

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

Financial Report

Half-year ended
31 December 2011

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CORPORATE DIRECTORY

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS

Michael W Trumbull (Non-Executive Chairman)
Colin Glazebrook (Executive Director & CEO)
Geoff 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
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SHARE REGISTRY

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford Vic 3067
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+613 9415 4000 (outside Australia)

SECURITIES EXCHANGE LISTING

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

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2011, for Nagambie Mining Limited (the "Company") and its controlled entities (the "Group").

DIRECTORS

The names of Directors in office at all times during or since the end of the half-year are:

Michael W Trumbull (Non-Executive Chairman)
Colin Glazebrook (Executive Director & CEO)
Geoff Turner (Non-Executive Director, Exploration)
Kevin J Perrin (Non-Executive Director, Finance)

REVIEW OF OPERATIONS

The loss of the Group for the half-year ended 31 December 2011 after income tax amounted to \$235,837 (2010: loss of \$438,967), a comparable improvement of \$203,130.

The company's principal objectives continue to be to: (1) 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 mineralisation; and (2) develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings products and the commercialisation of the sand deposits.

The acquisition of the Doctors Gully exploration licence at Rushworth for zero cash consideration, via a land swap with a local prospector, resulted in a significant improvement to the company's portfolio of gold prospects. A portion of Doctors Gully and the Reservoir Prospect at Redcastle have been selected for detailed costeaning, with a view to bulk sampling better grade material for toll-treatment at one of the existing central Victorian gold plants.

Very encouraging gold-in-soil results for the Nagambie South Project were received late in the half. The company is targeting repeats of the Nagambie Mine orebody (circa 200,000 ounces of gold) at Nagambie South.

Abigroup, the main contractor for the Nagambie Bypass, continued excavating and trucking undifferentiated rock fill from the Western and Eastern Overburden Dumps at the Nagambie Mine during the half-year but continued heavy rainfall in the area resulted in many lengthy delays and a significant reduction in the volume taken.

The company advanced discussions with Global Contracting late in the half with a view to Global committing to locate a fleet of equipment at the Nagambie Mine to produce various sizes of gravel for sale to central Victorian Shires and developers.

Nagambie Mining revenue from sales of non-gold materials from the Nagambie Mine during the half year was \$109,128 (2010: \$109,186). Revenue of around \$250,000 for the half year had been anticipated but the continued heavy rainfall had a significant impact on sales.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor has provided a declaration of independence which is set out on page 3.

This report is signed in accordance with a resolution of the directors:



Michael Ward Trumbull
Non-Executive Chairman

Dated in Melbourne on 14 March 2012

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2011 there have been:

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



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



J C Luckins
Director

Dated in Melbourne on this 14th day of March 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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NAGAMBIE MINING LIMITED

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Revenue from sale of non-gold materials	109,128	109,186
Other income	19,764	31,811
Total Revenue	128,892	140,997
Corporate and administration	(224,157)	(409,586)
Depreciation and amortisation	(13,474)	(11,562)
Employee benefits expense	(31,033)	(39,042)
Finance costs	(96,065)	(119,774)
Total Expenses	(364,729)	(579,964)
Loss before income tax	(235,837)	(438,967)
Income tax expense	-	-
Net Loss after tax attributable to the parent	(235,837)	(438,967)
Other comprehensive income	-	-
Total comprehensive income for the period attributable to the parent	(235,837)	(438,967)
Earnings per share		
Basic loss per share in cents	(0.14)	(0.26)
Diluted loss per share cents	(0.14)	(0.26)

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2011**

	Note	Consolidated	
		31 Dec 2011 \$	30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		16,490	19,227
Trade and other receivables		66,104	110,057
Prepayments		17,055	-
Total Current Assets		99,649	129,284
Non-Current Assets			
Property, plant & equipment		86,052	99,526
Exploration and evaluation assets		5,453,152	5,150,247
Cash backed environmental bonds		578,945	582,961
Total Non-Current Assets		6,118,149	5,832,734
Total Assets		6,217,798	5,962,018
LIABILITIES			
Current Liabilities			
Trade and other payables		158,099	220,461
Borrowings		17,685	28,953
Provisions		4,066	1,348
Total Current Liabilities		179,850	250,762
Non-Current Liabilities			
Borrowings	3	1,550,000	1,009,911
Total Non-Current Liabilities		1,550,000	1,009,911
Total Liabilities		1,729,850	1,260,673
Net Assets		4,487,948	4,701,345
Equity			
Issued capital	2	13,801,484	13,801,484
Reserves		121,999	99,559
Accumulated losses		(9,435,535)	(9,199,698)
Total Equity		4,487,948	4,701,345

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF CHANGES IN EQUITY**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2010	13,801,484	(8,779,282)	73,159	5,095,361
Loss for the half-year	-	(438,967)	-	(438,967)
Options issued	-	-	24,000	24,000
Balance at 31 December 2010	13,801,484	(9,218,249)	97,159	4,680,394
Balance at 1 July 2011	13,801,484	(9,199,698)	99,559	4,701,345
Loss for the half-year	-	(235,837)	-	(235,837)
Options issued	-	-	22,440	22,440
Balance at 31 December 2011	13,801,484	(9,435,535)	121,999	4,487,948

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

STATEMENT OF CASH FLOWS**FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$	\$
Cash flow from operating activities		
Receipts from customers	153,081	95,027
Payments to suppliers and employees	(309,449)	(399,912)
Interest received	11,141	31,811
Interest paid	(72,035)	(3,545)
Net cash used in operating activities	(217,262)	(276,619)
Cash flow from investing activities		
Purchases of plant and equipment	-	(593)
Payments for exploration expenditure	(302,905)	(310,301)
Proceeds from cancellation of bond deposits	12,639	25,030
Net cash used in investing activities	(290,266)	(285,864)
Cash flow from financing activities		
Proceeds from convertible notes	550,000	1,000,000
Cost of issuing convertible notes	(24,030)	(57,588)
Repayments of borrowings	(21,179)	(6,881)
Net cash provided by financing activities	504,791	935,531
Net increase/(decrease) in cash and cash equivalents held	(2,737)	373,048
Cash and cash equivalents at the beginning of the half-year	19,227	152,918
Cash and cash equivalents at end of the half-year	16,490	525,966

The accompanying notes form part of these financial statements

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report does not include all the notes and full disclosures of the type normally included in an annual report. It is recommended that this financial report be read in conjunction with the 2011 annual report and any public announcements made by Nagambie Mining Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2011 financial report.

Going Concern

For the half-year ended 31 December 2011 the consolidated net loss was \$235,837 (2010: \$438,967), which increased total accumulated losses to \$9,435,535 (2010: \$9,218,249). The net cash outflows from operations for the half-year were \$217,262 (2010: \$276,619). The Group has capital commitments extending to 31 December 2012 of \$566,400 (2011: \$569,980).

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. They are of the view that there will be growth in the sale of gold and non-gold materials from the Nagambie Mine. In considering its future cashflow forecast, the directors also advise that they have commenced raising capital through a convertible note issue in order to further fund the operating and capital expenditure plans. The Group has further capacity to meet its financial commitments through the following:

- Reclaiming cash-backed environmental bonds for mineral tenements with the Victorian Department of Primary Industries ("DPI") 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 the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	31 Dec 2011	30 June 2011
	\$	\$
2. ISSUED CAPITAL		
Issued and paid up capital		
168,859,948 (30 June 2011: 168,859,948) ordinary shares, fully paid	<u>13,801,484</u>	<u>13,801,484</u>

3 BORROWINGS

On the 2 September 2011, the Group issued 13,750,000 convertible notes at 4.0 cents each to sophisticated and professional investors, raising a total of \$550,000. The principal terms of the notes are:

- Interest payable every 6 months at a rate of 10% per annum;
- Notes convertible 1:1 into fully paid ordinary shares at any time within the maximum 5-year life of the notes at the option of the holder;
- Notes redeemable in cash in full after 5 years if not converted;
- Notes are unsecured but rank ahead of shareholders; and
- Notes are protected for reorganisation events (bonus issues, share consolidations etc.).

4. SHARE OPTIONS

During the half-year 4,400,000 options were issued to Directors and Officers, all exercisable at 10c per share. The share options vest two years after their grant date and issue date being 30 November 2011 and expire 5 years from grant date.

No options expired unexercised during the half-year.

5. SEGMENT REPORTING

The Group operates in one business segment, being the exploration of mineral resources in Australia.

NAGAMBIE MINING LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

6. COMMITMENTS FOR CAPITAL EXPENDITURE

The Group holds various tenements for its mineral resources. These tenements require the Group to meet minimum capital expenditure requirements. In order to satisfy those requirements the Group has budgeted to spend \$566,400 for the 12 months ended 31 December 2012 and thereafter it expects to spend approximately \$550,000 every 12 months, indexed for CPI inflation, for as long as it maintains its current portfolio of tenements.

These tenements also have environmental clauses that require the company to restore the disturbed area of interest back to a condition that satisfies the Victorian Department of Primary Industries. As the Group plans to hold onto its existing tenements indefinitely, no allowance has been made in the statement of financial position for any obligation that may arise should the Group decide not to continue holding any of its tenements.

7. CONTINGENT ASSETS AND LIABILITIES

There has been no change in contingent assets and liabilities since the last annual financial report.

8. EVENTS SUBSEQUENT TO BALANCE DATE

In the opinion of the directors of the company, there has not arisen in the interval between the end of the half-year and the date of this report any other item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations or state of affairs of the Group in the subsequent financial year.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001, including:
 - (a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 31 December 2011 and of its performance, for the half-year ended on that date; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Michael W Trumbull
Non-Executive Chairman

Dated in Melbourne on 14 March 2012

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Nagambie Mining Limited (the "entity"), which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Nagambie Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF NAGAMBIE MINING LIMITED (CONT)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Nagambie Mining Limited is not in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to Note 1 of the interim financial report, which indicates that the Company incurred an after tax loss of \$235,837 (to December 2010: loss \$438,967) during the half year ended 31 December 2011, and generated net cash outflows from operating activities of \$217,262 (to December 2010: \$276,619). These conditions along with other matters set forth in Note 1 indicate that there is a material uncertainty that may cast doubt regarding whether the Company 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 this financial report.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half-year financial report of Nagambie Mining Limited for the half-year ended 31 December 2011 included on the entity'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 review report refers only to the half-year 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 reviewed half-year financial report to confirm the information included in the reviewed financial report presented on this website.



William Buck Audit (VIC) Pty Ltd

ABN: 59 116 151 136



J.C. Luckins

Director

Dated this 14th day of March, 2012