ASX ANNOUNCEMENT
ASX: PGO

01 August 2016

AUSDRILL BACKS PRIMARY GOLD VIA DRILLING FOR EQUITY PROGRAM OVER THE MOUNT BUNDY GOLD PROJECT

MOU executed for development of a A$3.0M equity drilling agreement to grow Primary's 1.2Moz gold resource base via delineation of greenfield & brownfield targets

Primary Gold Limited (ASX: PGO) is pleased to announce it has secured the ongoing support of Ausdrill Limited (ASX: ASL) through a memorandum of understanding (MOU) to develop a formal A$3.0M drilling for equity agreement. The agreement comprises drilling programs over the 1,500km^2 of tenements covering the Mount Bundy Gold Project in the Northern Territory.

The drilling for equity agreement is estimated to provide for ~30,000m of drilling over existing brownfield and greenfield sites at Mount Bundy, including the ~60 identified but undrilled gold anomalies located on the site.

Under the terms of the MOU, the parties have agreed Ausdrill will receive payment for up to A$3.0M of drilling services, via the issue of ordinary Primary Gold shares. A payment mechanism has also been agreed, comprising a share valuation of 90% of the 30 day volume weighted average price (VWAP) against the value of each invoice.

Commenting on the MOU, Primary Gold Executive Director Patrick Walta said, "the Company is excited by the opportunity to undertake drilling at the Mount Bundy Gold Project, since there has been relatively scarce drilling activity outside of Toms Gully for over 20 years. Having the drilling for equity backing of one of Australia's largest drilling contractors in Ausdrill demonstrates a strong belief in the potential for resource expansion and new discoveries within the tenements."

While the MOU remains non-binding, the parties have full intention of executing a formal agreement for the equity drilling services over the next 30 days.

All drilling rates proposed by Ausdrill have been verified as commercially competitive by comparison with current rates of other drilling companies in the Northern Territory.

On execution of the formal documents, the Company plans to immediately mobilise rigs to start drilling on site at Mount Bundy.

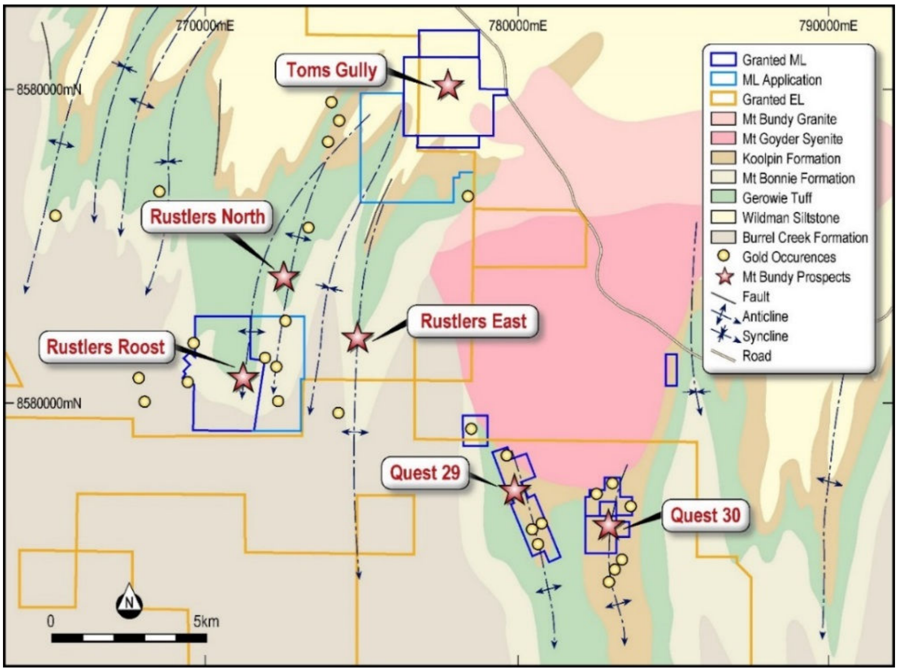

Figure 1: Greenfield and brownfield targets of the Mount Bundy Gold Project

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The purpose of the drilling programs will be to grow the existing gold resource base via both the expansion of brownfield resources and also identification and delineation of undrilled greenfield gold targets. In particular look-a-like Toms Gully and Rustlers Roost style deposit anomalies identified in the recently completed field expedition will be tested.

Previous work by Primary Gold has identified approximately 60 additional targets over the Company's 1,500km^2 tenement package, which are located on the ~50km of anticline structures known to control the deposition of gold mineralisation within the tenements.

The Company will continue to update current and prospective shareholders with material developments associated with the Mount Bundy drilling program as it progresses.

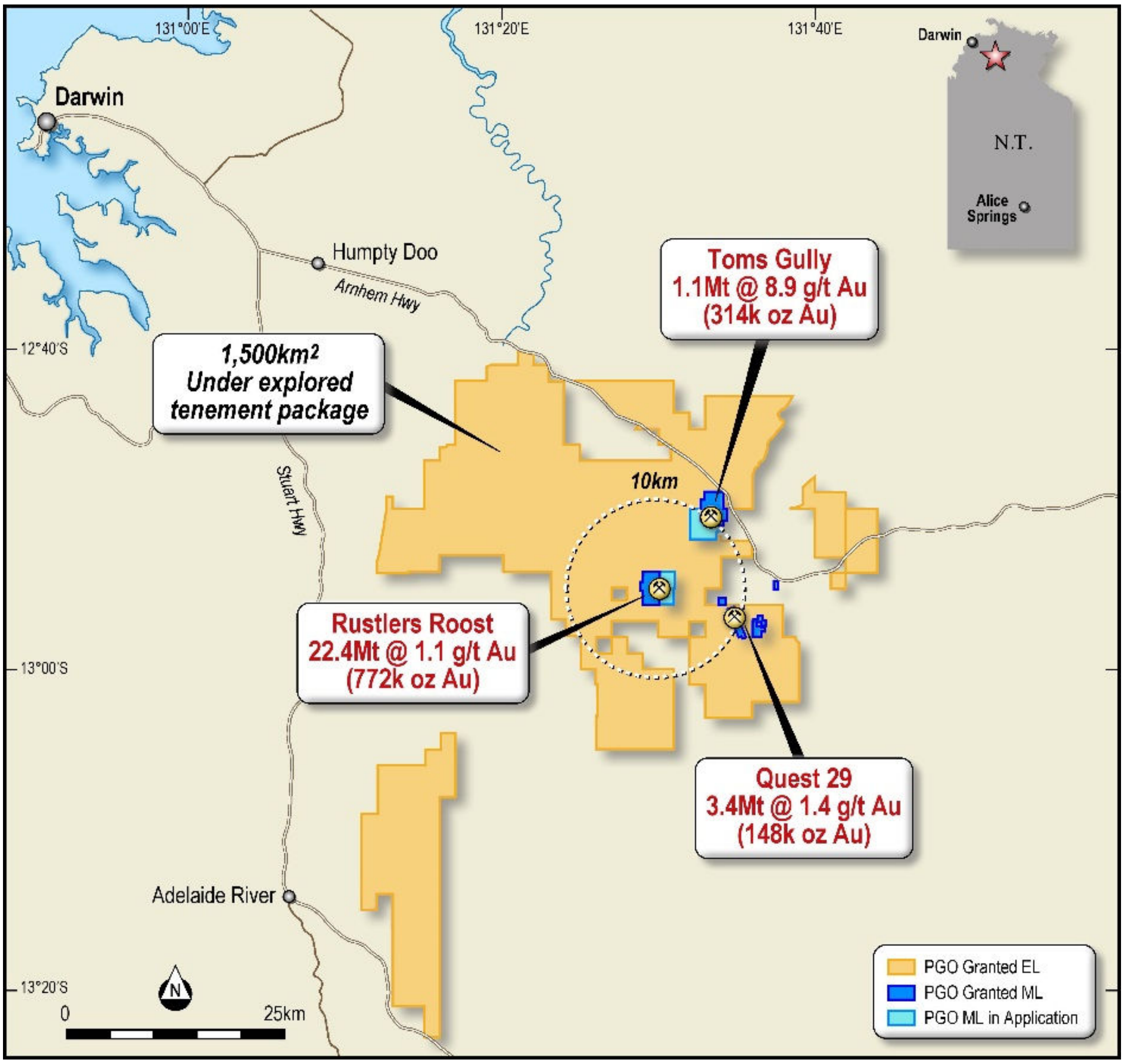

Figure 2: Mount Bundy tenement package and existing resources

For more information, please contact:

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About Ausdrill

Ausdrill Limited (ASX: ASL) is a diversified mining services company. Since its formation in Kalgoorlie in 1987, Ausdrill has grown significantly and now has operations across Australia, Africa and the United Kingdom. Ausdrill is a leader in providing services in contract mining, grade control, drill & blast, exploration, mineral analysis, procurement & logistics and manufacturing. The Ausdrill Group employs over 3,500 staff worldwide.

Primary Gold Mineral Resources & Ore Reserves

Resources	Indicated			Inferred			Total		
	Tonnes (kt)	Grade (g/t)	Au (kOz)	Tonnes (kt)	Grade (g/t)	Au (kOz)	Tonnes (kt)	Grade (g/t)	Au (kOz)
Toms Gully	835	9.0	242	265	8.5	73	1,100	8.9	315
Rustlers Roost*	14,420	1.1	505	7,960	1.0	266	22,380	1.1	772
Quest 29	2,190	1.4	98	1,205	1.3	50	3,395	1.4	148
Total	**17,445**	**1.5**	**845**	**9,430**	**1.2**	**389**	**26,875**	**1.5**	**1,235**
Reserves	**Proved**			**Probable**			**Total**		
	Tonnes (kt)	Grade (g/t)	Au (kOz)	Tonnes (kt)	Grade (g/t)	Au (kOz)	Tonnes (kt)	Grade (g/t)	Au (kOz)
Toms Gully				**775**	**6.9**	**175**	**775**	**6.9**	**175**

*PGO 80% equity ownership

Competent Person's Statement:

The information in this announcement that relates to Toms Gully, Rustlers Roost and Quest 29 Mineral Resources is based on, and fairly represents, information and supporting documentation compiled and prepared by Mr Brian Fitzpatrick. Mr Fitzpatrick is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of Cube Consulting Pty Ltd. Neither Cube nor Mr Fitzpatrick holds any interest in Primary Gold, its related parties, or in any of the mineral properties that are the subject of this report.

Mr Fitzpatrick has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Fitzpatrick has provided prior written consent as to the form and context in which the Exploration Results and Mineral Resources and the supporting information are presented in this market announcement.

The information in this market announcement that relates to Toms Gully Ore Reserves is extracted from the report entitled Toms Gully Ore Reserve Estimate Summary Report, August 2013 as announced 27 August 2013. Both report and announcement are available to view on www.primarygold.com.au.

Primary Gold Limited confirms it is not aware of any new information or data that materially affects the information in the original market announcements relating to Toms Gully ore reserves, that all material assumptions and technical parameters underpinning the Toms Gully mineral resource estimate continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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