

30 October 2015

No. of Pages: 12

ASX CODE: ORS

Market Cap.: \$3.72m (\$0.015 p/s)

Shares on issue: 248,331,672

Cash: \$0.05 m (30 September 2015)

Debt: \$1.1 m (30 September 2015)

ASX Investments

169,672,726 AYC shares

56,557,576 AYCO options

DIRECTORS

Ian Gandel, Chairman

Anthony Gray, Managing Director

Bob Tolliday, Director

MAJOR SHAREHOLDERS

Abbotsleigh – 41.1%

Alliance Resources – 8.9%

PRINCIPAL OFFICE

Octagonal Resources Limited

ABN 38 147 300 418

Suite 3, 51 – 55 City Road

Southbank VIC 3006

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QUARTERLY REPORT - FOR THE PERIOD ENDED 30 SEPTEMBER 2015

DETAILS OF ANNOUNCEMENT

- Quarterly Activity Report for the period ending 30 September 2015 (6 pages)
- Appendix 5B for the period ending 30 September 2015 (5 pages)

For and on behalf of the Board.

Bob Tolliday

Company Secretary

OCTAGONAL RESOURCES LIMITED

Additional information relating to Octagonal and its various mining and exploration projects can be found on the Company's website:

www.octagonalresources.com.au

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Quarterly Report for the period ended 30 September 2015

Corporate

At 30 September 2015 Octagonal Resources Limited (“Octagonal” or “Company”) had cash reserves of \$0.05 million (unaudited), and \$1.1 million debt drawn down from a \$1.3 million standby credit facility.

The Company issued its 2015 Annual Report on 30 September 2015.

Work during the quarter focussed on investigating means to realise the maximum value of Octagonal’s assets for its shareholders.

Background

On 24 December 2014 Octagonal entered into a Sale Agreement with A1 Consolidated Gold Limited (“A1 Gold”) (ASX Ticker Code: AYC), whereby it agreed to sell its Maldon Gold Operation in Central Victoria to A1 Gold for 169,672,726 A1 Gold shares and 56,557,575 A1 Gold options exercisable at 3.0 cents before 30 November 2019.

At this time the deemed value of the transaction was \$5.09 million and Octagonal reasonably assumed that it would be able place shortfall shares from a rights issue that closed on 13 November 2014 to raise an addition \$1.18 million before 13 February 2015 (refer to ASX Announcement dated 24 November 2014) as the sale price of the Maldon Gold Operation was at a 15% premium to the fully diluted market capitalisation of the Company post the placement of shortfall shares (excluding cash, value of A1 Gold options, and the value of the Company’s Western Australian exploration assets).

Despite Octagonal and the Underwriters best efforts the shortfall shares were unable to be placed and subsequently the Company entered into a short term loan agreement with Gandel Metals Pty Ltd (“Gandel Metals”), a company related with Octagonal’s Chairman Mr Ian Gandel, to fund the settlement of the Sale Agreement and future operating requirements.

The \$1.0 million loan was secured, following shareholder approval, by a mortgage over A1 Gold shares held by Octagonal and is repayable by 1 December 2015.

The sale of the Maldon Gold Operation was completed on 25 June 2015.

In the three months since completion Octagonal’s share price has traded at on average a 126% discount to the market value of A1 Gold shares that it owns (Table 1). This substantial difference in market values has restricted Octagonal’s ability to raise equity capital without significantly diluting existing shareholders who do not participate in the equity raising.

Recognising Octagonal's limited capacity to raise funds the Company prepared an 18 month budget for its annual audit based on \$1.5 million in available funding. This budget revealed that despite the significant cuts to corporate costs implemented since the sale of the Maldon Gold Operation (including reduction in Managing Directors effective salary to \$170,000 + super, 50% reduction in chairman and directors fees to \$37,500pa and \$20,000pa respectively, 50% reduction in financial, company secretarial, and administrative service costs, and free office and shed storage in Kalgoorlie) less than 40% of the total budgeted expenditure was contributed to in-ground exploration costs (with the remainder being corporate costs).

This proportion of in-ground exploration expenditure was considered by the Board to be unacceptable for a public listed exploration company so, as announced on 4 August 2015, Octagonal commenced a process of investigating investment opportunities in the resources and non-resources sectors with the objective of realising the maximum value of its existing assets.

To enable the Company to investigate these opportunities Gandel Metals agreed to loan the Company \$300,000 in additional funds in excess of the already drawn down \$1.0 million bank standby credit facility (refer to ASX Announcement dated 31 August 2015).

Corporate transactions considered by the Company have focussed outside of the resources sector, due to the difficult equity market conditions currently being experienced by junior exploration and mining companies, and have been structured with the objective of distributing A1 Gold shares in-specie to Octagonal shareholders following a capital raising to fund the acquisition.

Discussions with a number of companies have failed to result in the execution of a terms sheet and no acquisition by the Company is imminent.

On 20 October 2015 Octagonal received an offer from Gandel Metals, the Company's Chairman Ian Gandel, and associated parties (collectively "Gandel Shareholders") to privatise the Company.

Gandel Shareholders hold 102,207,200 ordinary Octagonal shares (41.12% of total shares issued) and 70,276,000 unlisted options exercisable at 2.0 cents and expiring on 11 December 2015.

Key Terms of the Offer

In the proposal received from Gandel Metals the Gandel Shareholders state that they "consider the current structure of Octagonal is unsustainable in the current circumstances. In particular, the costs of reporting and compliance required by Octagonal as a listed company will necessitate either the gradual sell off of liquid assets, being the shares held in A1 Gold, or increasing calls on shareholders to provide additional equity or loan capital. This ongoing burden far outweighs the advantages of Octagonal retaining its listing in the current capital markets. It is also exacerbated by the approaching deadline for the repayment of the large part of the loan made by Gandel Metals to Octagonal. The Gandel Shareholders believe this situation needs to be resolved urgently".

(1) The Gandel Shareholders proposal is that the shareholders of Octagonal be asked to approve a Selective Capital Reduction whereby the shares in Octagonal held by non-Gandel Shareholders be cancelled in return for consideration comprising:

- A cash payment of \$0.0055 per Octagonal share, together with
- Two (2) shares in A1 Gold for every five (5) Octagonal shares held.

The Gandel Shareholders are willing to enter into an agreement with Octagonal to provide funding for the cash component of the consideration.

The total consideration is the equivalent to 2.11 cents per share (based on an A1 Gold share price of 3.9 cents per share, being the closing price on the day prior to the offer being received).

The offer is at a 44% premium to the 5 day volume weighted average price ("VWAP") of Octagonal shares (1.47 cents) and at a 53% premium to the 30 day VWAP (1.38 cents).

(2) The proposed Selective Capital Reduction will require 75% shareholder approval at a General Meeting and relevant regulatory approvals.

- (3) Gandel Metals agrees for Octagonal to repay \$1.0 million in loaned funds on 1 December 2015 via the transfer of a number of A1 Gold shares equal to \$1.0 million on the basis of the 5 day VWAP up to the trading day immediately prior to transfer (as allowed for in the original loan agreement).
- (4) The remaining funds loaned by Gandel Metals to the Company of \$0.3 million will remain secured against A1 Gold shares held by Octagonal, being the balance of the A1 Gold shares following the repayment of the Gandel Metals loan (item 3) and the Selective Capital Reduction.

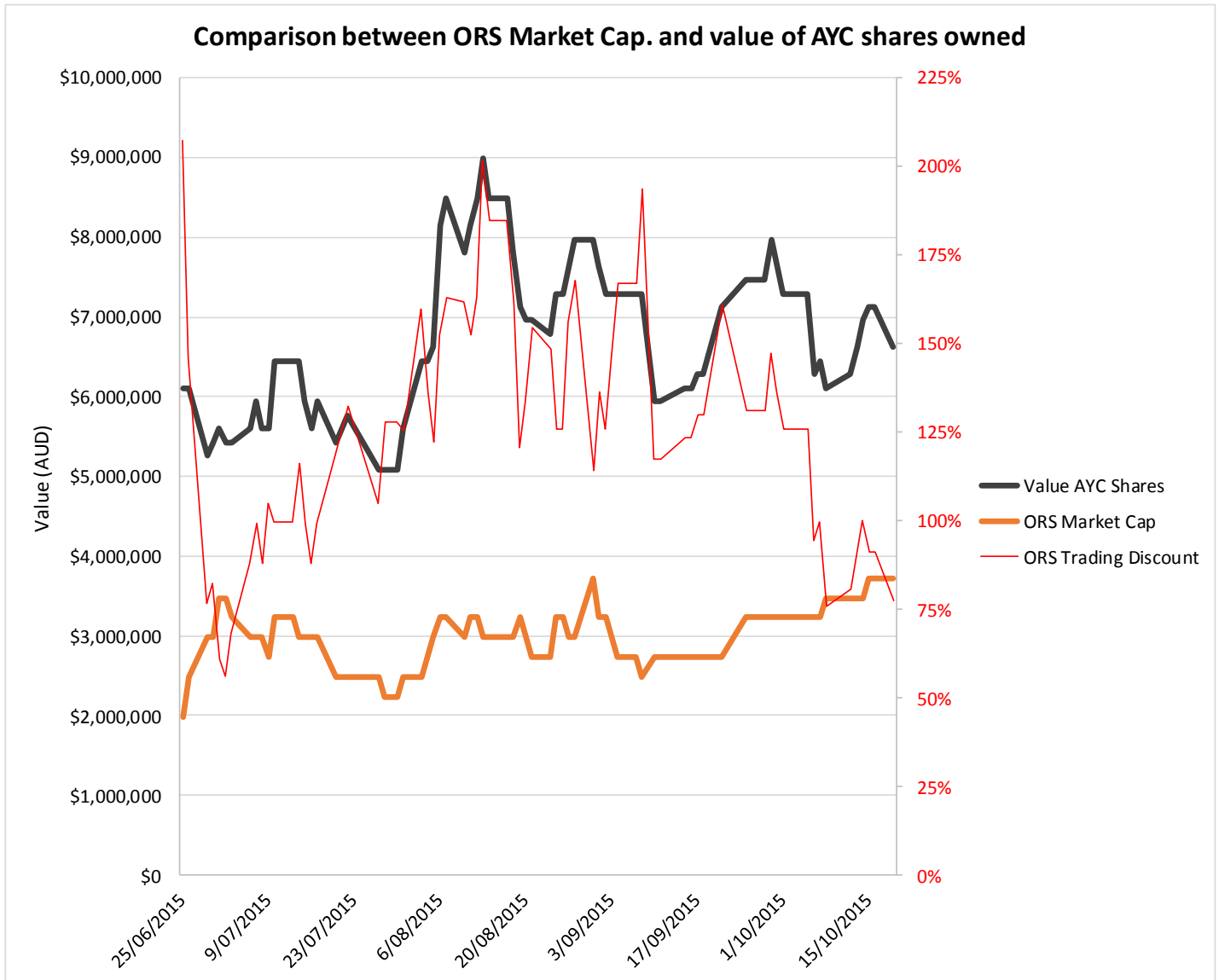


Table 1. Comparison between the market capitalisation of Octagonal and the market value of A1 Gold shares that it owns in the period from settlement of the sale of the Maldon Gold Operation on 25 June 2015 to 19 October 2015 (based on closing price). (Left axis represents the value of Octagonal's market capitalisation [orange line] and the value of A1 Gold shares owned [grey line]. Right axis represents Octagonal's share price trading discount [red line] as a percentage).

Selective Capital Reduction

A reduction of share capital occurs when any money paid to a company in respect of a member's share is returned to the member. Section 256B(1) of the Corporations Act provides that a company may reduce its share capital in a way that is not otherwise authorised by the Corporations Act if the reduction:

- (a) is fair and reasonable to the company's members as a whole; and
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by members under s256C.

As the proposed Selective Capital Reduction will not apply to the Gandel Shareholders, it is a selective reduction within the meaning of the Corporations Act.

Indicative Timetable

| | |
|---------------------------|---|
| Friday 6 November 2015 | Notice of meeting sent to Octagonal shareholders, accompanied by a statement setting out all information material to the decision on how to vote and an Independent Expert Report. |
| Tuesday 1 December 2015 | \$1.0 million of the loan payable by Octagonal to Gandel Metals is repaid to Gandel Metals in A1 Gold shares |
| Wednesday 9 December 2015 | General meeting held at which only Gandel Shareholders may vote in favour but any shareholder may vote against. Separate meeting of non-Gandel shareholders held. If resolutions passed, notification to ASX and ASIC. |
| Thursday 10 December 2015 | Abbotsleigh exercises unlisted options in Octagonal in order to provide the funds required to carry out the capital reduction. |
| Friday 11 December 2015 | Octagonal unlisted options expire. In accordance with Appendix 7A, trading in ORS securities ceases 2 business days after shareholder approval obtained (as completion of the capital return will result in securities being held only by Gandel Metals and associates). |
| Tuesday 15 December 2015 | Record date for capital return and last date for ORS to register transfers. |
| Thursday 24 December 2015 | Payment of cash and share consideration to complete the Selective Capital Reduction. |

The above is an indicative timetable only and may be subject to change.

Next Steps

Section 256B(1) of the Corporations Act requires that a Selective Capital Reduction is "fair" and "reasonable" to the company's members as a whole. Octagonal has engaged PPB Corporate Finance Pty Ltd to complete an Independent Expert Report to determine whether in their opinion the proposed transaction is "fair" and "reasonable" to the Gandel Shareholders and non-Gandel Shareholders.

If the independent expert determines that the proposed transaction is "fair" and "reasonable" to the Gandel Shareholders and non-Gandel Shareholders a copy of the Independent Expert Report will be provided to shareholders, accompanying a notice of meeting to approve the Selective Capital Reduction.

Octagonal is currently liaising with ASX and ASIC concerning the regulatory requirements of the proposal and will update shareholders of any changes to the proposal or indicative timetable as soon as practical.

The Company wishes to advise shareholders that advice received so far is unlikely to result in any change to the consideration being offered by Gandel Shareholders.

Hogan's Project - Western Australia (100% Octagonal)

Background

In Western Australia Octagonal holds 100% equity in the Hogan's Project where it is exploring beneath transported cover for gold, copper-gold, and nickel sulphide deposits in a highly prospective but underexplored area only 70 kilometres southeast of Kalgoorlie and 20 kilometres east of the world-class St Ives Goldfield (+13M oz Au) and Kambalda Nickel District (+1.4Mt Ni) (Figure 1).

Safety & Environment

No medically treated injuries (MTIs) or lost time injuries (LTIs) were recorded during the reporting period. There were no reportable environmental incidents.

Exploration

No new exploration work was completed at the Hogan's Project during the quarter.

Ravensgate Mining Industry Consultants have been engaged to complete an Independent Technical Valuation of the Hogan's Project tenements for use by the independent expert reviewing the Selective Capital Reduction transaction proposed by the Gandel Shareholders. A copy of this report will be appended to the Independent Expert Report when issued.

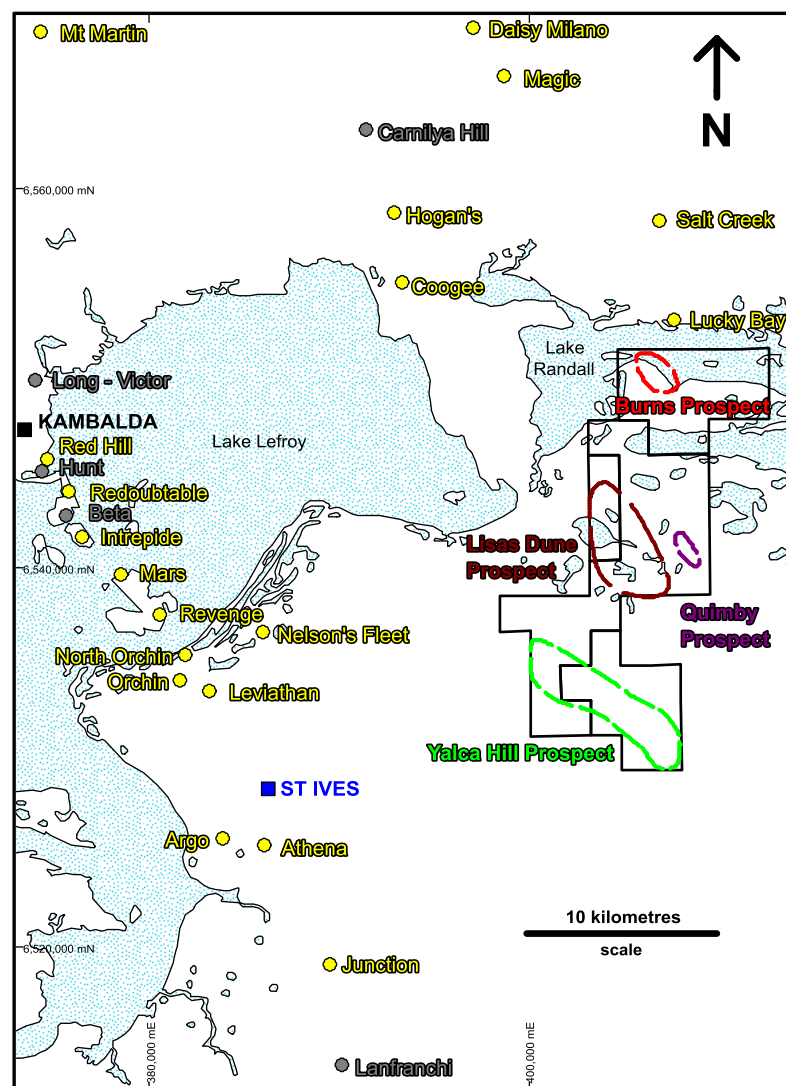


Figure 1: Hogan's Project: Tenement location plan with gold and nickel deposits and Octagonal's exploration target areas

Legend-
 Yellow dots: gold deposits
 Grey dots: nickel sulphide deposits

Tenements

Mining Tenements Held at the End of the Quarter

| State | Tenement | Equity | Tenement Name | Status | Area | Holder |
|----------------|----------|--------|---------------|---------|-------|----------------------------------|
| HOGAN'S | | | | | | |
| WA | E15/1097 | 100% | Lucky Bay Sth | Granted | 12 BL | Octagonal Resources (WA) Pty Ltd |
| WA | E15/1336 | 100% | St Ives East | Granted | 10 BL | Octagonal Resources (WA) Pty Ltd |
| WA | E15/1337 | 100% | St Ives East | Granted | 3 BL | Octagonal Resources (WA) Pty Ltd |
| WA | E15/1414 | 100% | St Ives East | Granted | 24 BL | Octagonal Resources (WA) Pty Ltd |

Mining Tenements Acquired During the Quarter

No mining tenements were acquired during the quarter.

Mining Tenements Disposed During the Quarter

No mining tenements were disposed of during the quarter.

Octagonal holds 100% equity in all of its exploration and mining licences. The Company has not entered into any farm-in or farm-out agreements.

Additional information relating to Octagonal and its various exploration projects can be found on the Company's website: www.octagonalresources.com.au

For further enquiries, please contact:

Anthony Gray (Managing Director) +61 3 9697 9088

Caution Regarding Forward Looking Information

This document contains forward looking statements concerning Octagonal Resources Limited. Forward looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties, and other factors. Forward looking statements are inherently subject to business, economic, competitive, political, and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Octagonal's beliefs, opinions and estimates of Octagonal's as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future development.

Competent Persons Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Anthony Gray, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr Gray is a full-time employee of the company. Mr Gray has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activities being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gray consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97,1/7/98,30/9/2001.

Name of entity

OCTAGONAL RESOURCES LIMITED

ABN

38 147 300 418

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

| | | Current quarter | Year to date |
|---|---|-----------------|--------------|
| | | \$A'000 | \$A'000 |
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | - | - |
| 1.2 | Payments for (a) exploration and evaluation | (13) | (13) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) administration | (249) | (249) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | - | - |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (inc GST paid/recouped) | 10 | 10 |
| Net Operating Cash Flows | | (252) | (252) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of:(a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.9 | Proceeds from sale of: (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | - | - |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (Refund of security deposit) | - | - |
| Net investing cash flows | | 0 | 0 |
| 1.13 | Total operating and investing cash flows (carried forward) | (252) | (252) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|-------------|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | | |
| | | (252) | (252) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | 100 | 100 |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (Cost of Capital Raising / Prospectus / Reduction in rehabilitation bonds) | - | - |
| | Net financing cash flows | 100 | 100 |
| | Net (decrease) increase in cash held | (152) | (152) |
| 1.20 | Cash at beginning of quarter/year to date | 205 | 205 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 53 | 53 |

Notes:

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 42 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | NIL |

1.25 Explanation necessary for an understanding of the transactions

All transactions involving Directors and associates were on commercial terms. These payments represent Director fees, Director consulting fees, re-imburements of expenses and payments in terms of a management service agreement with a Director related entity.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| |
|--|
| |
|--|

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

| |
|-----|
| NIL |
|-----|

+ See chapter 19 for defined terms.

Appendix 5B Mining exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|--|-----------------------------|------------------------|
| 3.1 Loan facilities | NIL | NIL |
| 3.2 Credit standby arrangements ⁽ⁱ⁾ | 1,300 | 1,100 |

Notes:

i On 6 March 2015 a Standby Credit Facility agreement was entered into with Gandel Metals Pty Ltd, a company related with ORS's Chairman Mr Ian Gandel, to secure access to a Bank standby credit facility for up to \$1.0m. Refer ASX announcement 11 March 2015 for further details. On 28 August 2015, a variation on the agreement was entered into with a further \$300k made available. Refer ASX announcement 31 August 2015 for further details.

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 19 |
| 4.2 Development | 0 |
| 4.3 Production | 0 |
| 4.4 Administration | 175 |
| Total | 194 |

Notes:

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 53 | 205 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) – Term Deposit | - | - |
| Total: cash at end of quarter (item 1.22) | 53 | 205 |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

| | Tenement reference | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|---------------------------|---|-----------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements acquired or increased | | | |

Notes:

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|---------------------|----------------------|--|---|
| 7.1 | N/A | | | |
| Preference securities <i>(description)</i> | | | | |
| 7.2 | | | | |
| | | | | |
| | | | | |
| 7.3 | 248,331,672 | 248,331,672 | | |
| 7.4 | | | | |
| | | | | |
| 7.5 | | | | |
| 7.6 | | | | |
| | | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| 7.7 | Options/ Performance Rights <i>(description and conversion factor)</i> | Total number | Number Quoted | Exercise price A\$ | Expiry date |
|------|--|---------------------|--------------------------|-------------------------------|--------------------|
| | <i>Unlisted Options</i> | 78,658,946 | Nil | 2 cents each | 11 December 2015 |
| 7.8 | Issued during quarter | Nil | | | |
| 7.9 | Exercised during quarter | Nil | | | |
| 7.10 | Expired during quarter | Nil | | | |
| 7.11 | Debentures <i>(totals only)</i> | N/A | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | N/A | | | |

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~/does not*~~ *(delete one)* give a true and fair view of the matters disclosed.



Sign here:

Date: 30 October 2015

Company Secretary

Print name:

BOB TOLLIDAY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedents, which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.