

**30 January 2015**

No. of Pages: 24

**ASX CODE: ORS**

Market Cap.: \$2.98 m (\$0.012 p/s)

Shares on issue: 248,331,672

Cash: \$1.34m (31 December 2014)

Debt: \$0.0 m (31 December 2014)

**BOARD & MANAGEMENT**

Ian Gandel, Chairman

Anthony Gray, Managing Director

Bob Tolliday, Director

**MAJOR SHAREHOLDERS**

Abbotsleigh – 41.1%

Alliance Resources – 8.9%

**PRINCIPAL OFFICE**

Octagonal Resources Limited

ABN 38 147 300 418

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## **QUARTERLY REPORT - FOR THE PERIOD ENDED** **31 DECEMBER 2014**

### **DETAILS OF ANNOUNCEMENT**

- Quarterly Activity Report for the period ending 31 December 2014 (18 pages)
- Appendix 5B for the period ending 31 December 2014 (5 pages)

For and on behalf of the Board.

**Bob Tolliday**

**Company Secretary**  
**OCTAGONAL RESOURCES LIMITED**

Additional information relating to Octagonal and its various mining and exploration projects can be found on the Company's website:

[www.octagonalresources.com.au](http://www.octagonalresources.com.au)

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## **Quarterly Report for the period ended** **31 December 2014**

### **Highlights**

#### **Corporate**

- ▶ **Non-renounceable rights issue raises \$1.02 million, with shortfall of \$1.18 million to be placed by 13 February 2015**

#### **Victoria**

- ▶ **Octagonal agrees to sell Maldon Gold Operation to A1 Consolidated Gold Limited (ASX: AYC) for \$5.09 million in A1 Gold shares & 1:3 options (exercisable at 3.0 cents)**
- ▶ **Southern development on 1080 level at the Alliance South Deposit complete**
- ▶ **Face channel sampling of reefs on 1080 level return 26.5 metres strike length grading 10.2 g/t Au over 3.1 metres width and 12 metres strike length grading 15.6 g/t Au over 1.7 metres width**
- ▶ **Sludge hole drilling into Western Reef from 1100 & 1080 levels continues to intersect high-grade gold including**
  - 2 metres grading 27.7 g/t Au
  - 2 metres grading 14.8 g/t Au
  - 6 metres grading 15.9 g/t Au
  - 2 metres grading 22.2 g/t Au
  - 4 metres grading 26.7 g/t Au
  - 6 metres grading 12.1 g/t Au
  - 4 metres grading 14.8 g/t Au
  - 2 metres grading 28.3 g/t Au

#### **Western Australia**

- ▶ **Company continues process of target prioritisation, tenement consolidation, & cost reduction**

## **Summary**

During the December quarter Octagonal agreed to sell the Maldon Gold Operation (including all of the Company's Victorian mining, ore processing, and exploration assets) to A1 Consolidated Gold Limited ("A1 Gold") (ASX: AYC) for \$5.09 million in A1 Gold shares and 1:3 A1 Gold options (exercisable at 3.0 cents).

The Company's activities in Victoria focussed on development of the 1080 level of the Alliance South Deposit at Maldon. 133 metres of reef development was achieved to define two areas of high-grade gold associated with the Eaglehawk and Western reefs. At the northern end, near the cross-cut, face channel sampling returned 12 metres of reef grading 15.6 g/t Au over 1.7 metres width from the Eaglehawk Reef while sludge hole drilling defined 18 metres of reef grading 4.4 g/t Au over 5.85 metres width associated with the Western Reef.

Twenty metres further to the south face channel sampling returned 26.5 metres of reef grading 10.2 g/t Au over 3.1 metres width, including 9 metres of reef grading 30.9 g/t Au over 2.3 metres width, associated with the Western Reef.

53 sludge holes drilled into the west wall of the 1080 and 1100 levels to better define the distribution of high-grade gold associated with the Western Reef returned significant results including 2 metres grading 27.7 g/t Au, 2 metres grading 14.8 g/t Au, 6 metres grading 15.9 g/t Au, 2 metres grading 22.2 g/t Au, 4 metres grading 26.7 g/t Au, 6 metres grading 12.1 g/t Au, 4 metres grading 14.8 g/t Au, and 2 metres grading 28.3 g/t Au, while backs channel sampling of the Western Reef on the 1100 level returned 28.4 metres strike length of reef grading 41.4 g/t Au over 1.5 metres width and confirmed previous face channel sampling results in the same area of 30 metres strike length of reef grading 20.2 g/t Au over 3.2 metres width.

Ore processing remained on hold while the Company developed the 1080 level of the Alliance South Deposit and completed discussions with A1 Gold to sell the Maldon Gold Operation.

Ore stockpiled from the 1080 level of the Alliance South Deposit totalled 4,800 tonnes grading 4.7 g/t Au (estimated from uncut face channel sample results). This consisted of 1,080 tonnes grading 10.3 g/t Au (uncut) and 3,720 tonnes grading 3.1 g/t Au (uncut). Due to unresolved reconciliation issues between underground face channel sampling results and gold recovered from the mill (refer to 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.

No exploration work was completed in Victoria or Western Australia.

In Western Australia work continued on target prioritisation, tenement consolidation, and cost reduction. Following the surrender of four exploration licences, Octagonal's annual tenement expenditure commitment was reduced to \$109,000, with the Company to focus exploration on the high-priority Burns copper-gold Prospect. Other priority exploration target areas retained in Western Australia include the Quimby gold Prospect, the Lisa's Dune nickel sulphide Prospect, and the Yalca Hill nickel sulphide Prospect.

Work planned for the March 2015 quarter includes:

- ▶ Settlement of the Maldon Gold Operation Share Sale Agreement;
- ▶ In-specie distribution of A1 Gold shares and options to Octagonal shareholders;
- ▶ Application for a Western Australian State Government co-funded drilling grant (Round 11 opening in February 2015) to advance exploration at the Burns Prospect; and
- ▶ Continued review of historic exploration data from the Lisa's Dune and Yalca Hill nickel sulphide targets.

## **Safety & Environment**

No medically treated injuries (MTIs) or lost time injuries (LTIs) were recorded during the reporting period. There were no reportable environmental incidents.

## **Maldon Gold Operation - Victoria (100% Octagonal)**

### ***Background***

The Company's Victorian operations are based 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 tonne per annum CIL gold processing plant and a decline that extends to the Alliance South Deposit

During the reporting period Octagonal agreed to sell the Maldon Gold Operation to A1 Consolidated Gold Limited ("A1 Gold") (ASX: AYC). A Share Sale Agreement to effect this transaction was executed on 24 December 2014, with settlement expected during March 2015. Details of the transaction are provided in the Corporate Section of this report.

### ***Operations***

#### ***Union Hill Mine, Maldon (100% Octagonal)***

During the quarter development of the Eaglehawk and Western reefs to the south on the 1080 level of the Alliance South Deposit was complete to the southern end of the deposit (Figures 1 and 2).

133 metres of reef development was achieved, with 29 metres advanced to the north and 104 metres advanced to the south.

At the end of November mining reverted from a four day per week double shift roster to a four day per week single shift roster to conserve funds following the agreement to sell the Maldon Gold Operation to A1 Gold. This change in roster resulted in the layoff of three contractors and one employee.

Development of the 1080 level has defined two areas of high-grade gold associated with the Eaglehawk and Western reefs (Figure 2). At the northern end, near the cross-cut, face channel sampling returned 12 metres of reef grading 15.6 g/t Au over 1.7 metres width from the Eaglehawk Reef while sludge hole drilling defined 18 metres of reef grading 4.4 g/t Au over 5.85 metres width associated with the Western Reef (refer to ASX Announcement dated 11 November 2014).

Twenty metres further to the south face channel sampling returned 26.5 metres of reef grading 10.2 g/t Au over 3.1 metres width, including 9 metres of reef grading 30.9 g/t Au over 2.3 metres width, associated with the Western Reef (refer to ASX Announcement dated 15 January 2015).

During and following the completion of mine development on the 1080 level a total of 53 sludge holes, for 241 samples, were drilled into the west wall of the 1080 and 1100 levels to better define the distribution of high-grade gold associated with the Western Reef (refer to ASX Announcement dated 15 January 2015).

The sludge holes were designed to test 90 metres strike length of reef with approximately 5 metre spaced holes (Figure 3). On the 1080 level two holes were drilled on each traverse, with one oriented horizontal and the second at a 40 degree inclination, whereas on the 1100 level only one hole was drilled on each traverse at a 40 degree inclination because the area had been previously tested with horizontal sludge holes (refer to ASX Announcement dated 13 March 2014).



This work has continued to intersect high-grade gold associated with the Western Reef with significant results including:

- 2 metres grading 27.7 g/t Au
- 2 metres grading 14.8 g/t Au
- 6 metres grading 15.9 g/t Au
- 2 metres grading 22.2 g/t Au
- 4 metres grading 26.7 g/t Au
- 6 metres grading 12.1 g/t Au
- 4 metres grading 14.8 g/t Au
- 2 metres grading 28.3 g/t Au

All assay results from this drilling are plotted in longsection on Figure 3.

Face channel sampling results collected from mine development of the Western Reef on the 1100 level consistently returned high-grade gold associated with a very discrete quartz reef structure, with the assay results from twelve mining faces defining 30 metres strike length of reef grading 20.2 g/t Au over 3.2 metres width (Figure 4) (refer to ASX Announcement dated 30 July 2014).

To confirm this result and test the effect of mining dilution on high-grade reef development 20 channel samples were collected from 14 lines run across the Western Reef in the backs (roof) of the 1100 level (refer to ASX Announcement dated 15 January 2015).

The results of this sampling returned 28.4 metres strike length of reef grading 41.4 g/t Au over 1.5 metres width and supports the previous face channel sampling results (Figure 4).

The displacement between face and backs channel sample results suggest the potential for flat south-plunging (possibly lithologically controlled) micro-shoots, while the higher grades returned over narrower intervals confirm the need to minimise mining dilution at this deposit.

Underground mining at the Alliance South Deposit concluded on 18 December 2014 and is not expected to resume until A1 Gold take control of the mining operation. The Company is currently in discussions with A1 Gold to facilitate an early change in management control of the Maldon Gold Operation.

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

No ore was processed during the quarter while the Company developed the 1080 level of the Alliance South Deposit and completed discussions with A1 Gold to sell the Maldon Gold Operation.

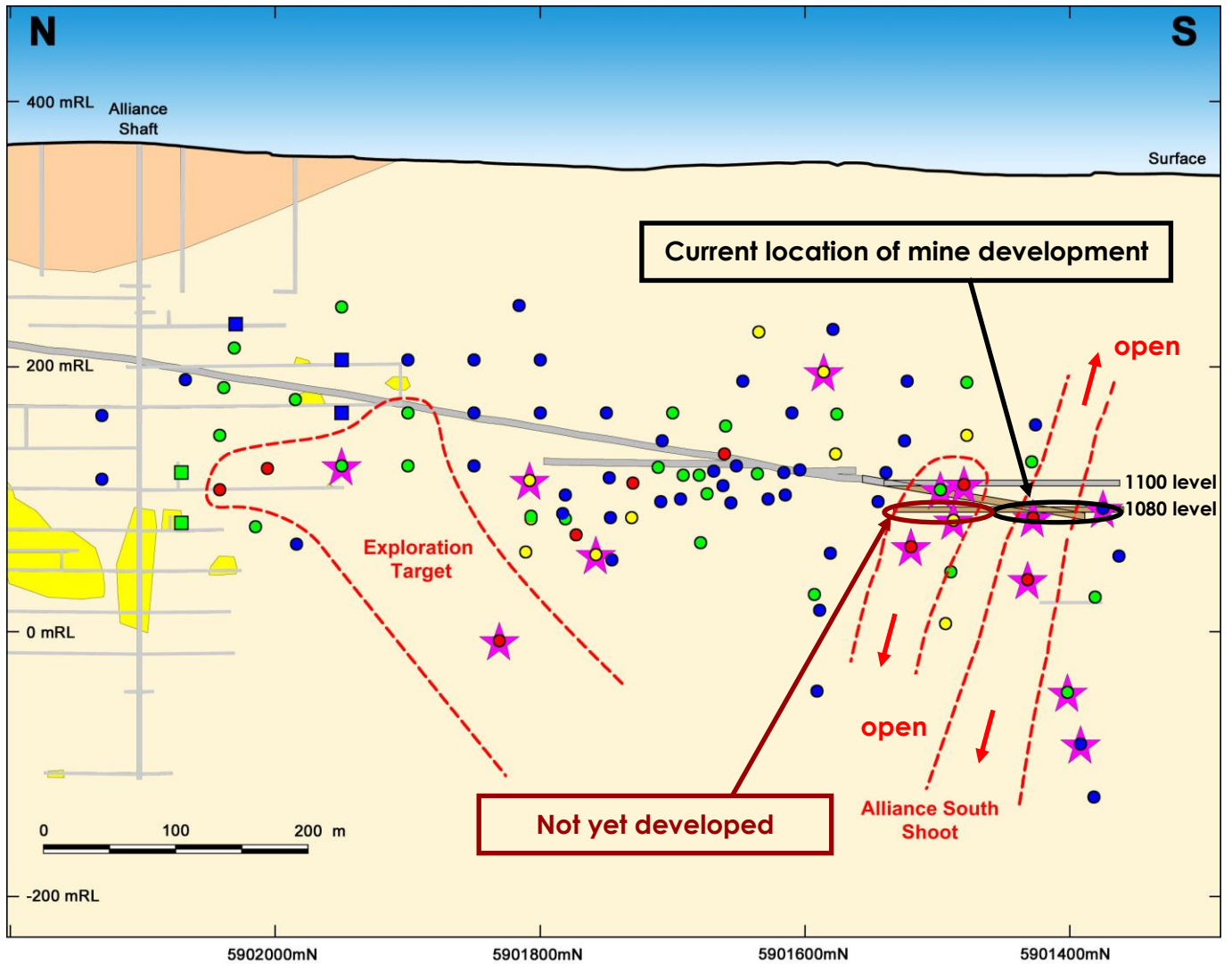
Ore stockpiled from the 1080 level of the Alliance South Deposit totalled 4,800 tonnes grading 4.7 g/t Au (estimated from uncut face channel sample results). This consisted of 1,080 tonnes grading 10.3 g/t Au (uncut) and 3,720 tonnes grading 3.1 g/t Au (uncut). Due to previously unresolved reconciliation issues between underground face channel sampling results and gold recovered from the mill (refer to 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.

65 ounces of refined gold was produced from gold in circuit and sold achieving an average gold price of A\$1,378/oz.

During the shutdown period contractors have been stood down and staff have either completed mill maintenance, been re-deployed to the mine, or taken leave (the shutdown effects three employees).

### ***Exploration***

No exploration work was completed in Victoria during the reporting period.



#### 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

Figure 1: Eaglehawk Reef: Longsection showing position of Union Hill decline relative to the Alliance South Shoot, planned mine development, and interpreted ore shoots

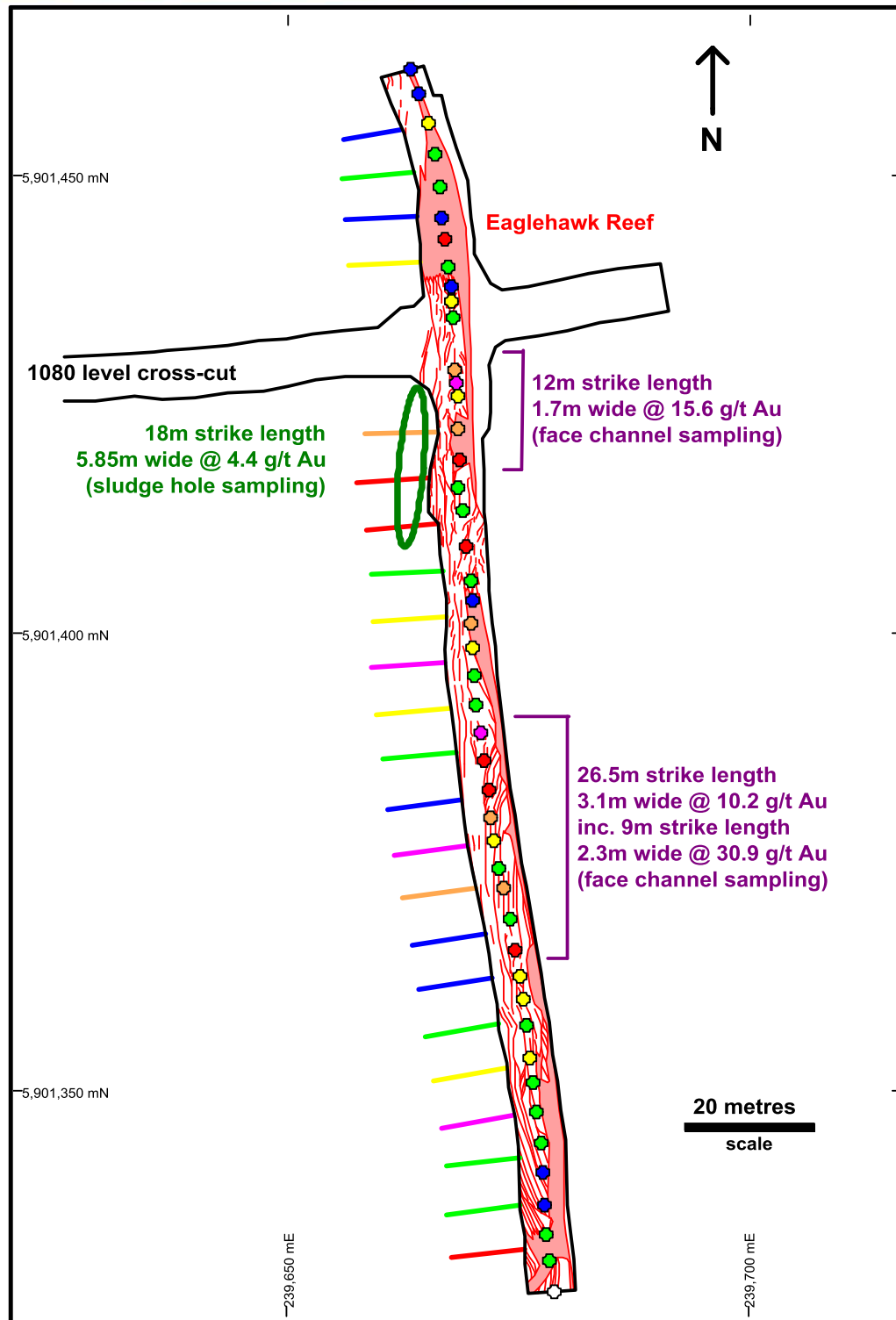


Figure 2: Plan of 1080 level reef development with diluted horizontal sludge hole sample assay results and undiluted face channel sample assay results

**Legend-**  
 Dots: face channel samples  
 Horizontal lines: sludge holes  
 White: awaiting assay result  
 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  
 Red lines: quartz reef and spurry veins

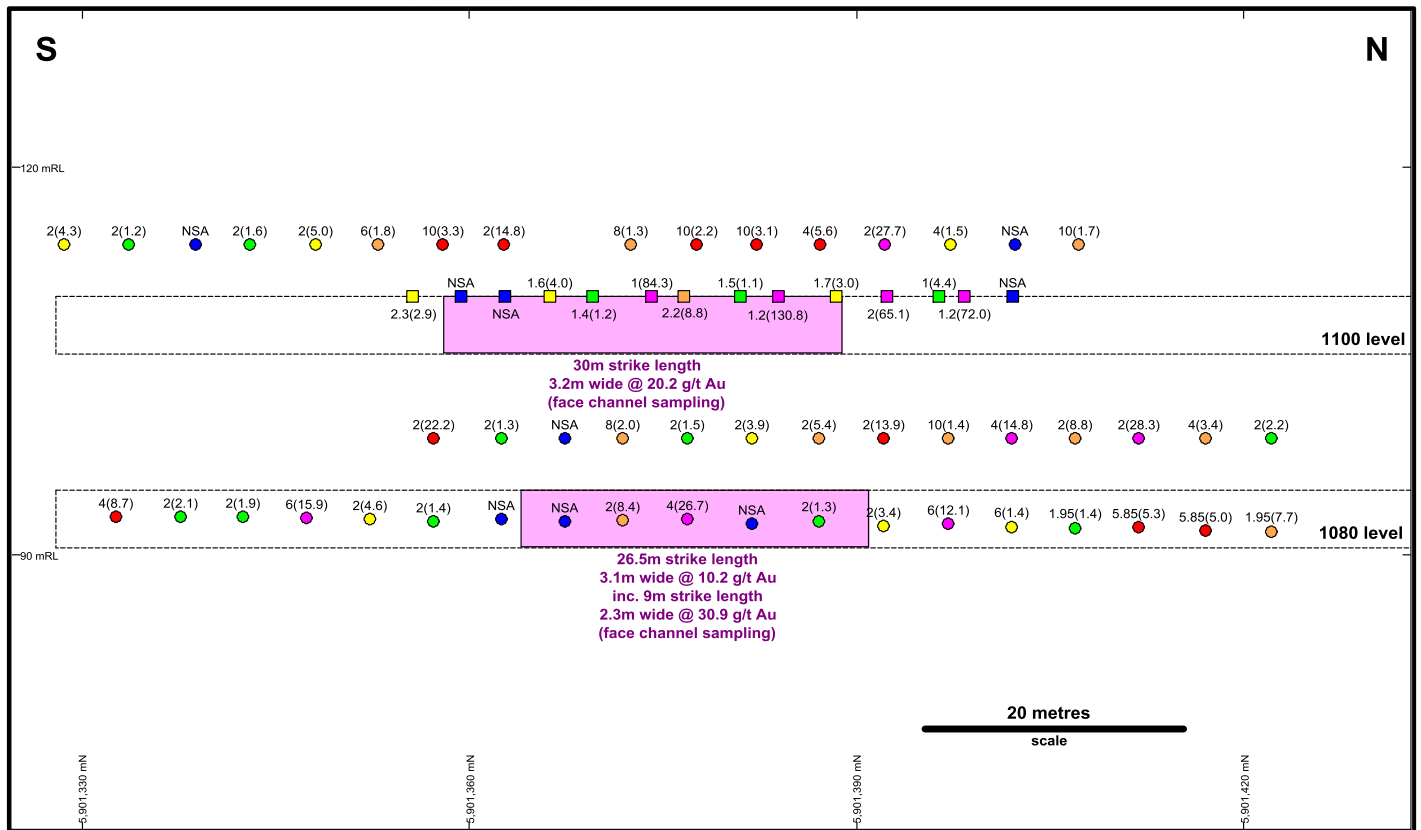


Figure 3: Western Reef: Longsection showing the position of ore shoots intersected in level development with sludge hole drilling results and 1100 level backs (roof) channel sampling results

**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



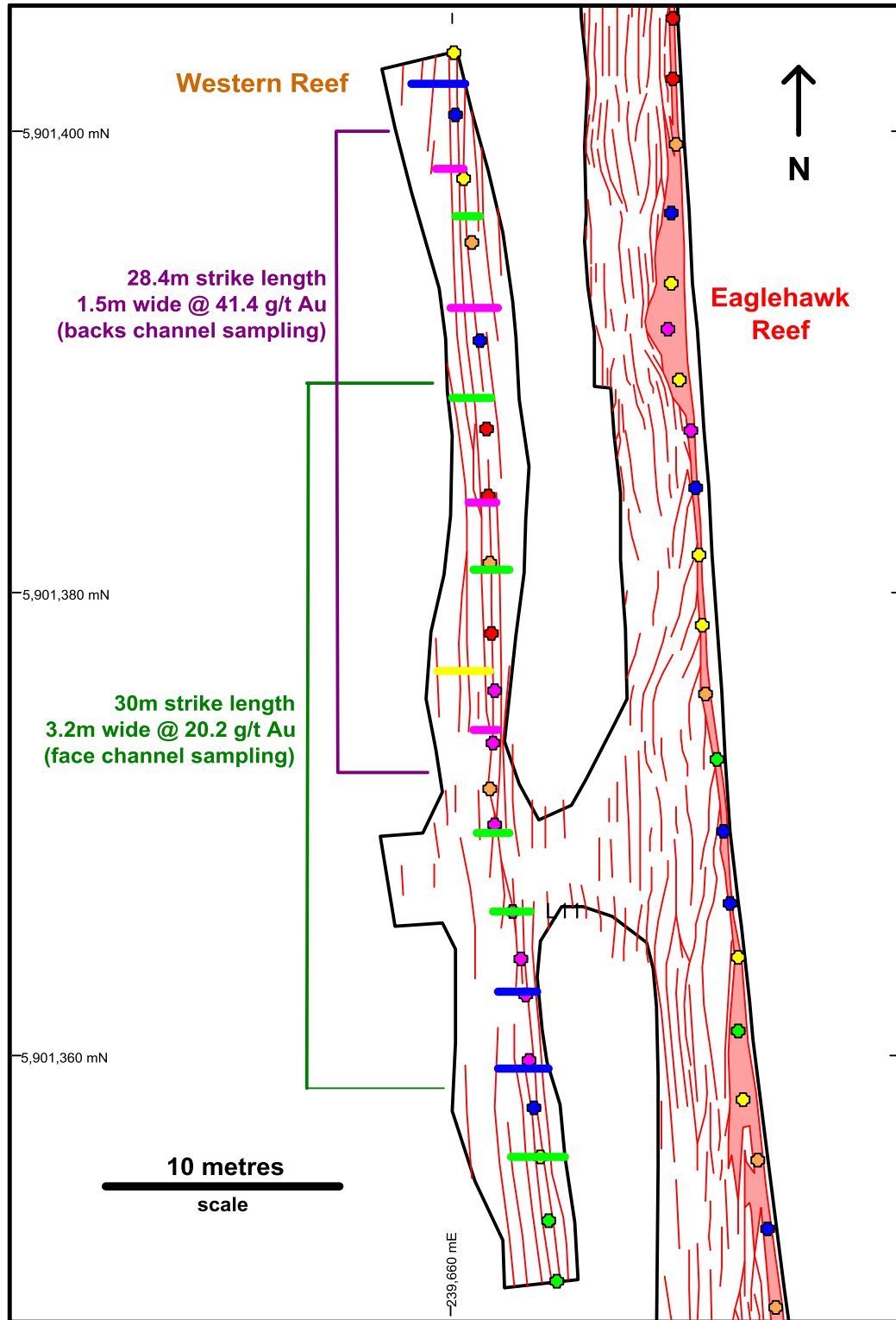


Figure 4: Plan of Western Reef on 1100 level with undiluted backs (roof) and face channel sample assay results

**Legend-**

Lines: backs (roof) channel samples

Dots: face channel samples

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

Red lines: quartz reef and spurry veins

## **Hogan's Project - Western Australia (100% Octagonal)**

### ***Background***

In Western Australia Octagonal holds 100% equity in the Hogan's Project where it is exploring beneath transported cover for gold, copper-gold, and nickel sulphide deposits in a highly prospective but underexplored area only 70 kilometres southeast of Kalgoorlie and 20 kilometres east of the world-class St Ives Goldfield (+13M oz Au) and Kambalda Nickel District (+1.4Mt Ni).

### ***Exploration***

No exploration work was completed during the reporting period as the Company continued to focus on cost reduction.

Three exploration licences (E15/1125, E15/1315, and E25/457) were surrendered during the Quarter, and exploration licence E26/108 was surrendered during January 2015, reducing the Company's annual tenement expenditure commitment in Western Australia to \$109,000.

The four exploration licences that remain within Octagonal's Western Australian tenement portfolio include the high-priority Burns copper-gold Prospect, the Quimby gold Prospect, the Lisa's Dune nickel sulphide Prospect, and the Yalca Hill nickel sulphide Prospect (Figure 5).

A summary of the exploration potential each of these four prospects is provided in the following sections.

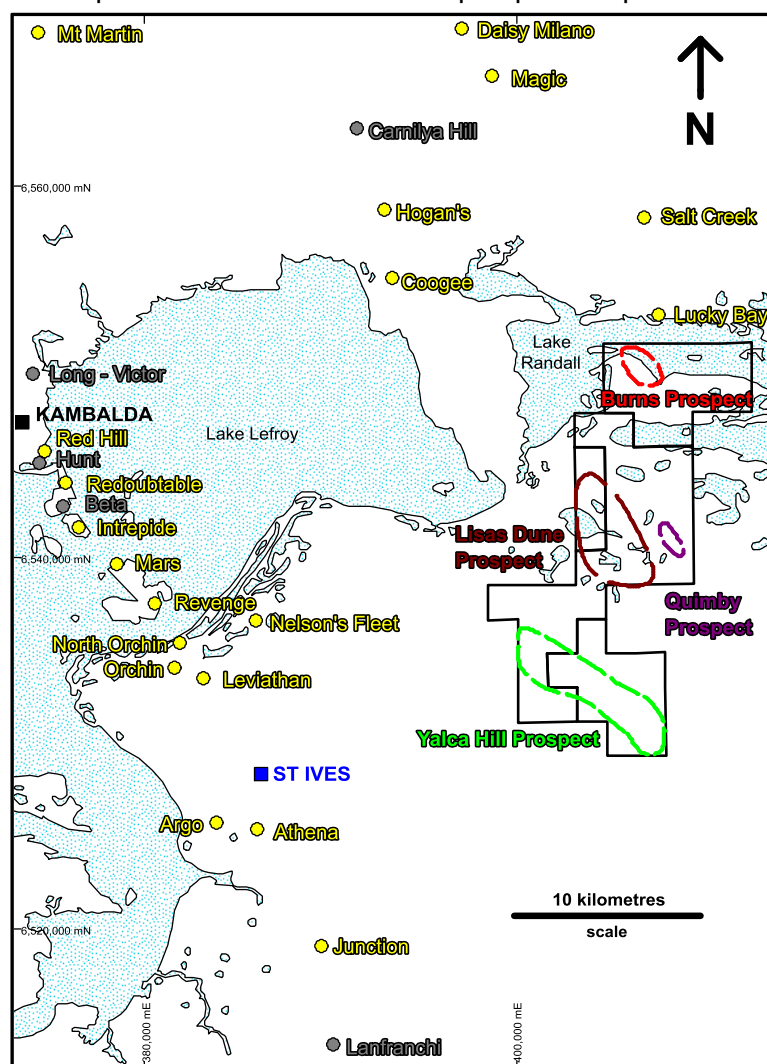


Figure 5: Hogan's Project: Tenement location plan with gold and nickel deposits and Octagonal's exploration target areas

Legend-  
Yellow dots: gold deposits  
Grey dots: nickel sulphide deposits

### **Burns Prospect (copper-gold)**

The Burns Prospect is characterised by a discrete granite intrusive with associated low magnetic and gravity signatures that intrudes a thrust package of mafic, intermediate and meta-sedimentary rocks. The granite has caused doming of the greenstone sequence, creation of dilational jogs associated with northwest trending structures, and localised lithological and structural complexity that forms ideal sites for the deposition of gold. Evidence of intense fluid flow is further supported by a high-magnetic alteration halo that surrounds the granite.

In May 2011 Octagonal discovered significant gold and copper in regolith (weathered Archaean rock) anomalism at the Burns Prospect, with aircore drilling used to define a one square kilometre area of gold anomalism and a two kilometre long copper anomaly using a 40 metre by 160 metre spaced grid (Figure 6). The gold anomalism is unconstrained by drilling where it trends beneath salt lake cover to the north and east.

During 2012 Octagonal completed 33 RC holes, on four 40 metre spaced traverses in the southeast corner of the target area. This drilling intersected broad zones of gold and copper associated with magnetite-biotite alteration and hosted in fractured high-magnesian basalt and intermediate intrusive rocks.

Significant assay results included:

- ▶ 9 metres @ 1.5 g/t Au & 1.0 % Cu from 58 metres in OBURC002 inc. 2 metres @ 1.5 g/t Au & 4.2 % Cu from 65 metres
- ▶ 6 metres @ 4.9 g/t Au & 0.4 % Cu from 23 metres in OBURC003
- ▶ 12 metres @ 0.8 g/t Au & 1.7 % Cu from 48 metres in OBURC004 inc. 3 metres @ 2.1 g/t Au & 4.8 % Cu from 53 metres
- ▶ 4 metres @ 0.7 g/t Au & 2.0 % Cu from 40 metres in OBURC005
- ▶ 1 metre @ 8.5 g/t Au & 6.7 % Cu from 123 metres in OBURC007
- ▶ 32 metres @ 1.7 g/t Au & 0.6 % Cu from 76 metres in OBURC011 inc. 6 metres @ 4.9 g/t Au & 2.1 % Cu from 83 metres
- ▶ 6 metres @ 4.9 g/t Au & 0.9 % Cu from 24 metres in OBURC012
- ▶ 50 metre @ 0.9 g/t Au & 0.5 % Cu from 24 metres in OBURC016
- ▶ 12 metres @ 1.5 g/t Au & 0.5 % Cu from 27 metres in OBURC021
- ▶ 19 metres @ 0.5 g/t Au & 1.0 % Cu from 44 metres in OBURC022
- ▶ 9 metres @ 1.0 g/t Au & 0.7 % Cu from 28 metres in OBURC025
- ▶ 3 metres @ 16.1 g/t Au & 0.5 % Cu from 35 metres in OBURC028
- ▶ 9 metres @ 1.0 g/t Au & 1.5 % Cu from 115 metres in OBURC031
- ▶ 12 metres @ 1.3 g/t Au & 0.8 % Cu from 163 metres in OBURC032

In 2014 one diamond hole was drilled to test for copper and gold associated with a high-magnetic anomaly (refer to ASX Announcement dated 29 August 2014). This hole intersected widespread mineralisation including 38.5 metres @ 0.5 g/t Au & 0.2 % Cu from 184.5 metres and 55.95 metres @ 0.5 g/t Au & 0.2 % Cu from 229.85 metres (Figure 7).

The only major structure intersected in this drill hole was a 3.6 metre wide mafic-dominant (chlorite-magnetite) breccia zone that is strongly magnetic and contains a massive magnetite/sulphide zone that returned 0.9 metres @ 4.5 g/t Au & 2.6 % Cu from 256.4 metres.

This structure is interpreted to be the likely “feeder” structure or conduit of copper and gold bearing fluids at the prospect and presents a priority target for future exploration drilling.

Octagonal intends to apply for a Western Australian State Government co-funded drilling grant in Round 11 of the Exploration Incentive Scheme (that opens in February 2015) to advance exploration of the Burns Prospect area.

The size potential of this deposit is emphasised by the fact that less than 5% of the area of copper and gold in regolith anomalism defined by aircore drilling has been tested by bedrock (RC or diamond) drilling.

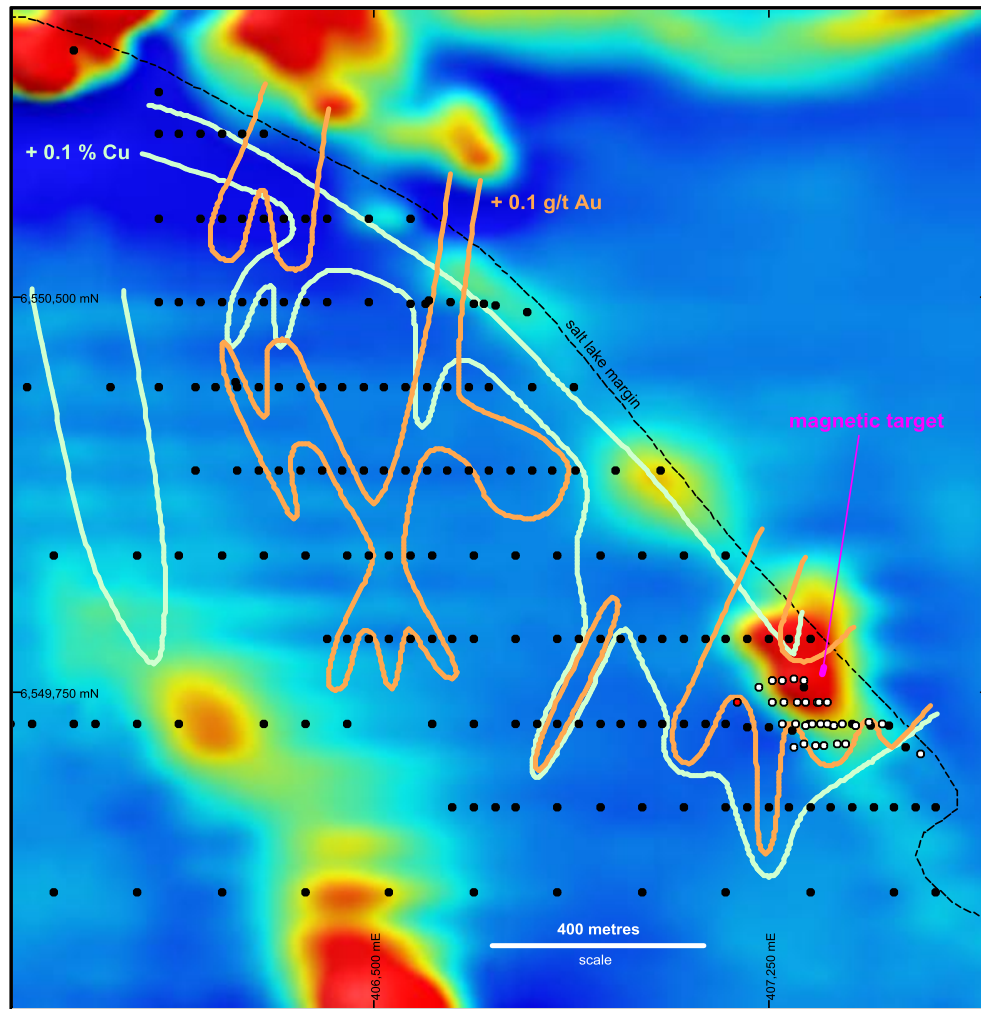


Figure 6: Burns Prospect: Gold and copper in regolith anomalism defined by aircore drilling on an aeromagnetic image

*Legend-*

*Light green contour: + 0.1 % copper in regolith anomalism*

*Orange contour: + 0.1 g/t gold in regolith anomalism*

*Drill Holes*

*Black dots: aircore holes*

*White dots: RC holes*

*Red dot: location of diamond hole*

*Black dashed line: salt lake margin*



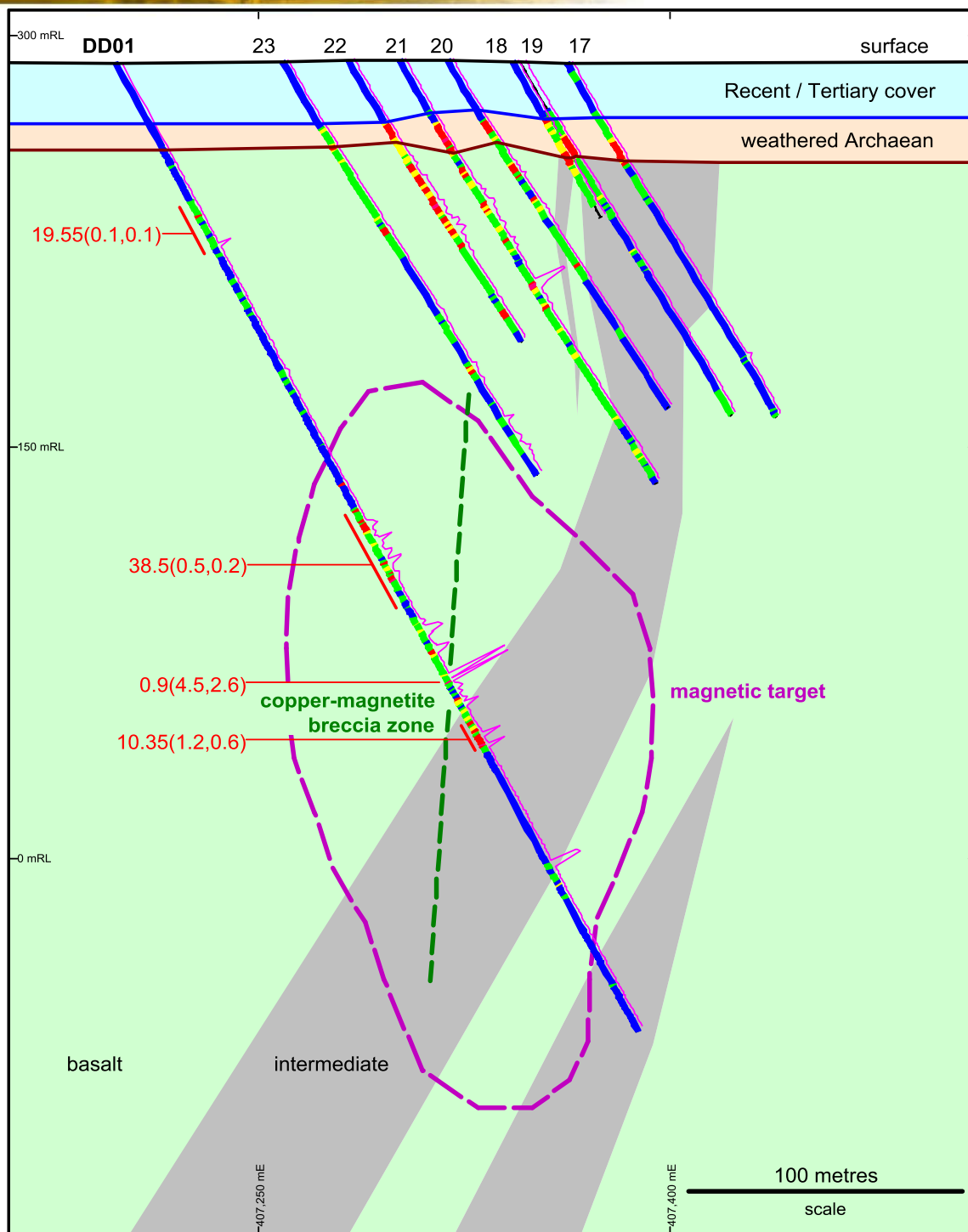


Figure 7. Burns Prospect: 6549730mN Cross-Section

**Legend-**

Geology

Light green: high-magnesian basalt (Archaean)  
 Grey: intermediate intrusive rocks (Archaean)  
 Orange: weathered rocks (Archaean)  
 Light blue: transported cover sediments (Recent and Tertiary)

Drill Holes

Blue: 0 – 0.1 g/t AuEq  
 Green: 0.1 – 0.5 g/t AuEq  
 Yellow: 0.5 – 1.0 g/t AuEq  
 Red: 1.0 – 5.0 g/t AuEq  
 Cyan: > 5.0 g/t AuEq

Purple polygon: high-magnetic target ( $90 \times 10^{-3}$  SI isosurface defined by 3D inversion modelling)  
 Cyan histogram: down hole magnetic anomalism (peaks to the right indicate very magnetic zones)  
 Dark green dashed line: interpreted copper-magnetite breccia zone

23 denotes RC hole number OBURC023

DD01 denotes diamond hole number OBUIDD001

0.9(4.5, 2.6) denotes 0.9 metres grading 4.5 g/t Au and 2.6 % Cu

AuEq denotes gold equivalent grade - Gold equivalent grade is provided for indicative purposes only and is based on the following assumptions; gold price: A\$1,400/oz, copper price: A\$7,500/t, 100% metal recovery

### Quimby Prospect (gold)

The Quimby Prospect is an orogenic gold-only exploration target that is defined by 80 metre by 320 metre spaced vertical regional aircore drilling. The prospect is hosted within metasedimentary rocks adjacent to the west of a highly-magnetic banded iron formation unit and consists of a 1.5 kilometre long northwest trending greater than 0.1 g/t gold in regolith anomaly (Figure 8).

Significant gold in regolith results returned from aircore drilling during 2011 and 2012 include 1 metre @ 0.1 g/t Au from 36 metre in OSC078, 3 metres @ 0.5 g/t Au from 46 metres in OSC091, 1 metre @ 0.2 g/t Au from 25 metres in OSC193, and 1 metre @ 0.3 g/t Au from 42 metres in OSC199. These results are further supported by a 5 metre intersection grading 1.1 g/t Au from 38 metre depth in OSC186 hosted within Tertiary sand at the base of a channel adjacent to hole OSC091. This gold is interpreted to be derived from the erosion of a nearby primary gold-bearing quartz reef.

Given the wide spacing of aircore drilling at this target and the iron-poor nature of the metasedimentary host rocks, these assay results are considered to be significant and indicative of a potentially large primary gold deposit. Infill aircore drilling is warranted to better define the distribution of gold in regolith anomalism prior to bedrock drill testing.

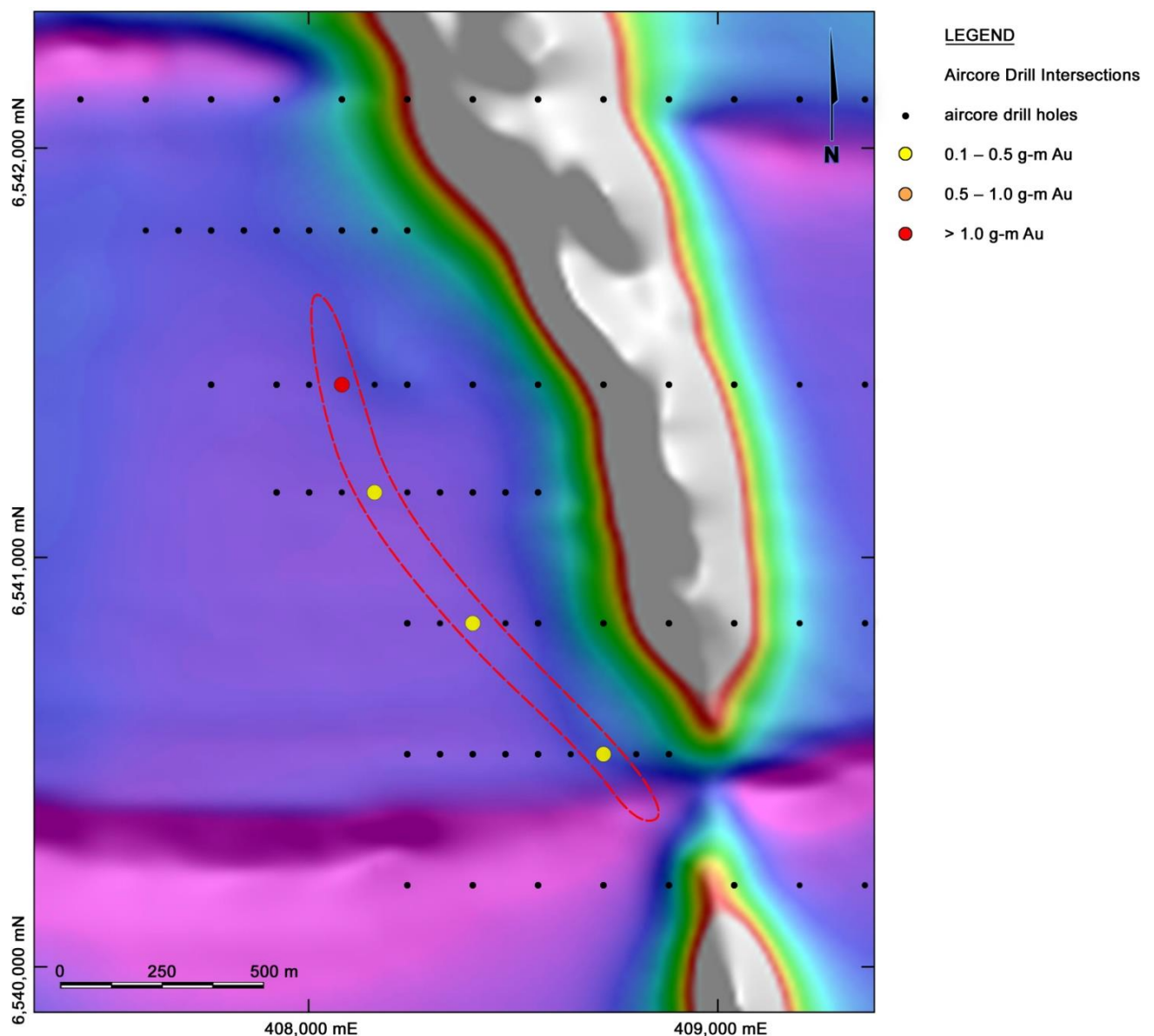


Figure 8. Quimby Prospect: Drill hole location plan with significant gold in regolith assay results on an aeromagnetic image

### ***Lisa's Dune Prospect (nickel sulphide)***

The Lisa's Dune Prospect is a Kambalda-style nickel sulphide exploration target that was originally identified by WMC Limited between 1998 and 2000 and is defined by a large magnetic high identified from aeromagnetic data and interpreted as a possible thickening of ultramafic rocks and hence prospective for nickel sulphide mineralisation.

Exploration work completed by WMC consisted of predominantly electro-magnetic surveys, aircore drilling, and RC drilling (Figure 9).

While the electromagnetic surveys failed to identify any conductors consistent with nickel sulphide mineralisation the effectiveness of these surveys was questionable due to the presence of Tertiary cover containing hypersaline groundwater.

Aircore drilling completed at the prospect using a combination of 80 metre by 320 metre and 20 metre by 80 metre spaced grids defined broad areas of greater than 0.1% nickel in regolith anomalism and highly anomalous results including 6 metres @ 0.4 % Ni from 14 metres in SAL530, 10 metres @ 0.4 % Ni from 22 metres in SAL604, 6 metres @ 0.5 % Ni from 20 metres in SAL516, 14 metres @ 0.4 % Ni from 28 metres in SAL591, 16 metres @ 0.4 % Ni from 32 metres in SAL592, and 10 metres @ 0.6 % Ni from 34 metres in SAL593.

11 RC holes, totalling 1,308 metres, were subsequently drilled on two traverses to test for primary nickel sulphide mineralisation. While this drilling failed to return any anomalous nickel results, the presence of favourable host rocks for nickel sulphide mineralisation was confirmed, with ortho- to mesocumulate ultramafic rocks intersected and containing sulphides interstitial to olivine.

Between 2006 and 2012 Independence Group NL completed regional and infill electromagnetic surveys over the prospect area and 2 diamond drill holes, totalling 649.3 metres.

While the electromagnetic surveys identified multiple conductors only two conductors were identified as moderate priority targets and tested with diamond drilling. These drill holes intersected predominantly basaltic rocks, with minor interflow sediments determined to be the source of the conductors. No ultramafic rocks were intersected in the drilling and no significant nickel assay results were returned.

Octagonal intends to complete a detailed review of all historic surface geophysical data and drilling data at the Lisa's Dune Prospect to determine the next phase of exploration activity.

Given the size of the target area (which has not been fully explored), the presence of significant nickel in regolith anomalism, reliance by previous explorers on surface geophysics as a targeting tool in a hypersaline environment, and confirmation of favourable host rocks containing primary nickel sulphides, Octagonal believes that the Lisa's Dune Prospect remains a priority nickel sulphide target area that warrants further exploration.



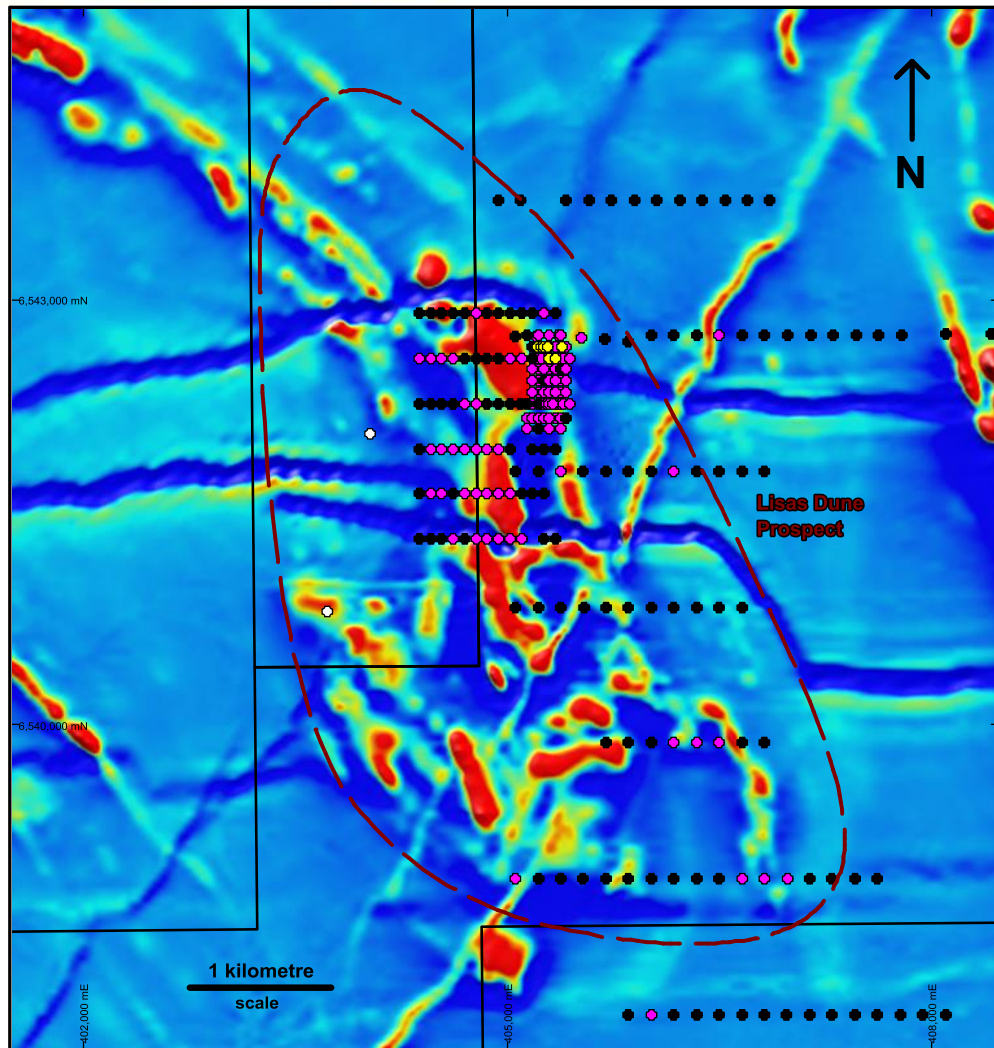


Figure 9: Lisa's Dune Prospect: Nickel in aircore drilling on an aeromagnetic image with RC and diamond drill holes

*Legend-*

Nickel in Aircore Drilling

Black dots: < 1,000 ppm Ni

Magenta dots: > 1,000 ppm Ni

Yellow dots: location of RC holes

White dots: location of diamond holes

### **Yalca Hill Prospect (nickel sulphide)**

The Yalca Hill Prospect is a nickel sulphide exploration target that was originally explored by Independence Group NL between 2006 and 2012 following the identification of high MgO ultramafic rocks that are the favourable host rock for Kambalda-style nickel sulphide deposits.

Exploration work completed by Independence Group focussed on the eastern side of the target area and consisted of soil sampling, surface electro-magnetic surveys, and diamond drilling (Figure 10).

Surface electromagnetic surveys completed over the eastern side of the target area identified seven conductive anomalies, however three of these were interpreted to be related to sulphidic metasediments.

Three diamond drill holes, totalling 779.3 metres, were drilled to test three of the four conductors considered prospective for nickel sulphide mineralisation. This drilling intersected predominantly metasedimentary rocks with sulphidic zones that were determined to be the source of the conductors. No significant nickel assay results were returned from this drilling.



Regional mag lag soil sampling completed over most of the target area has identified four areas of highly-anomalous nickel in soil sampling results, two of which correlate with electromagnetic conductors and none of which have been tested by bedrock drilling.

Octagonal intends to complete a detailed review of all historic soil sampling, surface geophysical, and drilling data at the Yalca Hill Prospect to determine the next phase of exploration activity.

Given the size of the target area (which has not been fully explored), the presence of significant nickel in soil sampling results, and limited drill testing of electromagnetic conductors, Octagonal believes that the Yalca Hill Prospect remains a priority nickel sulphide target that warrants further exploration.

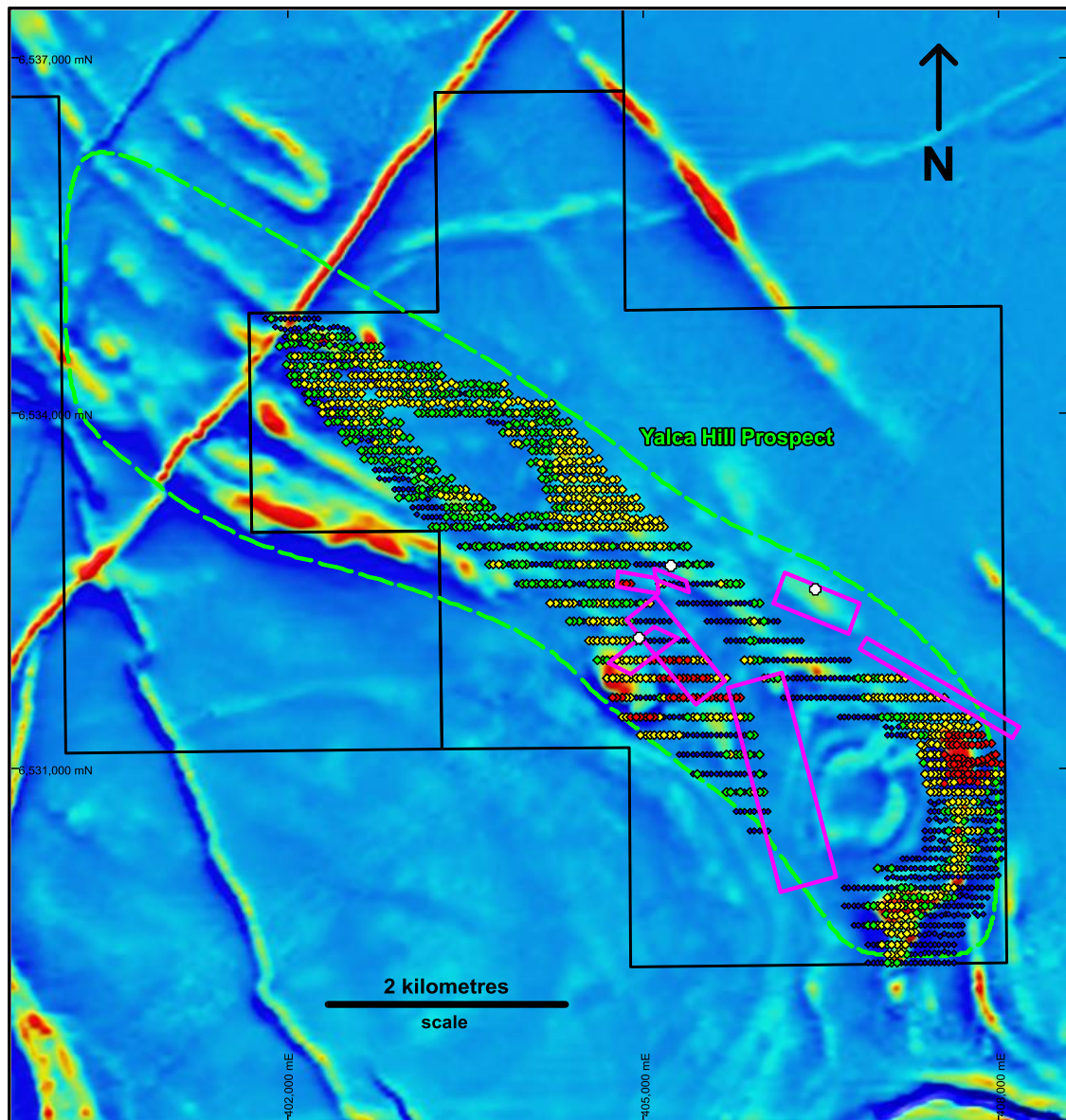


Figure 10: Yalca Hill Prospect: Nickel in soil sampling on an aeromagnetic image with surface electromagnetic conductor planes and diamond drill holes

*Legend-*

Mag Lag Soil Sampling

Blue diamonds: 0 – 250 ppm Ni (background)

Green diamonds: 250 – 300 ppm Ni (weakly anomalous)

Yellow diamonds: 300 – 550 ppm Ni (anomalous)

Red diamonds: > 550 ppm Ni (highly anomalous)

Magenta polygons: surface electromagnetic conductor planes

White dots: location of diamond holes

## Tenements

In Victoria exploration licence EL3377 at Campbelltown expired. The Company also withdrew an exploration licence application over the Clunes Goldfield (EL5491) as the application did not receive priority ranking from the State Government.

In Western Australia at the Hogan's Project exploration licences E15/1125, E15/1315, and E25/457 were surrendered during the Quarter. Exploration licence E26/108 was surrendered subsequent to the reporting period.

### *Mining Tenements Held at the End of the Quarter*

State	Tenement	Equity	Tenement Name	Status	Area	Holder
<b>MALDON</b>						
VIC	EL 3422	100%	Maldon	Granted	5,876.9 ha	Maldon Resources Pty Ltd
VIC	EL 5177	100%	Maldon	Granted	2,259.3 ha	Maldon Resources Pty Ltd
VIC	MIN 5146	100%	Maldon	Granted	712.4 ha	Maldon Resources Pty Ltd
VIC	MIN 5528	100%	Nuggetty Reef	Granted	4.5 ha	Maldon Resources Pty Ltd
VIC	MIN 5529	100%	North of England	Granted	5.5 ha	Maldon Resources Pty Ltd
VIC	EL 5499	100%	Maldon West	Application	7,862 ha	Maldon Resources Pty Ltd
<b>WEHLA</b>						
VIC	MIN 5433	100%	Black Reef	Granted	4.8 ha	Matrix Gold Pty Ltd
VIC	MIN 5574	100%	Wehla	Application	163.4 ha	Matrix Gold Pty Ltd
<b>CAMPBELLTOWN</b>						
VIC	EL 4831	100%	Campbelltown North	Granted	6,914.2 ha	Highlake Resources Pty Ltd
VIC	MIN 5464	100%	Bosun's Reef	Granted	119.5 ha	Highlake Resources Pty Ltd
<b>AMHERST</b>						
VIC	MIN 5465	100%	Pearl Croydon	Granted	98.5 ha	Highlake Resources Pty Ltd
VIC	EL 5146	100%	Amherst	Granted	5,482 ha	Maldon Resources Pty Ltd
<b>DUNOLLY EAST</b>						
VIC	EL 4904	100%	Dunolly East	Granted	7,398.7 ha	Highlake Resources Pty Ltd
VIC	MIN 5563	100%	Specimen Reef	Granted	260.0 ha	Highlake Resources Pty Ltd
<b>RHEOLA</b>						
VIC	EL 4905	100%	Rheola	Granted	1,332.8 ha	Highlake Resources Pty Ltd
<b>MARYBOROUGH</b>						
VIC	EL 5147	100%	Leviathan	Granted	7,893 ha	Maldon Resources Pty Ltd
<b>HOGAN'S</b>						
WA	E26/108	100%	Hogan's Gold	Granted	27 BL	Octagonal Resources (WA) Pty Ltd
WA	E15/1097	100%	Lucky Bay Sth	Granted	12 BL	Octagonal Resources (WA) Pty Ltd
WA	E15/1336	100%	St Ives East	Granted	10 BL	Octagonal Resources (WA) Pty Ltd
WA	E15/1337	100%	St Ives East	Granted	3 BL	Octagonal Resources (WA) Pty Ltd
WA	E15/1414	100%	St Ives East	Granted	24 BL	Octagonal Resources (WA) Pty Ltd

### *Mining Tenements Acquired During the Quarter*

No mining tenements were acquired during the quarter.

### *Mining Tenements Disposed During the Quarter*

State	Tenement	Equity	Tenement Name	Status	Area	Holder
<b>CAMPBELLTOWN</b>						
VIC	EL 3377	100%	Campbelltown	Expired	1,813.5 ha	Highlake Resources Pty Ltd
<b>CLUNES</b>						
VIC	EL 5491	100%	Clunes	Application	9,284 ha	Maldon Resources Pty Ltd
<b>HOGAN'S</b>						
WA	E15/1125	100%	Lucky Bay Sth	Surrendered	1 BL	Octagonal Resources (WA) Pty Ltd
WA	E25/457	100%	West River	Surrendered	2 BL	Octagonal Resources (WA) Pty Ltd
WA	E15/1315	100%	St Ives East	Surrendered	9 BL	Octagonal Resources (WA) Pty Ltd

Octagonal holds 100% equity in all of its exploration and mining licences. The Company has not entered into any farm-in or farm-out agreements, other than the Share Sale Agreement discussed in the Corporate Section of this report.

## **Corporate**

Gold sales were \$89,950 during the quarter from the sale of 65 ounces of gold at an average gold price of A\$1,378/oz.

At 31 December 2014 Octagonal had cash reserves of \$1.34 million (unaudited), including \$942,500 in bonds to meet rehabilitation liabilities, and no debt.

\$1.02 million was raised (before costs) via a non-renounceable rights issue of 78,658,946 ordinary shares at 1.3 cents per share. 91,013,780 short fall shares may be placed before 13 February 2015 to raise an additional \$1.18 million. Pursuant with the rights issue 78,658,946 unlisted options were also issued (exercisable at 2.0 cents and expiring on 11 December 2015).

The Company now has 248,331,672 fully paid ordinary shares on issue and 78,658,946 unlisted options.

On 24 November 2014 Octagonal Resources Limited and A1 Consolidated Gold Limited ("A1 Gold") (ASX: AYC) jointly announced to the ASX that the two companies had entered into a binding Heads of Agreement whereby A1 Gold would purchase Octagonal's Maldon Gold Operation (including all of the Company's Victorian mining, ore processing, and exploration assets held by wholly owned subsidiary companies Maldon Resources Pty Ltd, Highlake Resources Pty Ltd, and Matrix Gold Pty Ltd).

In consideration for the sale of the Maldon Gold Operation Octagonal will receive \$5.09 million in A1 Gold shares at 3.0 cents per share<sup>1</sup> and one listed A1 Gold option for every three shares received with an exercise price of 3.0 cents each and five year vesting period.

Execution of the formal Share Sale Agreement was announced by A1 Gold to the ASX on 29 December 2014.

Octagonal propose to complete an in-specie distribution of approximately 50% of the A1 Gold shares and options received to Octagonal shareholders on a pro rata basis.

Settlement under the share sale agreement is subject to shareholder approval by both Octagonal and A1 Gold shareholders and A1 Gold raising \$2.4 million. The two companies are currently in discussions to facilitate an early change in management control of the Maldon Gold Operation.

Octagonal expects that following settlement of the share sale agreement it will be able to substantially reduce its corporate and administrative costs.

Additional information relating to Octagonal and its various mining and exploration projects can be found on the Company's website: [www.octagonalresources.com.au](http://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 Targets, Exploration Results, Mineral Resources or Ore Reserves 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 the company. 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.

1. The issue price of A1 Gold shares may vary at settlement, but shall not be greater than 3.0 cents per share

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97,1/7/98,30/9/2001.

Name of entity

**OCTAGONAL RESOURCES LIMITED**

**ABN**

**38 147 300 418**

Quarter ended ("current quarter")

**31 December 2014**

### Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	\$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	97	1,498
1.2	Payments for (a) exploration and evaluation	(97)	(315)
	(b) development	(739)	(1,303)
	(c) production <sup>(i)</sup>	(560)	(1,326)
	(d) administration	(265)	(739)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	9	23
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (GST paid/recouped)	131	228
<b>Net Operating Cash Flows</b>		<b>(1,424)</b>	<b>(1,936)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(14)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Refund of security deposit)	-	-
<b>Net investing cash flows</b>		<b>0</b>	<b>0</b>
1.13	<b>Total operating and investing cash flows (carried forward)</b>	<b>(1,424)</b>	<b>(1,950)</b>

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>1.13</b>	<b>Total operating and investing cash flows (brought forward)</b>	<b>(1,424)</b>	<b>(1,950)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	998	998
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Cost of Capital Raising/Prospectus)	(27)	(27)
	<b>Net financing cash flows</b>	<b>971</b>	<b>971</b>
	<b>Net (decrease) increase in cash held</b>	<b>(453)</b>	<b>(979)</b>
1.20	Cash at beginning of quarter/year to date	<b>1,797</b>	<b>2,323</b>
1.21	Exchange rate adjustments to item 1.20	-	-
<b>1.22</b>	<b>Cash at end of quarter</b>	<b>1,344</b>	<b>1,344</b>

**Notes:**

i. Includes payments for the Maldon Processing Plant and general site expenditure.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	<b>Current quarter \$A'000</b>
1.23 Aggregate amount of payments to the parties included in item 1.2	44
1.24 Aggregate amount of loans to the parties included in item 1.10	NIL

1.25 Explanation necessary for an understanding of the transactions

*All transactions involving Directors and associates were on commercial terms. These payments represent Director fees, Director consulting fees, re-imbursements of expenses and payments in terms of a management service agreement with a Director related entity.*

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

## Appendix 5B

### Mining exploration entity quarterly report

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#### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Notes:

#### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	20
4.2 Development	
4.3 Production	200
4.4 Administration	260
<b>Total</b>	<b>480</b>

Notes:

#### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	411	854
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) – Term Deposit	933	943
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,344</b>	<b>1,797</b>

Notes:

## Changes in interests in mining tenements

		Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL 3377	Licence Expired	100%	0%
		EL 5491	Application Dropped	100%	0%
		E15/1125	Surrendered	100%	0%
		E25/457	Surrendered	100%	0%
		E15/1315	Surrendered	100%	0%
6.2	Interests in mining tenements acquired or increased				

*Notes: During the reporting period Octagonal entered into an agreement with A1 Consolidated Gold Limited (ASX: AYC) to sell all of its interests in its Victorian mining tenements. Settlement of this transaction is not expected until March 2015.*

## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	<b>Total number</b>	<b>Number quoted</b>	<b>Issue price per security (see note 3) (cents)</b>	<b>Amount paid up per security (see note 3) (cents)</b>
7.1	<b>Preference +securities</b> (description)	N/A		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	<b>+Ordinary securities</b>	248,331,672	248,331,672	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	78,658,946	78,658,946	\$0.013
7.5	<b>+Convertible debt securities</b> (description)	N/A		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options/ Performance Rights</b> <i>(description and conversion factor)</i>	<b>Total number</b>	<b>Number Quoted</b>	<b>Exercise price A\$</b>	<b>Expiry date</b>
7.8	Issued during quarter	78,658,946 (unlisted options)	Nil	\$0.02	11 December 2015
7.9	Exercised during quarter	Nil			
7.10	Expired during quarter	1,733,440 (unlisted Performance Rights)	Nil	Nil	17 December 2014
7.11	<b>Debentures</b> <i>(totals only)</i>	N/A			
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	N/A			

**Compliance statement**

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~/does not~~\* *(delete one)* give a true and fair view of the matters disclosed.



Sign here:

Date: 30 January 2015

**Company Secretary**

Print name:

**BOB TOLLIDAY**

**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedents, which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** the issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.