

**NAGAMBIE MINING LIMITED
AND CONTROLLED ENTITIES**

Financial Report

**Half-year ended
31 December 2014**

CORPORATE DIRECTORY

NAGAMBIE MINING LIMITED ABN 42 111 587 163
***NAGAMBIE DEVELOPMENTS PTY LTD** ABN 37 130 706 311
***NAGAMBIE LANDFILL PTY LTD** ABN 90 100 048 075
***CLONBINANE GOLDFIELD PTY LTD** ACN 160 928 932
*These are subsidiary companies which are wholly owned
and controlled by Nagambie Mining Limited

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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PO Box 339
Telephone: (03) 5794 1750
Facsimile: (03) 5794 1790
Website: www.nagambieminig.com.au
Email: info@nagambieminig.com.au

DIRECTORS

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

COMPANY SECRETARY

Alfonso M G Grillo

PRINCIPAL LEGAL ADVISER

Grillo Higgins Lawyers
31 Queen Street
Melbourne Vic 3000
Telephone: (03) 8621 8884
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AUDITOR

William Buck Audit (Vic) Pty Ltd
Level 20, 181 William Street
Melbourne Vic 3000

SHARE REGISTRY

Advanced Share Registry Limited
150 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 8033

SECURITIES EXCHANGE LISTING

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

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NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2014, for Nagambie Mining Limited (the "Company") and its controlled entities (the "Group" or the "Consolidated Group").

DIRECTORS

The names of Directors in office at all times during or since the end of the half-year are:

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

REVIEW OF OPERATIONS

The loss of the Group for the half year ended 31 December 2014 after income tax amounted to \$406,794 compared to a loss of \$329,124 for the 2013 half year, an increase of \$77,670. The result included non-cash impairment of exploration assets of \$372,341, giving a loss of \$34,453 before impairment.

The Group's principal objectives continue to be to: (1) evaluate the 100%-owned oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 100,000 to 200,000 ounces of gold mineralisation; (2) recommence heap-leach operations at the Nagambie Mine, targeting Group gold production of at least 10,000 ounces per year for at least 10 years; and (3) develop all the non-gold revenue opportunities at the Nagambie Mine.

Wandean, 9 km north west of the Nagambie Mine, was declared a virgin gold discovery on 17 July 2014 following the receipt of assays from the third-phase drilling program. The best Wandean oxide intersection from the program was 5 metres at 11.4 g/t gold, including 1 metre at 37.8 g/t gold. Average gold grade remains to be determined but, subject to further work, could be in the range 1.0 g/t to 1.5 g/t. Early indications are that recovery by cyanide leaching in the laboratory after 24 hours could average as high as 96% of the assayed grade, which indicates that heap leach recovery for Wandean mineralisation could exceed the 80% average figure achieved at the Nagambie Mine in the 1990s.

The Group acquired the entire Clonbinane Goldfield in July 2014 for \$390,000 worth of Nagambie Mining shares. A preliminary Inferred Resource of 47,000 ounces of gold (609,000 tonnes at 2.4 g/t gold) was estimated in 2008 for Clonbinane by a previous owner. Statistical (random) sampling of all the mine shaft waste dumps at Clonbinane during the half year has indicated that the Gladys workings have the highest grade halo mineralisation, around twice that for the Apollo workings (4.3 g/t gold versus 2.1 g/t at a 0.5 g/t cut off). Heap-leach testwork on bulk samples from the Apollo Prospect in 1987 by a previous owner indicates that operational gold recovery for Apollo could be in the range 80% to 85%, very high by industry standards.

In October 2014, a 20-year lease agreement was signed with the Australian Department of Defence to enable the construction of an Underwater Explosives Testing Facility at the eastern end of the East Pit at the Nagambie Mine. The rental is \$150,000 per annum plus GST plus uncapped CPI, payable quarterly in advance.

The 1990s open pits at the Nagambie Mine represent ideal underwater sites for potential acid sulphate spoil (PASS) from construction projects in Melbourne and could take a total of around 6.2 million tonnes. During the half year, the Group investigated whether there are any alternative large underwater sites that could accept Melbourne PASS and concluded that none exist. Melbourne PASS can be stored above ground in metropolitan landfill sites but that alternative is a poor environmental outcome and a very expensive solution. Over the next decade, crippling road congestion, sole reliance on the West Gate Bridge and struggling public rail infrastructure will mean that various tunnels will need to be constructed in and around the Melbourne CBD. The road and rail tunnels currently being contemplated will involve many millions of tonnes of PASS.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor has provided a declaration of independence, as required under Section 307C of the Corporations Act 2001. This declaration is included at page 4.

This report is signed in accordance with a resolution of the directors:



Michael Ward Trumbull

Executive Chairman

Dated in Melbourne on 11 March 2015

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

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2014 there have been:

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

William Buck

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



N. S. Benbow
Director

Dated this 11th day of March, 2015

**CHARTERED ACCOUNTANTS
& ADVISORS**

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NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
Rental income	37,500	-
Revenue from sale of non-gold materials	17,365	1,930
Other income	27,629	14,976
Total Revenue	82,494	16,906
Corporate and administration	(220,460)	(155,339)
Depreciation and amortisation	(5,446)	(5,813)
Employee benefits expense	(161,234)	(69,878)
Finance costs	(114,645)	(115,000)
Impairment of exploration assets	(372,341)	-
Total Expenses	(874,126)	(346,030)
Loss before income tax	(791,632)	(329,124)
Income tax benefit	384,838	-
Loss for the period	(406,794)	(329,124)
Other comprehensive income	-	-
Total comprehensive loss for the period	(406,794)	(329,124)
Loss per share		
Basic and diluted loss per share in cents	(0.13)	(0.12)

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2014**

	Note	Consolidated	
		31 Dec 2014 \$	30 June 2014 \$
Current assets			
Cash and cash equivalents		312,851	473,396
Trade and other receivables		17,481	94,962
Prepayments		8,306	-
Total current assets		338,638	568,358
Non-current assets			
Security deposits		598,215	575,215
Property, plant & equipment		76,379	59,708
Exploration and evaluation assets		6,458,044	6,125,364
Total non-current assets		7,132,638	6,760,287
Total assets		7,471,276	7,328,645
Current liabilities			
Trade and other payables		123,974	155,980
Provisions		11,063	4,132
Borrowings		988,000	-
Prepaid Income		37,500	-
Total current liabilities		1,160,537	160,112
Non-current liabilities			
Borrowings		1,300,000	2,300,000
Total non-current liabilities		1,300,000	2,300,000
Total liabilities		2,460,537	2,460,112
Net assets		5,010,739	4,868,533
Equity			
Issued capital	2	16,831,818	16,429,818
Reserves		355,924	208,924
Accumulated losses		(12,177,003)	(11,770,209)
Total equity		5,010,739	4,868,533

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF CHANGES IN EQUITY**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Issued capital	Options reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2013	14,849,266	142,424	(11,027,437)	3,964,253
Loss for the half-year	-	-	(329,124)	(329,124)
Options issued	-	66,500	-	66,500
Shares issued	820,000	-	-	820,000
Share issue costs	(11,800)	-	-	(11,800)
Balance at 31 December 2013	15,657,466	208,924	(11,356,561)	4,509,829
Balance at 1 July 2014	16,429,818	208,924	(11,770,209)	4,868,533
Loss for the half-year	-	-	(406,794)	(406,794)
Options issued	-	147,000	-	147,000
Shares issued	402,000	-	-	402,000
Balance at 31 December 2014	16,831,818	355,924	(12,177,003)	5,010,739

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF CASH FLOWS**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Consolidated	
	31 Dec 2014	31 Dec 2013
	\$	\$
Cash flow from operating activities		
Receipts from customers	136,374	2,471
Payments to suppliers and employees	(221,326)	(126,495)
Interest received	14,707	14,976
Interest paid	(115,000)	(115,000)
R&D tax incentive	384,838	-
Net cash available from (used in) operating activities	199,593	(224,048)
Cash flow from investing activities		
Payments for exploration expenditure	(315,021)	(351,030)
Payments for security deposits	(23,000)	-
Proceeds from security deposits	-	19,016
Purchase of property, plant & equipment	(22,117)	(1,858)
Net cash used in investing activities	(360,138)	(333,872)
Cash flow from financing activities		
Proceeds from share issue	-	820,000
Share issue costs	-	(11,800)
Net cash provided by financing activities	-	808,200
Net increase (decrease) in cash and cash equivalents held	(160,545)	250,280
Cash and cash equivalents at the beginning of the half-year	473,396	110,568
Cash and cash equivalents at end of the half-year	312,851	360,848

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year financial report does not include all the notes and full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 2014 annual report and any public announcements made by Nagambie Mining Limited during the half-year.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2014 financial report.

Going Concern

For the half-year ended 31 December 2014 the consolidated net loss was \$406,794 (2013: \$329,124), which increased total accumulated losses to \$12,177,003 (30 June 2014: \$11,356,561). The net cash inflows from operations for the half-year were \$199,593 (2013: outflows of \$224,048). The Group has planned capital expenditure extending to 31 December 2015 of \$684,450 (to 31 December 2014: \$596,000).

The Company has \$988,000 of Unsecured Convertible Notes which mature on 14 September 2015. These Notes were issued at 4 cents each and they are convertible into one ordinary share or repayable at issue price on the maturity date. The Company has had preliminary discussions with the major holder of the Notes and both parties have agreed that if the Notes are not converted to shares or if cash is not available to meet repayment by the due date then suitable arrangements will be negotiated so as not to impact on the Company's ability to continue as a going concern.

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. In considering its future cash flow forecast the directors have determined that they have further capacity to meet its financial commitments through the following:

- Issue of additional shares;
- Reclaiming cash backed environmental bonds for mineral tenements with the Department of State Development, Business and Innovation Victoria and therefore foregoing any capital commitments on those tenements surrendered; and
- Scaling back its administrative and corporate costs, including a reduction in fees payable to directors, as far as possible.

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

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

2. ISSUED CAPITAL	31 Dec 2014 \$	30 June 2014 \$
Issued and paid up capital		
301,714,010 (30 June 2014: 288,414,010) ordinary shares, fully paid	<u>16,831,818</u>	<u>16,429,818</u>

During the period 13,000,000 new shares were issued to acquire tenements at Clonbinane. A total of \$390,000 was capitalised to exploration and evaluation assets as a consequence of the share consideration issued for the acquisition of those tenements. Although the acquisition of Clonbinane involved the share consideration of 100% of Clonbinane Goldfield Pty Ltd the transaction did not meet the definition of a business combination under accounting standards as it was solely for the acquisition of tenements held in a corporate entity.

A further 300,000 shares were issued in consideration for the conversion of \$12,000 of convertible notes.

Both tranches of shares issued during the half-year were recognised in issued capital at their fair value, being the prevailing share price quoted on the Australian Securities Exchange as at the date of their issue, which was also their grant date.

3. SHARE OPTIONS

During the half-year 10,500,000 options were issued to Directors and Officers, all exercisable at 10c per share. The share options vested on their grant and issue date which was 28 November 2014 and expire 5 years after that date. The share options were valued at 1.40 cents each using a Black-Scholes pricing model, which incorporates the contractual terms of the options, the prevailing price at their grant date, a risk free interest rate of 3.0% and a volatility of 73%.

2,550,000 options lapsed unexercised during the half-year.

4. SEGMENT REPORTING

The Group operates in one business segment, being the exploration for mineral resources in Australia.

5. PLANNED CAPITAL EXPENDITURE

The Group holds various tenements for its mineral exploration activities. These tenements require the Group to meet minimum capital expenditure requirements. In order to satisfy those requirements the Group has budgeted to spend \$684,450 for the 12 months ending 31 December 2015 and thereafter it expects to spend approximately \$600,000 every 12 months, indexed for CPI inflation, for as long as it maintains its current portfolio of tenements.

These tenements also have environmental clauses that require the Company to restore the disturbed area of interest back to a condition that satisfies the Department of State Development, Business and Innovation Victoria. As the Group plans to hold onto its existing tenements indefinitely, no allowance has been made in the statement of financial position for any obligation that may arise should the Group decide not to continue holding any of its tenements.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

6. CONTINGENT ASSETS AND LIABILITIES

There has been no change in contingent assets and liabilities since the last annual financial report.

7. EVENTS SUBSEQUENT TO BALANCE DATE

In the opinion of the directors, there has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations or state of affairs of the Group in the subsequent financial year.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes thereto of Nagambie Mining Limited are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position of the Group as at 31 December 2014 and of its performance, for the half-year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Michael W Trumbull
Executive Chairman

Dated in Melbourne on 11 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED

Report on the Half-Year Financial Report

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

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of Nagambie Mining Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Nagambie Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED (CONT)*Independence*

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nagambie Mining Limited is not in accordance with the *Corporations Act 2001* including:

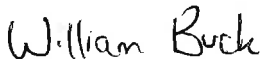
- a) giving a true and fair view of consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- b) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualification to the conclusion expressed above, attention is drawn to Note 1 of the interim financial report, which indicates that the consolidated entity incurred a loss of \$406,794 during the half-year ended 31 December 2014 and had a tranche of \$988,000 in convertible notes which mature in September 2015. These conditions along with other matters set forth in Note 1 indicate that there is a material uncertainty that may cast doubt regarding whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half year financial report of Nagambie Mining Limited for the half year ended 31 December 2014 included on Nagambie Mining Limited's web site. The company's directors are responsible for the integrity of the Nagambie Mining Limited's web site. We have not been engaged to report on the integrity of the Nagambie Mining Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.

**William Buck Audit (Vic) Pty Ltd**

ABN 59 116 151 136

**N. S. Benbow**

Director

Dated this 11th day of March, 2015