

Octagonal Resources Limited

ABN 38 147 300 418

Half-year Financial Report - 31 December 2012

Octagonal Resources Limited
Corporate directory
31 December 2012

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

Octagonal Resources Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Octagonal Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

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

Ian J Gandel
Anthony Gray
Robert P Tolliday (appointed on 17 January 2013)
Ian C Pamensky (resigned on 17 January 2013)

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$606,900 (31 December 2011: \$836,435).

During the period, Octagonal Resources Limited released its Annual Report for the year ended 30 June 2012. It also released Quarterly Activities Reports to 30 September 2012 and 31 December 2012, with significant events as follows:

Corporate

On 16 November 6,000,000 shares were issued to acquire the remaining approximately 30% equity to take total equity to 100% equity in the Hogan's Project joint venture tenements.

In late November 2012, Ian Pamensky resigned as Finance Manager and Company Secretary and Robert Tolliday was appointed as his replacement.

On 20 December 2012 817,190 unlisted performance rights were issued to employees under the Company's Performance Rights Plan.

Octagonal Resources Limited
Directors' report
31 December 2012

Maldon Gold Operation (Octagonal 100%)

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

The Maldon Gold Operation contains 245,000 ounces of Inferred Mineral Resources hosted in the 182,000 ounce Alliance South Deposit at Maldon, the 53,000 ounce Pearl Croydon Deposit near Amherst and the 10,000 ounce Specimen Reef Deposit near Dunolly (1).

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

During the period, Octagonal announced the following significant matters:

- Open pit mining commenced at the Black Reef near Wehla.
- The Company entered into an agreement with Unity Mining Limited to re-process tailings from the Kangaroo Flat Gold Mine near Bendigo. Following the successful handling and processing of a trial parcel of tailings in September, regular gold production commenced in November.
- Indigenous Land Access Agreements were executed during August for mining licences overlying the Pearl Croydon Deposit near Amherst and Bosun's Deposit near Campbelltown. These tenements were subsequently granted in October.
- High-grade gold mineralization was returned from channel sampling at the historic Nuggetty Reef Mine. These samples indicate the potential for significant remnant ore at the mine.

Hogan's Project (Octagonal 100%)

The Hogan's Project is located 70 kilometres southeast of Kalgoorlie in Western Australia. During the period the following significant matters were announced:

- A nineteen hole reverse circulation drilling program was completed at the Burns Prospect and continued to intersect widespread potentially economic gold, copper and silver. This mineralization has been defined over 120 metres strike length and to 150 vertical metres depth and is open in all directions.
- Up to 100% equity was acquired in the Hogan's Project joint venture tenements.
- The Company was awarded a \$150,000 co-funded drilling grant by the Western Australian Government to help pay for the first diamond drilling program at the Burns Prospect.

(1) Refer to Octagonal Resources Limited 2012 Annual Report for Alliance South, Pearl Croydon & Specimen Reef deposit Mineral Resource Statements

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.

Octagonal Resources Limited
Directors' report
31 December 2012

Events after the reporting period

An event after the reporting period of the consolidated entity was:

- (i) On 17 January 2013, Ian Pamensky resigned as non-executive director of the company and Robert Tolliday was appointed as non-executive director of the company.

No other matter or circumstance has arisen since 31 December 2012 that has significantly altered, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Significant changes in the state of affairs

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

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

Auditor's independence declaration

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

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

On behalf of the directors



Ian J Gandel
Director

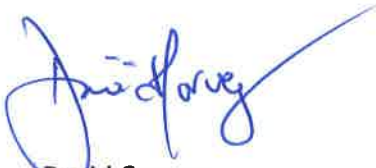
15 March 2013
Melbourne, Victoria

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF OCTAGONAL RESOURCES LIMITED

As lead auditor for the review of Octagonal Resources Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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



David Garvey
Partner

BDO East Coast Partnership

Melbourne, 15 March 2013

Octagonal Resources Limited
Financial report
31 December 2012

Contents

	Page
Financial report	
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	14
Independent auditor's report to the members of Octagonal Resources Limited	15

General information

The financial report covers Octagonal Resources Limited as a consolidated entity consisting of Octagonal Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Octagonal Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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

Suite 3
51-55 City Road
Southbank Victoria 3006

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 15 March 2013. The directors have the power to amend and reissue the financial report.

Octagonal Resources Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

		Consolidated	
		31	31
	Note	December	December
		2012	2011
		\$	\$
Revenue	3	1,309,976	211,115
Other income	4	4,305	-
Expenses			
Corporate administration expense		(200,373)	(167,659)
Employee benefits expense		(277,401)	(166,120)
Marketing expense		(50,209)	(29,285)
Depreciation and amortisation expense		(153,391)	(111,871)
Loss on sale of assets		(163,033)	-
Company secretarial expense		(30,184)	(27,680)
Operating and plant recommissioning expense		(724,468)	(233,735)
Other expenses		<u>(322,122)</u>	<u>(311,200)</u>
Loss before income tax expense		(606,900)	(836,435)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Octagonal Resources Limited		(606,900)	(836,435)
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Octagonal Resources Limited		<u>(606,900)</u>	<u>(836,435)</u>
		Cents	Cents
Basic earnings per share		(0.60)	(0.84)
Diluted earnings per share		(0.60)	(0.84)

Octagonal Resources Limited
Statement of financial position
As at 31 December 2012

	Consolidated	
	31	30
	December	June
	2012	2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,012,627	2,172,930
Trade and other receivables	16,773	286,154
Inventories	97,579	79,591
Other	217,456	134,393
Total current assets	<u>1,344,435</u>	<u>2,673,068</u>
Non-current assets		
Receivables	942,500	992,500
Property, plant and equipment	1,543,604	1,551,672
Exploration and evaluation	19,840,502	17,673,197
Total non-current assets	<u>22,326,606</u>	<u>20,217,369</u>
Total assets	<u>23,671,041</u>	<u>22,890,437</u>
Liabilities		
Current liabilities		
Trade and other payables	432,218	340,819
Borrowings	190,992	-
Employee benefits	104,464	87,731
Total current liabilities	<u>727,674</u>	<u>428,550</u>
Non-current liabilities		
Provisions	1,023,195	1,010,165
Total non-current liabilities	<u>1,023,195</u>	<u>1,010,165</u>
Total liabilities	<u>1,750,869</u>	<u>1,438,715</u>
Net assets	<u>21,920,172</u>	<u>21,451,722</u>
Equity		
Issued capital	19,772,476	18,697,126
Retained profits	<u>2,147,696</u>	<u>2,754,596</u>
Total equity	<u>21,920,172</u>	<u>21,451,722</u>

Octagonal Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Issued capital \$	Retained profits/ (Accumulated losses) \$	Total equity \$
Consolidated			
Balance at 1 July 2011	18,697,126	4,516,284	23,213,410
Loss after income tax expense for the half-year	-	(836,435)	(836,435)
Other comprehensive income for the half-year, net of tax	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the half-year	-	(836,435)	(836,435)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	<u>18,697,126</u>	<u>3,679,849</u>	<u>22,376,975</u>
	Issued capital \$	Retained profits \$	Total equity \$
Consolidated			
Balance at 1 July 2012	18,697,126	2,754,596	21,451,722
Loss after income tax expense for the half-year	-	(606,900)	(606,900)
Other comprehensive income for the half-year, net of tax	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the half-year	-	(606,900)	(606,900)
	<hr/>	<hr/>	<hr/>
<i>Transactions with owners in their capacity as owners:</i>			
Issues of Share on acquisition of tenements, net of transaction costs	1,075,350	-	1,075,350
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	<u>19,772,476</u>	<u>2,147,696</u>	<u>21,920,172</u>

Octagonal Resources Limited
Statement of cash flows
For the half-year ended 31 December 2012

	Consolidated	
	31	31
	December	December
	2012	2011
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,470,698	64,982
Payments to suppliers and employees (inclusive of GST)	<u>(1,305,739)</u>	<u>(888,797)</u>
	164,959	(823,815)
Interest received	<u>35,049</u>	<u>145,196</u>
Net cash from/(used in) operating activities	<u>200,008</u>	<u>(678,619)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(145,323)	(634,026)
Payments for exploration and evaluation	(1,260,338)	(1,412,588)
Withdrawals from term deposits	<u>50,000</u>	<u>10,083</u>
Net cash used in investing activities	<u>(1,355,661)</u>	<u>(2,036,531)</u>
Cash flows from financing activities		
Share issue transaction costs	<u>(4,650)</u>	-
Net cash used in financing activities	<u>(4,650)</u>	-
Net decrease in cash and cash equivalents	(1,160,303)	(2,715,150)
Cash and cash equivalents at the beginning of the financial half-year	<u>2,172,930</u>	<u>7,876,740</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>1,012,627</u></u>	<u><u>5,161,590</u></u>

Octagonal Resources Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Going concern

The consolidated entity incurred a net loss after income tax of \$606,900 for the half year ended 31 December 2012 and had net cash outflows from operating and investing activities of \$1,155,653. These conditions indicate a material uncertainty about the consolidated entity's ability to continue as a going concern. Based on the information below, the directors are satisfied that adequate plans are in place and that the consolidated entity will have positive cash balance through to 31 March 2014. It is the opinion of the Board of Directors that the consolidated entity will be able to continue as a going concern and therefore the basis of preparation is appropriate.

The financial report has been prepared on a going concern basis which assumes the realisation of assets and discharge of liabilities in the normal course of business at the amounts stated in the financial report, for the following reasons:

- At 31 December 2012, the consolidated entity had cash and cash equivalents of \$1,012,627 and had working capital, being current assets less current liabilities, of \$616,761.
- The budgets and forecasts reviewed by the directors for the next eighteen month period ending 30 June 2014 anticipate the business will continue to hold cash and cash equivalents to fund its operations and exploration commitments. The budgets and forecasts have been prepared using a number of assumptions that include:
 - viable development and mining of Black Reef Wehla and Alliance South gold deposits;
 - successful completion of the tailings agreement with Unity Mining Limited; and
 - processing of ore from A1 Consolidated Gold Limited as part of the ore processing agreement.
- Management of the consolidated entity will actively manage the current level of discretionary expenditures in line with the funds available to the consolidated entity.
- Expenditures on the current exploration program and working capital requirements will also be actively managed.
- Should additional funding be required the consolidated entity may attempt future equity capital raising initiatives, however it should be noted that while this source of funding has been used in the past, any future capital raising would be dependent on financial market conditions at the time that any additional equity funds are being sought.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the consolidated entity not continue as a going concern.

Octagonal Resources Limited
Notes to the financial statements
31 December 2012

Note 2. Operating segments

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

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

Note 3. Revenue

	Consolidated	Consolidated
	31	31
	December	December
	2012	2011
	\$	\$
<i>Sales revenue</i>		
Gold & silver sales	-	64,982
Ore processing Income	309,425	-
Agency Income	961,979	-
	<u>1,271,404</u>	<u>64,982</u>
<i>Other revenue</i>		
Interest	35,250	145,951
Other revenue	3,322	182
	<u>38,572</u>	<u>146,133</u>
Revenue	<u>1,309,976</u>	<u>211,115</u>

Note 4. Other income

	Consolidated	Consolidated
	31	31
	December	December
	2012	2011
	\$	\$
Fuel tax credits	<u>4,305</u>	<u>-</u>

Note 5. Equity - dividends

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

Octagonal Resources Limited
Notes to the financial statements
31 December 2012

Note 6. Events after the reporting period

An event after the reporting period of the consolidated entity:

(i) On 17 January 2013, Ian Pamensky resigned as non-executive director of the company and Robert Tolliday was appointed as non-executive director of the company.

No other matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Octagonal Resources Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Ian Gandel', written in a cursive style.

Ian J Gandel
Director

15 March 2013
Melbourne, Victoria



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Octagonal Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Octagonal Resources Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Octagonal Resources Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Octagonal Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 "Going concern" in the financial report, which indicates that the consolidated entity incurred a net loss of \$606,900 during the half-year ended 31 December 2012 and had net cash outflows from operating and investing activities of \$1,155,653. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO East Coast Partnership

A handwritten signature in blue ink that reads 'David Garvey'. Above the signature, the letters 'BDO' are written in a similar blue ink.

David Garvey

Partner

Melbourne, 15 March 2013