

## CHAIRMAN'S ADDRESS

**BY MR MICHAEL TRUMBULL AT THE ANNUAL GENERAL MEETING OF NAGAMBIE MINING LIMITED HELD AT THE INSTITUTE OF CHARTERED ACCOUNTANTS, LEVEL 3, 600 BOURKE STREET, MELBOURNE AT 11.00 AM ON MONDAY 28 NOVEMBER 2011.**

Good morning ladies and gentlemen,

As I said in this year's Annual Report, Nagambie Mining has added significant value to its portfolio of 100%-owned gold properties, albeit that central Victoria has had one of its wettest and hence most disruptive years in living memory.

The Company's core strategy is to explore and develop open-pittable, oxide, disseminated and vein-quartz gold deposits amenable to heap-leach ore treatment in central Victoria. By utilising contractors to carry out open-pit mining and the trucking, crushing, agglomerating, and heap-leach conveyor stacking of ore, Nagambie Mining's aim will be to minimise up-front capital costs and ongoing operating costs.

The Company's current portfolio of gold targets is as follows:

<b>Location</b>	<b>Gold Targets</b>
<b>Nagambie Mine</b>	1. West Pit Extension 2. Nagambie Footwall Mineralisation
<b>Nagambie Regional</b>	3. Nagambie North 4. Nagambie South
<b>Redcastle</b>	5. Mullocky 6. Native Gully 7. Why Not 8. Pioneer 9. Laura 10. RFZ (Redcastle Fault Zone)
<b>Rushworth</b>	11. Doctors Gully

It is an impressive, focussed portfolio for a small listed gold explorer/developer.

Summaries of the Company's gold targets are contained in the 2011 Annual Report and the September 2011 Quarterly Report, so I will not repeat them here today. However, I would like to talk a little further about Nagambie Mining's latest acquisition – Doctors Gully.

### **Doctors Gully**

Doctors Gully was obtained at no cost to the Company through a land swap with a prospector in the Rushworth area. The prospector felt that he had recovered all the obvious surface gold on his Doctors Gully tenement and particularly liked another portion of the Rushworth tenement that held no further interest to Nagambie Mining - a “win-win” situation for both parties.

GMK (Gold Mines of Kalgoorlie) carried out preliminary RC (reverse-circulation percussion) drilling at Doctors Gully in 1988. Through a series of corporate circumstances, the compelling drilling results from that 1988 program have never been followed up.

A significantly profitable head grade at Doctors Gully, if the ore was trucked to the Nagambie Mine for heap-leach treatment, would be around 1.0 g/t gold. If the mineralization proved to be of sufficient size to justify establishing heap-leach treatment at Doctors Gully, a significantly profitable head grade would be around 0.8 g/t gold.

The best RC drilling intersections by GMK included **7 metres at 4.1 g/t gold** from 40 metres downhole in WHP7, **8 metres at 3.2 g/t gold** from 40 metres downhole in WHP26 and **1 metre at 14.6 g/t gold** from 62 metres downhole in WHP26. Needless to say, Nagambie Mining is excited about the exploration potential at Doctors Gully.

### **Gold Price**

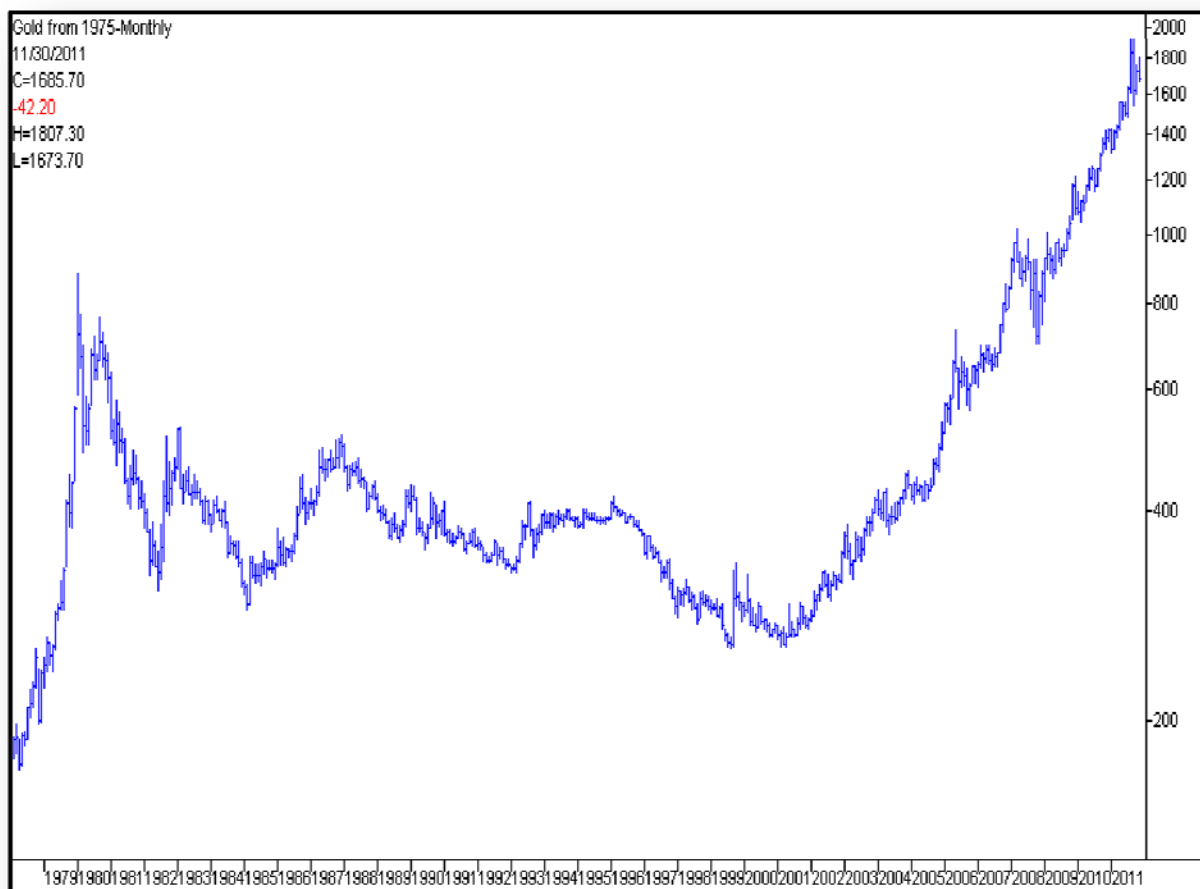
In my letter to shareholders in the Annual Report, I included a graph illustrating the exponential growth in the US dollar gold price since 2001. An up-to-date version of that graph is included on the following page.

Several shareholders subsequently asked me if I felt that the growth in the gold price would continue. I do and I would like to explain in a simple way why I feel that will occur.

The exponential growth in the US dollar gold price in my view correlates with the accelerating decline in the real value of the US dollar.

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

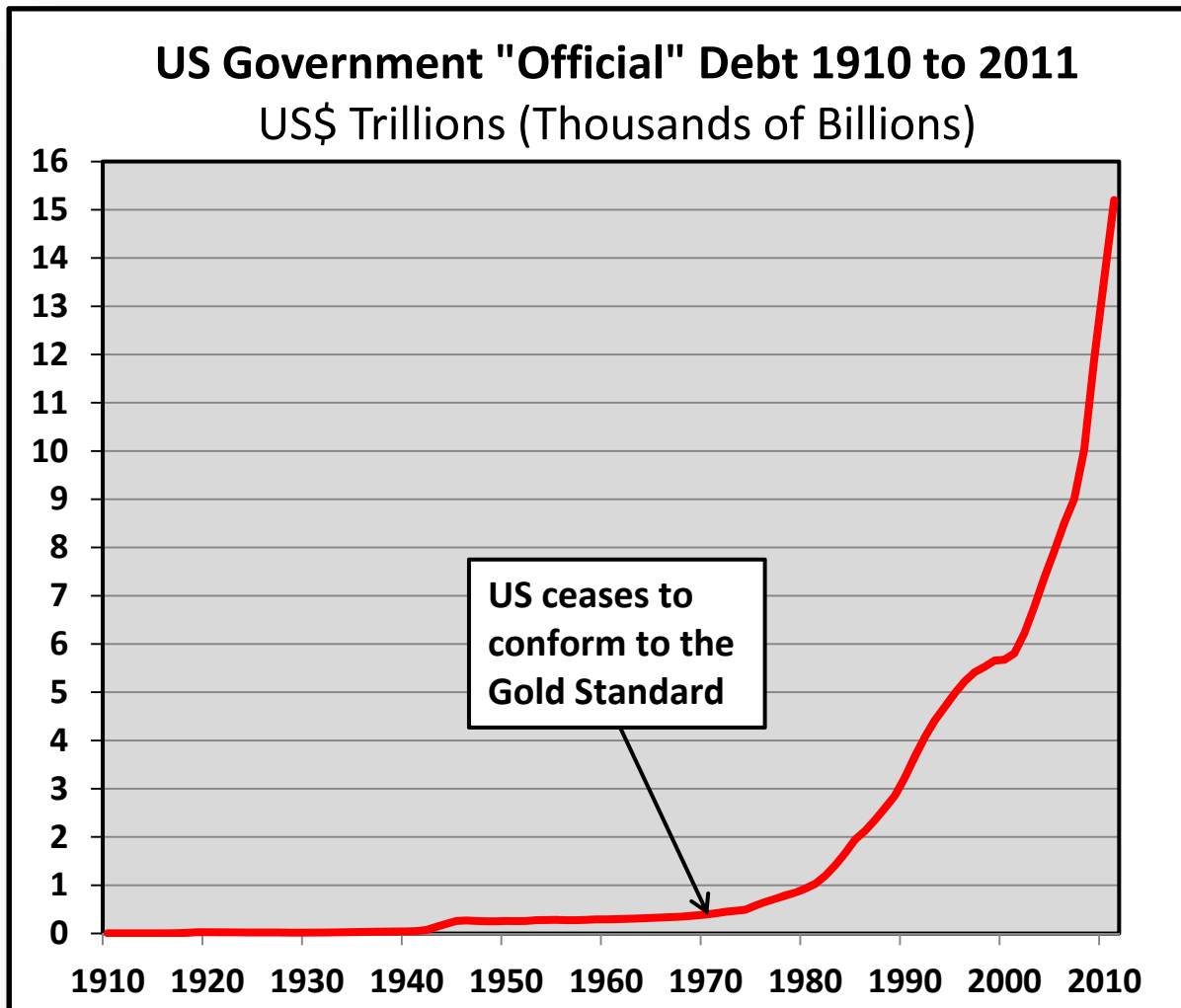
(Source: [www.the-privateer.com](http://www.the-privateer.com))



The graph of US Government “officially-reported” debt on the following page best illustrates the exponential debasement and debauchment of the US dollar since 1971. It should be noted that US Government “unofficial” debt, including liabilities such as unfunded Government employees’ superannuation, is a significant multiple of the “official” debt.

In 1971, the US Government refused to continue to abide by the long established world Gold Standard which essentially prevented countries from printing more money than they held in gold reserves. Until 1971, US dollars could be redeemed for the equivalent value of gold held in reserve by the US Government – that is, the dollars were 100% backed by “real” money in the form of gold.

The US may well bemoan the debt trap that many European countries have fallen into – most notably Ireland, Greece, Italy, Spain, Portugal and France in recent times – but the record of the US itself, the provider of the current Reserve Currency to the world, is, in my view, abysmal to say the least.



The last time that US Government official debt was reduced (albeit only by a smidgen) was 1960 – 51 years ago. The US has become addicted to debt and the world has been powerless to stop the addiction which has hooked US politicians. The US Government debt situation now appears totally out of control to my way of thinking, currently increasing as it is by more than US\$2.0 trillion per year. The current intention of the US Government is to reduce the budget deficit by an average of US\$0.3 to US\$0.4 trillion per year over the next 10 years, clearly only a fraction of what is required to rein in the burgeoning debt.

It is becoming increasingly unlikely that the US Government will be able to ultimately repay all its debts in full and so the fiat money (paper money) system now works on the dubious basis that the day of reckoning is so far in the future that it can be ignored.

In conclusion, the gold business is a great business to be in. Nagambie Mining is becoming well-positioned to provide exciting returns for its shareholders.