidated	
	2018 **$**	2017 $
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net loss	**1,187,261**	1,621,972
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**404,039,474**	373,436,970
Basic and diluted loss per share in cents	**0.29**	0.43

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

7. Receivables

Trade receivables	**120,195**	45,779
Other receivables	**44,507**	24,433
Total receivables	**164,702**	70,212

8. Security deposits

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

(i) Security deposits – environmental bonds

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

9. Exploration and evaluation assets

	Consolidated	
	2018 **$**	2017 $
Balance at beginning of the year	**8,629,565**	7,627,371
Exploration costs capitalised for the year	**1,046,390**	1,056,315
Impairment charge for the year	**-**	(54,121)
Balance at end of the year	**9,675,955**	8,629,565

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

10. Property, plant and equipment

	Consolidated				
	Land $	Plant and equipment $	Computer equipment $	Motor vehicles $	Total $
Gross carrying amount					
Balance at 1 July 2016	27,028	67,423	140,768	106,211	341,430
Additions	18,035	399,208	-	88,932	506,175
Disposals	-	(1,037)	(46,630)	-	(47,667)
Balance at 1 July 2017	45,063	465,594	94,138	195,143	799,938
Additions	**-**	**521,735**	**10,731**	**-**	**532,466**
Disposals	**-**	**(592)**	**(78,918)**	**-**	**(79,510)**
Balance at 30 June 2018	**45,063**	**986,737**	**25,951**	**195,143**	**1,252,894**
Accumulated depreciation					
Balance at 1 July 2016	-	(50,244)	(126,172)	(93,075)	(269,491)
Depreciation expense	-	(22,204)	(6,530)	(14,080)	(42,814)
Disposals	-	1,037	46,630	-	47,667
Balance at 1 July 2017	-	(71,411)	(86,072)	(107,155)	(264,638)
Depreciation expense	**-**	**(118,121)**	**(9,025)**	**(15,184)**	**(142,330)**
Disposals	**-**	**592**	**78,918**	**-**	**79,510**
Balance at 30 June 2018	**-**	**(188,940)**	**(16,179)**	**(122,339)**	**(327,458)**
Net book value					
As at 30 June 2017	45,063	394,183	8,066	87,988	535,300
As at 30 June 2018	**45,063**	**797,797**	**9,772**	**72,804**	**925,436**

11. Trade and other payables

	Consolidated	
	2018 **$**	2017 $
Trade payables	**200,990**	202,315
Other payables	**100,087**	24,114
	301,077	226,429

12. Issued capital

	2018	2017
(a) Issued and paid capital	**$**	$
Ordinary shares fully paid	**22,091,390**	21,751,540

(b) Movements in shares on issue

	Year ended 30 June 2018		Year ended 30 June 2017	
	Number of shares issued	**Issued capital $**	Number of shares issued	Issued capital $
Balance at beginning of the year	**403,935,912**	**21,751,540**	351,238,110	19,018,777
Movements during the year				
Placement of shares				
July 2016 issue price 15.0 cents	-	-	4,666,666	700,000
March 2017 issue price 6.0 cents	-	-	2,366,667	142,000
Share purchase plan				
March 2017 issue price 6.0 cents	-	-	12,000,022	720,000
Conversion of convertible notes				
Series 2 issue price 4.0 cents	-	-	11,575,000	463,000
Series 3 issue price 3.0 cents	-	-	21,289,447	638,683
Exercise of options at 10.0 cents	**3,150,000**	**315,000**	800,000	80,000
Options reserve transfers	-	**24,850**	-	4,080
Share issue expenses	-	-	-	(15,000)
Balance at end of the year	**407,085,912**	**22,091,390**	403,935,912	21,751,540

(c) Terms and conditions of issued capital

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

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

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

Share options granted under the employee share option plan

As at 30 June 2018 there were 24,350,000 (2017 15,750,000) options over ordinary shares in respect of the employee share option plan. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees. Of these options 24,350,000 were vested by 30 June 2018 (2017: 15,750,000).

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

Other share options on issue

As at 30 June 2018 there were 33,250,000 options over ordinary shares issued to directors (2017:35,000,000). Of these options 33,250,000 were vested by 30 June 2018 (2017: 35,000,000).

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

(d) Capital management

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2017 Financial Statements.

13. Reserves

	Consolidated 2018 $	2017 $
Options Reserve		
Balance at beginning of the year	**846,495**	353,005
Recognition of share based payments	**413,676**	497,570
Value of options exercised	**(24,850)**	(4,080)
Value of options lapsed	**(20,425)**	-
Balance at end of the year	**1,214,896**	846,495

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

14. Notes to the statement of cash flows

		2018 $	2017 $
(a)	**Reconciliation of loss after tax to net cash flows from operations**		
	Net loss for the period	**(1,187,261)**	(1,621,972)
	Depreciation of property, plant and equipment	**141,293**	42,814
	Share option expenses	**413,676**	497,570
	Impairment of exploration and evaluation assets	**-**	54,121
	Changes in assets and liabilities		
	(Increase)/Decrease in receivables	**(94,490)**	(42,228)
	Increase/(Decrease) in creditors	**178,213**	66,173
	Increase/(Decrease) in employee provisions	**3,405**	5,004
	Net cash from (used in) operating activities	**(545,164)**	(998,518)
(b)	**Reconciliation of cash**		
	Cash and cash equivalents comprise:		
	Cash on hand and at call	**352,070**	124,184
		352,070	124,184
(c)	**Non-cash investing activity**		
	Issue of shares to settle convertible notes	**-**	1,101,683
	Assets acquired under finance agreements	**491,311**	88,932
		491,311	1,190,615

15. Borrowings

	2018 $	2017 $
Current		
Other borrowings	**126,622**	42,013
	126,622	42,013
Non-current		
Unsecured convertible notes (i)	**3,334,000**	1,534,000
Other borrowings	**341,535**	126,536
	3,675,535	1,660,536
Total borrowings	**3,802,157**	1,702,549

(i) The Company has three series of Unsecured Convertible Notes outstanding for a total of $3,334,000.

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

Each series of Convertible Note has the following terms:

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

16. Provisions

	Consolidated 2018 $	Consolidated 2017 $
Current		
Employee benefits	**26,218**	26,281
Non-current		
Employee benefits	**11,777**	8,309
Total provisions	**37,995**	34,590

17. Commitments

(a) Planned exploration expenditure

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

Not longer than 1 year	**1,009,500**	867,750
Longer than 1 year and not longer than 5 years	**3,120,964**	2,764,912
Longer than 5 years	**-**	-
	4,130,464	3,632,662

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2018 or 30 June 2017 except for the one noted at 17(d) below.

(c) Operating lease commitments

Not longer than 1 year	**99,071**	4,867
Longer than 1 year and not longer than 5 years	**132,096**	-
Longer than 5 years	**-**	-
	231,167	4,867

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

(d) Property acquisition with deferred settlement

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

18. Contingent Liabilities

Apart from the matter discussed in Note 8 the group has no contingent liability as at 30 June 2018.

19. Financial instruments

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

– It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;

– It has no significant outstanding receivable balances that have a credit risk;

– Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;

– All of the interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables (except for convertible notes refer note 15) have maturity dates within one financial year. Term deposits on environmental bonds and convertible notes have interest rate yields consistent with current market rates;

– All of the financing for the group is from equity and convertible note instruments, and

– The group has no externally imposed capital requirements with the exception of an ASX requirement to not issue more than 25% of its share capital through a placement in a 12 month period.

(a) Categories of financial instruments

	Consolidated	
	2018	2017
	$	$
Financial assets		
Security deposits and receivables	**749,702**	655,732
Cash and cash equivalents	**352,070**	124,184
Financial liabilities		
Trade and other payables	**301,077**	226,429
Borrowings	**3,802,157**	1,702,549

(b) Liquidity risk management

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

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

Consolidated liabilities	**Interest rate**	**Less than 1 month**	**1-3 months**	**3+ months to 1 year**	**1-5 years**	**5+ years**
	%	**$**	**$**	**$**	**$**	**$**
2018						
Trade and other payables	**-**	**209,231**	**50,700**	**41,146**	**-**	-
Borrowings	**10.0**	**11,283**	**52,565**	**404,943**	**4,490,303**	
		220,514	**103,265**	**446,089**	**4,490,303**	-
2017						
Trade and other payables	-	132,766	93,663	-	-	-
Borrowings	10.0	14,351	35,030	146,033	2,087,997	
		147,117	128,693	146,033	2,087,997	-

20. Share-based payments

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors. Each executive share option converts into one ordinary share of Nagambie Resources Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the board of directors. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. The total of options on issue is 57,600,000 (2017: 50,750,000). Of these 24,350,000 (2017: 15,750,000) have been issued to executives and employees and the balance of 33,250,000 (2017: 35,000,000) 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 2018		30 June 2017	
	Number of options	**Exercise price**	Number of options	Exercise price
Balance at beginning of period	**50,750,000**		37,050,000	
granted	**14,750,000**	**10 - 14.1 cents**	14,500,000	25 - 25.5 cents
exercised *	**(3,150,000)**	**10 cents**	(800,000)	10 cents
lapsed	**(4,750,000)**	**10 cents**	Nil	-
Balance at end of period	**57,600,000**		50,750,000	

* 3,150,000 options were exercised on 18/6/2018 at 10 cents

Options held at the end of the reporting period

Number of options	**Grant date**	**Vesting date**	**Expiry date**	**Exercise price**	**Fair value at grant date**
6,750,000	3/12/2013	3/12/2013	3/12/2018	10 cents	0.70 cents
10,100,000	28/11/2014	28/11/2014	28/11/2019	10 cents	1.40 cents
11,500,000	16/11/2015	16/11/2015	16/11/2020	10 cents	1.00 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents	3.40 cents
12,500,000	30/11/2016	30/11/2016	30/11/2021	25 cents	3.44 cents
13,750,000	24/11/2017	24/11/2017	24/11/2022	10 cents	2.80 cents
1,000,000	20/12/2017	20/12/2017	20/12/2022	14.1 cents	1.22 cents
57,600,000					

(i) Exercised during the financial year
There were 3,150,000 options exercised during the financial year

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

The weighted average fair value of the share options granted during the financial year is 2.80 cents (2017: 3.43 cents). Options were priced using a Binomial option valuation model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may be exercised early, but not before vesting date.

Inputs into the valuation model					
	Tranche 1	**Tranche 2**		**Tranche 1**	**Tranche 2**
Grant date	24/11/2017	20/12/2017	Option life	5 years	5 years
Options Issued	13,750,000	1,000,000	Dividend yield	Nil	Nil
Share price at grant date	6.0 cents	9.4 cents	Risk free interest rate	2.37%	2.37%
Exercise price	10.0 cents	14.1 cents	Vesting date	24/11/2017	20/12/2017
Expected volatility	68.5%	68.5%			

21. Key management personnel compensation

	Consolidated 2018 $	Consolidated 2017 $
Short-term employee benefits	**405,208**	468,010
Post-employment benefits	**19,745**	16,756
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payment	**308,505**	377,280
	733,458	862,046

22. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Parent entity			
Nagambie Resources Limited	Australia	-	-
Subsidiaries			
Nagambie Landfill Pty Ltd no business activity conducted during the year	Australia	100	100
Nagambie Developments Pty Ltd property owning entity	Australia	100	100
Clonbinane Goldfield Pty Ltd development of gold and associated minerals	Australia	100	100

23. Related party transactions

Transactions with key management personnel and related parties

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

24. Segment information

The group operates in one principal geographical area – in Australia. The group carries out exploration for, and development of gold associated minerals and construction materials in the area. During the year the group earned $156,374 (2017 $153,293) of its rental income described in note 4 from the Department of Defence. There was no other major reliance on any other customer.

25. Remuneration of auditors

	Consolidated 2018 $	Consolidated 2017 $
Auditor of the parent entity		
Audit or review of the financial report	**23,384**	23,400
Other non-audit services	**-**	-
	23,384	23,400

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

26. Subsequent events

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

- On 6 August 2018, the company announced to the ASX that it had received an extension of 10 years for its Environmental Management Plan for receival and management of PASS from the Environment Protection Authority of Victoria;

- On 6 September 2018, the company announced to the ASX that it would conduct a Share Purchase Plan whereby shareholders could acquire additional shares up to a value of $15,000; and

- On 20 September 2018, the company announced to the ASX details of its new hypothesis for high-grade gold mineralisation at Nagambie Mine West, Wandean, and potentially along the 9 km of the mapped Wandean Crustal Fault between those two areas.

27. Parent entity disclosures

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

	Parent	
	2018	2017
	$	$
Current assets	**546,282**	197,228
Non-current assets	**11,321,782**	9,907,100
Total assets	**11,868,064**	10,104,328
Current liabilities	**493,223**	303,033
Non-current liabilities	**3,687,312**	1,660,536
Total liabilities	**4,180,535**	1,963,569
Issued capital	**22,091,390**	21,751,540
Options reserve	**1,214,896**	846,495
Accumulated losses	**(15,618,757)**	(14,457,276)
Loss	**(1,196,694)**	(1,616,618)
Total comprehensive income	**(1,196,694)**	(1,616,618)

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

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

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

On behalf of the directors

Michael W Trumbull
Executive Chairman

Melbourne
25 September 2018

Nagambie Resources Limited
Independent auditor's report to members

Report on the Audit of the Financial Report

Modified Opinion

We have audited the financial report of Nagambie Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the matters described below in the Basis for Modified Opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Modified Opinion

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

As disclosed in Note 15 to the financial statements, the Company has raised $1,800,000 from investors through the issue of unsecured convertible notes, which have a coupon interest rate of 10% per annum. These notes include an equity conversion feature, entitling the noteholder to convert the principal value of each note into ordinary shares at 10 cents per share. AASB 132 requires that the debt component of such convertible notes, with fixed conversion formulae, to be valued at fair value upon initial recognition (the date upon which the Company and the convertible noteholder became party to contract), with any difference between the face value of those notes and the fair value of the debt component recognised in equity.

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

Notwithstanding this, we consider that a market value for the debt component of such convertible notes can be imputed from other like-for-like Australian-based listed exploration companies, principally due to the growth in popularity of convertible notes as a mechanism for obtaining finance in recent years. Based upon our analysis, we believe that 24% would be an appropriate discount rate to apply in calculating the fair value of the debt component of convertible notes at initial recognition.

Based upon this key assumption, had such a discount been applied against the $1,800,000 tranche of convertible notes which were issued during the year, the following adjustments would be required to these financial statements as at 30 June 2018:

- Convertible notes held at $1,800,000 recorded within non-current liabilities in the statement of financial position would be restated to $1,215,519;
- An equity reserve would be created, worth $691,837, representing the difference between the face value and the fair value of the debt component of the convertible notes at initial recognition; and
- An additional interest charge of $107,356 to the profit or loss, representing the proportionate unwind applied to the discount applied to the convertible notes upon initial recognition to 30 June 2018.

Other matters relevant to the Basis for Modified Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which describes that during the year ended 30 June 2018 the Group incurred a net loss of $1,187,261 and net cash outflows from operations of $545,164. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

William Buck

Key Audit Matters

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

CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS	
Area of focus **Refer also to notes 1(f), 2 and 9**	**How our audit addressed it**
The Group has incurred exploration and evaluation costs for exploration projects in Victoria over a number of years. The Group holds the right to explore and evaluate those projects through tenement and licence agreements. There is a risk that the Group may lose its right to further explore and evaluate those areas of interest and therefore amounts capitalized to the statement of financial position from the current and historical periods be no longer recoverable.	Our audit procedures included: - Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the requirement to renew that tenement at its expiry; - Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying tenement expenditure plan; - Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest; and - From a overall perspective, comparing the market capitalisation of the Group to the net carrying value of its assets on the statement of financial position to identify any other additional indicators of impairment. We assessed the adequacy of the Group’s disclosures in respect of exploration and evaluation assets.

SHARE BASED PAYMENTS	
Area of focus **Refer also to Remuneration Report on pages 9 to 11 and Note 20**	**How our audit addressed it**
The Group rewards its key management personnel and employees through ownership-based incentive scheme through the granting and issuing of options. These are share-based payments which are charged to the profit or loss as they vest. These options had no performance hurdles or service conditions attached to their vesting, hence they vested immediately upon grant and issue. There were significant subjectivities relating to the accounting for these options in this financial report, including: - The determination of the grant date for the options and their vesting period for identifying the appropriate share price used in the formula for calculating the value of the option; - Determining the volatility rate used in pricing the options and the selection and use of the Binomial model in computing the value of those options; and - Reflecting the vested benefit attributed to key management personnel in disclosures in the financial report and in the Remuneration Report. The Group commissioned the use of an independent expert during the year to appraise the fair value of the options which were granted and issued.	Our audit procedures included: - Determining the grant dates, and evaluating what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements; - Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence; - Evaluating the vesting of the share-based payments; - For the specific application of the option pricing model, we assessed the experience of the external expert used to advise the value of the arrangement to management. We retested some of the key assumptions used in the model. - We considered that the forecast volatility applied in the model to be appropriately reasonable and within industry norms. We also reconciled the vesting of these share-based payment arrangements to disclosures made in both the disclosures in the Remuneration Report and the key management personnel compensation note.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*

and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Nagambie Resources Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our

William Buck

responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

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

N. Benbow
Director

Melbourne, 25 September 2018

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 20 October 2018.

Number of holders of equity securities

Ordinary share capital
435,777,802 fully paid ordinary shares are held by 1,005 individual shareholders. All the shares carry one vote per share.

Options
59,900,000 options are held by 18 individual optionholders. Options do not carry a right to vote.

Unsecured convertible notes
40,013,333 unsecured convertible notes are held by 5 individual noteholders. The notes do not carry a right to vote.

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

Distribution of holders of ordinary shares

Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000	47	3,193	0.00%
1,001 - 5,000	99	374,625	0.09%
5,001 - 10,000	115	980,993	0.23%
10,001 - 100,000	457	19,892,873	4.56%
100,001 and over	287	414,526,118	95.12%
Totals	**1,005**	**435,777,802**	**100.00%**

The number of holders with an unmarketable parcel was 187, holding a total of 641,090, amounting to 0.15% of the Issued Share Capital.

Substantial Shareholders

Fully Paid Ordinary Shareholders	Shares	%
MR RALPH DOUGLAS RUSSELL & MS ANNE-MAREE HYNES	42,529,320	9.76%
MR KEVIN J PERRIN	29,483,484	6.77%
MR GEOFFREY MICHAEL WALCOTT & MRS JULIE ANN WALCOTT	26,836,962	6.16%
Total	**98,849,766**	**22.69%**

Distribution of holders of unquoted options

	Number of holders	Number of options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,000 and over	18	59,900,000

Distribution of holders of unquoted convertible notes

	Number of holders	Number of convertible notes
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,000 and over	5	40,013,333

Optionholders holding greater than 20% of the unquoted options

Optionholder	Options held	% held
Mr Michael W Trumbull	17,400,000	29.05%

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

Noteholder	Notes held	% held
PPT Nominees Pty Ltd	30,913,333	77.26%

Unquoted options over unissued shares

Exercise price	Grant Date	Vesting Date	Expiry Date	Number
$0.10	3 December 2013	3 December 2013	3 December 2018	4,750,000
$0.10	28 November 2014	28 November 2014	28 November 2019	10,100,000
$0.10	29 October 2015	29 October 2015	16 November 2020	3,300,000
$0.10	16 November 2015	16 November 2015	16 November 2020	8,000,000
$0.255	4 July 2016	4 July 2016	4 July 2021	2,000,000
$0.25	30 November 2016	30 November 2016	30 November 2021	12,500,000
$0.10	24 November 2017	24 November 2017	24 November 2022	13,750,000
$0.141	20 December 2017	20 December 2017	20 December 2022	1,000,000
$0.126	22 August 2018	22 August 2018	22 August 2023	4,500,000
			Total	**59,900,000**

Twenty largest holders of quoted equity securities

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

Rank	Holder Name	Shares	%
1	PPT NOMINEES PTY LTD	75,449,430	17.31%
2	MR RALPH DOUGLAS RUSSELL & MS ANN MAREE HYNES <PRECISION SUPER P/L>	31,533,467	7.24%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	27,567,585	6.33%
4	ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C>	24,640,103	5.65%
5	MR GEOFFREY MICHAEL WALCOTT & MRS JULIE ANN WALCOTT <GEORET BEACON SUPERFUND A/C>	24,482,268	5.62%
6	CYPRON PTY LTD <THE M W TRUMBULL S/F A/C>	13,780,000	3.16%
7	ADMIC SUPER PTY LTD <ADMIC SUPER FUND A/C>	10,546,481	2.42%
8	MR RALPH DOUGLAS RUSSELL & MS ANNE-MAREE HYNES	9,852,472	2.26%
9	LINCONRIDGE PTY LTD <G & K MCAULIFFE S/F A/C>	9,231,009	2.12%
10	HEPSBOURNE PTY LTD <RD JOHNS MEDICAL PL SF A/C>	8,791,935	2.02%
11	NORMET INDUSTRIES NOMINEE PTY LTD	8,333,333	1.91%
12	CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C>	5,851,481	1.34%
13	MCCARTHY CATTLE COMPANY PTY LTD <MCCARTHY FAMILY A/C>	5,434,850	1.25%
14	ADARE MANOR PTY LTD <ADARE MANOR SUPER FUND A/C>	4,843,381	1.11%
15	MR ROBERT CARL GUERNIER & MRS JEAN GUERNIER	4,547,963	1.04%
16	MR GEOFFREY TURNER	3,907,325	0.90%
17	RELUM PTY LTD <STUBBE PENSION A/C>	3,546,481	0.81%
18	MR RICHARD MOGOROVICH & MRS GIULIANA MOGOROVICH <MOGOROVICH SUPER FUND A/C>	3,472,709	0.80%
19	R & N KUNG PTY LTD <RENE KUNG PERSONAL S/F A/C>	2,806,474	0.64%
20	AET CT PTY LIMITED <HENROTH PTY LIMITED>	2,791,824	0.64%
	Total	**281,410,571**	**64.58%**
	Total Issued Shares	**435,777,802**	**100.00%**