

NAGAMBIE MINING LIMITED
(Formerly Panaegis Gold Mines Limited)

ABN 42 111 587 163

Half-year financial report for the half year ended 31 December 2008

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Directors' report

The directors of Nagambie Mining Limited (formerly Panaegis Gold Mines Limited) submit herewith the financial report of Nagambie Mining Limited and its subsidiaries (the Group) for the half year ended 31 December 2008. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name

- Michael Ward Trumbull
- Geoff Turner
- Colin Glazebrook

Review of operations

At the company's Annual General Meeting on 25 November 2008, the name change from Panaegis Gold Mines Limited to Nagambie Mining Limited was approved by shareholders. The ASX code change to NAG for trading purposes commenced on 1 December 2008.

The net loss after income tax expense for the half year ended 31 December 2008 was \$393,617. This result was \$820,329 less than the loss for the half year ended 31 December 2007 of \$1,213,946.

The improved performance resulted from the various changes made by the board in the first half of calendar 2008 to focus and rationalise the activities of the company. Corporate overheads and fixed costs have been significantly reduced and rationalisation and amalgamation of the company's licences has resulted in greater exploration focus without any significant reduction in gold prospectivity.

Most importantly during the half year, Nagambie Mining formally moved to 100% ownership of all the tenements plus 187 hectares of freehold land and other assets at the Nagambie Mine at minimal cost. Apart from the clear potential of the Nagambie tenements to host additional heap-leachable oxide gold mineralisation at a grade around the previous mine grade of 0.8 g/t gold, the central mining licence, MIN 5412, contains over 15 million tonnes of waste rock in various surface stockpiles.

The company during the half year commenced work to position Nagambie MIN 5412 as the lowest cost, lowest impact (in terms of required energy inputs) provider of rock for the construction of the nearby Nagambie Bypass. Nagambie Mining intends to sell the rock on an "as is, where is" basis to provide free cash flow without any material cost outlays for the company. VicRoads are currently carrying out preparatory work for the Bypass construction tender with construction planned to commence in around six months time.

The company's primary exploration focus is to evaluate its oxide gold prospects on and within economic trucking distance of Nagambie MIN 5412, targeting a minimum of 100,000 to 200,000 ounces of gold at grades varying between 1 and 2 g/t gold. During the half year, extensive costeaning (trenching) work was carried out at Redcastle and Heathcote South and additional soil sampling was carried out on the Nagambie tenements.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Corporations Act 2001*.



Michael Ward Trumbull
Chairman & Non Executive Director



Geoff Turner
Non Executive Director



Colin Glazebrook
Chief Executive Officer & Executive Director

The Board of Directors
Nagambie Mining Limited
Level 16, 379 Collins St
Melbourne VIC 3000

13 March 2009

Dear Board Members

Nagambie Mining Limited

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

As lead audit partner for the review of the financial statements of Nagambie Mining Limited for the financial half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



M J Schofield
Partner
Chartered Accountants

Independent Auditor's Review Report to the members of Nagambie Mining Limited

We have reviewed the accompanying half-year financial report of Nagambie Mining Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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.

Auditor's Independence Declaration

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 the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$393,617 during the half-year ended 31 December 2008. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. J. Schofield

M J Schofield

Partner

Chartered Accountants

Melbourne, 13 March 2009

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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303 (5) of the *Corporations Act 2001*.



Michael Ward Trumbull
Chairman & Non Executive Director



Geoff Turner
Non Executive Director



Colin Glazebrook
Chief Executive Officer & Executive Director

Condensed consolidated income statement
for the half-year ended 31 December 2008

	Consolidated	
	Half Year ended	
	31 Dec 2008	31 Dec 2007
	\$	\$
Revenue	27,596	-
Other Income	28,545	62,953
Total Income	56,141	62,953
Depreciation and amortization expenses	(25,898)	(47,078)
Administration expenses	(188,538)	(930,194)
Impairment of exploration expenditure	(137,318)	-
Consulting Fees	(56,451)	(90,436)
Finance Costs	(7,739)	(6,441)
Insurance Costs	(7,777)	(32,785)
Legal Fees	(8,199)	(109,236)
Printing, stationary and office supplies	(747)	(9,447)
Secretarial Fees	(15,476)	(18,095)
Travel	(1,615)	(33,187)
Total expenses	(449,758)	(1,276,899)
Loss before tax	(393,617)	(1,213,946)
Income tax expense	-	-
Loss for the period from continuing operations	(393,617)	(1,213,946)
Earnings per share		
From continuing operations:		
Basic (cents per share)	(0.4)	(1.3)
Diluted (cents per share)	(0.4)	(1.3)

Notes to the condensed consolidated financial statements are included on page 11&12.

**Condensed consolidated balance sheet
as at 31 December 2008**

	Consolidated	
	31 Dec 2008	30 June 2008
	\$	\$
Current assets		
Cash and cash equivalents	223,337	839,685
Other receivables	11,986	29,518
Other assets	32,246	40,912
Total current assets	267,569	910,115
Non-current assets		
Property, plant and equipment	107,578	129,252
Deferred exploration and evaluation assets	5,468,163	5,188,287
Environmental Bonds (cash backed)	501,879	160,241
Total non-current assets	6,077,620	5,477,780
Total assets	6,345,189	6,387,895
Current liabilities		
Trade and other payables	77,373	72,637
Borrowings	46,997	42,283
Provisions	19,574	16,002
Other Accruals	7,157	7,760
Total current liabilities	151,101	138,682
Non-current liabilities		
Borrowings	80,259	101,396
Total non-current liabilities	80,259	101,396
Total liabilities	231,360	240,078
Net assets	6,113,829	6,147,817
Equity		
Issued capital	11,919,504	11,567,697
Reserves	30,002	22,180
Accumulated losses	(5,835,677)	(5,442,060)
Total equity	6,113,829	6,147,817

Notes to the condensed consolidated financial statements are included on page 11&12.

**Condensed consolidated statement of changes in equity
for the half year ended 31 December 2008**

	Issued Share Capital	Option reserve	Accumulated Losses	TOTAL
	\$	\$	\$	\$
Balance at 1 Jul 2007	10,312,116	22,180	(2,185,606)	8,148,690
Shares issued during the year	1,298,781	-	-	1,298,781
Share issue costs	(43,200)	-	-	(43,200)
Loss for the period	-	-	(1,213,946)	(1,213,946)
Balance at 31 Dec 2007	11,567,697	22,180	(3,399,552)	8,190,325
Balance at 1 Jul 2008	11,567,697	22,180	(5,442,060)	6,147,817
Shares issued during the year	400,770	-	-	400,770
Share issue costs	(48,963)	-	-	(48,963)
Options Issued	-	7,822	-	7,822
Loss for the period	-	-	(393,617)	(393,617)
Balance at 31 Dec 2008	11,919,504	30,002	(5,835,677)	6,113,829

Notes to the condensed consolidated financial statements are included on page 11&12.

**Condensed consolidated cash flow statement
for the half year ended 31 December 2008**

	Consolidated	
	Half-year ended	
	31 Dec 2008	31 Dec 2007
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(187,192)	(1,407,645)
Other income received	27,896	-
Interest received	27,160	62,953
Interest paid	(11,117)	(6,441)
Net cash used in operating activities	(143,253)	(1,351,133)
Cash flows from investing activities		
Payments for capitalised exploration and development	(482,335)	(476,903)
Payments as Bond deposits on exploration licences	(341,638)	-
Payment for property, plant and equipment	-	(16,179)
Payment relating to Exploration licenses	(929)	(4,382)
Net cash used in investing activities	(824,902)	(497,464)
Cash flows from financing activities		
Proceeds from issues of equity securities	400,770	1,298,782
Payment for share issue costs	(48,963)	(43,200)
Proceeds from borrowings – Chattel Mortgage Funding	-	-
Net cash provided by financing activities	351,807	1,255,582
Net decrease in cash and cash equivalents	(616,348)	(593,015)
Cash and cash equivalents at the beginning of the period	839,685	1,867,902
Cash and cash equivalents at the end of the period	223,337	1,274,887

Notes to the condensed consolidated financial statements are included on page 11&12.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the reasons described below, there is significant uncertainty whether the consolidated entity will continue as a going concern:

- The consolidated entity has incurred a loss of \$393,617, has commitments over the next 12 months of \$571,312 and had net operating cash outflows of \$143,253 in the current half-year,
- On the basis of the consolidated entity's cash flow forecasts, the consolidated entity has insufficient working capital to meet its requirements.

The ability of the consolidated entity to continue as a going concern is dependent on its ability to:

- Generate sufficient cash flows from operations to meet its financial obligations,
- Secure a contract to provide rock on an "as is, where is" basis for the construction of the Nagambie bypass and thereby achieve significant free cash flow,
- Continue to manage the performance of the consolidated entity, including increasing operating cash flows and reducing overheads and outgoings, and
- Raise additional equity finance.

At the date of this report and having considered the above factors, the directors are confident that the consolidated entity will be able to continue as a going concern. Notwithstanding this there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

2. Segment information

The Group only operates in the Victorian gold and associated minerals and metals exploration sector where it is actively pursuing opportunities.

3. Issuances, repurchases and repayments of equity securities

During the half-year reporting period, Nagambie Mining Limited issued 13,359,000 ordinary shares for \$400,770 (Incurring rights issue costs of \$48,963).

As a result of this share issue, \$351,807 was transferred issued capital.

During the period 1,500,000 staff options lapsed.

During the period 700,000 options were issued to staff and consultants and 4,000,000 options were issued to Directors and Officers, all exercisable at 10c.

Of the total option reserve of \$30,002 at 31 December 2008, \$22,180 relates to options that have lapsed without being exercised.

4. Contingencies and commitments

There has been no change in the contingent liabilities since the last reporting date.

Exploration expenditure commitments for the twelve months from 31 December 2008 are \$571,312 (30 June 2008: \$687,250).

5. Subsequent events

Nagambie Mining Limited raised \$649,164 from the placement of 21,638,789 shares in February 2009.

In the opinion of the directors of the company, 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 Group during the remainder of the year.