

3 September 2014

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ASX CODE: ORS

Market Cap.: \$5.4 m (\$0.032 p/s)

Shares on issue: 169,672,726

Cash: \$2.3 m (30 June 2014)

Debt: \$0.0 m (30 June 2014)

DIRECTORS

Ian Gandel, Chairman

Anthony Gray, Managing Director

Bob Tolliday, Director

MAJOR SHAREHOLDERS

Abbotsleigh – 19.5%

Alliance Resources – 13.5%

Denman Income – 6.2%

Karl Sabljak – 5.5%

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Alliance South Mine Update, Maldon in Central Victoria

- **Union Hill decline and 1080 level cross-cut advanced to within 40 metres of the Eaglehawk Reef**
- **Mine development expected to intersect the Eaglehawk Reef in mid-September (one month ahead of forecast)**
- **Independent metallurgical audit of processing plant confirms metallurgical sampling and accounting are in line with industry standard practices**
- **Company continues to assess ore grade estimation techniques and the potential to upgrade ore by removing oversized rock**

The Directors of Octagonal Resources Limited (ASX: ORS) (“**Octagonal**” or “**Company**”) are pleased to provide an update on underground mine development at the Alliance South Deposit at Maldon in Central Victoria.

During August mining at the Alliance South Deposit moved from a four day per week single shift roster to a four day per week double shift roster to accelerate mine development towards the 1080 level of the deposit.

The resulting jump in productivity, combined with minor modifications to the mine design, means that mine development is one month ahead of plan and currently less than 40 metres from the Eaglehawk Reef.

The Eaglehawk Reef is now expected to be intersected on the 1080 level of the deposit in mid-September.

METS Engineering have completed an independent audit of the metallurgical sampling and accounting at the Company’s Porcupine Flat gold processing facility following the poor reconciliation between underground face channel sampling data and mill data for the bulk sample of underground ore processed from the 1100 level of the deposit during the June quarter.

This audit confirmed that the Company’s metallurgical sampling and accounting practices are adequate for the size of the site and the companies reporting requirements.

Octagonal continues to assess ore grade estimation techniques for the Alliance South Deposit and the potential to upgrade ore using scalping to remove larger lower-grade rock.

Additional information relating to Octagonal and its various mining and exploration projects can be found on the Company’s website: www.octagonalresources.com.au

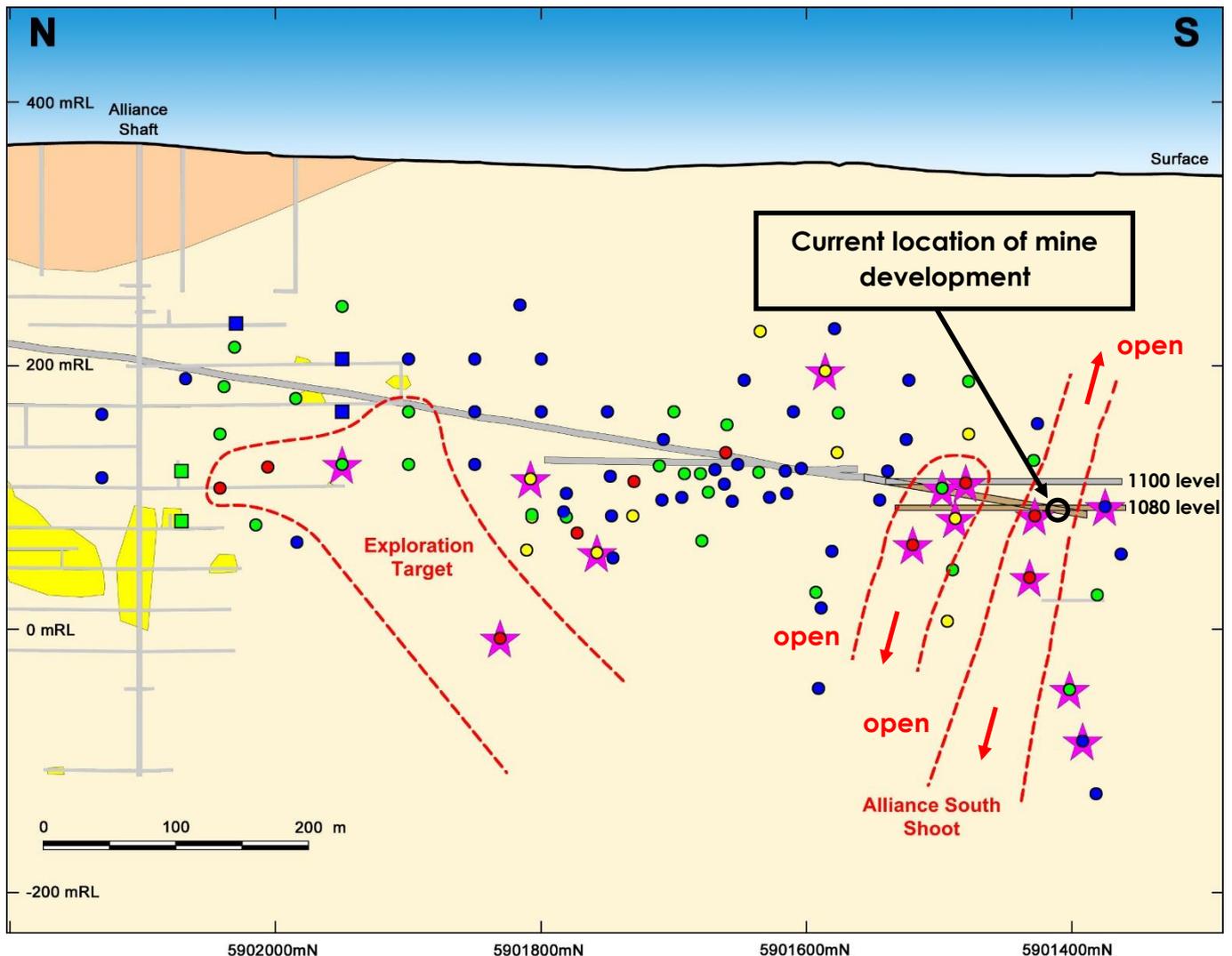
For further enquiries, please contact:

Anthony Gray (Managing Director) +61 3 9697 9088.

Alliance South Deposit

The Alliance South Deposit is located on the Eaglehawk Reef at the southern end of the Central Maldon Shear Zone (Figure 1). The deposit was discovered by Alliance Resources Limited in 2004 and is associated with a flexure in the Eaglehawk Reef, where it passes from the east limb of the German anticline into the hinge zone of the German syncline.

During 2014 reef development on the 1100 level of the deposit identified two high-grade gold shoots (Figure 2). Face channel sampling defined a 38 metre long by 3.7 metre wide shoot grading 18.8 g/t Au on the Eaglehawk Reef (refer to ASX Announcement dated 17 February 2014) and a 30 metre long by 3.2 metre wide shoot grading 20.2 g/t Au on a parallel reef positioned 11 metres to the west of the Eaglehawk Reef and referred to as the Western Reef (refer to ASX Announcement dated 30 July 2014).



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

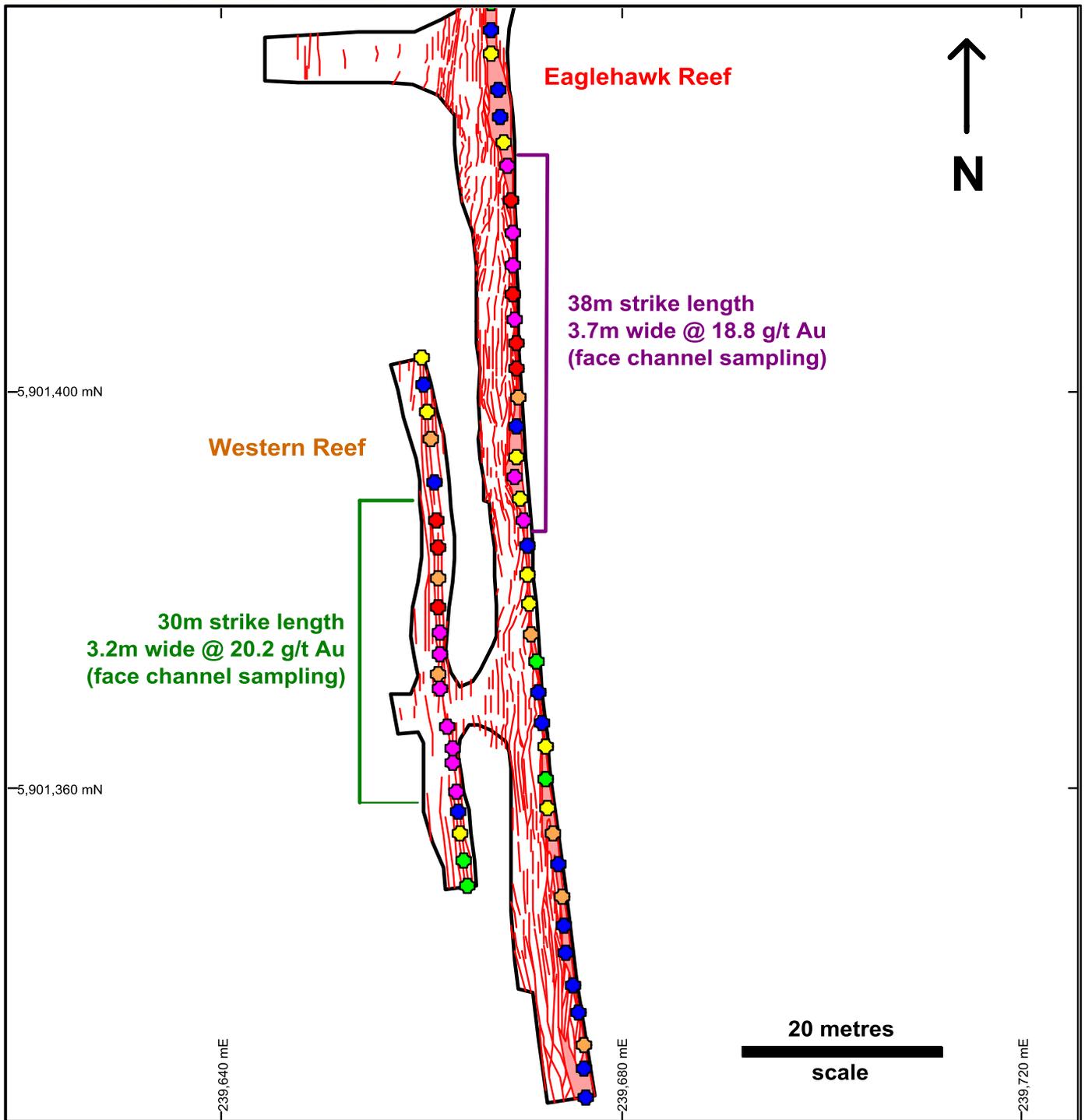


Figure 2: Plan of 1100 level reef development with undiluted face channel sample assay results

Legend-

Dots: face channel samples

Horizontal lines: sludge holes

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

Reef development on the 1100 level of the deposit concluded in late July and mining focussed on extending the Union Hill decline to the south to access the 1080 level of the deposit.

At the end of July approximately 100 metres of capital development was required to access the 1080 level, with an additional 30 metres of sustaining development required, associated with sumps and ore stockpiles (refer to ASX Announcement dated 30 July 2014).

Since this time, mining at the Alliance South Deposit has moved from a four day per week single shift roster to a four day per week double shift roster to accelerate mine development to access the 1080 level of the deposit.

As a result, the development time required to access the 1080 level of the deposit has halved.

This increase in mining rate combined with modifications to the mine design that have reduced the amount of sustaining development required means that mine development is now one month ahead of plan and currently less than 40 metres from the Eaglehawk Reef (Figure 3).

Mine development is now expected to intersect the Eaglehawk Reef on the 1080 level of the deposit in mid-September.

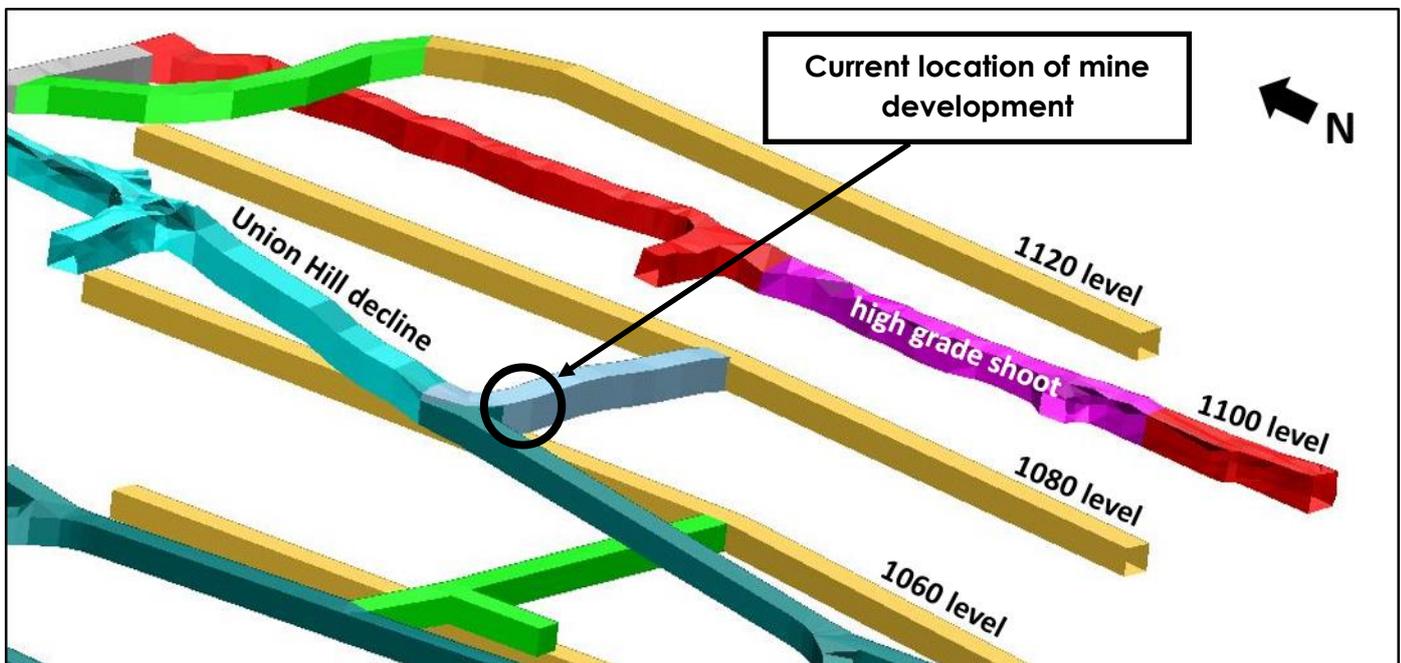


Figure 3: 3D Model of Alliance South mine development

Legend-

- Light blue polygons: existing decline*
- Grey polygons: existing 1100 level cross-cut and planned 1080 level cross-cut*
- Red polygons: low-grade 1100 level reef development on Eaglehawk Reef*
- Purple polygons: high-grade 1100 level reef development on Eaglehawk Reef*
- Teal blue polygons: planned decline*
- Green polygons: planned cross-cuts*
- Orange polygons: planned level development on Eaglehawk Reef*

Porcupine Flat Gold Processing Plant

During the June quarter a 3,920 tonne bulk sample of underground ore from the Alliance South Deposit returned a reconciled mill feed grade of 3.0 g/t Au, despite underground face channel sampling estimating the ore grade to be 10.9 g/t Au (uncut) or 5.5 g/t Au (20 g/t upper cut) (refer to ASX Announcement dated 30 July 2014).

Following this poor reconciliation between mine and mill data METS Engineering, a well-respected independent Perth based engineering consulting group that specialises in mineral processing services, was engaged to complete an audit of the gold processing plant to review the metallurgical sampling and accounting methods used during the processing of the bulk sample.

This audit determined that the metallurgical accounting system in place at the site is adequate for the size of the site and the company reporting requirements. The sampling at the processing plant is sufficient for the purposes of developing the data required for the metallurgical accounting system. Further, the site personnel were found to be diligent in ensuring that the metallurgical accounting system is well maintained.

This review showed that there were no major differences between the daily assayed and reconciled grades for the bulk sample treated and no calculation errors were found.

METS Engineering has made a number of recommendations for the Company to further improve its operating practices and procedures at the mill, however the poor reconciliation between mine and mill data for the bulk sample could not be explained by incorrect metallurgical accounting or incorrect sampling of process streams.

Following the results of this audit Octagonal will focus on;

- Better understanding the gold grade distribution within the reef to determine the best sampling technique for ore block grade estimation;
- Minimising reef development mining dilution by keeping mine development to the minimum mining width and using sludge hole drilling to identify adjacent ore zones; and
- Continuing to trial the removal of oversized rock by scalping to reduce the tonnes processed and improve the recovered ore grade.



Recently acquired Toro 45D underground truck carting waste rock from the decline. Scalped pile of low grade ore in left of image.

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 style of mineralisation and type of deposit under consideration and to the activity 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.