

20 October 2015

No. of Pages: 4

**ASX CODE: ORS**

Market Cap.: \$3.97m (\$0.016 p/s)  
Shares on issue: 248,331,672

Cash: \$0.2 m (30 June 2015)  
Debt: \$1.0 m (30 June 2015)

ASX Investments  
169,672,726 AYC shares  
56,557,576 AYCO options

**BOARD & MANAGEMENT**

Ian Gandel, Chairman  
Anthony Gray, Managing Director  
Bob Tolliday, Director

**MAJOR SHAREHOLDERS**

Abbotsleigh – 41.1%  
Alliance Resources – 8.9%

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## Octagonal Receives Offer From Gandel Metals to Privatise Company

The Directors of Octagonal Resources Limited (ASX: ORS) (“**Octagonal**” or “**Company**”) wish to announce that the Company has today received an offer from Gandel Metals Pty Ltd (“**Gandel Metals**”), the Company’s Chairman Ian Gandel, and associated parties (collectively “**Gandel Shareholders**”) to privatise the Company.

Gandel Shareholders hold 102,207,200 ordinary Octagonal shares (41.12% of total shares issued) and 70,276,000 unlisted options exercisable at 2.0 cents and expiring on 11 December 2015.

Gandel Metals has also provided loan funds to Octagonal totalling \$1.3 million that are repayable by 1 December 2015.

### Key Terms of the Offer

(1) The Gandel Shareholders proposal is that the shareholders of Octagonal be asked to approve a Selective Capital Reduction whereby the shares in Octagonal held by non-Gandel Shareholders be cancelled in return for consideration comprising:

- A cash payment of \$0.0055 per Octagonal share, together with
- Two (2) shares in A1 Consolidated Gold Limited (“A1 Gold”) (ASX Ticker Code: AYC) for every five (5) Octagonal shares held.

The Gandel Shareholders are willing to enter into an agreement with Octagonal to provide funding for the cash component of the consideration, ideally by way of exercise of sufficient unlisted Octagonal options held by Abbotsleigh Proprietary Limited (“Abbotsleigh”) (an associated party).

**The total consideration is the equivalent to 2.11 cents per share** (based on an A1 Gold share price of 3.9 cents per share, being the closing price on the day prior to the offer being received).

**The offer is at a 44% premium to the 5 day volume weighted average price (“VWAP”) of Octagonal shares (1.47 cents) and at a 53% premium to the 30 day VWAP (1.38 cents).**

(2) The proposed Selective Capital Reduction will require 75% shareholder approval at a General Meeting expected to be held on 9 December 2015, and relevant regulatory approvals.

(3) Gandel Metals agrees for Octagonal to repay \$1.0 million in loaned funds on 1 December 2015 via the transfer of a number of A1 Gold shares equal to \$1.0 million on the basis of the 5 day VWAP up to the trading day immediately prior to transfer (as allowed for in the original loan agreement).

(4) The remaining funds loaned by Gandel Metals to the Company of \$0.3 million will remain secured against A1 Gold shares held by Octagonal, being the balance of the A1 Gold shares following the repayment of the Gandel Metals loan (item 3) and the Selective Capital Reduction.

## **Background**

On 24 December 2014 Octagonal entered into a Sale Agreement with A1 Gold, whereby it agreed to sell its Maldon Gold Operation in Central Victoria to A1 Gold for 169,672,726 A1 Gold shares and 56,557,575 A1 Gold options exercisable at 3.0 cents before 30 November 2019.

At this time the deemed value of the transaction was \$5.09 million and Octagonal reasonably assumed that it would be able to place shortfall shares from a rights issue that closed on 13 November 2014 to raise an additional \$1.18 million before 13 February 2015 (refer to ASX Announcement dated 24 November 2014) as the sale price of the Maldon Gold Operation was at a 15% premium to the fully diluted market capitalisation of the Company post the placement of shortfall shares (excluding cash, value of A1 Gold options, and the value of the Company's Western Australian exploration assets).

Despite Octagonal and the Underwriters' best efforts the shortfall shares were unable to be placed and subsequently the Company entered into a short term loan agreement with Gandel Metals to fund the settlement of the Sale Agreement and future operating requirements.

\$1.0 million of the funds loaned was secured, following shareholder approval, by a mortgage over A1 Gold shares held by Octagonal.

The sale of the Maldon Gold Operation was completed on 25 June 2015.

In the three months since completion Octagonal's share price has traded at on average a 126% discount to the market value of A1 Gold shares that it owns (Table 1). This substantial difference in market values has restricted Octagonal's ability to raise equity capital without significantly diluting existing shareholders who do not participate in the equity raising.

Recognising Octagonal's limited capacity to raise funds the Company prepared an 18 month budget based on \$1.5 million in available funding. This budget revealed that despite the significant cuts to corporate costs implemented since the sale of the Maldon Gold Operation (including reduction in Managing Directors' effective salary to \$170,000 + super, 50% reduction in chairman and directors' fees to \$37,500pa and \$20,000pa respectively, 50% reduction in financial, company secretarial, and administrative service costs, and free office and shed storage in Kalgoorlie) less than 40% of the total budgeted expenditure was contributed to in-ground exploration costs (with the remainder being corporate costs).

This proportion of in-ground exploration expenditure is unacceptable for a public listed exploration company so, as announced on 4 August 2015, Octagonal commenced a process of investigating investment opportunities in the resources and non-resources sectors with the objective of realising the maximum value of its existing assets.

Corporate transactions considered by the Company have focussed outside of the resources sector, due to the difficult equity market conditions currently being experienced by junior exploration and mining companies, and have been structured with the objective of distributing A1 Gold shares in-specie to Octagonal shareholders following a capital raising to fund the acquisition.

Discussions with a number of companies have failed to result in the execution of a terms sheet and no acquisition by the Company is imminent.

In the proposal received from Gandel Metals the Gandel Shareholders state that they "consider the current structure of Octagonal is unsustainable in the current circumstances. In particular, the costs of reporting and compliance required by Octagonal as a listed company will necessitate either the gradual sell off of liquid assets, being the shares held in A1 Gold, or increasing calls on shareholders to provide additional equity or loan capital. This ongoing burden far outweighs the advantages of Octagonal retaining its listing in the current capital markets. It is also exacerbated by the approaching deadline for the repayment of the large part of the loan made by Gandel Metals to Octagonal. The Gandel Shareholders believe this situation needs to be resolved urgently".

**Comparison between ORS Market Cap. and value of AYC shares owned**

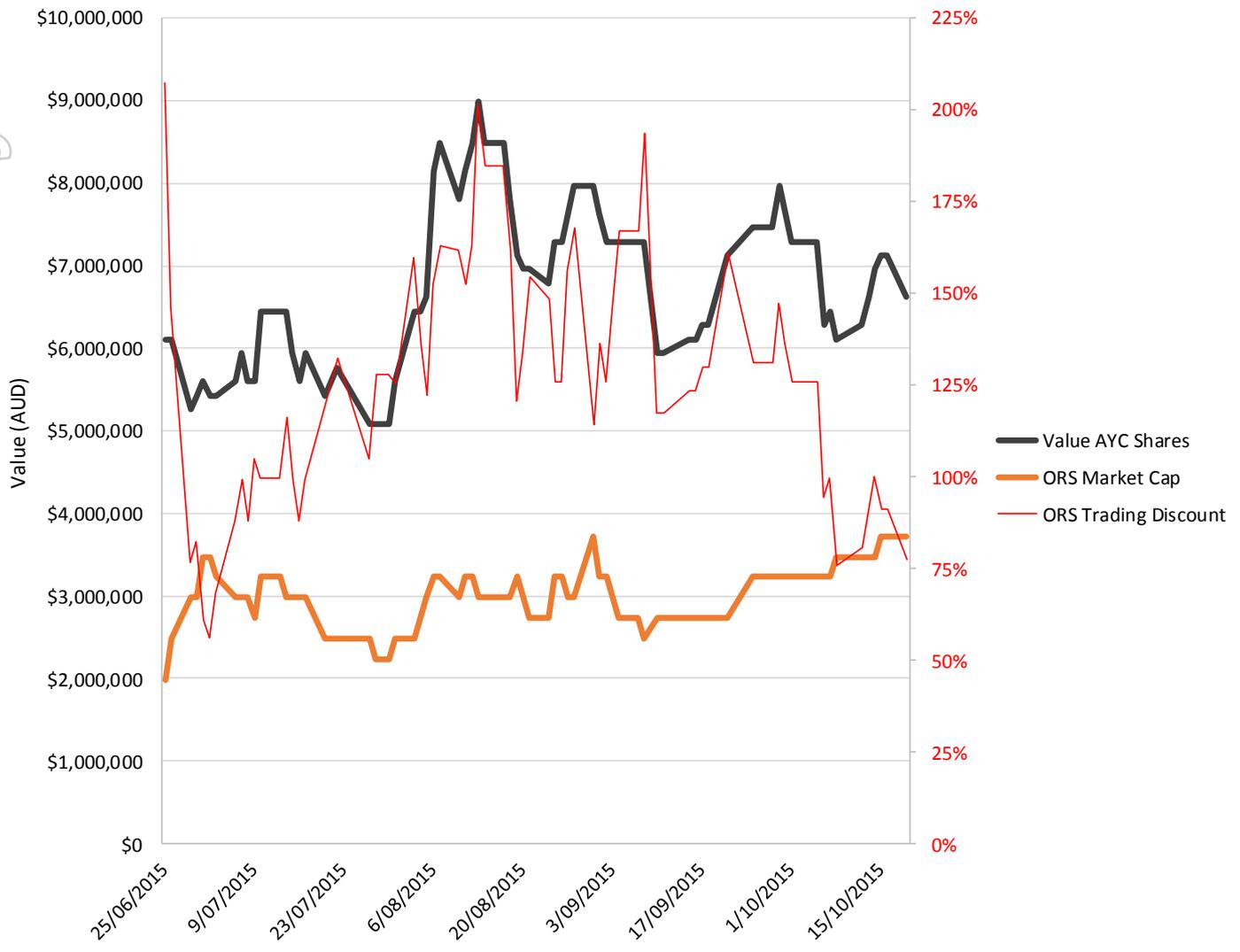


Table 1. Comparison between the market capitalisation of Octagonal and the market value of A1 Gold shares that it owns in the period from settlement of the sale of the Maldon Gold Operation on 25 June 2015 to 19 October 2015 (based on closing price). (Left axis represents the value of Octagonal’s market capitalisation [orange line] and the value of A1 Gold shares owned [grey line]. Right axis represents Octagonal’s share price trading discount [red line] as a percentage).

**Selective Capital Reduction**

A reduction of share capital occurs when any money paid to a company in respect of a member's share is returned to the member. Section 256B(1) of the Corporations Act provides that a company may reduce its share capital in a way that is not otherwise authorised by the Corporations Act if the reduction:

- (a) is fair and reasonable to the company's members as a whole; and
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by members under s256C.

As the proposed Selective Capital Reduction will not apply to the Gandel Shareholders, it is a selective reduction within the meaning of the Corporations Act.

### **Indicative Timetable**

Friday 6 November 2015	Notice of meeting sent to Octagonal shareholders, accompanied by a statement setting out all information material to the decision on how to vote and an Independent Expert Report.
Tuesday 1 December 2015	\$1.0 million of the loan payable by Octagonal to Gandel Metals is repaid to Gandel Metals in A1 Gold shares
Wednesday 9 December 2015	General meeting held at which only Gandel Shareholders may vote in favour but any shareholder may vote against. Separate meeting of non-Gandel shareholders held. If resolutions passed, notification to ASX and ASIC.
Thursday 10 December 2015	Abbotsleigh exercises unlisted options in Octagonal in order to provide the funds required to carry out the capital reduction.
Friday 11 December 2015	Octagonal unlisted options expire. In accordance with Appendix 7A, trading in ORS securities ceases 2 business days after shareholder approval obtained (as completion of the capital return will result in securities being held only by Gandel Metals and associates).
Tuesday 15 December	Record date for capital return and last date for ORS to register transfers.
Thursday 24 December 2015	Payment of cash and share consideration to complete the Selective Capital Reduction.

The above is an indicative timetable only and may be subject to change.

### **Next Steps**

Section 256B(1) of the Corporations Act requires that a Selective Capital Reduction is “fair” and “reasonable” to the company's members as a whole. Octagonal has engaged PPB Advisory to complete an Independent Expert Report to determine whether in their opinion the proposed transaction is “fair” and “reasonable” to the Gandel Shareholders and non-Gandel Shareholders.

If the independent expert determines that the proposed transaction is “fair” and “reasonable” to the Gandel Shareholders and non-Gandel Shareholders a copy of the Independent Expert Report will be provided to shareholders, accompanying a notice of meeting to approve the Selective Capital Reduction, which is expected to be despatched on 6 November 2015.

Additional information relating to Octagonal and its various exploration projects can be found on the Company's website: [www.octagonalresources.com.au](http://www.octagonalresources.com.au)

**For further enquiries, please contact:**

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