



29 October 2010

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2010

OVERVIEW

- All terms for the purchase of the Laura Mine tenement (MIN 4465) at Redcastle have been agreed to and the transfer of the tenement to Nagambie Mining is expected in the next quarter.
- Through its association with Global Contracting, the Company has successfully concluded negotiations with Abigroup, the main contractor for the Nagambie Bypass, for the provision of fill material on a trial basis.
- The Company is preparing a Work Plan Variation for submission to the DPI to extend mining approximately 230 metres to the west of the West Pit at the Nagambie Mine. Gold mineralisation is known to extend westward with previous drill holes 130 and 160 metres west of the West Pit intersecting 27m at 1.0 g/t gold (including 6m at 2.2 g/t) and 8m at 1.6 g/t respectively.
- Severe wet weather delayed activities in all the exploration areas during the quarter.
- The Company placed 25 million unsecured convertible notes at 4.0 cents each to sophisticated and professional investors, raising a total of \$1,000,000.

OBJECTIVES

The Company's principal objectives continue to be 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
- Develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings and the commercialisation of the sand deposits.

ABOUT NAGAMBIE

Nagambie Mining Limited (ASX Code: NAG) listed on the ASX in 2006 and is an Australian gold company whose principal focus is on the evaluation and development of shallow open cut gold deposits in Victoria.

The company currently holds over 240 sq km of exploration tenements in Central Victoria encompassing several historic goldfields.

The company is combining historical studies, field investigations and geological modelling to enable the development of new structural and mineralisation concepts to highlight areas for early drilling programs within its exploration areas.

SHARES ON ISSUE

Quoted: 168,859,948
Issued: 168,859,948

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NAGAMBIE MINING PROJECTS

At the end of the quarter the Company held a 100% interest in five Exploration Licences and one Mining Licence in Central Victoria, with a total area of 214 km² as shown in Table 1 below. All the licences are being explored for gold and associated minerals. Figure 1 shows the location of the company’s exploration areas.

Table 1 Nagambie Mining Tenement Holdings

Group Area	Project Name	Licence	Interest %	Holder
EXPLORATION GROUP AREAS				
<i>Nagambie</i>	Nagambie North	EL 4887	100	Nagambie
	Nagambie South	EL 4718	100	Nagambie
	Nagambie	EL 5023	100	Nagambie
	Rushworth	EL 4723	100	Nagambie
<i>Redcastle - Heathcote</i>	Redcastle	EL 3316	100	Nagambie
DEVELOPMENT GROUP AREAS				
<i>Nagambie</i>	Nagambie	MIN 5412	100	Nagambie

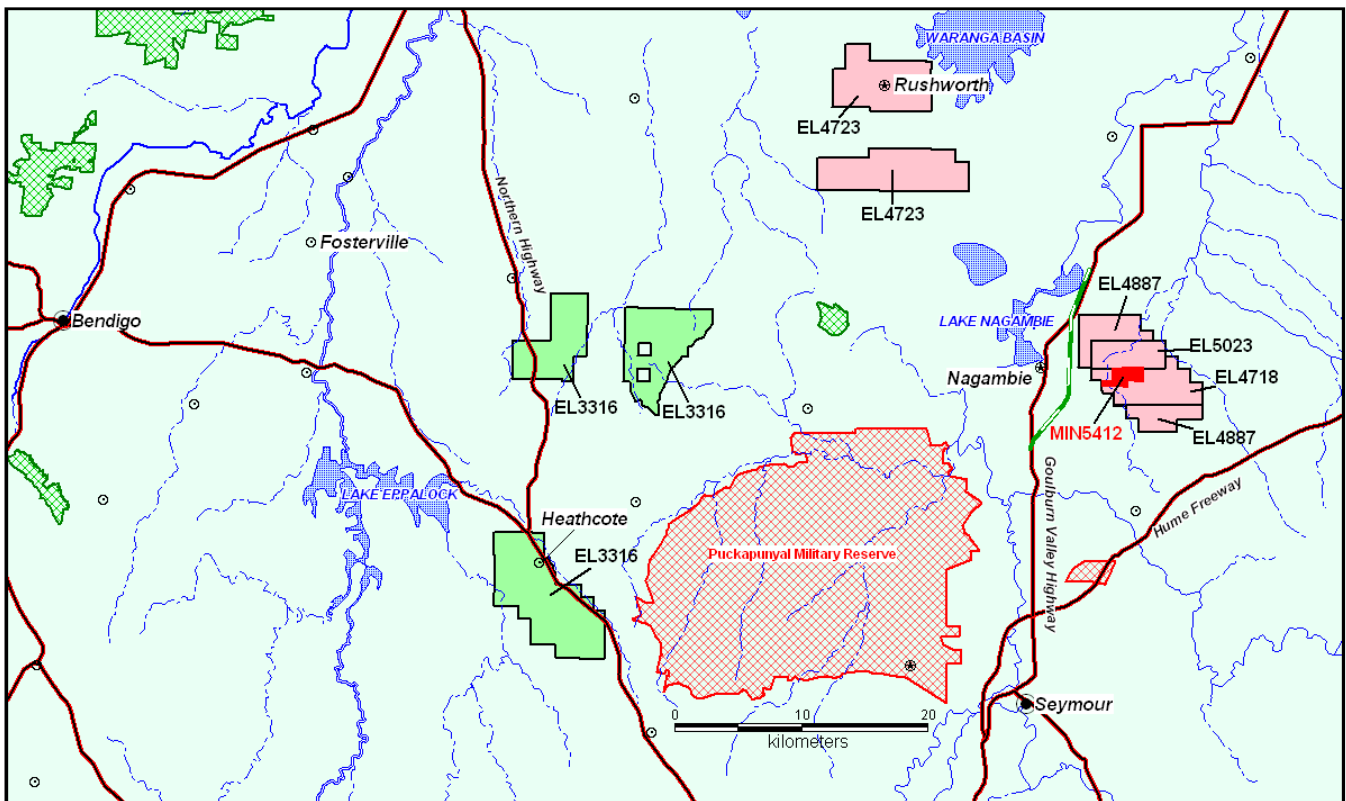


Figure 1 Project Location Map



EXPLORATION GROUP AREAS

1. REDCASTLE – HEATHCOTE - EL 3316 Area: 113km²

**Identified Projects: 3
Identified Prospects: 7**

1.1 REDCASTLE PROJECT - EL3316 Area: 33 km²

This project of 33 km² is the north-eastern portion of EL 3316 and covers the old Redcastle Goldfield. As outlined in the last quarterly report, the Company is currently developing a work plan for an extensive RC drill program to test and refine the structural model currently developed for the goldfield – this will be supported by some further costean work where necessary. The program is planned to consist of 54 holes for 4,320 metres and will investigate mineralisation within the five areas as shown in Figure 2 to the water table which is expected to be around 40 metres depth. The oxidised zone may extend to 80 metres in depth.

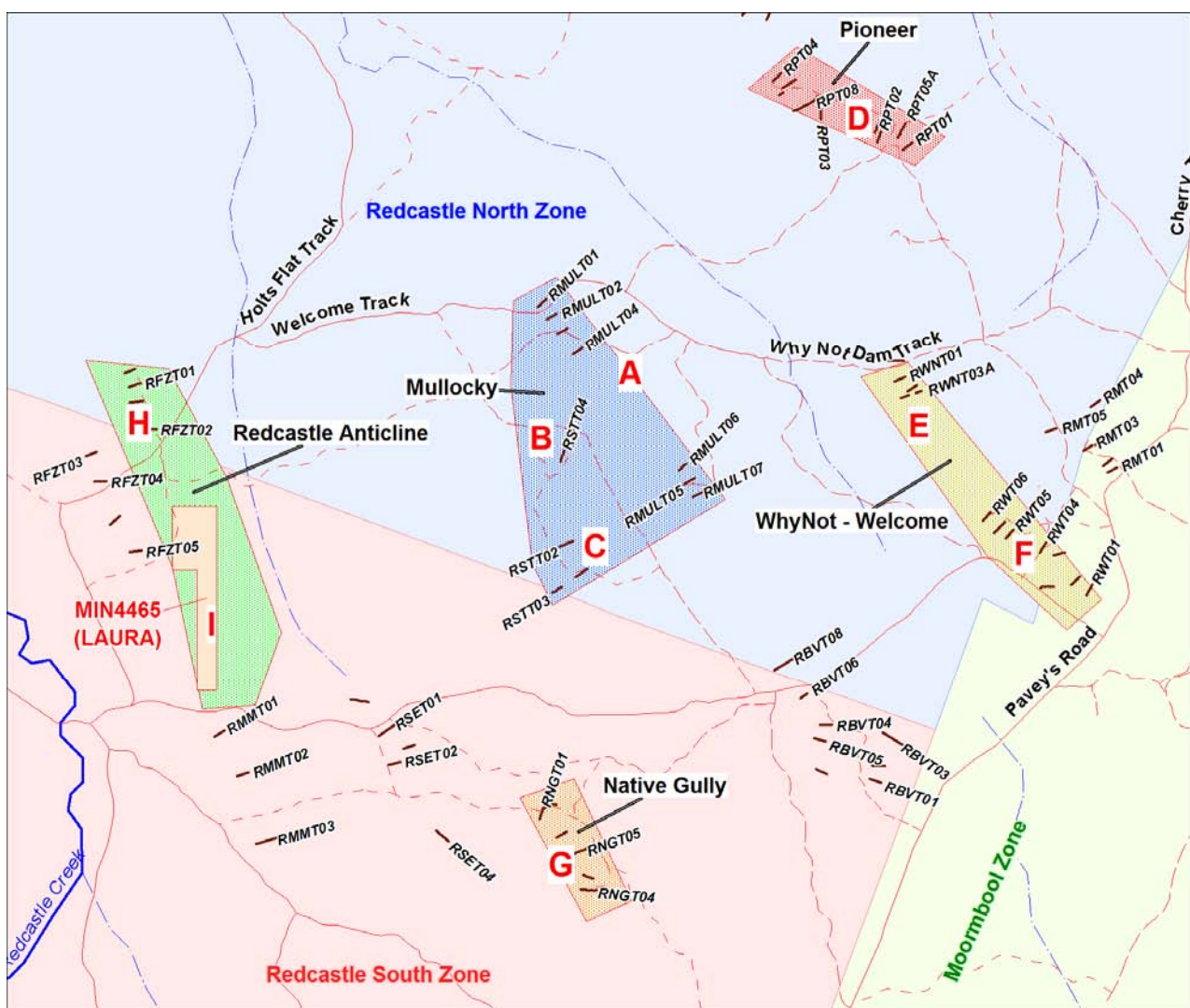


Figure 2 Target Zones - Redcastle Goldfield

A Phase 2 RC drilling program will follow up on mineralised intersections encountered in Phase 1. Figures 3, 4 and 5 show a typical mineralisation setting (using the Native Gully Prospect (G) as an example) with the target mineralisation envelope shown in green. The Company believes that these mineralisation envelopes have the potential to yield significant volumes of between 1 and 2 g/t gold in oxide rock.

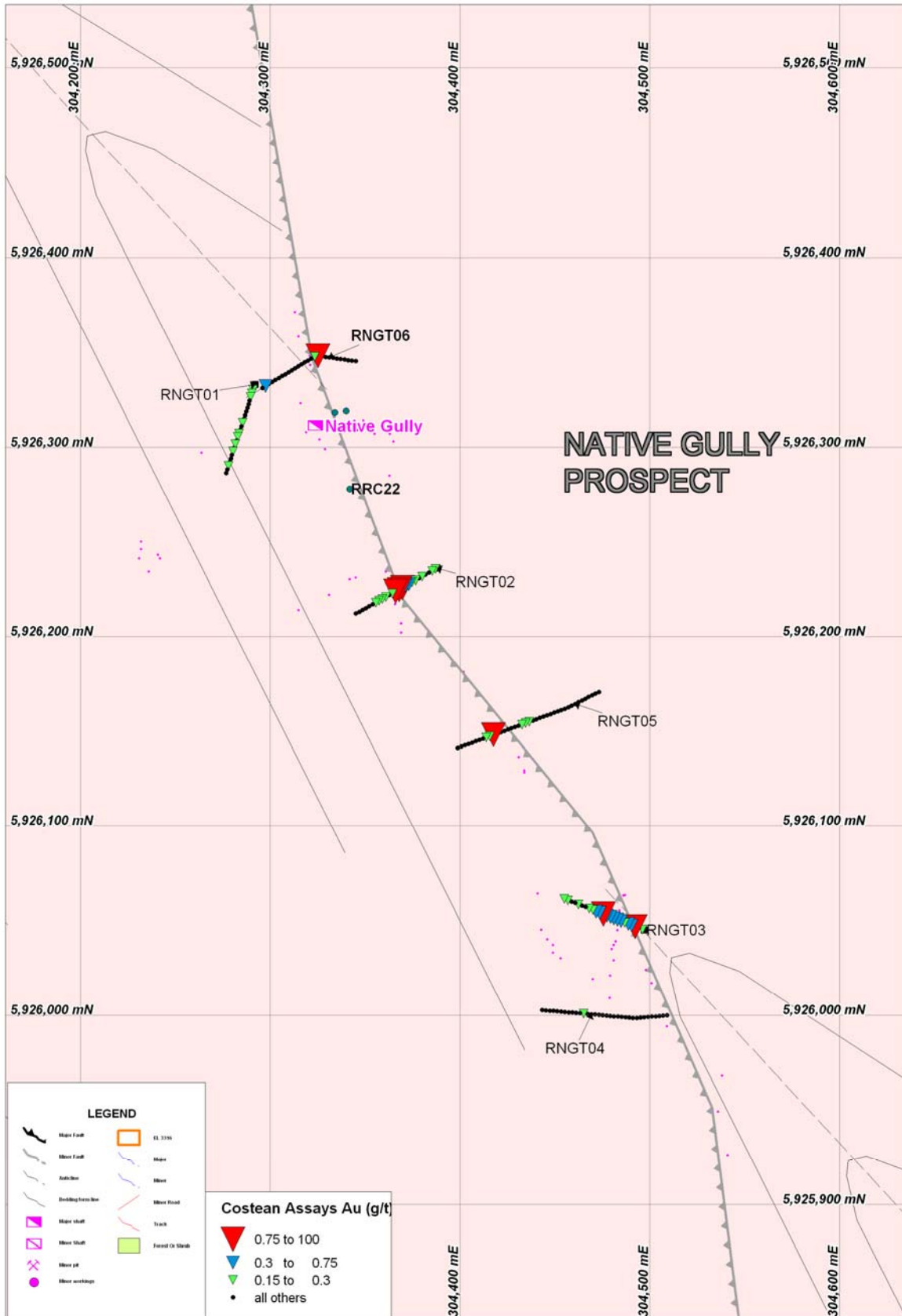


Figure 3 Native Gully Prospect – Redcastle Goldfield
 The Native Gully Anticline is dislocated by a northerly striking, west dipping fault

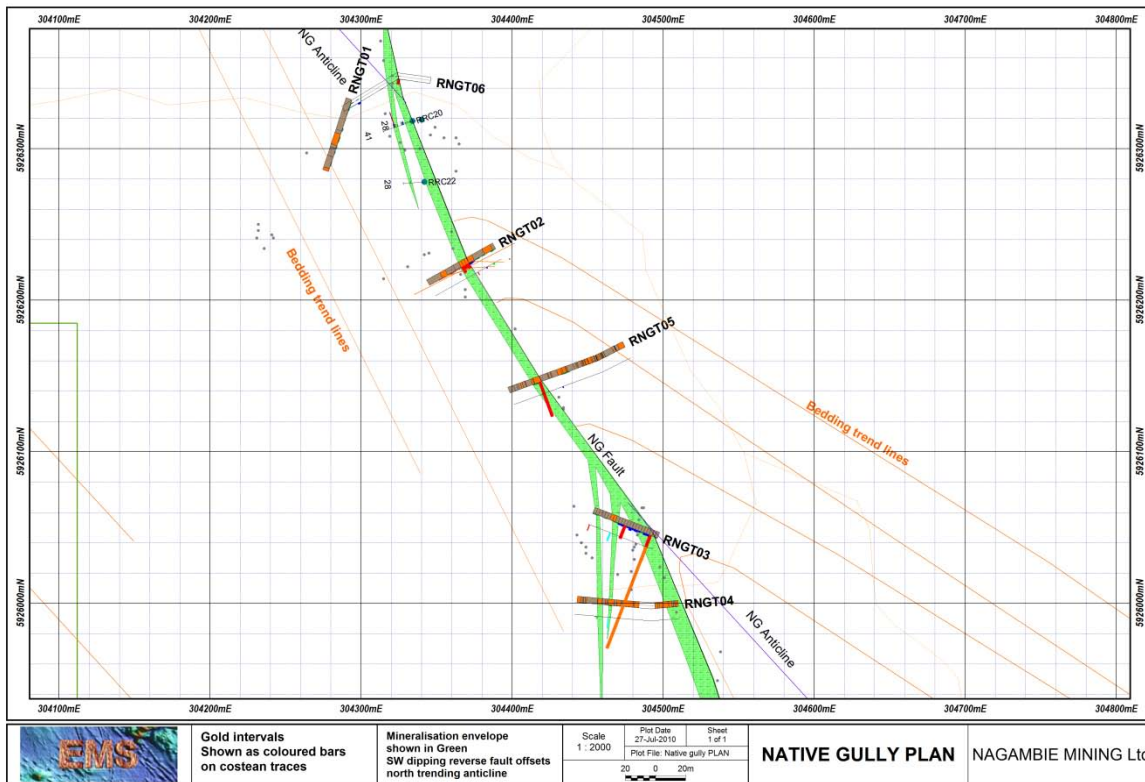


Figure 4 Native Gully Prospect - Plan showing Mineralised Envelope

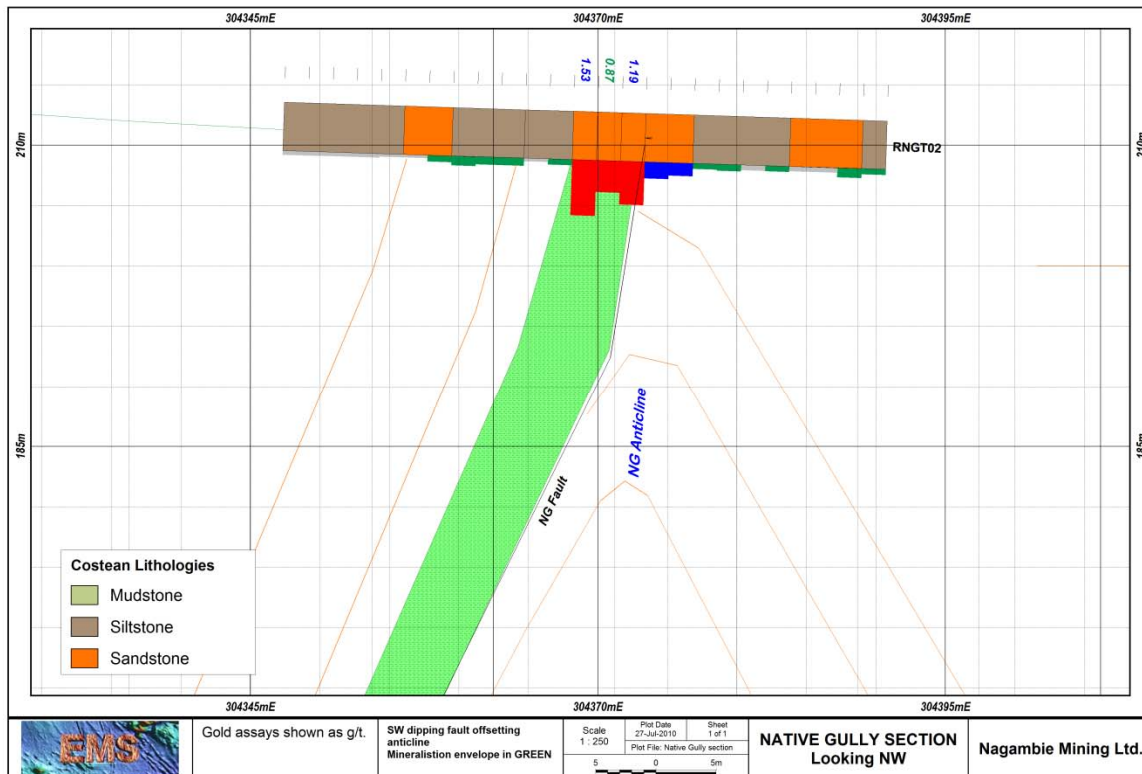


Figure 5 Native Gully Prospect – Section showing Mineralised Envelope


The Laura MIN 4465

The Company is expecting the Department of Primary Industries (“DPI”) to grant the transfer of this mining lease in the next quarter as all negotiations with Greater Bendigo Gold Mines Limited have been completed. The first priority after the transfer will be to carry out an extensive costeaning program. The licence covers the historically most productive, high grade underground mines in the Redcastle Goldfield.

1.2 HEATHCOTE SOUTH PROJECT - EL3316 Area: 53 km²

No significant work was carried out during the quarter.

1.3 HEATHCOTE NORTH PROJECT- EL 3316 Area: 27 km²

No significant work was carried out during the quarter.

2. NAGAMBIE GROUP	Area: 128 km²	Identified Projects: 3 Identified Prospects: 3
Nagambie	EL 5023	
Nagambie North	EL 4887	
Nagambie South	EL 4718	
Rushworth	EL 4723	

The southern area of the Nagambie Group has significance in the fact that past soil geochemical work has led to parallel trends of anomalies (as shown in Figure 6) which could relate to mineralisation associated with structurally controlled gold mineralisation in Devonian aged basement sediments. The targets are oxide gold mineralisation in a similar structural setting to that mined by Perseverance Corporation at the Nagambie Mine.

2.1 NAGAMBIE NORTH PROJECT– EL4887 and EL 5023

Work has been extensively delayed due to heavy rain and flooding of the area during the quarter. The Company has taken advantage of this delay to refine its proposed Aircore drilling program indicated last quarter and will be submitting a revised program to the DPI early next quarter.

2.2 NAGAMBIE SOUTH PROJECT– EL4718 and EL 4887

Again, work has been extensively delayed due to heavy rain and flooding of the area during the quarter. The Company expects that the planned soil sampling program south of the Nagambie Mine will commence in November.

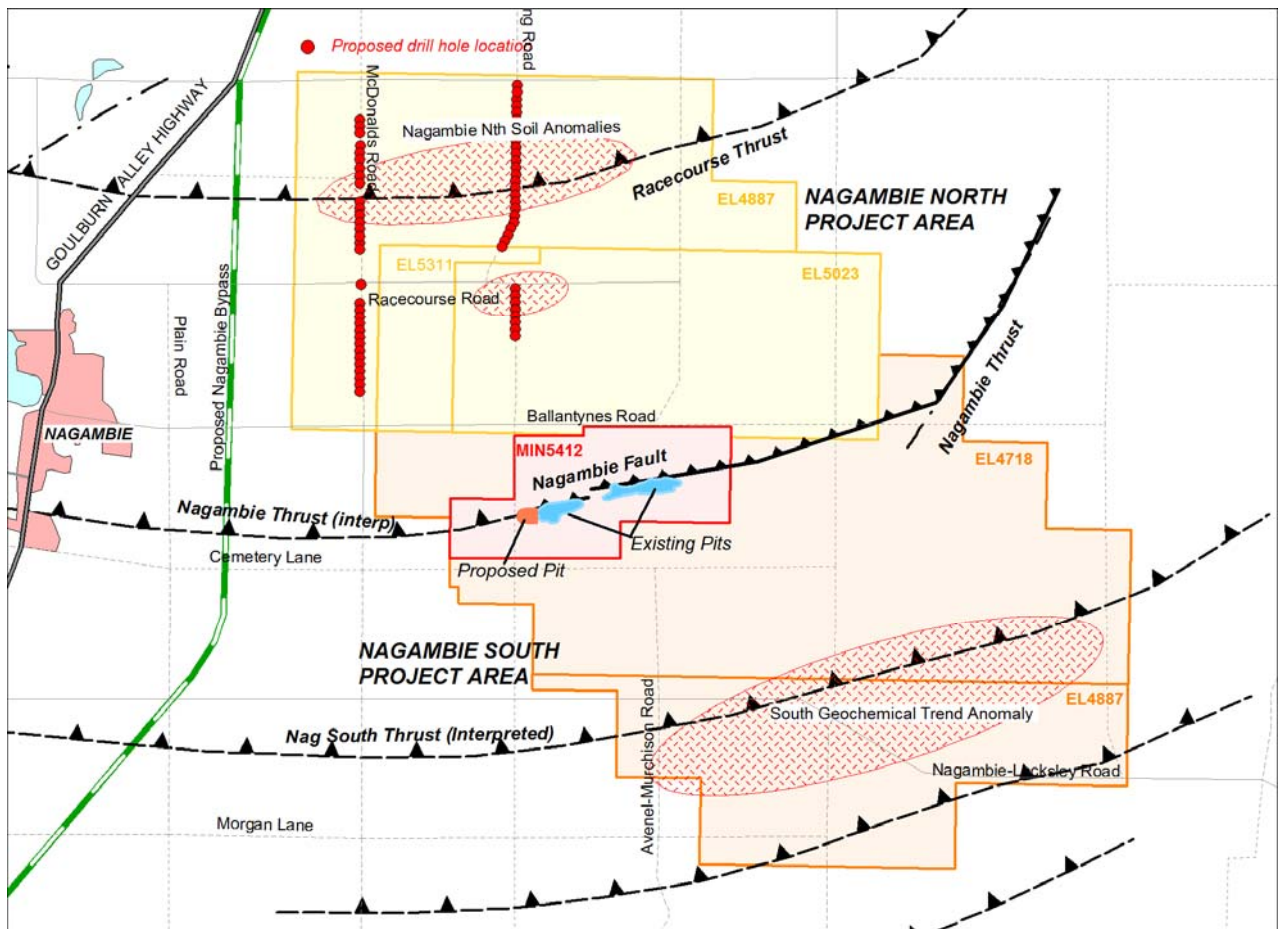


Figure 6 Nagambie North and South Project Areas in relation to the Nagambie Mine

2.3 RUSHWORTH PROJECT - EL 4723

This project covering 68 km² over the Rushworth and Whroo areas is currently being reassessed in light of the results from the recent costeaning program.

3. HOWQUA PROJECT - EL 5189 Area: 5 km²

Following final evaluation during the quarter of the mineralisation style and tenor likely to be located on this property, the licence was surrendered as it failed to meet the Company’s primary objectives.

DEVELOPMENT GROUP AREAS

1. NAGAMBIE - MIN 5412 Area: 4km² Identified Projects: 3

1.1 MIN 5412 Additional Near Surface Gold Mineralisation

The extension of the gold orebody to the west of the West Pit at the Nagambie Mine is currently the Company’s most advanced oxide gold project.

The Company is now preparing a Work Plan Variation for submission to the DPI to extend mining approximately 230 metres to the west of the West Pit (within area “A” in Figure 7).



Aircore drilling completed in the December 2009 quarter by Nagambie Mining confirmed, as expected, that overburden depth increases to the west. The average overburden depth for the Western Extension contemplated by Nagambie Mining is around 30 metres.

Previous drill holes 130 and 160 metres west of the West Pit had intersections of 27m at 1.04 g/t gold (including 6m at 2.2 g/t) and 8m at 1.6 g/t respectively. When the Nagambie Mine operated in the 1990s under its previous ownership, the average head grade of the ore stacked on the heap leach pad was approximately 0.8 g/t gold. Importantly, the gold price averaged around only A\$500 per ounce at that time but is currently trading in a range of A\$1,300 to A\$1,400 per ounce. The greatly increased gold price of today should more than compensate for the higher overburden:ore strip ratio and costs for the proposed pit extension. Cost increases for activities such as contract mining, trucking and crushing have been modest since the 1990s because of improved equipment productivities.

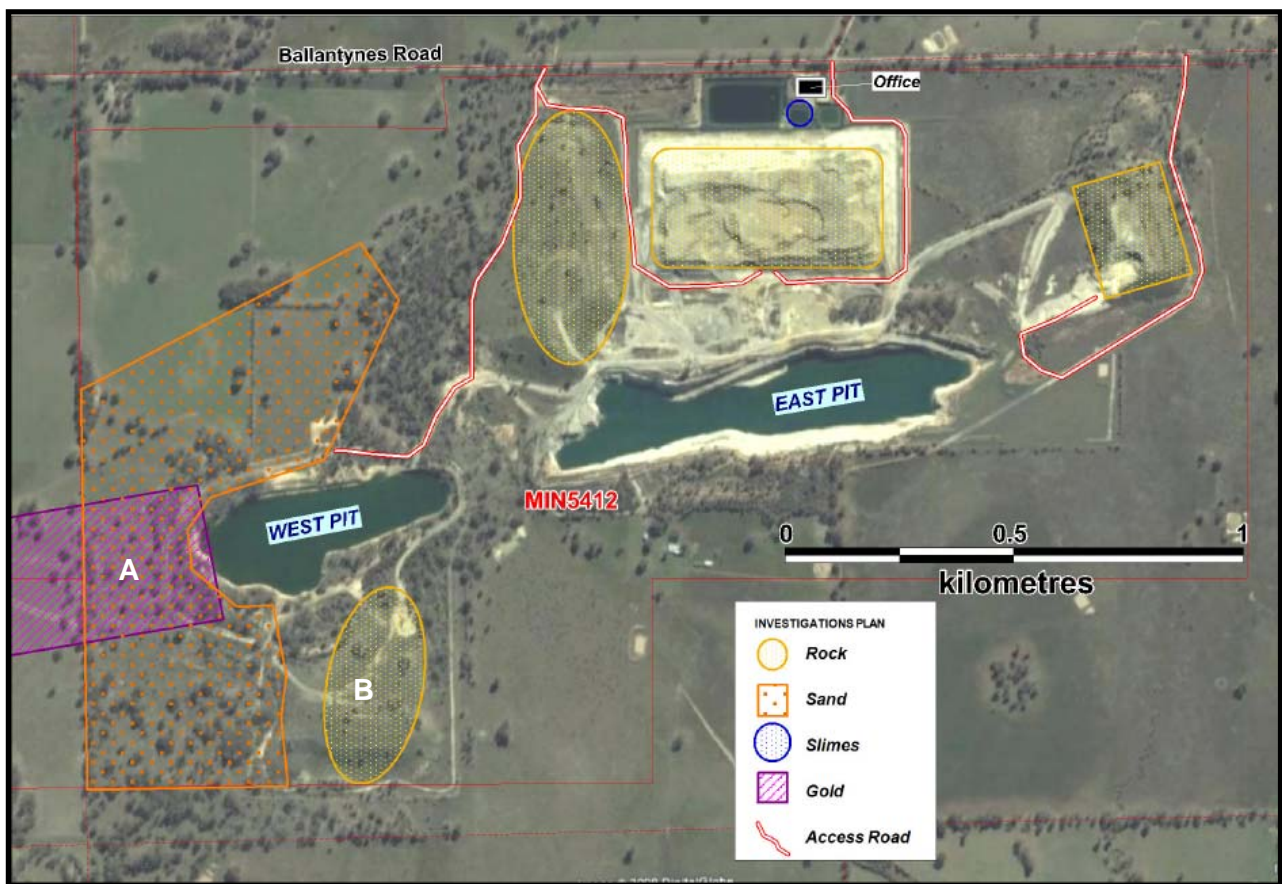


Figure 7 MIN 5412 – Investigations Plan

1.2 MIN 5412 Rehabilitation and Site Utilisation

Work continued on site rehabilitation and site utilisation during the quarter. The Nagambie/Global association has led to the successful negotiation with Abigroup, the main contractors for the Nagambie Bypass, for the provision of fill for the road works on a trial basis, commencing in the next quarter. The fill is to be loaded out from the yellow shaded overburden dump “B” in Figure 7.

**TENEMENT CHANGES**

The Company surrendered Howqua EL 5189 during the quarter.

CORPORATE**TENEMENT HOLDINGS**

All the Company's tenements are now held by Nagambie Mining Limited following the transfer of EL 4723 and EL 4718 from the Company's subsidiary Sierra Minerals Pty Ltd.

SHARE ISSUES

During the quarter the company made a placement of 25.0 million convertible notes at 4.0 cents each to sophisticated and professional investors, raising a total of \$1,000,000.

The principal terms of the notes are:

- Interest payable every 6 months at a rate of 10% per annum;
- Convertible 1:1 into fully paid ordinary Nagambie Mining Limited shares at any time within the maximum 5-year life of the notes at the option of the holder;
- Redeemable in cash in full after 5 years if not converted;
- Unsecured but rank ahead of shareholders; and
- Protected for reorganization events (bonus issues, share consolidations etc).

CASH POSITION

At 30 September 2010, total cash held by the Company was \$1.457 million.

EXPENDITURE ON EXPLORATION AND ADMINISTRATION

Total expenditure on exploration and administration for the quarter was \$0.331 million.

APPOINTMENT OF KEVIN PERRIN AS A DIRECTOR

Kevin Perrin was appointed as a Non-Executive Director during the quarter. Kevin brings extensive accounting, auditing, corporate governance and finance skills to the Board.

WEBSITE

The Nagambie Mining Limited website is www.nagambiemining.com.au

ASX ANNOUNCEMENTS

The following ASX announcements were released during the quarter:

24/09/2010	Annual Financial Report
17/09/2010	Appendix 3X
17/09/2010	Appointment of Director
13/09/2010	Appendix 3B
13/09/2010	\$1.0 Million Placement of Convertible Notes
26/08/2010	Results of General Meeting
24/08/2010	Change of Director's Interest Notice
30/07/2010	Quarterly Activities Report
30/07/2010	Quarterly Cashflow Report
26/07/2010	Notice of General Meeting / Proxy Form
05/07/2010	Change of Director's Interest Notice

**COMPANY INFORMATION****DIRECTORS**

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

CHIEF EXECUTIVE OFFICER AND EXPLORATION MANAGER

Colin Glazebrook

COMPANY SECRETARY

Alfonso M G Grillo

CHIEF FINANCIAL OFFICER

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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'.