Octagonal Resources Limited

ABN 38 147 300 418

Interim Report - 31 December 2014

Octagonal Resources Limited
Corporate directory
31 December 2014

Directors	Ian J Gandel (Chairman) Anthony R Gray (Managing Director) Robert P Tolliday (Non Executive Director)
Company secretary	Robert P Tolliday
Registered office	Suite 3 51-55 City Road Southbank Victoria 3006
Principal place of business	Suite 3 51-55 City Road Southbank Victoria 3006 Telephone +61 3 9697 9088 Fax +61 3 9697 9089
Share register	Computershare Investor Services GPO Box 2975 Melbourne Victoria 3001
Auditor	BDO East Coast Partnership Level 14 140 William Street Melbourne Victoria 3000
Stock exchange listing	Octagonal Resources Limited shares are listed on the Australian Securities Exchange (ASX code: ORS)
Website	www.octagonalresources.com.au info@octagonalresources.com.au

Octagonal Resources Limited
Directors' report
31 December 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Octagonal Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were directors of Octagonal Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Ian J Gandel
Anthony R Gray
Robert P Tolliday

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of gold exploration, gold processing, development and mining activities within, Victoria and Western Australia.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $14,032,132 (31 December 2013: $246,946).

During the period, Octagonal Resources Limited released its Annual Report for the year ended 30 June 2014. It also released Quarterly Activities Reports to 30 September 2014 and 31 December 2014, with significant events as follows:

Corporate
During November 2014 the Company raised $1.02 million (before costs) via a non-renounceable rights issue of 78,658,946 ordinary shares at 1.3 cents per share. Pursuant with the rights issue 78,658,946 unlisted options were also issued (exercisable at 2.0 cents and expiring on 11 December 2015);

On 24 November 2014 Octagonal entered into a binding Heads of Agreement with A1 Consolidated Gold Limited (A1 Gold) whereby A1 Gold would purchase Octagonal's Maldon Gold Operation (including all of the Company's Victorian mining, ore processing, and exploration assets held by Maldon Resources Pty Ltd, Highlake Resources Pty Ltd, and Matrix Gold Pty Ltd). In consideration for the sale Octagonal will receive approximately $5.09 million in A1 Gold shares at 3.0 cents per share and one A1 Gold option for every three A1 Gold shares received with an exercise price of 3.0 cents each and will expire on 30 November 2019. A formal Share Sale Agreement was executed on 24 December 2014 with settlement expected in late April following shareholder approval from both companies at extraordinary general meetings.

Owing to the impending sale to A1 of the Company's Victorian assets, in excess of $13 million of carryforward exploration costs have been written off and this forms the bulk of the reported loss for the reporting period. Refer to Loss from Discontinued Operations, Held for Sale Assets and Liabilities, and Note 5 in the financial statements for further information.

Maldon Gold Operation (Octagonal 100% subject to sale agreement with A1 Gold)

The Maldon Gold Operation is located 140 kilometres northwest of Melbourne in Victoria and is centred around the Company's Porcupine Flat CIL gold processing facility at Maldon.

Octagonal's corporate strategy in Central Victoria has been to develop a profitable and sustainable gold mining operation by mining both underground and open pit ore sources and processing them at the Company's Porcupine Flat gold processing facility.

During the period, Octagonal announced the following significant matters:

• Development on the 1100 level of the Alliance South Deposit was complete. The Union Hill Decline was extended to the 1080 level of the deposit, which was also developed during the reporting period.

• High-grade gold shoots were intersected in mine development on the 1080 level including 12 metres of reef grading 15.6 g/t Au over 1.7 metres width and 26.5 metres of reef grading 10.2 g/t Au over 3.1 metres width.

• Sludge hole drilling from the 1080 and 1100 levels testing the Western Reef returned high-grade intercepts including 2 metres @ 27.7 g/t Au, 2 metres @ 22.2 g/t Au, 4 metres @ 26.7 g/t Au, and 2 metres @ 28.3 g/t Au.

• Ore processing at the Porcupine Flat gold processing plant concluded during late-September with no further ore sources available for processing until the 1080 level is developed.

Hogan's Project (Octagonal 100%)
The Hogan's Project is located 70 kilometres southeast of Kalgoorlie in Western Australia.

• Diamond hole OBUDD001 was drilled to 401.5 metres depth to test for copper and gold mineralisation associated with a high-magnetic anomaly defined by 3D inversion modelling of ground magnetic data. This hole intersected high-magnetic rocks interpreted to be the source of the anomaly and returned 38.5 metres @ 0.5 g/t Au & 0.2 % Cu from 184.5 metres, 0.9 metres @ 4.5 g/t Au & 2.6 % Cu from 256.4 metres, and 10.35 metres @ 1.2 g/t Au & 0.6 % Cu from 273.3 metres. Significantly, a 3.6 metre wide very high magnetic breccia zone was intersected from 286.25 metres depth that is interpreted to be the main "feeder" structure or primary conduit of mineralising fluids at the prospect. This structure is near-vertical, strikes northwest, and correlates with both the main magnetic trend at the prospect and a two kilometre long copper in regolith anomaly defined by aircore drilling. This structure is a priority target for future drill testing.

• Target prioritisation and tenement consolidation has reduced the annual tenement expenditure commitment at the Hogan's Project to $109,000.

Events after the reporting period
Events after the reporting period of the consolidated entity include:

(i) During early February Octagonal and A1 Gold entered into a Management Agreement and Deed of Variation to the Share Sale Agreement whereby A1 Gold have commenced early management control of the Maldon Gold Operation while both companies work towards completion of the Share Sale Agreement.

(ii) On 6 March the Company entered into an agreement with Gandel Metals Pty Ltd to secure access to a Bank standby credit facility for up to $1.0 million. The loan will be secured by a mortgage over A1 Gold shares held by Octagonal, else a mortgage over Maldon Resources Pty Ltd shares if the Share Sale Agreement is terminated for any reason, and is repayable no later than 1 December 2015. The loan security will require shareholder approval at the upcoming general meeting.

No other matter or circumstance has arisen since 31 December 2014 that has significantly altered, or may significantly affect the consolidated entities operations, the results of those operations, or the consolidated entity's state of affairs in the future financial years.

Significant changes in the state of affairs
Significant changes in the state of affairs are noted above in the review of operations.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Gandel

___

Ian J Gandel
Director

16 March 2015
Melbourne, Victoria

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF OCTAGONAL RESOURCES LIMITED

As lead auditor for the review of Octagonal Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Octagonal Resources Limited and the entities it controlled during the period.

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 16 March 2015

Contents

General information

The financial statements cover Octagonal Resources Limited as a consolidated entity consisting of Octagonal Resources Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Octagonal Resources Limited's functional and presentation currency.

Octagonal Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 3
51-55 City Road
Southbank Victoria 3006

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2015. The directors have the power to amend and reissue the financial statements.

Octagonal Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 31 Dec 2013 $
Revenue from continuing operations	3	4,238	2,493
Expenses			
Corporate administration expense		(254,941)	(225,797)
Employee benefits expense		(152,272)	(138,564)
Depreciation and amortisation expense		(3,558)	(6,983)
Tenement Costs		(122,289)	(26,073)
Administration expenses		(115,845)	(96,699)
Marketing		(9,536)	(21,690)
Occupancy		(13,343)	(13,708)
Company secretarial expense		(35,111)	(30,769)
Other expenses		(4,959)	(17,121)
Loss before income tax expense from continuing operations		(707,616)	(574,911)
Income tax expense		-	-
Loss after income tax expense from continuing operations		(707,616)	(574,911)
Profit/(loss) after income tax expense from discontinued operations	4	(13,324,516)	327,965
Loss after income tax expense for the half-year attributable to the owners of Octagonal Resources Limited		(14,032,132)	(246,946)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Octagonal Resources Limited		(14,032,132)	(246,946)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(707,616)	(574,911)
Discontinuing operations		(13,324,516)	327,965
		(14,032,132)	(246,946)
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of Octagonal Resources Limited			
Basic earnings per share	9	(0.33)	(0.34)
Diluted earnings per share	9	(0.33)	(0.34)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Octagonal Resources Limited			
Basic earnings per share	9	(6.25)	0.19
Diluted earnings per share	9	(6.25)	0.19
Earnings per share for loss attributable to the owners of Octagonal Resources Limited			
Basic earnings per share	9	(6.58)	(0.15)
Diluted earnings per share	9	(6.58)	(0.15)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Octagonal Resources Limited
Statement of financial position
As at 31 December 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Assets			
Current assets			
Cash and cash equivalents	5	355,878	1,068,659
Trade and other receivables		24,132	142,046
Inventories		-	88,093
Other		42,105	177,224
		422,115	1,476,022
Non-current assets classified as held for sale	4	6,590,843	-
Total current assets		7,012,958	1,476,022
Non-current assets			
Receivables		49,000	1,253,500
Property, plant and equipment		15,480	1,496,244
Exploration and evaluation		3,349,970	19,624,581
Total non-current assets		3,414,450	22,374,325
Total assets		10,427,408	23,850,347
Liabilities			
Current liabilities			
Trade and other payables		288,696	773,516
Borrowings		40,899	-
Employee benefits		26,600	223,853
		356,195	997,369
Liabilities directly associated with assets classified as held for sale	4	1,500,661	-
Total current liabilities		1,856,856	997,369
Non-current liabilities			
Provisions		97,534	1,284,150
Total non-current liabilities		97,534	1,284,150
Total liabilities		1,954,390	2,281,519
Net assets		8,473,018	21,568,828
Equity			
Issued capital		23,743,267	22,806,945
Reserves		63,514	63,514
Accumulated losses		(15,333,763)	(1,301,631)
Total equity		8,473,018	21,568,828

The above statement of financial position should be read in conjunction with the accompanying notes

Octagonal Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2014

Consolidated	**Contributed equity $**	**Retained profits $**	**Reserves $**	**Total equity $**
Balance at 1 July 2013	19,772,476	1,713,185	33,178	21,518,839
Loss after income tax expense for the half-year	-	(246,946)	-	(246,946)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(246,946)	-	(246,946)
Balance at 31 December 2013	19,772,476	1,466,239	33,178	21,271,893

Consolidated	**Contributed equity $**	**Retained profits $**	**Reserves $**	**Total equity $**
Balance at 1 July 2014	22,806,945	(1,301,631)	63,514	21,568,828
Loss after income tax expense for the half-year	-	(14,032,132)	-	(14,032,132)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(14,032,132)	-	(14,032,132)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	936,322	-	-	936,322
Balance at 31 December 2014	23,743,267	(15,333,763)	63,514	8,473,018

The above statement of changes in equity should be read in conjunction with the accompanying notes

Octagonal Resources Limited
Statement of cash flows
For the half-year ended 31 December 2014

	Consolidated	
	31 Dec 2014	**31 Dec 2013**
	$	**$**
Cash flows from operating activities		
Receipts from customers	1,488,397	1,699,144
Payments to suppliers and employees	(1,647,618)	(2,269,724)
	(159,221)	(570,580)
Interest received	22,629	26,177
Sale of Arches	-	35,230
Fuel Tax Rebate	15,980	7,314
Refund of Rehabilitation Bond	321,000	10,000
Compensation for termination of A1 contract	-	50,000
Other	1,616	-
Net cash from/(used in) operating activities	202,004	(441,859)
Cash flows from investing activities		
Payments for property, plant and equipment	(91,650)	(171,846)
Payments for exploration and evaluation	(1,703,513)	(1,291,290)
Withdrawals from term deposits	-	10,000
Loans from/(to) related and other parties	-	1,000,000
Net cash used in investing activities	(1,795,163)	(453,136)
Cash flows from financing activities		
Proceeds from issue of shares	997,541	-
Share Issue Costs	(61,216)	-
Net cash from financing activities	936,325	-
Net decrease in cash and cash equivalents	(656,834)	(894,995)
Cash and cash equivalents at the beginning of the financial half-year	1,068,659	1,241,507
Cash and cash equivalents at the end of the financial half-year	411,825	346,512

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
Parts A to C of these amendments is applicable to annual reporting periods beginning on or after 1 July 2014 and affects the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-3 amends AASB 11 Joint Arrangements and requires an acquisition of an interest in a joint operation, being an activity that constitutes a business, to be accounted for and presented using AASB 3 (and other relevant accounting standards) business combination principles and disclosures. The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 1. Significant accounting policies (continued)

Going concern

The consolidated entity has incurred a loss after tax for the half year ended 31 December 2014 of $14,032,132 (which is inclusive of an impairment of $13,531,811 relating to discontinued operations) and had net cash outflows from operating and investing activities of $1,593,159. At 31 December 2014 the consolidated entity had cash and cash equivalents of $355,878. The ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through sale of A1 Consolidated Gold shares. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The consolidated entity has entered into a binding heads of agreement with A1 Consolidated Gold Limited (A1 Gold) whereby A1 Gold will purchase the consolidated entity's Maldon Gold Operation for consideration of approximately $5.09 million in A1 Shares and one option for every three shares issued at an exercise price of 3 cents, expiring 30 November 2019. The sale is subject to approval of shareholders of both companies.

The sale of the Maldon Gold Operation will provide the consolidated entity with a liquid financial asset which can be realised to meet the ongoing operation cash flow requirements.

- As detailed in note 9, the company has access to a standby credit facility from Gandel Metals Pty Ltd, a company associated with the Chairman of the Board Ian Gandel, for up to $1 million. At 10 March 2015 $710,000 of that facility remains undrawn.

- The sale of the Maldon Gold Operation will significantly reduce the amount of committed expenditure required to be made going forward. The Directors have the ability to control cash outflows in relation to exploration and evaluation expenditure, which if need be, can be deferred or eliminated by the sale, joint venture or relinquishment of mining tenements. The consolidated entity has discretion over the quantum and timing of this type of expenditure.

- The directors have prepared budgets which demonstrate that, based on the above factors, the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing this report.

Should the consolidated entity not be able to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Note 2. Operating segments

The consolidated entity has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach'. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The consolidated entity operates predominately in one geographical location. The consolidated entity does not have any operating segments with discrete financial information. The consolidated entity's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decisions including assessing performance and in determining the allocation of resources.

Note 3. Revenue

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
From continuing operations		
Interest	2,938	2,493
Other revenue	1,300	-
Revenue from continuing operations	4,238	2,493

Note 4. Discontinued operations

Description

On 24 November 2014 Octagonal entered into a binding Heads of Agreement with A1 Consolidated Gold Limited (A1 Gold) whereby A1 Gold would purchase Octagonal’s Maldon Gold Operation (including all of the Company’s Victorian mining, ore processing, and exploration assets held by Maldon Resources Pty Ltd, Highlake Resources Pty Ltd, and Matrix Gold Pty Ltd). In consideration for the sale Octagonal will receive approximately $5.09 million in A1 Gold shares at 3.0 cents per share and one A1 Gold option for every three A1 Gold shares received with an exercise price of 3.0 cents each and will expire on 30 November 2019. A formal Share Sale Agreement was executed on 24 December 2014 with settlement expected in late April following shareholder approval from both companies at extraordinary general meetings.

Note 4. Discontinued operations (continued)

Financial performance information

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Gold sales	1,490,298	1,736,475
Interest	10,872	23,684
Sundry income	10,668	95,230
Fuel tax rebate	15,980	7,314
Total revenue	1,527,818	1,862,703
Employee benefits expense	(288,964)	(236,115)
Operating and plant recommissioning expense	(770,805)	(961,178)
Impairment of tenement costs	(13,531,811)	-
Depreciation and amortisation expense	(106,755)	(137,940)
Corporate administration expense	(1,730)	-
Administration expense	(132,375)	(185,245)
Marketing expense	(10,887)	(7,024)
Occupancy	(8,521)	(6,764)
Company secretarial expense	(486)	(472)
Total expenses	(14,852,334)	(1,534,738)
Profit/(loss) before income tax expense	(13,324,516)	327,965
Income tax expense	-	-
Profit/(loss) after income tax expense from discontinued operations	(13,324,516)	327,965

Cash flow information

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Net cash from operating activities	446,083	-
Net cash used in investing activities	(1,635,992)	-
Net decrease in cash and cash equivalents from discontinued operations	(1,189,909)	-

Note 4. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Cash and cash equivalents	939,643	-
Trade and other receivables	101,073	-
Inventories	123,055	-
Property, plant and equipment	1,462,101	-
Exploration and evaluation	3,964,971	-
Total assets	6,590,843	-
Trade and other payables	427,494	-
Provisions	189,667	-
Rehabilitation provision	883,500	-
Total liabilities	1,500,661	-
Net assets	5,090,182	-

Details of the disposal

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Total sale consideration	5,090,182	-
Carrying amount of net assets disposed	(5,090,182)	-
	-	-
Gain on disposal before tax income	-	-
Income tax expense	-	-
Gain on disposal after income tax	-	-

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2014 $	30 Jun 2014 $
Cash on hand	2,000	2,213
Cash at bank	293,878	1,006,446
Cash on deposit	60,000	60,000
	355,878	1,068,659

The statement of cash flows end total does not reconcile to the statement of financial position cash and cash equivalents total due to the reclassification of various sale assets to non-current assets classified as held for sale.

Note 6. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 7. Related party transactions

Parent entity
Octagonal Resources Limited is the parent entity.

Transactions with related parties
Other related party - Gandel Metals Trust
Payment for services relates to amounts charged as per Management Service Agreement

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 Dec 2014	30 Jun 2014
	$	$
Current payables:		
Payable to Gandel Metals Trust	188,607	-

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 8. Events after the reporting period

During early February, the Company entered into a Management Agreement and Deed of Variation to the Share Sale Agreement to provide A1 Gold with early management control of the Maldon Gold Operation. This agreement effectively terminated Octagonal's obligations to maintain the Maldon Gold Operation from the start of February, two months earlier than contemplated under the original Share Sale Agreement, and allowed A1 Gold to commence mill improvement and underground mining activities at Maldon (refer to A1 Gold ASX Announcement dated 9 February 2015).

During early March, the Company entered into an agreement with Gandel Metals Pty Ltd to secure access to a Bank standby credit facility for up to $1.0 million. The loan will be secured by a mortgage over A1 Gold shares held by Octagonal, else a mortgage over Maldon Resources Pty Ltd shares if the Share Sale Agreement is terminated for any reason, and is repayable no later than 1 December 2015. The loan security will require shareholder approval at the upcoming general meeting.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 9. Earnings per share

	Consolidated	
	31 Dec 2014	**31 Dec 2013**
	$	**$**
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Octagonal Resources Limited	(707,616)	(574,911)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	213,295,053	169,672,726
Weighted average number of ordinary shares used in calculating diluted earnings per share	213,295,053	169,672,726
	Cents	**Cents**
Basic earnings per share	(0.33)	(0.34)
Diluted earnings per share	(0.33)	(0.34)

	Consolidated	
	31 Dec 2014	**31 Dec 2013**
	$	**$**
Earnings per share for profit/(loss) from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Octagonal Resources Limited	(13,324,516)	327,965
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	213,295,053	169,672,726
Weighted average number of ordinary shares used in calculating diluted earnings per share	213,295,053	169,672,726
	Cents	**Cents**
Basic earnings per share	(6.25)	0.19
Diluted earnings per share	(6.25)	0.19

	Consolidated	
	31 Dec 2014	**31 Dec 2013**
	$	**$**
Earnings per share for loss		
Loss after income tax attributable to the owners of Octagonal Resources Limited	(14,032,132)	(246,946)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	213,295,053	169,672,726
Weighted average number of ordinary shares used in calculating diluted earnings per share	213,295,053	169,672,726
	Cents	**Cents**
Basic earnings per share	(6.58)	(0.15)
Diluted earnings per share	(6.58)	(0.15)

Octagonal Resources Limited
Directors' declaration
31 December 2014

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Gandel

Ian J Gandel
Director

16 March 2015
Melbourne, Victoria

BDO

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Octagonal Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Octagonal Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Octagonal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Octagonal Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Octagonal Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 'Going Concern' in the financial report, which indicates that the consolidated entity incurred a loss after tax for the half year ended 31 December 2014 of $14,032,132 (which is inclusive of an impairment of $13,531,811 relating to discontinued operations) and had net cash outflows from operating and investing activities of $1,593,159. At 31 December 2014 the consolidated entity had cash and cash equivalents of $355,878.

The ability of the consolidated entity to continue as a going concern is dependent on the completion of the Share Sale Agreement between Octagonal and A1 Gold in accordance with the material terms of the agreement.

These conditions, along with other matters as set out in Note 1 'Going Concern,' indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

BDO

James Mooney
Partner

Melbourne, 16 March 2015