

HIGHLIGHTS

- 1) Nagambie Resources' tender for PASS management in the "Pre-Works" part of the Melbourne Metro Rail Project was unsuccessful. However, the Company remains very confident of being awarded large tonnages of PASS management in future tenders for major infrastructure projects, as compared to the relatively low tonnage in the "Pre-Works" part of the MMRP.
- 2) The major infrastructure projects that will be of particular interest to Nagambie Resources for PASS Management will be the main MMRP starting in early 2018, the North East Link Project starting in early 2019 and the East West Link Project (which is recommended by both Infrastructure Australia and Infrastructure Victoria).
- 3) The Lend Lease consortium was announced as the preferred bidder for the main MMRP in July 2017. The EES for the MMRP indicates that total PASS to be managed will be around 1.4 million tonnes.
- 4) Construction of the North East Link (the "missing link") will: (1) potentially require management of over 2 million tonnes of PASS, as was the case for the cancelled East West Link Project; and (2) result in a complete freeway link from the eastern side of Melbourne to Nagambie, greatly improving the landfill credentials of the Nagambie Mine and trucking costs generally.
- 5) The mine tailings on the heap leach pad at the Nagambie Mine, which total over 6 million tonnes, can be: (1) sold "as is" as compaction base material for large housing estate developments such as those north of Melbourne; and (2) dry screened to produce suitable aggregate sizes for sale to concrete manufacturers in regional Victoria and Melbourne.
- 6) Nagambie Resources has entered into a \$1.0 million unsecured loan facility agreement with PPT Nominees Pty Ltd. The interest rate is 10% per annum on the drawn amount at any time within the maximum term of two years. The loan facility avoids the need for an equity raising and dilution of existing shareholder interests. It also puts the Company in a good position to both negotiate future tenders for large volumes of PASS management and to enable the progressive development of its other planned revenue streams.
- 7) The board has moved to conserve cash wherever appropriate pending the outcome of current and future tenders. As part of those measures, the directors will not be paid their director fees from 1 July 2017 until cashflow from operations reaches appropriate levels.

COMMENTARY

Nagambie Resources' Chairman, Mike Trumbull said: "Melbourne is the fastest growing capital city in Australia and is embarking on an expanding list of major infrastructure projects to service that growth. Melbourne suburbia is now stretching 63 km northwards to Wallan with the construction of a new city in the area getting under way. Melbourne is not yet halfway to Nagambie but it is getting close.

"The Company has an extensive suite of valuable assets and is positioning itself to participate in that growth."

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 towers and major projects proposed for Melbourne such as Metro Rail and North East Link.

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 and Clonbinane.

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 can produce aggregates for concrete, road base material and road 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

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James Earle CEO

PASS PROJECT

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, principally pyrite (iron sulphide). It is 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 for a significant period of time. If excavated PASS is stored above the water table and not thoroughly mixed with sufficient lime, the pyrite will oxidise over time into sulphuric acid and sulphates, resulting in acid drainage.

Underwater storage is the most preferred solution for Melbourne PASS as it prevents the oxidation of the pyrite in the material. The water in the two Nagambie Mine open pits is naturally saline and alkaline, making it ideal for PASS management. Total PASS storage capacity at the site is approximately 6.0 million tonnes, of which 2.5 million tonnes in the West Pit is already fully developed.

Actual developed PASS storage at alternative sites in Melbourne appears to be small by comparison.

Nagambie Resources has received continued feedback on its Work Plan from Earth Resources Regulation (ERR) (a Section of the Victorian Department of Economic Development, Jobs, Transport and Resources). The Company is preparing its final submission to ERR.

“Pre-Works” Melbourne Metro Rail PASS

The Company was advised in July 2017 that its tender for the management in late CY 2017 of the PASS in the north CBD excavations for the “Pre-Works” part of the Melbourne Metro Rail Project was unsuccessful.

The PASS in the south CBD excavations is not part of the “Pre-Works” and will be part of the main project.

Future PASS Tenders

Nagambie Resources remains very confident of being awarded large tonnages of PASS management in the tenders to come for major infrastructure projects in Melbourne, as compared to the relatively low tonnage in the “Pre-Works” part of the MMRP. Continuously-operated tunnel boring machines (TBMs) are typically used for major infrastructure projects and the PASS generated by them requires uninterrupted handling, transport and management.

Melbourne Metro Rail Project

The Lend Lease consortium was announced as the preferred bidder for the main MMRP by the Victorian Government in July 2017. Detailed planning is now under way by the consortium for the construction works, which will commence in early CY 2018.

The Environmental Effects Statement (EES) for the MMRP indicates total PASS to be managed will be around 1.4 million tonnes, with the great majority being “hard” PASS consisting of Melbourne Formation sandstones and siltstones containing pyrite (iron sulphide).

West Gate Tunnel Project

The construction of the West Gate Tunnel (previously known as the Western Distributor) Project was awarded to the John Holland / CPB Contractors consortium during the quarter.

The EES for the WGTP was released in June 2017 and estimated total PASS requiring management at 85,000 bank cubic metres or approximately 0.2 million tonnes, all of it being “soft” PASS consisting of Coode Island Silt and other silts.

Public submissions on the WGTP are to be held in August 2017.

North East Link Project

The Victorian Government allocated \$100 million in its May 2017 budget for the planning and tendering of the NELP to enable construction to commence in early CY 2019. NELP or “The Missing Link” will be a 100,000 vehicle per day freeway connection from the Metropolitan Ring Road at Greensborough directly to either the Eastern Freeway at Bulleen or alternatively to the EastLink junction at Ringwood. Whichever route is chosen, the Western Ring Road, the Eastern Freeway and EastLink will all be connected and complete a freeway link from the eastern side of Melbourne to the Hume Freeway, completely bypassing the Melbourne CBD freeway connections.

The alternative routes being considered will all involve significant tunnelling under urban and environmentally-sensitive areas, with the predominant basement rocks being the Andersons Creek Formation. This formation is related to the Melbourne Formation and, likewise, consists of marine sandstones and siltstones. Nagambie Resources consider that the quantity of “hard” PASS in the road tunnels selected could be in excess of 2 million tonnes, as was the case for the cancelled East West Link Project.

East West Link Project

The Victorian Opposition are supportive of the NELP but also plan to restart the EWLP if they win the next election. Both Infrastructure Australia and Infrastructure Victoria recognise that the EWLP will be required to unblock the worsening traffic congestion in and around the Melbourne CBD. The Federal Government has continued to offer \$3.0 billion towards the construction of the EWLP.

QUARRYING

Expired Contractor Agreement

The three-year agency agreement between the Company and Nagambie Crushed Rock and Stone Supplies Pty Ltd (NCRS) expired on 24 December 2016. As previously reported in the December 2016 quarterly report, Nagambie Resources has been the subject of a litigation claim by NCRS in relation to matters relating to the non-renewal of the agency agreement.

The Company advises that it has been successful in obtaining a security for costs order against NCRS, including an order for payment of the Company’s costs of those proceedings. Both the security for costs amount and the Company’s costs presently remain unpaid by NCRS.

In June 2017, NCRS’s solicitor filed a Notice of Ceasing to Act. NCRS currently remains unrepresented and has outstanding Court Orders against it.

The Company remains of the view that NCRS’s claim is without merit and has now sought a Court order that the proceedings be struck out with an order that NCRS pay the Company’s further costs of the proceedings.

Supply of Mines Tailings “as is” as Compaction Base Material for Housing Estate Developments

Being all minus 20 mm in size and containing 1% cement and 1% lime (from the agglomerating stage), the mine tailings “as is” on the old heap leach pad represent ideal compaction base material, with compaction tests regularly giving greater than 100% compaction. The remaining mine tailings exceed 6 million tonnes.

Melbourne suburbia is now stretching northwards to Wallan (refer to the tenements map in Appendix 1) with the construction of a new city in the area getting under way. Contact has been made with a major contractor involved and initial discussions are under way.

Dry Screening of Mine Tailings to Produce Aggregates for Concrete Manufacture

The previous contractor focussed on producing aggregates from the mine tailings on the heap leach pad for concrete manufacture.

In the view of Nagambie Resources, the contractor made two significant errors:

1. It wet screened a significant proportion of the mine tailings and its operation could not handle the resulting wet fines (“slimes”); and
2. It produced only one size of aggregates (range 7–14mm combined) when the concrete manufacturers traditionally prefer three aggregate sizes (7mm, 10mm and 14mm) and blend those sizes in varying ratios depending on the concrete product being produced.

Nagambie Resources has consulted with relevant industry participants and developed a business plan that incorporates:

1. Dry screening all of the mine tailings, separating out all the aggregates;
2. Multi-deck screening all the aggregates, incorporating water rinse sprays; and
3. Producing three sizes of aggregates (7mm, 10mm and 14mm) for sale separately to concrete manufacturers in regional Victoria and Melbourne.

The market for concrete aggregates of consistent quality and reliable supply is strong, both in regional Victoria and Melbourne, because of the accelerated infrastructure work being carried out in Melbourne. The economics of the business plan, incorporating current trucking costs, is robust.

Final equipment assessment and selection, assessment of equipment leasing and dry-hiring opportunities, and more detailed product marketing remain to be carried out.

Supply of Clay and Fill to a Neighbouring Shire

The Company tendered for the supply of significant quantities of clay and fill material to a neighbouring Shire during the March 2017 quarter and is still awaiting the result of that tender. It is understood that Nagambie Resources is one of only a few remaining shortlisted tenderers.

Further Potential Supply of Gravel to Strathbogie Shire

Initial planning towards tendering for Strathbogie Shire’s next summer gravel road topping program has been carried out.

Sand and Quartz Aggregates

Nagambie Resources continued to prepare an application to ERR for a quarry licence to mine, wash and screen sand and quartz aggregates around the West Pit.

Initial access infrastructure for the proposed sand mining operation was established during the quarter.

LANDFILL

A significant long-term asset of the Company is its landfill potential. The Nagambie Mine represents one of the best undeveloped landfill sites outside of metropolitan Melbourne that can take a share of Melbourne's landfill requirements in future years.

Melbourne is growing rapidly in various directions but particularly northwards up the Hume Freeway. Suburbia is now stretching to Wallan (refer to the tenements map in Appendix 1) with the construction of a new city in the area getting under way. Nagambie is 116 km from the Melbourne CBD “as the crow flies” and 138km by road. Wallan is 44 km from the Melbourne CBD “as the crow flies” and 63 km by road.

Melbourne’s Landfill Storage Problems

For many years, waste industry representatives have been of the opinion that developed landfill space in Melbourne is at a critical level and that they are concerned that the new guiding principal for landfill planning in Victoria has become “Environmental Justice”.

With the spread of suburbia in Melbourne and the growing public attitude towards new or expanding landfill sites of “not in my backyard”, the waste industry can only see the current landfill capacity problems getting

worse.

Importance of the North East Link Project to Nagambie Resources' Landfill Credentials

Construction of the recently-committed 100,000 vehicles per day NELP will complete a freeway link from the eastern side of Melbourne to the Hume Freeway, the Goulburn Valley Freeway and Nagambie, completely bypassing the already-stressed Melbourne CBD freeway connections.

With the continued closure of landfill sites, particularly in the Clayton area, the eastern side of Melbourne has a landfill storage shortfall of at least 2 million tonnes per year. This will grow larger as Melbourne's population continues to increase.

Nagambie Resources considers that a sizeable proportion, if not all, of the eastern Melbourne shortfall will have to inevitably be trucked to landfill sites outside of metropolitan Melbourne. With a direct freeway, "no traffic light" link to Nagambie once the NELP is constructed, the landfill credentials of the Nagambie Mine will become even more apparent.

GHD Document

As previously reported, GHD, a leading landfill consultant, prepared a summary document "Supporting Planning and Environmental Information for a proposed Solid Inert Landfill at Nagambie". GHD considered that:

- 1) Landfilling would be compatible with the degraded Nagambie Mine;
- 2) The area could take over 15 million tonnes of compacted landfill;
- 3) The sites would satisfy required buffer distances;
- 4) The local groundwater was not potable quality (a problem with near-Melbourne sites);
- 5) The sites were 10-15m above groundwater (2m minimum required by the EPA);
- 6) 10-15m thick surface clays would be suitable for engineered clay liners;
- 7) The sites would not be visible from the main road due to existing highwalls;
- 8) Being located near a major freeway trucking route from Melbourne was a major advantage; and
- 9) Residual waste could be sourced from north and east Melbourne, the Goulburn Valley and Bendigo.

Another requirement for an EPA-approved landfill site is a certified weighbridge, which the Nagambie Mine now has.

GOLD EXPLORATION

Nagambie Resources has established that known gold mineralisation and anomalies in the Nagambie region are coincident with the intersection of deep, gravity-interpreted faults and more shallow, aeromagnetic-interpreted structures (refer Figure 1).

Aeromagnetic Survey Targeting More Magnetic Structures

Given the success of the first 550 sq km aeromagnetic survey, consideration is still being given to a second survey over the balance (over 450 sq km) of Nagambie Resources' tenements in the region.

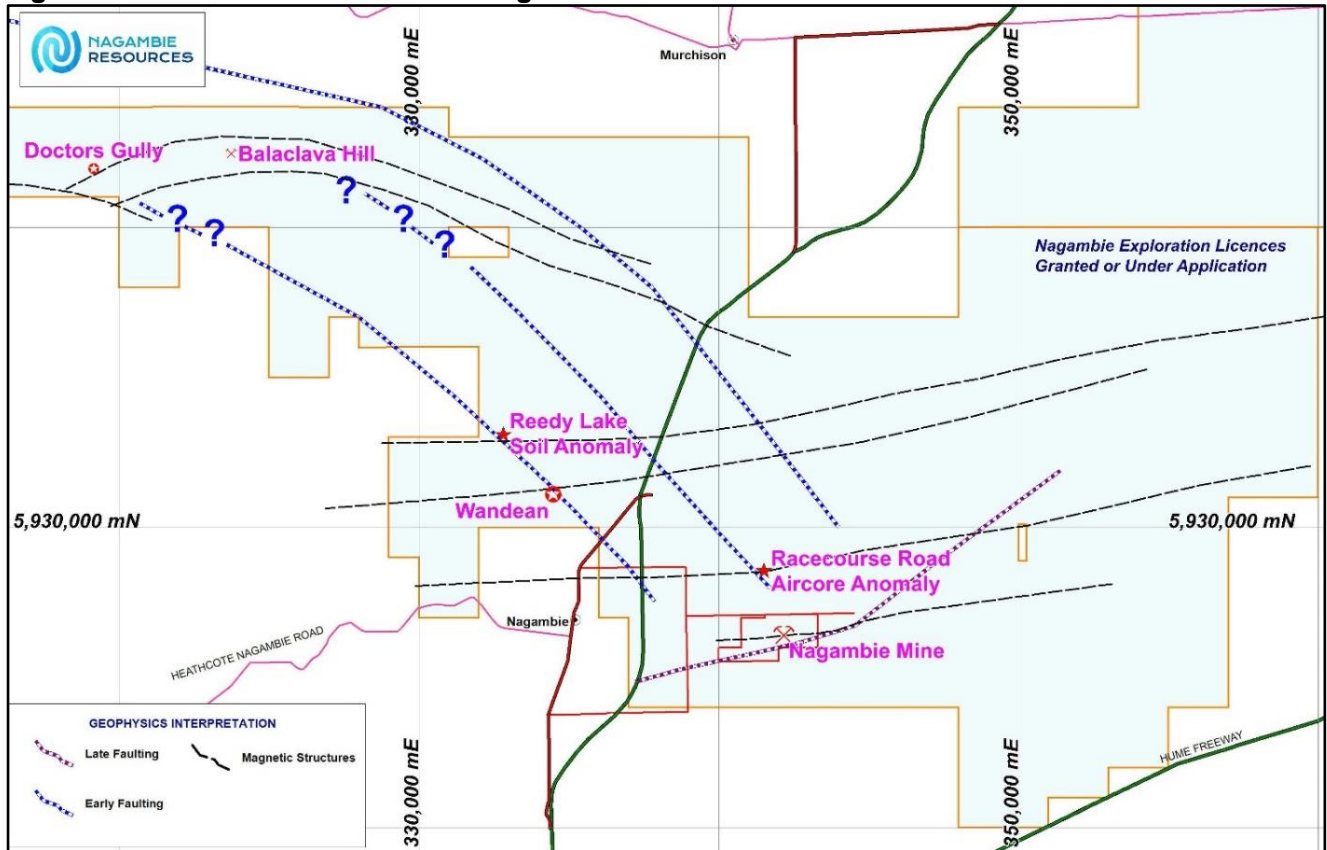
Fosterville Gold Mine

The results being reported for the gold-in-sediments Fosterville Gold Mine (same style as the Nagambie Gold Mine to the east) are continuing to amaze industry followers (as distinct from ASX followers as Fosterville is 100% Canadian owned).

Fosterville reported record underground gold production in the June 2017 quarter of 77,069 ounces of gold (308,000 ounces per year rate). This was more than double the 37,245 ounces produced in the June 2016 quarter and 67% higher than the previous record of 46,083 ounces in the March 2017 quarter. Mined grade of 17.5 g/t gold compared to 8.3 g/t in the June 2016 quarter and 12.3 g/t in the March 2017 quarter.

As Fosterville mines deeper into the sulphide zone, the mined grades are exceeding the predicted grades based on drilling.

Figure 1 Mineralisation at Intersecting Structures



For simplicity, only relevant interpreted structures for Doctors Gully, Balaclava Hill, Reedy Lake, Wandean, Racecourse Road and the Nagambie Mine are shown. Major roads shown for location purposes.

Induced Polarisation Surveys Targeting Sulphide Zones

Two significant oxide gold orebodies have been discovered to date in the immediate Nagambie region. The Nagambie Mine orebody was mined in two pits in the 1990s. The Wandean orebody was discovered by Nagambie Resources in 2014 and is yet to be mined.

The potential exists for high grade sulphide zones to exist at depth below both the Nagambie Mine and Wandean oxide zones, as is the case at the Fosterville Mine. One test line of Induced Polarisation (IP) has been run across a central section of the east-west trending Wandean oxide zone. The 2,000 metre long north-south line gave one strong sulphide anomaly several hundred metres directly below the best oxide gold drilling results on that section.

Consideration is now being given to carrying out more detailed IP surveys to target the most anomalous sulphide gold zones beneath the oxide gold zones at both Wandean and the Nagambie Gold Mine.

GOLD TENEMENT CHANGES

Nagambie Resources group tenements as at 30 June 2017 are shown in Appendix 1 (plan and table).

EL6508 (Tahbilk) of 84.0 sq km was applied for. EL6158 (Rushworth) of 56.0 sq km was granted. EL5546 (Redcastle) of 53.6 sq km was granted. EL6421 (Pranjip) of 138.7 sq km was granted. RL6040 (Clonbinane) of 3.0 sq km was granted. EL6163 (Clonbinane) of 78.2 sq km was granted.

The total of the areas granted for five-year terms above is 329.5 sq km.

CORPORATE

Cash

At 30 June 2017, total cash held by the group was \$709,000.

Loan Facility

Nagambie Resources has entered into a loan facility agreement with PPT Nominees Pty Ltd. Principal terms of the loan agreement are:

- Maximum drawdown of \$1.0 million;
- Maximum term of 2 years;
- Interest rate of 10.0% per annum on the drawn amount at any time;
- Interest payable quarterly in arrears; and
- Loan is unsecured.

The loan facility avoided the need for an equity raising and dilution of existing shareholder interests. It also puts the Company in a good position to both negotiate future tenders for large volumes of PASS management associated with major Melbourne infrastructure projects and to also enable the progressive development of its other planned revenue streams.

Cash Management

Nagambie Resources has carried out significant capital expenditure over the last year to develop the first 2.5 million tonnes of PASS management capacity, install a state-of-the-art weighbridge, advance its gold model for the Nagambie region, and prepare for its other strategic income streams, including establishing initial access infrastructure for its proposed sand mining operation.

The board has moved to reduce all non-essential, discretionary cash expenditure wherever appropriate. As part of those cash conservation measures, the directors will not be paid their director fees from 1 July 2017 until cashflow from operations reaches appropriate levels.



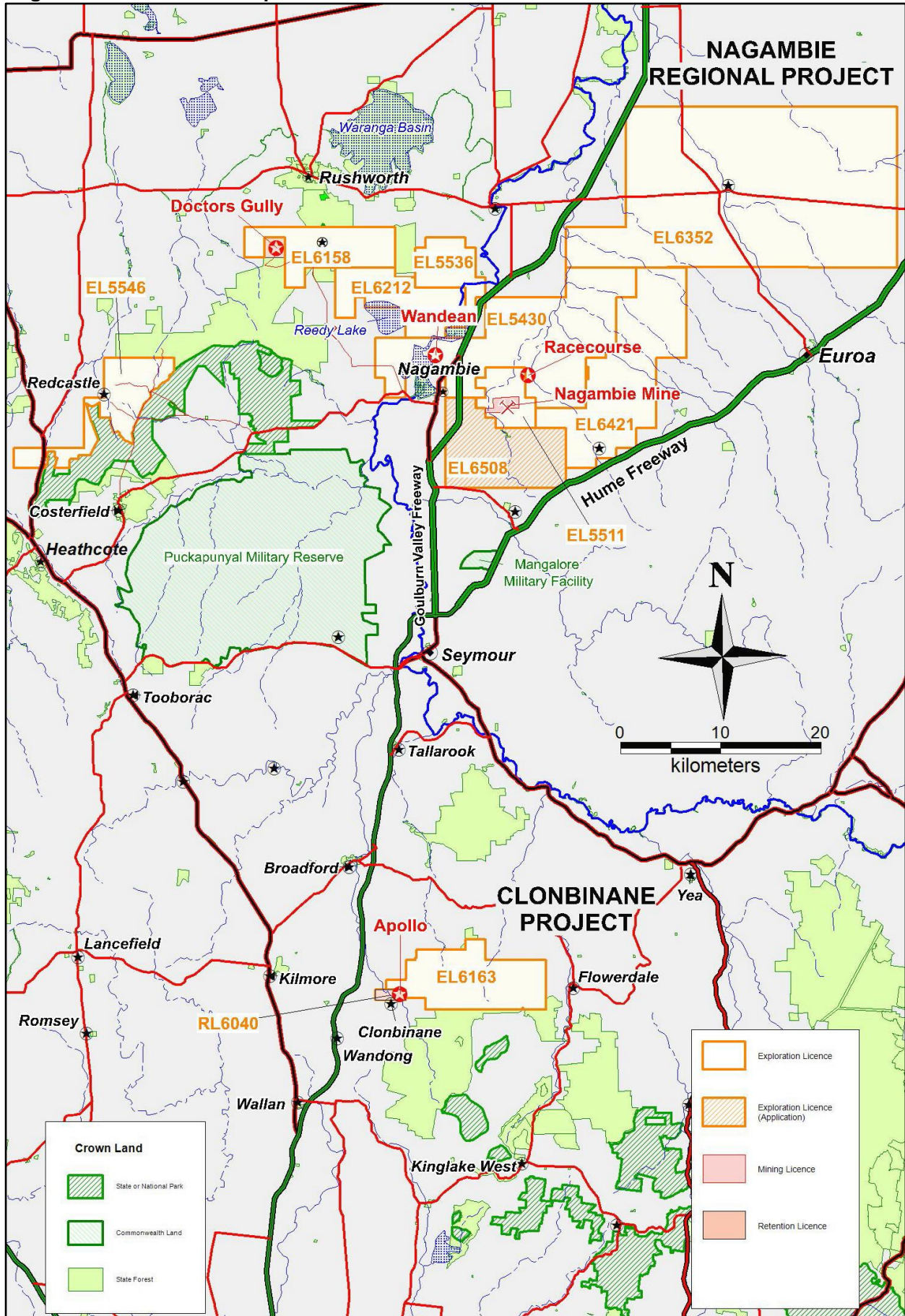
James Earle
Chief Executive Officer

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 June 2017



APPENDIX 1 (Continued)**Nagambie Resources Group Tenements as at 30 June 2017**

| Tenement Number | Tenement Name | sq.km |
|-----------------|---|----------------|
| MIN 5412 | Nagambie Mining Licence | 3.6 |
| EL 5430 | Bunganail Exploration Licence | 182.0 |
| EL 5511 | Nagambie Exploration Licence | 27.9 |
| EL 5536 | Wandean North Exploration Licence | 48.0 |
| EL 6212 | Reedy Lake North Exploration Licence | 41.0 |
| EL 6158 | Rushworth Exploration Licence | 56.0 |
| RL 2019 | Doctors Gully Retention Licence | 4.0 |
| EL 6352 | Miepoll Exploration Licence | 456.0 |
| EL 6421 | Pranjip Exploration Licence | 138.7 |
| ELA 6508 | Tahbilk Exploration Licence Application | 84.0 |
| | | 1,037.6 |
| EL 6163 | Clonbinane South Exploration Licence | 78.2 |
| RL 6040 | Clonbinane Retention Licence | 3.0 |
| EL 5546 | Redcastle Exploration Licence | 53.6 |
| | | 1,176.0 |