

30 MARCH 2015

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ASX CODE: ORS

Market Cap.: \$3.0m (\$0.012 p/s)

Shares on issue: 248,331,672

Cash: \$1.34 m (31 December 2014)

Debt: \$0.0 m (31 December 2014)

BOARD & MANAGEMENT

Ian Gandel, Chairman

Anthony Gray, Managing Director

Bob Tolliday, Director

MAJOR SHAREHOLDERS

Abbotsleigh – 41.1%

Alliance Resources – 8.9%

PRINCIPAL OFFICE

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NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

The General Meeting will be held:

- at HWL Ebsworth Lawyers, Level 26, 530 Collins St, Melbourne;
- on Thursday, 30 April 2015 at 10.00am (AEST).

The Notice of Meeting and Explanatory Statement follows, together with generic Proxy Form. These documents have been despatched to shareholders today.

For further information regarding this announcement, contact:

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

OCTAGONAL RESOURCES LIMITED

ACN 147 300 418

("Octagonal" or "Company")

NOTICE OF EXTRAORDINARY GENERAL MEETING & EXPLANATORY STATEMENT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION

If you are in any doubt as to how to deal with it,
please consult your financial or other professional adviser.

The extraordinary general meeting will be held:

- at HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne
- on **Thursday, 30 April 2015** commencing at 10.00 am (AEST).

You can vote by:

- attending and voting at the meeting; or
- appointing someone as your proxy to attend and vote at the meeting on your behalf, by completing and returning the proxy form to Octagonal in the manner set out in section 6(a) of this notice of meeting. The proxy form (and any power of attorney under which it is signed) must be received by Octagonal no later than 10.00 am on **Tuesday, 28 April 2015**. Any proxy form received after that time will not be valid for the meeting.

**OCTAGONAL RESOURCES LIMITED
ACN 147 300 418**

NOTICE OF EXTRAORDINARY GENERAL MEETING

The extraordinary general meeting (**Meeting**) of the Shareholders of Octagonal Resources Limited (**Company**) will be held:

- on **Thursday, 30 April 2015**
- at **10.00 am (AEST)**
- at **HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne**

Terms and abbreviations used in this Notice and Explanatory Statement are defined in section 6 "DEFINITIONS" of the Explanatory Statement.

1. RESOLUTIONS

(a) Resolution 1: Disposal of main undertaking

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the disposal of all the Company's shares in Maldon Resources Pty Ltd, Highlake Resources Pty Ltd and Matrix Gold Pty Ltd, being the Company's main undertaking, to A1 Consolidated Gold Limited, in accordance with the terms of the Share Sale Agreement, a summary of which is contained in the Explanatory Statement."

(b) Resolution 2: Grant of security to a related party

To consider and if thought fit to pass the following resolution as an ordinary resolution:

"THAT for the purposes of Listing Rule 10.1, and for all other purposes, approval is given for the granting by the Company of a mortgage to Gandel Metals Pty Limited over either the Company's present and future interest in a number of shares in A1 Consolidated Gold Limited equal to 19.9% of the total issued ordinary shares in A1 Consolidated Gold Limited, or the shares in Maldon Resources Pty Ltd (as applicable), on the terms and conditions described in the Explanatory Statement."

2. VOTING RESTRICTIONS

Resolution 1:

The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed, or an associate of such person.

However, the Company need not disregard a vote in respect of Resolution 1 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2:

The Company will disregard any votes cast on Resolution 2 by:

- (a) Gandel Metals Pty Limited or Ian Gandel; and
- (b) an associate of either Gandel Metals Pty Limited or Ian Gandel

However, the Company need not disregard a vote in respect of Resolution 2 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. INDEPENDENT EXPERT'S REPORT

In accordance with ASX Listing Rule 10.10, the Company has engaged DMR Corporate to provide an independent expert's report in respect of Resolution 2. Shareholders should carefully consider the Independent Expert's Report accompanying the Explanatory Statement as Schedule 2. The Independent Expert's Report comments on the fairness and reasonableness of the proposed granting of Security by the Company.

DMR Corporate has determined that the proposed granting of Security pursuant to Resolution 2 is fair and reasonable to the Company's Shareholders whose votes in relation to Resolution 2 are not to be disregarded.

4. VOTING ENTITLEMENT

The Company has determined, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that the Shares quoted on ASX at 7.00 pm (AEST) on **28 April 2015** will be taken for the purpose of the Meeting to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote (if not excluded) at the Meeting.

5. HOW TO VOTE

Shareholders entitled to vote at the Meeting may vote by attending the Meeting in person, by attorney or proxy or, in the case of corporate shareholders, by a corporate representative.

6. VOTING IN PERSON OR BY ATTORNEY

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Persons are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that their shareholding may be checked against the register and their attendance recorded. Shareholders intending to attend the Meeting by attorney must ensure that they have, not later than 48 hours prior to the time the Meeting is to commence, provided the original or a certified copy of the power of attorney to the Company, in the same manner prescribed below for the giving of proxy forms to the Company.

7. VOTING BY PROXY

- (a) Shareholders wishing to vote by proxy must complete, sign and deliver the enclosed personalised proxy form or forms, in accordance with the instructions on the form, prior to 10.00 am (AEST) on **28 April 2015** by:
- Post to: GPO Box 242, Melbourne, Victoria 3001 in the envelope provided;
 - Hand delivery to: Octagonal Resources Limited c/- Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, Victoria 3067;
 - Fax to: Octagonal Resources Limited c/- Computershare Investor Services Pty Limited on 1 800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
 - Custodians: For Intermediary Online subscribers only, please visit www.intermediaryonline.com.
- (b) A Shareholder who is entitled to vote at the Meeting may appoint:
- (1) one proxy if the Shareholder is only entitled to one vote; or
 - (2) one or two proxies if the Shareholder is entitled to more than one vote.
- (c) If a Shareholder appoints one proxy, that proxy may vote on a show of hands. If a Shareholder appoints two proxies, neither proxy may vote on a show of hands.
- (d) Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not do so, each proxy may exercise one-half of the votes, and any fraction of votes will be disregarded.
- (e) A proxy need not be a Shareholder of the Company. In the case of joint holders, all should sign the proxy form. In the case of corporations, proxies must be executed in accordance with the Corporations Act.
- (f) To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.
- (g) If the abstention box on the proxy form for the item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant shares will not be counted in calculating the required majority on a poll. If no box is marked, the proxy will not be directed as to how to vote and may vote as he or she thinks fit.
- (h) If the proxy form is signed by the Shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Meeting, the chairperson of the Meeting will act as proxy.
- (i) If you require an additional proxy form, the Company will supply it on request to the undersigned.

8. HOW THE CHAIR OF THE MEETING WILL VOTE UNDIRECTED PROXIES

The chairperson of the Meeting will vote undirected proxies on, and in favour of, all the proposed Resolutions.

9. VOTING BY CORPORATE REPRESENTATIVE

Corporate Shareholders wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from the Registry;
- (b) complete and sign the form in accordance with the instructions on it; and
- (c) bring the completed and signed form with them to the Meeting.

DATED 30 March 2015

By order of the Board.

Robert (Bob) Tolliday
Company Secretary

**OCTAGONAL RESOURCES LIMITED
ACN 147 300 418**

EXPLANATORY STATEMENT

1. INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the Meeting and the Resolutions proposed to be considered at the Meeting of Octagonal on **Thursday, 30 April 2015** and to assist Shareholders in determining how they wish to vote on those Resolutions. This Explanatory Statement should be read in conjunction with the Notice and forms part of the Notice.

2. BUSINESS OF THE MEETING - SUMMARY

2.1. To consider and vote on the following resolutions:

Resolution 1 - Disposal of main undertaking; and

Resolution 2 - Granting of security to a related party.

3. RESOLUTIONS

3.1. **Resolution 1 – Disposal of main undertaking**

(a) **The Resolution**

Resolution 1 of the Meeting requires Shareholders' approval for the sale by the Company of the entire issued share capital of Maldon Resources, Highlake Resources and Matrix Gold (**Sale Companies**) on the terms set out in the Share Sale Agreement (**Sale**).

(b) **The law**

ASX Listing Rule 11.2

Shareholder approval is required under Listing Rule 11, which applies if an entity proposes to make a significant change to the nature or scale of its activities and the significant change involves the entity disposing of its main undertaking.

Listing Rule 11.2 provides that a company may not dispose of its main undertaking (that is, its main asset or business) without the approval of its shareholders.

Listing Rule 11.2 is relevant as the Sale constitutes the Company disposing of its main undertaking, being the entire share capital of the Sale Companies.

Accordingly, Resolution 1 seeks Shareholder approval, for the purposes of Listing Rule 11.2, of the Company's proposed Sale.

The Sale requires the approval by way of an ordinary resolution of the Shareholders of the Company.

Resolution 1 of the Meeting seeks this approval.

(c) **Reason for sale of main undertaking/substantial asset**

The Company made a joint ASX announcement and media release with A1 Gold of the proposed Sale on 24 November 2014. This Explanatory Statement reflects the detail of the Sale as contained in that ASX announcement.

The Directors are of the view that completion of the Sale (**Completion**) will substantially reduce corporate and operating costs, while allowing the Company to refocus its efforts on exploration at the Hogan's Project in Western Australia. The intentions of the Company post completion of the Sale are discussed below at paragraph 3.1(i).

(d) **Potential advantages of disposal of main undertaking**

The potential advantages to the Shareholders of approving Resolution 1 are:

- the Company becoming a significant shareholder in A1 Gold (the Company will receive \$5,090,182 in A1 Gold Shares at \$0.03 per share, being 169,672,726 A1 Gold Shares, which will represent approximately 32% of the total shares in A1 Gold following Completion (not including any unexercised options), or in the event A1 Gold issues new ordinary shares at a price lower than \$0.03 per share prior to completion of the Sale (**Pre-Completion Shares**), the number of A1 Gold Shares (rounded up to the nearest whole number) will be equal to \$5,090,182 divided by the lowest price at which the Pre-Completion Shares are issued);

- the Company receiving one listed A1 Gold Option for every three A1 Gold Shares issued to the Company;
- Anthony Gray, the managing director of the Company, joining A1 Gold's board as a non-executive director to represent the Company's interests;
- as a substantial shareholder in A1 Gold, the Company to benefit from the synergies in merging its operations of the Maldon gold mill with the A1 Gold mine;
- as a substantial shareholder in A1 Gold, the Company to gain exposure to an increased resource base;
- the Company to substantially reduce its corporate and operating costs; and
- the Company to be able to refocus its efforts on exploration at the Hogan's Project in Western Australia.

(e) **Potential disadvantages of disposal of main undertaking**

The potential disadvantages to the Shareholders with approving Resolution 1 are:

- the Company will no longer control or derive revenue from the operations of the Maldon gold mill; and
- the Shareholders interests in the Maldon gold mill and the operations of the Sale Companies will be diluted.

The Board considers that the advantages of the proposed Sale outweigh the disadvantages.

(f) **Overview of the proposed Sale**

Below is an overview of the proposed Sale including the material terms of the Share Sale Agreement.

A. Share Sale Agreement

On 24 December 2014, the Company and A1 Gold entered into a conditional Share Sale Agreement for the sale by the Company to A1 Gold for the entire issued share capital in the Sale Companies.

The share capital in the Sale Companies to be sold to A1 Gold is set out below (**Sale Shares**):

Company	Shares	% of Shares
Maldon Resources Pty Ltd	1	100%
Highlake Resources Pty Ltd	17,361,878	100%
Matrix Gold Pty Ltd	17,000,000	100%

B. Material terms of the Share Sale Agreement

The consideration

In consideration for the Sale:

- A1 Gold will issue the Company with \$5,090,182 in A1 Gold Shares at \$0.03 per share, being 169,672,726 A1 Gold Shares, which represents approximately 32% of the total number of shares in A1 Gold following Completion (not including any unexercised options) or in the event A1 Gold issues Pre-Completion Shares at a price less than \$0.03 per share, the number of A1 Gold Shares (rounded up to the nearest whole number) will be equal to \$5,090,182 divided by the lowest price at which the Pre-Completion Shares are issued (**Consideration Shares**); and
- A1 Gold will issue the Company with one listed A1 Gold Option for every three Consideration Shares.

Conditions precedent to completion

Completion of the Share Sale Agreement is conditional upon:

- (i) A1 Gold completing and being satisfied, at its sole discretion, with its due diligence investigations with respect to each of the Sale Companies;
- (ii) the shareholders of A1 Gold approving the Sale and the issue of the A1 Gold Securities for the purposes of item 7 of section 611 of the Corporations Act and Listing Rule 7.1 and other purposes as required;
- (iii) the shareholders of the Company approving the Sale for the purposes of Listing Rule 11.2 as required;

- (iv) A1 Gold successfully completing a capital raising of at least \$2,400,000 through the issue of Equity Securities (**Fundraising**) prior to holding a shareholder meeting for the purposes of the condition in paragraph (ii) above;
- (v) the provision of relevant consents to the change in control of each of the Sale Companies required under existing material contracts to which any of those companies are a party to (if any); and
- (vi) the parties agreeing a revised plant and equipment list.

The above conditions precedent must be fulfilled or waived on before 30 April 2015 (**Sunset Date**).

The Fundraising is a condition precedent for the benefit of Octagonal, and this condition precedent may be waived by Octagonal once the company is comfortable that A1 Gold is adequately funded for production from the A1 mine.

If A1 Gold does not complete the Fundraising prior to holding a shareholder meeting for the purposes of the condition in paragraph (ii) above, the Company may terminate the Share Sale Agreement whether or not the Sunset Date has passed.

Debts of the Sale Companies

Subject to certain specified exceptions, the Sale Companies will not have any liabilities at Completion.

Warranties

The Company provided a number of warranties in respect of the Sale including warranties relating to information provided, the Company, authorisations, and the Sale Companies, including with respect to the Sale Shares, the Assets, taxation, financial issues, employees, insurance, environmental matters, and intellectual property.

The qualifications and limitations of any claims on the warranties include:

- general limitations such as the warranties being given subject to matters disclosed in the disclosure materials, information that is publicly available, and matters that A1 Gold and its representatives are aware of or are generally known in the mining industry as at the date of the Share Sale Agreement;
- specific limitations such as the warranties being given subject to A1 Gold's acknowledgement that it has been given the opportunity to conduct its own due diligence in respect of the Sale Shares, Assets and the Sale Companies;
- the claim needs to be a minimum of \$50,000 or in aggregate of \$250,000;
- the maximum aggregate amount that the Company will pay in respect of all claims is \$2,550,000; and
- the time limit for bringing claims is five years after Completion relating to tax or two years after Completion in all other cases.

Voluntary Escrow

- (i) The Company has agreed with A1 Gold that 75% of the A1 Gold Securities issued to the Company at Completion will be subject to a voluntary escrow arrangement such that the Company may not sell, transfer or otherwise dispose of any of the A1 Gold Securities for a period of six months following Completion.
- (ii) The remaining 25% of A1 Gold Shares and 25% of A1 Gold Options issued to the Company at Completion will not be subject to any escrow or restriction arrangement, and the Company will be permitted to sell such A1 Gold Securities. Under the terms of the Loan Agreement, the Company has agreed to use its best endeavours to agree an efficient and orderly process with Gandel Metals for the sale of these Unrestricted A1 Securities by the Company, and the proceeds of such sale are to be used primarily to repay the Gandel Loan.

(g) Effect of the Sale on the Company

A. Effect of the Sale on the Company's future earnings

The Sale may have a material effect on the Company's future potential earnings going forward as the Maldon mill has been the main source of Company revenue.

Effect of the Sale on Octagonal Group's consolidated statement of financial position

An unaudited pro-forma consolidated statement of financial position is set out in Schedule 1 to demonstrate the financial position of the Company post completion of the Sale.

The consolidated statement of financial position of 31 December 2014 which has been reviewed by the Company's auditors, has been adjusted for the effect of the Sale as if it occurred on that date.

Effect of the Sale on Octagonal Group's consolidated statement of comprehensive income

An unaudited pro-forma consolidated statement of comprehensive income is set out in Schedule 1 to demonstrate the financial results of the Company post completion of the Sale.

The consolidated statement of comprehensive income of 31 December 2014 which has been reviewed by the Company's auditors, has been adjusted for the effect of the Sale as if it occurred on that date.

B. Effect of the Sale on the Board and management

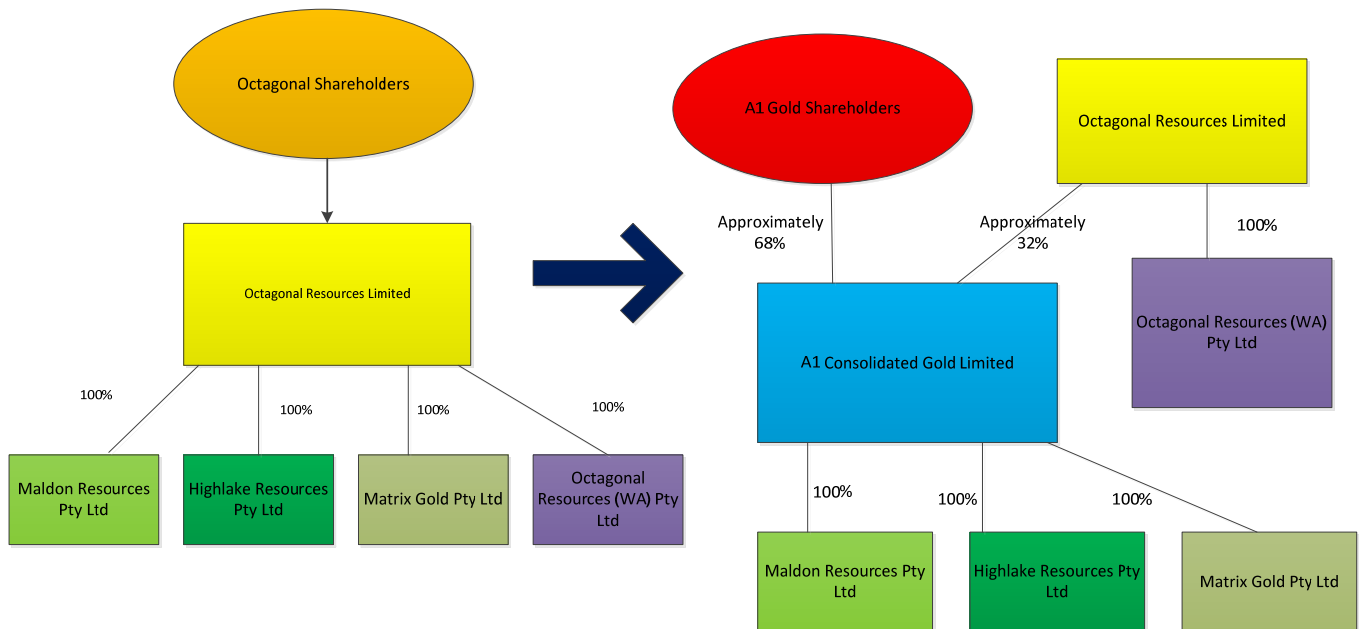
The Sale will not result in any change to composition of the Board. The Sale will result in a reduction in the salaries and fees payable to the Company's directors, as described in the Company Update published on 11 March 2015.

C. Effect of the Sale on the capital structure

The number of Shares on issue in the Company will remain unchanged as a result of the Sale.

D. Effect of the Sale on the corporate structure

As the Company is acquiring shares in A1 Gold, the corporate structure of the Company will change as a result of the Sale. Below is a diagram of the corporate structure of the Company pre and post the Sale:



(h) Tax Impact of the Sale

The sale of the shares in the Sale Companies will represent a disposal by the Company for Australian income tax purposes (CGT Event A1).

The Company will be deemed to have received 'capital proceeds' (i.e. the sale price) equal to the market value of the A1 Gold Shares and the A1 Gold Options on the date the Share Sale Agreement is executed in exchange for its shares in the Sale Companies.

As the Company and the Sale Companies have formed a Tax Consolidated Group, the Company's CGT cost base in the shares of the Sale Companies is determined by the Tax Consolidation rules. The CGT cost base is broadly equal to the tax value of the assets in the Sale Companies less the liabilities of the Sale Companies at the date of Completion.

The Company will make a capital gain if the capital proceeds are more than the Company's CGT cost base for the shares in the Sale Companies.

If the Company makes a capital gain, the Company may elect to apply the CGT roll-over relief under Subdivision 124-M of the *Income Tax Assessment Act 1997* in relation to the portion of the capital gain that relates to the A1 Gold Shares. The roll-over is not available in respect of the capital gain that relates to the A1 Gold Options. The consequence of electing CGT roll-over is that a portion of the capital gain on the disposal of the Sale Companies is disregarded.

If the Company makes a capital gain and roll-over is not available, the Company believes that it has sufficient available tax losses to offset any capital gain. Accordingly, to the extent tax losses are available to offset a capital gain, no tax should be payable by the Company. To the extent tax losses are used to offset a capital gain, such tax losses would not be available to offset any future capital gains.

The Company will make a capital loss if the capital proceeds are less than the Company's CGT cost base of the shares in the Sale Companies.

The disposal of the shares in the Sale Companies may also give rise to another CGT event, being CGT event L5. CGT event L5 is triggered if the liabilities of the Sale Companies exceed the tax value of the assets in the Sale Companies. The asset and liability values are determined at the date of Completion. As noted above, we understand that the Company has sufficient available tax losses to offset any capital gain. Accordingly, to the extent tax losses are available to offset a capital gain, no tax should be payable by the Company. To the extent tax losses are used to offset a capital gain, such tax losses would not be available to offset any future capital gains.

Following Completion, the Company's CGT cost base of the A1 Gold Shares and the A1 Gold Options is equal to their respective market values on the date of execution of the Share Sale Agreement.

(i) **The Company's intentions post Completion**

Following Completion, subject to the approval of Resolution 1, the Company proposes to sell the Unrestricted A1 Securities to third parties. The process for such sale will be discussed with Gandel Metals and A1 Gold with the aim to agree an efficient and orderly sale process having regard to an intent to use the sale proceeds to repay the Gandel Loan as soon as possible.

(j) **Additional Information**

A. Implications if the Sale does not proceed

In the event the Sale does not proceed:

- Each of the Sale Companies will remain a wholly owned subsidiary of the Company;
- The Company will require additional capital to fund the Sale Companies mining, ore processing, and exploration activities;
- The Maldon gold mill will not receive ore from the A1 Gold mine for processing; and
- Operating costs at the Maldon gold mill will be higher, than otherwise realised, because a lower volume of ore will be available for processing.

B. Directors' interests

No Director will receive any payment or benefit of any kind as a consequence of the Sale other than as a Shareholder. Set out below are details of each of the Directors' and their personal related entities' relevant interest in Shares of the Company as at the date of this Explanatory Statement:

Director	Number of Shares	% of Shares
Ian Gandel	102,195,000	41.10
Anthony Gray	1,790,786	0.72
Robert Tolliday	160,000	0.06

C. The Company's share price

The table below provides a general indication of the historical trading price of Shares and the trading volume of Shares in the last 52 weeks as at 20 March 2015:

20 March 2015	\$0.012
52 week high	\$0.073
52 week low	\$0.009
Average volume	189,706

D. Other material information

The Company is a "disclosing entity" for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations require the Company to disclose to the ASX any information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Since the announcement of the results of the Company's last annual general meeting on 26 November 2014, the Company has made the following announcements:

Date Announced	Announcement
16/03/2015	Half Yearly Report and Accounts
11/03/2015	Company Update
11/03/2015	AYC: Update On Maldon Acquisition
09/02/2015	AYC: Management Control of Maldon Gold Operations Assumed
30/01/2015	4 th Quarter Activity and Cashflow Report - December 2014
23/01/2015	AYC: Placement of Shortfall
15/01/2015	Alliance South Mine Deposit
13/01/2015	AYC: Maldon Gold Plant Acquisition Update
29/12/2014	Ceasing to be a substantial holder
29/12/2014	AYC : Agreement to acquire Maldon Gold Operation signed
05/12/2014	Change in Substantial Holding from AGS
05/12/2014	Change in Substantial Holding-Abbotsleigh Proprietary Limited
05/12/2014	Change of Director's Interest Notice
03/12/2014	Issue of Ordinary Shares re Non-renounceable Rights Issue
01/12/2014	Change of Director's Interest Notices
28/11/2014	Change in Substantial Holding from AGS
28/11/2014	Change in Substantial Holding-Abbotsleigh Proprietary Limited

Further information can also be found on the Company's website: <http://www.octagonalresources.com.au>

(k) **Directors' Recommendation**

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 1 at the Meeting.

(l) **Voting requirements and exclusion**

Resolution 1 of the Meeting is an ordinary resolution and so requires the approval of more than 50% of the votes cast by Shareholders.

The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed, or an associate of such person.

However, the Company need not disregard a vote in respect of Resolution 1 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3.2. **Resolution 2 – Grant of security to related party**

(a) **The Resolution**

Resolution 2 of the Meeting requires Shareholder approval for the Company to grant security to Gandel Metals to secure the Gandel Loan by:

- (i) where Completion of the Sale occurs, by a mortgage over the Company's present and future interest in a number of shares in A1 Consolidated Gold Limited equal to 19.9% of the total issued ordinary shares in A1 Consolidated Gold Limited; or
- (ii) where Completion of the Sale does not occur and the Share Sale Agreement is terminated, by a mortgage over the shares held by the Company in Maldon Resources.

(b) **The law**

ASX Listing Rule 10.1

Shareholder approval is required under Listing Rule 10.1, which applies if an entity proposes to dispose of a substantial asset to:

- (i) a related party of the entity;
- (ii) a substantial holder in the entity if the person and their associates have a relevant interest in at least 10% of the total votes attached to the voting securities in the entity; or
- (iii) an associate of a person referred to in paragraphs (i) or (ii) above.

Listing Rule 10.1 is relevant to the proposed Security because:

- (i) as defined in the Listing Rules, "dispose" includes using an asset as collateral;
- (ii) a related party includes directors and entities controlled by directors;
- (iii) Gandel Metals is controlled by Ian Gandel who is a director of the Company;
- (iv) Abbotsleigh Proprietary Limited is an associate of Gandel Metals as they are both controlled by Ian Gandel, and Abbotsleigh Proprietary Limited currently holds a relevant interest in 102,195,000 ordinary shares which represents 41.1% of the total voting rights in the Company;
- (v) pursuant to Listing Rule 10.2, an asset is a "substantial asset" if its value is equal to 5% or more of the entity's equity interests; and
- (vi) the value of both the shares in Maldon Resources and the A1 Gold Securities will exceed 5% of the Company's equity interests.

Accordingly, Resolution 2 seeks Shareholder approval, for the purposes of Listing Rule 10.1, of the Company's proposed grant of Security.

The grant of the Security requires the approval by way of ordinary resolution of the Shareholders of the Company.

Resolution 2 of the Meeting seeks this approval.

Listing Rule 10.10 requires that the notice of meeting for a resolution under Listing Rule 10.1 include a report from an independent expert in which the independent expert states their opinion as to whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded. The Company engaged DMR Corporate to provide their opinion, and the report from DMR Corporate is attached as Schedule 2 to this Explanatory Statement.

In the independent expert's report attached as Schedule 2, DMR Corporate confirms that in their opinion, the granting of the Security is fair and reasonable to the Company's Shareholders whose votes in relation to Resolution 2 are not to be disregarded.

(c) **Overview of the Gandel Loan**

The Company requires funds to meet its working capital requirements. Gandel Metals has agreed to loan up to \$1,000,000 to the Company on the terms of the Loan Agreement.

The Gandel Loan will be advanced to the Company in tranches of not less than \$100,000, or such other amount as agreed between the parties, on request by the Company.

If Completion occurs and Resolution 2 is approved, the Gandel Loan will be repayable in full on the earliest to occur of:

- (i) 1 December 2015;
- (ii) 5 business days after the Company completes a capital raising or sale of A1 Gold Securities for \$1,000,000 or more; or
- (iii) as soon as a cash flow forecast for the Company approved by the Company's directors indicates that the Company has surplus cash reserves to repay the Gandel Loan in full without affecting the Company's continuing operations.

Additionally, the Company must use the proceeds from the sale of any of the Unrestricted A1 Securities to repay part of the Gandel Loan.

In the event that Completion of the Sale does not occur for any reason and the Share Sale Agreement is terminated, no further advances will be made, and the Gandel Loan will be repayable in full 3 months after termination of the Share Sale Agreement.

If Resolution 2 is not approved, no further advances will be made, and the Gandel Loan will be repayable in full 3 months after Completion, or 3 months after termination of the Share Sale Agreement if Completion does not occur.

Unless and until Resolution 2 is approved, the Gandel Loan will be unsecured, and the security documentation will not come into effect.

(d) Overview of Security

The structure of the security granted to Gandel Metals will depend on whether Completion of the Sale occurs and whether Resolution 2 is approved. The alternative security structures are:

- (i) If Completion of the Sale occurs and Resolution 2 is approved, Gandel Metals will be granted a mortgage over the Company's present and future interest in a number of shares in A1 Consolidated Gold Limited equal to 19.9% of the total issued ordinary shares in A1 Consolidated Gold Limited to secure the repayment of the Gandel Loan;
- (ii) If Completion of the Sale does not occur and the Share Sale Agreement is terminated, and Resolution 2 is approved, Gandel Metals will be granted a mortgage over the shares held by the Company in Maldon Resources to secure the repayment of the Gandel Loan; or
- (iii) If Resolution 2 is not approved, no security will be granted by the Company to secure the Gandel Loan.

(e) Enforcement of Gandel Loan

If the Gandel Loan is not repaid in accordance with the terms of the Loan Agreement or an event of default occurs under the Loan Agreement, Gandel Metals will be entitled to take such action as is necessary to recover the money due by the Company under the Loan Agreement. Default events include a failure to pay an amount due under the Loan Agreement, a breach of any term of the Loan Agreement, or the occurrence of an insolvency event occurring in relation to the Company.

If Resolution 2 is approved, and an event of default occurs under the Loan Agreement, Gandel Metals can have recourse to the Security including taking possession of and selling the secured property (i.e. the relevant A1 Gold Securities or the shares in Maldon Resources (as applicable)) to obtain repayment of the amount owing under the Loan Agreement.

(f) Reasons for the granting of Security

The primary purpose of the Security is to secure the repayment obligations of the Company in respect of the Gandel Loan on a basis consistent with terms that would reasonably be obtained if the Company and Gandel Metals were dealing at arms length.

(g) Potential advantages of the granting of Security

The potential advantages to the Shareholders with approving Resolution 2 are:

- under the terms of the Loan Agreement, granting the Security to Gandel Metals will, subject to Completion occurring, oblige Gandel Metals to advance the full amount of the Gandel Loan (if Resolution 2 is not approved, no further advances will be made following the Meeting);
- if Resolution 2 is not approved, under the terms of the Loan Agreement, the Company will be obliged to repay the Gandel Loan in full 3 months after Completion, or 3 months after termination of the Share Sale Agreement if Completion does not occur;
- under the terms of the Loan Agreement, granting the Security to Gandel Metals will provide the Company with a longer time frame in which to repay the Gandel Loan. Given that the Company will likely use the proceeds from the sale of the Unrestricted A1 Securities to repay the Gandel Loan, a longer time frame will make it more likely that the Company could sell such Unrestricted A1 Securities in a manner which does not adversely effect the value of ordinary shares in A1 Gold (and therefore the A1 Gold Securities held by the Company);
- granting the Security will ensure that the Gandel Loan is advanced on terms consistent with terms that would reasonably be obtained if the Company and Gandel Metals were dealing at arms length; and
- granting the Security may assist the Company to obtain subsequent loans or advances from Gandel Metals or other entities associated with Ian Gandel, as may be required in the future to meet the Company's ongoing working capital requirements.

(h) Potential disadvantages of the granting of Security

The potential disadvantages to the Shareholders with approving Resolution 2 are:

- using the A1 Gold Securities or the shares in Maldon Resources as collateral for the Security could limit the ability for such assets to be used as collateral for further debt requirements of the Company; and
- if the Company defaults in its obligations under the Loan Agreement, Gandel Metals could enforce the Security including by taking possession of the A1 Gold Securities or the shares in Maldon Resources (as applicable) and selling such assets.

(i) Directors' recommendations

The Directors, other than Ian Gandel, unanimously recommend that Shareholders vote in favour of Resolution 2 at the Meeting.

(j) **Voting requirements and exclusions– Resolution 2**

Resolution 2 of the Meeting is an ordinary resolution and so requires the approval of more than 50% of the votes cast by Shareholders.

The Company will disregard any votes cast on Resolution 2 by:

- (a) Gandel Metals Pty Limited or Ian Gandel; and
- (b) an associate of either Gandel Metals Pty Limited or Ian Gandel.

However, the Company need not disregard a vote in respect of Resolution 2 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. ABOUT A1 GOLD

The information on A1 Gold, A1 Gold Shares and A1 Gold Options contained in this Explanatory Statement has been prepared based on a review of publicly available information and should not be considered comprehensive. Information in this Explanatory Statement concerning A1 Gold, A1 Gold Shares and A1 Gold Options has not been independently verified by the Company. None of the Company, the Board, nor any member of Octagonal Group or their respective officers or employees make any representation or warranty (express or implied) as to the accuracy or completeness of this information.

(a) **A1 Gold's principal activity**

The principal activity of A1 Gold is stated in the 2014 A1 Gold Annual Report as undergoing evaluation and development of the A1 Gold mine.

(b) **A1 Gold capital**

A. A1 Gold Shares

There are 276,683,539 A1 Gold Shares on issue as at the date of this Explanatory Statement.

As a condition of the Sale, A1 Gold is required to undertake a capital raising of not less than \$2,400,000 prior to Completion. If the price under this capital raising is \$0.03 per share, the capital raising would result in 80,000,000 new shares being issued in A1 Gold. A1 Gold have thus far raised \$800,000 of the \$2,400,000 and are currently working towards raising the balance. It should be noted that the \$2.4 million capital raising is a condition precedent for the benefit of Octagonal and that this condition may be waived once Octagonal is comfortable that A1 Gold have sufficient funds to carry out its planned mining and gold producing activities.

B. Options for A1 Gold

There are also 143,383,293 Options for A1 Gold on issue as at the date of this Explanatory Statement.

Each Option for A1 Gold gives the holder the right to acquire one A1 Gold Share.

C. A1 Gold dividends

The A1 Gold Annual Report for the year ended 30 June 2014 (**financial year**) states that no dividends have been paid or declared since the start of the financial year and the directors of A1 Gold do not recommend the payment of a dividend in respect of the financial year.

D. A1 Gold Share price

The following table sets out the closing share price of A1 Gold Shares as at 30 June and 31 December for the last two financial years and as at 20 March 2015.

Date	A1 Share price (\$)
20 March 2015	0.030
31 December 2014	0.040
30 June 2014	0.047
31 December 2013	0.102
30 June 2013	0.096

The above prices are the prices of ASX:AYC shares as at the date specified or the last Trading Day prior to that date if the specified date is not a Trading Day.

E. Access to other A1 Gold information

A1 Gold is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require A1 Gold to:

- prepare and lodge with ASX both yearly and half yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- immediately notify ASX of any information concerning A1 Gold of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in A1 Gold, subject to certain limited exceptions related mainly to confidential information.

Copies of financial statements and reports lodged at ASX in relation to A1 Gold may be downloaded from ASX and are also available on ASIC's register.

Not all information that is already in the public domain in relation to A1 Gold has been included in this Explanatory Statement. Copies of documents lodged with ASX in relation to A1 Gold may be downloaded from ASX.

Further information relating to A1 Gold is available on A1 Gold's website:

<http://www.a1consolidated.com.au/>

5. OTHER INFORMATION

(a) Foreign jurisdictions

This Explanatory Statement has been prepared to comply with Australian law and has only been made available to Shareholders.

This Explanatory Statement should not be distributed to anyone other than Shareholders, other than by any Shareholder in receipt of this Explanatory Statement who holds Shares on behalf of a beneficial owner, to that beneficial owner, provided that either that beneficial owner is resident in Australia, or sending this Explanatory Statement to that beneficial owner does not constitute a breach of foreign securities laws.

Failure to comply with such restrictions may find you in violation of applicable securities laws. The distribution of this Explanatory Statement outside Australia may be restricted by law. If you come into possession of this Explanatory Statement, you should observe any such restrictions.

This Explanatory Statement has been prepared having regard to Australian disclosure requirements. These disclosure requirements may be different from those in other countries.

(b) ASX involvement

A copy of the Notice of Meeting, including this Explanatory Statement has been lodged with ASX, and neither ASX nor any of its officers takes any responsibility for the contents of these documents.

(c) Not investment advice

The information provided in this Explanatory Statement is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Accordingly, nothing in this Explanatory Statement should be construed as a recommendation by the Company, or any associates of the Company, or any other person concerning an investment in A1 Gold.

If you are in doubt as to the course of action you should follow, you should seek advice on the matters contained in this Explanatory Statement from a solicitor, stockbroker, accountant or other professional financial adviser immediately.

(d) No other representation

No person is authorised to give any information or make any representation in connection with the transactions described in this Explanatory Statement, which is not contained in this Explanatory Statement. Any information or representation not contained in this Explanatory Statement may not be relied on as having been authorised by the Company in connection with the proposed Sale and Security.

(e) Other information

Other than any information already released to ASX by the Company, there is no further information as at the date of this Explanatory Statement known to the Board that is material to the decision of Shareholders on how to vote on the Resolutions that is not set out in this Explanatory Statement.

If any Shareholder is in doubt as to how to vote on the Resolutions or how the Resolutions may affect Shareholders, the Shareholder should seek advice from their solicitor, stockbroker, accountant or other professional financial adviser immediately.

Certain information in this Explanatory Statement is subject to change. If that information is not materially adverse to Shareholders, including with respect to the Sale or Security, it will be updated and made available to you on the Company's website <http://www.octagonalresources.com.au> or a paper copy of any updated information will be provided to you (free of charge) by calling the Company's share registrar, Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or on +61 3 9415 4000 (outside Australia) at any time from 8.30 am to 5.00 pm (Melbourne time) Monday to Friday. If there is a materially adverse change to the information or a materially adverse omission from this Explanatory Statement, the Company will issue a new or supplementary Explanatory Statement.

6. DEFINITIONS

In this Notice and the Explanatory Statement:

\$ means Australian dollars.

A1 Gold means A1 Consolidated Gold Limited ACN 149 308 921.

A1 Gold Option means a listed Option in A1 Gold, with an exercise price of \$0.03 per Option, an expiry date of 30 November 2019 and the terms of issue of which are set out in Schedule 3.

A1 Gold Securities means the A1 Gold Shares and A1 Gold Options issued to the Company.

A1 Gold Share means a fully paid ordinary share in the capital of A1 Gold.

AEST means Australian Eastern Standard Time.

Assets means the assets that each of the Sale Companies hold.

ASX means ASX Limited ACN 008 624 691.

Board means the board of Directors.

Business Day means a day other than a Saturday, Sunday or public or bank holiday in Melbourne.

Company or **Octagonal** means Octagonal Resources Limited ACN 147 300 418.

Completion means completion of the Sale.

Consideration Shares has the meaning given to it in Section 3.1(f)B.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

DMR Corporate means DMR Corporate Pty Ltd (AFSL 222050).

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement attached to the Notice.

Fundraising means the capital raising by A1 Gold of at least \$2,400,000 through the issue of Equity Securities.

Gandel Loan means the loan of up to \$1,000,000 to be advanced by Gandel Metals under the terms of the Loan Agreement.

Gandel Metals means Gandel Metals Pty Limited ACN 102 347 955 in its capacity as trustee for The Gandel Metals Trust.

Highlake Resources means Highlake Resources Pty Ltd ACN 062 487 585.

Independent Expert's Report means the independent expert's report prepared by DMR Corporate accompanying the Explanatory Statement as Schedule 2.

Listing Rules means the listing rules of ASX.

Loan Agreement means the loan agreement dated 6 March 2015 between the Company and Gandel Metals.

Loyalty Options means those Options contemplated to be issued by A1 Gold in the ASX announcement dated 23 September 2014 and subject to the prospectus lodged by A1 Gold with ASIC on 10 December 2014.

Maldon Resources means Maldon Resources Pty Ltd ACN 090 458 665.

Matrix Gold means Matrix Gold Pty Ltd ACN 116 500 308.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice mean this notice of meeting.

Octagonal Group means the Company and each of its Subsidiaries.

Official List means the official list of the ASX.

Official Quotation means quotation of securities on the Official List.

Option means an equity security that is exercisable into a share.

Pre-Completion Shares has the meaning given to it in Section 3.1(d).

Registry means Computershare Investor Services Pty Limited.

Resolution means a resolution proposed to be considered and, if thought fit, to be passed at the Meeting.

Sale means the sale by the Company of the entire issued share capital of the Sale Companies on the terms set out in the Share Sale Agreement.

Sale Companies means Maldon Resources, Highlake Resources and Matrix Gold.

Sale Shares has the meaning given to it in the table in Section 3.1(f).

Section means a section of the Explanatory Statement.

Security means the security to be granted by the Company to Gandel Metals if Resolution 2 is approved, on the terms described in the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Share Sale Agreement means the share sale agreement between A1 Gold and Octagonal dated on or about 24 December 2014 as amended by the variation letter dated 12 January 2015, variation deed dated 9 February 2015 and variation letter dated 11 March 2015.

Shareholder means a shareholder of the Company.

Subsidiary has the same meaning as in the Corporations Act.

Sunset Date means 30 April 2015.

Trading Days means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Unrestricted A1 Securities means 25% of the A1 Gold Shares and 25% of the A1 Gold Options which will not be subject to any voluntary restriction or escrow arrangement.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

7. QUERIES

If you have any queries about the meeting, the Resolutions to be put to the meeting or the proposals being considered, please contact:

Company Secretary
Mr Robert (Bob) Tolliday

Telephone: +61 3 9697 9088
Facsimile: +61 3 9697 9089
Email: info@octagonalresources.com.au

Schedule 1 - Consolidated Financial Reports

Set out below is the historical consolidated statement of financial position (balance sheet) of the Company as at 31 December 2014 which has been reviewed by the Company's auditors, and the pro forma historical consolidated balance sheet of the Company as at 31 December 2014 (unaudited) assuming "Resolution 1 – Disposal of Main Undertaking" is passed and includes estimated expenses of the Offer.

The significant accounting policies upon which the historical consolidated balance sheet and the pro forma historical consolidated balance sheet are based are contained in the 2014 Annual Financial Report and 31 December 2014 Interim Financial Report.

The historical and pro-forma financial information is presented in an abbreviated form and does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Historical Consolidated	Pro - Forma Consolidated
	Balance Sheet 31 Dec 2014 \$	Balance Sheet 31 Dec 2014 \$
ASSETS		
Current assets		
<i>Cash and cash equivalents</i>	355,878	245,878
<i>Trade and other receivables</i>	24,132	24,132
<i>Inventories</i>	0	0
<i>Investments – external entities</i>	0	5,090,182
<i>Other</i>	42,105	42,105
<i>Sub-total</i>	422,115	5,402,297
<i>Non-current assets classified as held for sale</i>	6,590,843	0
<i>Total current assets</i>	7,012,958	5,402,297
Non-current assets		
<i>Receivables</i>	49,000	49,000
<i>Property, plant and equipment</i>	15,480	15,480
<i>Exploration and evaluation</i>	3,349,970	3,349,970
<i>Total non-current assets</i>	3,414,450	3,414,450
Total assets	10,427,408	8,816,747
LIABILITIES		
Current liabilities		
<i>Trade and other payables</i>	288,696	288,696
<i>Borrowings</i>	40,899	40,899
<i>Employee benefits</i>	26,600	26,600
<i>Sub-total</i>	356,195	356,195
<i>Liabilities directly associated with assets classified as held for sale</i>	1,500,661	0
<i>Total current liabilities</i>	1,856,856	356,195
Non-current liabilities		
<i>Provisions</i>	97,534	97,534
<i>Total non-current liabilities</i>	97,534	97,534
Total liabilities	1,954,390	453,729
Net assets	8,473,018	8,363,018
EQUITY		
<i>Contributed equity</i>	23,743,267	23,743,267
<i>Reserves</i>	63,514	63,514
<i>(Accumulated losses) / retained profits</i>	(15,333,763)	(15,443,763)
Total equity	8,473,018	8,363,018

Notes

1. Column 1 represents the historical consolidated balance sheet of the Company as at 31 December 2014.
2. Column 2 represents the pro forma historical consolidated balance sheet of the Company as at 31 December 2014, assuming that the disposal of the main undertakings, being the Victorian assets of the Company, goes ahead. The following events will occur resulting in total net assets of approximately \$8.4 million:
 - The Victorian assets included in the Company's Victorian subsidiary entities and represented mainly by Non-current Assets Classified as Held For Sale and Liabilities directly associated with Assets classified as Held For Sale will be sold to A1 Gold and the Company will in return receive shares in A1 Gold shown as an Investment – external entities above.
 - Costs associated with the A1 Gold sale of approximately \$110,000 including Legal Fees, Taxation and Accounting Fees, Share Registry and General Meeting costs, Independent Expert fees, and transaction costs will be paid by the Consolidated entity.

Set out below is the historical consolidated statement of comprehensive income (P&L) of the Company as at 31 December 2014 which has been reviewed by the Company's auditors, and the pro forma historical consolidated statement of comprehensive income (P&L) of the Company as at 31 December 2014 (unaudited) assuming "Resolution 1 – Disposal of Main Undertaking" is passed and includes estimated expenses of the Offer.

The significant accounting policies upon which the historical consolidated statement of comprehensive income and the pro forma historical consolidated statement of comprehensive income are based are contained in the 2014 Annual Financial Report and 31 December 2014 Interim Financial Report.

The historical and pro-forma financial information is presented in an abbreviated form and does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	<i>Historical Consolidated</i>	<i>Pro - Forma Consolidated</i>
	<i>P&L 31 Dec 2014 \$</i>	<i>P&L 31 Dec 2014 \$</i>
Revenue from continuing operations	4,238	4,238
Expenses		
Corporate administration expense	(254,941)	(254,941)
Employee benefits expense	(152,272)	(152,272)
Depreciation and amortisation expense	(3,558)	(3,558)
Tenement Costs	(122,289)	(122,289)
Administration expenses	(115,845)	(115,845)
Marketing	(9,536)	(9,536)
Occupancy	(13,343)	(13,343)
Company secretarial expense	(35,111)	(35,111)
Other expenses	(4,959)	(4,959)
Loss before income tax expense from continuing operations	(707,616)	(707,616)
Income Tax Expense	0	0
Loss after income tax expense from continuing operations	(707,616)	(707,616)
Profit/(loss) after income tax expense from discontinued operations	(13,324,516)	(110,000)
Loss after income tax expense for the half-year attributable to the owners of Octagonal Resources Limited	(14,032,132)	(817,616)
Other comprehensive income for the half-year, net of tax	0	0
Total comprehensive income for the half-year attributable to the owners of Octagonal Resources Limited	(14,032,132)	(817,616)
Total comprehensive income for the half-year is attributable to:		
Continuing operations	(707,616)	(707,616)
Discontinuing operations	(13,324,516)	(110,000)
	(14,032,132)	(817,616)

Notes

- Column 1 represents the historical consolidated profit and loss of the Company as at 31 December 2014.
- Column 2 represents the pro forma historical consolidated profit and loss of the Company as at 31 December 2014, assuming that the disposal of the main undertakings, being the Victorian assets of the Company, goes ahead. The following events will occur resulting in a net loss of approximately \$817,000:
 - The Victorian income and expenses included in the Company's Victorian subsidiary entities and represented mainly by "Profit/(loss) after income tax expense from discontinued operations" will revert to A1 Gold. It should be noted that this loss recorded as approx. \$13.3 million included an impairment of tenement costs of approximately \$13.5 million.
 - Costs associated with the A1 Gold sale of approximately \$110,000 including Legal Fees, Taxation and Accounting Fees, Share Registry and General Meeting costs, Independent Expert fees, and transaction costs will be paid by the Consolidated entity.

Schedule 2 - Independent Expert's Report

12 March 2015

The Directors
Octagonal Resources Limited
Suite 3
51-55 City Road
Southbank VIC 3006

Dear Sirs,

Re: Independent Expert's Report

1. Introduction

Octagonal Resources Limited (“Octagonal” or “the Company”) is an Australian based ASX listed company. Its principal operations are gold mining at Maldon, Central Victoria.

On 23 October 2014 Octagonal issued a Prospectus to raise approximately \$2.2 million pursuant to a partially underwritten non-renounceable pro-rata offer to its shareholders (“the Rights Issue”). The basis of the offer was 1 new share at an issue price of \$0.013 for each share held, together with one attaching option (exercisable at \$0.02 prior to 11 December 2015). The Rights Issue was partially underwritten by Patersons Securities Limited up to an amount of \$500,500. The Rights Issue was sub-underwritten to a total of \$500,500 by Gandel Metals Pty Ltd (“Gandel Metals”), a company associated with Mr Ian Gandel, the Chairman of Octagonal.

The funds raised pursuant to the Rights Issue were intended to be used for development and production at Octagonal’s Maldon gold project (\$1,550,000), working capital (\$500,000) and costs of the offer (\$150,000).

Abbotsleigh Proprietary Limited (“Abbotsleigh”) is another company associated with Mr Ian Gandel. Abbotsleigh is the largest shareholder in Octagonal and at the time of announcement of the Rights Issue it held 18.73% of Octagonal’s shares on issue. Abbotsleigh undertook to take up its full entitlement pursuant to the Rights Issue.

On 18 November 2014 Octagonal announced that the Rights Issue raised approximately \$1 million, leaving a shortfall of approximately \$1.2 million. As Abbotsleigh took up its full entitlement of 31,831,000 shares and Gandel Metals received 38,500,000 shares as a consequence of its sub-underwriting agreement, at the conclusion of the Rights Issue Abbotsleigh emerged with 102,052,000 Octagonal shares representing 41.1% of Octagonal’s voting power.

On 24 November 2014 Octagonal announced that it had signed a binding Heads of Agreement with A1 Consolidated Gold Limited (“A1”), pursuant to which A1 has agreed to acquire Octagonal’s Maldon gold operations in exchange for A1 shares and options. The sale of the Maldon gold operations has not yet completed, as approval by both the Octagonal and A1 shareholders is pending.

As a consequence of the Rights Issue shortfall Octagonal does not have sufficient funds available to meet its working capital requirements. To overcome this problem Gandel Metals has agreed to loan up to \$1,000,000 to Octagonal. The loan is to be secured by the A1 shares, which Octagonal expects to receive as a result of the sale of the Maldon gold project to A1. Should this transaction not be completed, the loan is to be secured over shares in Maldon Resources Pty Ltd (“Maldon Resources”), a wholly owned subsidiary of Octagonal that holds the major assets associated with the Maldon gold operations. As Gandel Metals is a company controlled by Mr Ian Gandel, the Chairman of Octagonal, the secured loan to Octagonal requires prior approval by the Octagonal shareholders.

The independent director of Octagonal has requested DMR Corporate Pty Ltd (“DMR Corporate”) to prepare an independent expert's report pursuant to Rule 10.1 of the Listing Rules (“Listing Rule 10.1”) of the Australian Securities Exchange (“ASX”) in respect of the proposed transaction, which is detailed in Section 2 below.

2. The Proposed Transaction

At the forthcoming general meeting, shareholders are being asked to vote on two resolutions. The resolutions are:

Resolution 1 – Disposal of main undertaking

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“THAT for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the disposal of all the Company's shares in Maldon Resources Pty Ltd, Highlake Resources Pty Ltd and Matrix Gold Pty Ltd, being the Company's main undertaking, to A1 Consolidated Gold Limited, in accordance with the terms of the Share Sale Agreement, a summary of which is contained in the Explanatory Statement.”

Resolution 2: Grant of security to related party

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“THAT for the purposes of Listing Rule 10.1, and for all other purposes, approval is given for the granting by the Company of a mortgage to Gandel Metals Pty Limited over either the Company's present and future interest in a number of shares in A1 Consolidated Gold Limited equal to 19.9% of the total issued ordinary shares in A1 Consolidated Gold Limited, or the shares in Maldon Resources Pty Ltd (as applicable), on the terms and conditions described in the Explanatory Statement.”

As we are only required to opine on Resolution 2, we refer to Resolution 2 as “the Proposed Transaction” in the balance of this report.

This Proposed Transaction is permitted by Listing Rule 10.1, provided that the transaction is approved by a resolution passed at a general meeting of shareholders, other than those involved in the proposed transaction or persons associated with such persons (i.e. “the Non-Associated Shareholders”).

3. Summary Opinion

After considering all of the information set out in Section 7 of the report, we have formed the opinion that the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders. Our key reasons for the above opinion are:

- if the Non-Associated Shareholders do not approve the Proposed Transaction, Octagonal will be required to repay the loan from Gandel Metals within approximately three months; and
- Octagonal may not be able to obtain the funds required to repay the loan during this relatively short period of time causing it to be in breach of the loan agreement; and
- even if Octagonal does obtain the funds to repay the loan, any alternate loan is likely to be on terms significantly less advantageous to Octagonal than the loan facility provided by Gandel Metals and/or any equity funding obtained is likely to be significantly dilutive to the Non-Associated Shareholders.

4. Structure of this Report

This report is divided into the following Sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	3
6	Octagonal - Key Information	5
7	Evaluation of the Proposed Transaction	9
8	Conclusion as to Fairness and Reasonableness of the Proposed Transaction	13
9	Financial Services Guide	13
<u>Appendix</u>		
A	Sources of Information	15
B	Declarations, Qualifications and Consents	16

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **ASX - Listing Rules 10.1 and 10.2**

Listing Rules 10.1 and 10.2 require a company to obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

- (i) a related party;
- (ii) a subsidiary;
- (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above; or
- (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As

- Abbotsleigh is presently entitled to 41.1% of Octagonal's voting power and Abbotsleigh and Gandel Metals are related parties; and
- the shareholders' funds of Octagonal at 30 June 2014 were \$21,568,828 and 5% thereof was \$1,078,441; and
- the value of the Maldon gold project that is to be given as security to Gandel Metals exceeds \$1,078,441,

Listing Rule 10.1 will apply to the Proposed Transaction.

- **General**

The terms "fair" and "reasonable" are not defined in the Corporations Act 2001 ("the Act"), however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111.

Generally, where a transaction involves the issue of securities or a change in the underlying economic interests of security holders, Regulatory Guide 111 requires that separate assessments be made of fairness and reasonableness, with the proposed related party transaction being "fair" if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided by the entity (RG111.57).

The Proposed Transaction does not involve:

- (a) a change in the underlying economic interests of security holders;
- (b) a change of control; or
- (c) selective treatment of different security holders.

RG111.36 provides that in such circumstances the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages.

As such, for the purposes of this report, we have treated the words "fair and reasonable" as a compound phrase and in determining whether the Proposed Transaction is fair and reasonable we have analysed the advantages and disadvantages of the Proposed Transaction that shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. Octagonal - Key Information

6.1 General

Octagonal is a junior Australian gold focused mining and exploration company with projects located in underexplored areas of two of Australia's most significant gold producing regions; the Central Victorian Goldfields and the Eastern Goldfields of Western Australia.

The Company's Victorian operations are based at Maldon, which is historically the third largest primary gold producer in Central Victoria after Bendigo and Ballarat. In this area Octagonal is developing underground and open pit resources for processing at its 150,000 tpa Porcupine Flat CIL gold processing plant. The Company is currently underground mining at the Alliance South Gold Deposit located beneath the Maldon town site ("the Maldon Project").

In Western Australia Octagonal has a significant landholding located 70 kilometres southeast of Kalgoorlie and surrounded by the +13 million ounce St Ives Goldfield, +800,000 ounce Daisy Milano Mine, and +400,000 ounce Salt Creek Mine. Exploration is focused on the Burns Prospect area where drilling has intersected broad zones of potentially economic gold and copper.

The Maldon Project is located 140 kilometres northwest of Melbourne. Octagonal has Mining Licences MIN5146, MIN5528, and MIN5529 and Exploration Licences EL3422, EL5177, and EL5499 that collectively include all of the Maldon Goldfield.

The Maldon Goldfield was historically a large primary gold producer in Central Victoria (with recorded production of more than 1.7 million ounces of primary gold at an average grade of 28 g/t). Ninety percent of this production was derived from five reefs located within the Central Maldon Shear Zone; the Nuggetty, Eaglehawk, Beehive, Derby and German reefs.

All assets associated with the Maldon Project are held by three wholly owned subsidiaries of Octagonal, Matrix Gold Pty Ltd, Highlake Resources Pty Ltd and Maldon Resources and the proposed sale of the Maldon Project to A1 is to be effected by the sale of these three subsidiaries to A1.

6.2 Octagonal's Directors

The table below details Octagonal's Board of Directors.

Director	Position
Mr Ian Gandel	Chairman
Mr Anthony Gray	Managing Director
Mr Bob Tolliday	Non executive Director

6.3 Share Capital

As at the date of this report Octagonal had 248,331,672 fully paid ordinary shares on issue. The 10 largest shareholders of Octagonal's ordinary shares as at 2 March 2015 were as follows:

Shareholder	Number of Shares	% of Voting Power
Abbotsleigh Proprietary Limited	102,052,000	41.10%
Alliance Resources Limited	22,000,000	8.86%
JP Morgan Nominees Australia Limited	6,408,650	2.58%
Jetosea Pty Ltd	5,239,838	2.11%
Mr Ianaki Semerdziev	4,046,129	1.63%
Mr Karl Sabljak & Mrs Carmel Luise Sabljak <Sabreguard Super Fund A/C>	7,024,026	2.83%
Ms Cathrine Patricia Burrow & Mr Keith Lawrence Burrow <KL&CP Burrow Super Fund A/C>	2,800,000	1.13%
Mr Jason Paul Mills	2,464,000	0.99%
Mr Anthony Grant Melville & Mrs Elaine Sandra Melville <Melville Family Super A/C>	2,450,000	0.99%
Mrs Liliana Teofilova	2,372,000	0.96%
	<u>156,856,643</u>	<u>63.16%</u>

Source: Octagonal share register as at 2 March 2015

Octagonal also has 78,658,946 unlisted options on issue. The options are exercisable at \$0.02 per share and expire on 11 December 2015.

6.4 Financial Position

Octagonal's net assets as at 30 June 2014 and 31 December 2014 were as follows:

Statement of Financial Position	30/06/14 Audited \$	31/12/14 Unaudited \$
Current assets		
Cash and cash equivalents	1,068,659	355,878
Trade and other receivables	142,046	24,132
Inventories	88,093	-
Other	177,224	42,105
Non-current assets classified as held for sale	-	6,590,843
Total current assets	1,476,022	7,012,958
Non current assets		
Receivables	1,253,500	49,000
Property, plant and equipment	1,496,244	15,480
Exploration and evaluation	19,624,581	3,349,970
Total non-current assets	22,374,325	3,414,450
Total assets	23,850,347	10,427,408
Current liabilities		
Trade and other payables	773,516	288,696
Borrowings	-	40,899
Employee benefits	223,853	26,600
Liabilities directly associated with assets classified as held for sale	-	1,500,661
Total current liabilities	997,369	1,856,856
Non-current liabilities		
Provisions	1,284,150	97,534
Total non-current liabilities	1,284,150	97,534
Total liabilities	2,281,519	1,954,390
Net assets	21,568,828	8,473,018
Equity		
Issued capital	22,806,945	23,743,267
Reserves	63,514	63,514
Accumulated losses	(1,301,631)	(15,333,763)
Total equity	21,568,828	8,473,018

Source: Octagonal's 2014 Annual Report and 31 December 2014 draft interim report.

6.5 Financial Performance

Octagonal's Statements of Comprehensive Income for the financial year ended 30 June 2014 and for the six months ended 31 December 2014 were as follows:

Statement of Comprehensive Income	Year Ended 30/06/14 Audited \$	6 months Ended 31/12/14 Unaudited \$
Revenue from continuing operations		
Sale of goods	3,825,766	-
Interest	54,840	2938
Diesel fuel rebate	15,215	-
Other revenue	95,311	1,300
Total revenue	<u>3,991,132</u>	<u>4,238</u>
Expenses		
Corporate administration expenses	(449,509)	(254,941)
Employee benefits expenses	(790,039)	(152,272)
Marketing expenses	(51,579)	(9,536)
Depreciation and amortisation expense	(243,073)	(3,558)
Company secretarial expenses	(52,933)	(35,111)
Refining expenses	(40,525)	-
Tenement costs written off	(2,896,137)	(122,289)
Share based payments	(30,336)	-
Operating and plant recommissioning expenses	(1,933,517)	-
Other expenses	(518,300)	(134,147)
Total expenses	<u>(7,005,948)</u>	<u>(711,854)</u>
Loss before income tax	<u>(3,014,816)</u>	<u>(707,616)</u>
Income tax expense	-	-
Loss after income tax expense from continuing operations	(3,014,816)	(707,616)
Loss after income tax expense from discontinued operations	-	(13,324,516)
Total loss for the half-year	<u>(3,014,816)</u>	<u>(14,032,132)</u>

Source: Octagonal's 2014 Annual Report and 31 December 2014 draft interim report.

6.6 Cash Flow

Octagonal's Statements of Cash Flows for the financial year ended 30 June 2014 and for the six months ended 31 December 2014 were as follows:

Statement of Cash Flows	Year Ended 30/06/14 Audited \$	6 months Ended 31/12/14 Unaudited \$
Cash flows from operating activities		
Receipts from customers	4,138,039	1,488,397
Payments to suppliers and employees	(4,371,427)	(1,647,618)
Interest received	54,840	22,629
Fuel tax credits received	15,215	15,980
Refund of rehabilitation bond	10,000	321,000
Rehabilitation bond	(21,000)	-
Sundry income	84,564	1,616
Net cash used in operating activities	<u>(89,769)</u>	<u>202,004</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(265,523)	(91,650)
Payments for exploration and evaluation	(2,531,026)	(1,703,513)
Payments for term deposits	(321,000)	-
Net cash used in investing activities	<u>(3,117,549)</u>	<u>(1,795,163)</u>
Cash flows from financing activities		
Proceeds from issue of shares	3,181,236	997,541
Share issue transaction costs	(146,767)	(61,216)
Net cash from financing activities	<u>3,034,469</u>	<u>936,325</u>
Net increase/(decrease) in cash and cash equivalents	(172,849)	(656,834)
Cash and cash equivalents at the beginning of the financial period	1,241,508	1,068,659
Cash and cash equivalents at the end of the financial period	<u>1,068,659</u>	<u>411,825</u>

Source: Octagonal's 2014 Annual Report and 31 December 2014 draft interim report.

7. Evaluation of the Proposed Transaction

Whilst the Proposed Transaction is limited to the giving of security to Gandel Metals over certain assets of Octagonal, an evaluation of the Proposed Transaction requires a broader consideration of the current financial position of Octagonal and the specific terms of the loan from Gandel Metals. We comment on these below:

7.1 Impact of Sale of the Maldon Project

If shareholders approve Resolution 1 and the sale of the Maldon Project to A1 completes, Octagonal will receive 169,672,726 A1 shares and 56,557,575 A1 options. Octagonal has agreed with A1 that 75% of the shares and options received by Octagonal will be subject to a voluntary escrow for a six month period.

A1 recently completed a rights issue at \$0.03 per share and the recent trading volumes and prices of the A1 shares have been:

Period	Shares Traded		VWAP	Share Price	
	Number	Value		Low	High
		\$	\$	\$	\$
90 days to 4/3/2015	1,749,808	58,850	0.034	0.029	0.040
60 days to 4/3/2015	1,585,940	52,675	0.033	0.029	0.040
30 days to 4/3/2015	1,571,940	52,115	0.033	0.029	0.038

As can be seen from the above table, the A1 shares have traded at a volume weighted share price of approximately \$0.033 per share and this places a value of approximately \$5.6 million on the 169,672,726 shares that are to be received by Octagonal. On this basis the shares to be placed in escrow will have a value of approximately \$4.2 million and the remaining shares valued at approximately \$1.4 million will be able to be sold by Octagonal.

A1 has currently 276,683,539 shares on issue and this will increase to 446,356,265 shares after the issue of shares to Octagonal. On that basis Octagonal will hold 38% of A1's issued shares and the shares not in escrow will represent 9.5% of A1's issued shares.

The agreement with Gandel Metals provides that any proceeds from the sale of the A1 shares are to be used to repay the Gandel Metals loan.

It should be noted that Octagonal is also to receive 56,557,575 A1 options, which will be listed on the ASX. Whilst these options have a theoretical value of approximately \$450,000, since A1 options of this class were listed on the ASX on 11 November 2014, only approximately 5 million options have traded. The traded options have a combined value of less than \$40,000 and due to the limited trading in A1 options, we have ignored the options in our analysis of the impact of the sale of the Maldon Project as the options are not a likely source of significant funding for Octagonal.

Whilst Octagonal's statement of net assets as at 31 December 2014 (Section 6.4) shows that current assets exceed current liabilities, both current assets and current liabilities include balances relating to the Maldon Project, which is classified as held for sale. If shareholders approve Resolution 1 and the sale of the Maldon Project to A1 completes, this would leave Octagonal (based on the balances as at 31 December 2014), with current assets of approximately \$420,000 and current liabilities of approximately \$360,000 and no project generating revenue. As such Octagonal will not have sufficient financial resources to meet its ongoing administrative expenses or to develop its other projects unless it takes some steps to increase its available resources. The steps could include raising of additional equity or sale of the A1 shares.

7.2 Impact on Octagonal should Sale of the Maldon Project not complete

On 9 February 2015 A1 announced that it had taken over management control of the Maldon Project. Nevertheless there is no guarantee that the sale transaction will complete. Should the transaction not complete Octagonal will not receive the A1 shares however it will retain the Maldon Project and, subject to shareholder approval of the Proposed Transaction, the loan from Gandel Metals will be secured over the shares held by Octagonal in Maldon Resources.

7.3 Loan from Gandel Metals

The loan from Gandel Metals is for up to \$1 million. The key features of the loan are:

- the loan can be draw down in tranches of not less than \$100,000 or such other amount as agreed between the parties;
- Gandel Metals has a variable interest rate facility with the ANZ Bank and Gandel Metals will fund all advances to Octagonal from this facility, with the interest payable by Octagonal being the interest charged to Gandel Metals by the ANZ Bank. There is no premium or fee charged by Gandel Metals. We understand that the variable interest rate on the facility is currently approximately 4.58% per annum;
- the loan is repayable at the earlier of:
 - a) 1 December 2015;
 - b) the date that is 5 business days after completion of a capital raising and/or the sale of A1 shares by Octagonal for an amount equal to or greater than \$1,000,000. If the amount received from the capital raising and/or A1 share sales is less than \$1,000,000, Octagonal will repay a portion of the loan. The portion of the loan to be repaid will be determined by the directors of Octagonal with reference to its cash reserves and forecast cash flows; or
 - c) as soon as a cash flow forecast for Octagonal, which has been approved by the Octagonal directors, indicates, in the reasonable opinion of the Octagonal directors, that Octagonal has surplus cash reserves to repay the loan in full without affecting Octagonal's continuing operations.

We understand that the loan has already been partially drawn down.

7.4 The Security to be Provided

If the sale of the Maldon Project to A1 is completed, the Gandel Metals loan is to be secured by a mortgage over such number of shares held by Octagonal in A1 equating to 19.9% of the total number of issued ordinary shares in A1. As explained in Section 7.1, A1 will have 446,356,265 shares on issue after the issue of shares to Octagonal and on that basis, if shareholders approve the Proposed Transaction, 88,824,897 A1 shares will be mortgaged to Gandel Metals. Based on the current market value of approximately \$0.033 per A1 share, the value of the mortgaged shares will be approximately \$2.9 million.

In the event that the sale of the Maldon Project to A1 is not completed, the Gandel Metals loan is to be secured by a mortgage over shares in Maldon Resources.

7.5 Advantages of Approving the Proposed Transaction

The loan agreement provides that if the Proposed Transaction is not approved, Octagonal will not be able to draw down additional funds pursuant to the loan from Gandel Metals. As the loan is already in place and able to be drawn down, we are unable to quantify the additional amount of the loan that may or may not be available to Octagonal should shareholders approve the Proposed Transaction. It is possible that the loan will be fully drawn down by the time shareholders vote on the Proposed Transaction, in which case this provision of the loan agreement would not have any impact.

If shareholders approve the Proposed Transaction, the Gandel Metals loan will only become repayable as set out in Section 7.3 above.

7.6 Disadvantages of Approving the Proposed Transaction

If shareholders approve the Proposed Transaction, Gandel Metals will be given security over the A1 or Maldon Resources shares and these shares will not be available to be used as security for any additional funding arrangements.

7.7 Advantages of Not Approving the Proposed Transaction

If shareholders do not approve the Proposed Transaction and the sale of the Maldon Project to A1 is completed:

- the proceeds from the sale of the A1 shares not subject to the six months escrow agreement will be able to be used by Octagonal for its working capital purposes rather than be required to be used to repay the loan from Gandel Metals; and
- following the expiration of the six months escrow agreement the remaining A1 shares will be able to be sold without a requirement to firstly redeem the Gandel Metals loan.

However in evaluating this issue shareholders need to be mindful that the A1 shares are relatively illiquid. As can be seen from the table in Section 7.1, the total value of A1 shares traded during the past three months is less than \$60,000 and consequently any attempt by Octagonal to sell a significant number of A1 shares on market is likely to cause an overhang in the market and result in the A1 share price reducing.

7.8 Disadvantages of Not Approving the Proposed Transaction

Should shareholders not approve the Proposed Transaction, Octagonal will be obliged to repay the loan from Gandel Metals in full within three months of completion of the sale of the Maldon Project to A1, or three months after the termination of the agreement with A1, should the sale of the Maldon Project not be completed. Octagonal would therefore need to raise funding from alternative sources at relatively short notice. We believe that there is significant doubt that Octagonal will be successful in sourcing alternate funding in this time frame. Failure to obtain alternate funding would potentially mean that Octagonal would become insolvent (not be able to meet its debts as and when due from its own resources).

Even if Octagonal is able to raise alternate funding, in our experience this will be on terms that are significantly less favourable than the loan from Gandel Metals. In our experience junior exploration companies such as Octagonal are not able to secure bank borrowings and rely either on equity funding or on funding by way of convertible debt, which generally carries a significantly higher interest cost than the Gandel Metals loan, and is also potentially dilutive to the current shareholders.

8. Conclusion as to Fairness and Reasonableness of the Proposed Transaction

After considering all of the information set out in Section 7 above, we have formed the opinion that the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders. Our key reasons for the above opinion are:

- if the Non-Associated Shareholders do not approve the Proposed Transaction, Octagonal will be required to repay the loan from Gandel Metals within approximately three months; and
- Octagonal may not be able to obtain the funds required to repay the loan during this relatively short period of time causing it to be in breach of the loan agreement; and
- even if Octagonal does obtain the funds to repay the loan, any alternate loan is likely to be on terms significantly less advantageous to Octagonal than the loan facility provided by Gandel Metals and/or any equity funding is likely to be significantly dilutive to the Non-Associated Shareholders.

9. Financial Services Guide

9.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

9.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

9.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

9.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

9.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Mr Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with Octagonal, Gandel Metals Abbotsleigh or their associates.

Drafts of this report were provided to and discussed with Octagonal's executives. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

9.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately \$13,000 plus GST for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

9.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act. DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd



Derek Ryan
Director



Paul Lom
Director

Sources of Information

- Octagonal's annual financial statements for the year ended 30 June 2014;
- Octagonal's draft interim report for the period ended 31 December 2014;
- Octagonal's ASX releases since 1 July 2014;
- Octagonal's share register as at 2 March 2015;
- Loan agreement between Gandel Metals and Octagonal dated 6 March 2015;
- Specific Security Deed between Gandel Metals and Octagonal dated 6 March 2015;
- Draft notice of meeting and explanatory statement; and
- Discussions with Octagonal's Company Secretary.

Declarations, Qualifications and Consents**1. Declarations**

This report has been prepared at the request of the Directors of Octagonal pursuant to Chapter 10 of ASX listing rules. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in Octagonal's Explanatory Statement.

Schedule 3 - Terms of A1 Gold Options

The terms and conditions of the A1 Gold Options are summarised below. Note that the summary below is based on the summary of the Loyalty Options in the prospectus issued by A1 Gold relating to the Loyalty Options. The A1 Gold Options are on the same terms as the Loyalty Options. For full details regarding the A1 Gold Options, please refer to the prospectus of A1 Gold dated 10 December 2014 which is available at the following address <http://www.a1consolidated.com.au/investor-centre/asx-announcements>.

(a) **Entitlement**

Subject to option terms (f), (g) and (h), each A1 Gold Option entitles the registered option holder to subscribe for and be allotted one share in the capital of A1 Gold, credited as fully paid, at an exercise price of \$0.03 per share.

A1 Gold must, as soon as it is reasonably practicable to do so, allot shares on exercise of the A1 Gold Option in accordance with the Listing Rules and register the option holder or its nominee as a shareholder in the register of members in respect of the shares so allotted. No A1 Gold Option may be exercised if to do so would contravene the Corporations Act or the Listing Rules.

Shares issued on the exercise of A1 Gold Options will rank pari passu with all existing ordinary shares in the capital of A1 Gold from the date of issue.

(b) **Exercise of Options**

An A1 Gold Option is exercisable by the registered option holder lodging notice of exercise of option together with the exercise price for each share to be issued on exercise and the relevant option holding statement, at any office of A1 Gold's share registrar. The A1 Gold Options may be exercised in whole or in part and, if exercised in part, multiples of 1,000 must be exercised on each occasion. Subject to the expiry date, the exercise of some A1 Gold Options only does not affect the registered option holder's right to exercise other Options at a later time.

Remittances must be made payable to A1 Gold and cheques should be crossed "not negotiable". A1 Gold Options may be exercised at any time on or before 5.00pm WST on 30 November 2019.

An A1 Gold Option not exercised by 5.00pm WST on 30 November 2019 lapses.

(c) **Transfer**

Subject to any restrictions imposed by ASX, Options may be transferred at any time before lapsing.

(d) **Quotation**

A1 Gold will apply to the ASX for Official Quotation of the A1 Gold Options within seven days.

The Company will apply to the ASX for Official Quotation of the shares issued on any exercise of an A1 Gold option within 10 business days after the allotment of those shares.

(e) **Dividends**

Shares issued on any exercise of an A1 Gold Option will rank pari passu with all existing ordinary shares in the capital of A1 Gold from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.

(f) **Bonus issue**

If A1 Gold makes a bonus issue of shares or other securities pro rata to holders of ordinary shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

- (i) an A1 Gold Option has not been exercised in full; or
- (ii) an A1 Gold Option has been exercised, but shares the subject of the exercise have not been issued in fulfilment of A1 Gold's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then the number of shares over which the A1 Gold Option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the A1 Gold Option would have received if the Option had been exercised before the record date for the bonus issue.

(g) **Rights issue**

If A1 Gold makes an offer of ordinary shares pro rata to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment), the exercise price of the A1 Gold Options will be adjusted in accordance with the formula set out in Listing Rule 6.22.2.

(h) **Reconstruction**

The rights of an option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

(i) **Advice**

A1 Gold must give notice to the option holder of any adjustment to the number of shares which the option holder is entitled to subscribe for or be issued on exercise of the A1 Gold Option or the exercise price per share in accordance with the Listing Rules.

(j) **Right to participate in future issues**

The option holder may only participate in new issues of securities to holders of shares to the extent the A1 Gold Option has been exercised, if that is permitted by its terms, and the shares allotted in respect of the A1 Gold Option before the record date for determining entitlements to the issue. A1 Gold Company must give notice to the option holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.

Lodge your vote:

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

┌ 000001 000 ORS
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

 **For your vote to be effective it must be received by 10.00am (AEST) on Tuesday, 28 April 2015**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

- Review your securityholding
- Update your securityholding

Your secure access information is:

SRN/HIN: I9999999999



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 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Octagonal Resources Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Octagonal Resources Limited to be held at HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne on Thursday, 30 April 2015 at 10.00am (AEST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Disposal of main undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Grant of security to related party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____