NAGAMBIE RESOURCES

Preparation for West Pit Rehabilitation

2016 Annual Report

CORPORATE DIRECTORY

NAGAMBIE RESOURCES LIMITED ABN 42 111 587 163
CLONBINANE GOLDFIELD PTY LTD ACN 160 928 932
NAGAMBIE DEVELOPMENTS PTY LTD ABN 37 130 706 311
NAGAMBIE LANDFILL PTY LTD ABN 90 100 048 075

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

CHIEF EXECUTIVE OFFICER
James C Earle

COMPANY SECRETARY
Alfonso M G Grillo

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SECURITIES EXCHANGE LISTING
Nagambie Resources Limited shares are listed on the Australian Securities Exchange
ASX Code: NAG

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Note: Corporate Governance Statement
The Corporate Governance Statement was approved by the Board at the same time as this Annual Report and can be found at: www.nagambiemining.com.au under Investor Information.

NAGAMBIE RESOURCES

CHAIRMAN'S LETTER

Dear Shareholder

A lot has happened in the last 12 months. The Nagambie Mine site has been transformed as illustrated by the panoramic photo of the West Pit on the front cover showing the preparations that have been made towards rehabilitating it to its previous use as farming land. Another recent development is the construction of a state-of-the-art, solar-powered, driver-controlled weighbridge that will facilitate many aspects of the Company's strategic vision going forward.

Vision to be an Industry Hub of State Importance

The Nagambie Mine site has all the attributes for it to become a hub of State importance. It has excellent freeway-based heavy vehicle access to central Victoria and Melbourne and significant buffer zones are already in place. Infrastructure now includes secure fencing, excellent internal haul roads, the weighbridge and a multipurpose engineered pad underlain with 17 hectares (43 acres) of HDPE plastic liner, geotextile fabric and an engineered clay base. As a degraded mine site with various overburden and tailings high walls providing visual and noise barriers, it is an ideal site for various activities that require EPA Victoria approval.

The Company's strategic vision includes:

- ❖ Rehabilitating the two water-filled legacy gold-mining pits by backfilling them below the water table with PASS (Potential Acid Sulphate Soils or Rock) from major excavation projects in Melbourne;
- ❖ Recycling of the overburden and tailings dumps as road base material and road topping gravel for local roads;
- ❖ Producing sand and quartz aggregate products by quarrying, washing and screening deposits at the mine;
- ❖ Landfilling of solid inert residuals from Melbourne recycling operations; and
- ❖ Green waste composting.

Over time, Nagambie Resources plans to acquire several adjoining properties to increase the existing buffer zone for the hub. Recently the Company committed to purchase a 188 hectare (465 acre) property to the south of the mine. This farm will add to the existing 257 hectares (634 acres) at the mine site, comprising 196 hectares (484 acres) of freehold land and 60 hectares (150 acres) of leased Crown Land.

Vision to be a Significant Sand and Quartz Aggregate Supplier

Significant deposits of sand and quartz aggregate up to 26 metres in thickness lie beneath 4 to 8 metres of clay near the West Pit. These deposits were in fact an operational problem where they overlay the gold mineralisation that was mined.

With Melbourne's population set to double in the coming decades, the Melbourne area is facing a massive shortfall in quality sand and quartz aggregate supplies. Supply is already tight and the various major infrastructure projects proposed for Melbourne (Melbourne Metro Rail, Western Distributor, Fishermans Bend Development, North East Link, Metro 2 etc.) will require large quantities of high grade concrete.

The Company plans to establish quarrying, washing and screening operations within 18 months so that trucks bringing PASS to the Nagambie Mine from Melbourne's major infrastructure projects could backload various sand and quartz aggregate products at minimal transport cost.

Vision to be a Significant Gold Company

Nagambie Resources listed on the ASX as a gold exploration company focussing on finely disseminated gold-in-sediments deposits in Victoria. The discovery of virgin gold mineralisation in 2014 at Wandean, 9 km north west of the Nagambie Mine, was predicted by the Nagambie Regional Gold Model that had been developed over several years by the Company.

An extensive aeromagnetic survey has just been completed over around 550 sq km of Nagambie Resources' tenements in the Nagambie area and could unlock the significant gold potential of the region. Analysis of the data is underway and the results should be available in November. The target of the north-south survey flight lines are major east-west thrusts or faults that are the conduits for mineralising fluids (quartz, sulphides and gold) sourced from depths as great as 7 km or more. Two of these thrusts are well known – the Nagambie Thrust hosts the Nagambie Mine and the Wandean Thrust hosts the Wandean deposit.

The Company has recently pegged another 456 sq km tenement to the north and east of the 550 sq km already held in the Nagambie area as field reconnaissance had located more east-west faulting in that region.

In terms of planned oxide heap-leach gold production, Nagambie Resources during the year outlined the gold mineralisation at surface in the Apollo-Gladys area at Clonbinane, 60 km south of the Nagambie Mine. This summer, a costeaning program is planned to outline the surface gold mineralisation at Wandean.

While the Company's primary gold focus is on low capital and operating cost heap leach production from near-surface oxide gold mineralisation, a secondary focus will now be on locating any bonanza grade sulphide mineralisation that may occur beneath oxide gold zones. This additional focus has come about following the announcement in June this year of spectacular drill intersections at the Fosterville Gold Mine, also a finely disseminated gold-in-sediments deposit, to the west of Nagambie in central Victoria.

The bonanza results, some of the best ever recorded in Australia, included 20.7 ounces of gold per tonne (645 g/t) over 3.5m downhole, 16.1 oz/t over 4.5m, 12.4 oz/t over 3.4m and 3.6 oz/t over 11.9m.

These intersections were previously unheard of for a Victorian disseminated gold-in-sediments deposit. In fact, the high grade disseminated gold at the Fosterville Mine is now seen at depth with visible gold throughout the major ore zones. It seems that, at a certain depth, temperature and pressure conditions result in very high grade gold-sulphide mineralisation being developed. After the Fosterville tenements, Nagambie Resources may well have the next best landholding for this style of deposit in Victoria. And, in the Nagambie region, the Company importantly has established (at Wandean) that ground-based induced polarisation geophysics can locate anomalous sulphide bodies at depth.

On 1 July, James Earle was appointed Chief Executive Officer (CEO) for the Group. He has a degree in Geological Engineering, a Master of Environmental Management and a Master of Business Administration. James worked for GHD from 2003 to 2010. More recently he was manager of the Victorian practice of Ramboll Environ, another global engineering and environmental consultancy. James is well equipped to lead the Company as it expands in coming years.

Finally, as usual I would again like to thank the Company's very supportive and patient shareholders, my fellow directors and the small but focussed management team for their very productive efforts throughout the year. As regards shareholders, this time last year Nagambie Resources had 474 shareholders. That number has grown by 464 or 98% over the last year to the current total of 938, which is very gratifying.

Mike Trumbull
Executive Chairman

28 October 2016

OPERATIONS & EXPLORATION REVIEW

To minimise repetition, this review won't repeat the material covered in the Chairman's Letter on pages 1 and 2.

GOLD

The group's tenements as at 30 September 2016 are shown in Table 1 and Figure 1.

Table 1 Nagambie Resources Group Tenements as at 30 September 2016

Tenement Number	Tenement Name	sq.km
MIN 5412	**Nagambie Mining Licence**	3.64
EL 5430	**Bunganail Exploration Licence**	313.02
EL 5511	**Nagambie Exploration Licence**	36.89
EL 5536	**Wandean North Exploration Licence**	95.00
EL 5413	**Nagambie West Exploration Licence**	9.11
EL 6212	**Reedy Lake North Exploration Licence**	41.00
ELA 6158	**Rushworth Exploration Licence Application**	56.03
ELA 6352	**Miepoll Exploration Licence Application**	456.00
		1,007.05
EL 4987	**Clonbinane North Exploration Licence**	1.46
EL 4460	**Clonbinane South Exploration Licence Application**	1.54
ELA 6163	**Clonbinane South Exploration Licence Application**	78.21
RLA 6040	**Clonbinane Retention Licence Application**	3.00
ELA 5546	**Redcastle Exploration Licence Application**	53.66
RL 2019	**Doctors Gully Retention Licence**	4.00
		1,152.56

Apollo-Gladys Area Costeaning

The oxide gold mineralisation in the Apollo-Gladys area is the first target at Clonbinane for excavating and trucking 60 km north to the Nagambie Mine for heap-leach gold treatment. A costeaning program during the year outlined the gold mineralisation at surface in the area – refer Figure 2.

Figure 2 Plan of Surface Gold Mineralisation at Apollo-Gladys

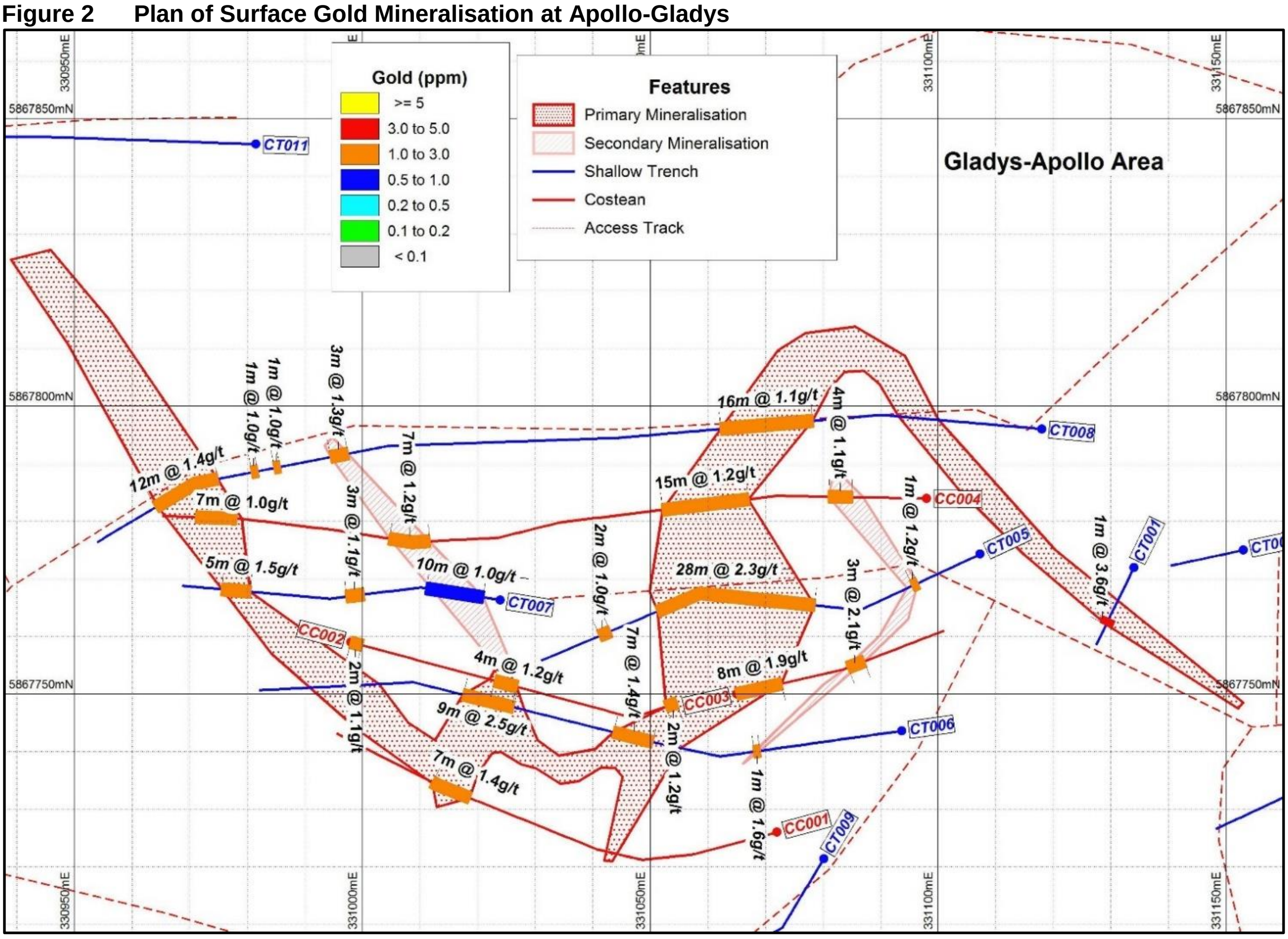
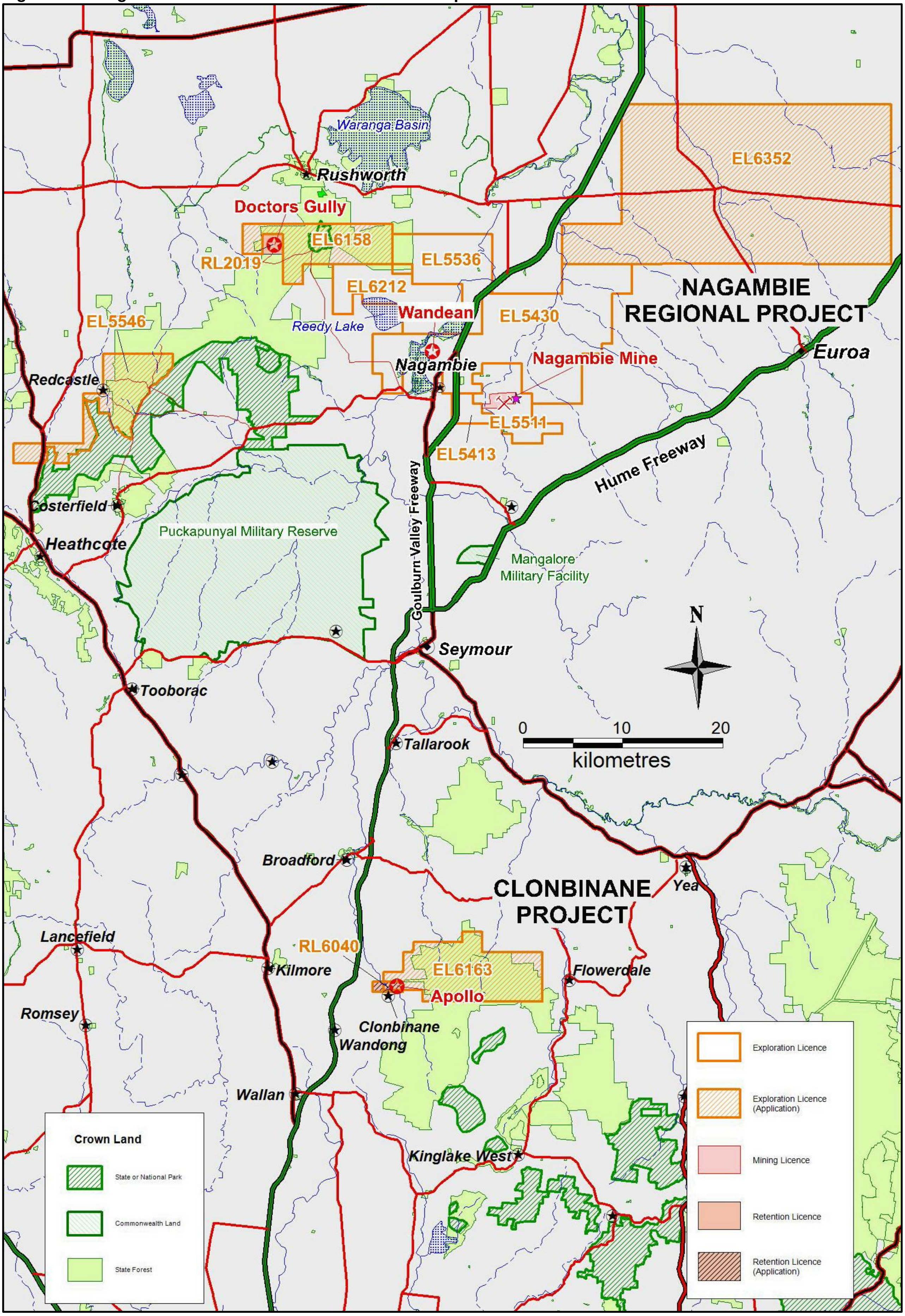


Figure 1 Nagambie Resources Tenements as at 30 September 2016



PASS PROJECT

The Company is proposing to rehabilitate the East and West Pits at the Nagambie Mine (refer Photo 1) back to their original use as farming land. PASS material from large construction excavation sites in Melbourne will be used to backfill the open pits below the water level. Below water, the PASS material will be in an anaerobic state (not exposed to air). Clay from the Nagambie Mine site will then be placed on top of the PASS material, up to the water level and then above the water level. The clay will be compacted as it is added and so permanently cap the PASS material in an anaerobic state. At the final surface level, topsoil will be spread and seeded with local area grasses, shrubs and trees.

Photo 1 Aerial View of the Nagambie Mine Site

Looking north east. Water-filled West Pit in foreground, East Pit in background

PASS stands for Potential Acid Sulphate Soil (or silt or rock). PASS occurs naturally in an anaerobic state below the water table. It is soil, silt or rock containing sulphidic material such as pyrite (iron sulphide). It is considered to be clean fill (EPA publication 655.1), free of any anthropogenic ('human made') contamination. PASS is not contaminated soil, nor is it toxic. PASS only becomes a problem when it is excavated from below the water table and exposed to the air (that is, removed from its anaerobic state) for a significant period of time. Major committed and possible Melbourne infrastructure projects that will involve the excavation of PASS include the Western Distributor, Melbourne Metro 1, the North-East Link and Melbourne Metro 2.

Underwater storage is the best environmental solution for Melbourne PASS as it prevents the oxidation of the pyrite (iron sulphide) in the material. The water in the Nagambie Mine open pits is naturally strongly saline and alkaline, making it ideal tor PASS management.

Nagambie Resources' Environmental Management Plan (EMP) for the receival and management of PASS at the Nagambie Mine was approved in June by the Environment Protection Authority of Victoria (EPA).

Nagambie Resources is submitting a Work Plan Variation to Earth Resources Regulation Victoria, initially for the rehabilitation of the West Pit (refer Photo 2).

Photo 2 Preparation for West Pit Rehabilitation

Looking north.

The EMP satisfies all the environmental aspects considered by the EPA, including water, air/dust, land, odour and noise impacts. The Company will be adhering to strict EPA operating, monitoring and reporting requirements for the initial two-year period. The requirements include keeping detailed records of all PASS material received onsite and undertaking frequent and ongoing sampling and testing of the water in the pits and all received PASS material. All the information collected will be reported both quarterly and annually to the EPA.

SAND AND QUARTZ AGGREGATE MATERIAL

The type of sand and quartz aggregate material around the West Pit is illustrated in Photo 3. 6 m of predominantly sand (18 m to 24 m downhole) in core hole VCP 3 overlies 6 m of predominantly quartz aggregate (24 m to 30 m downhole).

Photo 3 Sand and Quartz Aggregate Material in Core Hole VCP 3

LANDFILLING OF RESIDUAL SOLID INERT WASTE

Landfilling of solid inert residuals from Melbourne recycling operations at the Nagambie Mine is a longer term aim. The Company's intention is that the first landfill site will utilise the infrastructure established for the previous heap leach operation at the mine.

Photo 4 shows the HDPE black plastic laid in 1989 for the heap leach pad and the associated water ponds. Underlying the black plastic was a geotextile fabric and an engineered clay base. All leach solution and rainfall runoff from the pad (17 hectares or 43 acres) was directed, because of the engineered clay base, to the narrow channel leading to the small upper-right pond in the photo.

What was constructed for the heap leach operation in 1989 is eminently suitable for a future hard inert landfill site. Before then, it will be recommissioned for the heap leach treatment of gold mineralisation from Clonbinane and Wandean, and hopefully future oxide gold discoveries by Nagambie Resources.

Photo 4 Aerial Photo of the HDPE Black Plastic Laid for the Heap Leach Pad and Ponds

Mike Trumbull
Executive Chairman

STATEMENT AS TO COMPETENCY

The Exploration Results in this report have been compiled by Mr Geoff Turner, who is a Fellow of the Australian Institute of Geoscientists, has more than ten years in the estimation, assessment, and evaluation of mineral resources and ore reserves, and has more than 20 years in exploration for the relevant style of mineralisation that is being reported. In these regards, Geoff Turner qualifies as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Geoff Turner is a Director of Nagambie Resources Limited and consents to the inclusion in this report of these matters based on the information in the form and context in which it appears.

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", "target", "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 Resources assumes no obligation to update such information.

Directors' Report

The directors of Nagambie Resources Limited submit herewith the annual financial report of the company and its controlled entities (the group) for the financial year ended 30 June 2016.

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
MICHAEL W TRUMBULL *Non-Executive Director* Appointed 28 July 2005 *Non-Executive Chairman* Appointed 20 December 2007 *Executive Chairman* Appointed 13 September 2013 *Age 66*	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. 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. From 1987 to 1991, he was General Manager – Investments for the ACM Group. 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. *Other current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None
GEOFF R TURNER *Non-Executive Director Exploration* Appointed 20 December 2007 *Age 68*	Geoff Turner is a geologist with a B.Sc (Hons) & M.Sc (Exploration & Mining Geology). He 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. Geoff is a member of the Audit and Compliance Committee. *Other Current Directorships of Listed Companies* None. *Former Directorships of Listed Companies in last three years* None

KEVIN J PERRIN *Non-Executive Director Finance* Appointed 17 September 2010 *Deputy Chairman* Appointed 20 December 2010 *Age 67*	Kevin Perrin is a Certified Practising Accountant (CPA). Since 1 July 2012, he has been a consultant to PPT Accounting after having been a partner in that business for 37 years. PPT Accounting 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. Kevin is Chairman of the Audit and Compliance Committee *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* BCD Resources NL – appointed February 2006, resigned September 2012 BCD Resources (Operations) NL - appointed February 2007, resigned September 2012

Chief Executive Officer

JAMES C EARLE ***BE (Geological) MEM MBA***

James Earle was appointed as Chief Executive Officer on 4 July 2016. He is a Geological Engineer with over 15 years broad experience with environmental impact assessments and approvals, waste management, environmental management plans, soil and water assessments and strategic advice. The majority of his experience has been in public infrastructure development and site-based environmental management.

He has held positions with consulting organisations and government departments in Australia and the UK. The most recent positions held by James were Manager of the Victorian practice of Ramboll Environ and prior to that he was a Senior Consultant, Service Group Manager and Principal Consultant at GHD. Both of these groups are global engineering and environmental consultancies. James has also lectured at the Australian National University.

Company Secretary

ALFONSO M G GRILLO ***BA LLB***

Alfonso Grillo is a Partner at GrilloHiggins 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 activities of the group during the financial period were the investigation and development of waste handling assets and the exploration for, and development of, gold, associated minerals, and construction materials in Australia.

Review of Operations

At the 2015 AGM, shareholders overwhelmingly supported the change of name from Nagambie Mining Limited to Nagambie Resources Limited, better reflecting the broadening nature of the company's assets.

PASS Management Project

During the year, the PASS Management Project became the major focus of the company.

PASS stands for Potential Acid Sulphate Soil (or silt or rock). PASS occurs naturally in an anaerobic state below the water table. It is soil, silt or rock containing sulphidic material such as pyrite (iron sulphide). PASS received by Nagambie Resources will be free of any anthropogenic ('human made') contamination and will meet the Environment Protection Authority of Victoria's (EPA) criteria for Fill Material ("Clean Fill"). PASS only becomes a problem when it is excavated from below the water table and exposed to the air (that is, removed from its anaerobic state) for a significant period of time. Underwater storage is the best environmental solution for PASS as it prevents the oxidation of the sulphides in the material. The water in the Nagambie Mine open pits is naturally both saline and alkaline, making it ideal tor PASS management.

The company is proposing to rehabilitate the East and West Pits at the Nagambie Mine back to their original use as farming land. Commencing in CY 2017, around 6.0 million tonnes of PASS material from large construction excavation sites in Melbourne will be used to backfill the open pits below the water level. The PASS material will be prevented from oxidising while under water. Clay from the Nagambie Mine site will then be placed on top of the PASS material, up to the water table and then at least 2 metres above the water table. The clay will be compacted as it is added and so permanently cap the PASS material in an anaerobic state. Finally, topsoil will be spread and seeded with local area grasses and trees.

Nagambie Resources' Environmental Management Plan (EMP) for the receival and management of PASS at the Nagambie Mine was approved by the EPA in June 2016. The EMP satisfies all the environmental aspects considered by the EPA, including water, air/dust, land, odour and noise impacts. The company will be adhering to strict EPA operating, monitoring and reporting requirements for the initial two-year period. These requirements include keeping detailed records of all PASS material received onsite and undertaking frequent and ongoing sampling and testing of the water in the pits and all received PASS material. All the information collected will be reported both quarterly and annually to the EPA.

Gold Development

The company carried out a second costeaning program (four costeans totalling 313 metres in length) during the year at the Apollo-Gladys area at Clonbinane, 60 km south of the Nagambie Mine. The assay data for the costeans supported and complemented the results obtained from the earlier shallow trenching program, confirming the folding of the gold mineralisation that had been interpreted by Nagambie Resources and clearly defining economic, mineable ore at surface.

All the costeans were excavated with a 21 tonne excavator, indicating that future mining operations could be by excavator only with no requirement for drilling and blasting.

The presence of continuous gold mineralisation over wide intervals with relatively few gold "spikes" points to the gold being very fine grained and evenly disseminated throughout the mineralised zones. The gold distribution fits with the very high indicated heap-leach gold recovery of 80% to 85% as indicated by previously reported metallurgical tests.

A costeaning program was planned to be carried out during the year at Wandean, 9 km north west of the Nagambie Mine, but was deferred until the 2016/2017 summer. A bulldozer and an excavator with a ripper tooth attachment will be used to prepare the surface of the Wandean costeans to test the extent of ripping that will be required during mining. The assay results and geological logging for the costeans will enable the estimation of an initial oxide gold resource for Wandean, the design of an initial open pit, and other work necessary to apply for a Mining Licence.

Gold Exploration

Gold exploration during FY 2016 was limited with the increased focus on the PASS Management Project. A significant increase in exploration expenditure is planned for FY 2017 and subsequent years. The current Australian dollar gold price of around A$1,750 per ounce is very attractive and various commentators are predicting even higher prices in coming years.

Since announcing the discovery of the Wandean gold deposit in July 2014, the company has patiently picked up additional exploration tenements to the north and north west of Wandean as they became available. As at 30 June 2016, the company had eight granted Exploration Licences, three Exploration Licence Applications, one granted Retention Licence and one Retention Licence Application totalling 851 sq km in central Victoria. All tenements are for gold and associated minerals and are in good standing.

Importantly, the company has rights over a total of 551 sq.km of highly prospective gold ground in the Nagambie region. This holding represents real 'gravitas' in the exploration sense and could easily attract the attention of an Australian or international gold major. Nagambie Resources however considers joint venturing this asset, or any of its other assets, would not be in the best interest of its shareholders.

A detailed aeromagnetic survey over the 551 sq.km total area has been planned and is now due to be flown in October 2016. The survey, flown on close-spaced, north-south lines, is expected to define a series of east-west thrusts. A previous Government aeromagnetic survey was flown on wide-spaced, east-west lines but still managed to indicate some east-west thrusting.

Nagambie Resources will systematically use its proprietary soil sampling protocols to test both north and south of each east-west thrust that is defined by the detailed aeromagnetic survey. AirCore drilling, followed by RC drilling if justified, would then be employed to test all the resultant soil anomalies. Additionally, the Company has established that the ground electrical geophysics method of Induced Polarisation (IP) can highlight areas of intense sulphide mineralisation, well below the oxidised zone, in the Nagambie district. For the style of gold mineralisation that is targeted, generally the more intense the sulphide mineralisation, the higher the gold grade. The combination of aeromagnetic surveying, proprietary soil sampling, IP and, finally, drilling means that Nagambie Resources can maximise its chances of success for every dollar it spends on gold exploration in the Nagambie area.

Potential for Bonanza-Grade Sulphide Gold Deposits

Gold exploration by the company to date has been focussed on the discovery of shallow, open-pit and heap-leachable oxide gold deposits. Following the announcements of bonanza gold grades being intersected at the Fosterville Gold Mine, Nagambie Resources is expanding its exploration strategy to include sulphide gold deposits beneath oxide mineralisation.

Perseverance Corporation mined and heap-leach treated the finely-disseminated, low-grade, surface oxide gold-in-sediments deposit at the Nagambie Mine in the 1990s. Perseverance subsequently mined and heap-leach treated the finely-disseminated, low-grade, surface oxide gold-in-sediments deposit at the Fosterville Mine, east of Bendigo. While close to Bendigo, the Fosterville mineralisation style is very different to the Bendigo mineralisation style of nuggetty gold in quartz veins.

The Fosterville Mine is now owned by Newmarket Gold, a Canadian company that is not listed on the ASX. Sulphide ore is currently being mined in underground stopes in the Phoenix Zone, around 900m beneath the surface, and treated in a surface Biox gold recovery circuit.

A June 2016 presentation by Newmarket Gold, released on the Toronto Stock Exchange, included recent drilling intersections from the Lower Phoenix Zone. Better drill intersections included: 3.5m downhole at 645 g/t gold (20.7 ounces/t); 4.5m at 501 g/t (16.1 ounces/t); 3.4m at 385 g/t (12.4 ounces/t); 11.9m at 112 g/t (3.6 ounces/t); 4.9m at 161 g/t (5.2 ounces/t); and 7.8m at 73.2 g/t (2.4 ounces/t). These intersections were previously unheard of for a Victorian disseminated gold-in-sediments deposit. In fact, the high-grade disseminated gold at the Fosterville Mine is now occurring at depth as very visible gold.

Newmarket Gold have shown the potential future for disseminated gold-in-sediments deposits in Victoria, which is the same deposit style that Nagambie Resources is seeking in the Nagambie region. After Newmarket Gold, Nagambie Resources may well have the next best landholding for this style of deposit in Victoria.

Financial

Total revenue, principally from sales of non-gold materials, increased by $260,956 to $453,058 for the 2016 financial year. The net loss before impairments and income tax benefit from R&D incentive was $260,156 for the year, a substantial improvement of $355,099 compared to the 2015 financial year loss of $615,255. Total impairment of exploration tenements for the 2016 financial year on the Redcastle, Nagambie West, Nagambie South and Reedy Creek tenements was $461,678. An R&D tax incentive amount of $102,385 reduced the overall net loss for the year to $619,449.

A total of $1,267,317 in additional share capital was issued by the company during the 2016 financial year. This included $269,000 from a share purchase placement at 3.3 cents per share in September 2015 and exercise of 7,000,000 options at 10.0 cents for $700,000. There were also 7,885,553 shares issued to settle convertible notes during the year which saved the company having to make repayments of $298,317. In addition $420,000 was raised from a further issue of series 4 convertible notes.

Likely Developments

During the 2017 financial year, Nagambie Resources is planning to:

1. Complete the permitting for its PASS Management Project;
2. Commence taking PASS material from large construction excavation sites in Melbourne;
3. Analyse the results of the 551 sq km Nagambie aeromagnetic survey and prioritise areas for gold soil sampling;
4. Carry out extensive gold soil sampling;
5. Carry out IP survey work where justified;
6. Carry out the planned costeaning program at Wandean; and
7. Advance the development of both the Clonbinane and the Wandean gold projects.

Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year other than already disclosed.

Subsequent events

The following events have occurred after reporting date and are of significance to the company:

On 4 July 2016 the company announced to the ASX the appointment of James Earle as Chief Executive Officer for the company. He commenced work on 8 August 2016.

On 12 July 2016 the company announced to the ASX it had raised $700,000 by the placement of 4,666,666 shares at an issue price of 15.0 cents per share.

On 1 September 2016 the company announced to the ASX that all the remaining holders of Series 2 Convertible Notes with a face value of $463,000 had elected to convert their notes into shares. This resulted in a further 11,575,000 shares being issued.

On 19 September 2016 the company announced to the ASX that it had raised $600,000 through the issue of 3,333,333 Series 5 Convertible Notes with a face value of 18 cents per note.

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 (2015: 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	4,000,000
Geoff Turner	2,000,000
Kevin Perrin	2,000,000
Alfonso Grillo	1,000,000

Shares under option or issued on exercise of options

There were 7,000,000 options exercised during the year at an exercise price of $0.10 per share.

Options held as at reporting date

Number of options	Grant date	Vesting date	Expiry date	Exercise price
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
9,500,000	3/12/2013	3/12/2013	3/12/2018	10 cents
10,500,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,500,000	16/11/2015	16/11/2015	28/11/2020	10 cents
2,000,000	4/7/2016	4/7/2016	4/7/2021	25.5 cents
38,650,000				

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 7 board meetings and 4 audit and compliance committee meetings were held.

	Board of directors		Audit and compliance committee	
Directors	**Held**	**Attended**	**Held**	**Attended**
Michael Trumbull	7	7	-	-
Geoff Turner	7	7	4	4
Kevin Perrin	7	7	4	4

Directors' shareholdings and options

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	20,019,610	13,000,000
Geoff Turner	4,007,325	7,000,000
Kevin Perrin	26,491,549	7,000,000

Remuneration report (Audited)

Remuneration policy for directors and executives

Details of key management personnel

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

Michael Trumbull	Executive Director
Geoff Turner	Non-Executive Director
Kevin Perrin	Non-Executive Director
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 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 2016, the board resolved that the executive chairman's remuneration be set at $164,250 (2015: $164,192) per annum excluding superannuation and share based payments. For non-executive directors, remuneration was set at $42,000 (2015: $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.

Options are issued to employees under the company's Employee Option Plan at the discretion of the board. Options issued to directors require the approval of shareholders at a general meeting. The purpose of the issue of options is to remunerate employees and directors as an incentive for future services. The directors consider it important that the company is able to attract and retain people of the highest calibre and believe that the most appropriate means of achieving this is to provide an opportunity to participate in the company's future growth and give them an incentive to contribute to that growth.

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 2016.

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue	$453,058	$192,102	$120,930	$162,417	$245,830
Net loss before tax	$619,449	$634,351	$742,772	$1,355,181	$472,558
Net loss after tax	$619,449	$634,351	$742,772	$1,355,181	$472,558
Share price at start of year (cents)	3.4	3.2	2.0	1.5	2.3
Share price at end of year (cents)	16.5	3.4	3.2	2.0	1.5
Dividends paid	Nil	Nil	Nil	Nil	Nil
Basic earnings per share (cents)	(0.18)	(0.21)	(0.28)	(0.68)	(0.28)
Diluted earnings per share (cents)	(0.18)	(0.21)	(0.28)	(0.68)	(0.28)

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 non cash			
		$	$	$	$	$	$
Directors							
Michael Trumbull (1)	**2016**	**164,250**	**-**	**40,000**	**-**	**-**	**204,250**
	2015	164,192	-	56,000	-	-	220,192
Geoff Turner (2)	**2016**	**113,200**	**3,990**	**20,000**	**-**	**-**	**137,190**
	2015	150,745	3,990	28,000	-	-	182,735
Kevin Perrin (3)	**2016**	**45,990**	**-**	**20,000**	**-**	**-**	**65,990**
	2015	45,972	-	28,000	-	-	73,972
Total for Year	**2016**	**323,440**	**3,990**	**80,000**	**-**	**-**	**407,430**
Total for Year	2015	360,909	3,990	112,000	-	-	476,899

Apart from the contract disclosed at (1) below there were no other contracts with management or directors in place during the 2016 and the 2015 financial years.

(1) Michael Trumbull is employed as Executive Chairman under a Consultancy Agreement which commenced on 1 July 2013 and is ongoing. The fixed remuneration level was set at $164,250 (2015: $164,192) per annum plus provision of a motor vehicle and reimbursement of out of pocket expenses. The contract may be terminated upon giving 6 months notice by the company or 3 months by the Consultant.
During the 2016 financial year fees of $164,250 (2015: $164,192) were paid to Cypron Pty Ltd, an entity controlled by Michael Trumbull, for his services as a director of the company.

(2) During the 2016 financial year Geoff Turner was paid director's fees of $42,000 (2015: $42,000) plus $3,990 (2015: $3,990) in superannuation for his services as a director of the company. The company also paid fees of $71,200 (2015: $108,745) 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.
At 30 June 2016 there was an amount of $6,908 (2015: $21,266) owing to EMS.

(3) During the 2016 financial year fees of $45,990 (2015: $45,972) were paid to Vinda Pty Ltd, an entity controlled by Kevin Perrin, for his services as a director of the company.

Shareholdings of key management personnel

	Balance 1 July 2015	Granted as remuneration	On exercise of options	Net change (1)	Balance 30 June 2016
Michael Trumbull	18,680,096	-	2,000,000	(660,486)	20,019,610
Geoff Turner	1,552,779	-	2,000,000	454,546	4,007,325
Kevin Perrin	10,809,780	-	2,000,000	13,681,769	26,491,549
Total	**31,042,655**	**-**	**6,000,000**	**13,475,829**	**50,518,484**

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

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 Resources 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 37,250,000 share options on issue under this plan, of which 27,000,000 are executive share options.

Options held at the end of the financial year

Number of options	Grant date	Vesting date	Expiry date	Exercise price
1,000,000	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
9,500,000	3/12/2013	3/12/2013	3/12/2018	10 cents
10,500,000	28/11/2014	28/11/2014	28/11/2019	10 cents
11,500,000	16/11/2015	16/11/2015	28/11/2020	10 cents
37,250,000				

Value of options issued to directors and executives

The following grants of share-based payment compensation to directors and senior management relate to the 2016 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 16 Nov 2015	4,000,000	4,000,000	100%	0%	19.6%
Geoff Turner	issued 16 Nov 2015	2,000,000	2,000,000	100%	0%	10.9%
Kevin Perrin	issued 16 Nov 2015	2,000,000	2,000,000	100%	0%	30.3%

The following table summarises the value of options granted, exercised or lapsed during the 2016 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 (ii)	Value of options lapsed at the date of lapse
	$	$	$
Michael Trumbull	40,000	200,000	Nil
Geoff Turner	20,000	200,000	Nil
Kevin Perrin	20,000	200,000	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. `The assessed value was 1.0 cents per option.

(ii) 6,000,000 options were exercised during the reporting period with an exercise price of 10 cents. No directors or senior management options lapsed during the reporting period.

Option holdings of key management personnel

	Balance 1 July 2015	Granted as remuneration	Options exercised	Balance 30 June 2016	Vested and exercisable at 30 June 2016
Michael Trumbull	11,000,000	4,000,000	(2,000,000)	13,000,000	13,000,000
Geoff Turner	7,000,000	2,000,000	(2,000,000)	7,000,000	7,000,000
Kevin Perrin	7,000,000	2,000,000	(2,000,000)	7,000,000	7,000,000
Total	**25,000,000**	**8,000,000**	**(6,000,000)**	**27,000,000**	**27,000,000**

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
28 September 2016

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2016 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

William Buck Audit (VIC) Pty Ltd

ABN: 59 116 151 136

N. S. Benbow

Director

Dated this 28th day of September, 2016

CHARTERED ACCOUNTANTS & ADVISORS

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Statement of Profit and Loss and Other Comprehensive Income
for the financial year ended 30 June 2016

		Consolidated	
	Note	**2016 $**	2015 $
Revenue	4	**453,058**	192,102
Corporate expenses		**(342,125)**	(388,828)
Depreciation and amortisation		**(11,415)**	(11,573)
Employee benefits expense	4	**(144,262)**	(185,698)
Finance costs	4	**(215,412)**	(221,258)
Impairment of exploration assets	9	**(461,678)**	(403,934)
Loss before income tax		**(721,834)**	(1,019,189)
Income tax benefit	5	**102,385**	384,838
Loss for the year		**(619,449)**	(634,351)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(619,449)**	(634,351)
Loss per share			
Basic and diluted loss per share in cents	6	**(0.18)**	(0.21)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2016

	Note	Consolidated 2016 $	2015 $
Current assets			
Cash and cash equivalents	14(b)	**318,594**	194,527
Trade and other receivables	7	**27,984**	27,023
Total current assets		**346,578**	221,550
Non-current assets			
Security deposits	8	**612,449**	598,215
Property, plant and equipment	10	**71,939**	70,251
Exploration and evaluation assets	9	**7,627,371**	6,818,177
Total non-current assets		**8,311,759**	7,486,643
Total assets		**8,658,337**	7,708,193
Current liabilities			
Trade and other payables	11	**166,136**	123,557
Borrowings	15	**1,101,683**	100,000
Provisions	16	**23,388**	4,783
Total current liabilities		**1,291,207**	228,340
Non-current liabilities			
Borrowings	15	**934,000**	1,814,000
Provisions	16	**6,198**	-
Total non-current liabilities		**940,198**	1,814,000
Total liabilities		**2,231,405**	2,042,340
Net assets		**6,426,932**	5,665,853
Equity			
Issued capital	12	**19,018,777**	17,714,489
Reserves	13	**353,005**	355,924
Accumulated losses		**(12,944,850)**	(12,404,560)
Total equity		**6,426,932**	5,665,853

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the financial year ended 30 June 2016

	Consolidated			
	Issued capital $	Options reserve $	Accumulated losses $	Total $
Balance at 30 June 2014	**16,429,818**	**208,924**	**(11,770,209)**	**4,868,533**
Shares issued during the year	1,284,671	-	-	1,284,671
Recognition of share based payments	-	147,000	-	147,000
Total comprehensive income	-	-	(634,351)	(634,351)
Balance at 30 June 2015	**17,714,489**	**355,924**	**(12,404,560)**	**5,665,853**
Shares issued during the year	1,267,317	-	-	1,267,317
Share issue costs	(1,789)	-	-	(1,789)
Recognition of share based payments	-	115,000	-	115,000
Transfer on lapse of options	-	(79,159)	79,159	-
Transfer on exercise of options	38,760	(38,760)	-	-
Total comprehensive income	-	-	(619,449)	(619,449)
Balance at 30 June 2016	**19,018,777**	**353,005**	**(12,944,850)**	**6,426,932**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the financial year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from customers		**433,075**	200,710
Payments to suppliers and employees		**(306,642)**	(410,449)
Interest received		**19,983**	26,410
Interest paid		**(213,736)**	(237,185)
R&D tax incentive		**102,385**	384,838
Net cash inflows from (used in) operating activities	14(a)	**35,065**	(35,676)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(13,103)**	(22,117)
Payments for exploration expenditure		**(1,270,872)**	(683,376)
Payments for security bonds		**(14,234)**	(23,000)
Net cash used in investing activities		**(1,298,209)**	(728,493)
Cash flows from financing activities			
Proceeds from issue of shares		**967,211**	375,300
Proceeds from issue of convertible notes		**420,000**	110,000
Net cash provided by financing activities		**1,387,211**	485,300
Net increase (decrease) in cash and cash equivalents		**124,067**	(278,869)
Cash and cash equivalents at the beginning of the financial period		**194,527**	473,396
Cash and cash equivalents at the end of the financial period	14(b)	**318,594**	194,527

Notes to the Financial Statements for the financial year ended 30 June 2016

1. General information

Nagambie Resources 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. These financial statements were authorised for issue on the date of the signing of the attached Directors' Declaration.

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* and the *Corporations Regulations 2001*, Australian Accounting Standards and Interpretations. 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 an accruals basis using historical cost and the going concern basis of accounting. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the functional and presentation currency of the Company and its controlled entities. 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 2016 the consolidated net loss was $619,449 (2015: $634,351). The net cash inflows from operations for the year were $35,065 (2015: net cash outflows $35,676) and the Group had a net working capital deficiency of $944,629 (2015: $6,790) at year end.

The large working capital deficiency is primarily due to the maturity of $1,101,683 of Series 2 and Series 3 Convertible Notes during the coming financial year. On 1 September the company announced to the ASX that all the remaining holders of the Series 2 Convertible Notes of $463,000 had elected to convert their notes into shares. It is expected that the remaining holders of Series 3 Convertible Notes of $638,683 which mature in May 2017 will also elect to convert their notes to shares since the 3 cent face value is well below recent share prices. Should that change the directors have other alternatives available to them.

On 12 July 2016 the company announced to the ASX that it had raised $700,000 by the placement of 4,666,666 shares at an issue price of 15 cents per share. On 19 September the company also announced to the ASX that it had raised $600,000 through the issue of 3,333,333 Series 5 Convertible Notes with a face value of 18 cents per note.

The Group has cancellable planned exploration expenditure under its leased tenements extending to 30 June 2016 of $696,350 (2015: $682,650).

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 mindful of their obligations to ensure that there is adequate working capital available for operations and in this regard the following initiatives are being planned to improve group income:.

1. Complete the permitting for its PASS Management Project;
2. Commence taking PASS material from large construction excavation sites in Melbourne;
3. Analyse the results of the 551 sq km Nagambie aeromagnetic survey and prioritise areas for gold soil sampling;
4. Carry out extensive gold soil sampling;
5. Carry out IP survey work where justified;
6. Carry out the planned costeaning program at Wandean; and
7. Advance the development of both the Clonbinane and the Wandean gold projects.

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

- Issue of additional shares and/or convertible notes:
- Reclaiming cash backed environmental bonds for mineral tenements with the Department of Environmental Development Jobs Transport and Resources Victoria and therefore foregoing any capital commitments on those tenements surrendered: and
- Scaling back its administrative and corporate costs, including a reduction in fees payable to directors.

2. Significant accounting policies (continued)

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). The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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.

(d) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be wholly settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(e) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

Financial assets are classified on initial recognition as those to be subsequently measured at fair value or amortised cost using the effective interest method dependent on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial liabilities are classified as those to be subsequently measured at fair value or amortised cost.

2. Significant accounting policies (continued)

Loans and receivables

Loans and receivables are subsequently recognised at amortised costs less an allowance for any uncollectible amounts. Loans and receivables are included in current assets, except for those which are not expected to be received within 12 months after the end of the reporting period.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets will be deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors, or a group of debtors, are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter into bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having undertaken all possible measures of recovery, if the management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(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.

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.

2. Significant accounting policies (continued)

(g) Impairment of tangible 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.

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.

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.

2. Significant accounting policies (continued)

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) Research & development tax incentive

The Research & development (R&D) tax incentive refund relates to eligible R&D activities undertaken by the group. The tax credit is recognised when it is probable that the economic benefit will flow to the company and the amount can be reliably measured. This credit is recognised in current tax (refer note 2(h) above).

(j) 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.

(k) 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 range of useful lives for each class of plant equipment for the year were:

Plant and equipment:	4-10 years
Computer equipment:	3-5 years
Motor vehicles:	3-5 years

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.

(l) 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.

(m) 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)

Rental revenue

Property rental income is recognised on a straight-line basis over the period of the lease term.

(n) 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 a Binomial option pricing 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.

(o) 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 net 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.

(p) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(q) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

(r) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(s) Finance costs

Finance costs are expensed in the period in which they are incurred, including interest on the bank overdraft and interest on short-term and long-term borrowings.

2. Significant accounting policies (continued)

(t) Critical accounting estimates and judgements

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity may commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and directly allocating overheads between those that are expensed and capitalised.

In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest or activities that are not at a stage that permits a reasonable estimate of the existence of economically recoverable reserves. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Management have assessed the balance of capitalised exploration costs in line with future planned exploration activities and the entity's accounting policy and have determined that impairment was necessary. If a tenement has been relinquished or reduced then an impairment charge is taken. This charge is generally based on the pro-rata area reduced, however there can be other reasons for not using such an approach. When a tenement is not relinquished or reduced but is thought to be of reduced carrying value then an impairment based on management's estimate of fair value has been applied. Any charge for impairment is recognised in profit or loss immediately and also shown at Note 9.

Rehabilitation of tenements

The company has considered whether a provision for rehabilitation of any tenement is required. The directors do not consider that such a provision is necessary due to the fact that rehabilitation is being undertaken on a progressive basis. Whilst the company is in exploration phase it is also impossible to reliably estimate how much, if any, should be provided.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Share based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial valuation method of taking into account the terms and conditions upon which the instruments were granted. The company employs an external consultant to complete the valuation and this takes into account the expected volatility of the share price as one of the key components of the valuation. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value of convertible notes

Under the consolidated entity's accounting policy for convertible notes with cash redemption features, at initial recognition an amount equal to the fair value of the convertible notes issued is recognised as a financial liability ("debt"), and the residual value, being the proceeds of consideration less the debt component recognised at fair value, is recognised in equity.

On initial recognition, the directors have assessed the terms of the convertible notes and determined that in their view the fair value of the debt component is equal to the proceeds such that there is no residual amount to be allocated to an equity component. In making this determination, the directors are of the view that the value of the consideration received, net of costs, provided reliable evidence of the fair value of the debt component of the convertible note.

(u) 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.

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

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. In the directors view none of these standards and interpretations will have a material effect on these financial statements.

4. Revenue and expenses

	Consolidated	
	2016 **$**	2015 $
The loss before income tax includes the following items of revenue and		
(a) Revenue		
Operating revenue		
Rental income	**151,275**	112,500
Sale of non-gold materials	**256,067**	37,021
Other revenue		
Interest	**19,983**	26,410
Sundry income	**25,733**	16,171
Total revenue	**453,058**	192,102
(b) Expenses		
Employee benefits expense		
Employee benefits	**11,065**	26,420
Share based payments expense	**115,000**	147,000
Superannuation expense	**18,197**	12,278
	144,262	185,698
Finance costs		
Interest	**215,412**	221,258

5. Income tax

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

	2016	2015
Loss from operations	**(619,449)**	(634,351)
Prima facie tax benefit calculated at 30% (2015: 30%)	**185,835**	190,305
Add tax effect of:		
- Non deductible expenses	**(3,356)**	3,628
- Share based payments	**(34,500)**	(44,100)
- R&D tax incentive payments	**-**	-
Less tax effect of:		
Current year tax loss not recognised	**(147,979)**	(149,833)
R&D tax incentive	**102,385**	384,838
Income Tax Benefit	**102,385**	384,838

(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.

	2016	2015
A deferred tax asset attributable to tax losses and timing differences has not been brought to account.	**3,992,804**	3,844,826

6. Earnings per share

	Consolidated 2016 $	2015 $
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net loss	**619,449**	634,351
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	**340,205,393**	306,939,797

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	**13,067**	-
Other receivables	**14,917**	27,023
Total receivables	**27,984**	27,023

8. Security deposits

Non-current assets		
Security deposits - environmental bonds (i)	**611,234**	597,000
Security deposits - rental bonds	**1,215**	1,215
Total other assets	**612,449**	598,215

(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 Economic Development, Jobs, Transport and Resources 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. Exploration and evaluation assets

	Consolidated 2016 $	2015 $
Balance at beginning of the year	**6,818,177**	6,125,364
Exploration costs capitalised for the year	**1,270,872**	1,096,747
Impairment charge for the year	**(461,678)**	(403,934)
Balance at end of the year	**7,627,371**	6,818,177

During the financial year the group reassessed the recoverable value of all tenement areas of interest to which exploration costs have been capitalised and an impairment charge was deemed applicable. This matter is discussed further in ‘Critical accounting estimates and judgements’ at Note 2(t).

10. Property, plant and equipment

	Consolidated				
	Land $	Plant and equipment $	Computer equipment $	Motor vehicles $	Total $
Gross carrying amount					
Balance at 1 July 2014	27,028	67,423	125,549	86,211	306,211
Additions	-	-	2,116	20,000	22,116
Disposals	-	-	-	-	-
Balance 1 July 2015	27,028	67,423	127,665	106,211	328,327
Additions	-	-	13,103	-	13,103
Disposals	-	-	-	-	-
Balance 30 June 2016	**27,028**	**67,423**	**140,768**	**106,211**	**341,430**
Accumulated depreciation					
Balance at 1 July 2014	-	(43,334)	(119,755)	(83,414)	(246,503)
Depreciation expense	-	(3,759)	(2,532)	(5,282)	(11,573)
Disposals	-	-	-	-	-
Balance 1 July 2015	-	(47,093)	(122,287)	(88,696)	(258,076)
Depreciation expense	**-**	**(3,151)**	**(3,885)**	**(4,379)**	**(11,415)**
Disposals	**-**	**-**	**-**	**-**	**-**
Balance 30 June 2016	**-**	**(50,244)**	**(126,172)**	**(93,075)**	**(269,491)**
Net book value					
As at 30 June 2015	27,028	20,330	5,378	17,515	70,251
As at 30 June 2016	**27,028**	**17,179**	**14,596**	**13,136**	**71,939**

11. Trade and other payables

	Consolidated	
	2016 $	2015 $
Trade payables	**101,032**	80,101
Other payables	**65,104**	43,456
	166,136	123,557

12 Issued capital

	2016	2015
(a) Issued and paid capital	**$**	$
Ordinary shares fully paid	**19,018,777**	17,714,489

(b) Movements in shares on issue

	Year ended 30 June 2016		Year ended 30 June 2015	
	Number of shares issued	**Issued capital $**	Number of shares issued	Issued capital $
Balance at beginning of the year	**328,201,015**	**17,714,489**	288,414,010	16,429,818
Movements during the year				
Placement of shares	**-**	**-**	24,820,337	788,671
Share purchase plan				
22 Sept 2015 issue price 3.3 cents	**8,151,542**	**269,000**	-	-
Conversion of convertible notes				
Series 1 issue price 4.0 cents	**-**	**-**	14,966,668	496,000
Series 2 issue price 4.0 cents	**2,175,000**	**87,000**	-	-
Series 3 issue price 3.0 cents	**3,710,553**	**111,317**	-	-
Series 4 issue price 5.0 cents	**2,000,000**	**100,000**	-	-
Exercise of options at 10.0 cents	**7,000,000**	**700,000**	-	-
Options reserve transfers	**-**	**38,760**	-	-
Share issue expenses	**-**	**(1,789)**	-	-
Balance at end of the year	**351,238,110**	**19,018,777**	328,201,015	17,714,489

(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.

The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Share options granted under the employee share option plan

As at 30 June 2016 there were 9,650,000 options over ordinary shares in respect of the employee share option plan. These options were issued in accordance with the provisions of the employee share option plan to executives and senior employees (2015: 5,550,000). Of these options 9,650,000 were vested by 30 June 2016 (2015: 5,550,000).

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 2016 there were 27,000,000 options over ordinary shares issued to directors (2015:25,000,000). Of these options 27,000,000 were vested by 30 June 2016 (2015: 25,000,000).

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.

(d) Capital management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2015 Financial Statements.

13. Reserves

	Consolidated	
	2016 $	2015 $
Options Reserve		
Balance at beginning of the year	**355,924**	208,924
Recognition of share based payments	**115,000**	147,000
Value of options exercised	**(20,760)**	-
Value of options lapsed	**(97,159)**	-
Balance at end of the year	**353,005**	355,924

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

14 Notes to the statement of cash flows

		2016 $	2015 $
(a)	**Reconciliation of loss after tax to net cash flows from operations**		
	Net loss for the period	**(619,449)**	(634,351)
	Depreciation of property, plant and equipment	**11,415**	11,574
	Share option expenses	**115,000**	147,000
	Impairment of exploration and evaluation assets	**461,678**	403,934
	Changes in assets and liabilities		
	(Increase)/Decrease in receivables	**(961)**	67,939
	Increase/(Decrease) in creditors	**42,579**	(32,423)
	Increase/(Decrease) in employee provisions	**24,803**	651
	Net cash from (used in) operating activities	**35,065**	(35,676)
(b)	**Reconciliation of cash**		
	Cash and cash equivalents comprise:		
	Cash on hand and at call	**318,594**	194,527
		318,594	194,527
(c)	**Non-cash investing activity**		
	Purchase of tenements with issue of shares	**-**	390,000
	Issue of shares to settle convertible notes	**298,317**	496,000
	Issue of shares to settle exploration expenditure	**-**	23,371
		298,317	909,371

15. Borrowings

	2016 $	2015 $
Current		
Unsecured convertible notes (i)	**1,101,683**	100,000
Non-current		
Unsecured convertible notes (i)	**934,000**	1,814,000
Total borrowings	**2,035,683**	1,914,000

(i) The Company has three series of Unsecured Convertible Notes outstanding for a total of $2,035,683.

Series 2: 11,575,000 Notes issued at 4 cents on 2 September 2011 for a total of $463,000
Series 3: 21,289,447 Notes issued at 3 cents on 4 May 2012 for a total of $638,683
Series 4: 18,680,000 Notes issued at 5 cents on 15 April 2015 for a total of $934,000

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	
	2016 $	2015 $
Current		
Employee benefits – annual leave	**23,388**	4,783
Non-current		
Employee benefits – long service leave	**6,198**	-
Total provisions	**29,586**	4,783

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	**696,350**	682,650
Longer than 1 year and not longer than 5 years	**2,071,855**	2,988,850
Longer than 5 years	**-**	-
	2,768,205	3,671,500

(b) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2016 or 30 June 2015.

(c) Operating lease commitments

Not longer than 1 year	**4,867**	4,867
Longer than 1 year and not longer than 5 years	**-**	-
Longer than 5 years	**-**	-
	4,867	4,867

The above relates to a non-cancellable lease on a property at Nagambie used for company business. The lease is for a 12 month period expiring in October 2016. There is no option to purchase the property at the end of the lease.

18. Subsidiaries

		Ownership interest	
Name of entity	Country of incorporation	**2016 %**	2015 %
Parent entity			
Nagambie Resources Limited	Australia	-	-
Subsidiaries			
Nagambie Landfill Pty Ltd no business activity conducted during the year	Australia	100	100
Nagambie Developments Pty Ltd property owning entity	Australia	100	100
Clonbinane Goldfield Pty Ltd development of gold and associated minerals	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 risk. 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. 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 with the exception of an ASX requirement to not issue more than 25% of its share capital through a placement in a 12 month period.

(a) Categories of financial instruments

	Consolidated	
	2016 **$**	2015 $
Financial assets		
Security deposits and receivables	**640,238**	625,238
Cash and cash equivalents	**318,594**	194,527
Financial liabilities		
Trade and other payables	**166,136**	123,557
Borrowings	**2,035,683**	1,914,000

(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	**Interest rate**	**Less than 1 month**	**1-3 months**	**3+ months to 1 year**	**1-5 years**	**5+ years**
	%	**$**	**$**	**$**	**$**	**$**
2016						
Trade and other payables	**-**	**166,136**	**-**	**-**	**-**	-
Borrowings	**10.0**	**-**	**486,617**	**825,951**	**1,454,200**	
		166,136	**486,617**	**825,951**	**1,454,200**	-
2015						
Trade and other payables	-	123,557	-	-	-	-
Borrowings	10.0	-	132,500	153,900	2,122,100	
		123,557	132,500	153,900	2,122,100	-

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 Resources 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 37,050,000 (2015: 33,550,000) options on issue. Of these 10,050,000 (2015: 8,550,000) have been issued to executives and employees and the balance of 27,000,000 (2015: 25,000,000) 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 2016		30 June 2015	
	Number of options	**Exercise price**	Number of options	Exercise price
Balance at beginning of period	**33,550,000**	**10 cents**	**25,600,000**	10 cents
granted	**11,500,000**	**10 cents**	**10,500,000**	10 cents
exercised *	**(7,000,000)**	**10 cents**	**-**	-
lapsed	**(1,000,000)**	**10 cents**	**(2,550,000)**	10 cents
Balance at end of period	**37,050,000**	**10 cents**	**33,550,000**	10 cents

3,000,000 options were exercised in November at 10 cents when the weighted average share price was 6.8 cents
400,000 options were exercised in March at 10 cents when the weighted average share price was 14.5 cents
3,600,000 options were exercised in June at 10 cents when the weighted average share price was 16.4 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**
800,000	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
9,500,000	3/12/2013	3/12/2013	3/12/2018	10 cents	0.70 cents
10,500,000	28/11/14	28/11/14	28/11/19	10 cents	1.40 cents
11,500,000	16/11/15	16/11/15	16/11/20	10 cents	1.00 cents
37,050,000					

(i) Exercised during the financial year
There were 7,000,000 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 1.00 cents (2015: 1.40 cents). Options were priced using a Binomial option valuation 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 be exercised early, but executives and senior employees are not able to exercise the options before vesting date.

Inputs into the valuation model			
Grant date	16/11/2015	Option life	5 years
Options Issued	11,500,000	Dividend yield	Nil
Share price at grant date	6.4 cents	Risk free interest	2.05%
Exercise price	10.0 cents	Vesting date	16/11/2015
Expected volatility	76%		

21. Key management personnel compensation

	Consolidated	
	2016 **$**	2015 $
Short-term employee benefits	**323,440**	360,909
Post-employment benefits	**3,990**	3,990
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payment	**80,000**	112,000
	407,430	476,899

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

There were 8,000,000 options issued during the reporting period relating to key management personnel (2015: 8,000,000).

(b) Shares issued on exercise of remuneration options

6,000,000 shares were issued at 10.0 cents per share on the exercise of remuneration options during the reporting period relating to key management personnel (2015: Nil).

22. Related party transactions

Transactions with key management personnel and related parties
There were no related party transactions undertaken during the year.

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. During the year the Group earned all of its rental income described in note 4 from the Department of Defence. There was no other major reliance on any other customer.

24. Remuneration of auditors

	Consolidated	
	2016 **$**	2015 $
Auditor of the parent entity		
Audit or review of the financial report	**21,440**	21,540
Other non-audit services	**-**	-
	21,440	21,540

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

25. Contingent Liabilities

Apart from the matter described in Note 8, Nagambie Resources Limited has no contingent liability as at 30 June 2016.

26. Subsequent events
The following events have occurred after reporting date and are of significance to the company:

On 4 July 2016 the company announced to the ASX the appointment of James Earle as Chief Executive Officer for the company. He commenced work on 8 August 2016.

On 12 July 2016 the company announced to the ASX it had raised $700,000 by the placement of 4,666,666 shares at an issue price of 15.0 cents per share.

On 1 September 2016 the company announced to the ASX that all the remaining holders of Series 2 Convertible Notes with a face value of $463,000 had elected to convert their notes into shares. This resulted in a further 11,575,000 shares being issued.

On 19 September 2016 the company announced to the ASX that it had raised $600,000 through the issue of 3,333,333 Series 5 Convertible Notes with a face value of 18 cents per note.

27. Parent entity disclosures
The following information are the disclosures pertaining to the parent entity:

	Parent	
	2016	2015
	$	$
Current assets	**347,475**	221,550
Total assets	**8,767,884**	7,814,400
Current liabilities	**1,291,207**	228,340
Total liabilities	**2,231,406**	2,042,340
Issued capital	**19,018,777**	17,714,489
Options reserve	**353,005**	355,924
Accumulated losses	**(12,835,303)**	(12,298,353)
Loss	**(616,109)**	(634,351)
Total comprehensive income	**(616,109)**	(634,351)

There were no contingent liabilities and commitments of the parent entity not otherwise disclosed in the consolidated financial statements.

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
28 September 2016

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

Report on the Financial Report

We have audited the accompanying financial report of Nagambie Resources Limited (the Company), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other 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 of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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*.

CHARTERED ACCOUNTANTS
& ADVISORS

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Hawthorn East VIC 3123

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

Auditor's Opinion

In our opinion:

a) the accompanying financial report of Nagambie Resources Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2016 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, we draw attention to Note 2 to the financial report which indicates that the consolidated entity had a net loss of $619,449 and a net working capital deficiency of $944,629. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

William Buck

William Buck Audit (VIC) Pty Ltd

ABN: 59 116 151 136

N. S. Benbow
Director

Dated this 28th day of September, 2016

Additional ASX Information

Additional information required by the ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 October 2016.

Number of holders of equity securities

Ordinary share capital
367,879,776 fully paid ordinary shares are held by 938 individual shareholders. All the shares carry one vote per share.

Options
38,650,000 options are held by 10 individual optionholders. Options do not carry a right to vote.

Unsecured convertible notes
43,302,780 unsecured convertible notes are held by 5 individual noteholders. The notes do not carry a right to vote.

Buy-Back
The company does not have a current on-market buy-back.

Distribution of holders of ordinary shares

	Number of holders	Number of shares
1 – 1,000	34	3,856
1,001 – 5,000	48	189,531
5,001 – 10,000	100	880,227
10,001 – 100,000	482	21,250,513
100,001 and over	274	345,555,649
Totals	**938**	**367,879,776**
Holding less than a marketable parcel as at 21 October 2016	51	49,521

Substantial Shareholders		
Fully paid ordinary shareholders	**%**	**Number of shares**
Mr Ralph Douglas Russell & Ms Ann Maree Hynes	11.36%	41,803,515
Mr Geoffrey Michael Walcott & Mrs Julie Ann Walcott	7.22%	26,549,715
Mr Kevin J Perrin	7.20%	26,491,549
Mr Michael W Trumbull	5.44%	20,019,610
	31.22%	**142,123,252**

Distribution of holders of unquoted options

	Number of holders	Number of options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,000 and over	10	38,650,000

Distribution of holders of unquoted convertible notes

	Number of holders	Number of convertible notes
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,000 and over	5	43,302,780

Optionholders holding greater than 20% of the unquoted options

Optionholder	Options held	% held
Mr Michael W Trumbull	13,000,000	33.64%

Convertible Noteholders holding more than 20% of the unquoted convertible notes

Noteholder	Notes held	% held
PPT Nominees Pty Ltd	28,236,113	65.21%

Unquoted options over unissued shares

Exercise price	Grant Date	Vesting Date	Expiry Date	Number
$0.10	30 November 2011	30 November 2011	30 November 2016	400,000
$0.10	31 October 2012	31 October 2012	31 October 2017	4,750,000
$0.10	3 December 2013	3 December 2013	3 December 2018	9,500,000
$0.10	28 November 2014	28 November 2014	28 November 2019	10,500,000
$0.10	29 October 2015	29 October 2015	16 November 2020	3,500,000
$0.10	16 November 2015	16 November 2015	16 November 2020	8,000,000
$0.255	28 November 2014	28 November 2014	28 November 2019	2,000,000
			Total	**38,650,000**

Twenty largest holders of quoted equity securities

The names of the twenty largest holders and their shareholding in the quoted shares are as follows:

Rank	Name	Shares	%
1	PPT NOMINEES PTY LTD	43,816,814	11.91
2	MR RALPH DOUGLAS RUSSELL + MS ANN MAREE HYNES <PRECISION SUPER P/L>	31,291,532	8.51
3	MR GEOFFREY MICHAEL WALCOTT + MRS JULIE ANN WALCOTT <GEORET BEACON SUPERFUND A/C>	24,324,015	6.61
4	ADARE MANOR PTY LTD <AM RETIREMENT FUND A/C>	21,890,103	5.95
5	CYPRON PTY LTD <THE M W TRUMBULL S/F A/C>	13,780,000	3.75
6	ADMIC SUPER PTY LTD	10,254,546	2.79
7	MR RALPH DOUGLAS RUSSELL + MS ANNE-MAREE HYNES	9,610,537	2.61
8	NORMET INDUSTRIES NOMINEE PTY LTD	8,333,333	2.27
9	HEPSBOURNE PTY LTD <RD JOHNS MEDICAL PL SF A/C>	8,300,000	2.26
10	LINCONRIDGE PTY LTD <G & K MCAULIFFE S/F A/C>	8,043,321	2.19
11	S & H IMMO INVESTMEMNT AG	7,632,786	2.07
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,132,000	1.94
13	MCCARTHY CATTLE COMPANY PTY LTD <MCCARTHY FAMILY A/C>	5,251,516	1.43
14	CAIRNGLEN INVESTMENTS PTY LTD <WOODFORD SUPER FUND A/C>	5,016,666	1.36
15	MR ROBERT CARL GUERNIER + MRS JEAN GUERNIER	4,306,028	1.17
16	ADARE MANOR PTY LTD	4,101,446	1.11
17	GREGLYN INVESTMENTS PTY LTD <GK&LE STRANGE SUPERFUND A/C>	3,987,902	1.08
18	RELUM PTY LTD <STUBBE SUPER FUND A/C>	3,054,546	0.83
19	CYPRON PTY LTD <M W TRUMBULL SUPER FUND A/C>	3,009,546	0.82
20	MR GEOFFREY TURNER	3,007,325	0.82
Total Top 20 holders of NAG Ordinary Fully Paid Shares		**226,143,962**	**61.47**
Total Remaining Holders Balance		**141,735,814**	**38.53**
Total Shares		**367,879,776**	**100.00**