

HIGHLIGHTS

- Construction has commenced of a state-of-the-art, solar-powered, driver-controlled weighbridge that will facilitate many aspects of the Company's strategic vision for the mine site, which includes:
 - ❖ The PASS Project to rehabilitate the legacy gold pits;
 - ❖ 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.
- Full permitting of the PASS Project is still progressing positively. Nagambie Resources is submitting a Work Plan Variation to Earth Resources Regulation Victoria, initially for the rehabilitation of the West Pit. Civil works, including haul roads and truck tipping areas for the West Pit, are now complete.
- 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 2016. 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.
- 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. 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.

COMMENTARY

Nagambie Resources' Chairman, Mike Trumbull said: *"The mine site has been transformed with the completion of the civil works in preparation for the rehabilitation of the West Pit. Construction of the state-of-the-art, future-proofed weighbridge is well under way.*

"The results from the completed aeromagnetic survey are eagerly awaited. Oxide, heap-leachable targets remain the primary gold focus for the Company. However, we continue to be amazed by the bonanza sulphide-gold drilling results being reported by the Canadian owner of the Fosterville Mine to the west of Nagambie. High grade sulphide gold targets beneath oxide gold mineralisation is an exciting secondary focus for Nagambie Resources."

NAGAMBIE RESOURCES

Underwater storage of sulphidic excavation material (PASS) in the two legacy gold pits at the Nagambie Mine represents an excellent environmental fit with the construction of CBD high-rise buildings, the Melbourne Metro rail tunnels and the Western Distributor road tunnels.

The discovery and development of shallow, open-pit and heap-leachable gold deposits is being methodically advanced. The Company has tenements encompassing historic Victorian goldfields at Nagambie, Clonbinane, Rushworth and Redcastle.

Quarrying, washing and screening of sand deposits at the mine to produce various sand and quartz aggregate products is planned.

Recycling of the overburden and tailings dumps produces road base material and road topping gravel for local roads.

The first landfill site is planned to take advantage of the 17 Ha of engineered black plastic under the mine tailings pad.

SHARES ON ISSUE

367,879,776

ASX CODE: NAG

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Geoff Turner (Exploration Dir.)
Kevin Perrin (Finance Director)
Alfonso Grillo (Company Sec.)

James Earle CEO

PASS PROJECT

The Company is proposing to rehabilitate the East and West Pits at the Nagambie Mine 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 be used to cap the PASS material to a thickness well above the water level. The clay will be compacted as it is added and so permanently seal 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.

Nagambie Resources' Environmental Management Plan (EMP) for the receipt 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, encompassing the rehabilitation of the West Pit in the first instance.

Photo 1 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.

WEIGHBRIDGE

Construction has commenced of a state-of-the-art, solar-powered, driver-controlled weighbridge that will facilitate many aspects of the Company's strategic vision for the site, which includes:

- ❖ The PASS Project;
- ❖ 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.

The final weighbridge design incorporates:

- ❖ 34m x 3.5m above-ground, two-way, four-deck weighbridge capable of accommodating up to extended A-double trucks;
- ❖ Power provided by solar panels and lead crystal batteries;
- ❖ Driver controlled computer station with a touchscreen and printer, complete with customised software to capture weight data, weighing transactions, store images and direct traffic flow via traffic lights and sensors; and
- ❖ Two outdoor cameras to capture images of the trucks during weigh in and weigh out.

Photo 2 34m Weighbridge under Construction

SAND AND QUARTZ AGGREGATE PRODUCTION

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 when mining gold in the 1990s as they overlay the gold mineralisation.

With Melbourne's population set to double in the coming decades, the Melbourne area is facing a 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.

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

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 by 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 such use, 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 3 Sand and Quartz Aggregate Material in Core Hole VCP 3



NAGAMBIE REGIONAL AEROMAGNETIC SURVEY

An extensive aeromagnetic survey has just been completed over around 550 sq km of Nagambie Resources' tenements in the Nagambie area (refer photo 5) and could unlock the significant gold potential of the region. Analysis of the data is underway and the results should be available in November 2016. 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.

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 high-grade sulphide mineralisation that may occur beneath oxide gold zones. This additional focus has come about following the announcement of spectacular drilling intersections by the Canadian owner of 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, include 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.

CLONBINANE GOLDFIELD

The Clonbinane Goldfield is approximately halfway between Melbourne and Nagambie, close to the Hume Freeway (refer Appendix 1). With the focus being on the PASS Project, no drilling or costeaming was carried out at Clonbinane during the quarter.

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



Photo 5 Aircraft used for the Aeromagnetic Survey



WANDEAN GOLD DEPOSIT

The Wandean deposit lies 9 km north west of the Nagambie Mine and 4 km north of the Nagambie township (refer Appendix 1). With the focus being on the PASS Project, no drilling or costeaning was carried out at Wandean during the quarter.

GOLD TENEMENT CHANGES

Nagambie Resources group tenements as at 30 September 2016 are shown in Appendix 1 (plan and table). EL 6352, Miepoll, was applied for over 456 sq km 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. EL 5516, Lancemore, was dropped during the quarter as the initial exploration assessment was disappointing.

CORPORATE

On 1 July 2016, 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.

At 30 September 2016, total cash held by the Company was \$1,609,000.

On 4 July 2016, 2,000,000 options with a vesting date of 4 July 2016, an expiry date of 4 July 2021, and an exercise price of 25.5 cents each were issued to the new CEO.

On 12 July 2016, \$700,000 was raised from the issue of 4,666,666 fully-paid ordinary shares at 15.0 cents each to sophisticated and professional investors.

On 17 September 2016, \$600,000 was raised from the issue of 3,333,333 unsecured convertible notes at 18.0 cents each to sophisticated and professional investors. The notes have a term of 5 years ending 17 September 2021 and an interest rate of 10% per annum. They are convertible at any time within the 5-year term into Nagambie Resources fully-paid ordinary shares on a 1 for 1 basis and are redeemable at 18.0 cents per note after 5 years if not previously converted.

During the quarter, a total of 11,575,000 Nagambie Resources convertible notes with a total face value of \$463,000 (4.0 cents per note) were converted into shares. In addition, 250,000 employee and director options were exercised during the quarter at 10.0 cents each, raising \$25,000.

Over time, Nagambie Resources plans to acquire several adjoining properties to increase the existing buffer zone around the mine site for planned landfilling operations. Recently the Company committed to purchase, within three years, 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. The farm includes a six-bedroom house, a two-bedroom cottage, a shearing shed, a cattle loading yard, a modern aeroplane hangar, a disused airstrip and various other sheds. The total purchase price is \$1,470,000.



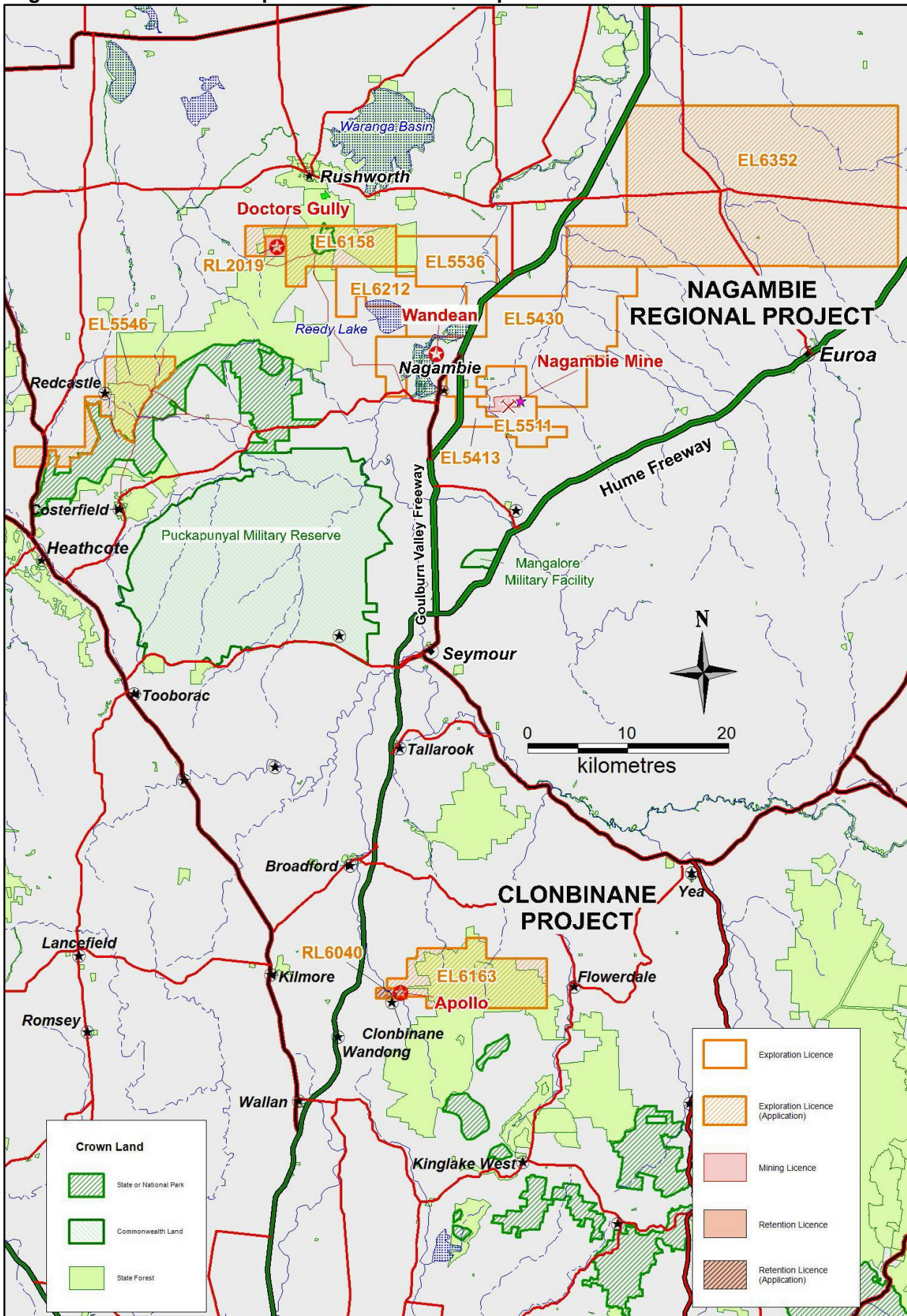
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FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements” within the meaning of securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or other similar words, and include statements regarding certain plans, strategies and objectives of management and expected financial performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of Nagambie Resources 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.

APPENDIX 1

Nagambie Resources Group Tenements as at 30 September 2016



APPENDIX 1 (Continued)

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
		1007.05
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
		1152.56