SEPTEMBER 2014 QUARTERLY REPORT **31 OCTOBER 2014**

HIGHLIGHTS

- The Nagambie Mining group acquired the entire Clonbinane Goldfield in July 2014.
- At Clonbinane, the oxide gold cap of the Apollo Prospect, which has an Inferred Resource (under the JORC Code (2004)) of 137,000 tonnes at 2.6 g/t gold for 11,450 ounces, is the first target for mining and trucking north to the Nagambie Mine for heap-leach gold recovery.
- Heap-leach testwork on bulk samples from the Apollo Prospect in 1987 indicates that operational gold recovery for Apollo could be in the range 80% to 85%, very high by industry standards.
- EL 5516, covering the Lancemore Goldfield, 20 km west of the Clonbinane Goldfield, was applied for during the quarter and has now been granted to Nagambie Mining.
- A series of costeans across the strike of the Wandean gold mineralisation is being planned ahead of trial mining / bulk sampling and heap-leach testwork.
- A 20-year lease agreement has been signed with the Australian Department of Defence to enable the construction of an Underwater Explosives Testing Facility at the eastern end of the East Pit at the Nagambie Mine. The yearly rental is $150,000 plus GST plus uncapped CPI.
- The 1990s open pits at the Nagambie Mine represent ideal underwater sites for potential acid sulphate spoil from construction projects in Melbourne. The Company has commenced preparing an Environmental Management Plan for the West Pit, the first proposed site which could take around 2.7 million tonnes of spoil under water.

COMMENTARY

The Company Chairman, Mike Trumbull said: *"The leasing of the eastern beach section of the East Pit is the first of various long term uses that the Company is considering for its freehold land at the Nagambie Mine. The Mine's proximity to the Melbourne CBD (120 km), plus its location beside the Hume Freeway / Goulburn Valley Freeway trucking route, mean that construction spoil fill and landfill are presenting as real, high-value opportunities.*

"Planning to develop mining operations at Wandean in the Nagambie Goldfield and at Apollo in the Clonbinane Goldfield is underway. The excellent results from heap-leach testwork carried out on Apollo bulk samples in 1987, located in an open-file report, have upgraded the value of Apollo."

NAGAMBIE MINING

Nagambie Mining is focussed on the discovery and development of shallow, open-pit and heap-leachable gold deposits.

The Company has 100% of tenements encompassing historic Victorian goldfields at Nagambie, Clonbinane, Lancemore, Rushworth and Redcastle.

A preliminary Inferred Resource of 47,000 ounces of gold, 609,000 tonnes at 2.4 g/t, was estimated in 2008 for Clonbinane.

Nagambie Mining is testing new structural and mineralisation concepts for gold mineralisation by employing geological, geophysical and geochemical techniques.

Nagambie Mining is also advancing construction material, landfill and spoil fill opportunities at the Nagambie Mine site in order to maximise the value of the freehold land owned by the Company.

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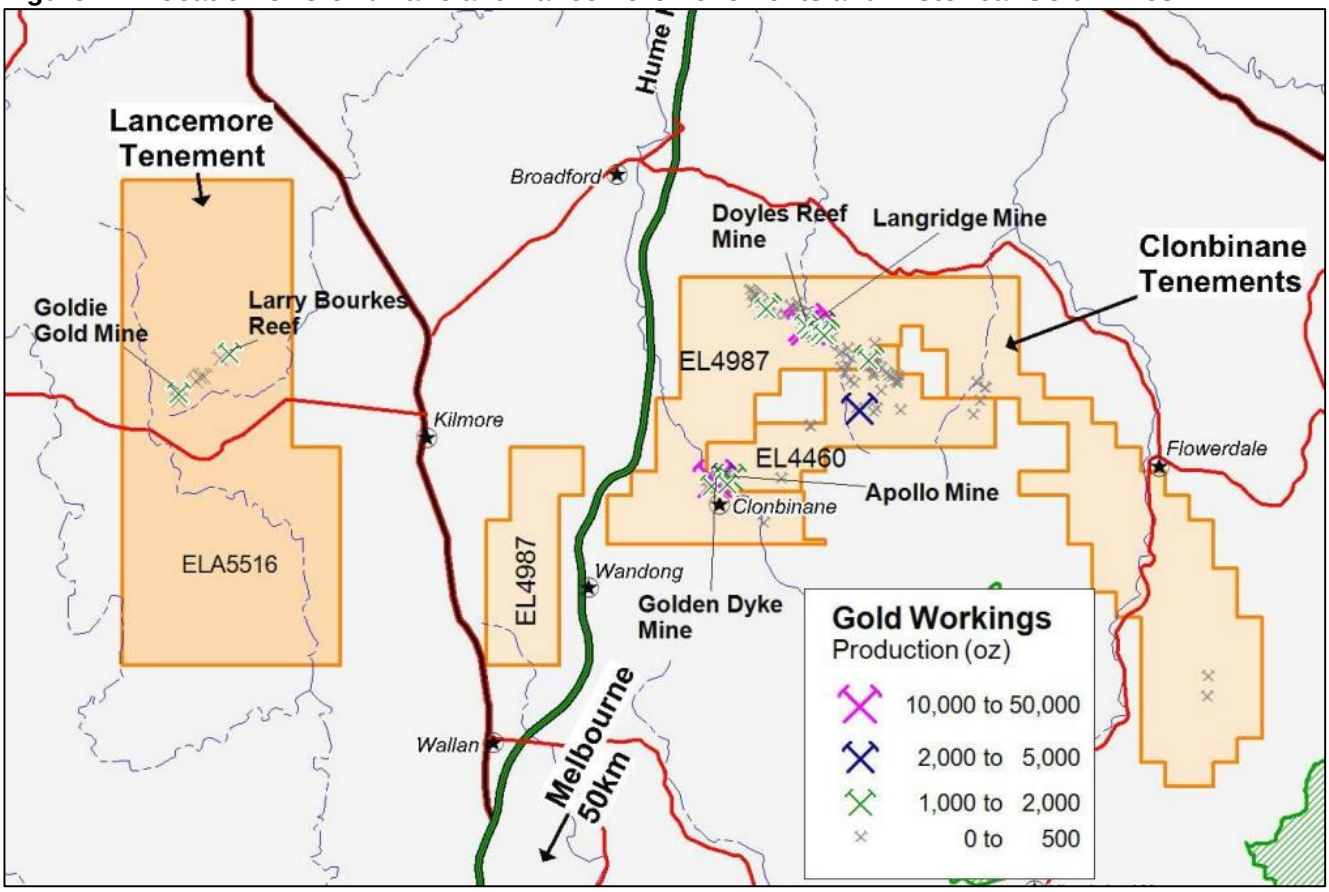
CLONBINANE GOLDFIELD

The Nagambie Mining group agreed to acquire the entire Clonbinane Goldfield in June 2014 and settlement occurred in July 2014. The tenements, ELs 4460 and 4987 (refer Figure 1), are approximately halfway between Melbourne and Nagambie, close to the Hume Freeway.

Figure 1 Location of Clonbinane and Lancemore Tenements and Historical Gold Mines



The current Inferred Resource for Clonbinane of 609,000 tonnes at 2.4 g/t gold for 47,000 ounces of gold was reported in 2008 in accordance with the guidelines of the JORC Code (2004). Nagambie Mining considers that the exploration potential is very high.

The Company is initially interested in mining the outcropping oxide zone of the Apollo Gold Prospect which has an Inferred Resource of 137,000 tonnes at 2.6 g/t gold for 11,450 ounces. Mining would be grade controlled and carried out using a hydraulic excavator, with no drilling and blasting being required. The mined ore would be trucked north to the Nagambie Mine for heap-leach treatment.

Nagambie Mining recently located a very encouraging 1987 report on heap-leach testing of bulk samples from the Apollo Prospect. Ausminde Pty Ltd, a previous owner of the Apollo Prospect, in 1987 commissioned Micron Research (W.A.) to carry out preliminary metallurgical tests on bulk samples collected from various exposures at the Apollo Prospect. The results indicate gold recovery in the range of 80% to 85%, very high by industry standards.

Apollo Prospect 1987 Heap-Leach Testwork				
Bulk Sample	**Weight (kg)**	**Specific Gravity**	**Head Grade (g/t gold)**	**Gold Recovery (after 14 days)**
Costean No. 1	53	2.62	**2.72**	**84.3%**
Trench No. 3	14	2.62	**2.62**	**81.3%**
Glady's Adit No. 1	50	2.54	**1.24**	**83.9%**

Total operating costs for Apollo could be less than A$500 per ounce of gold produced.

Mining of the oxide cap at Apollo is justifiable, if for no other reason, to eliminate the current hazardous state of the old workings at the site (refer example photo below).

Photo 1 One of the Old Apollo Gold Workings

Detailed geological surface mapping, followed by selective costeaning (trenching) will be employed as first steps in exploring the Clonbinane Goldfield. Geological surface mapping has commenced. Where mineralisation outcrops at surface, trial mining / bulk sampling could then be employed in addition to close-pattern RC (reverse circulation percussion) drilling.

LANCEMORE GOLDFIELD

Having acquired the Clonbinane Goldfield, Nagambie Mining then applied for EL 5516 covering the Lancemore Goldfield, 20 km west of the Clonbinane Goldfield (refer Figure 1). The EL was recently granted to the Company.

A series of gold workings, the principal ones being the Goldie Mine and the Larry Bourkes Reef Mine, cover a 3 km long north-east trend. Nagambie Mining considers that the Lancemore trend could host open-pit, heap-leachable disseminated gold in sediments similar to the Clonbinane Goldfield. As such, Lancemore was an obvious add-on.

WANDEAN VIRGIN GOLD DISCOVERY

In summary, Nagambie Mining now knows the following about Wandean:

- Gold mineralisation is continuous in the vertical and horizontal sense;
- Gold occurs evenly distributed and fine grained in nature;

- Average gold grade remains to be determined but, subject to further work, could be in the range 1.0 g/t to 1.5 g/t;
- Early indications are that recovery by cyanide leaching in the laboratory after 24 hours could average as high as 96% of the assayed grade, which indicates that heap leach recovery for Wandean mineralisation could exceed the 80% average figure achieved at the Nagambie Mine in the 1990s; and
- Total operating costs for Wandean could be less than A$900 per ounce of gold produced.

Nagambie Mining is now planning, progressively, the following for Wandean:

- Within a fenced-off area, excavating a series of north-south costeans (trenches) to enable detailed channel sampling to be carried out along the west and east walls near the base of each costean;
- Based on the costean results, carrying out trial excavator mining / bulk sampling of a surface bench; and
- Carrying out column leach tests on bulk samples, probably crushed to minus 25 mm and tested for 14 days of leaching, to estimate the potential heap-leach gold recovery for Wandean ore.

TENEMENT CHANGES

The Nagambie Mining group's tenements as at October 2014 are shown in Appendix 1.

ELs 4460 and 4987 at Clonbinane were acquired. EL 5516 at Lancemore was applied for and granted. EL 5430 was reduced in area to the north and east as required under its licence terms by the DSDBI.

PROPOSED CONSTRUCTION SPOIL SITE AT THE NAGAMBIE MINE

In recent months, Nagambie Mining has become aware that the open pits at the Mine represent ideal under-water sites for potential acid sulphate spoil from construction projects in Melbourne. The first proposed site, the West Pit (refer Photo 2), has a volume of 1.4 million cubic metres below the water surface and could take up to around 2.7 million tonnes of spoil. Work has commenced on the preparation of an Environmental Management Plan in regards to the West Pit site.

Photo 2 West Pit Construction Spoil Site at the Nagambie Mine

DEPARTMENT OF DEFENCE UNDERWATER EXPLOSIVES TESTING FACILITY

A significant long term lease agreement was signed with the Australian Department of Defence (DOD) in October 2014. The agreement will enable the DOD to establish a secure Underwater Explosives Testing Facility (UETF) at the eastern end of the East Pit at the Nagambie Mine.

The site is on freehold land owned by the Nagambie Mining group that is not required for future exploration or mining activities. The permanent water depth in the East Pit is up to 50 metres, which is ideal for the UETF.

The principal terms of the UETF lease with the DOD are as follows:

- Commencement date of 1 October 2014;
- Term of 20 years;
- Annual rent of $150,000 plus GST, payable quarterly in advance;
- Rent varied on 1 October each year by the annual CPI movement (June quarter to June quarter) for "All Groups CPI; Melbourne"; and
- No cap on CPI movement.

The operation of the UETF will not impact on any of the other uses that the Nagambie Mining group is carrying out or planning for the Nagambie Mine, including heap-leach gold production, landfill sites, construction spoil sites, gravel production and sand production.

CORPORATE

At 30 September 2014, total cash held by the Company was $693,000.

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STATEMENT AS TO COMPETENCY

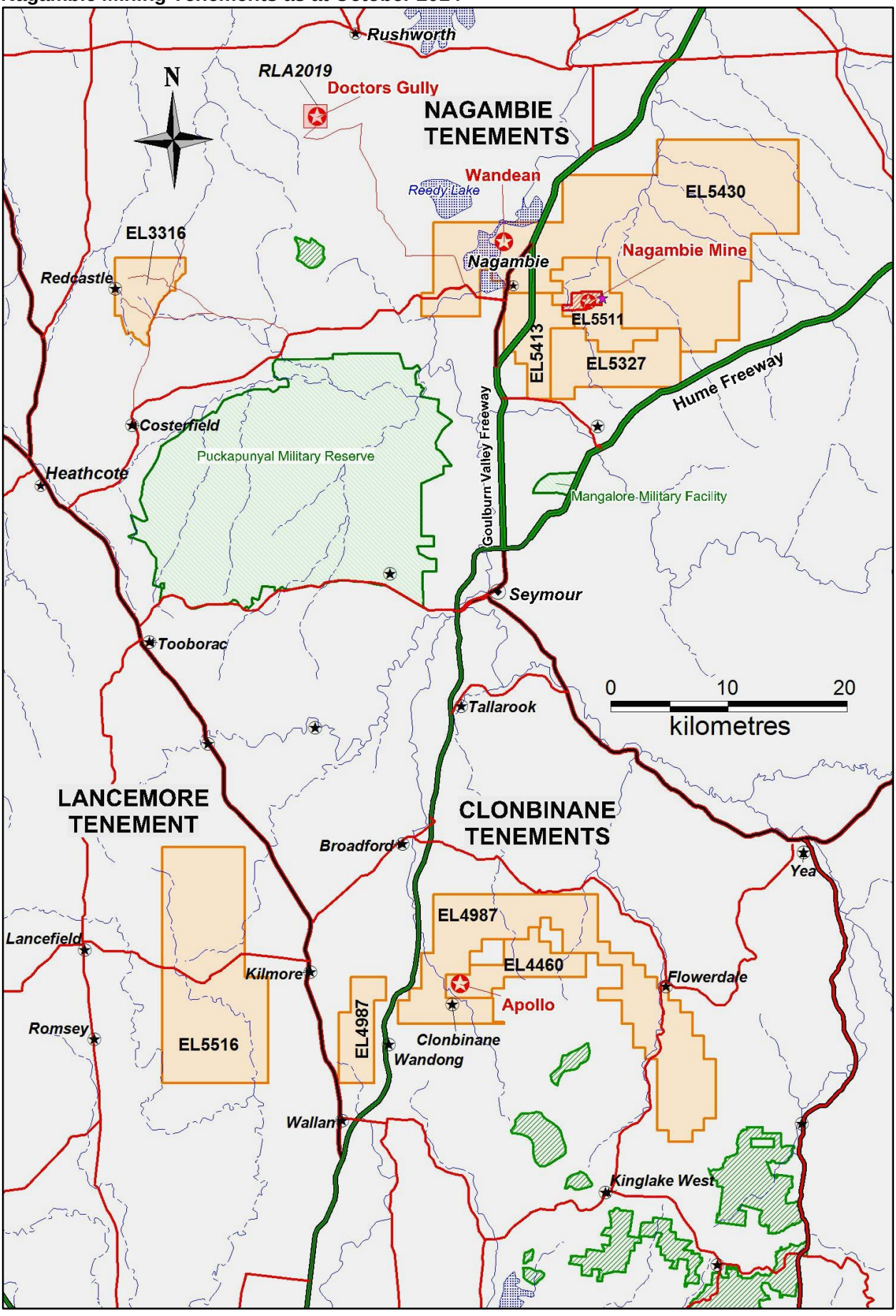
The Exploration Results in this report have been compiled by Mr Geoff Turner, who is a Fellow of the Australian Institute of Geoscientists, has more than ten years in the estimation, assessment, and evaluation of mineral resources and ore reserves, and has more than 20 years in exploration for the relevant 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 Mining 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", "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 Mining assumes no obligation to update such information.

APPENDIX 1

Nagambie Mining Tenements as at October 2014



APPENDIX 2

EXPLORATION & DEVELOPMENT OF GOLD ASSETS

The Nagambie Mining group's key gold strategies in Victoria are:

- Focus on Central Victoria, particularly the Melbourne Zone;
- Focus on open-pit gold deposits – underground mining costs are fast becoming prohibitive in Victoria;
- Focus on disseminated, non-nuggetty, oxide, heap-leachable gold;
- Take advantage of the lower capital and operating costs associated with heap leaching;
- Take advantage of the heap-leach facilities remaining from the 1990s operation at the Nagambie Mine – truck all ore from the Company's deposits back to the Nagambie Mine for treatment;
- Only take on 100% ownership of gold properties – joint ventures are inefficient and expensive;
- Don't take on production royalties – royalties become problematic with multiple sources of heap-leach ore;
- Don't take on bank project finance – banks insist on acting in the interest of their shareholders ahead of the interests of their clients;
- Develop Inferred Resources (under the JORC Code) but not Reserves – the money spent on drilling out reserves is better used for dividends to shareholders;
- Focus strongly on mine bench grade control to minimise waste dilution and maximise ore head grade; and
- Use local contractors wherever possible to minimise up-front capital costs and provide operational flexibility – except for mine bench grade control and gold room operations.

Nagambie Mining's preference for exploring and developing gold assets in the Melbourne Zone of Victoria:

- **Melbourne Zone is Noted for Disseminated, Non-Nuggetty Gold:**
  - ✧ Extremely fine gold couldn't be panned by the "Old Timers" – outcrop still exists;
  - ✧ Gold in samples is evenly distributed – the opposite of nuggetty;
  - ✧ Reliable drilling results for disseminated gold versus problematic drilling of Bendigo and Ballarat-style nuggetty quartz veins;
  - ✧ Reliable evaluation of each open-pit, heap-leachable deposit;
  - ✧ Reliable bench grade control sampling during open-pit mining;
  - ✧ Minimal quartz in disseminated oxide deposits can mean no drilling and blasting is required; and
  - ✧ Fine, evenly-distributed gold means excellent heap-leach recovery.
- **Melbourne Zone has Outstanding Existing Infrastructure:**
  - ✧ Hume and Goulburn Valley Freeways connect the Nagambie and Clonbinane Goldfields;
  - ✧ Operators for the mining and heap-leach operations could come from Shepparton, Nagambie, Seymour, Broadford, Kilmore, Wallan, Wandong etc; and
  - ✧ Operators would drive themselves to the gates of the operations each day – the exact opposite, in terms of costs, of fly-in, fly-out operations in outback Australia.