

HIGHLIGHTS

- At Wandean, a 20-hole, first-pass RC drilling program was completed at the end of the quarter. Nagambie Mine-style geology was encountered in some holes. Assays are pending.
- At Longwood, an 18-hole, first-pass Aircore drilling program was completed at the end of the quarter. No significant gold assays resulted and a soil sampling program is being carried out to guide further drilling.
- One of Nagambie Mining's best ever gold-in-soil results is 1.8 km east of the Nagambie Mine and coincident with the interpreted Nagambie Mine Thrust. The result of 66 ppb gold (background for the area is 0 to 2 ppb gold) indicates a compelling drill target.
- Additional Nagambie regional exploration licences have been applied for. EL 5438 (156 km²) has been granted and EL 5454 (67 km²) and EL 5458 (61 km²) are still under application.

COMMENTARY ON THE QUARTER

Nagambie Mining Chairman, Mike Trumbull said: ***“Drilling activity was the main focus during the quarter. Assays are pending for Wandean while Longwood requires further work to pin down the position of the Nagambie Mine Thrust.*”**

“Nagambie East has become a priority target with a very strong gold soil anomaly being located 1.8 km east of the Mine and coincident with the interpreted position of the Nagambie Mine Thrust.”

NAGAMBIE MINING

Nagambie Mining Limited is an Australian ASX-listed gold company that is focussed on the discovery, evaluation and development of shallow, open-pitTABLE and heap-leachable gold deposits.

The Company holds 100% of over 500 km² of exploration tenements in central Victoria encompassing historic goldfields at Nagambie, Redcastle and Rushworth. It is testing new structural and mineralisation concepts for gold mineralisation by employing geological, geophysical and geochemical techniques.

Nagambie Mining is also developing construction material opportunities at the Nagambie Mine site, principally for rock and sand products and to ultimately maximise the value of the freehold land owned by the Company at the mine.

SHARES ON ISSUE

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EXPLORATION

1. NAGAMBIE REGIONAL GOLD PROJECT

The Nagambie Regional Gold Project covers five granted explorations licences (ELs 4718, 5327, 5413, 5430 and 5438) and two exploration licence applications (ELs 5454 and 5458). Total granted area is 400 km². This would increase to 528 km² if the two applications are also granted.

1.1 Wandean

Wandean, 9 km north west of the Nagambie Mine, has the structural, rock type and surface mineralisation characteristics that were present at Hill 158 before it was drilled out and later mined as the East Pit at the Nagambie Mine in the 1990s.

A 20-hole, first-pass RC drilling program was completed at the end of the quarter. 2 north-south traverses of 5 holes each were drilled across each of the 2 prospective east-west zones. Nagambie Mine-style geology was encountered in some holes. Assays are pending.

1.2 Longwood

Longwood is approximately 9 km east of the Nagambie Mine and on trend with the east-west Nagambie Mine Thrust.

An 18-hole, first-pass Aircore drilling program was completed at the end of the quarter with the aim of upgrading the prospect. No significant gold assays resulted and a soil sampling program is being completed to guide further drilling.

1.3 Nagambie East

Soil sampling has significantly upgraded the Nagambie East area, east of the Nagambie Mine.

The Company's soil sampling protocols have been shown to be effective for the Nagambie region.

Basement throughout the area is Devonian marine sediments, fine grained mudstones/siltstones with lesser sandstone. Tertiary clays, sands and gravels have subsequently been deposited as cover over most of the Nagambie area through regional alluvial action.

Surface soil can host dispersed traces of mineralisation sourced from the underlying basement rocks. Plants and bacteria can biochemically influence the process, transporting elements from the basement source through the overlying cover to the surface soil.

Dargalong Road, which runs north-south and is 1.8 km east of the Nagambie Mine, has been soil sampled every 100 metres over 14.2 km. Background for the soils in the area is 0 to 2 ppb (parts per billion) gold. Four clearly anomalous zones along Dargalong Road were established from the sampling.

The outstanding zone, with a high value of 66 ppb gold, was at Nagambie East and is one of Nagambie Mining's best ever gold-in-soil anomalies. Importantly, it is coincident with the interpreted position of the east-west Nagambie Mine Thrust and indicates a compelling drill target. A soil sampling program to the west and east along the interpreted Nagambie Mine Thrust is being carried out to assist drill planning.

The other three anomalous zones along Dargalong Road, which will require later follow up, had high values of 10 ppb gold (0.7 km north of the 66 ppb result), 7 ppb gold (1.5 km south of the 66 ppb result) and 20 ppb gold (5.6 km south of the 66 ppb result).

2. RUSHWORTH - EL 4723

No significant work was carried out at Doctors Gully during the quarter.

3. REDCASTLE AND HEATHCOTE - EL 3316 and MIN 4465

No significant work was carried out at Redcastle and Heathcote during the quarter.

NAGAMBIE MINE REHABILITATION AND SITE UTILISATION

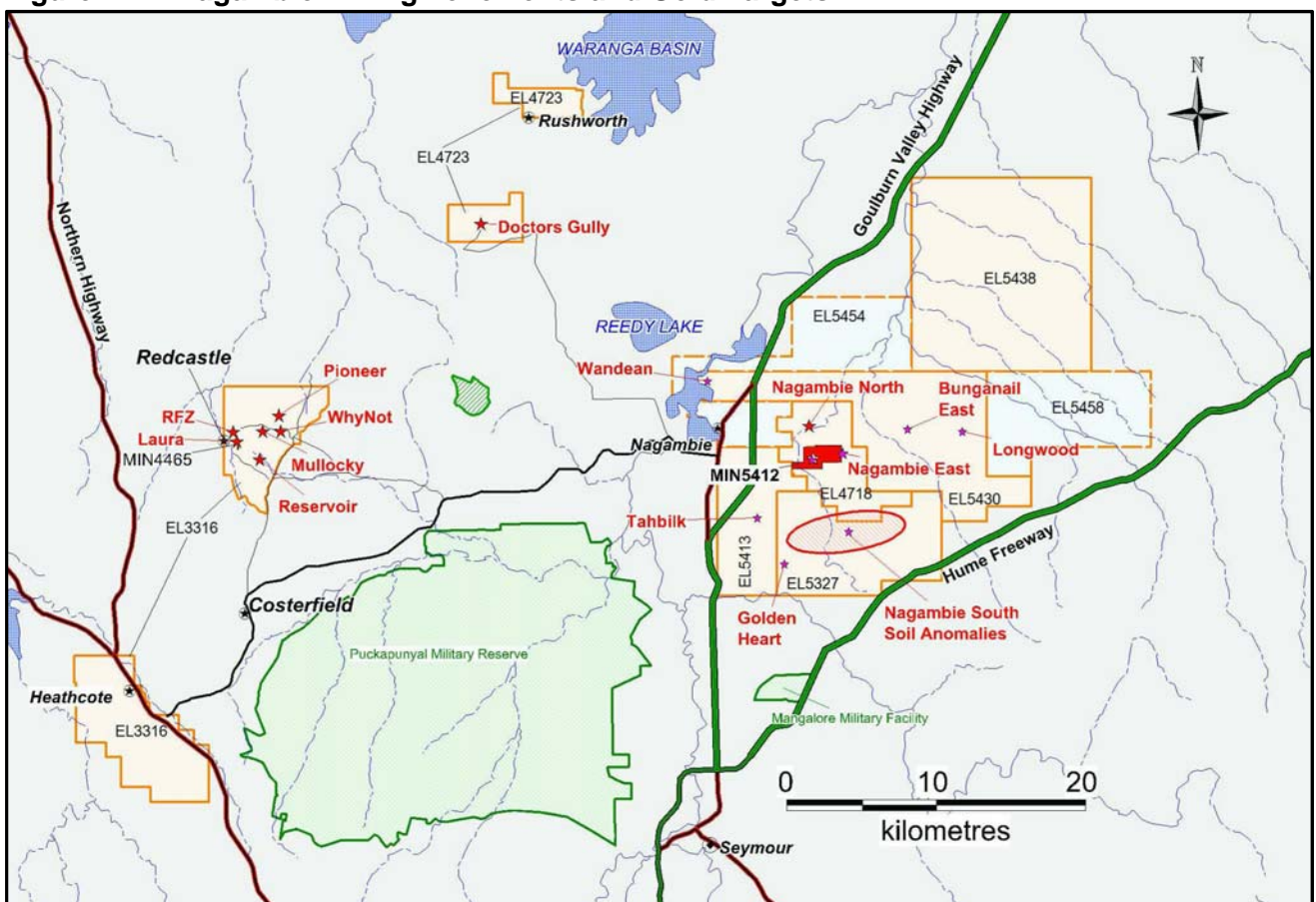
The Company is continuing to develop all the non-gold material opportunities on the freehold land at the Nagambie Mine in conjunction with Global Constructions Pty Ltd (“Global”). Global are currently producing sized gravel products from the Eastern Overburden Dump for supply to local Shires, developers and nurseries.

The proposed Green Organics Recycling Facility of Australian Native Landscapes (ANL) at the Nagambie Mine is still awaiting final Council and EPA approvals.

TENEMENT CHANGES

EL 5438, covering 156 km² of prospective ground to the north east of the Nagambie Mine, was granted during the quarter. A further two exploration licences, EL 5454 and EL 5458, were applied for during the quarter.

Figure 1 Nagambie Mining Tenements and Gold Targets



EXPLORATION TENEMENTS AND DEVELOPMENT OBJECTIVES

For a summary of Nagambie Mining's exploration tenements, gold targets and its objectives for development and production, refer to pages 5 and 6.

CORPORATE

CASH POSITION

At 31 December 2012, total cash held by the Company was \$1,007,000.



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COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Colin Glazebrook, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Glazebrook is a Director of Nagambie Mining Limited and consents to the inclusion in this report information in the form and context in which it appears. Mr Glazebrook has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Nagambie Mining and any of its officers, employees, agents or associates. Actual results, performance or achievements may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Exploration potential is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource. Readers are cautioned not to place undue reliance on forward-looking statements and Nagambie assumes no obligation to update such information.

EXPLORATION TENEMENTS, TARGETS AND DEVELOPMENT OBJECTIVES

NAGAMBIE MINING TENEMENTS

Nagambie Mining holds seven granted Exploration Licences and two Mining Licences in Central Victoria with a total area of 516.9 km². All licences are for gold and associated minerals.

Group Area	Project	Name	Licence Number	Area km ²	Interest %
Exploration Group Areas					
NAGAMBIE	<i>NAGAMBIE NORTH</i>	Nagambie North	EL 4718	34.9	100
	<i>NAGAMBIE SOUTH</i>	Nagambie South	EL 5327	64.0	100
	<i>NAGAMBIE WEST</i>	Tahbilk	EL 5413	43.1	100
	<i>BUNGANAIL</i>	Wandean and Longwood	EL 5430	102.0	100
	<i>NAGAMBIE N.E.</i>	Pranjip	EL 5438	156.0	100
RUSHWORTH	<i>RUSHWORTH</i>	Doctors Gully	EL 4723	24.1	100
REDCASTLE	<i>REDCASTLE</i>	Redcastle	EL 3316	89.1	100
	<i>LAURA</i>	Laura Mine	MIN 4465	0.1	100
Development Group Area					
NAGAMBIE	<i>NAGAMBIE</i>	Nagambie Mine	MIN 5412	3.6	100

Total 516.9

NAGAMBIE MINING PORTFOLIO OF GOLD TARGETS

Location	Gold Targets
Nagambie Mine	1. West Pit Extension
	2. Nagambie Footwall Mineralisation
Nagambie Regional	3. Wandean
	4. Longwood
	5. Nagambie East
	6. Nagambie North
	7. Nagambie South
Redcastle	8. Reservoir
	9. Mullocky
	10. Laura
	11. RFZ
	12. Why Not
	13. Pioneer
Rushworth	14. Doctors Gully

NAGAMBIE MINING OBJECTIVES FOR GOLD DEVELOPMENT AND PRODUCTION

The medium term objective for Nagambie Mining is to produce 10,000 ounces of gold per year at an operating cost of less than A\$1,000 per ounce with a projected mine life of at least 10 years. The Company is evaluating and developing 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 in total of heap-leachable gold mineralisation. The current focus is on the three historical goldfields at Nagambie, Redcastle and Rushworth (refer Figure 2). Redcastle is 40 km west of the Nagambie Mine, 19 km east of the Fosterville Mine and 12 km north of the Costerfield Mine. Doctors Gully at Rushworth is 28 km north west of the Nagambie Mine.

Heap leach operations can be developed quickly and are much lower cost than conventional gold treatment operations, both in terms of total capital cost and operating cost per tonne. The recommencement of heap leach operations at the Nagambie Mine will benefit from the proven technology and successful operations history at the Mine in the 1990s. Recommencement will also benefit from the bitumen public road access to the Mine gate, the Company's freehold land (roughly 200 hectares) and the process water that can be pumped from the East Pit. Other infrastructure remaining on site includes the haulage roads, the pondage civil works, the operations shed, the grid electricity supply and the potable water supply.

When the Nagambie Mine was operated in the 1990s by Perseverance Mining Pty Ltd ("Perseverance"), the average head grade of the 184,000 ounces of gold ore stacked on the heap leach pad was approximately 0.8 g/t gold. Heap leach gold recovery was approximately 80%. Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,500 to A\$1,750 per ounce. Costs for contract activities such as open-pit mining, trucking, crushing, agglomerating and conveyor stacking have not increased nearly as much as the A\$ gold price in the intervening years.

The planned West Pit Extension at the Nagambie Mine is targeted to contain 25,000 ounces of gold mineralisation over 200 metres strike length at 0.8 g/t gold. At 80% heap leach recovery, this would give 2 years' life at 10,000 ounces of gold production per year.

The target grade for Nagambie-style oxide mineralisation for other prospects in the region is also 0.8 g/t gold. Target size for a gold discovery in the Nagambie region is 200,000 ounces given the size of the Nagambie Mine orebody (184,000 ounces of gold mined in the 1990s plus 25,000 ounces targeted in the West Pit Extension).

The Company estimates that ore trucking costs from Redcastle and Rushworth to the Nagambie Mine (MIN 5412) would equate to around 0.2 g/t gold head grade equivalent. Hence an average head grade of 1.0 g/t gold or higher for Redcastle and Rushworth ore should produce attractive returns. Nagambie Mining is confident of being able to delineate various open pits at Redcastle and Rushworth containing a significant tonnage of mineralisation averaging 1.0 to 2.0 g/t gold.

Historical production at Redcastle and Rushworth focussed entirely on narrow, high-grade quartz veins hosted by sedimentary rocks, predominantly sandstones and siltstones. Apart from the mineralised quartz veins which occur in fractures associated with local anticlinal folding, lower-grade, disseminated gold has been identified within the sediments, thus presenting as large open-cut style targets. The depth of oxidation is around 60 to 70 metres. Nagambie Mining is planning to mine by open pit the lower-grade disseminated oxide gold, none of which was mined by the historical miners, together with the mineralised quartz veins that remain. These remnant quartz veins would have been either too thin or too low grade for previous underground mining operations, but will lift the average grade of the open-pit mineralisation.