

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

Financial Report

for the half-year ended
31 December 2010

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NAGAMBIE MINING LIMITED

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COMPANY PARTICULARS

DIRECTORS

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

CHIEF FINANCIAL OFFICER

Joe Fekete

COMPANY SECRETARY

Alfonso M G Grillo

AUDITOR

William Buck Audit (Vic) Pty Ltd
Cnr Toorak & Auburn Roads
Hawthorn East Vic 3123

SOLICITORS

TressCox Lawyers
Level 9, 469 La Trobe Street
Melbourne Vic 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford Vic 3067

REGISTERED OFFICE

Nagambie Mining Limited
648 Ballantynes Road
Nagambie Vic 3608
Telephone: (03) 5494 1750
Facsimile: (03) 5794 1790

MELBOURNE OFFICE

Nagambie Mining Limited
Suite 207, Pacific Tower
Hawthorn Vic 3122
Telephone: (03) 8862 6374
Facsimile: (03) 8862 6335

BANKERS

Westpac Banking Corporation
301 Clarendon Street
South Melbourne Vic 3205

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 2010, for Nagambie Mining Limited (the "Company") and its controlling entity (the "Group").

DIRECTORS

The names of Directors in office at any time 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 and Deputy Chairman, appointed 17 September 2010)

REVIEW OF OPERATIONS

The loss of the Group for the half-year ended 31 December 2010, after income tax amounted to \$438,967 (2009: \$409,397).

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; and (2) develop all the construction material opportunities at the Nagambie Mine, including the sale of overburden and tailings and the commercialisation of the sand deposits.

The purchase of 100% of the Laura Mine tenement (MIN 4465) at Redcastle was completed during the half year and planning of 2011 work programs (costeaming and drilling) for the total Redcastle Goldfield has been carried out.

A revised Work Plan for exploration drilling at Nagambie North was lodged with the DPI and the program is scheduled to commence in March 2011.

The Company applied for four exploration licences to ensure adequate tenure over possible extensions/repeats of gold mineralisation at Redcastle and Nagambie.

A Work Plan Variation to develop a new gold open pit at the Nagambie Mine along strike to the west of the current West Pit is in preparation.

Abigroup, the main contractor for the Nagambie Bypass, commenced excavating and trucking undifferentiated rock fill from the Western Overburden Dump at the Nagambie Mine at 2,000 cubic metres per day late in the half year before heavy rains in the area caused a cessation of the work.

An 80 acre parcel of surplus freehold land to the east of the Nagambie Mine has been leased to Australian Native Landscapes Pty Ltd ("ANL") at commercial rates. Nagambie Mining is well placed to provide rock fill during the construction of ANL's proposed Green Organics Recycling Facility and provide sand during the operational phase.

Nagambie Mining revenue from sales of non-gold materials from the Nagambie Mine during the half year was a record at \$109,186 and it is anticipated further growth will be achieved over calendar 2011.

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



Michael Ward Trumbull
Non-Executive Chairman

Dated in Melbourne on 4 March 2011

4 March 2011

The Board of Directors
Nagambie Mining Limited
648 Ballantynes Road
NAGAMBIE VIC 3608

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF NAGAMBIE MINING LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Nagambie Mining Limited.

As lead audit partner for the review of the financial statements of Nagambie Mining Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporation Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



Jeffrey Luckins
Director
William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

Dated in Melbourne, Australia on this 4th day of March 2011

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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NAGAMBIE MINING LIMITED

ABN 42 111 587 163

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>31 December</i>	
	2010	2009
	\$	\$
Revenue from sale of non-gold materials	109,186	652
Other income	31,811	14,812
Total Revenue	<u>140,997</u>	<u>15,464</u>
Administration	(248,397)	(291,873)
Corporate	(154,113)	(99,234)
Finance	(119,774)	(18,825)
Exploration and evaluation	(57,680)	(14,929)
Total Expenses	<u>(579,964)</u>	<u>(424,861)</u>
Loss before income tax expense	(438,967)	(409,397)
Income tax expense	-	-
Loss attributable to the members of Nagambie Mining Limited	(438,967)	(409,397)
Other comprehensive income	-	-
Comprehensive Loss attributable to the members of Nagambie Mining Limited	<u>(438,967)</u>	<u>(409,397)</u>
Earnings/(loss) per share		
Basic loss per share (cents)	(2.60)	(2.70)
Diluted loss per share (cents)	(2.60)	(2.70)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2010**

	Note	31 December 2010 \$	30 June 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents		525,966	152,918
Trade and other receivables		50,286	15,040
Total Current Assets		576,252	167,958
Non-Current Assets			
Property, plant & equipment		78,727	94,585
Exploration and evaluation assets		4,592,055	4,339,434
Cash backed environmental bonds		616,422	637,852
Total Non-Current Assets		5,287,204	5,071,871
Total Assets		5,863,456	5,239,829
LIABILITIES			
Current Liabilities			
Trade and other payables		123,191	74,491
Borrowings		56,050	62,931
Provisions		3,821	7,046
Total Current Liabilities		183,062	144,468
Non-Current Liabilities			
Convertible notes	3	1,000,000	-
Total Non-Current Liabilities		1,000,000	-
Total Liabilities		1,183,062	144,468
Net Assets		4,680,394	5,095,361
Equity			
Issued capital	2	13,801,484	13,801,484
Reserves		97,159	73,159
Accumulated losses		(9,218,249)	(8,779,282)
Total Equity		4,680,394	5,095,361

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

NAGAMBIE MINING LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2009	12,557,004	(7,793,950)	40,774	4,803,828
Loss for the half-year	-	(409,397)	-	(409,397)
Issue of shares	683,800	-	-	683,800
Share issue costs	(14,786)	-	-	(14,786)
Options issued	-	-	32,385	32,385
Balance at 31 December 2009	13,226,018	(8,203,347)	73,159	5,095,830
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

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NAGAMBIE MINING LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	31 December	
	2010	2009
	\$	\$
Cash flow from operating activities		
Receipts from the sale of non-gold materials	95,027	652
Payments to suppliers and employees	(399,912)	(308,021)
Interest received	31,811	14,262
Interest paid	(3,545)	(7,413)
	<hr/>	<hr/>
Net cash used in operating activities	(276,619)	(300,520)
	<hr/>	<hr/>
Cash flow from investing activities		
Purchases of plant and equipment	(593)	(19,054)
Payments for exploration expenditure	(310,301)	(337,917)
Payments for bond deposits	-	(75,000)
Proceeds from cancellation of bond deposits	25,030	22,448
	<hr/>	<hr/>
Net cash used in investing activities	(285,864)	(409,523)
	<hr/>	<hr/>
Cash flow from financing activities		
Proceeds from issue of ordinary shares	-	683,800
Share issue costs	-	(14,786)
Proceeds from convertible notes	1,000,000	-
Cost of issuing convertible notes	(57,588)	-
Repayments of borrowings	(6,881)	(27,122)
	<hr/>	<hr/>
Net cash and cash equivalents provided by financing activities	935,531	641,892
	<hr/>	<hr/>
Net increase/(decrease) in cash held	373,048	(68,151)
Cash and cash equivalents at the beginning of the half-year	152,918	311,191
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Cash and cash equivalents at end of the half-year	525,966	243,040
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The consolidated statement cash flows should be read in conjunction with the accompanying notes.

NAGAMBIE MINING LIMITED

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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 2010 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 2010 financial report.

Going Concern

For the half year ended 31 December 2010 the consolidated net loss was \$438,967 (2009: \$409,397), which increased total accumulated losses to \$9,218,249 (2009: \$8,203,347). The net cash outflows from operations for the half year were \$276,619 (2009: \$300,520). The Group has capital commitments extending to 31 December 2011 of \$569,980 (2010: \$546,100).

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. If necessary, the Group has 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 2010

2. ISSUED CAPITAL	31 December 2010 \$	30 June 2010 \$
Issued and paid up capital		
168,859,948 (30 June 2010: 168,859,948) ordinary shares, fully paid	<u>13,801,484</u>	<u>13,801,484</u>

3. CONVERTIBLE NOTES

On the 13 September 2010, the Group issued 25,000,000 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;
- 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. DIVIDENDS PAID OR PROVIDED FOR

No dividends have been paid or provided for during the half-year (2009: Nil).

5. SHARE OPTIONS

No options were exercised during the half-year, and no options expired unexercised during the half-year.

During the half-year 4,000,000 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 23 November 2010 and expire 5 years from grant date.

6. SEGMENT REPORTING

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

NAGAMBIE MINING LIMITED

ABN 42 111 587 163

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

7. COMMITMENTS FOR CAPITAL EXPENDITURE

The Group holds tenements which have minimum capital expenditure requirements. In order to satisfy those requirements the Group has budgeted to spend \$569,980 for the 12 months ended 31 December 2011 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.

8. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual financial report (2009: Nil).

9. 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 2010 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 Ward Trumbull
Non-Executive Chairman

Dated in Melbourne on 4 March 2011

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

ABN 42 111 587 163

Report on the Half-Year Financial Report

We have reviewed the accompanying interim financial report of Nagambie Mining Limited and the entity it controlled (the "Group") which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 to believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Nagambie Mining Limited and controlled entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual 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.

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

ABN 42 111 587 163

(Continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the Group for the half-year ended 31 December 2010 included on website of Nagambie Mining Limited. The Directors of the Group are responsible for the integrity of the website and we have not been engaged to report on its integrity. The review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to / from the financial report. 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 financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based upon 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 and controlled entity is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB134 *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 to the interim financial report, which indicates that the Group incurred a loss of \$438,967 (2009: loss of \$409,397) during the half year ended 31 December 2010, and generated net cash outflows from operations of \$276,619 (2009: \$300,520). 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 Group 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.



Jeffrey Luckins

Director

William Buck Audit (VIC) Pty Ltd

ABN 59 116 151 136

Dated in Melbourne, Australia on this 4th day of March 2011