

HIGHLIGHTS

- ❖ PASS management demand will increase dramatically from early CY 2018 when tunnelling commences for both the Melbourne Metro Rail Project and the Western Distributor Road Project. It will increase even further when tunnelling commences for the North-East Link, now committed to by the Victorian Government, in early CY 2019. Millions of tonnes of PASS will be excavated and require management.
- ❖ PASS research carried out by Nagambie Resources in the last six months has astonished the Company. The Melbourne metropolitan high-rise construction industry has never classified “hard” PASS (sandstones and siltstones containing pyrite) as PASS and treated it as such. Instead, the “hard” PASS in deep excavations during Melbourne’s building boom has gone to general clean fill sites in the metropolitan area, with the attendant risks of acid drainage.
- ❖ Nagambie Resources intends to seek approval from the EPA of a second stage, upgraded EMP for the acceptance of PASS from Melbourne’s major infrastructure tunnelling projects on a 24/7 basis. The Company envisages that a Planning Permit, which will also be required, could be sought from the Victorian Minister for Planning.
- ❖ Nagambie Resources has taken over all quarrying operations at the Nagambie Mine following the expiry of the three-year contractor agreement on 24 December 2016. The Company has already secured a gravel contract with Strathbogie Shire for a total contract value of \$299,500 and is tendering for another significant contract. A new crushing and screening plant is capable of processing over 3,000 tonnes per day. The newly-completed, state-of-the-art weighbridge is a definite attraction for potential customers.
- ❖ Six new East-West structures have been interpreted from the recent Aeromagnetic survey over 550 sq km in the Nagambie region. Nagambie Resources has now established that known gold mineralisation and anomalies in the region are coincident with the intersection of the deep, gravity-interpreted faults and the shallower, aeromagnetic-interpreted structures. 25 additional structural intersections have been identified, of which 16 have been selected for immediate investigation.

COMMENTARY

Nagambie Resources’ Chairman, Mike Trumbull said: *“Melbourne’s PASS management demand is set to explode in early CY2018. Winning tenderers for the two major tunnelling projects should be announced around mid CY2017. Our research has shown that ‘hard’ PASS in deep high-rise building excavations has been ignored to date, representing an acid-drainage issue.*

“Our new revenue stream, quarrying, is off to a flying start and we are looking to add sand production around the West Pit and dry screening of the legacy heap leach material.

“The new coincident-faulting gold model for the Nagambie region has already given us 16 high-priority gold targets.”

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

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PASS PROJECT

Introduction

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 (Photo 1) is naturally highly 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 very small by comparison.

Photo 1 Aerial View of the Nagambie Mine Site



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

Nagambie Resources considers that there are two main types of PASS material in Melbourne: “hard” PASS, consisting of Melbourne Formation sandstones and siltstones containing pyrite, typically occurring below 25 metres depth from surface; and “soft” PASS, consisting of silts containing pyrite, such as Coode Island Silt, which can exist close to surface.

Demand for PASS Management in CY 2018 onwards

Major committed Melbourne infrastructure projects of the Victorian Government that will involve the excavation of PASS are:

- ❖ the Melbourne Metro Rail 1 Project;
- ❖ the Western Distributor Road Project; and
- ❖ the North-East Link Road Project.

The Government is also considering a Melbourne Metro Rail 2 Project, an underground rail line linking Newport to Clifton Hill via Fishermans Bend, that would commence after the Melbourne Metro Rail 1 Project was completed.

The excavation of the two rail tunnels and the five underground stations for the Melbourne Metro Rail 1 Project is scheduled to commence in early CY 2018. The Environmental Effects Statement (EES) for Melbourne Metro was released in May 2016. Taking the volumes in the detailed tables of the EES and applying relevant specific gravities, Nagambie Resources calculates the total tonnage of PASS for the current design to be approximately 1,392,000 tonnes, with 569,000 tonnes in the tunnels and 823,000 tonnes in the underground stations. 93% of the total PASS estimated in the EES is Melbourne Formation sulphides or “hard” PASS with only 7% estimated to be silts or “soft” PASS. It is expected that the preferred construction consortium will be announced by the Victorian Government around mid CY 2017. The winning tenderer will then have to move quickly to put in place a contract for the acceptance and management of the excavated PASS from the tunnels and underground stations. According to the Melbourne Metro Rail Authority, underground tunnelling works will operate 24 hours per day, 7 days per week (24/7) to achieve the required timetable. With limited space in the inner city to temporarily store the excavated materials, the PASS material will need to be transported to a PASS management facility that can also operate 24/7.

The excavation of the two road tunnels for the Western Distributor Road Project is also scheduled to commence in early CY 2018. The total tonnage of PASS in the two road tunnels is expected to be reported in the project’s EES, which is anticipated to be released in mid CY 2017. The preferred construction consortium will be announced by the Victorian Government at around the same time. As for the Melbourne Metro Rail Project, the tunnel boring machines (TBMs) excavating the Western Distributor tunnels will be operating 24/7 and the acceptance of the excavated PASS will also have to be 24/7.

The Victorian Government has committed to the construction of the North East Link Project. Construction is planned to commence in early CY 2019, after the next State election in late CY 2018.

The Victorian Government has effectively put the development of Fishermans Bend on hold pending extensive planning and consultation regarding building height limits and public infrastructure, particularly public transport. Significant high-rise construction may commence in CY 2018.

Nagambie Resources also considers that, from CY 2018 onwards, significant quantities of “hard” PASS in deep high-rise building excavations in the metropolitan area may begin being identified as PASS and managed as such.

Demand for PASS Management in CY 2017

Construction firm John Holland is carrying out pre-works for the Melbourne Metro Rail 1 Project in CY 2017. The works include the sinking of three large shafts in the CBD to a depth of 35 metres. Between 25 metres depth and 35 metres depth, “hard” PASS will need to be excavated, trucked from the shafts and managed.

The total quantity of PASS has not been made public by John Holland. Nagambie Resources has submitted pricing per tonne to John Holland for the management of the PASS at the Nagambie Mine in the second half of CY 2017.

Nagambie Resources had genuinely believed that significant quantities of “hard” PASS in high-rise excavations below 25 metres depth in the metropolitan area would have been classified as PASS and managed as such. The Company had been planning to tender for the management of this “hard” PASS in CY 2016 and CY 2017.

“Hard” PASS in High-rise Building Excavations Deeper than 25 Metres

Nagambie Resources commissioned an independent, reputable research and strategy consultant in mid CY 2016 to carry out a PASS marketing study for Melbourne’s high-rise construction industry.

The firm conducted 33 interviews over three months with a diverse range of industry participants and stakeholders:

- ❖ 14 consultancies to the industry;
- ❖ four high-rise property developers;
- ❖ five high-rise architecture firms;
- ❖ four high-rise building contractors,
- ❖ seven cartage companies,
- ❖ two site remediation companies; and
- ❖ two waste disposal companies.

Only the cartage companies could give information on where PASS was being disposed of and at what cost. Cartage companies are widely regarded as the decision makers in terms of choosing disposal sites. Usually, building contractors approach the cartage companies for a “package” cartage and disposal quote. It is then left up to the cartage companies to choose a disposal site and negotiate a price.

Respondents said that the volumes of PASS excavated in Melbourne have been relatively low, and relatively constant, in the last decade. Respondents reported that disposal of PASS is not a major concern in the construction industry. One respondent said: *“PASS comes up so infrequently now that a lot of cartage companies have just stopped taking it”*.

Nagambie Resources was astonished by the general conclusion of the marketing survey that there was no “hard” PASS in deep high-rise building excavations. The Melbourne CBD has been going through an extended high-rise building boom with numerous excavations being excavated in Melbourne Formation rocks deeper than 25 metres and many deeper than 50 metres. The Company started researching further.

The Evidence for “Hard” PASS below 25 Metres Depth

The two road tunnels that were to be part of the now-cancelled East-West Link (EWL) Project were estimated to contain a total of over two million tonnes of PASS (the winning tenderer for EWL had been in discussion with Nagambie Resources in the second half of CY 2014 in regards to using the water-filled open pits at the Nagambie Mine). The construction company said that the great majority of that PASS (as is the case for the Melbourne Metro Rail 1 Project) was going to be Melbourne Formation sulphides or “hard” PASS.

The EES for the cancelled EWL has never been released to the public. However, the Victorian Government did release the Comprehensive Impact Statement (CIS) for the EWL in early 2015. *“The disturbance of potential and actual acid sulphate soils during construction”* was identified as one of the most significant potential impacts in the CIS.

The EES for the Melbourne Metro Rail 1 Project sets out all the PASS in the rail tunnels and the underground rail stations. The total quantity of PASS material expected to be excavated is approximately 1.4 million tonnes, of which 93% is “hard” PASS.

Why has over three million tonnes of “hard” PASS in total been estimated (by test drilling from surface) in the EWL and the Melbourne Metro Rail 1 underground excavations but apparently no “hard” PASS has ever been identified as such in deep high-rise building excavations in metropolitan Melbourne?

The only answer apparent to Nagambie Resources is that Melbourne’s high-rise construction industry only identifies small quantities of “soft” PASS as requiring PASS management. It does not identify any “hard” PASS in deep excavations for large high-rise building projects. During Melbourne’s ongoing high-rise construction boom, large quantities of “hard” PASS therefore will have been trucked to general fill sites around Melbourne, with the attendant risks of acid drainage.

Nagambie Resources considers that it will only be a matter of time before Melbourne's high-rise construction industry begins correctly identifying "hard" PASS. Ignorance of the existence of "hard" PASS may have been claimed as an excuse in the past but the release of the EES for the Melbourne Metro Rail 1 Project in May 2016, with its detailed description of "hard" PASS, together with future EESs for major infrastructure tunnelling projects, will inevitably bring about the necessary change.

Permitting of Nagambie Resources' PASS Project

Nagambie Resources was working towards final permitting of the PASS Project in CY 2016 and is still working towards that in early CY 2017. The process involves Earth Resources Regulation (ERR), within the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), approving a final Work Plan Variation (WPV) for the rehabilitation of the Nagambie Mine, taking into account the comments provided by all other interested Government agencies such as Goulburn Murray Water and the Department of Environment, Land, Water and Planning (DELWP). Nagambie Resources has been addressing all the comments provided by these other interested Government agencies.

Photo 2 Preparation for West Pit Rehabilitation



Looking north

The WPV covers the rehabilitation of the West Pit (Photo 2) which currently contains water up to 40 metres deep, returning it to its original use as farming land. PASS material will be used to backfill the pit below the water level. Below water, the PASS material will be in an anaerobic state (not exposed to air). Impermeable clay 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 to 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.

The WPV includes a number of supporting documents such as the Environmental Management Plan (EMP) approved by the Victorian Environmental Planning Authority (EPA) and a detailed Community Engagement Plan.

Until the tunnelling for both the Melbourne Metro Rail 1 Project and the Western Distributor Road Project commences in early CY 2018, and until the Melbourne high-rise construction industry commences identifying "hard" PASS in excavations deeper than 25 metres, there will be no significant demand for the acceptance and management of PASS in Victoria. As a result, the urgency for Nagambie Resources to push for full permitting is not as great as the Company had previously thought. Nagambie Resources has used the extra time to work closely with the multiple agencies involved to ensure no potential "road blocks" arise when the demand for large-scale PASS management facilities occurs in the near future.

While the WPV for the PASS Project is essentially an enhancement of the currently approved Work Plan for rehabilitation of the Nagambie Mine, Nagambie Resources believes that a Planning Permit will also be required. Such a Planning Permit could be provided either by the Strathbogrie Shire Council or by the Victorian Minister for Planning, who could assume responsibility for providing the Planning Permit. The Minister for Planning is able to do so where a project of State Importance is involved.

The current EPA-approved EMP covers an agreed interim stage in which it was envisaged that Nagambie Resources would accept and manage PASS from deep high-rise excavations in metropolitan Melbourne. Given that is not occurring, the Company now intends to seek approval from the EPA of a second stage, upgraded EMP that will consider:

- ❖ the acceptance of PASS from Melbourne's major infrastructure tunnelling projects on a 24/7 basis;
- ❖ the backfilling of the water-filled pits with PASS during daylight hours;

- ❖ the subsequent capping of the PASS up to the water level and above with compacted, impermeable clay during daylight hours; and
- ❖ all of the quality testing regimes for PASS material and water during the backfilling and capping operations and after completing the rehabilitation of the pits.

As an input to the second stage EMP, Nagambie Resources will engage a hydrogeologist to carry out studies required under the current EMP.

The Company will continue liaising with ERR and upgrading its WPV to conform with the second stage EMP.

Nagambie Resources intends to engage with each of the winning tenderers for the Melbourne Metro Rail and Western Distributor Projects immediately following their announcement in CY 2017. The two winning tenderers, whoever they are, already know about the Company's PASS Project but Nagambie Resources will reiterate its more attractive points of difference:

- ❖ the ability to accept the PASS on a 24/7 basis;
- ❖ 2.5 million tonnes of "developed" PASS storage with the ability to quickly develop a further 3.5 million tonnes of storage;
- ❖ the most preferred environmental solution for the off-site management of PASS;
- ❖ the ability to backload ideal compaction footing material for the tunnel floors;
- ❖ the ability to backload sand and quartz aggregates for concrete manufacture;
- ❖ maximises ISCA (Infrastructure Sustainability Council of Australia) sustainability rating scheme credits; and
- ❖ represents the most reliable, flexible, lowest risk PASS management solution for a project of State Importance.

Once an agreement is envisaged with a winning tenderer, that company, being responsible for the construction of a project of State Importance, could request that the Minister for Planning assume responsibility for providing the necessary Planning Permit to Nagambie Resources.

QUARRYING

Expired Contractor Agreement

The agency agreement with Nagambie Crushed Rock and Stone Supplies Pty Ltd (NCRS) expired on 24 December 2016. The performance of the contractor during the three-year term can be summarised as:

- ❖ NCRS did not crush a single tonne of overburden for sale, the main activity envisaged under the agreement;
- ❖ NCRS failed to sell the gravel stockpiles left behind by the previous contractor, Global; and
- ❖ NCRS attempted to wet screen the heap leach material to produce gravel for sale as concrete aggregates and decorative gravel.

In the December 2016 quarter, NCRS served a writ on Nagambie Resources for unspecified damages because the agreement was not extended beyond its expiry date. Nagambie Resources' legal advisers consider that the claim is without merit. The matter, which started in the Supreme Court of Victoria is now being heard in the County Court. Mediation is to occur in March 2017 and the next Directions' Hearing is in April 2017. Nagambie Resources does not consider the claim to be material.

In the last two weeks of the agreement, NCRS reported certain site matters to the Wangaratta office of the EPA and Strathbogie Shire. Nagambie Resources, as the owner of the land concerned, is working through the issues with the EPA and the Shire.

First Contract for the Supply of Gravel to Strathbogie Shire

The first competitive contract that Nagambie Resources has secured is the supply of 20 mm minus Class 4 material for the Strathbogie Shire's gravel road sheeting program in February and March 2017. The total contract value is \$299,500 excluding GST.

The Company is currently tendering for another significant contract and has been approached by several parties interested in the products that are now being produced. Local spot sales are increasing steadily. The newly-completed, state-of-the-art weighbridge is a definite attraction for potential customers.

Photo 3 A Truck Loaded with Nagambie Resources' Gravel Exiting the New Weighbridge



Solar panels (on the left) charge lead crystal batteries (in the green shed) that power the Accuweigh weighbridge system. The driver-controlled computer station, touchscreen and docket printer are also in the green shed.

In January 2017, Nagambie Resources commenced dry hiring the necessary equipment for the gravel operations. Dry hiring frees the Company of equipment maintenance, but the Company provides the plant operators and the diesel fuel. To date, a mobile crushing and screening unit (with an option to purchase), a Cat D7 bulldozer, a 30 tonne excavator, a Cat 972 front end loader and a Cat 40 tonne mine truck have been hired. The Company currently has four full-time operators.

The East and South Overburden Dumps together contain around four million tonnes of overburden. Nagambie Resources is planning to recycle all of the East and South dumps into gravel, road base and clean fill products and rehabilitate the areas to their original use as farming land.

The Company's crushing and screening operation is based on three simple principles:

- ❖ use reasonably large equipment to achieve economies of scale and reduce costs per tonne;
- ❖ doze the overburden down the side of the dump to the crushing and screening unit in order to mix the overburden layers in the dump and provide generally consistent feed; and
- ❖ make all products to specifications that customers want.

With the current arrangement of the crushing and screening plant, over 3,000 tonnes can be processed in eight hours of operation.

Photo 4 Crushing and Screening Unit in Operation at the East Overburden Dump



20 mm minus Class 4 road topping gravel product for Strathbogie Shire coming off the conveyor belt on the left of the photo. The D7 bulldozer, on the right, is pushing the 60 mm minus road base or quality fill product coming off the short conveyor belt. The 30 tonne excavator is loading the hopper of the crushing and screening unit.

Photo 5 Close-Up View of 20 mm minus Class 4 Road Topping Gravel



Sand and Quartz Aggregates

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

Dry Screening of the Heap Leach Material

Nagambie Resources is considering dry screening the heap leach material to produce decorative gravel and aggregates for concrete manufacture. The operation would be carried out in the dry months at a sufficient rate to stockpile product for sale through the wet winter months. The Company is researching various track-mounted, multiple-deck, dry-screening systems available in Australia.

GOLD EXPLORATION

The main focus during the quarter was flying the aeromagnetic survey over 550 sq km of Nagambie Resources' exploration tenements in the Nagambie region. In-house initial interpretation of the resulting magnetic data and the overlaying of known gravity features has come up with exciting results. A detailed announcement was released to the ASX on 24 January 2016.

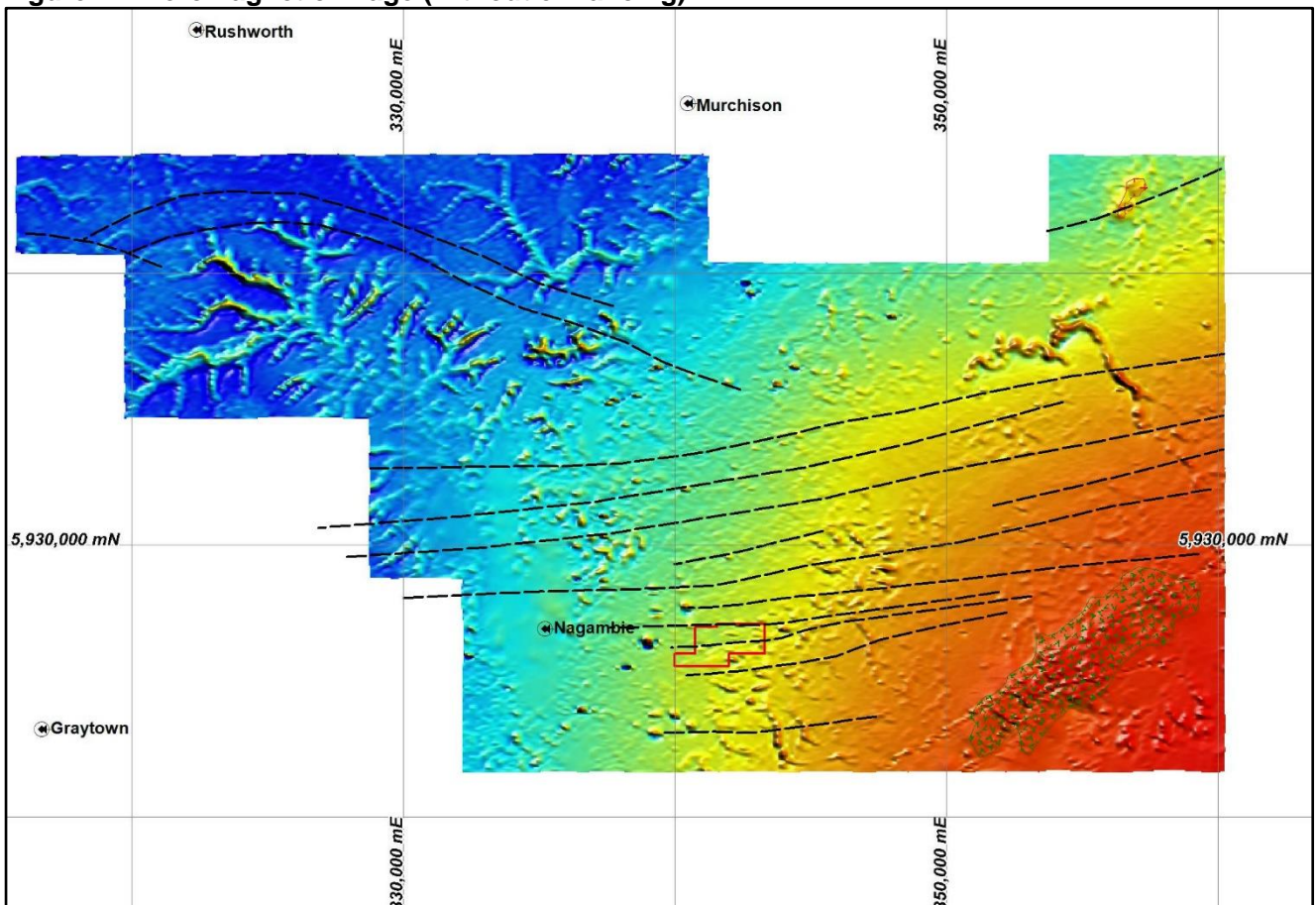
Aeromagnetic Survey

Both raw and processed data from the recent Aeromagnetic geophysical survey have been received, and interpretation has commenced.

Six new East-West trending structures have been identified, bringing to 13 the number of such structures that have the potential to host gold mineralisation (refer Figure 1).

Known gold deposits at the Nagambie Mine, Wandean and at Balaclava Hill, south of Rushworth, are related to such thrusts. Nagambie Resources considers that other, until now unknown thrusts, may well control hidden gold mineralisation.

Figure 1 Aeromagnetic Image (without enhancing)

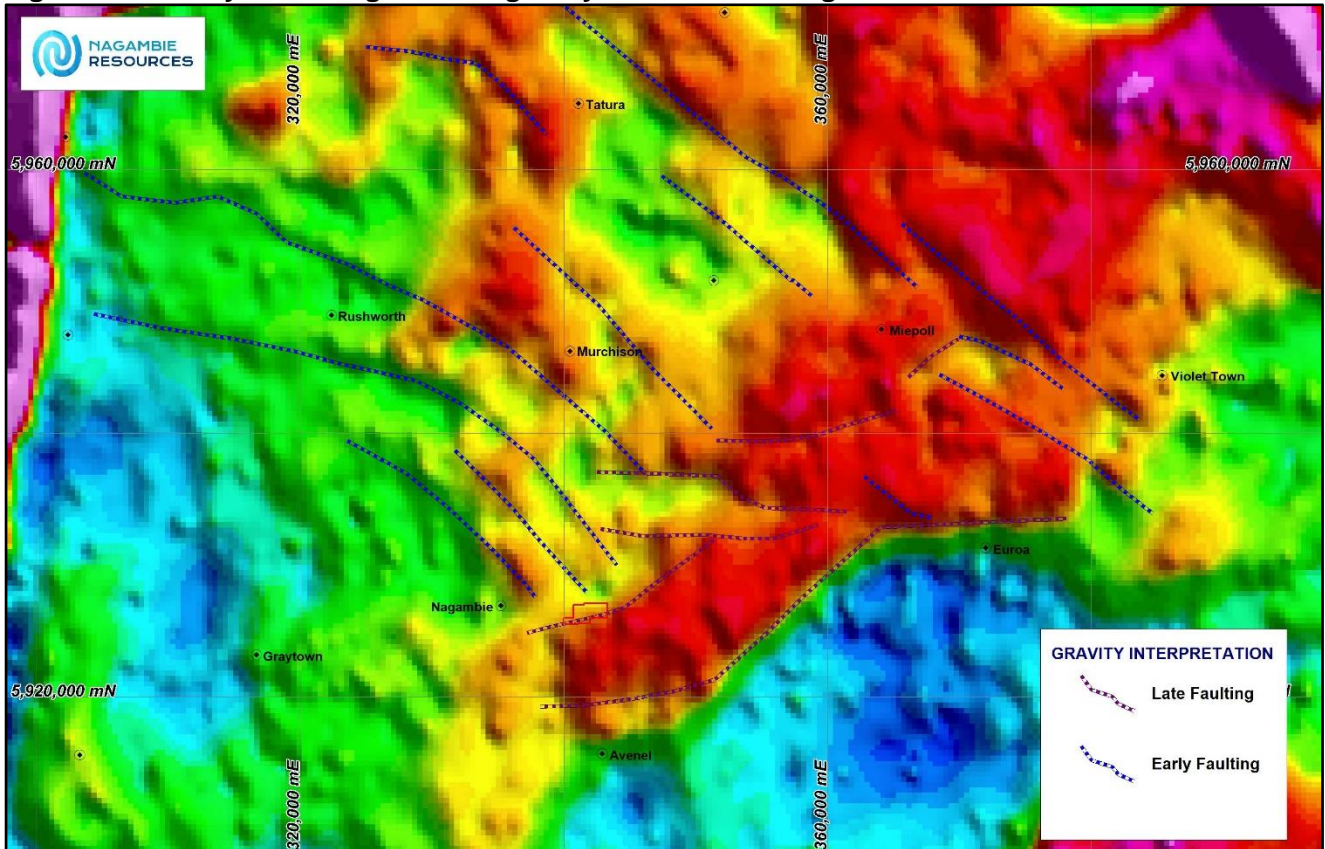


*Blue = low magnetic intensity; Red = high magnetic intensity. MIN 5412 shown in red outline for reference location
Structures interpreted from various enhancements shown as black dashed lines*

Gravity Geophysical Data

Interpretation of publicly available gravity imagery (refer Figure 2) has shown that deep crustal faults also exist beneath the East-West structures. These faults affect the deep basement volcanic rocks which are believed to be the source of the gold mineralisation.

Figure 2 Gravity Data Image Showing Early and Late Faulting



1st Vertical Derivative image of Bouguer Gravity data (Geoscience Australia).

Blue = low density crustal lithologies (for example granites); Red = high density crust (for example volcanics). MIN5412 shown in red outline for location reference.

Nagambie Resources has now established that known gold mineralisation and anomalies in the region are coincident with the intersection of the deep, gravity-interpreted faults and the more shallow, aeromagnetic-interpreted structures:

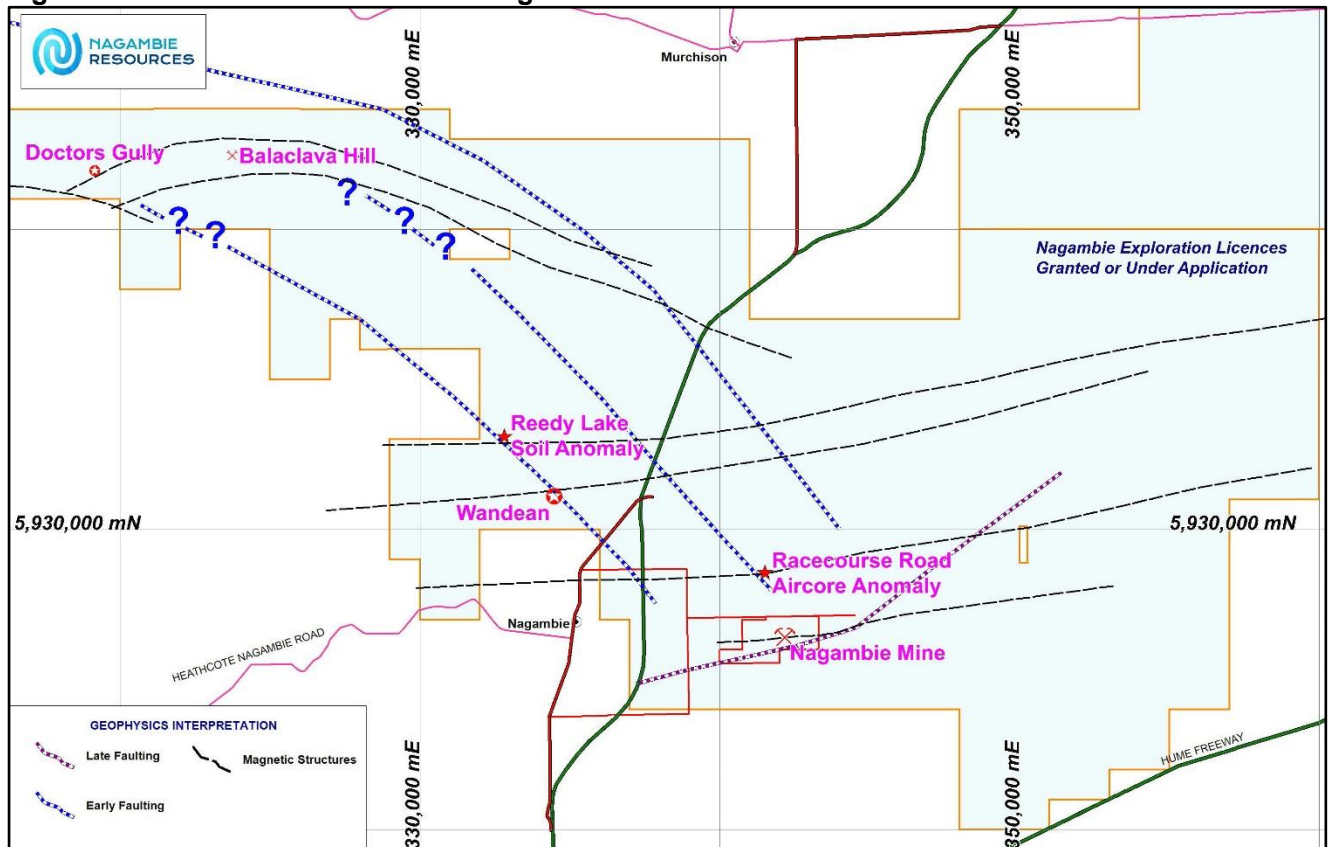
- ❖ The Nagambie Mine is at the intersection of an early (NW-SE) gravity structure and a magnetic structure. It is also located where a late gravity structure is roughly coincident with the magnetic structure (the Nagambie Mine Thrust);
- ❖ Wandean is located at the intersection of an early (NW-SE) gravity structure and the interpreted Wandean Thrust (note that the Wandean Thrust and the Nagambie Thrust have been identified in outcrop);
- ❖ Doctors Gully is close to the intersection of two magnetic structures and the north-west projection of an early gravity structure. Nagambie Resources is planning to develop a near-surface gold resource at Doctors Gully;
- ❖ The Racecourse Road Anomaly was located in 2011 through AirCore drilling. Here, significant gold intersections to 1.15 g/t were located in basement rocks. Further work on this prospect has been postponed due to the depth of cover in this area; and
- ❖ The Reedy Lake Soil Anomaly was located by roadside soil sampling in early 2015, where anomalous arsenic and antimony values were associated with elevated gold values. This area is now prioritised for further work.

The prospectivity of the Nagambie area of the northern Melbourne Structural Zone is greatly enhanced through the improved understanding of the mineralising processes that have occurred in the region.

The Company’s exploration strategy has been modified to target the structural intersections, allowing for stronger areal focus and more efficient use of exploration funds.

To date, Nagambie Resources has identified 25 such structural intersections, of which 16 have been selected for immediate investigation.

Figure 3 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.

Commentary on Aeromagnetic Results and Enhanced Regional Gold Model

The Company Chairman, Mike Trumbull said: “We expected to locate additional East-West structures with the Aeromagnetic survey and we did – six of them.

“What is even more exciting is that Geoff Turner, our Exploration Director, has been able to explain why the currently-known gold deposits in the Nagambie region exist where they do, and where the undiscovered gold deposits are most likely to occur. We have pegged more ground to the east as a result and now hold or have priority over close to 1,000 sq km.

“Coincident deep faulting and more shallow faulting results in the “plumbing systems” that can allow the gold mineralisation to travel upwards from great depths and form economic near-surface gold mineralisation.”

Secondary Gold Focus in the Nagambie Region

Nagambie Resources’ primary gold focus is on low capital and operating cost heap leach production from near-surface oxide, finely-disseminated, gold-in-sediments mineralisation, typically grading 1.0 to 2.0 g/t gold. A secondary focus will be on locating any high-grade sulphide mineralisation that may occur beneath the oxide gold zones. The Company has shown that ground Induced Polarisation (IP) geophysics can highlight strongly-sulphidic zones under the Wandean oxide mineralisation.

This additional focus follows the announcement of spectacular drilling intersections by the Canadian owner of the Fosterville Gold Mine, also a gold-in-sediments deposit, to the west of Nagambie in central Victoria. The latest bonanza, visible-gold sulphide intersections announced by Kirkland Lake include 1,429 g/t gold (45.9 oz/t) over 15.15m downhole, within which 0.6m graded 21,490 g/t (690.9 oz/t or 2.15% gold). The results being announced for the Fosterville Mine, which like the Nagambie region mineralisation was initially a finely-disseminated, gold-in-sediments deposit, are amazing geologists.

GOLD TENEMENT CHANGES

Nagambie Resources group tenements as at 31 December 2016 are shown in Appendix 1 (plan and table). EL 6421, Pranjip, was applied for over 139 sq km following the upgrading of the Nagambie Regional Gold Model. EL 5430, Bunganail, was reduced in size from 313.02 sq km to 182 sq km. EL 5511, Nagambie, was reduced in size from 36.89 sq km to 27.89 sq km. EL 5536, Wandean North, was reduced in size from 95 sq km to 75 sq km.

CORPORATE

Cash

At 31 December 2016, total cash held by the group was \$1,052,000.

During the quarter, 400,000 employee and director options were exercised at 10.0 cents each, raising \$40,000.

DOD Lease Fees

In CY 2016, the Australian Department of Defence (DOD) lease fees totalled \$152,231 excluding GST. The DOD lease fees will continue to increase by the Melbourne CPI going forward.

Revenue Stream from Quarrying Operations

In CY 2017, the start-up Nagambie Resources quarrying operations are expected to generate revenue from spot sales and successful tenders totalling at least \$1.0 million. Revenue is expected to increase substantially in CY 2018 onwards from increased gravel sales, sand sales and heap leach product sales.

Community

The Company is a member of the Nagambie Lakes Tourism and Commerce group (NLTC). NLTC recently approached Nagambie Resources about the "First Impressions Count" Roundabout Project, involving the upgrading of a traffic roundabout that visitors from Melbourne encounter when they both enter and leave Nagambie. The Company was pleased to assist and a report on the project is attached as Appendix 2.



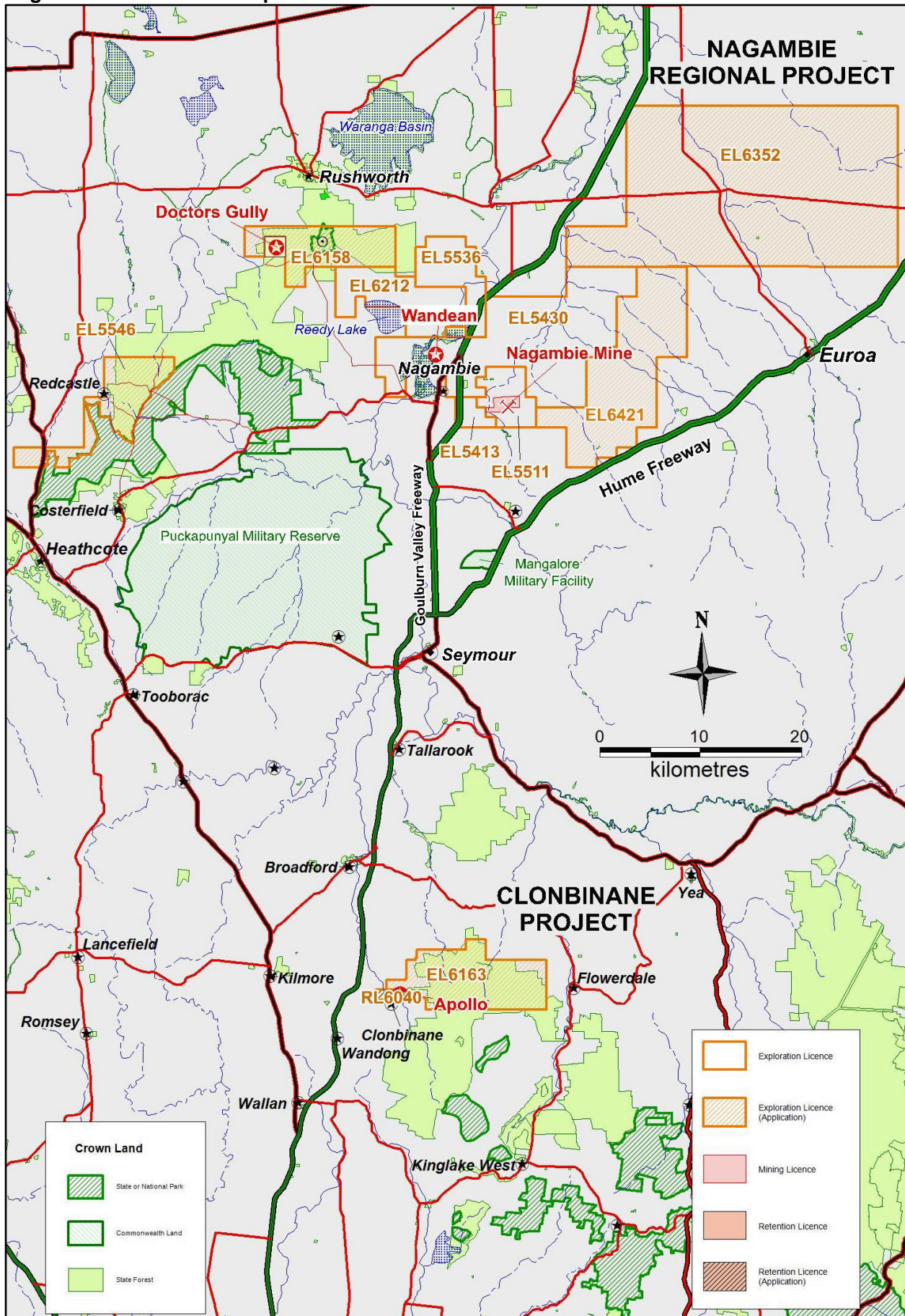
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FORWARD-LOOKING STATEMENTS

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 31 December 2016



APPENDIX 1 (Continued)

Nagambie Resources Group Tenements as at 31 December 2016

Tenement Number	Tenement Name	sq.km
MIN 5412	Nagambie Mining Licence	3.64
EL 5430	Bunganail Exploration Licence	182.00
EL 5511	Nagambie Exploration Licence	27.89
EL 5536	Wandean North Exploration Licence	75.00
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
RL 2019	Doctors Gully Retention Licence	4.00
ELA 6352	Miepoll Exploration Licence Application	456.00
ELA 6421	Pranjip Exploration Licence Application	139.00
		990.03
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
		1,131.54

APPENDIX 2**From Nagambie Lakes Tourism and Commerce group (NLTC) January 2017 Newsletter**

Gmail - Nagambie Lakes Tourism January Newsletter

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First Impressions Count Roundabout



Early in 2016, NLTC were contacted by Mr Tim Purbrick who was concerned about the message that was being portrayed at the Southern exit off the Goulburn Valley Freeway. The very large roundabout at the intersection of Mitchellstown Road and O'Dwyer Road was full of weeds and not the welcoming party that invites visitors to our town. An opportunity arose for NLTC to apply for funding to the Australian Government through the Stronger Communities Program, Department of Infrastructure and Regional Development. Initial discussions with the then Federal Member for Murray, Sharman Stone, were looked upon favourably so NLTC proceeded with the application for \$20,000 for funding to be matched dollar for dollar, including cash and in-kind support.

The First Impressions Count project required many regulatory bodies working together if it was going to get off the ground at all. The Australian Government Department of Infrastructure and Regional Development, Strathbogie Shire and Vic Roads have been instrumental in supporting NLTC through this process. More impressively, members of our community came out in force to ensure that we were able to succeed and deliver the project. From initial discussions with Tim Purbrick regarding Tahbilk Winery and its historical significance to the region, we pondered the prospect of creating a sculpture of a wine glass that stood proudly within the roundabout. The next thing you know, Tim was standing before me with a Tahbilk Winery cardboard box that had been cut into the wineglass sculpture. The concept was impressive, and could not be

APPENDIX 2 (Continued)

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dismissed.

Enquiries pointed me in the right direction to have the sculpture designed, engineered and crafted. We thank Metaltex Metal Fabricators for their assistance and expertise. The sculpture stands 4.5 metres tall and has been positioned under the advice and guidance of VicRoads. Nagambie Resources, Mike Trumbull and James Earle were quick to offer their product for use in the roundabout. David Cornthwaite was never deterred and assured me that all would fall into place, "All we need is a time line, and the rest will come".

Finally, after a long wet Winter we were able to access the roundabout and complete the works. Within a short time the roundabout was transformed into a construction zone with traffic control, plant operators, trucks & dog trailers, bobcats, a concrete truck and an excavator. It was at this very moment I realised how BIG the project was. Hour by hour the roundabout was topped with 600 tonnes of Nagambie Resources gravel, the grader and bobcat moulded the gravel into position until completed.

The First Impressions Count Roundabout project was an initiative of Nagambie Lakes Tourism and Commerce to improve the first and last impression of visitors to our region and to create a sense of pride within the community. These projects don't just happen, a lot of time and resources go into the planning and implementation for them to succeed. NLTC is overwhelmed by the generosity of the companies and contractors that worked together as one to deliver the project.

NLTC would like to acknowledge the following for their part that they have played in bringing this to fruition:

- The Australian Government Department of Infrastructure and Regional Development
- Mike Trumbull, Darren Martin and James Earle (Nagambie Resources)
- Billy O'Reilly, Matthew Toohey, Jeff McNeill, John Beresford (Nagambie Development Enterprises)
- David Cornthwaite (Cornthwaite Fencing) Tim Purbrick
- Warwick Hutton (Hutton Pastoral Company) Garry Green (Garry Green Electrical)
- Gerry Ryan
- Metaltex (Metal Fabricators) Tahbilk Winery
- Mitchelton Winery

This exercise demonstrates how it is possible for community projects to be achieved with businesses, community members and government organisations working collaboratively.
