



A1 Consolidated Gold Ltd

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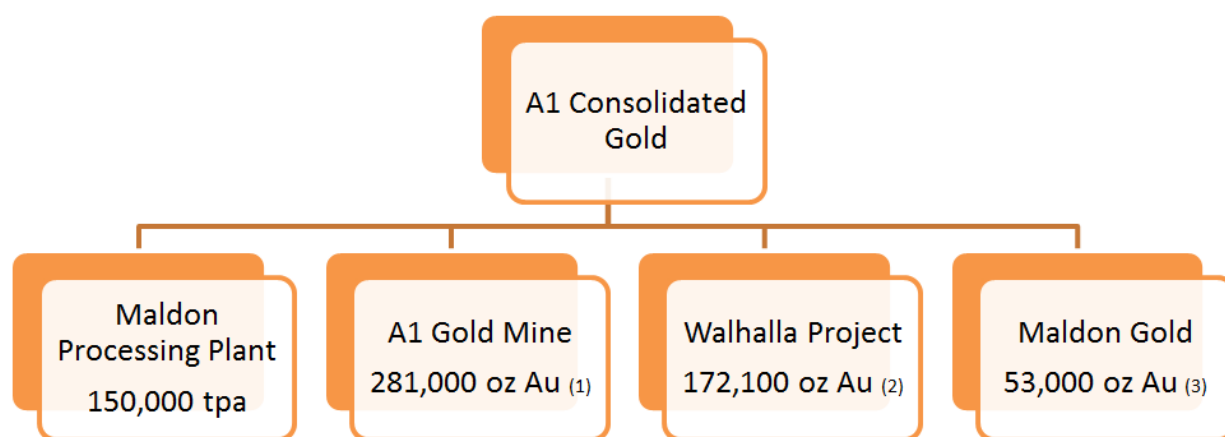
22 February 2016

Dear Shareholder,

On behalf of the Board of A1 Consolidated Gold Limited (**A1 Gold** or **Company**) I would like to welcome you as a new shareholder in our Company.

Your becoming a shareholder in A1 Gold is the result of the implementation of a Scheme of Arrangement (**Scheme**) by Octagonal Resources Limited (**Octagonal**) and had its genesis in June 2015, when Octagonal shareholders approved the sale of the Maldon Gold Operation to A1 Gold.

Central to A1 Gold's strategy was the securing of the Maldon gold processing plant with a view to it becoming the processing hub to multi-sourced production in the Victorian Goldfields.



Since acquiring the Maldon Gold Operation, A1 Gold has upgraded the gold processing plant, including the installation of a gravity circuit, and undertaken repairs to the crushing and grinding circuits.

Batch processing of stockpiled ore at the Maldon gold processing plant in the second half of 2015 demonstrated that, with the modifications, the plant operates to design.

The A1 Gold Mine has a total mineral resource of 1,420,000 tonnes grading 6.2 g/t Au for 281,200 ounces of gold (refer to the Resources and Reserves Statement in the Company's 2015 Annual Report released to the ASX on 30 September 2015)⁽¹⁾. This Mineral Resource is hosted by a quartz stockwork zone (**1400 Stockwork Zone**) in a mafic dyke bulge and is amenable to underground bulk tonnage mining techniques. The A1 Gold Mine is fully permitted for gold production.

Since the appointment of PYBAR, an experienced Australian underground mining contractor, in January 2016, decline work to access the 1400 Stockwork Zone is progressing as planned and on schedule to access the ore in the first quarter of 2016.

The Company is aiming to produce 30,000 ounces of gold per annum at C3 cash costs of around A\$850 per ounce (refer to the Company's ASX announcement dated 13 January 2015 for full details of the Updated Scoping Study)⁽⁴⁾.

With recent increases in the spot price of gold to more than A\$1,650 per ounce, the implied project economics of this operation are very attractive.

In addition to bringing the A1 Gold Mine into production, the Company has a budgeted \$1.2m exploration program designed to build on the resource inventory at the A1 Gold Mine, Maldon and Walhalla. A priority will be to drill out the



inferred resources at A1 Gold Mine with the aim of extending the mine life from 3 years to 6 years and beyond. As cash reserves increase, we intend to build on the Maldon knowledge base by conducting studies to understand past difficulties with a view to developing a clear plan to add additional gold production.

On the implementation of the Scheme, A1 Gold's shareholder base will increase from circa 400 shareholders to circa 1,000 shareholders and with it the potential to improve liquidity and price discovery. A1 Gold is pleased to welcome all ex-Octagonal shareholders and, in particular, new major shareholder Ian Gandel, who together with A1 Gold's existing major stakeholder Andrew Forrest (through Squadron Resources Pty Ltd) are keen for A1 Gold to build itself into a significant gold producer.

With the cashflow from the A1 Gold Mine anticipated to commence in April/May 2016, A1 Gold is looking forward to positioning itself as a debt free, multi-mine producer generating sufficient free cash to be able to expand production and pay dividends.

For further information about A1 Gold, you can visit our website at www.a1consolidated.com.au, view our ASX announcements at www.asx.com.au (ASX ticker code: AYC), or call me on 0427 494 644.

I look forward to your support of A1 Gold as we enter an exciting period of our Company's development in the transition to commercial gold production at the A1 Gold Mine in the coming weeks.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Dennis Clark', is written over a horizontal line.

Dennis Clark
Managing Director
A1 Consolidated Gold Limited

1. Refer to AYC ASX Announcement dated 12 May 2014. The Company is not aware of any new information or data that materially affects the information provided in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.
2. Refer to ORN ASX Announcement dated 31 January 2014. The Company is not aware of any new information or data that materially affects the information provided in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.
3. Refer to ORS ASX Announcement dated 20 January 2014. The Company is not aware of any new information or data that materially affects the information provided in the previous announcement and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.
4. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Scoping Study information referred to in this letter 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. This production target equates to 67% of the JORC Code 2012 compliant Mineral Resource Estimate between the 1420 RL and the 1310 RL and is made up of approximately 37% Indicated Mineral Resource and 63% Inferred Mineral Resource. During the critical first 2 years, 42% of production is from Indicated Mineral Resources.