



A1 Consolidated Gold

ASX Release – 9th February 2015

Early Management Control of the Maldon Gold Operations

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:

266,683,538 Ordinary Shares
134,494,407 Listed Options
9,000,000 Executive Options

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A1 Consolidated Gold Limited (ASX:AYC) (**A1 Consolidated Gold** or the **Company**) is pleased to announce that the Company has commenced management of the Maldon Gold Operations.

A1 Consolidated Gold announced on 29 December 2014 that the Company has executed a Share Sale Agreement with Octagonal Resources Limited (ASX:ORS) (**Octagonal**) to acquire Octagonal's Victorian assets, which includes a fully permitted 150,000 tpa gold processing facility at Maldon.

The Company and Octagonal have entered into a Management Agreement and Deed of Variation to the Share Sale Agreement, whereby A1 Consolidated Gold has taken management control of the Maldon Gold Operations whilst both companies work towards completion of the Share Sale Agreement, which is expected to occur in late March 2015.

Highlights:

- ❖ **Early Gold Production and Cash Flow**
- ❖ **Narrow Vein Mining Commences**
 - Airleg mining begins at the Alliance South Deposit in Maldon
 - High grade ore available for immediate mining
 - No capital development required
- ❖ **Improvements to Maldon Treatment Plant**
 - Planned pre-operational maintenance
 - Installation of Gravity Circuit
 - Upgrade of security system
- ❖ **Ore Stockpiled Ready for Treatment**
 - Alliance South development ore crushed and ready for treatment
 - Revenue to offset cost of mill improvements
- ❖ **Placement of further \$300,000**
 - A Company associated with Mr Ian Gandel, the Chairman of Octagonal, has agreed to subscribe for \$300,000 of AYC shares at 3.0 cents per share



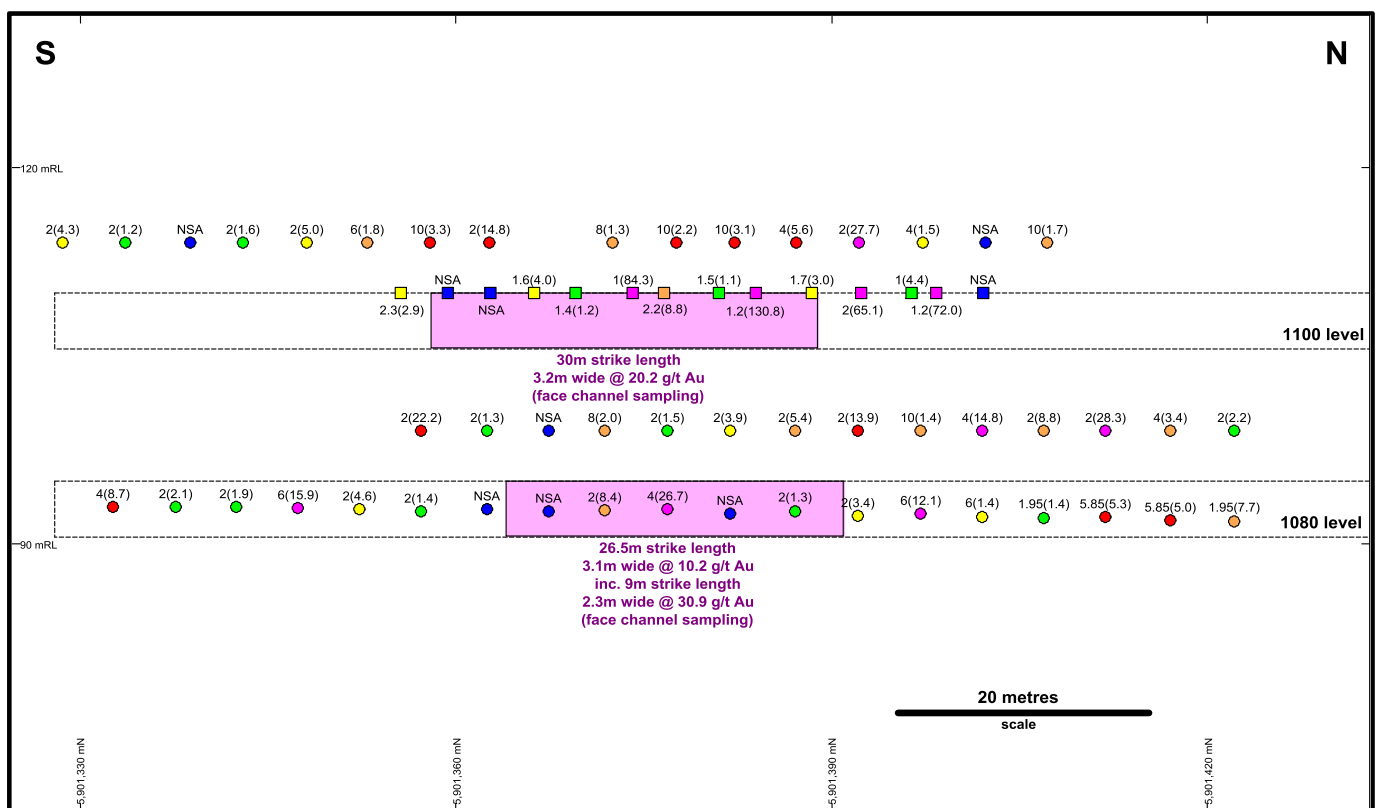


Narrow Vein Mining Commences at Maldon Gold Operations

The Company has commenced narrow vein mining of the Alliance South Deposit in Maldon. The reef structures have been strike developed and high-grade gold shoots identified by face and back (roof) sampling (refer to Octagonal ASX Announcement dated 15 January 2015).

A1 Consolidated Gold plans to narrow vein mine the high-grade gold shoots on both the 1100 and 1080 levels by conventional airleg stoping methods, thereby maximising grade and minimising dilution.

Figure 1. Western Reef: Long-section showing the position of ore shoots intersected in level development (from Octagonal ASX Announcement dated 15 January 2015)



Legend-

Purple polygons: high-grade ore shoots defined by face channel sampling of 1080 and 1100 levels

Dots: sludge hole drilling results

Squares: backs (roof) channel sampling results

Blue: no significant assay result

Green: 1 – 5 g-m Au

Yellow: 5 – 10 g-m Au

Orange: 10 – 20 g-m Au

Red: 20 – 50 g-m Au

Purple: > 50 g-m Au

4(26.7) denotes 4 metres grading 26.7 g/t Au

NSA denotes no significant assay result





Improvements to Maldon Treatment Plant

Prior to re-commencing full time gold processing operations at the Maldon Treatment Plant, A1 Consolidated Gold is commencing an improvement and maintenance program focussing on repairs to the grinding circuit, installation of a gravity circuit, and upgrade of the site security system. This program will take 3 to 4 weeks to complete and is expected to cost \$300,000.

A detailed engineering review of the Maldon Treatment Plant, to identify capital investment requirements, has recommended the replacement of the mill trunnion and pinion bearings prior to the commencement of milling operations. The necessary maintenance parts and bearings have already been purchased by Octagonal and are in store on site at Maldon. A specialist engineering contractor has been engaged to complete the required work and will commence this week.

A1 Consolidated Gold owns a gravity circuit that was custom built in 2013 to suit the Maldon Treatment Plant. This Gravity Circuit has previously been fitted to the Maldon Treatment Plant and will be re-installed concurrently with the planned maintenance activities.

A detailed report on the site security at the Maldon Treatment Plant has identified a number of recommended improvements for the operation. The Company has reviewed these recommendations and intends to implement a number of the recommendations prior to recommencing gold production.

Ore Stockpiled Ready for Treatment

A 5,200 tonne stockpile of development ore from the 1080 level of the Alliance South Deposit is crushed and available for immediate processing at the Maldon Treatment Plant. Octagonal have estimated this stockpile to grade 4.7 g/t Au, based on uncut face channel sample results (refer to Octagonal ASX Announcement dated 30 January 2015), however due to unresolved reconciliation issues between underground face channel sampling results and gold recovered from the mill (refer to Octagonal ASX Announcement dated 23 October 2014), investors should be cautious of the estimated stockpile grade. Ore processing is required to determine the actual grade of the stockpile.

As the stockpile has already been mined, hauled to the mill, and primary crushed the only expense to A1 Consolidated Gold are the ore processing and refining costs. These costs are not excessive and de-risk the processing of the stockpile. Further, only \$20,000 worth of ore processing consumables must be purchased before ore processing can commence, with over \$70,000 worth of ore processing consumables already available for use at the mill.

A1 Consolidated Gold intends to commence processing this stockpile, and ore mined from the Alliance South Deposit, immediately upon completion of the mill improvement and maintenance program discussed above. This will be a significant milestone for the Company as it transforms from a gold miner into a gold producer. And importantly, by taking early management control of the Maldon Gold Operations, A1 Consolidated Gold is able to generate revenue to pay for its mining activities two months earlier than contemplated under the original Share Sale Agreement.





Figure 2. A1 Consolidated Gravity Circuit



Placement

A Company associated with Mr Ian Gandel, the Chairman of Octagonal, has agreed to subscribe for 10,000,000 ordinary shares in A1 Consolidated Gold at 3.0 cents per share to raise \$300,000. In conjunction with this placement the Company will also issue 3,333,333 listed options (ASX:AYCO). The options are exercisable at 3.0 cents with an expiry date of 30 November 2019.

After the allotment of the above securities, the Company has the following listed securities on issue:

Fully Paid Ordinary Shares: 276,683,539

Listed Options exercisable at \$0.03 on or before 30 November 2019: 137,827,740

The shares issued under the placement were issued pursuant to the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Company continues to have ongoing discussions in relation to placing the balance of the fundraising required to proceed with completion of the acquisition of Octagonal's Maldon Gold Operations.





Management Agreement and Deed of Variation to Share Sale Agreement

Under the terms of the Management Agreement and Deed of Variation to Share Sale Agreement, pending completion of the Share Sale Agreement, A1 Consolidated Gold will take operational control of the Maldon Gold Operations and use the assets and receive the business revenue in consideration for the Company agreeing to pay the business expenses.

A1 Consolidated Gold and Octagonal have agreed on an approved mining plan for the Maldon Gold Operation that consists of:

- Improvements to the Maldon Treatment Plant;
- Airleg mining of ore from the Alliance South Deposit while the mill is being improved;
- Processing the 5,200 tonne stockpile of ore already crushed at the mill; and
- Processing airleg mined ore from the Alliance South Deposit.

Upon taking control of the Maldon Gold Operations A1 Consolidated Gold must deposit \$300,000 into the Maldon bank account for the purpose of meeting business expenses. A second deposit of \$150,000 is required once the balance of the account is reduced below \$150,000.

Once sale completion occurs A1 Consolidated Gold will receive all funds from deposits and revenue from gold produced by the Maldon Gold Operations.

If sale completion does not occur:

1. If business revenue does not exceed the cost of improvements to the Maldon Treatment Plant, Octagonal will reimburse A1 Consolidated Gold for the cost of improvements to the Maldon Treatment Plant up to \$300,000;
2. If business revenue does not exceed business expenses, but exceeds the cost of improvements to the Maldon Treatment Plant, A1 Consolidated Gold will receive the business revenue; and
3. If business revenue exceeds business expenses (i.e. a profit is generated) A1 Consolidated Gold is reimbursed all of its business expenses (including the cost of improvements to the Maldon Treatment Plant) and the profit is split 50/50 between A1 Consolidated Gold and Octagonal.

If the Share Sale Agreement is terminated and sale completion does not occur, either company may terminate the Management Agreement.

The Deed of Variation to the Share Sale Agreement amends certain clauses in the Share Sale Agreement to reflect that the companies have entered into the Management Agreement.





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. The Company has a further mineral tenement 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.

As announced on 29 August 2014, the Company has entered into an option agreement with Orion Gold NL (ASX:ORN) to acquire Orion Gold's Walhalla tenements.

As announced on 29 December 2014, the Company has executed a Share Sale Agreement with Octagonal Resources Limited (ASX:ORS) to acquire Octagonal's Victorian assets, which includes a fully permitted 150,000 tpa gold processing facility at Maldon.

Figure 3: Location of Projects





Competent Person Statements

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves at the Maldon Gold Operations 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 Octagonal Resources Limited. 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.

