

27 September 2012

No. of Pages: 9

ASX CODE: ORS

Market Cap.: \$16.0 m (\$0.16 p/s)

Shares on issue: 100,048,002

Cash: \$3.17 m (30 June 2012)

BOARD & MANAGEMENT

Ian Gandel, Chairman

Anthony Gray, Managing Director

Ian Pamensky, Director

MAJOR SHAREHOLDERS

Alliance Resources – 22.0%

Abbotsleigh – 19.9%

JP Morgan Nominees – 9.5%

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Maldon Gold Operation Update

Kangaroo Flat Tailings, Bendigo (Processing Agreement)

- **2,500 tonne parcel of tailings removed and transported to Maldon for processing**
- **Ore handling, processing, and gold recovery performing to expectation**
- **First gold pour this week**
- **Octagonal commit to remove and process all tailings**
- **Dredge mobilised to site to extract remainder of tailings**
- **Total gold production costs estimated below \$650 per ounce**

Union Hill Gold Mine, Maldon (Octagonal 100%)

- **Development of the Union Hill Decline to access and mine the Alliance South Deposit continues**
- **Difficult ground conditions associated with Moon's Cross-Course continue to require significant ground support and slow development**
- **Alliance South 1110 level ore drive development expected to commence before all Kangaroo Flat tailings processed**

Black Reef Gold Mine, Wehla (Octagonal 100%)

- **Mining of the Black Reef Open Pit has commenced**
- **Ore processing to follow Kangaroo Flat tailings**

Porcupine Flat Processing Plant, Maldon (Octagonal 100%)

- **Ore processing scheduled at 33% capacity for twelve months**
- **Positive cash flow achieved during December Quarter**
- **Expected revenue to 30 September 2013 of between \$7.9 million and \$9.7 million (excluding costs)**

The Directors of Octagonal Resources Limited (ASX: ORS) (“**Octagonal**” or “**Company**”) are pleased to provide an update on the Company’s mining and ore processing activities at the Maldon Gold Operation in Central Victoria.

Kangaroo Flat Tailings, Bendigo (Processing Agreement)

In August 2012 Octagonal entered into an agreement with Unity Mining Limited (ASX: UML) (“Unity”) to re-process flotation concentrate tailings from the Kangaroo Flat Gold Mine near Bendigo at the Porcupine Flat Gold Processing Plant at Maldon.

Under the terms of this agreement Octagonal agreed to remove, and re-process all of the flotation concentrate tailings at the Kangaroo Flat Gold Mine subject to satisfactory extraction, transport, and processing of a trial parcel of up to 2,000 tonnes.

In consideration for re-processing the Kangaroo Flat flotation concentrate tailings, Octagonal will:

- ▶ Manage and pay for 50% of all costs associated with the excavation and transport of tailings to Maldon, re-processing of tailings at Maldon, and transportation, refining and sale of gold produced, and
- ▶ Pay to Unity 50% of the gold produced from the re-processing of the tailings. Unity is responsible for the remaining 50% of costs.

Octagonal is pleased to advise that over 2,500 tonnes of tailings have been removed from the Kangaroo Flat flotation concentrate tailings dam using an excavator and trucked to the Porcupine Flat Gold Processing Plant for processing. Processing of this material has commenced and the first gold dore bar will be poured this week.

Removal, transportation, and processing of the tailings have performed to expectation and Octagonal has now committed to remove and process all of the tailings in the flotation concentrate tailings dam (estimated to contain between 19,000 tonnes and 40,000 tonnes of tailings).

To accelerate tailings removal and reduce costs, the Company has mobilised a dredge to Kangaroo Flat to extract the remainder of the tailings. The dredge arrived on-site this week and will commence removing tailings next week once pipe work and dewatering pads have been established.

Following the removal and processing of the initial parcel of flotation concentrate tailings, Porcupine Flat milling data suggests that the recovered grade of between 3.5g/t Au and 6g/t Au (with 4g/t Au likely) estimated from metallurgical test work is realistic, and total cash costs for the removal, transport, processing and recovery of gold is likely to be below \$650 per ounce.



Excavator removing tailings from the flotation concentrate tailings dam at the Kangaroo Flat Gold Mine



Tailings delivered to the Porcupine Flat Gold Processing Plant with loader feeding the ore shoot



Example of a dredge removing tailings from a tailings dam

Union Hill Gold Mine, Maldon (Octagonal 100%)

Development of the Union Hill decline to access and mine the Alliance South Gold Deposit continues to be slow, due to difficult ground conditions associated with a major east-west oriented structure known as Moon's Cross-course. To develop through this structure safely Octagonal has had to install spiling bars and rock bolts (metal rods) into the roof of the decline, inject grout into the ground above and ahead of the decline, and install steel mesh and box framework to construct concrete arches with shotcrete.

This process is very time consuming as grout and shotcrete must dry before it is safe to work beneath, however Octagonal has mitigated the costs associated with this mining activity by only operating a crew of three underground miners on day shift and utilising spare labour and mining equipment to develop the 1120 level north towards a secondary exploration target positioned at the southern end of the historic Alliance Mine workings as a second development heading.

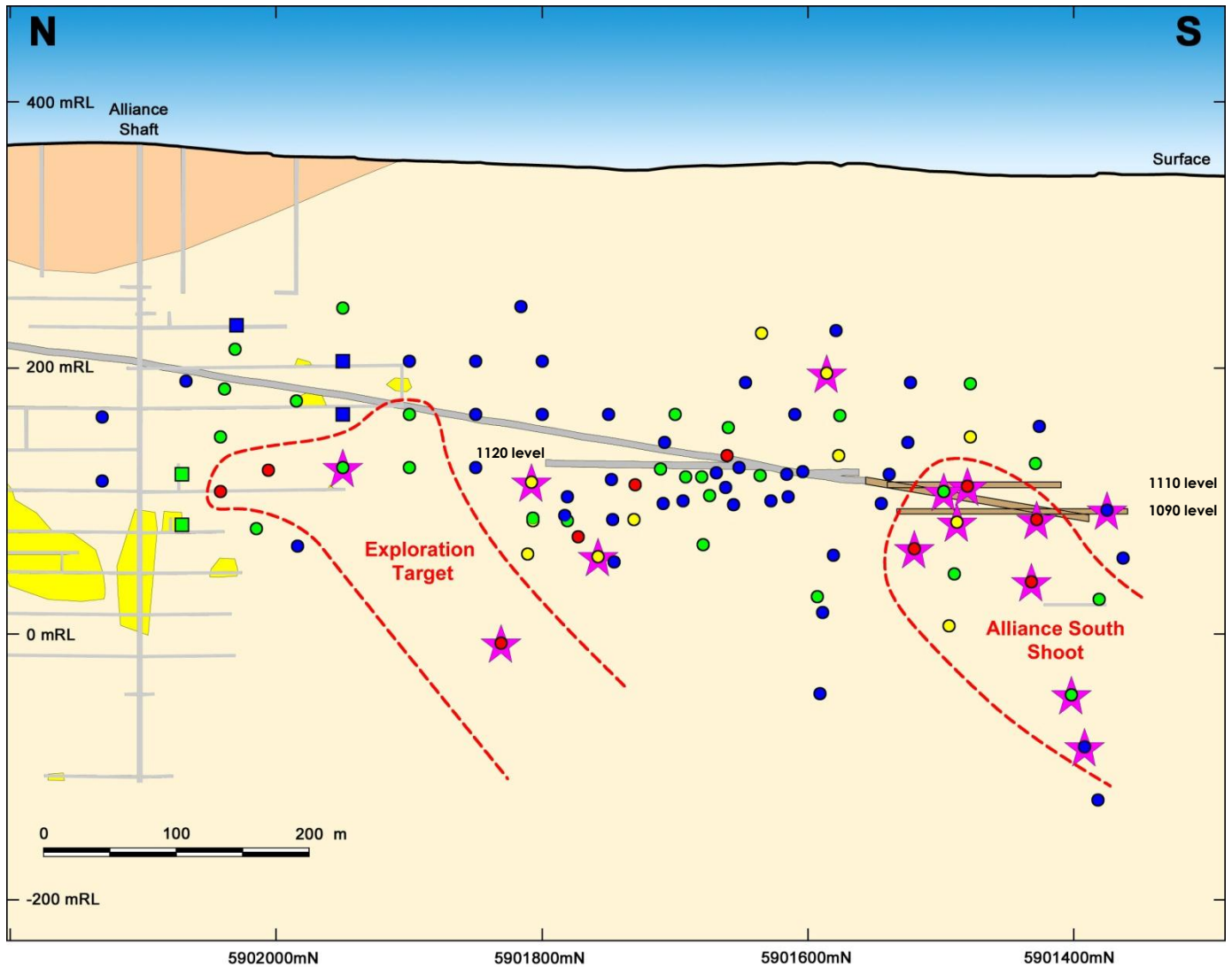
At present, the Company estimates that it will take between two to three months before normal decline development can re-commence, which will mean that development of the upper ore drive on the 1110 level of the Alliance South Shoot will be commenced before processing of the Kangaroo Flat tailings is complete. This ore is scheduled for processing following the Black Reef open pit.

Once the Company has developed through Moon's Cross-course it will extend the Union Hill Decline 180 metres to the south and develop two levels (1110mRL and 1090mRL) in the upper area of the Alliance South Shoot to determine the reef grade, assess ground conditions, and determine the most appropriate mining technique for an ongoing operation (Figure 1).

The Alliance South Deposit is hosted with the Eaglehawk Reef at the southern end of the Central Maldon Shear Zone. The deposit contains an Inferred Mineral Resources of 473,000 tonnes grading 12 g/t gold for 182,000 ounces of gold (Figure 2 and Table 1).



End of Union Hill Decline with spiling bars (steel rods) and shotcrete covered concrete arches



LEGEND

- | | |
|---|--|
| ● Drill holes with no significant assay results | - - - Exploration target areas |
| ● Drill holes containing 1 – 5 g-m Au | — Union Hill Decline |
| ● Drill holes containing 5 – 10 g-m Au | — Planned mining development |
| ● Drill holes containing > 10 g-m Au | — Historic mine workings on the Eaglehawk Reef |
| ★ Drill holes containing visible gold intersections | ■ Historic stopes |
| | ■ Supergene zone |

Coloured squares represent holes that intersected old workings

Figure1. Eaglehawk Reef: Longsection illustrating planned development at the Alliance South Shoot

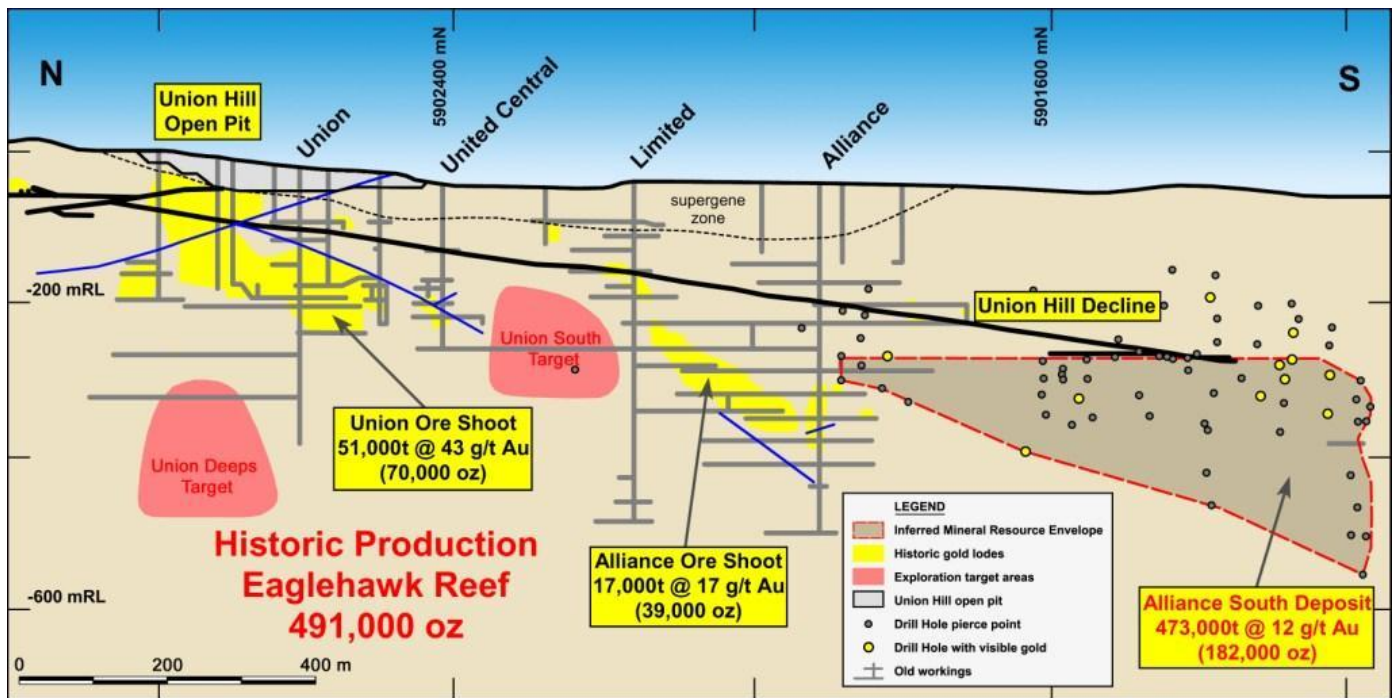


Figure 2. Eaglehawk Reef: Longsection with the Union and Alliance shoots and the Alliance South Deposit

Table 1.
Alliance South Mineral Resource Estimate (October 2009)

Deposit	Location	Estimated Gold Resource and Category								
		Measured			Indicated			Inferred		
		'000t	Au g/t	'000oz	'000t	Au g/t	'000oz	'000t	Au g/t	'000oz
Alliance South	West Zone							287	12	110
	East Zone							186	12	72
Total								473	12	182

Black Reef Gold Mine, Wehla (Ore Processing Octagonal 100%)

In July 2012 Octagonal received regulatory approval to mine a 200,000 tonne trial open pit at Black Reef, Wehla, in an area where a costean returned 14 metres grading 4.6 g/t gold and drilling intersected 5 metres grading 35.4 g/t gold and 5 metres grading 14.9 g/t gold.

The objective of mining this open pit is to better understand the structural controls and “nugget effect” on the distribution of gold mineralization within the Wehla Goldfield to help with the interpretation of drilling results and hopefully justify a larger open pit mining operation in the area.

Mining activity completed at Black Reef during August and September has consisted of construction of a boundary fence, surface grade control trenching and sampling, tree clearing in pit and waste dump areas, removal and stockpiling of soil and sub-soil, marking up of surface ore blocks, bunding of undisturbed vegetation areas, and instillation of erosion controls.

Following the execution of the Kangaroo Flat Tailings Agreement Octagonal has slowed development of the Black Reef open pit such that the pit will be mined and all of the ore processed in one parcel following the completion of processing the Kangaroo Flat tailings.



Surface trenching and grade control sampling



Top soil removed, sub-soil being removed, surface ore blocks in foreground



Construction of open pit bund wall



Barrier mesh being installed in mine area to protect vegetation

Porcupine Flat Gold Processing Plant, Maldon (Octagonal 100%)

Following the successful trial ore processing of Kangaroo Flat tailings and commitment to remove and process all of the flotation concentrate tailings at the Porcupine Flat Gold Processing Plant, Octagonal has been able to fill and schedule ore processing at the mill for the next twelve months based on a day shift only.

Table 2 lists by Quarter forecast milling tonnes, total gold produced, share of gold attributable to Octagonal (pursuant to ore processing agreements), revenue generated from processing third party ore, and total revenue attributed to Octagonal assuming a gold price of A\$1,700.

This table reveals that Octagonal will become cash flow positive in the December Quarter of 2012. During the next twelve months the Company will utilise one third of its milling capacity to produce between 7,160 and 9,640 ounces of gold with between 3,365 and 4,615 ounces of gold attributed to Octagonal. In this same period Octagonal is forecast to receive approximately \$1,860,000 in revenue from processing third party ore, meaning that between gold production and ore processing Octagonal will receive between \$7.9 million and \$9.7 million in revenue and is expected to be cash flow positive throughout this entire period.

Octagonal expects to achieve its stated production target of 30,000 ounces per annum during 2014 when it brings its larger open pit mining operations at Pearl Croydon and Specimen Reef into production. These open pits are expected to have a mine life of at least three years.

Table 2. Porcupine Flat Processing Plant: Forecast Ore Processing to 30 September 2013						
Quarter	Sept. Qtr. 12	Dec. Qtr. 12	Mar. Qtr. 13	Jun. Qtr. 13	Sept. Qtr. 13	TOTAL
Tonnes Processed (t)	7,000	12,000	15,000	13,000	14,000	61,000
Gold Produced (oz)	310 - 370	1,510 - 1,980	1,950 - 2,510	1,640 - 2,210	1,750 - 2,570	7,160 - 9,640
ORS Share of Gold Produced (oz)	135 - 165	610 - 770	860 - 1,080	560 - 720	1,200 - 1,880	3,365 - 4,615
ORS Ore Processing Revenue (A\$)	\$350,000	\$380,000	\$440,000	\$485,000	\$205,000	\$1,860,000
ORS TOTAL REVENUE (Au: A\$1,700)	\$0.3M - \$0.6M	\$1.3M - \$1.7M	\$1.8M - \$2.3M	\$1.2M - \$1.7M	\$3.2M - \$3.4M	\$7.9M - \$9.7M

Ore sources: Kangaroo Flat tailings, A1 Gold Mine, Black Reef Open Pit, Alliance South 1110 level development

Additional information relating to Octagonal and its various mining and 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

Competent Persons Statement

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Anthony Gray. Anthony Gray is a full-time employee of the Company and is a member of the Australian Institute of Geoscientists. Anthony Gray has sufficient experience which is relevant to the style of mineralization and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources for the Alliance South Deposit are based on information evaluated by Mr TG Summons who is a Member of The Australian Institute of Geoscientists (MAIG) and Mr MV McKeown who is a Fellow the Australasian Institute of Mining and Metallurgy (FAusIMM). These people have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and are each qualified to act as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Summons is an associate of Mining One Pty Ltd, and Mr Mc Keown is an employee of Mining One Pty Ltd and they consent to the inclusion in the report of the Mineral Resource in the form and context in which it appears.

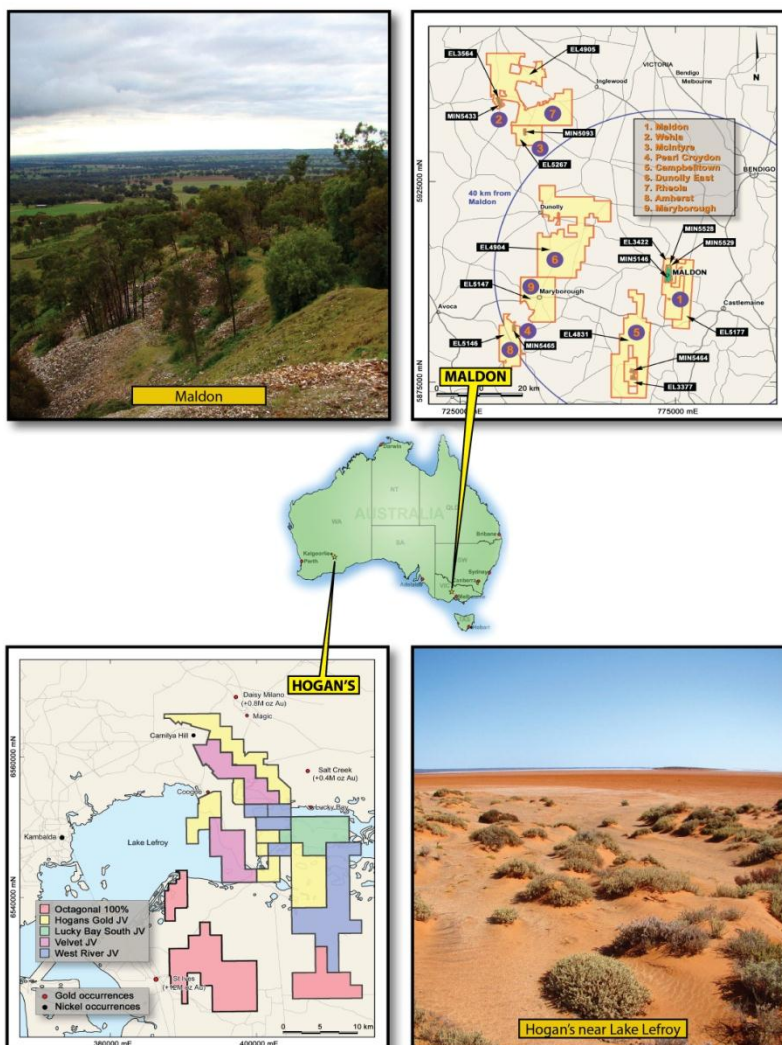
About Octagonal Resources

Octagonal Resources is a gold focused exploration and mining 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 centred at Maldon, the third largest historic primary gold producer in Central Victoria after Bendigo and Ballarat. It is here that Octagonal owns a 150,000 tpa CIL gold processing plant, 245,000 ounces of inferred gold resources and a decline that extends to the undeveloped underground resources. Octagonal commenced underground gold mining operations at Maldon during the final Quarter of 2011.

In Western Australia Octagonal holds a 70+% interest in the Hogan's Project where it is exploring for gold deposits in a highly prospective but underexplored area only 70 kilometres from Kalgoorlie. The gold potential of this emerging gold producing district is demonstrated by the recent exploration and mining success achieved by Silver Lake Resources at the Daisy Milano Mine and Integra Mining at the Salt Creek Mine and Lucky Bay Prospect. Octagonal is exploring priority exploration target areas that display the potential to host a major gold deposit.

Octagonal's corporate strategy is to develop a long term sustainable mining operation in Central Victoria to fund the Company's growth through the discovery and development of major gold deposits.



Octagonal Resources Project Locations