



Annual Financial Report

For the year ended 30 June 2013

Nagambie Mining Limited

ABN 42 111 587 163

Corporate Directory

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

533 Zanelli Road
Nagambie Vic 3608
Telephone: (03) 5794 1750
Facsimile: (03) 5794 1790
Website: www.nagambiemining.com.au
Email: info@nagambiemining.com.au

POSTAL ADDRESS

PO Box 339
Nagambie Vic 3608

DIRECTORS

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

COMPANY SECRETARY

Alfonso M G Grillo

AUDITOR

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

PRINCIPAL LEGAL ADVISER

TressCox Lawyers
Level 9, 469 La Trobe Street
Melbourne Vic 3000
Telephone: (03) 9602 9444
Facsimile: (03) 9642 0382
www.tresscox.com.au

SHARE REGISTRY

Advanced Share Registry Limited
150 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

SECURITIES EXCHANGE LISTING

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

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Directors' Report

The directors of Nagambie Mining Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2013.

Directors

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

| Name | Particulars |
|--|--|
| <p>MICHAEL W TRUMBULL <i>Non-Executive Director</i> Appointed 28 July 2005</p> <p><i>Non-Executive Chairman</i> Appointed 20 December 2007</p> <p><i>Executive Chairman</i> Appointed 13 September 2013</p> <p>Age 63</p> | <p>Michael Trumbull has a degree in mining engineering (first class honours) from the University of Queensland and an MBA from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 40 years of broad mining industry experience with mines / subsidiaries of MIM, Renison, WMC, CRA, AMAX, Nicron, ACM and BCD Resources.</p> <p>From 1983 to 1991, he played a senior executive role in expanding the Australian gold production assets of ACM Gold. From 1985 to 1987, he was Project Manager and then Resident Manager of the Westonia open pit gold mine and treatment plant in Western Australia. Westonia production for 1986/87 was 650,000 tonnes at 3.0 g/t head grade and 90% mill recovery for 56,000 ounces of gold. From 1987 to 1991, he was General Manager – Investments for the ACM Group.</p> <p>From 1993 to 2011, he was a Director of the BCD Resources Group and was involved in the exploration, subsequent mine development and operation of the Beaconsfield underground gold mine in Tasmania. From 1993 to 2003, he was the sole Executive Director of BCD and, from 2003 to 2004, was the Managing Director.</p> <p><i>Other current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> BCD Resources NL – appointed March 1993, resigned February 2011 BCD Resources (Operations) NL - appointed August 2007, resigned February 2011</p> |
| <p>GEOFF R TURNER <i>Non-Executive Director</i> <i>Exploration</i> Appointed 20 December 2007</p> <p>Age 65</p> | <p>Geoff Turner, a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology), is a Registered Professional Geoscientist and Fellow of the Australian Institute of Geoscientists (AIG). He has 30 years' experience in mineral exploration in the Lachlan Fold Belt, the Tanami, the West African Shield and the Yilgarn. Since 2000, he has managed his own exploration services company based in Bendigo, Exploration Management Services Pty Ltd, which provides field and technical services to the mineral industry.</p> <p>Geoff is a member of the Audit and Compliance Committee.</p> <p><i>Other Current Directorships of Listed Companies</i> None.</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p> |

| | |
|---|---|
| <p>KEVIN J PERRIN</p> <p><i>Non-Executive Director Finance</i> Appointed 17 September 2010</p> <p><i>Deputy Chairman</i> Appointed 20 December 2010</p> <p>Age 64</p> | <p>Kevin Perrin is a Certified Practising Accountant (CPA). Since 1 July 2012, he has been a consultant to Prowse Perrin & Twomey after having been a partner in that business for 37 years. Prowse Perrin & Twomey is a firm of CPA's located in Ballarat which conducts an accounting, taxation, audit and financial advisory practice. He is also a consultant to PPT Financial Pty Ltd, having been a director and shareholder of that company for 22 years. PPT Financial Pty Ltd is an independent investment advisory firm holding an Australian Financial Services Licence. Prior to that time, he held a personal Securities Dealers Licence and was a member of the Stock Exchange of Ballarat Limited.</p> <p>Kevin is Chairman of the Audit and Compliance Committee</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> BCD Resources NL – appointed February 2006, resigned September 2012 BCD Resources (Operations) NL - appointed February 2007, resigned September 2012</p> |
| <p>COLIN GLAZEBROOK</p> <p><i>Executive Director</i> Appointed 20 December 2007</p> <p><i>Chief Executive Officer</i> Appointed 20 December 2007</p> <p>Retired 30 June 2013</p> <p>Age 70</p> | <p>Colin Glazebrook is a geologist with a B.Sc. (Geology Hons, Geophysics) and a Fellow and Chartered Professional (Management) of the AusIMM. He has 50 years' experience in the resources industry including 38 years direct 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 prior to Nagambie including the Wattle Gully Gold Mine at Castlemaine, the Poverty Reef at Tarnagulla, the A1 Mine at Woods Point, Glen Wills and Cassilis.</p> <p><i>Other Current Directorships of Listed Companies</i> None.</p> <p><i>Former Directorships of Listed Companies in last three years</i> None.</p> |

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 degree. 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.

Principal activities

The principal activity of the group during the financial period was exploration for, and development of, gold, associated minerals and construction materials in Victoria.

Review of operations

As at 30 June 2013, the company held six granted Exploration Licences, one Mining Licence and had one Exploration Licence Application in central Victoria. The total area of 605.2 km² was a significant increase on the 267.4 km² total area as at 30 June 2012, reflecting the exploration emphasis on the Nagambie region during 2013 financial year.

| Group Area | Project | Name/Prospect | Licence Number | Area km ² | Interest % |
|--------------------------|--------------------------|----------------|----------------|----------------------|------------|
| Exploration Areas | | | | | |
| Nagambie | Nagambie Regional | Nagambie North | EL 4718 | 34.9 | 100 |
| | | Nagambie South | EL 5327 | 53.0 | 100 |
| | | Nagambie West | EL 5413 | 43.1 | 100 |
| | | Wandean | EL 5430 | 387.0 | 100 |
| | | Wandean West | ELA 5481 | 31.0 | 100 |
| Rushworth | Rushworth | Doctors Gully | EL 4723 | 24.1 | 100 |
| Redcastle | Redcastle | Redcastle | EL 3316 | 28.5 | 100 |
| Development Area | | | | | |
| Nagambie | Nagambie | Nagambie Mine | MIN 5412 | 3.6 | 100 |
| | | | Total | 605.2 | |

All tenements are for gold and associated minerals and are in good standing. Total expenditure on the tenements for the 2013 financial year was \$727,856. The great majority of the expenditure was for the Nagambie Mine and the surrounding exploration licences. The first RC drilling program at Wandean was conducted during the year and confirmed significant bedrock gold mineralisation. Follow up RC drilling at Wandean is planned in the 2014 financial year.

The company's principal objectives continued to be: (1) to evaluate the 100% owned oxide gold prospects on and within economic trucking distance of the Nagambie Mine, targeting a minimum of 100,000 to 200,000 ounces of gold; and (2) to maximise the value of the company's freehold land by developing all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings and the commercialisation of the sand deposits.

Total revenue, principally from sales of non-gold materials, decreased by \$83,413 to \$162,417 for the 2013 financial year. The net loss before impairments of \$563,881 for the 2013 financial year was \$91,323 more than the 2012 financial year loss of \$472,558. Total impairment of exploration tenements for the 2013 financial year, principally for the Redcastle exploration licence, was \$791,300.

A total of \$1,091,618 of funding was raised by the company in the 2013 financial year. \$746,618 was raised from a 1 for 3 Rights Issue at 2.0 cents per share in September 2012. \$195,000 was raised from a Share Purchase Plan (SPP) at 2.0 cents per share in April 2013, leaving a shortfall for the SPP of \$305,000. \$150,000 of that shortfall was placed at 2.0 cents per share with sophisticated and professional investors in May 2013.

Changes in state of affairs

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

Subsequent events

The following event occurred after reporting date and is of significance to the company:

On 6 September 2013 the company announced the completion of the placement to sophisticated and professional investors of 41,000,000 new shares at 2 cents each to raise a total of \$820,000. The increase in working capital will allow the company to drill and evaluate the compelling 100%-owned gold anomaly at Wandean and to apply for a landfill licence covering a specific site at the 100%-owned Nagambie Mine.

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 year and up to the date of this report.

Dividends

No dividends in respect of the current financial period have been paid, declared or recommended for payment (2012:Nil).

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 |
| Kevin Perrin | 1,000,000 |
| Colin Glazebrook | 1,000,000 |
| Alfonso Grillo | 500,000 |

Shares under option or issued on exercise of options

There were no options exercised during the year. Details of issued options are included in the Remuneration Report.

Indemnification of officers and auditors

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

| Directors | Board of directors | | Audit and compliance committee | |
|-------------------|--------------------|----------|--------------------------------|----------|
| | Held | Attended | Held | Attended |
| Michael Trumbull | 6 | 6 | 3 | 3 |
| Geoff Turner | 6 | 6 | 3 | 3 |
| Kevin Perrin | 6 | 6 | 3 | 3 |
| Colin Glazebrook* | 6 | 6 | - | - |

* Colin Glazebrook resigned as a director on 30 June 2013.

Directors' shareholdings

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

| Directors | Fully paid ordinary shares Number | Share options Number |
|------------------|--------------------------------------|-------------------------|
| Michael Trumbull | 21,540,192 | 4,500,000 |
| Geoff Turner | 1,552,779 | 4,500,000 |
| Kevin Perrin | 10,809,780 | 3,000,000 |

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel

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

| | |
|------------------|--|
| Michael Trumbull | Non-Executive Director |
| Geoff Turner | Non-Executive Director |
| Kevin Perrin | Non-Executive Director |
| Colin Glazebrook | Executive Director and Chief Executive Officer (Resigned 30 June 2013) |
| 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 also recommends levels and form of remuneration for non-executive directors with reference to performance, relevant comparative remuneration and when sought independent expert advice. The total sum of remuneration payable to non-executive directors shall not exceed the sum fixed by members of the company in general meeting.

In accordance with ASX Listing Rule 10.17, the current maximum aggregate compensation payable out of the funds of the company to non-executive directors for their services as directors is \$250,000. For the year ending 30 June 2013, the board resolved that the chairman's remuneration be set at \$78,750 (2012: \$78,750) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at \$42,000 (2012: \$42,000) per annum excluding superannuation and share based payments. Where a director performs special duties or otherwise performs consulting services outside of the scope of the ordinary duties of a director then additional amounts will be payable.

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

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 2013.

| | 30 June 2013 \$'000 | 30 June 2012 \$'000 | 30 June 2011 \$'000 | 30 June 2010 \$'000 | 30 June 2009 \$'000 |
|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Revenue | 162 | 246 | 279 | 73 | 84 |
| Net loss before tax | (1,355) | (473) | (420) | (985) | (2,352) |
| Net loss after tax | (1,355) | (473) | (420) | (985) | (2,352) |

| | 30 June 2013 | 30 June 2012 | 30 June 2011 | 30 June 2010 | 30 June 2009 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share price at start of year | \$0.015 | \$0.023 | \$0.030 | \$0.030 | \$0.030 |
| Share price at end of year | \$0.020 | \$0.015 | \$0.023 | \$0.030 | \$0.030 |
| Dividends paid | Nil | Nil | Nil | Nil | Nil |
| Basic earnings per share (cents) | (0.68) | (0.28) | (0.25) | (0.63) | (2.10) |
| Diluted earnings per share (cents) | (0.68) | (0.28) | (0.25) | (0.63) | (2.10) |

Director and executive remuneration

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

| | | Short Term Benefits | Post Employment Benefits | Share Based Payment | Other LongTerm Benefits | Termination Benefits | Total |
|---------------------------------------|-------------|------------------------------------|---|------------------------------------|--|---------------------------------|----------------|
| | | Salary and fees | Superannuation | Options | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | | |
| Michael Trumbull | 2013 | 78,750 | 7,088 | 4,300 | - | - | 90,138 |
| | 2012 | 42,919 | 42,919 | 5,100 | - | - | 90,938 |
| Geoff Turner (1) | 2013 | 135,600 | 3,780 | 4,300 | - | - | 143,680 |
| | 2012 | 119,656 | 3,780 | 5,100 | - | - | 128,536 |
| Kevin Perrin (2) | 2013 | 45,780 | - | 4,300 | - | - | 50,080 |
| | 2012 | 45,780 | - | 5,100 | - | - | 50,880 |
| Colin Glazebrook (3) | 2013 | 200,002 | - | 4,300 | - | - | 204,302 |
| | 2012 | 200,009 | - | 5,100 | - | - | 205,109 |
| Other Key Management Personnel | | | | | | | |
| Alfonso Grillo (4) | 2013 | 36,114 | - | 2,150 | - | - | 38,264 |
| | 2012 | 36,056 | - | 1,275 | - | - | 37,331 |
| Total for Year | 2013 | 496,246 | 10,868 | 19,350 | - | - | 526,464 |
| Total for Year | 2012 | 444,420 | 46,699 | 21,675 | - | - | 512,794 |

Apart from the contract disclosed at (3) below there were no other contracts with management or directors in place during the 2013 and the 2012 financial years.

- (1) During the 2013 financial year Geoff Turner was paid director's fees of \$42,000 (2012: \$42,000) plus \$3,780 (2012: \$3,780) in superannuation for his services as a director of the company. The company also paid fees of \$93,600 (2012: \$77,656) to Exploration Management Services Pty Ltd (EMS), an entity controlled by Geoff Turner, for professional geological consultancy services provided by Geoff Turner and other EMS personnel.
- (2) During the 2013 financial year fees of \$45,780 (2012: \$45,780) were paid to Vinda Pty Ltd, an entity controlled by Kevin Perrin, for his services as a director of the company. The company also paid fees of Nil (2012: \$19,350) to Prowse Perrin & Twomey for accounting services. Prowse Perrin & Twomey is a firm of Certified Practising Accountants in which Kevin Perrin was a partner during 2012. He ceased to be a partner on 30 June 2012.
- (3) Colin Glazebrook was employed under a contract which expired on 30 June 2013.
- (4) During the 2013 financial year fees of \$114,507 (2012: \$86,682) were paid to TressCox Lawyers which includes secretarial fees of \$36,114 (2012: \$36,056). Alfonso Grillo is a partner in the legal firm of TressCox Lawyers. Share options were also issued to Alfonso Grillo for the provision of services as company secretary.

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, or as otherwise determined by the board of directors. There are 20,650,000 share options on issue under this plan, of which 19,500,000 are executive share options.

Options held at the end of the reporting period

| Number of Options | Grant Date | Vesting Date | Expiry Date | Exercise Price |
|-------------------|------------|--------------|-------------|----------------|
| 550,000 | 04/09/2008 | 04/09/2010 | 04/09/2013 | 10 cents |
| 4,000,000 | 02/12/2008 | 02/12/2010 | 02/12/2013 | 10 cents |
| 550,000 | 09/07/2009 | 09/07/2011 | 09/07/2014 | 10 cents |
| 2,000,000 | 17/12/2009 | 17/12/2011 | 17/12/2014 | 10 cents |
| 4,000,000 | 26/11/2010 | 26/11/2012 | 26/11/2015 | 10 cents |
| 400,000 | 11/03/2011 | 11/03/2013 | 11/03/2016 | 10 cents |
| 4,400,000 | 30/11/2011 | 30/11/2011 | 30/11/2016 | 10 cents |
| 4,750,000 | 31/10/2012 | 31/10/2012 | 31/10/2017 | 10 cents |
| <u>20,650,000</u> | | | | |

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and senior management relate to the 2013 financial year:

| Name | Option series | Number granted | Number vested | % of grant vested | % of grant forfeited | % of compensation for year consisting of options |
|------------------|--------------------|----------------|---------------|-------------------|----------------------|--|
| Michael Trumbull | issued 31 Oct 2012 | 1,000,000 | 1,000,000 | 100% | 0% | 5% |
| Geoff Turner | issued 31 Oct 2012 | 1,000,000 | 1,000,000 | 100% | 0% | 3% |
| Kevin Perrin | issued 31 Oct 2012 | 1,000,000 | 1,000,000 | 100% | 0% | 9% |
| Colin Glazebrook | issued 31 Oct 2012 | 1,000,000 | 1,000,000 | 100% | 0% | 2% |
| Alfonso Grillo | issued 31 Oct 2012 | 500,000 | 500,000 | 100% | 0% | 6% |

The following table summarises the value of options granted, exercised or lapsed during the 2013 financial year to directors and senior management:

| Name | 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 |
|------------------|--|---|--|
| | \$ | \$ | \$ |
| Michael Trumbull | 4,300 | Nil | Nil |
| Geoff Turner | 4,300 | Nil | Nil |
| Kevin Perrin | 4,300 | Nil | Nil |
| Colin Glazebrook | 4,300 | Nil | Nil |
| Alfonso Grillo | 2,150 | 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.

No options were exercised or expired during the reporting period.

Non-audit services

As detailed in note 24 to the financial statements no amount has been paid to the auditor during the financial year for non-audit services.

Auditor's independence declaration

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

Proceedings on behalf of the company

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

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

On behalf of the directors



Michael W Trumbull
Executive Chairman

Melbourne
27 September 2013

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2013 there have been:

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



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



J.C. Luckins
Director

Dated this 27th day of September, 2013

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | Hawthorn: Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
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Statement of Comprehensive Income for the financial year ended 30 June 2013

| | Note | Consolidated | |
|--|------|--------------------|------------------|
| | | 2013 \$ | 2012 \$ |
| Revenue | 4 | 162,417 | 245,830 |
| Corporate expenses | | (453,975) | (476,565) |
| Depreciation and amortisation | | (10,184) | (20,433) |
| Employee benefits expense | 4 | (31,495) | (32,625) |
| Finance costs | 4 | (230,644) | (188,765) |
| Impairment of exploration assets | 10 | (791,300) | - |
| Loss before income tax | | (1,355,181) | (472,558) |
| Income tax expense | 5 | - | - |
| Loss for the year | | (1,355,181) | (472,558) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (1,355,181) | (472,558) |
| Earnings per share | | | |
| Basic and diluted earnings per share in cents | 6 | (0.68) | (0.28) |

The accompanying notes form part of these financial statements

Statement of Financial Position as at 30 June 2013

| | Note | Consolidated | |
|--------------------------------------|-------|------------------|------------------|
| | | 2013 \$ | 2012 \$ |
| Current assets | | | |
| Cash and cash equivalents | 14(b) | 110,568 | 344,656 |
| Trade and other receivables | 7 | 35,407 | 35,460 |
| Total current assets | | 145,975 | 380,116 |
| Non-current assets | | | |
| Security deposits | 8 | 594,231 | 565,214 |
| Property, plant and equipment | 9 | 67,619 | 77,803 |
| Exploration and evaluation assets | 10 | 5,591,202 | 5,654,646 |
| Total non-current assets | | 6,253,052 | 6,297,663 |
| Total assets | | 6,399,027 | 6,677,779 |
| Current liabilities | | | |
| Trade and other payables | 11 | 129,161 | 113,286 |
| Borrowings | 15 | - | 10,086 |
| Provisions | 16 | 5,613 | 3,180 |
| Total current liabilities | | 134,774 | 126,552 |
| Non-current liabilities | | | |
| Borrowings | 15 | 2,300,000 | 2,300,000 |
| Total non-current liabilities | | 2,300,000 | 2,300,000 |
| Total liabilities | | 2,434,774 | 2,426,552 |
| Net assets | | 3,964,253 | 4,251,227 |
| Equity | | | |
| Issued capital | 12 | 14,849,266 | 13,801,484 |
| Reserves | 13 | 142,424 | 121,999 |
| Accumulated losses | | (11,027,437) | (9,672,256) |
| Total equity | | 3,964,253 | 4,251,227 |

The accompanying notes form part of these financial statements

**Statement of Changes in Equity
for the financial year ended 30 June 2013**

| | Consolidated | | | Total \$ |
|-------------------------------------|-------------------------|--------------------------|-----------------------------|------------------|
| | Issued capital \$ | Options reserve \$ | Accumulated losses \$ | |
| Balance at 1 July 2011 | 13,801,484 | 99,559 | (9,199,698) | 4,701,345 |
| Recognition of share based payments | - | 22,440 | - | 22,440 |
| Total comprehensive income | - | - | (472,558) | (472,558) |
| Balance at 30 June 2012 | 13,801,484 | 121,999 | (9,672,256) | 4,251,227 |
| Shares issued during the year | 1,091,618 | | | 1,091,618 |
| Share issue costs | (43,836) | | | (43,836) |
| Recognition of share based payments | - | 20,425 | - | 20,425 |
| Total comprehensive income | - | - | (1,355,181) | (1,355,181) |
| Balance at 30 June 2013 | 14,849,266 | 142,424 | (11,027,437) | 3,964,253 |

The accompanying notes form part of these financial statements

Statement of Cash Flows for the financial year ended 30 June 2013

| | | Consolidated | |
|---|------------------|------------------|--|
| Note | 2013 \$ | 2012 \$ | |
| Cash flows from operating activities | | | |
| | 123,992 | 268,662 | |
| | (446,737) | (641,716) | |
| | 38,478 | 28,075 | |
| | (230,644) | (129,381) | |
| | (514,911) | (474,360) | |
| 14(a) | | | |
| Cash flows from investing activities | | | |
| | - | (963) | |
| | - | 16,182 | |
| | (727,856) | (504,399) | |
| | - | 17,747 | |
| | (29,017) | - | |
| | (756,873) | (471,433) | |
| Cash flows from financing activities | | | |
| | (10,086) | (28,778) | |
| | 1,091,618 | - | |
| | - | 1,300,000 | |
| | (43,836) | - | |
| | 1,037,696 | 1,271,222 | |
| Net increase (decrease) in cash and cash equivalents | | | |
| | (234,088) | 325,429 | |
| | 344,656 | 19,227 | |
| | 110,568 | 344,656 | |
| 14(b) | | | |

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the financial year ended 30 June 2013

1. General information

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

The registered office and principal place of business for the Company are located at 533 Zanelli Road, Nagambie Vic 3608.

2. Significant accounting policies

Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements include the consolidated financial statements of the Group.

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

Basis of preparation

The financial statements have been prepared on 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. Comparative information where necessary has been reclassified in order to achieve consistency in presentation with amounts disclosed in the current year.

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

(a) Going concern

For the year ended 30 June 2013 the consolidated net loss was \$1,355,181 (2012: \$472,558). The net cash outflows from operations for the year were \$514,911 (2012: \$474,360).

The Group has cancellable planned exploration expenditure under its leased tenements extending to 30 June 2014 of \$596,126 (2013: \$671,980).

The directors have assessed the current cash balances available to the entity, along with the operating and capital expenditure plans and expected obligations over the next 12 months and the anticipated growth in sales of non-gold materials from the Nagambie Mine. The assessment shows that the raising of \$820,000 in September 2013 from the recently announced placement of shares should provide sufficient funding for the Group over the next 12 months.

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

- Reclaiming cash backed environmental bonds for mineral tenements with the Department of State Development, Business and Innovation Victoria and therefore foregoing any capital commitments on those tenements surrendered; and
- Scaling back its administrative and corporate costs.

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (referred to as 'the Group' in these financial statements). 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 statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

(c) Cash and cash equivalents

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

2. Significant accounting policies (continued)**(d) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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 at the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to the end of the reporting period.

Contributions to defined contribution superannuation plans are expensed when incurred.

(e) Financial assets and liabilities

Financial assets and liabilities are recognised 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.

Financial assets and liabilities are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets and liabilities are subsequently measured at amortised cost using the effective interest rate method.

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 all debt instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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.

(f) Exploration and evaluation assets

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

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

2. Significant accounting policies (continued)

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

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

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

(g) Impairment of tangible assets other than exploration and evaluation assets

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

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

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

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

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

(h) Income tax

Current tax

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

Deferred tax

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

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

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.

2. Significant accounting policies (continued)

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(i) Leased assets

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

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

(j) Property, plant and equipment

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

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

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

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

(k) Provisions

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

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

(l) Revenue

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

Sale of Rock revenue

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

Interest revenue

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.

2. Significant accounting policies (continued)

(m) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of 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.

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

(n) Goods and services tax

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

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

(o) 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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.

Valuation of convertible notes

Convertible notes are measured at amortised cost as there is no market evidence available that would allow the Group to measure the fair value residual component of the notes in equity.

(p) Parent entity information

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

(q) Adoption of new and revised standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. Adoption of these standards has not materially impacted upon the disclosures in these financial statements.

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

The Australian Accounting Standards Board has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided to early adopt these standards, the effect of which has not materially impacted upon the disclosures in these financial statements.

4. Revenue and expenses

| | Consolidated | |
|--|---------------------|----------------|
| | 2013 | 2012 |
| | \$ | \$ |
| The loss before income tax includes the following items of revenue and expenses. | | |
| (a) Revenue | | |
| Operating revenue | | |
| Sale of non-gold materials | 123,939 | 194,065 |
| Other revenue | | |
| Interest | 38,478 | 37,836 |
| Profit on sale of fixed assets | - | 13,929 |
| Total revenue | 162,417 | 245,830 |
| (b) Expenses | | |
| Employee benefits expense | | |
| Employee benefits | 6,227 | 1,832 |
| Share based payments expense | 20,425 | 24,440 |
| Superannuation expense | 4,843 | 6,353 |
| | 31,495 | 32,625 |
| Finance costs | | |
| Interest | 230,644 | 164,735 |
| Convertible note issue expenses | - | 24,030 |
| | 230,644 | 188,765 |

5. Income tax

- (a) The tax rate used in this reconciliation is the corporate tax rate of 30%

| | | |
|---|-------------|-----------|
| Loss from operations | (1,355,181) | (472,558) |
| Prima facie tax calculated at 30% (2012: 30%) | (406,554) | (141,767) |
| Add tax effect of: | | |
| - Non deductible expenses | (7,557) | (2,829) |
| - Share based payments | 6,128 | 7,332 |
| Less tax effect of: | | |
| Current year tax loss not recognised | 407,983 | 137,264 |
| Income Tax Expense | - | - |

- (b) The following deferred tax asset is not recognised due to the uncertainty of timing in relation to when future taxable profits will be derived.

| | | |
|---|-----------|-----------|
| A deferred tax asset attributable to tax losses and timing differences has not been brought to account. | 3,535,804 | 3,127,821 |
|---|-----------|-----------|

6. Earnings per share

| | Consolidated | |
|--|---------------------|------|
| | 2013 | 2012 |
| | \$ | \$ |

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

| | | |
|--|--------------------|-------------|
| Net loss | 1,355,181 | 472,558 |
| Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share | 199,013,837 | 168,859,948 |

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

7. Receivables

| | | |
|--------------------------|---------------|--------|
| Trade receivables | 2,471 | 9,761 |
| Other receivables | 32,936 | 25,699 |
| Total receivables | 35,407 | 35,460 |

8. Security deposits**Non-current assets**

| | | |
|---|----------------|---------|
| Security deposits - environmental bonds (i) | 593,016 | 564,000 |
| Security deposits - rental bonds | 1,215 | 1,214 |
| Total other assets | 594,231 | 565,214 |

(i) Security deposits – environmental bonds

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

9. Property, plant and equipment

| | Consolidated | | | | |
|--------------------------------|---------------|---------------------|--------------------|-----------------|------------------|
| | Land | Plant and equipment | Computer equipment | Motor vehicles | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Gross carrying amount | | | | | |
| Balance at 1 July 2011 | 27,028 | 67,423 | 124,831 | 130,845 | 350,127 |
| Additions | - | - | 963 | - | 963 |
| Disposals | - | - | (2,103) | (44,634) | (46,737) |
| Balance at 1 July 2012 | 27,028 | 67,423 | 123,691 | 86,211 | 304,353 |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Balance at 30 June 2013 | 27,028 | 67,423 | 123,691 | 86,211 | 304,353 |
| Balance at 1 July 2011 | - | (26,948) | (101,767) | (121,886) | (250,601) |
| Depreciation expense | - | (6,496) | (11,855) | (2,082) | (20,433) |
| Disposals | - | - | 1,753 | 42,731 | 44,484 |
| Balance at 1 July 2012 | - | (33,444) | (111,869) | (81,237) | (226,550) |
| Depreciation expense | - | (5,394) | (3,546) | (1,244) | (10,184) |
| Disposals | - | - | - | - | - |
| Balance at 30 June 2013 | - | (38,838) | (115,415) | (82,481) | (236,734) |
| Net book value | | | | | |
| As at 30 June 2012 | 27,028 | 33,979 | 11,822 | 4,974 | 77,803 |
| As at 30 June 2013 | 27,028 | 28,585 | 8,276 | 3,730 | 67,619 |

10. Exploration and evaluation assets

| | Consolidated | |
|--|------------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| Balance at beginning of the year | 5,654,646 | 5,150,247 |
| Exploration costs capitalised for the year | 727,856 | 504,399 |
| Impairment charge for the year | (791,300) | - |
| Balance at end of the year | 5,591,202 | 5,654,646 |

During the financial year the group reassessed the recoverable value of all tenement areas of interest to which exploration costs had been capitalised and some impairment charges were deemed applicable. The impairment charge for the year was determined at the end of the financial year and was calculated on a pro-rata basis of the specific area surrendered to the total area for that tenement.

11. Trade and other payables

| | | |
|----------------|----------------|---------|
| Trade payables | 61,494 | 53,675 |
| Other payables | 67,667 | 59,611 |
| | 129,161 | 113,286 |

12 Issued capital**(a) Issued and paid capital**

| | | |
|----------------------------|-------------------|------------|
| Ordinary shares fully paid | 14,849,266 | 13,801,484 |
|----------------------------|-------------------|------------|

(b) Movements in shares on issue

| | Year ended 30 June 2013 | | Year ended 30 June 2012 | |
|---|----------------------------|----------------------|----------------------------|----------------------|
| | Number of shares issued | Issued capital \$ | Number of shares issued | Issued capital \$ |
| Balance at beginning of the year | 168,859,948 | 13,801,484 | 168,859,948 | 13,801,484 |
| Movements during the year | | | - | - |
| Rights issue 2 October 2012 | 37,330,884 | 746,618 | | |
| Share purchase plan 29 April 2013 | 9,750,000 | 195,000 | | |
| Placement 23 May 2013 | 7,500,000 | 150,000 | | |
| Share issue expenses | - | (43,836) | | |
| Balance at end of the year | 223,440,832 | 14,849,266 | 168,859,948 | 13,801,484 |

(c) Terms and conditions of issued capital

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

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

Share options granted under the employee share option plan

As at 30 June 2013 there were 2,650,000 options over ordinary shares. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees (2012: 1,900,000). Of these options 2,650,000 were vested by 30 June 2013 (2012: 1,500,000).

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

Other share options on issue

As at 30 June 2013 there were 18,000,000 options over ordinary shares issued to directors (2012: 14,000,000). Of these options 16,000,000 were vested by 30 June 2013 (2012: 11,000,000).

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

13. Reserves

| | Consolidated | |
|-------------------------------------|---------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Options Reserve | | |
| Balance at beginning of the year | 121,999 | 99,559 |
| Recognition of share based payments | 20,425 | 22,440 |
| Balance at end of the year | 142,424 | 121,999 |

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

14 Notes to the statement of cash flows**(a) Reconciliation of loss after tax to net cash flows from operations**

| | | |
|---|--------------------|-----------|
| Net loss for the period | (1,355,181) | (472,558) |
| Depreciation of property, plant and equipment | 10,184 | 20,433 |
| Share option expenses | 20,425 | 22,440 |
| Profit on sale of fixed assets | - | (13,929) |
| Impairment of exploration and evaluation assets | 791,300 | - |
| <i>Changes in assets and liabilities</i> | | |
| (Increase)/Decrease in receivables | 53 | 74,597 |
| Increase/(Decrease) in creditors | 15,875 | (107,175) |
| Increase/(Decrease) in employee provisions | 2,433 | 1,832 |
| Net cash used in operating activities | (514,911) | (474,360) |

(b) Reconciliation of cash

Cash and cash equivalents comprise:

| | | |
|--------------------------|----------------|---------|
| Cash on hand and at call | 110,568 | 344,656 |
| | 110,568 | 344,656 |

15. Borrowings**Current**

| | | |
|-------------------------------|---|--------|
| Secured chattel mortgage loan | - | 10,086 |
|-------------------------------|---|--------|

Non-current

| | | |
|---------------------------------|------------------|-----------|
| Secured chattel mortgage loan | - | - |
| Unsecured convertible notes (i) | 2,300,000 | 2,300,000 |
| | 2,300,000 | 2,300,000 |

Total borrowings

| | | |
|--|------------------|-----------|
| | 2,300,000 | 2,310,086 |
|--|------------------|-----------|

(i) The Company has issued 3 series of Unsecured Convertible Notes for a total of \$2,300,000.

Series 1: 25 million Notes issued at 4 cents on 14 September 2010 for a total of \$1,000,000.

Series 2: 13.75 million Notes issued at 4 cents on 2 September 2011 for a total of \$550,000

Series 3: 25 million Notes issued at 3 cents on 4 May 2012 for a total of \$750,000

Each series of Convertible Note has the following terms:

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

16. Provisions

| | Consolidated | |
|----------------------------------|---------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Current | | |
| Employee benefits – annual leave | 5,613 | 3,180 |

17. Planned exploration expenditure**(a) Planned exploration expenditure**

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

| | | |
|--|------------------|-----------|
| Not longer than 1 year | 596,126 | 671,980 |
| Longer than 1 year and not longer than 5 years | 1,733,754 | 1,443,660 |
| Longer than 5 years | - | - |
| | 2,329,880 | 2,115,640 |

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2013 or 30 June 2012.

(c) Operating lease commitments

| | | |
|--|--------------|-------|
| Not longer than 1 year | 3,726 | 3,386 |
| Longer than 1 year and not longer than 5 years | - | - |
| Longer than 5 years | - | - |
| | 3,726 | 3,386 |

The above relates to a non-cancellable property lease on a house at Nagambie which is used for company business. The lease is for a 12 month period expiring in October 2013. There is no option to purchase the property at the end of the lease period.

18. Subsidiaries

| <u>Name of entity</u> | <u>Country of incorporation</u> | Ownership interest | |
|-------------------------------|--|---------------------------|-------------|
| | | 2013 | 2012 |
| | | % | % |
| Parent entity | | | |
| Nagambie Mining Limited | Australia | - | - |
| Subsidiaries | | | |
| Sierra Minerals Pty Ltd | Australia | 100 | 100 |
| Nagambie Developments Pty Ltd | Australia | 100 | 100 |

19. Financial instruments

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

- It has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars;
- It has no significant outstanding receivable balances that have a credit risk;
- Its mining operations are in the exploration phase and therefore have no direct exposure to movements in commodity prices;
- All of the interest bearing instruments are held at amortised cost which have fair values that approximate their carrying values since all cash and payables have maturity dates within one financial year. The chattel mortgage loans have repayment terms up to 1 year. Term deposits on environmental bonds and convertible notes have interest rate yields consistent with current market rates;
- All of the financing for the Group is from equity and convertible note instruments, and
- The Group has no externally imposed capital requirements.

(a) Categories of financial instruments

| | Consolidated | |
|-------------------------------|---------------------|-----------|
| | 2013 | 2012 |
| | \$ | \$ |
| Financial assets | | |
| Term deposits and receivables | 629,638 | 600,674 |
| Cash and cash equivalents | 110,568 | 344,656 |
| Financial liabilities | | |
| Trade and other payables | 129,161 | 113,286 |
| Borrowings | 2,300,000 | 2,310,086 |

(b) Liquidity risk management

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

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

| Consolidated liabilities | Weighted average effective interest rate | Less than 1 month | 1-3 months | 3 months to 1 year | 1-5 years | 5+ years |
|---------------------------------|---|------------------------------|-----------------------|-------------------------------|------------------|-----------------|
| | % | \$ | \$ | \$ | \$ | \$ |
| 2013 | | | | | | |
| Trade and other payables | - | 129,161 | - | - | - | - |
| Convertible notes | 10.00 | - | 77,500 | 152,500 | 2,812,500 | - |
| | | 129,161 | 77,500 | 152,500 | 2,812,500 | - |
| 2012 | | | | | | |
| Trade and other payables | - | 113,286 | - | - | - | - |
| Chattel mortgage liabilities | 11.73 | 895 | 2,685 | 7,158 | - | - |
| Convertible notes | 10.00 | - | 77,500 | 152,500 | 3,220,000 | - |
| | | 114,181 | 80,185 | 159,658 | 3,220,000 | - |

20. Share-based payments

The consolidated entity has an ownership-based remuneration scheme for executives (including executive directors) of the company. In accordance with the provisions of the scheme, as approved by shareholders at a previous annual general meeting, executives with the company may be granted options to purchase parcels of ordinary shares at an exercise price determined at the discretion of the board of directors. Each executive share option converts into one ordinary share of Nagambie 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. The options granted expire five years after their issue, or one month after the resignation of the executive, whichever is the earlier. There is a total of 20,650,000 (2012: 15,900,000) options on issue. Of these 2,650,000 (2012: 1,900,000) have been issued to executives and employees and the balance of 18,000,000 (2012: 14,000,000) have been issued to directors as approved by shareholders.

Information with respect to the number of all options granted including executive options is as follows:

| | 30 June 2013 | | 30 June 2012 | |
|--------------------------------|-------------------|----------------|-------------------|----------------|
| | Number of options | Exercise price | Number of options | Exercise price |
| Balance at beginning of period | 15,900,000 | 10 cents | 11,500,000 | 10 cents |
| granted during year | 4,750,000 | 10 cents | 4,400,000 | 10 cents |
| lapsed or exercised | - | - | - | - |
| Balance at end of period | 20,650,000 | 10 cents | 15,900,000 | 10 cents |

Options held at the end of the reporting period

| Number of options | Grant date | Vesting date | Expiry date | Exercise price | Fair value at grant date |
|-------------------|------------|--------------|-------------|----------------|--------------------------|
| 550,000 | 04/09/2008 | 04/09/2010 | 04/09/2013 | 10 cents | 0.80 cents |
| 4,000,000 | 02/12/2008 | 02/12/2010 | 02/12/2013 | 10 cents | 0.90 cents |
| 550,000 | 09/07/2009 | 09/07/2011 | 09/07/2014 | 10 cents | 1.30 cents |
| 2,000,000 | 17/12/2009 | 17/12/2011 | 17/12/2014 | 10 cents | 1.30 cents |
| 4,000,000 | 26/11/2010 | 26/11/2012 | 26/11/2015 | 10 cents | 0.60 cents |
| 400,000 | 11/03/2011 | 11/03/2013 | 11/03/2016 | 10 cents | 0.60 cents |
| 4,400,000 | 30/11/2011 | 30/11/2011 | 30/11/2016 | 10 cents | 0.51 cents |
| 4,750,000 | 31/10/2012 | 31/10/2012 | 31/10/2017 | 10 cents | 0.43 cents |
| 20,650,000 | | | | | |

(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.

The weighted average fair value of the share options granted during the financial year is \$0.0043 (2012: \$0.0051). 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 non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 3 years. The options may not be exercised early, executives and senior employees are not able to exercise the options before vesting date.

| Inputs into the model | Options |
|---------------------------|------------|
| Grant date | 31/10/2012 |
| Options Issued | 4,750,000 |
| Share price at grant date | \$0.033 |
| Exercise price | \$0.10 |
| Expected volatility | 76% |
| Option life | 5 years |
| Dividend yield | Nil |
| Risk free interest rate | 2.50% |
| Vesting date | 31/10/2012 |

21. Key management personnel compensation

| | Consolidated | |
|------------------------------|----------------|----------------|
| | 2013 \$ | 2012 \$ |
| Short-term employee benefits | 496,246 | 444,420 |
| Post-employment benefits | 10,868 | 46,699 |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payment | 19,350 | 21,675 |
| | 526,464 | 512,794 |

(a) Remuneration options: granted and vested during the period

There were 4,750,000 options issued during the reporting period relating to key management personnel (2012: 4,400,000).

(b) Shares 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 (2012: Nil).

(c) Option holdings of key management personnel

| Year ended 30 June 2013 | Opening Balance 1 July 2012 | Granted as remuneration | Options exercised or transferred out | Closing Balance 30 June 2013 | Vested and exercisable at 30 June 2013 |
|----------------------------|-----------------------------------|----------------------------|--|------------------------------------|--|
| Michael Trumbull | 3,500,000 | 1,000,000 | - | 4,500,000 | 4,500,000 |
| Geoff Turner | 3,500,000 | 1,000,000 | - | 4,500,000 | 4,500,000 |
| Kevin Perrin | 2,000,000 | 1,000,000 | - | 3,000,000 | 3,000,000 |
| Colin Glazebrook | 5,000,000 | 1,000,000 | - | 6,000,000 | 6,000,000 |
| Alfonso Grillo | 1,000,000 | 500,000 | - | 1,500,000 | 1,500,000 |
| Total | 15,000,000 | 4,500,000 | - | 19,500,000 | 17,500,000 |

| Year ended 30 June 2012 | Opening Balance 1 July 2011 | Granted as remuneration | Options exercised or transferred out | Closing Balance 30 June 2012 | Vested and exercisable at 30 June 2012 |
|----------------------------|-----------------------------------|----------------------------|--|------------------------------------|--|
| Michael Trumbull | 2,500,000 | 1,000,000 | - | 3,500,000 | 2,500,000 |
| Geoff Turner | 2,500,000 | 1,000,000 | - | 3,500,000 | 2,500,000 |
| Kevin Perrin | 1,000,000 | 1,000,000 | - | 2,000,000 | 1,000,000 |
| Colin Glazebrook | 4,000,000 | 1,000,000 | - | 5,000,000 | 3,000,000 |
| Alfonso Grillo | 750,000 | 250,000 | - | 1,000,000 | 750,000 |
| Total | 10,750,000 | 4,250,000 | - | 15,000,000 | 11,750,000 |

21. Key management personnel compensation (continued)**(d) Shareholdings of key management personnel**

| Year ended 30 June 2013 Ordinary shares | Balance 1 July 2012 | Granted as remuneration | On exercise of options | Net change (1) | Balance 30 June 2013 |
|--|------------------------|----------------------------|---------------------------|-------------------|-------------------------|
| Michael Trumbull | 17,265,192 | - | - | 4,275,000 | 21,540,192 |
| Geoff Turner | 602,084 | - | - | 950,695 | 1,552,779 |
| Kevin Perrin | 7,544,834 | - | - | 3,264,946 | 10,809,780 |
| Colin Glazebrook* | 779,167 | - | - | (779,167) | - |
| Total | 26,191,277 | - | - | 7,711,474 | 33,902,751 |

| Year ended 30 June 2012 Ordinary shares | Balance 1 July 2011 | Granted as remuneration | On exercise of options | Net change (1) | Balance 30 June 2012 |
|--|------------------------|----------------------------|---------------------------|-------------------|-------------------------|
| Michael Trumbull | 17,265,192 | - | - | - | 17,265,192 |
| Geoff Turner | 602,084 | - | - | - | 602,084 |
| Kevin Perrin | 7,544,834 | - | - | - | 7,544,834 |
| Colin Glazebrook | 779,167 | - | - | - | 779,167 |
| Total | 26,191,277 | - | - | - | 26,191,277 |

(1) Net change refers to on and off market acquisitions/disposals.

* Colin Glazebrook resigned as a director on 30 June 2013

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

22. Related party transactions**(a) Transactions with key management personnel and related parties**

The company paid consulting fees of \$93,600 (2012: \$77,656) to Exploration Management Services Pty Ltd, an entity controlled by Geoff Turner.

The company paid consulting fees of \$45,780 (2012: \$45,780) to Vinda Pty Ltd, an entity controlled by Kevin Perrin. The company also paid fees of Nil (2012: \$19,350) to Prowse Perrin & Twomey for accounting services. Prowse Perrin & Twomey is a firm of Certified Practising Accountants in which Kevin Perrin was a partner during 2012. He ceased to be a partner on 30 June 2012.

The company paid consulting fees of \$200,002 (2012: \$200,009) to Glazco Consultants Pty Ltd, an entity controlled by Colin Glazebrook.

The company paid legal and consulting fees of \$114,507 (2012: \$95,350) to TressCox Lawyers, a firm of solicitors of which Alfonso Grillo is a Partner. This amount includes the fees for Alfonso Grillo acting as Company Secretary.

All transactions between related parties were on normal terms and conditions no more favourable than those available to other parties unless otherwise stated.

As at 30 June 2013 the Group owed trade payables to related parties of its key management personnel totaling \$17,649 (2012: \$44,233). These liabilities were unsecured and payable at call and had no interest-bearing terms.

23. Segment information

The Group operates in one principal geographical area – in Australia. The Group carries out exploration for, and development of gold associated minerals and construction materials in the area.

24. Remuneration of auditors

| | Consolidated | |
|---|---------------------|---------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Auditor of the parent entity | | |
| Audit or review of the financial report | 20,020 | 19,120 |
| Other non-audit services – taxation related | - | 8,800 |
| | 20,020 | 27,920 |

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

25. Contingent liabilities

Apart from the matter described in Note 8 Nagambie Mining Limited has no contingent liability as at 30 June 2013.

26. Subsequent events

The following event occurred after balance date and it is of significance to the company:

On 6 September 2013 the company announced the completion of the placement to sophisticated and professional investors of 41,000,000 new shares at 2 cents each to raise a total of \$820,000. The increase in working capital will allow the company to drill and evaluate the compelling 100%-owned gold anomaly at Wandean and to apply for a landfill licence covering a specific site at the 100%-owned Nagambie Mine.

27. Parent entity disclosures

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

| | Parent | |
|----------------------------|---------------------|-------------|
| | 2013 | 2012 |
| | \$ | \$ |
| Current assets | 145,975 | 380,116 |
| Total assets | 6,399,027 | 6,677,779 |
| Current liabilities | 134,774 | 126,552 |
| Total liabilities | 2,434,774 | 2,426,552 |
| Issued capital | 14,849,266 | 13,801,484 |
| Options reserve | 142,424 | 121,999 |
| Accumulated losses | (11,027,437) | (9,672,256) |
| Loss | (1,355,181) | (472,558) |
| Total comprehensive income | (1,355,181) | (472,558) |

There were no contingent liabilities and commitments of the parent entity not otherwise disclosed in the consolidated financial statements. Guarantees of the Company are discussed at note 8.

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards which, as stated in accounting policy note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the directors



Michael W Trumbull
Executive Chairman

Melbourne
27 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report of comprising Nagambie Mining Limited (the company) and the entities it controlled at year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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.

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

Independence

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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED AND CONTROLLED ENTITIES (CONT)

Auditor's Opinion

In our opinion:

- a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its 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 2.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in the going concern paragraph in Note 2 to the financial statements, there is inherent uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the Corporations Act 2001.

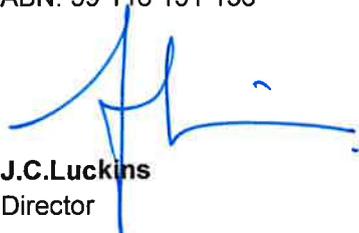
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED AND CONTROLLED ENTITIES (CONT)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Nagambie Mining Limited for the year ended 30 June 2013 included on the company's website. The company's directors are responsible for the integrity of the website. We have not been engaged to report on the integrity of the website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this website.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink that reads 'J.C. Luckins'.

J.C. Luckins
Director

Dated this 27th day of September, 2013