



A1 Consolidated Gold

ASX Release – 29th December 2014

Acquisition of Maldon Gold Operation from Octagonal Resources Limited

Further to the Joint announcement made by A1 Consolidated Gold Limited (ASX:AYC) and Octagonal Resources Limited (ASX:ORS), A1 Consolidated Gold Limited is pleased to announce that a Share Sale Agreement as contemplated under the Heads of Agreement has been executed by both companies. The assets include a fully permitted operational 150,000 tpa gold processing facility at Maldon, which complements A1 Consolidated Gold's planned production profile from the A1 Gold Mine.

Highlights:

- ❖ **A1 Consolidated Gold executes Share Sale Agreement**
- ❖ **Assets include:**
 - **150k tpa Maldon Mill which provides ore processing certainty and cost savings**
 - **Operational Union Hill Mine and Central Victorian tenement package**
 - **High grade ore available for immediate mining from Alliance South Deposit (Union Hill underground mine)**

Managing Directors Comment:

Managing Director, Dennis Clark said, "The acquisition of the Maldon Mill and already developed Alliance South deposit allows AYC the opportunity for immediate production whilst the Company continues underground development work at our flagship A1 Mine in North-eastern Victoria."

A1 Consolidated Gold Ltd
ABN 50 149 308 921

ASX:AYC

Investment Highlights:

Advanced project on granted mining lease – fully operational mine site including underground development & infrastructure

Mineral Resources in accordance with the JORC Code (2012)
Indicated – 250,000 t @ 5.1 g/t for 41,200 oz Au
Inferred – 1,170,000t @ 6.4 g/t for 240,000 oz Au

Board of Directors:

Chairman
Dale Rogers

Managing Director
Dennis Clark

Non-Executive Director
Dennis Wilkins

Company Secretary
Dennis Wilkins

Capital Structure:

250,016,873 Ordinary Shares
134,494,407 Listed Options
28,666,667 Unlisted Options

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1. Share Sale Agreement

A1 Consolidated Gold Limited (ASX:AYC) (**A1 Consolidated Gold** or the **Company**) announced on the 24th November 2014, that the Company has entered into a Binding Heads of Agreement with Octagonal Resources Limited (ASX:ORS) (**Octagonal**) to acquire Octagonal's Victorian assets, which includes a fully permitted operational 150,000 tpa gold processing facility at Maldon.

Following completion of due diligence, A1 Gold is pleased to announce that the formal Share Sale Agreement has been executed.

2. Terms

Under the terms of the Share Sale Agreement, A1 Consolidated Gold will acquire a 100% interest in three subsidiary companies holding the Victorian assets. Consideration for the purchase will be the issue to Octagonal of 169.7m AYC shares at 3.0 cents each (valued at \$5,090,182) and 56.5m listed AYCO options.

Octagonal has advised that it intends to distribute approximately 50% of the A1 Consolidated Gold shares and options to ORS shareholders via an in specie distribution on a pro rata basis. All shares and options retained by Octagonal will be subject to a voluntary six (6) month escrow period.

Mr Anthony Gray, (Octagonal MD), will join A1 Consolidated Gold's Board as a Non-Executive Director.

Settlement under the Share Sale Agreement is subject to:

- Shareholder approval by both A1 Consolidated Gold and Octagonal Shareholders; and
- A1 Consolidated Gold raising \$2.4m

by 28 February 2015. Preparations are well underway to ensure these conditions are satisfied by the due date.

3. Transaction Benefits

Highlights of the benefits of the transaction include:

- Certainty for treatment of ore from the A1 Gold Mine
- 150,000 tpa Maldon Mill matches the production profile for the A1 Mine Scoping Study
- Maldon Mill fully permitted and operating since November 2012
- Significant reduction in ore processing costs by owning gold processing facility
- Increased gold recoveries using a carbon in leach mill with gravity circuit
- Immediate cash flow generated by mining and processing high grade ore from the Alliance South Deposit





4. Rationale

On 5 September 2014 A1 Consolidated Gold released to the ASX the results of its Scoping Study for Stage 1 production at the A1 Gold Mine¹.

This study focussed on ore development and mining of the stockwork zone between the 1420 RL and 1310 RL levels of the A1 Gold Mine and defined a production target of 378,000 tonnes grading 6.52 g/t Au to be developed and mined over three years at a rate of 150,000 tpa.

In this study gold production of 30,000 oz pa is achieved with an all in sustaining cost of A\$860 per ounce assuming a gold price of A\$1,300 per ounce and 80% mill recovery.

While A1 Consolidated Gold currently have a toll treating agreement in place with Balmaine Gold Pty Ltd (a wholly owned subsidiary of Castlemaine Gold Ltd, which is a wholly owned subsidiary of LionGold Corp Ltd) (see ASX Announcements dated 24 September 2013 and 20 August 2014) ore processing certainty and substantial saving in ore processing costs can be achieved if A1 Gold owns and operates its own gold processing facility.

The Maldon gold processing facility is a 150,000 tonne per annum carbon in leach processing plant that was built in the late 1980's to recover gold from open pit and underground ore derived from the nearby Union Hill Mine. The mill was subsequently refurbished and recommissioned by Octagonal in November 2012 and since this time has processed a combination of underground ore, open pit ore, and historic tailings.

The size of the Maldon mill is ideally suited to planned production from the A1 Gold Mine. Operating costs incurred by Octagonal since 2012 clearly demonstrate that substantial savings will be achieved by processing ore from the A1 Gold Mine at Maldon. Further, by integrating a gravity circuit into the existing carbon in leach processing circuit gold recoveries are also expected to increase above the 80% used in the Stage 1 Scoping Study.

These anticipated improvements in both cost and recovery over the current toll treating arrangement with Balmaine Gold Pty Ltd and the previously planned on-site treatment at the A1 Gold Mine and remove the need for A1 Consolidated Gold to construct its own gold processing plant (estimated cost: \$980,000 – refer to ASX Announcement dated 5 September 2014) are expected to impact positively on the Scoping Study results..

A1 Consolidated Gold is currently in the process of upgrading its Stage 1 Scoping Study for the A1 Gold Mine with ore processing at Maldon to quantify the savings discussed above and will release these results when completed.

¹ Cautionary Statement

The Scoping Study referred to in the ASX Announcement dated 5 September 2014 is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic production mining case at this stage or to provide certainty that the conclusions of the Scoping Study will be realised. There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the conversion of Inferred Mineral Resources to Indicated Mineral Resources or that the production target itself will be realised. The production target equates to 67% of the JORC Code 2012 compliant Mineral Resources Estimate between 1420 RL and the 1310 PL and is made up of approximately 37% Indicated Mineral Resource and 63% Inferred Mineral Resources. During the critical first 2 years, 42% of production is from Indicated Mineral Resources.

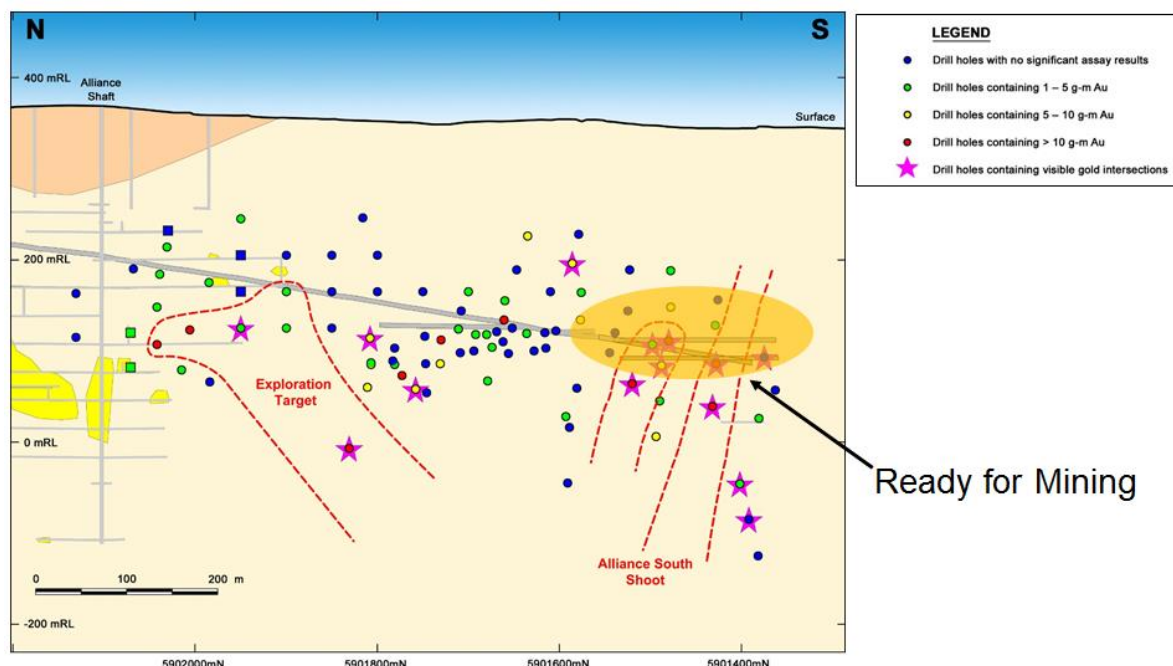




In addition to providing ore processing certainty, substantial savings in ore processing costs, and removing the capital requirement for A1 Gold to construct its own ore processing facility further benefits of this transaction include the acquisition of the developed and production ready high-grade Alliance South Deposit at the Union Hill Mine and a substantial tenement holding in Central Victoria with near surface and potentially open pit mineable resources including the Pearl Croydon Deposit.

The Alliance South Deposit has been developed over two levels and intersected narrow vein high-grade gold with significant results including 38 metres strike length grading 18.8 g/t Au over 3.7 metres width and 30 metres strike length grading 20.2 g/t Au over 3.2 metres with on the 1100 level and 12 metres strike length grading 15.6 g/t Au over 1.7 metres width on the 1080 level (refer to ORS ASX Announcements dated 17 February 2014, 30 July 2014, and 11 November 2014 respectively). These ore zones present immediate mining opportunities that will deliver low volume, but high-grade tonnes to the Maldon mill and generate short term cash flow while the A1 Gold Mine is developed to the 1400 stockwork zone.

The Pearl Croydon Deposit, that is located 40 kilometres from Maldon, contains an Inferred Mineral Resources of 570,000 tonnes grading 2.9 g/t Au for 53,000 ounces of gold (refer to ORS ASX Announcement dated 20 January 2014²). While this deposit does not currently fall within the Company's short term mine plans, with further resource definition drilling it has the potential to provide significant open pit ore to supplement underground mine production.



(Figure is a screen capture and not to be scaled, but for illustration purposes only)
Figure 1: Long Section of Union Hill Mine showing Alliance South Deposit Location

² The Company is not aware of any new information or data that materially affects the information included in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement have not materially changed





About the Company

A1 Consolidated Gold Ltd is a junior gold exploration company focused on developing the A1 Gold Project in the Woods Point – Walhalla Goldfield located in north-eastern Victoria (Figure 2). The Company has an Exploration Licence (EL5109), to the north of the A1 Gold Mine for further exploration. A1 Consolidated Gold is currently undertaking underground development at the A1 Gold Mine. The mining design is for a bulk mineable block.

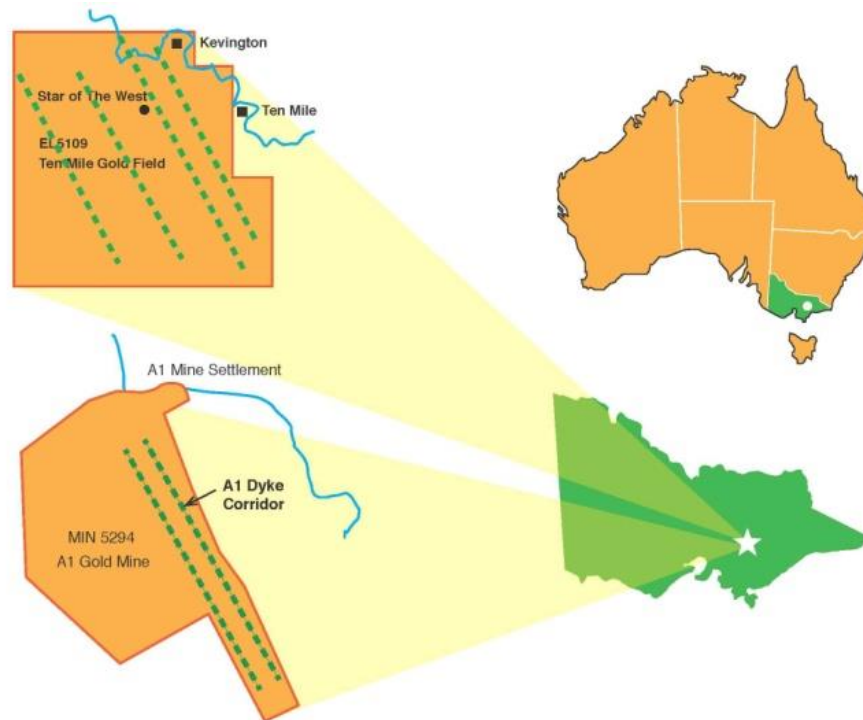


Figure 2: Location of Tenements

Competent Person Statements

The information in this announcement that relates to Mineral Resources is extracted from the summary report entitled 'A1 Consolidated Gold, Mineral Resource Estimate' prepared by CSA Global Pty Ltd included in the Company's ASX announcement dated 12 May 2014 (**May Announcement**) and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the May Announcement and that all material assumptions and technical parameters underpinning the estimates in May Announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original May Announcement.

The information in this announcement that relates to the Stage 1 Scoping Study is extracted from the report entitled 'Stage 1 Scoping Study' prepared by Mining One and announced in the Company's ASX announcement dated 5 September 2014 (**September Announcement**) and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the September Announcement and that all material assumptions and technical parameters underpinning the Stage 1 Scoping Study in September Announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original September Announcement.





Forward Looking Statements

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding gold prices, exploration costs, production costs and other operating results, growth prospects and the outlook of A1 Consolidated Gold Limited's operations contain or comprise certain forward looking statements regarding A1 Consolidated Gold Limited's exploration & development operations, economic performance and financial condition. Although A1 Consolidated Gold Limited believes that the expectations reflected in such forward-looking statements are reasonable; no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, mine development and operating risks, delays in obtaining governmental approvals or financing or in the completion of development or construction activities, discrepancies between actual and estimated production, risks inherent in the ownership, exploration and operation of or investment in mining properties, fluctuations in gold prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. A1 Consolidated Gold Limited undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

The Company believes that it has a reasonable basis for making the forward looking statements in this announcement, including in respect to any production targets and forecast financial information based on that production target, based on the information contained in the announcement made to ASX on 5th September 2014.

