nagambie mining

2009 Annual Report

Corporate Directory

NAGAMBIE MINING LIMITED

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MINE OFFICE

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DIRECTORS

Michael W Trumbull (Non-Executive Chairman)

Colin Glazebrook (Executive Director)

Geoff Turner (Non-Executive Director Exploration)

CHIEF EXECUTIVE OFFICER & EXPLORATION MANAGER

Colin Glazebrook

COMPANY SECRETARY

Alfonso M G Grillo

CHIEF FINANCIAL OFFICER

Joe Fekete

AUDITOR

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STOCK EXCHANGE LISTING

Home Exchange - Melbourne

ASX Code – NAG

Cover Picture: Aerial View Nagambie Mine & Geological Structures associated with gold mineralisation

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Chairman's Letter

Dear Shareholder

The primary aim of Nagambie Mining continues to be the establishment and mining of economic gold resources in central Victoria. The unique secondary aim of the Company is to finance that gold exploration and development from the sale of material from the overburden and tailings dumps at the 100% owned Nagambie Mine.

Over the last 12 months, Nagambie Mining has positioned itself to be the lowest cost provider of rock fill for the construction of the 17 km long Nagambie Bypass. An AusLink National Project, it is being managed by VicRoads and funded 80% by the Federal Government and 20% by the Victorian Government. The Nagambie Bypass project requires over 3 million tonnes of fill material over a two year period and the Company is capable of supplying the great majority of this material.

The tender for the smaller First Stage of the Nagambie Bypass closed in July 2009 and the tender for the larger Second Stage closed on 14 October 2009. Nagambie Mining was asked by all qualified contractors for the two tenders to provide details and prices for the Company's material located at the Nagambie Mine. The winning tenderer for the First Stage is expected to be announced shortly and the winning tenderer for the Second Stage is expected to be announced early in calendar 2010.

As well as supplying rock fill for the Nagambie Bypass, the Company intends to sell increasing quantities of rock material in coming years to satisfy local demand for road making, hardstand areas and general fill.

The Company's three most advanced shallow oxide gold targets are the extensions at the Nagambie Mine (MIN 5412), the historic Redcastle Goldfield and the Nagambie North project. Other targets within trucking distance of MIN 5412 that remain to be worked up include those at Rushworth, Whroo and Nagambie South. The aim is to drill out at least 100,000 to 200,000 ounces of low grade oxide gold mineralisation in the region that can be heap-leach treated on MIN 5412. Heap-leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of capital cost and operating cost per tonne.

Following the receipt of approval from the Department of Primary Industry (DPI), a program of approximately 35 aircore drill holes commenced earlier this month to test the potential oxide gold extension to the west of the West Pit on MIN 5412.

At Redcastle, a 20 costean follow-up program on the six identified gold prospects in the historic goldfield is awaiting DPI approval and should commence shortly.

At the exciting Nagambie North project, 4 km north of the Nagambie Mine, a drilling program has been designed and is awaiting DPI approval. Geophysics indicate a possible reverse fault parallel to the Nagambie Mine Thrust. Soil geochemistry indicates coincident, and parallel, gold and arsenic anomalies over an area much larger than the Nagambie Mine.

I would like to thank my fellow directors and all the management team for their continued effort in placing the Company on such a firm footing. The executive director and CEO/Exploration Manager, Colin Glazebrook, has focussed on the numerous activities required to position Nagambie Mining as a principal supplier of rock fill for the Nagambie Bypass. Geoff Turner, as Director Exploration, has provided great assistance to Colin in advancing the Company's various exploration programs.

2010 could be a very exciting year for Nagambie Mining. The gold price is setting record highs in US$ terms as the world grapples with the commercial realities post the 2008 GFC.

Mike Trumbull
Chairman
22 October 2009

Chief Executive Officer's Review

Over the 2009 financial year, the Company has made significant progress with its unique strategy to finance its gold exploration and development aims from the sale of rock and other materials from stockpiles at the Nagambie Mine. The immediate emphasis is on sales of rock for the construction of the Nagambie Bypass. This project is due to commence late in calendar 2009 commencing with the 4 km Stage 1 work. The 13.5 km Stage 2 will commence early in calendar 2010. Nagambie Mining has been approached by all the nominated VicRoads contractors to provide details of the Company's material. The Company has also commenced investigations into other projects that could use the mine material.

Nagambie Mining has continued to focus, rationalise and amalgamate its gold tenement holdings by identifying those which have the most potential for early development. The Company has been very encouraged by the results to date from its exploration programs and the 2010 financial year will see the Company moving into an important drilling and testing phase as it looks to evaluate these areas for economic oxide gold mineralisation in light of the continuing encouraging gold price.

Corporate

Nagambie Mining has continued to reduce its overheads and will by the end of calendar 2009 move the field based operations from Heathcote to the Nagambie Mine (MIN 5412).

The Company, mindful of the need to fully develop its assets in a logical and timely fashion, approached its shareholders during the year to raise further necessary funds.

On 10 November 2008, a Rights Issue of 1 for 3 at 3.0 cents per share closed, receiving total subscriptions of $401,000, a 42.2% take up by shareholders and directors. This was a very pleasing takeup, coming so soon as it did after the meltdown of the 2008 GFC. The Rights Issue shortfall of 18,305,456 shares was fully placed during the first quarter of calendar 2009, raising a further $549,000. An oversubscription to the placement of 3,333,333 shares was also placed at 3.0 cents per share, raising an additional $100,000.

On 7 August 2009, a shareholder share purchase plan closed, receiving total subscriptions of $471,000 from the takeup of 14,718,750 shares at 3.2 cents per share. At the same time, 6,650,000 fully paid ordinary shares at 3.2 cents per share were placed, raising an additional $212,800.

Overview

- Nagambie Mining responded to a VicRoads advertisement by submitting an "Expression of Interest" to provide 2,000,000 cubic metres of fill material from the Nagambie Mine for the construction of the $270 million Nagambie Bypass. A comprehensive, independent testwork program on the mine stockpiles by Coffey Information indicate the suitability of the rock for road construction.

- The Company was requested to provide quotes for provision of material to all contractors tendering for the Bypass work and during the year received approvals from all the appropriate authorities to supply material from the mine. Small local sales of material has already commenced and the Company is planning a marketing program.

- Analysis of the structural and assay data generated from the initial Redcastle costeaning program has identified primary targets for a follow up 20 costean program at Mullocky, Native Gully, Redcastle Fault Zone North, Pioneer, Mitchell's and Why Not. Based on the further definition of controls on the gold mineralisation from this follow-up program, a reverse circulation (RC) drilling program to test mineralisation to at least 50 metres depth will be designed.

- A comprehensive soil sampling program at the Nagambie North Project targeted a gold mineralised reverse fault system 4 km to the north of, and parallel to, the Nagambie Mine Thrust. The program outlined a series of coincident arsenic and gold anomalies over an extensive area and the Company intends to carry out an aircore drilling program to determine the basement geochemistry.

- An initial program of 12 costeans to test Silurian-Devonian sediments for disseminated and narrow vein gold mineralisation and to enhance the understanding of geological controls on mineralisation will be carried out on two prospects within the Rushworth Project area.

- Air core drilling is in progress and will be followed by RC drilling in MIN 5412 to test for a western extension of the Nagambie deposit and other potential oxide gold targets indicated by recent evaluation work.

Exploration and Development

The Company has continued with its exploration strategy to identify designated Exploration Group Areas and Development Group Areas based on geological (structural and lithological) signatures. Over the past year the Company has narrowed its focus to three historic goldfields that have not been subject to intense exploration, have realised historic high recovered gold grades and appear amenable to the discovery of heap-leachable oxide gold prospects.

As a result, the Company currently holds a 100% interest in 7 Exploration Licences and 1 Mining Licence in central and eastern Victoria, totalling over 250 km^2. All licences are actively being explored for gold and associated minerals.

The 7 licence areas are shown in Table 1 with the cental Victorian licence areas shown in Figure 1 below:

- **Exploration Targets:**

  Four Exploration Group Areas based on structure, lithology and mineralisation within the two main Victorian Gold Producing Zones. Investigation throughout the year has refined the initial prospect inventory to the present 24 prospects.

- **Development Targets:**

  With the consolidation of the Howqua tenements, the Company now has one Development Group Area consisting of the MIN 5412 mining licence. Further evaluation is required before any resources can be estimated.

Table 1 Group Area, Projects and Licences

Group Area	Project Name	Licence	Interest %	Holder
EXPLORATION GROUP AREAS				
Nagambie	Nagambie North	EL 4887	100	Nagambie
	Nagambie South	EL 4718	100	Sierra
	Nagambie	EL 5023	100	Sierra
	Rushworth	EL 4723	100	Sierra
Redcastle - Heathcote	Redcastle	EL 3316	100	Nagambie
Taradale	Taradale	EL 4527	100	Nagambie
Howqua	Howqua	EL 5189	100	Nagambie
DEVELOPMENT GROUP AREAS				
Nagambie	Nagambie	MIN 5412	100	Nagambie

Nagambie	-	owned by Nagambie Mining Limited.
Sierra	-	owned by Sierra Minerals Pty Limited, a wholly owned subsidiary of Nagambie.

Exploration Group Areas

The Company's main exploration group areas are concentrated in the Central Victorian Goldfields within the Melbourne Structural Zone.

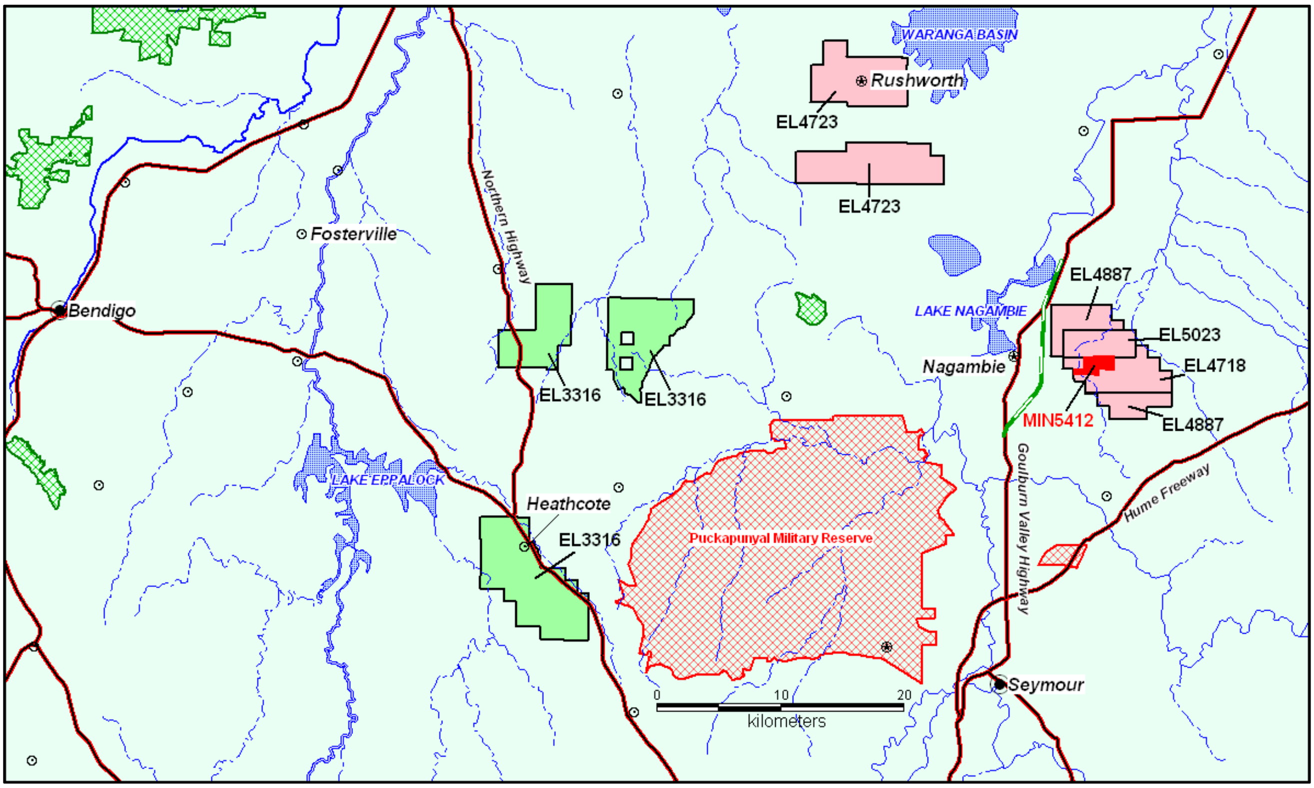


Figure 1 Project Location Map – Central Victorian Projects

The emphasis has continued to be on prospective areas within "secondary goldfields" that in the past have been mainly overlooked by other explorers and again our investigations during the year have sharpened our view of the potential of these goldfields covered by our current main Exploration Group Areas shown in Table 2.

Table 2 Main Exploration Group Areas and Historic Goldfields

Exploration Group Area	Historic Goldfield	Historic Reef Production (tonnes)	Reported Grade* (g/t gold)	Project	Prospects
Redcastle - Heathcote	Redcastle	11,489	29.8	Redcastle	6
	Toolleen	7,751	12.0	Heathcote North	**3**
	Heathcote	11,497,267	1.9	Heathcote South	1
Nagambie	Rushworth	73,664	20.0	Rushworth North	2
	Fontainbleau	4,354	17.8	Rushworth South	2
Taradale	Taradale	139,475	19.3	Taradale	3

*Note: * Historical Reef Production and reported grade taken from Department of Primary Industry records*

1. REDCASTLE – HEATHCOTE GROUP

Epizonal mineralisation is associated with quartz reefs in steeply west dipping faults often associated with anticlines and shear fissures.

Shown on Figure 1 as green areas totalling 113 km^2

Identified Projects 3 Identified Prospects: 10

1.1 REDCASTLE PROJECT EL 3316 (Nagambie 100%)

The Redcastle Project with an area of 33 km^2 in the north-eastern part of EL 3316 covers the old Redcastle Goldfield. Here, gold mineralisation is controlled by a series of parallel, fault-disrupted anticlinal structures. Oxidation of sulphides occurs to around 70 metres and the gold mineralisation is hosted by both north-south and east-west fractures.

This makes it an attractive area for shallow open pit exploitation.

Exploration is focused on investigating the potential for economic resources of gold and historical workings have been surveyed and five structural zones of gold mineralisation identified. In August 2008 a program of costeaning was conducted over the old workings to further investigate the geological controls on gold mineralisation and to establish the continuity of mineralisation and the strike extent of the five structural zones

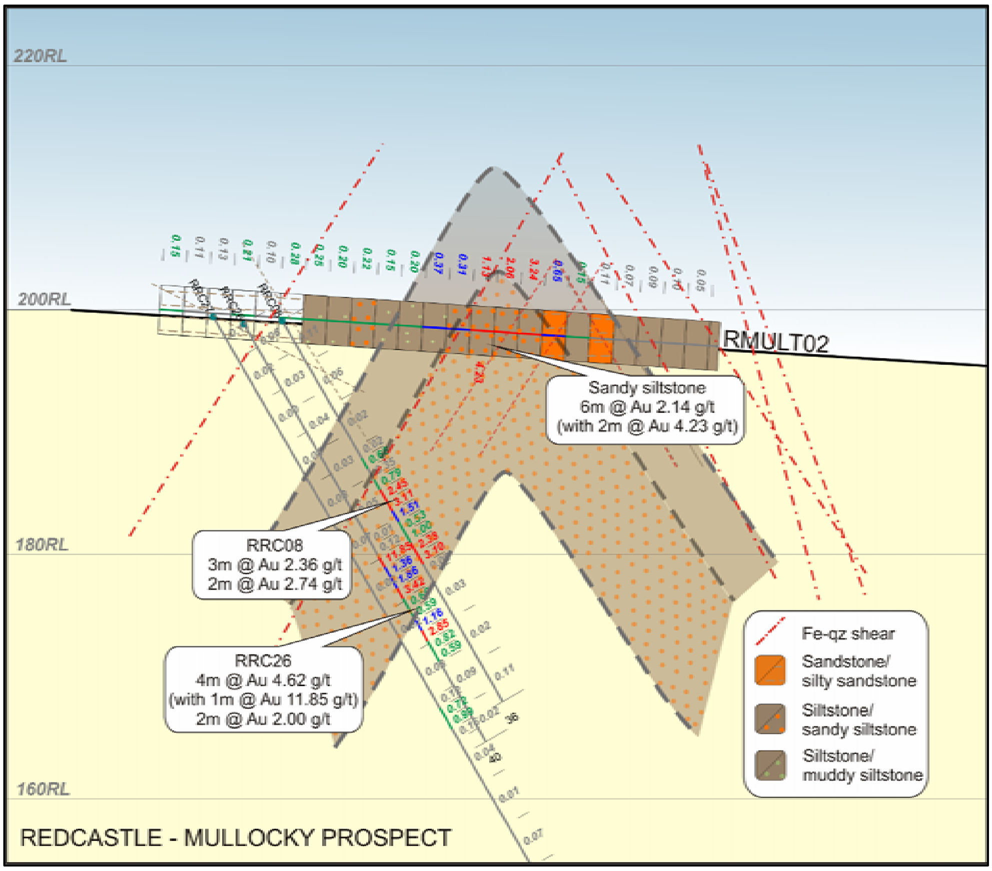
Initial indications from this work have confirmed prospect and reef continuity and further modelling and interpretation has resulted in defining six prospects.

1. **Mullocky - Beautiful Venice Trend**
2. **Native Gully - South Empress Trend**
3. **RFZ (north) - Mountain Maid Trend**
4. **Pioneer**
5. **Mitchell's**
6. **Why Not – Welcome Trend**

An example of the mineralisation style is readily seen in the **Mullocky - Beautiful Venice Trend**

A group of 4 costeans revealed an anticlinal fold plunging at 6º to the south-east. Gold mineralisation was located at the exposed fold closure in a sandy unit in RMULT02, and intersected in nearby drilling in holes RRC08, RRC24 & RRC26, on the west dipping limb of the fold. RMULT05 some 600 metres to the south-east intersected gold mineralisation, probably in a similar structural setting, i.e. a repeat, shallow dipping mineralised shoot controlled by the anticline.

Target: Gold associated with stockwork quartz where oblique faults intersect thicker sandy units close to an anticlinal fold. As the folds plunge at a shallow angle to the south-east, multiple shoots can be expected, confined to repeating (or stacked) sandstone beds. Target dimensions exceed 600 metres in length with average width of 10 metres for each shoot.



Prospect	Costean	Hole	From	To	Width	g/t gold
Mullocky	RMULT01		14	26	12	0.20
Mullocky	RMULT02		14	40	26	0.71
Mullocky	RMULT03		20	28	8	0.23
Mullocky	RMULT05		16	32	16	0.58
Mullocky		RRC08	15	23	8	1.9
Mullocky		RRC09	13	15	2	0.8
Mullocky		RRC24	27	31	4	2.0
Mullocky		RRC26	22	31	9	2.7

These six prospect areas are to be further tested by a 20 costean program, as shown in Figure 2, before an RC drilling program can be designed to test the vertical extent of gold mineralisation.

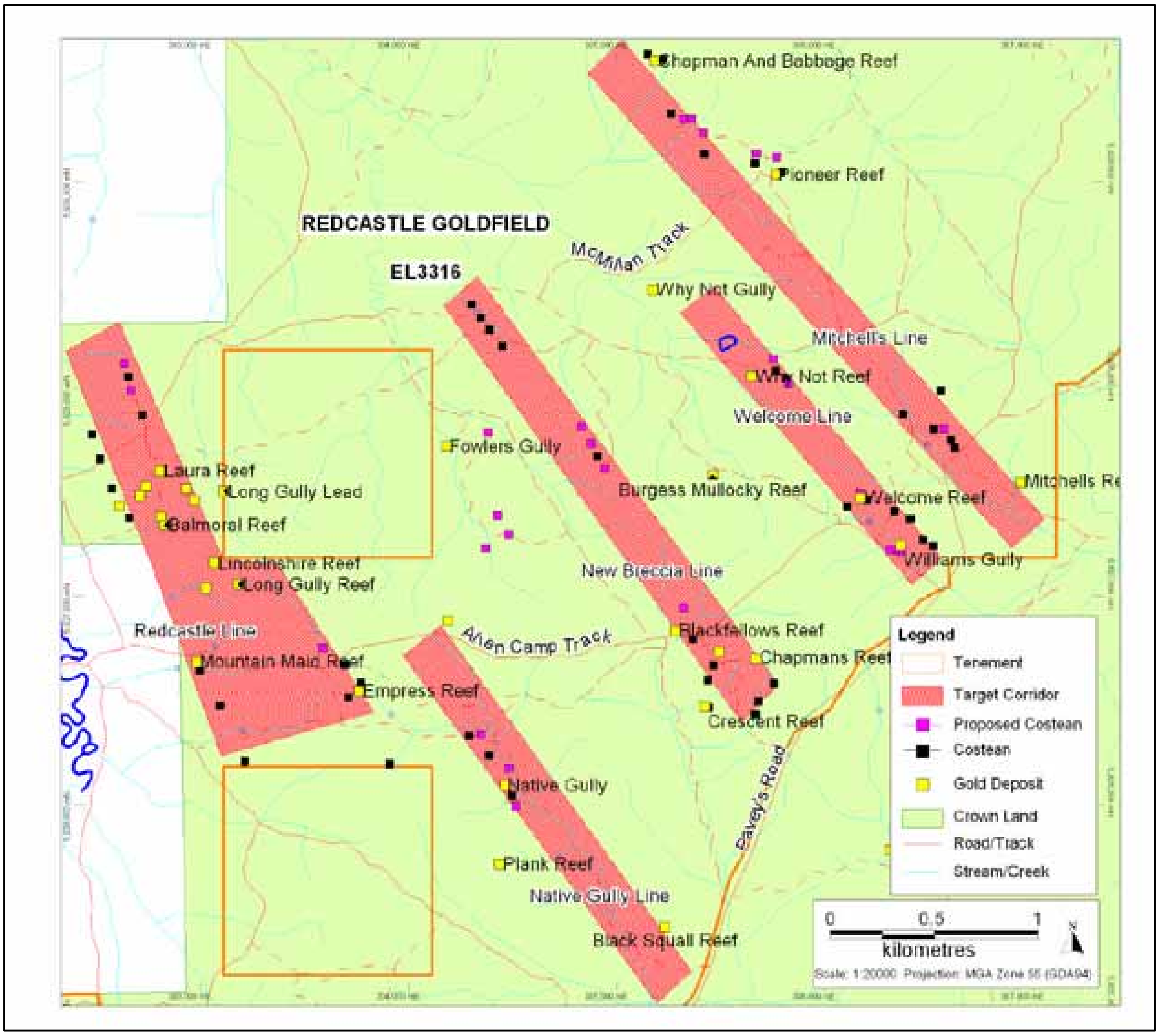


Figure 2   Redcastle Project Location Map – 2009 Costean Program

1.2 HEATHCOTE SOUTH PROJECT EL 3316 (Nagambie 100%)

This project of 53 km^2 in the southern part of EL3316 covers the historic Heathcote Goldfield. Historically, most of the reefs were only worked to the water table due to the difficulties in controlling groundwater. In addition, gold occurrence was irregular within the reefs and miners would abandon operations, some of which were later reopened when prospectors drove through barren quartz to discover new rich zones.

Twenty four prospects in seven reef trends were initially identified and thirteen of these were tested by a 33 costean program completed early in 2009. Geological interpretation and assessment of assay data have led to only one prospect for follow up work. The potential of the southern part of the area which is in a flora reserve is currently being evaluated.

1.3 HEATHCOTE NORTH PROJECT EL 3316 (Nagambie 100%)

This project consists of 27 km^2 in the north-western part of EL 3316 with three prospects identified. The area's prospectivity is currently being re-evaluated as the mineralisation is not conducive to discovery of the open pittable oxide gold deposits the Company is concentrating on.

2. NAGAMBIE GROUP

Disseminated epizonal mineralisation occurs in quartz stockworks giving the potential for discovery of shallow, low grade oxide gold 'Nagambie Style' mineralisation.

Nagambie	**EL 5023**
Nagambie North (previously Avenel)	**EL 4887**
Nagambie South	**EL 4718**
Rushworth	**EL 4723**

Shown on Figure 1 as pink areas totalling 125 km^2

Identified Projects 3 Identified Prospects: 7

2.1 NAGAMBIE NORTH PROJECT ELs 5023 & 4887 (Nagambie 100%)

This project, with an area of 34 km^2, is covered by EL5023 and the northern portion of EL4887 and lies approximately 4 kilometres north of the Nagambie Mine (MIN5412). 3 prospects have been identified so far.

Infill geochemical (A Horizon soil sampling) work on a 400m x 100m grid has defined the shape of the surface geochemical gold and arsenic anomaly located in 2007 (Figure 3). The anomaly is interpreted as reflecting mineralisation related to a buried reverse fault.

A review of the regional geological structures and existing soil geochemistry data has lead to the development of 5 discrete arsenic in soil anomalies and 4 discrete gold in soil anomalies between Racecourse Road and Kirwans Bridge Road (see Figure 3). The soil anomalies are roughly coincident, and have elevated antimony association. The anomalies are parallel to regional structures, notably the east-west striking folds and reverse faults at the Nagambie Mine. Aeromagnetic and gravity interpretation have indicated a possible reverse fault (the Racecourse Thrust) extending across the Nagambie North Project area and parallel to the Nagambie Mine Thrust.

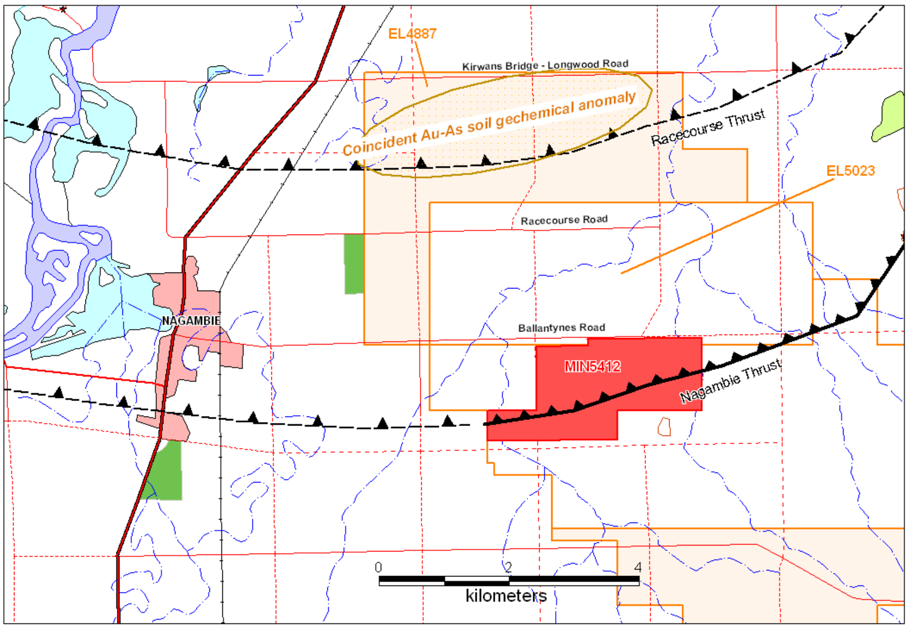


Figure 3 Nagambie North Project Geochemical Anomaly Area

The Nagambie North Project proximity and parallels to the Nagambie Mine are very encouraging, and the Company intends to carry out an aircore drilling program (Figure 4) in late 2009 to determine the basement geochemistry. The aircore drilling program will consist of up to 77 drill holes over the two exploration licences.

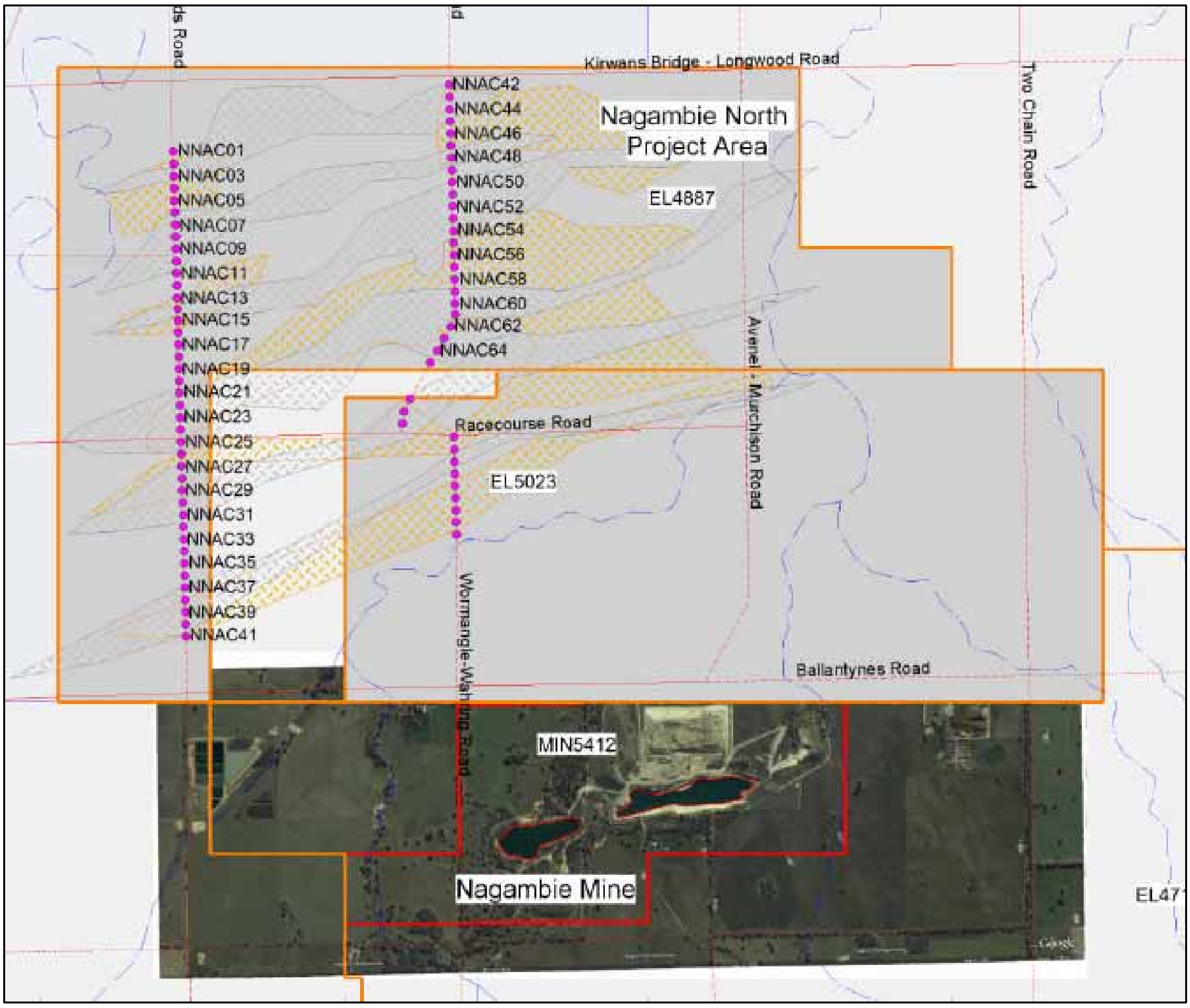


Figure 4 Nagambie North Project Proposed Aircore Drilling Program

2.2 NAGAMBIE SOUTH PROJECT EL 4718 (Nagambie 100%)

Previous geochemical work and drilling within EL 4718, situated south of the Nagambie Mine, has been re-evaluated. An A Horizon soil sampling program will be carried out this year to confirm anomalous gold and arsenic geochemistry given the success of the Nagambie North work.

2.3 RUSHWORTH PROJECT EL 4723 (Nagambie 100%)

This Project of 68 km^2 currently exists in two parts, Rushworth North and Rushworth South (Whroo). Evaluation work during the year has reduced the initial 17 identified prospects to four prospects. A program of 12 costeans to test Silurian-Devonian sediments for disseminated and narrow vein gold mineralisation and to enhance the understanding of geological controls on mineralisation will be carried out at two of the projects, Frenchman's and White Hills (Figure 5).

The Rushworth Project area covered by Exploration Licence 4723 encompasses the historic Rushworth and Whroo Goldfields where total past production is estimated to have been 404,000 oz of gold with a field average of 12 g/t of gold. These recorded figures are considered to greatly underestimate the total amount of gold won from the field. The gold within the sandstone beds most probably is derived from fine gold within arsenopyrite, stibnite and pyrite that has been released due to oxide weathering above the water table.

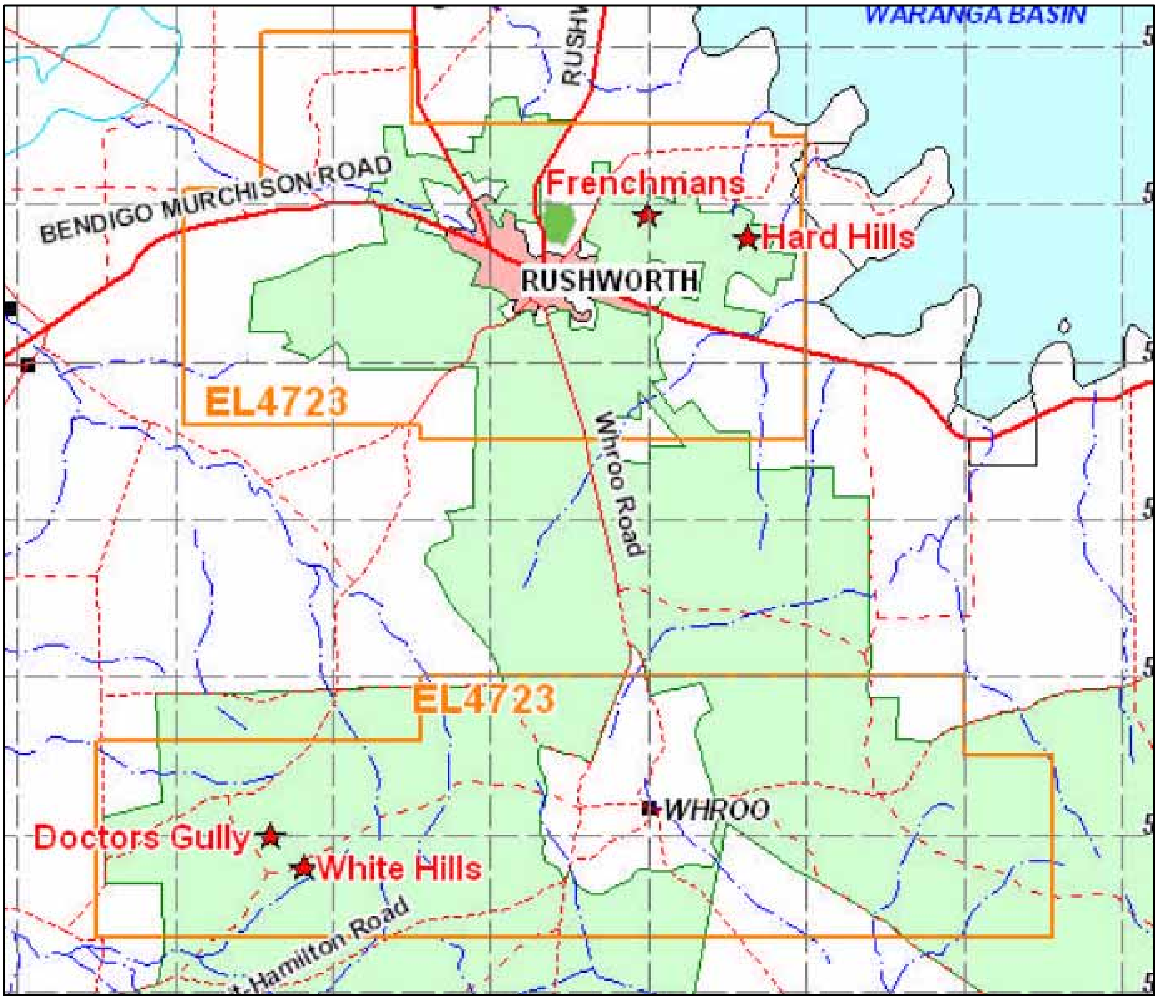


Figure 5 Rushworth Project Prospect Areas

3. TARADALE GROUP

Mineralisation is Mesozonal and is closely related to the development of fault reefs and saddle structures.

Located in the Central Victorian Goldfield with an area of 7 km^2

Taradale EL 4527

Identified Projects 1 Identified Prospects: 3

Three licences were consolidated into one during the year. The area's prospectivity is currently being re-evaluated as the mineralisation is not conducive to discovery of the shallow oxide gold deposits on which the Company is currently concentrating.

4. HOWQUA

Mineralisation appears to be related to the concentration and remobilisation of base metals and gold within the intensely fractured imbricate-thrusted Mt Wellington Greenstone Belt. Located to the east of the Central Victorian region, the Project covers an area of 5 km^2

Howqua EL 5189

Identified Projects 1 Identified Prospects: 3

4.1 HOWQUA EL 5189 (Nagambie 100%)

EL 5189 was granted during the year. As this licence surrounds MIN 5420, the mining licence has been surrendered and an application made to the Department of Primary Industries for approval to incorporate the surrendered area into the exploration licence.

The licence is situated along the eastern edge of a 50km wide imbricate thrust belt and suture zone. Investigation will continue as interpretation of the available data indicates a 700 metre long area of anomalous mineralisation. This has the potential to be several times larger than the Great Rand (Mountain Chief) historic mine (covered by the original MIN 5420).

Development Group Areas

An area is classified as a development area if potentially economic gold mineralisation has been or is in the process of being identified.

1. NAGAMBIE MIN 5412 (Nagambie 100%)

Since moving to a 100% interest in MIN 5412 and the associated freehold land in September 2008, the Company has been assessing the potential of the area for additional oxide gold mineralisation. It has also carried out investigations into the rehabilitation of the site.

A principal component of this rehabilitation plan involves the sale of the substantial quantities of crushed and uncrushed waste rock remaining on the site in four stockpiles as a result of the previous mining. Investigations into uses for road fill and other construction materials are continuing and, in the light of proposed changes to the Mineral Resources (Sustainable Development) Act (MRDA) 1990, other uses for the site are being investigated as well.

1.1 MIN 5412 OXIDE GOLD MINERALISATION

The Company believes the area covered by MIN5412 and the immediate surrounds has potential for remnant oxide gold mineralisation. Exploration success in this area will lay the foundations for development of MIN 5412 as a regional heap leach treatment centre for oxide ore from the Company's other prospective project areas at Redcastle, Rushworth and Nagambie North which are within economic trucking distance of MIN 5412.

Nagambie intends to test near-surface oxide gold targets adjacent to and along strike of the existing open pits. Approval has been granted by the DPI for a program of Aircore and RC drilling (refer Figure 6) to test for oxide gold with the aim of establishing further resources of similar size and gold tenor to that initially contained in the West Pit.

Success here and at the Company's other prospective areas for sediment hosted, disseminated gold mineralisation of the "Nagambie Style" and quartz reef gold mineralisation in the historic "secondary goldfields" the Company is concentrating on will allow the development of MIN 5412 as a regional centre for heap leaching.

Figure 6 MIN 5412 Postulated Trends and Proposed Drilling

Nagambie Mining's principal objective as stated previously is to establish significant oxide gold resources, typically averaging 1 to 2 g/t gold that could be mined and trucked to MIN 5412 for treatment along with oxide ore from MIN 5412.

Together with the oxide targets on MIN 5412, Nagambie Mining is targeting total heap-leachable gold mineralisation of at least 100,000 to 200,000 ounces contained gold.

1.2 MIN 5412 REHABILITATION AND SITE UTILISATION

The Company's updated rehabilitation plan was approved by the DPI in July 2009 and work has commenced accordingly. As part of the overall rehabilitation of the site during and after the current exploration and anticipated mining activities, the Company will be investigating use of the stockpiles and other attributes of the site to realise its full potential.

Figure 7 MIN 5412 Revegetation work on North Stockpile

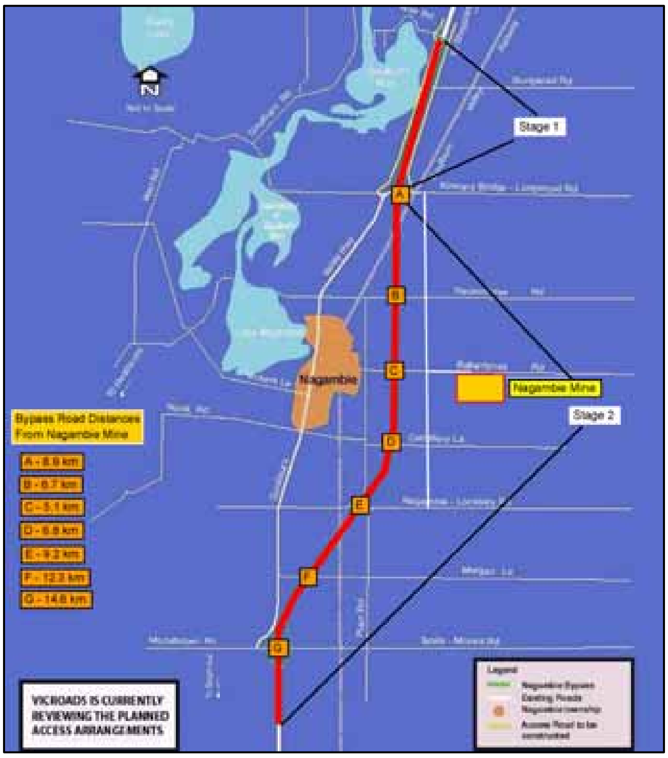
The Company's rehabilitation plan was approved by the DPI in July 2009 and work has commenced in accordance with the plan.

This work includes the utilization of the existing overburden and waste dump stockpiles which contain a total of over 11 million tones of crushed and uncrushed rock.

Site restructure and revegetation (Figure 7) is included in the Rehabilitation Plan.

Work to date has been carried out on fencing, road upgrades and erosion control.

The Nagambie Bypass



Construction will commence in late 2009 on the $270 million Bypass due for completion in late 2012.

The project will be constructed in two sections:

Northern duplication - a 3.5 km duplication of the existing highway north of Nagambie

Main bypass - a new 13.5 km freeway-standard deviation to the east of the town.

The Company lodged an "Expression of Interest" in response to a VicRoads advertisement in January 2009 to provide 2,000,000 cubic metres of fill material and 500ML of non-potable water for the Nagambie Bypass project.

Seven contractors tendered for the Stage 1 work which closed in July 2009 and four for Stage 2 which closed in October 2009. The Company was approached by all of these contractors and was able to submit competitive quotes for supply of rock and water as the appropriate licences for both had been issued to the Company during the year by the appropriate authorities (DPI, EPA and GMW) to enable supply. At this time no award has been made for Stage 1 but it is expected shortly. Stage 2 is expected be awarded by VicRoads early in calendar 2010.

The recognised and accredited company, Coffey Information has prepared for the Company a report on the stockpile material available for use in road construction. The report concluded:

> *"The materials tested from the Nagambie Mining Stockpiles can be marketed as is, as Type A or Type B fill according to the tests conducted by Coffey Information."*
>
> *"With minor modifications the materials can be improved to comply with the specifications for Class 3 and Class 4 crushed rock. With proper screening and/or washing this can be achieved quite easily."*

The two rock stockpiles are shown below along with an example of washed material sourced from them. In addition to use on the Bypass the material have many other construction uses and sales to local users has commenced. A marketing program is been planned at present.

Heap leach
(tailings dump)

East Dump
(overburden dump)

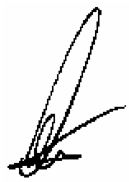
In December 2008 the Company received EPA approval for the supply of tailings, sand or waste rock from the heap leach as a notifiable chemical to be managed in accordance with EPA Publication 545a - *Control of Arsenic Mine Tailings, Sand and Rock,* which provides for use of this material in road construction activities including concrete mix.

EPA has declared that the overburden is not considered to be mine tailings, sand or rock and is thus not a notifiable chemical product and can be used as a non-regulated waste product.

nagambie mining

Portfolio Improvement

Nagambie will continue to rationalise its licences and also review other areas and opportunities in order to improve the quality of its portfolio of gold properties over time.



Colin Glazebrook

Chief Executive Officer

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Colin Glazebrook, who is a Fellow of the Australian Institute of Mining and Metallurgy.

Mr Glazebrook is a Director of Nagambie Mining Limited and consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

Mr Glazebrook has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’

Directors' report

The directors of Nagambie Mining Limited submit herewith the annual financial report of the Comp
ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Name	Particulars
MICHAEL W TRUMBULL *Non-Executive Director* *Appointed 28 July 2005* *Chairman* *Appointed 20 December 2007*	Michael W Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 35 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and Beaconsfield Gold. From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1993 to 2004, he was an Executive Director for Beaconsfield Gold and was involved in the exploration and subsequent mine development at Beaconsfield. Michael is Chairman of the Audit and Compliance Committee *Other current Directorships of Listed Companies* Beaconsfield Gold NL – appointed 16 March 1993 Allstate Explorations NL - appointed 23 August 2007 *Former Directorships of Listed Companies in last three years* None
COLIN GLAZEBROOK *Executive Director* *Chief Executive Officer* *Appointed 20 December 2007*	Colin Glazebrook is a geologist with a B.Sc. (Geology Hons, Geophysics) and a Fellow and Chartered Professional (Management) of the AusIMM. He has over 46 years experience in the resources industry including 31 years involvement in gold and base metal exploration in all States and Territories in Australia and internationally in New Zealand, the South Pacific, Indonesia and the former Soviet Union. In Victoria, he has directed exploration and mining activities at various gold properties including the Wattle Gully Gold Mine at Castlemaine, the Poverty Reef at Tarnagulla, the A1 Mine at Woods Point, Glen Wills and Cassilis. *Other Current Directorships of Listed Companies* None. *Former Directorships of Listed Companies in last three years* None.
GEOFF TURNER *Non-Executive Director* *Appointed 20 December 2007*	Geoff Turner, a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology), is a Registered Professional Geoscientist with the Australian Institute of Geoscientists (AIG). He has over 30 years experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry. Geoff is a member of the Audit and Compliance Committee. *Other Current Directorships of Listed Companies* Resource Base Ltd - appointed 11 November 2007, resigned 6 January 2009. *Former Directorships of Listed Companies in last three years* None.

Company Secretary

ALFONSO M G GRILLO BA LLB

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

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

Chief Financial Officer

JOE FEKETE FCPA FCIS

Joe Fekete holds a Bachelor of Business in Accounting and is a fellow of CPA Australia. Joe has over 20 years of experience in various industries including Mining, Wholesale & Retail distribution, Travel, Construction and Advertising. Joe is experienced at public disclosure requirements including statutory reporting and in the delivery of quality management information within the organisation.

Principal activities

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

Review of operations

As at 30 June 2009, the Company held 12 Exploration and Mining Licences in Victoria, a decrease of four licences during the year from both surrenders and amalgamations to reduce the area under exploration from 371 km^2 to 355 km^2. All licences are undergoing exploration for gold and associated minerals.

Name	Licence	Equity (%)	Area (km^2)
Avenel	EL4887	100	23
Howqua MIN	MIN5420	100	0.05
Howqua	ELA5189	100	5
Nagambie	EL5023	100	11
Nagambie MIN	MIN5412	100	4
Nagambie South	EL4718	100	23
Nagambie North	EL 5027*	100	85
Redcastle	EL3316	100	113
Graytown	EL 5020*	100	6
Mitchelltown	EL 5049*	100	10
Rushworth	EL4723	100	68
Taradale Central	EL4527	100	7
Total Area			355.05

(*) Exploration Licences surrendered in July 2009.

Changes in state of affairs

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

Use of funds

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

Subsequent events

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

(a) 2009 Share Purchase Plan (SPP)
On 7 August 2009, the Company announced that it had issued 14,718,750 fully paid ordinary shares under the SPP at 3.2 cents per share, raising a total of $471,000.

(b) Placement to Sophisticated and Professional Investors
6,650,000 fully paid ordinary shares at 3.2 cents each were also placed by the Company at the time of the SPP, raising a further $212,800

A total of $683,800 was raised through this placement and the SPP.

(c) Licence Grants
EL 5189 was granted to the Company on 31 July 2009.

(d) Exploration Licences – Surrendered
ELs 5049, 5027 and 5020 were surrendered during July 2009 reducing the total area held by the Company to 254 km^2

Future developments

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

Environmental regulations

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

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

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment.

Share options

Share options granted to directors and consultants

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

Michael Trumbull	1,000,000
Geoff Turner	1,000,000
Colin Glazebrook	2,000,000
Joe Fekete	250,000
Alfonso Grillo	250,000

Shares under option or issued on exercise of options

There were no options exercised during the year.

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, the Chief Financial Officer and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

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

During the financial year, 6 board meetings and 3 audit committee meetings were held.

	Board of directors		Audit committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Michael W Trumbull	6	6	3	3
Colin Glazebrook	6	6	-	-
Geoff Turner	6	6	3	3

Directors' shareholdings

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

Directors	Fully paid ordinary shares Number	Share options Number
Michael W Trumbull	10,557,039	1,000,000
Colin Glazebrook	779,167	2,000,000
Geoff Turner	602,084	1,000,000

REMUNERATION REPORT (Audited)

Remuneration policy for directors and executives

Details of key management personnel

The directors of Nagambie Mining Limited during the year were:

Colin Glazebrook	Executive Director / CEO
Geoff Turner	Non-Executive Director
Michael W Trumbull	Non-Executive Director
Joe Fekete	Chief Financial Officer
Alfonso Grillo	Company Secretary

Remuneration Policy

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

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the Company to Non-Executive Directors for their services as directors is $250,000. For the year ending 30 June 2009, The Board resolved that the chairman's remuneration be set at $78,750 (2008: $75,000) and that Non-Executive Director's remuneration be set at $42,000 (2008: $40,000) per annum with additional amounts payable where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director.

There is no direct relationship between the Company's Remuneration Policy and the Company's performance. That is, no portion of the remuneration of Directors, Secretary or Senior Managers is 'at risk'. However, in determining the remuneration to be paid in each subsequent financial year, the Board will have regard to the Company's performance. Therefore, the relationship between the Remuneration Policy and the Company's performance is indirect.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009: please note that Nagambie Mining Limited listed on 21 June 2006.

	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000	30 June 2006 $'000	30 June 2005 $'000
Revenue	85	223	190	36	4
Net profit before tax	(2,352)	(3,256)	(1,427)	(579)	(176)
Net profit after tax	(2,352)	(3,256)	(1,427)	(579)	(176)

	30 June 2009	30 June 2008	30 June 2007	30 June 2006[1]	30 June 2005[1]
Share price at start of year	$0.03	$0.09	$0.12	$0.00	N/A
Share price at end of year	$0.03	$0.03	$0.09	$0.12	N/A
Interim dividend	NIL	NIL	NIL	NIL	NIL
Final dividend	NIL	NIL	NIL	NIL	NIL
Basic earnings per share (cents)	(2.10)	(3.47)	(2.00)	(0.92)	(1.11)
Diluted earnings per share (cents)	(2.10)	(3.47)	(2.00)	(0.92)	(1.11)

[1] Nagambie Mining Limited was incorporated on 29 October 2004 and listed on the Australian Securities Exchange on 23 June 2006.

Director and executive remuneration

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

Year ended 30 June 2009		**Short Term Benefits**	**Post Employment Benefits**	**Share Based Payment**	**Other Long Term Benefits**	**Termin-ation Benefits**	**Total**
		Salary and fees	Super-annuation	Options			
		$	$	$	$	**$**	**$**
Directors							
Michael W Trumbull		79,020	5,970	4,086	-	-	89,076
Colin Glazebrook (*)		200,369	18,033	8,174	-	-	226,576
Geoff Turner	(1)	75,689	3,765	4,086	-	-	83,540
		355,078	27,768	16,346	-	-	399,192
Chief Financial Officer							
Joe Fekete	(2)	52,173	-	1,021	-	-	53,194
Company Secretary							
Alfonso Grillo	(3)	-	-	1,022	-	-	1,022
		52,173	-	2,043	-	-	54,216

Year ended 30 June 2008		**Short Term Benefits**	**Post Employment Benefits**	**Share Based Payment**	**Other Long Term Benefits**	**Termin-ation Benefits**	**Total**
		Salary and fees	Super-annuation	Options			
		$	$	$	$	**$**	**$**
Directors							
Michael W Trumbull		57,500	4,875	-	-	-	62,375
Colin Glazebrook (*)	(4)	101,252	2,752	-	-	-	104,004
Geoff Turner	(1)	22,461	1,908	-	-	-	24,369
John W Cornelius	(5)	52,530	1,998	-	-	-	54,528
Ian D Buckingham (**)		122,769	7,000	-	-	-	129,769
Andrew R Ristrom		20,000	1,800	-	-	-	21,800
Peter I Rudd	(6)	27,500	2,475	-	-	-	29,975
		404,012	22,808	-	-	-	426,820
Chief Financial Officer							
Joe Fekete	(2)	34,411	-	-	-	-	34,411
Exploration Manager							
John W Cottle (***)	(7)	97,090	-	-	-	-	97,090
		131,501	-	-	-	-	131,501

(*) Colin Glazebrook is employed under a contract which has a three year duration ending on 18 April 2011. The terms of the contract provide that either party may terminate the contract on the giving of 6 months prior notice of termination. His employment contract ceased as at 30 June 2009. Colin Glazebrook has maintained his position as CEO but has reverted back to a contractor rather than an employee from 1 July 2009.

(**) Ian D Buckingham was employed under a contract which had a two year duration ending on 30 June 2008. The terms of the contract provided that either party could terminate the contract on the giving of 6 months prior notice of termination. Ian D Buckingham resigned on 5 September 2007. He continued to be paid at the then current rate of remuneration during a three month transition period.

(***) Dr. Cottle was employed under a contract during 2008 which had a two year duration commencing 1 February 2007. The terms of the contract provided that either party could terminate the contract on the giving of 1 months prior notice of termination. Dr Cottle resigned on 20 December 2007.

Apart from the three contracts disclosed above there were no other contracts with management or directors in place during the 2009 and the 2008 financial years.

(1) During the 2009 financial year, fees were paid to Exploration Management Services P/L a company owned by Geoff Turner. The fees charged $58,932 (2008: $1,256) were for professional geological consultancy services. An amount of $33,856 was directly provided by Geoff Turner beyond his scope and role as a director of the company.
(2) Fees were paid to Fekete Management Services Pty Ltd for the ongoing provision of services of Joe Fekete as Chief Financial Officer.
(3) Share Options were issued to Alfonso Grillo, a Partner of TressCox Lawyers for the provision of services as Company Secretary.
(4) Fees were paid to Glazco Consulting Pty Ltd for the provision of services of Colin Glazebrook as Exploration Manager during the period 20 December 2007 to 17 April 2008, prior to his employment contract being finalised on 18 April 2008.
(5) During the 2008 financial year, John W Cornelius charged $27,530 for additional consultancy services provided. These fees were paid to IMI Consulting Pty Ltd, a company controlled by John W Cornelius.
(6) During the 2008 financial year, Peter Rudd was paid $6,000 for the provision of services. These fees were paid to Balmerino Pty Ltd, a company controlled by Peter I Rudd.
(7) During the 2008 financial year, fees were paid to Cotlco Pty Ltd for the provision of services of John W Cottle as Exploration Manager

Elements of compensation of Directors and 5 Named Highest Paid Company Executives Consisting of Securities

The Directors, CEO, Company Secretary and Chief Financial Officer's compensation may include the issuance of securities. These are at the discretion of the board. Securities in the form of options were issued in the 2008/9 year.

Executive Options

The consolidated entity has an ownership-based remuneration scheme for staff and executives (including executive and non-executive directors) of the Company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, staff and executives of the Company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the Board of Directors. Each share option converts into one ordinary share of Nagambie Mining Limited on exercise by the payment of 10 cents. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the Board of Directors of the Company. The options granted expire five years after their issue, or one month after the resignation of the staff member or executive, whichever is the earlier. There are 4,550,000 share options on issue under this plan, of which 4,500,000 are executive share options.

Options held at the end of the reporting period

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
4,000,000	02/12/2008	02/12/2010	02/12/2013	$0.10
550,000	04/09/2008	04/09/2010	04/09/2013	$0.10

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and senior management relate to the 2009 financial year:

		During the financial year				% of compensation
Name	**Option series**	**No. granted**	**No. vested**	**% of grant vested**	**% of grant forfeited**	**for the year consisting of options**
M.Trumbull	(1) issued 02 Dec 2008	1,000,000	Nil	0%	0%	5%
G.Turner	(1) issued 02 Dec 2008	1,000,000	Nil	0%	0%	5%
C.Glazebrook	(1) issued 02 Dec 2008	2,000,000	Nil	0%	0%	4%
J.Fekete	(2) issued 04 Sept 2008	250,000	Nil	0%	0%	2%
A.Grillo	(2) issued 04 Sept 2008	250,000	Nil	0%	0%	100%

The following table summarises the value of options granted, exercised or lapsed during the 2009 financial year to directors and senior management:

	Value of options granted at the grant date (i)	Value of options exercised at the exercise date	Value of options lapsed at the date of lapse (ii)
	$	$	$
M.Trumbull	8,961	Nil	Nil
G.Turner	8,961	Nil	Nil
C.Glazebrook	17,924	Nil	Nil
J.Fekete	2,240	Nil	Nil
A.Grillo	2,240	Nil	Nil

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied.

The following options were not exercised and expired during the reporting period:

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
1,500,000	20/05/2005	20/05/2005	30/06/2009	$0.50

As released to the Australian Securities Exchange on 17 June 2009, Nagambie Mining Limited proposes to issue additional options to the directors of the Company, subject to approval by shareholders at the2009 Annual General Meeting, at an exercise price of $0.10 per share. The details of the proposed issue of options will be set out in the Notice of Meeting for the 2009 Annual General Meeting.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 27 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

Proceedings on behalf of the Company

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

Auditor's independence declaration

The auditor's independence declaration is included on page 22 of the annual report.

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

On behalf of the directors

Michael W Trumbull	Colin Glazebrook
Chairman	Executive Director & CEO
Melbourne, 28 September 2009	

CORPORATE GOVERNANCE STATEMENT

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

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

1: Lay solid foundations for management and oversight.

2: Structure the board to add value.

3: Promote ethical and responsible decision making.

4: Safeguard integrity in financial reporting.

5: Make timely and balanced disclosure.

6: Respect the rights of shareholders.

7: Recognise and manage risk.

8: Remunerate fairly and responsibly.

1. Lay Solid Foundations for Management and Oversight

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

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

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

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

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

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

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

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

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

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

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

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

2. Structure the Board to Add Value

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

At the date of this statement, the Board comprises of three Directors, one of which, Mr Geoff Turner is deemed an independent Director as defined under the Board policy on Director independence. Mr Michael Trumbull was previously deemed an independent Director of the Company. However, Mr Trumbull became a substantial shareholder in the Company on 5 September 2008.

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

Recommendation 2.2: The chair should be an independent director

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

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

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

Recommendation 2.4: The board should establish a nomination committee

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

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

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

(a) each Director will periodically evaluate the effectiveness of the Board and its committees and submit observation to the Chairman;

(b) the Chairman of the Board will make a presentation incorporating his assessment of such observations to enable the Board to assess, and if necessary, take action;

(c) the Board will agree on development and actions required to improve performance;

(d) outcomes and actions will be minuted; and

(e) the Chairman will assess during the year the progress of the actions to be achieved.

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

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

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

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

(a) The skills, experience and expertise relevant to the position of Director held by each Director as at the date of the Annual Report is detailed in the Director's Report.

(b) Mr Geoff Turner is considered by the Board to constitute an independent Director. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations, including the Principles. Mr Michael Trumbull was previously deemed an independent Director. However, he is now not deemed to be independent since becoming a substantial shareholder of the Company.

(c) Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as Directors. All Directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.

(d) The term of office held by each Director as at the date of the Annual Report is detailed in the Director's Report.

(e) Due to the small size of the Board, the Company does not have a separate nomination committee and therefore a charter or an appointment policy has not been created.

(f) The performance of the Board, individual Directors and key executives has taken place during the reporting period in accordance with the process set out in Recommendation 2.5.

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

3. Promote Ethical and Responsible Decision-making

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Safeguard Integrity in Financial Reporting

Recommendation 4.1: The board should establish an audit committee.

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

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

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

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

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

Due to the small size of the Board, the Audit and Compliance Committee currently consists of the two Non-Executive Directors of the Company; Mr Michael Trumbull as chairman of the Audit and Compliance Committee, and Mr Geoff Turner.

The Board is currently of the view that:

> (a) whilst Mr Geoff Turner is an independent director, Mr Michael Trumbull is the appropriate chairman for the Audit and Compliance Committee given his extensive mining industry experience as both an executive and director of ASX listed companies; and
>
> (b) having regard to the Company's level of operations and cash resources the current composition of the Audit and Compliance Committee is adequate.

Recommendation 4.3: The audit committee should have a formal charter

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

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

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

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

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

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

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

The qualifications of the Audit and Compliance Committee members, Mr Michael Trumbull and Mr Geoff Turner, are detailed in the Directors report;

The Audit and Compliance Committee met three times throughout the year and Mr Michael Trumbull and Mr Geoff Turner were present at all meetings;

The Charter of the Audit Committee adopted by the Company is available at the Company's website; and

The Company periodically puts to private tender the appointment of its external auditor. The Company's external audit engagement partner is rotated in consultation with the external auditor, as required by Division 5 of the Corporations Act

5. Make Timely and Balanced Disclosure

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

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

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

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

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

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

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

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

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

6. Respect the Rights of Shareholders

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

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

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

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

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

7. Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. Monthly reporting of financial performance is in place as are policies to manage credit, foreign exchange and other business risks.

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

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

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

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

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

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

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

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

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

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

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

(a) The Company has not departed from Recommendations 7.1 to 7.4.

(b) The Board has received the report from management under Recommendation 7.2.

(c) The Board has received assurance from Mr Colin Glazebrook, as the Company's Chief Executive Officer, and Mr Joe Fekete, as the Company's Chief Financial Officer, under Recommendation 7.3

8. Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee

Due to the small size of the Board and the Company's current level of operations, the Company has not established a Remuneration Committee as a subcommittee of the Board.

The Board is responsible for determining and reviewing the remuneration of the Directors, the Chief Executive Officer and the executive officers of the Company and reviewing the operation of the Company's Employee Share and Option Plans. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining executive with the skills to manage the Company's operations. In making decisions regarding the appointment of Directors, the Board as a whole periodically assesses that an appropriate mix of skills and experience is represented on the Board.

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

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

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

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

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

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

(a) there are no schemes for retirement benefits, other than statutory superannuation, in existence for the

Non-Executive Directors;

(b) due to the small size of the Board, the Company does not have a separate Remuneration Committee and therefore a charter or an appointment policy has not been created; and

(c) as at the date of this statement, the Company is of the view that it has complied with each of the Recommendations under Principle 8, except for Recommendation 8.1. An explanation for the departure from Recommendation 8.1 is set out above.

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The Board of Directors
Nagambie Mining Limited
174b High Street
HEATHCOTE VIC, 3523

28 September 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 audit of the financial statements of Nagambie Mining Limited for the financial year ended 30 June 2009, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountant

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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Independent Auditor's Report
to the Members of Nagambie Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Nagambie Mining Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 22 to 53.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Deloitte.

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Nagambie Mining Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 3 in the financial report which indicates that the consolidated entity and the company incurred a net loss of $2,351,890 and $3,011,889 respectively during the year ended 30 June 2009. This condition, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's and Company's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Nagambie Mining Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 September 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;

(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 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	Colin Glazebrook
Chairman	Executive Director & CEO

Melbourne, 28 September 2009

Income statement
for the financial year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Continuing operations					
Revenue	4	**83,616**	222,637	**80,886**	220,559
Administration expenses		**(275,683)**	(780,807)	**(272,996)**	(770,521)
Consultants fees		**(56,673)**	(137,723)	**(56,673)**	(137,723)
Depreciation and amortisation expense	4	**(50,322)**	(92,457)	**(50,322)**	(91,869)
Employee benefits expense	4	**(117,298)**	(412,584)	**(117,298)**	(412,584)
Finance costs	4	**(12,289)**	(14,325)	**(12,289)**	(14,325)
Impairment of investment in subsidiary		**-**	-	**(734,560)**	(1,275,185)
Impairment of exploration expenditure	10	**(1,825,664)**	(1,741,338)	**(1,751,060)**	(516,321)
Insurance		**(41,116)**	(84,232)	**(41,116)**	(84,232)
Legal fees		**(14,293)**	(133,352)	**(14,293)**	(128,979)
Printing stationery and supplies		**(2,967)**	(10,757)	**(2,967)**	(10,757)
Secretarial		**(37,207)**	(36,569)	**(37,207)**	(36,569)
Travel		**(1,994)**	(34,947)	**(1,994)**	(34,947)
Total expenses		**(2,435,506)**	(3,479,091)	**(3,092,775)**	(3,514,012)
Loss before tax		**(2,351,890)**	(3,256,454)	**(3,011,889)**	(3,293,453)
Income tax expense	5	**-**	-	**-**	-
Loss for the year		**(2,351,890)**	(3,256,454)	**(3,011,889)**	(3,293,453)
Attributable to:					
Equity holders of Nagambie Mining Limited		**(2,351,890)**	(3,256,454)	**(3,011,889)**	(3,293,453)
Earnings per share					
Basic (cents per share)	6	(2.10)	(3.47)		
Diluted (cents per share)	6	(2.10)	(3.47)		

Notes to the financial statements are included on pages 38 to 64.

Balance sheet
as at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current assets					
Cash and cash equivalents	15(b)	**311,191**	839,685	**310,997**	839,361
Other receivables	7	**6,997**	64,427	**6,997**	64,427
Other assets	8	**2,171**	3,667	**2,171**	2,237
Total current assets		**320,359**	907,779	**320,165**	906,025
Non-current assets					
Property, plant and equipment	9	**80,647**	129,252	**80,647**	129,252
Exploration and evaluation assets	10	**4,085,761**	5,188,287	**3,134,357**	2,927,647
Other assets	8	**497,318**	162,577	**464,140**	104,305
Other financial assets	11	**-**	-	**324,774**	2,320,663
Total non-current assets		**4,663,726**	5,480,116	**4,003,918**	5,481,867
Total assets		**4,984,085**	6,387,895	**4,324,083**	6,387,892
Current liabilities					
Trade and other payables	12	**77,483**	80,397	**77,483**	80,397
Borrowings	16	**38,465**	42,283	**38,465**	42,283
Provisions	17	**1,378**	16,002	**1,378**	16,002
Total current liabilities		**117,326**	138,682	**117,326**	138,682
Non-current liabilities					
Borrowings	16	**62,931**	101,396	**62,931**	101,396
Total non-current liabilities		**62,931**	101,396	**62,931**	101,396
Total liabilities		**180,257**	240,078	**180,257**	240,078
Net assets		**4,803,828**	6,147,817	**4,143,826**	6,147,814
Equity					
Issued capital	13	**12,557,004**	11,567,697	**12,557,004**	11,567,697
Options reserves	14	**40,774**	22,180	**40,774**	22,180
Accumulated losses		**(7,793,950)**	(5,442,060)	**(8,453,952)**	(5,442,063)
Total equity		**4,803,828**	6,147,817	**4,143,826**	6,147,814

Notes to the financial statements are included on pages 38 to 64

Statement of changes in equity
for the financial year ended 30 June 2009

Consolidated

	Issued capital $	Equity-settled employee benefits reserve $	Accumulated Losses $	Total $
Balance at 30 June 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 attributable to members of parent entity	-	-	(3,256,454)	(3,256,454)
Balance at 30 June 2008	**11,567,697**	**22,180**	**(5,442,060)**	**6,147,817**
Shares issued during the year	1,049,370	-	-	1,049,370
Recognition of share based payments	-	18,594	-	18,594
Share issue costs	(60,063)	-	-	(60,063)
Loss for the period	-	-	(2,351,890)	(2,351,890)
Balance at 30 June 2009	**12,557,004**	**40,774**	**(7,793,950)**	**4,803,828**

Company

	Issued capital $	Equity-settled employee benefits reserve $	Accumulated Losses $	Total $
Balance at 30 June 2007	**10,312,116**	**22,180**	**(2,148,610)**	**8,185,686**
Shares issued during the year	1,298,781	-	-	1,298,781
Share issue costs	(43,200)	-	-	(43,200)
Loss attributable to members of parent entity	-	-	(3,293,453)	(3,293,453)
Balance at 30 June 2008	**11,567,697**	**22,180**	**(5,442,063)**	**6,147,814**
Shares issued during the year	1,049,370	-	-	1,049,370
Recognition of share based payments	-	18,594	-	18,594
Share issue costs	(60,063)	-	-	(60,063)
Loss for the period	-	-	(3,011,889)	(3,011,889)
Balance at 30 June 2009	**12,557,004**	**40,774**	**(8,453,952)**	**4,143,826**

Notes to the financial statements are included on pages 38 to 64

Cash flow statement
for the financial year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Cash flows from operating activities					
Receipts from Sale of Rock		**32,085**	12,358	**32,085**	12,358
Payments to suppliers and employees		**(490,257)**	(1,773,390)	**(482,353)**	(1,724,494)
Interest received		**45,410**	109,720	**42,680**	107,642
Interest paid		**(12,289)**	(14,325)	**(12,289)**	(14,325)
Net cash used in operating activities	15(a)	**(425,051)**	(1,665,637)	**(419,877)**	(1,618,819)
Cash flows from investing activities					
Purchase of plant and equipment		**(1,717)**	(17,914)	**(1,717)**	(17,914)
Proceeds from Sale of plant & equipment		**-**	21,500	**-**	21,500
Payment for exploration expenditure		**(723,138)**	(551,777)	**(649,620)**	(283,647)
Payments as Bond deposits on exploration licences		**(385,000)**	-	**(385,000)**	-
Proceeds from cancellation of Exploration Licences, refund of Bond Deposits		**59,388**	-	**27,647**	-
Amounts advanced to related parties		**-**	-	**(46,821)**	(314,870)
Payment for investment in subsidiary		**-**	(700)	**-**	(700)
Net cash used in investing activities		**(1,050,467)**	(548,891)	**(1,055,511)**	(595,631)
Cash flows from financing activities					
Repayment of borrowings		**(42,283)**	(69,270)	**(42,283)**	(69,270)
Proceeds from issue of ordinary shares		**1,049,370**	1,298,781	**1,049,370**	1,298,781
Payment of share issue costs		**(60,063)**	(43,200)	**(60,063)**	(43,200)
Net cash provided by financing activities		**947,024**	1,186,311	**947,024**	1,186,311
Net decrease in cash and cash equivalents		**(528,494)**	(1,028,217)	**(528,364)**	(1,028,139)
Cash and cash equivalents at the beginning of the financial period		**839,685**	1,867,902	**839,361**	1,867,500
Cash and cash equivalents at the end of the financial period	15(b)	**311,191**	839,685	**310,997**	839,361

Notes to the financial statements are included on pages 38 to 64

Notes to the financial statements
for the financial year ended 30 June 2009

1. General information

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

Nagambie Mining Limited's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
174B High St	174B High St
Heathcote Vic 3523	Heathcote Vic 3523

2. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

Standard	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010
• AASB 2009-2 'Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments'	1 January 2009	30 June 2010

Initial application of the following Standards is not expected to have any material impact on the financial report of the Group and the company:

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
• Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards' and AASB 127 'Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2008-1 'Ammendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010

• AASB 2008-5 ‘Amendments to Australian Accounting Standards arising from the Annual Improvements Project’	1 January 2009	30 June 2010
• AASB 2008-6 ‘Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project’	1 July 2009	30 June 2010
• AASB 2008-7 ‘Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate’	1 January 2009	30 June 2010
• AASB Interpretation 17 ‘Distributions of Non-cash Assets to Owners’, AASB 2008-13 ‘Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners’	1 July 2009	30 June 2010

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

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

The financial statements were authorised for issue by the directors on 28 September 2009.

Going Concern

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

For the reasons described below, there is significant uncertainty whether the Company and the consolidated entity will continue as going concerns:

- The consolidated entity and Company have recorded a net loss of $2,351,890 and $3,011,889 respectively for the 2009 financial year and had net cash outflows from operating activities for the year of $425,051 and $419,877 respectively.
- The consolidated entity and Company at 30 June 2009 had commitments in the 2010 financial year of $524,462 and $451,462 respectively.
- On the basis of the company's cash flow forecast for the 2010 financial year, the Company will require sufficient revenue or additional capital to be raised as required to meet its expected outflows during the next twelve months of operations.

In relation to the ability of the Company and the consolidated entity to continue as going concerns:

- On 7 August 2009, Nagambie Mining announced that it had raised a total of $683,800 of additional working capital from the issue of 14,718,750 shares at 3.2 cents per share under the 2009 Share Purchase Plan and the placement of 6,650,000 shares at the same time, also at 3.2 cents per share.
- The directors consider that Nagambie Mining, following the raising of the $683,800, has sufficient working capital to fund its commitments until early calendar 2010. The Company has the potential to earn substantial income from the sale of rock from existing surface stockpiles on Nagambie MIN 5412, on an "as is, where is" basis over the 2010 and 2011 financial years for the construction of the Nagambie Bypass. The Company will be advised of the outcomes of the tender processes for the 1st and 2nd stages of the Nagambie Bypass in late calendar 2009 and early calendar 2010 respectively.
- The directors also have reasonable expectations, based on the success of the equity raising announced on 7 August 2009, that they could raise additional equity funds during the 2010 financial year if they were required. However, as stated above, the directors do not currently consider that further equity raisings will be necessary.

At the date of this report and having considered the above factors, the directors are confident that the Company and consolidated entity will be able to continue as going concerns. Notwithstanding this, there is significant uncertainty whether the Company and consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their 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 Company and consolidated entity not continue as going concerns.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

3. Significant accounting policies (Cont'd)

Adoption of new and revised Accounting Standards
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.
The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

(d) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Employee benefits

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

3. Significant accounting policies (Cont'd)

(f) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Effective interest method

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

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

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

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

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

(g) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

3. Significant accounting policies (Cont'd)

(h) 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 reporting date 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 development.

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

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

3. Significant accounting policies (Cont'd)

(j) 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 by reporting date. 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 balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

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

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

(k) Joint venture arrangements

Jointly controlled assets

Interests in jointly controlled assets in which the Group is a venturer (and so has joint control) are included in the financial statements by recognising the Group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the Group's share of expenses incurred by or in respect of each joint venture. The Group also recognises income from the sale or use of output from the joint venture in accordance with its revenue policy in note 3(o).

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

(l) Leased assets

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

Group as lessor

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

3. Significant accounting policies (Cont'd)

Group as lessee

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 3(b). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Lease incentives

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

(m) Property, plant and equipment

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

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

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

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

(n) 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(o) Revenue

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

Sale of Rock revenue

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

Dividend and interest revenue

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

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

Group as lessor

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

3. Significant accounting policies (Cont'd)

(p) Share-based payments

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

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

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

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

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

(q) 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.

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

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

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

Key sources of estimation uncertainty

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

<u>Exploration and evaluation assets</u>

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

4. Revenue and expenses

	Consolidated		Company	
	2009 $	**2008 $**	**2009 $**	**2008 $**
(a) Revenue				
Revenue from continuing operations consisted of:				
Interest				
Bank deposits	45,410	109,720	42,680	107,642
Rental revenue:				
Sub-rental revenue	900	100,559	900	100,559
Sale of Waste Rock	37,306	12,358	37,306	12,358
Total Revenue	83,616	222,637	80,886	220,559
(b) Loss before income tax				
Loss before income tax has been arrived at after crediting/(charging) the following expenses from continuing operations:				
Depreciation	50,322	92,457	50,322	91,869
Operating lease rental expenses				
Minimum lease payments	19,842	25,220	19,842	25,220
Employee benefits expense:				
Employee benefits	66,059	361,019	66,059	361,019
Share Options	18,594	-	18,594	-
Defined contribution plans	32,645	51,565	32,645	51,565
	117,298	412,584	117,298	412,584
Unwinding of discount on provisions				
Interest on obligations under finance leases	12,289	14,325	12,289	14,325

5. Income tax

		Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
(a)	The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period				
	Loss from operations	(2,351,890)	(3,256,454)	(3,011,889)	(3,293,453)
	Prima facie tax calculated at 30%	(705,567)	(976,936)	(903,567)	(988,036)
	Add tax effect of:				
	- Non deductible expenses	547,699	382,555	745,686	382,555
	- Share based payments	5,578	-	5,578	-
	Less tax effect of:				
	- Capital raising costs	18,019	12,960	18,019	12,960
	Movement in tax asset not recognised	(18,019)	(12,960)	(18,019)	(12,960)
	Current year tax loss not recognised	152,290	594,381	152,303	605,481
		-	-	-	-
(b)	**Assets**				
	Non-current				
	Deferred tax asset comprises:				
	- Capital raising costs	18,019	12,960	18,019	12,960
	- Amount not recognised	(18,019)	(12,960)	(18,019)	(12,960)
		-	-	-	-
(c)	**Reconciliation**				
	(i) Gross movements				
	The overall movement in the deferred tax balances is as follows:				
	Opening balance	-	-	-	-
	Charge/(credit) to income statement	-	-	-	-
	Charge/(credit) to the equity	-	-	-	-
	Closing balance	-	-	-	-
	(ii) Deferred tax assets				
	The movement in the deferred tax asset for each temporary difference during the year is as follows:				
	Capital raising costs				
	Opening balance	-	-	-	-
	Charge to equity	18,019	12,960	18,019	12,960
	Amount not recognised	(18,019)	(12,960)	(18,019)	(12,960)
		-	-	-	-
(d)	Deferred tax assets not bought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 3 (j) occur:				
	Opening balance	1,904,615	914,719	1,904,616	903,620
	Temporary differences	18,019	12,960	18,019	12,960
	Tax losses - revenue	152,290	594,381	152,303	605,481
	Tax losses - capital	547,699	382,555	745,686	382,555
	Closing balance	2,622,623	1,904,615	2,820,624	1,904,616

6. Earnings per share

	Consolidated 2009 $	Consolidated 2008 $
The following reflects the income and share data used in calculating basic and diluted earnings per share:		
Net loss	2,351,890	3,256,454
Basic earnings per share (cents per share)	(2.10)	(3.47)
Diluted earnings per share (cents per share)	(2.10)	(3.47)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	111,733,900	93,791,016
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	111,733,900	93,791,016

Diluted earnings per share is calculated after classifying all options on issue remaining unconverted at 30 June 2009 as potential ordinary shares. As at 30 June 2009, the Company has 4,550,000 options (2008:1,500,000) over unissued capital on issue. As the notional exercise price of these options is greater than the current market price of the shares they have not been included in the calculation of diluted earnings per share and the company is loss making.

7. Other receivables

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
GST receivable (net)	1,255	5,390	1,255	5,390
Trade Receivables (ii)	5,742	-	5,742	-
Other receivables (i)	46,305	114,140	46,305	114,140
Allowance for Doubtful Debts	(46,305)	(55,103)	(46,305)	(55,103)
	6,997	64,427	6,997	64,427

(i) Other receivables are non interest bearing and relate to monies due from Past Tenants, Past Directors, Employees or Officers of Nagambie Mining Limited.
(ii) Trade receivables that have not been provided for in the allowance for doubtful debts are all past due but not impaired as the receivables have either been collected subsequent to 30 June 2009 or the Directors consider these to be recoverable. Further details are listed in table below.

<u>Movement in the allowance for doubtful debts</u>

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Balance at the beginning of the year	(55,103)	-	(55,103)	-
Amounts recovered during the year	12,087	-	12,087	-
Impairment losses recognised on receivables	(3,289)	(55,103)	(3,289)	(55,103)
Balance at end of the year	(46,305)	(55,103)	(46,305)	(55,103)

All impaired receivables are over 120 days old and have been individualy assessed for recoverability. The impairment recognised represents the difference between the carrying amount and the expected proceeds.

Schedule of Other Receivables:
Other Receivables are related to monies due from Past Tenants, Past Directors, Employees or Officers of Nagambie Mining Limited:

	2009 $	2008 $
CNG-Tm P/L – Tenant Collins St Premises	7,747	7,747
John Cornelius – Former Director	17,448	-
IMI Consulting – Tenant & Expense Recovery	21,110	22,602
	46,305	30,349

8. Other Assets

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Current Assets				
Prepayments	2,171	3,667	2,171	2,237
	2,171	3,667	2,171	2,237
Non-Current Assets				
Deposits – environmental bonds	494,940	160,241	461,762	101,969
Rental Bond	2,378	2,336	2,378	2,336
	497,318	162,577	464,140	104,305

9. Plant and Equipment

	Consolidated					
	Plant and equipment $	Computer equipment and software $	Leasehold improve-ments $	Motor vehicles $	Leased computer equipment $	Total $
Gross carrying amount						
Balance at 1 July 2007	17,253	50,983	11,137	159,677	55,597	294,647
Additions	1,380	16,534	-	-	-	17,914
Disposals	(6,182)	-	(11,137)	(28,832)	-	(46,151)
Balance at 1 July 2008	12,451	67,517	-	130,845	55,597	266,410
Additions	-	1,717	-	-	-	1,717
Disposals	-	-	-	-	-	-
Balance at 30 June 2009	12,451	69,234	-	130,845	55,597	268,127
Accumulated Depreciation						
Balance at 1 July 2007	(2,236)	(10,121)	-	(48,417)	(5,874)	(66,648)
Disposals	1,144	-	557	20,246	-	21,947
Depreciation expense	(4,832)	(16,852)	(557)	(54,887)	(15,329)	(92,457)
Balance at 1 July 2008	(5,924)	(26,973)	-	(83,058)	(21,203)	(137,158)
Disposal	-	-	-	-	-	-
Depreciation expense	(1,048)	(10,051)	-	(23,894)	(15,329)	(50,322)
Balance at 30 June 2009	(6,972)	(37,024)	-	(106,952)	(36,532)	(187,480)
Net book value						
As at 30 June 2008	6,527	40,544	-	47,787	34,394	129,252
As at 30 June 2009	5,479	32,210	-	23,893	19,065	80,647

9. Plant and equipment (cont'd)

	Company					
	Plant and equipment	Computer equipment and software	Leasehold improve-ments	Motor vehicles	Leased computer equipment	Total
	$	$	$	$	$	$
Gross carrying amount						
Balance at 1 July 2007	17,253	50,983	11,137	159,677	55,597	294,647
Additions	1,380	16,534	-	-	-	17,914
Disposals	(6,182)	-	(11,137)	(28,832)	-	(46,151)
Balance at 1 July 2008	12,451	67,517	-	130,845	55,597	266,410
Additions	-	1,717	-	-	-	1,717
Disposals	-	-	-	-	-	-
Balance at 30 June 2009	12,451	69,234	-	130,845	55,597	268,127
Accumulated Depreciation						
Balance at 1 July 2007	(2,236)	(10,121)	-	(48,417)	(5,874)	(66,648)
Disposals	1,144	-	557	20,246	-	21,947
Depreciation expense	(4,832)	(16,852)	(557)	(54,887)	(15,329)	(92,457)
Balance at 1 July 2008	(5,924)	(26,973)	-	(83,058)	(21,203)	(137,158)
Disposal	-	-	-	-	-	-
Depreciation expense	(1,048)	(10,051)	-	(23,894)	(15,329)	(50,322)
Balance at 30 June 2009	(6,972)	(37,024)	-	(106,952)	(36,532)	(187,480)
Net book value						
As at 30 June 2008	6,527	40,544	-	47,787	34,394	129,252
As at 30 June 2009	5,479	32,210	-	23,893	19,065	80,647

The following useful lives are used in the calculation of depreciation

Plant and equipment	3 - 7 years	Diminishing value method
Computer equipment	2.5 - 4 years	Diminishing value and straight line method
Leasehold improvements	10 years	Straight line method
Motor vehicles	4 years	Diminishing value method
Leased computer equipment and software	4 years	Straight line method

10. Exploration and evaluation assets

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Balance at beginning of the period	5,188,287	6,258,989	2,927,647	3,047,301
Additional expenditure carried forward	723,138	670,635	649,620	396,667
Expenditure Transferred from Subsidiary	-	-	1,308,150	-
Impairment losses for the year	(1,825,664)	(1,741,337)	(1,751,060)	(516,321)
	4,085,761	5,188,287	3,134,357	2,927,647

During the financial year the group reassessed all the areas and determined the areas to be surrendered and the areas that are valid exploration and evaluation assets.

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

11. Other financial assets

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Investments carried at cost:				
Investment in subsidiaries	-	-	1,660,000	1,660,700
Accumulated impairment	-	-	(1,660,000)	(1,275,185)
	-	-	-	385,515
Receivable from wholly owned subsidiary	-	-	674,520	1,936,396
Accumulated impairment	-	-	(349,746)	(1,248)
	-	-	324,774	2,320,663

12. Trade and other payables

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Trade payables (i)	62,119	76,287	62,119	76,287
Accrued Expenses (ii)	15,364	4,110	15,364	4,110
	77,483	80,397	77,483	80,397

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are usually settled on 30 day terms.
(ii) Accrued Expenses are non-interest bearing and have an average term of 30 days

13. Issued capital

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
(a) Issued and paid up capital				
Ordinary shares fully paid	12,557,004	11,567,697	12,557,004	11,567,697

Changes to the Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.
Ordinary shares have the right to receive dividends as declared and, in the event of winding up of 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 shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Movements in shares on issue

Details	Year ended 30 June 2009 Number of Shares Issued	Year ended 30 June 2009 Issued Capital $	Year ended 30 June 2008 Number of Shares Issued	Year ended 30 June 2008 Issued Capital $
Beginning of the financial year	94,993,400	11,567,697	80,562,500	10,312,116
Movements during the year				
Less: costs of initial public offer share issue	-	-	-	-
- share placement 22 May 2007	-	-	-	-
- share placement 23 July 2007	-	-	12,000,000	1,080,000
- share placement 5 September 2007	-	-	2,430,900	218,781
- rights issue 13 November 2008	13,359,010	400,770	-	-
- share placement 10 February 2009	21,638,789	648,600	-	-
Less: cost of placement	-	(60,063)	-	(43,200)
Closing balance	129,931,199	12,557,004	94,993,400	11,567,697

Share options granted under the employee share option plan
In accordance with the provisions of the employee share option plan, as at 30 June 2009, executives and senior employees have 550,000 options of which none are vested (2008: NIL) ordinary shares.
Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in note 23 to the financial statements.

Other share options on issue
As at 30 June 2009, the company has 4,000,000 share options on issue , none of which have vested, that have been granted exercisable for 4,000,000 ordinary shares of the company (2008: 1,500,000). The options carry no rights to dividends and no voting rights.
Information with respect to the number of all options granted including executive options is as follows:

	30 June 2009 Number of options	30 June 2009 Weighted average exercise price	30 June 2008 Number of options	30 June 2008 Weighted average exercise price
Balance at beginning of period	1,500,000	$0.50	8,637,000	$0.27
- granted	4,550,000	$0.10	-	-
- lapsed/exercised	(1,500,000)	$0.50	(7,137,000)	$0.27
Balance at end of period	4,550,000	$0.10	1,500,000	$0.50

Options held at the beginning and end of the reporting period

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
4,000,000	02/12/2008	02/12/2010	02/12/2013	$0.10
550,000	04/09/2008	04/09/2010	04/09/2013	$0.10

14. Reserves

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Options Reserve				
At the beginning of the financial period	22,180	22,180	22,180	22,180
Recognition of Share Based Payments	18,594	-	18,594	-
Options Reserve at the end of the financial period	40,774	22,180	40,774	22,180

15. Notes to the cashflow statement

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
(a) Reconciliation of loss after tax to net cash flows from operations				
Net loss for the period	(2,351,890)	(3,256,454)	(3,011,889)	(3,293,453)
Depreciation of property, plant and equipment	50,322	92,457	50,322	91,869
Impairment of investment in subsidiaries	-	-	734,560	1,275,185
Impairment of exploration and evaluation assets	1,825,664	1,741,338	1,751,060	516,321
Gain on sale or disposal of non-current assets	-	(2,736)	-	(2,736)
Equity Settled share based payments	18,594	(275,446)	18,594	(274,858)
Changes in assets and liabilities				
(Increase)/Decrease in receivables	53,295	(135,028)	53,295	(128,456)
Decrease in prepayments	1,496	8,874	66	8,874
Decrease in GST	4,135	96,355	4,135	96,355
(Increase)/ Decrease in rental bond	(42)	110,684	(42)	110,684
(Increase) in environmental bonds	(9,087)	(32,935)	(2,440)	(5,858)
(Decrease) in creditors	(2,914)	(275,446)	(2,914)	(274,858)
(Decrease) in employee provisions	(14,624)	(12,746)	(14,624)	(12,746)
Net cash used in operating activities	(425,051)	(1,665,637)	(419,877)	(1,618,819)
(b) Reconciliation of cash				
Cash and cash equivalents comprise:				
Cash on hand and at call	311,191	839,685	310,997	839,361
	311,191	839,685	310,997	839,361

(c) Non-cash financing and investing activities

During the current financial year, Sierra Minerals , a wholly owned subsidiary of Nagambie Mining Limited transferred the licence MIN5412 -100% to Nagambie Mining Limited. The transfer of the Exploration and Evaluation Asset of $1,308,150 resulted in a decrease in the intercompany receivables.

16. Borrowings

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Secured – at amortised cost				
Current				
Chattel Mortgage (i), (ii)	24,612	22,765	24,612	22,765
Finance lease liabilities (iii)	13,853	19,518	13,853	19,518
Non-current				
Chattel Mortgage (i), (ii)	62,931	87,543	62,931	87,543
Finance lease liabilities (iii)	-	13,853	-	13,853
	101,396	143,679	101,396	143,679
Disclosed in the financial statements as:				
Current borrowings	38,465	42,283	38,465	42,283
Non-current borrowings	62,931	101,396	62,931	101,396
	101,396	143,679	101,396	143,679

(i) Fixed rate loans with finance companies with maturity periods not exceeding 5 years. The interest rates on the loans are from 7.5% to 8%p.a.

(ii) Secured by security over the chattel under finance.

(iii) Secured by the assets leased. Borrowings are fixed interest rate debt with repayments not exceeding 3 years. The current weighted effective interest rate on the loans is 10.33% p.a.

17. Provisions

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current				
Employee benefits – accrued leave	1,378	16,002	1,378	16,002

18. Commitments for expenditure

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
(a) Exploration expenditure commitments				
Not longer than 1 year	524,462	687,250	451,462	580,150
Longer than 1 year and not longer than 5 years	1,204,086	1,682,650	1,185,486	1,544,250
Longer than 5 years	-	-	-	-
	1,728,548	2,369,900	1,636,948	2,124,400

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 19 to the financial statements.

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
(c) Other expenditure commitments				
Property Lease				
Not longer than 1 year	9,974	25,220	9,974	25,220
Longer than 1 year and not longer than 5 years	-	20,172	-	20,172
Longer than 5 years	-	-	-	-
	9,974	45,392	9,974	45,392

19. Leases

Finance leases

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Chattel mortgage				
Not longer than 1 year	24,612	22,765	24,612	22,765
Longer than 1 year and not longer than 5 years	62,931	87,543	62,931	87,543
Longer than 5 years	-	-	-	-
	87,543	110,308	87,543	110,308

Leasing arrangements

Finance leases relate to computer equipment primarily used in exploration activities.

Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Not longer than 1 year	15,965	23,526	15,965	23,526	13,853	19,518	13,853	19,518
Longer than 1 year and not longer than 5 years	-	16,626	-	16,626	-	13,853	-	13,853
Longer than 5 years	-	-	-	-	-	-	-	-
Minimum future lease payments*	15,965	40,152	15,965	40,152	13,853	33,371	13,853	33,371
Less future finance charges	(2,112)	(6,781)	(2,112)	(6,781)	-	-	-	-
Present value of minimum lease payments	13,853	33,371	13,853	33,371	13,853	33,371	13,853	33,371

Included in the financial statements as: (note 16)	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Current borrowings	13,853	19,518	13,853	19,518
Non-Current borrowings	-	13,853	-	13,853
	13,853	33,371	13,853	33,371

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

Operating leases

Property Lease arrangements

Nagambie Mining Limited has two (2) separate Operating leases that relate to the rental of Property.

These relate to the Heathcote office which is currently on a rolling 3 month lease with a 1 month termination clause and the other being the Hawthorn office which was a 2 year lease expiring on 31/1/2010. The Company / Group does not have an option to purchase the leased property at the expiry of the lease period.

20. Jointly controlled assets

The Company's wholly owned subsidiary Sierra Minerals was involved in the Nagambie Project joint venture with Perseverance Corporation Limited. The joint venture ceased and the mining license was purchased by Nagambie Mining Limited on the 16 Sept 2008. Accordingly, there are no attendant assets or liabilities.

The Group was a venturer in the following jointly controlled operations and assets:

Name of venture	Principal activity	Output interest 2009 %	Output interest 2008 %
Nagambie Project	Exploration for minerals	0	51

Capital commitments and contingent liabilities

Capital commitments and contingent liabilities arising from the Group's interests in the joint venture was $Nil (2008:$687,250).

21. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2009 %	Ownership interest 2008 %
Parent entity			
Nagambie Mining Limited	Australia	-	-
Subsidiaries			
Sierra Minerals Pty Ltd	Australia	100	100
Nagambie Developments Pty Ltd	Australia	100	100

22. Financial instruments

(a) Categories of financial instruments

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assets				
Loans and receivables	504,315	224,668	795,911	2,108,119
Cash and cash equivalents	311,191	839,685	310,997	839,361
Financial liabilities				
Amortised cost	178,879	224,076	178,879	224,076

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

The Group's overall strategy remains unchanged from 2008.

The capital structure of the Group consists of cash and cash equivalents and equity holders of the parent, comprising issued capital and reserves as disclosed in note 13 and the statement of changes in equity.

None of the Group's entities are subject to externally imposed capital requirements.

(c) Interest rate risk management

The company and the Group are exposed to interest rate risk on cash and cash equivalents and environmental bonds.

The company and the Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's:

- net loss would decrease by $4,000 and increase by $4,000 (2008: net loss would increase by $5,000 and decrease by $5,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate cash deposits.

The Group's sensitivity to interest rates has decreased during the current period mainly due to a decrease in the level of cash and cash equivalents at balance date. The parent entity risk is the same as the group.

(d) Credit risk management

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, to recognised financial assets is the carrying amount of those assets, net of any allowances for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group.

22. Financial instruments (cont'd)

(e) 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.

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

Consolidated Liabilities

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	%	$	$	$	$	$
2009						
Finance Lease Liability	10.13	(1,825)	(3,696)	(8,332)	-	-
Chattel Mortgage Liabilities	7.77	(1,979)	(3,995)	(18,638)	(62,931)	-
Trade and Other Payables	-	(77,483)	-	-	-	-
		(81,287)	(7,691)	(26,970)	(62,931)	-
2008						
Finance Lease Liability	10.13	(1,961)	(3,921)	(17,645)	(16,625)	-
Chattel Mortgage Liabilities	7.77	(2,551)	(5,102)	(21,858)	(95,965)	-
Trade and Other Payables	-	(80,397)	-	-	-	-
		(84,909)	(9,023)	(39,503)	(112,590)	-

Company Liabilities

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
	%	$	$	$	$	$
2009						
Finance Lease Liability	10.13	(1,825)	(3,696)	(8,332)	-	-
Chattel Mortgage Liabilities	7.77	(1,979)	(3,995)	(18,638)	(62,931)	-
Trade and other payables	-	(77,483)	-	-	-	-
		(81,287)	(7,691)	(26,970)	(62,931)	-
2008						
Finance Lease Liability	10.13	(1,961)	(3,921)	(17,645)	(16,625)	-
Chattel Mortgage Liabilities	7.77	(2,551)	(5,102)	(21,858)	(95,965)	-
Trade and other payables	-	(80,397)	-	-	-	-
		(84,909)	(9,023)	(39,503)	(112,590)	-

23. Share-based payments

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the Board of Directors. Each executive share option converts into one ordinary share of Nagambie Mining Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The number of options granted is at the discretion of the Board of Directors of the Company. The options granted expire five years after their issue, or one month of the resignation of the executive, whichever is the earlier. There is a total of 4,550,000 optionson issue. Of which 550,000 share options is allocated 500,000 to executive consultants and 50,000 to employees and the balance of 4,000,000 share options 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 2009		30 June 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of period	1,500,000	$0.50	8,637,000	$0.27
- granted	4,550,000	$0.10	-	-
- lapsed/exercised	(1,500,000)	$0.50	(7,137,000)	$0.22
Balance at end of period	4,550,000	$0.10	1,500,000	$0.50

Options held at the beginning and end of the reporting period

No. of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price	Fair Value at Grant Date
1,500,000	20/05/2005	20/05/2005	30/06/2009	$0.50	$0.003
4,000,000	02/12/2008	02/12/2010	02/12/2013	$0.10	$0.009
550,000	04/09/2008	04/09/2010	04/09/2013	$0.10	$0.008
4,550,000				$0.10	

There were 4,550,000 options granted in the past year.

(i) Exercised during the financial year
There were no options exercised during the financial year

(ii) Equity-settled employee benefits reserve
The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Of the total reserve of $40,774, $22,180 relates to options that have lapsed without being exercised.

The weighted average fair value of the share options granted during the financial year is $0.10 (2008:NIL).
Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management’s best estimate for the effects of nontransferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may not be exercised early, executives and senior employees would not be able to exercise the options before vesting date which has been set at 2 years after the Grant Date.

Inputs into the model	Option Series	
	Series 1	Series 2
Grant date	4/09/2008	2/12/2008
Share Price	$0.03	$0.03
Exercise Price	$0.10	$0.10
Expected Volatility	62%	62%
Option Life	5 years	5 years
Dividend Yield	NIL	NIL
Risk Free Interest rate	5.615%	5.615%
Vesting Date	4/09/2010	2/12/2010

24. Key management personnel compensation

	Consolidated		Company	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term employee benefits	407,251	535,513	407,251	535,513
Post-employment benefits	27,768	22,808	27,768	22,808
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	18,389	-	18,389	-
	453,408	558,321	453,408	558,321

Other non-salaried benefits supplied to Past Directors & Management included Mobile Phones, Car Parking and use of Computer Equipment. Whilst these were not part of their employment contracts, they were authorised by the previous management as a cost of doing business.

(a) Remuneration Options: Granted and vested during the period

There was 4,550,000 options issued during the reporting period relating to key management personnel.

(b) Share issued on exercise of remuneration options

No shares were issued on the exercise of remuneration options during the reporting period relating to key management personnel.

(c) Option holdings of key management personnel

Unlisted options held by key management personnel. Details of options are contained in Note 23.

	Opening Balance 1 July 2008	**Granted as remuneration**	**Options Exercised**	**Net Change Other**	**Closing Balance 30 June 2009**	**Vested and exercisable at 30 June 2009**
Colin Glazebrook	-	2,000,000	-	2,000,000	2,000,000	-
Michael Trumbull	-	1,000,000	-	1,000,000	1,000,000	-
Geoff Turner	-	1,000,000	-	1,000,000	1,000,000	-
Joe Fekete	-	250,000	-	250,000	250,000	-
Alfonso Grillo	-	250,000	-	250,000	250,000	-
Total	-	4,500,000	-	4,500,000	4,500,000	-

Year ended 30 June 2008	**Opening Balance 1 July 2007**	**Granted as remuneration**	**Options Exercised**	**Net Change Other**	**Closing Balance 30 June 2008**	**Vested and exercisable at 30 June 2008**
Ian D Buckingham -Resigned 5 Sept 2007(*)	2,500,000	-	-	(2,500,000)	-	-
Andrew R Ristrom -Removed 20 Dec 2007(**)	500,000	-	-	(500,000)	-	-
Total	3,000,000	-	-	(3,000,000)	-	-

(*) Director resigned/removed during period and in accordance with the issue of the options, the options were forfeited upon resignation.

(**) Granted as a result of a contract entered into prior to becoming a director of the Company, relating to capital raising activities.

24. Key management personnel compensation (Cont'd)

(d) Shareholdings of key management personnel

Year ended 30 June 2009 Ordinary Shares	Balance 1 July 2008 No.	Granted as remuneration No.	On exercise of Options No.	Net Change Other No.	Balance 30 June 2009 No.
Michael W Trumbull	1,000,000	-	-	7,400,000	8,400,000
Colin Glazebrook	350,000	-	-	116,667	466,667
Geoff Turner	100,000	-	-	33,334	133,334
Total	1,450,000	-	-	7,550,001	9,000,001

Year ended 30 June 2008 Ordinary Shares	Balance 1 July 2007 No.	Granted as remuneration No.	On exercise of Options No.	Net Change Other No.	Balance 30 June 2008 No.
John W Cornelius -Resigned 8 October 2007	1,800,000	-	-	(1,800,000)	-
Ian D Buckingham -Resigned 5 September 2007	2,800,000	-	-	(2,800,000)	-
Peter I Rudd -Removed 20 December 2007	2,050,000	-	-	(2,050,000)	-
Michael W Trumbull	625,000	-	-	375,000	1,000,000
Andrew R Ristrom -Removed 20 December 2007	300,000	-	-	(300,000)	-
Colin Glazebrook -Appointed 20 December 2007	-	-	-	350,000	350,000
Geoff Turner -Appointed 20 December 2007	-	-	-	100,000	100,000
Total	7,575,000	-	-	(6,125,000)	1,450,000

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

25. Related party transactions

(a) Transactions with key management personnel

During the 2008 financial year, John W Cornelius, who resigned on 8 October 2007, charged $199,755 for consulting and the provision of administrative and clerical staff.

The 2008 fees were paid to i2iGroup Pty Ltd and IMI Consulting Pty Ltd, both companies controlled by John W Cornelius.

The amount owing since the 2008 financial year by IMI Consulting Group Pty Ltd, a company controlled by John W Cornelious, for sub-lease and other expenses is $21,110. Nagambie Mining Limited has commenced recovery action to secure these outstandings.

The Company paid legal and consulting fees, which include secretarial fees, of $82,794 (2008: $146,466) to TressCox Lawyers, a firm of solicitors of which Alfonso Grillo is a Partner. Secretarial fees payable to Alfonso Grillo are paid to TressCox Lawyers.

The Company paid consulting fees of $NIL (2008: $30,963) to CBH Business Services Pty Ltd, a company controlled by Cherie L Harrison.

The Company paid consulting fees of $NIL (2008: $97,090) to Cotlco Pty Ltd, a company controlled by John Cottle.

The Company paid consulting fees of $NIL (2008: $65,025) to Glazco Consultants Pty Ltd, a company controlled by Colin Glazebrook.

The Company paid consulting fees of $58,932 (2008: $1,256) to Exploration Management Services Pty Ltd, a company controlled by Geoff Turner.

The Company paid consulting fees of $52,173 (2008: $34,411) to Fekete Management Services Pty Ltd, a company controlled by Joe Fekete.

25. Related party transactions (Cont'd)

(b) Transactions between the Group and its related parties

During the financial year, the following transactions occurred between the Group and its other related parties:

Nagambie Mining Limited advanced $48,252 to Sierra Minerals Pty Ltd to fund commitments and expenditure on Sierra Minerals Pty Ltd's licenses.
Sierra Minerals Limited on 16 Sept 2008 transferred the license for MIN5412 to Nagambie Mining Limited. The transfer of the Exploration and Evaluation Asset resulted in a decrease of intercompany receivables by $1,308,150.

Current loans totalling $399,337 is repayable by Sierra Minerals Pty Ltd to Nagambie Mining Limited (2008: $1,936,396).
All amounts advanced to related parties are unsecured and are subordinate to other liabilities.
No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.
Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

26. Business and geographical segments

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

27. Remuneration of auditors

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Auditor of the parent entity				
Audit or review of the financial report	39,943	30,000	39,943	30,000
Other non-audit services – Tax	6,500	18,565	6,500	18,565
	46,443	48,565	46,443	48,565

The auditor of Nagambie Mining Limited is Deloitte Touche Tohmatsu.

28. Contingent Liabilities
Nagambie Mining Limited has no contingent liabilities. All rehabilitation requirements for the MIN 5412 licence at Nagambie is covered by the monies held on deposit with the Department of Primary Industries, amounting to $385,000.

29. Subsequent events
The following events occurred after balance date that are of significance to the Company:

(a) 2009 Share Purchase Plan (SPP)
On 7 August 2009, the Company announced that it had issued 14,718,750 fully paid ordinary shares under the SPP at 3.2 cents per share, raising a total of $471,000.

(b) Placement to Sophisticated and Professional Investors
6,650,000 fully paid ordinary shares at 3.2 cents each were also placed by the Company at the time of the SPP, raising a further $212,800.

A total of $683,800 was raised through this placement and the SPP.

(c) Licence Grants
EL 5189 was granted to the Company on 31 July 2009.

(d) Exploration Licences – Surrendered
ELs 5049, 5027 and 5020 were surrendered during July 2009, reducing the total area held by the Company to 254 km^2.

Additional ASX Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 September 2009.

Number of holders of equity securities

Ordinary share capital

151,359,949 fully paid ordinary shares are held by 445 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

5,100,000 options are held by 6 individual option holders.

Options do not carry a right to vote.

Buy-Back

The Company does not have a current on-market buy-back

Distribution of holders of equity securities

	Number of Holders	Number of Shares
1 – 1,000	12	1,897
1,001 – 5,000	13	58,020
5,001 – 10,000	56	535,218
10,001 – 100,000	233	9,867,942
100,001 and over	131	140,896,872
Totals	445	151,359,949
Holding less than a marketable parcel as at 23 September 2009	122	1,142,155

Substantial shareholders

	Fully paid ordinary shares Number
Cairnglen Investments Pty Ltd	21,075,417
Normet Industries Nominee Pty Ltd	8,333,333
Mr. Ralph Douglas Russell & Ms Anne-Maree Hynes and Mr. Ralph Douglas Russell & Ms Anne-Maree Hynes <The Russell Hynes S/F A/C>	15,873,521
	39,403,286

Optionholders holding greater than 20% of unquoted options

	Unquoted options Number
Ecoper Pty Ltd as trustee for the Glazco Super Fund A/C	2,000,000
	2,000,000

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	Name	Units	% of Units
1.	CAIRNGLEN INVESTMENTS PTY LTD	21,075,417	13.92
2.	NEFCO NOMINEES PTY LTD	9,994,536	6.60
3.	NORMET INDUSTRIES NOMINEE PTY LTD	8,333,333	5.51
4.	MR RALPH DOUGLAS RUSSELL + MS ANNE-MAREE HYNES	8,276,084	5.47
5.	MR RALPH DOUGLAS RUSSELL + MS ANN MAREE HYNES <THE RUSSELL HYNES S/F A/C>	7,597,437	5.02
6.	MRS NANCY PENROSE TRUMBULL	5,077,572	3.35
7.	MR MICHAEL WARD TRUMBULL	4,608,750	3.04
8.	ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C>	4,468,750	2.95
9.	PPT NOMINEES PTY LTD	4,235,417	2.80
10.	CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C>	3,963,750	2.62
11.	MRS GOLDIE ALLAN	2,064,999	1.36
12.	HONEST REMARK PTY LTD	2,000,180	1.32
13.	MR JOHN EDWARD CHRISTOE + MR MICHAEL WARD TRUMBULL <EST P L CHRISTOE A/C>	1,984,539	1.31
14.	ADARE MANOR PTY LTD	1,976,084	1.31
15.	MR NICHOLAS CHARLES RICHARDS	1,941,702	1.28
16.	ANZ NOMINEES LIMITED <CASH INCOME A/C>	1,830,095	1.21
17.	MR GREGORY KELVYN STRANGE + MRS LYNETTE ELVIRA STRANGE <SUPER FUND A/C>	1,775,017	1.17
18.	SPRUZEN CORPORATION PTY LTD	1,736,667	1.15
19.	ZAMOGRANGE PTY LTD	1,666,667	1.10
20.	MR GEOFFREY MICHAEL WALCOTT	1,500,000	0.99
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	**96,106,996**	**63.50**

Unquoted options over unissued Shares

Exercise price	Grant Date	Vesting Date	Expiry Date	Number
$0.10	4 September 2008	4 September 2010	4 September 2013	550,000
$0.10	2 December 2008	2 December 2010	2 December 2013	4,000,000
$0.10	9 July 2009	9 July 2011	9 July 2014	550,000

Company Secretary

Alfonso M. G. Grillo

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nagambie mining

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