

**26 November 2014**

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**ASX CODE: ORS**

Market Cap.: \$2.3 m (\$0.011 p/s)  
Shares on issue: 209,831,672  
Cash: \$1.8 m (30 September 2014)  
Debt: \$0.0 m (30 September 2014)

**BOARD & MANAGEMENT**

Ian Gandel, Chairman  
Anthony Gray, Managing Director  
Bob Tolliday, Director

**MAJOR SHAREHOLDERS**

Abbotsleigh – 30.3%  
Alliance Resources – 10.5%

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## **Chairman's Address** **Annual General Meeting**

**26 November 2014**

On behalf of the Board of Directors, I would like to welcome you to Octagonal Resources fourth Annual General Meeting.

2014 has certainly been a challenging year for our Company as it has faced the challenges of mining a nuggetty style of gold deposit, constrained by limited capital, in a challenging equity market environment that has recently been further impacted by a significant drop in the US gold price, which although cushioned by a weaker Australian dollar, has resulted in poor market sentiment and a disappointing short term outlook for gold.

During the year we have continued to focus on our primary objective of establishing a sustainable gold producing operation in Central Victoria, with key achievements including the discovery on two high-grade gold shoots on the 1100 level of the Alliance South Deposit, regulatory approval to commence open pit mining at the Pearl Croydon Deposit, and more recently the intersection of high-grade gold on the 1080 level of the Alliance South Deposit.

To achieve these objectives we have cut non-essential expenditure, substantially reduced exploration, and reluctantly still required to complete two capital raisings.

Buoyed by the discovery of high-grade gold on the 1100 level at the Alliance South Deposit and government approval to commence open pit mining at Pearl Croydon in March this year we raised \$3.2 million dollars to fund mining of these deposits.

Capital expenditure was however soon directed solely towards the Alliance South Deposit when a second high-grade gold shoot was discovered at what is now known as the Western Reef.

During the September Quarter we processed a 4,000 tonne bulk sample of underground ore and were shocked by poor reconciliation in grades between mine and mill data with only 3 g/t Au recovered compared to mine estimates of 10.9 g/t Au (uncut) or 5.5 g/t Au (applying a 20 g/t Au upper cut).

The ultimate outcome was that over 380 ounces of forecast gold production not realised for the Quarter, or over \$0.5 million in lost revenue. This shortfall significantly impacted our financial position and eventually led to the second recently closed capital raising.

In response to this poor reconciliation in grade we have completed a thorough review of mine and mill operating performance including, a detailed assessment of underground face channel sampling procedures and data, an independent audit of the mill metallurgical processes and accounting, an

independent audit of the mill site security, and a thorough investigation to test for gravity gold traps in the milling circuit.

At the end of this review we still didn't have a clear explanation for the poor reconciliation between mine and mill data, but committed to improving processes and procedures and developing, mining, and processing a second bulk sample from the 1080 level to better assess the economic potential of the deposit.

At the same time we also sought to de-risk the operation. Discussions were held with various third parties that ultimately led to our announcement on Monday that we have agreed to sell the Maldon Gold Operation to A1 Consolidated Gold for \$5.1 million in A1 shares and attaching options.

This transaction will require shareholder approval, but we believe that in the current market the price is reasonable and that the coming together of the two businesses will add value and is in the best interest of shareholders.

The combined businesses including the Maldon and A1 underground mines will initially hold over 330,000 ounces of resources with the potential to expand to 600,000 ounces if A1 executes its option over the Walhalla Mine. The combined entity will own our 150,000 tpa gold processing plant, derive short term gold from the Maldon mine and most importantly fill the mill when the A1 Mine reaches its Stage 1 production target in 2 to 3 months time. At this point a staged ramp up is planned with targeted gold production of 30,000 ounces per annum in a long term life of mine operation.

The shares that we receive from A1 will give us approximately 33% of that company and we intend to distribute half of these shares with options to our shareholders on a pro rata basis.

What this means for Octagonal shareholders is that you will retain direct and indirect exposure to a larger gold producing business in Victoria by holding both Octagonal and A1 shares. And to oversee this company our Managing Director, Mr Anthony Gray, will join a new A1 board as a non-executive director, with existing A1 Managing Director Mr Dennis Clark, and Mr Dale Rogers (an experienced mining engineer and chairman) as independent non-executive Chairman.

Following the completion of this transaction our Company will substantially reduce its corporate and operating costs and focus on carefully planned and staged exploration of the Burns Prospect area in Western Australia, where this year we drilled one diamond hole to test a priority magnetic target identified by 3D inversion modelling of ground magnetic data.

This drill hole effectively tested the target zone and confirmed that not only is copper and gold associated with magnetite alteration, but it is derived from a "feeder" structure that returned 4.5 g/t Au and 2.6 % Cu and now provides a discrete planar structure for further drill testing.

Looking to the year ahead, we will work together with A1 Gold to settle the sale of the Maldon Gold Operation and integrate it into the larger gold producing business, we will cut our corporate and operating costs and re-commence cost effective staged exploration of the Burns Prospect area in Western Australia.

I look forward to your continued support in the coming year.

- END -

For and on behalf of the Board

Bob Tolliday

**Company Secretary**

**OCTAGONAL RESOURCES LIMITED**

Additional information relating to Octagonal and its various mining and exploration projects can be found on the Company's website: [www.octagonalresources.com.au](http://www.octagonalresources.com.au)