

3 September 2015

The Manager  
Company Announcements Office  
ASX Limited  
Level 40, Central Park  
152-158 St George's Terrace  
PERTH WA 6000

Dear Sir / Madam

**FOR IMMEDIATE RELEASE**

**Phoenix Gold Limited (ASX: PXG) – takeover bid by Norton Gold Fields Limited – Target's Statement**

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), please find enclosed a copy of the target's statement of Phoenix Gold Limited (ABN 55 140 269 316) (**Phoenix Gold**) dated 3 September 2015 (**Target's Statement**) in response to the off-market takeover bid by Norton Gold Fields Limited (ABN 23 112 287 797) (**Norton**), wholly-owned subsidiary of Zijin Mining Group Co., Ltd, for all the ordinary shares in Phoenix Gold.

A copy of the Target's Statement was lodged with the Australian Securities & Investments Commission and served on Norton earlier today.

Yours faithfully



Ian Gregory  
Director & Company Secretary  
Phoenix Gold Limited



Phoenix Gold  
Limited

# TARGET'S STATEMENT

In response to the takeover bid made by  
Norton Gold Fields Limited (ABN 23 112 287 797)  
a wholly-owned subsidiary of

**Zijin Mining Group Co., Ltd**

For all the ordinary shares in

**Phoenix Gold Limited (ABN 55 140 269 316)**

The directors of Phoenix Gold Limited unanimously recommend that you

## **REJECT the Zijin Offer**

To REJECT the Zijin Offer DO NOTHING

Financial Advisor



RBC Capital Markets

Legal Advisor



**This is an important document and requires your immediate attention.**

**If you are in any doubt about how to deal with this document, you should contact your broker, financial advisor or legal advisor immediately.**

# Important notices

## Nature of this document

This document is a Target's Statement issued by Phoenix Gold Limited (ABN 55 140 269 316) (**Phoenix**) under Part 6.5 Division 3 of the Corporations Act in response to the off-market takeover bid made by Norton Gold Fields Limited (ABN 23 112 287 797), a wholly owned subsidiary of Zijin Mining Group Co., Ltd (a company incorporated in the Peoples Republic of China) (**Zijin**) for all the ordinary shares in Phoenix.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 3 September 2015. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

## Phoenix shareholder information

Further information relating to the Zijin Offer can be obtained from Phoenix's website at [www.phoenixgold.com.au](http://www.phoenixgold.com.au).

## Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

## No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Zijin Offer.

## Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Phoenix operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Phoenix, Phoenix's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

## Disclaimer as to information

The information on Zijin contained in this Target's Statement has been prepared by Phoenix using publicly available information. The information in the Target's Statement concerning Zijin and its assets and liabilities, financial position and performance, profits and losses and prospects, have not been independently verified by Phoenix. Accordingly, Phoenix does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

## Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia.

## Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

## JORC Code

Certain information in this Target's Statement that relates to the Exploration Results, Mineral Resources or Ore Reserves was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. All material assumptions and technical parameters underpinning the estimates of Mineral Resources continue to apply and have not materially changed.

## Privacy

Phoenix has collected your information from the Phoenix register of shareholders for the purpose of providing you with this Target's Statement. The type of information Phoenix has collected about you includes your name, contact details and information on your shareholding in Phoenix. Without this information, Phoenix would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Phoenix's related bodies corporate and external service providers (such as the share registry of Phoenix and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Phoenix, please contact Computershare Investor Services Pty Limited at the address shown below:

Level 11, 172 St Georges Terrace  
Perth, Western Australia 6000  
Phone (within Australia): 1300 850 505  
Phone (international): +61 8 9323 2000

The registered address of Phoenix is:

Unit 2, 53 Great Eastern Highway  
West Kalgoorlie  
Western Australia 6430

## Why you should REJECT the Zijin Offer

1	<p><b>The Independent Expert has concluded that the Zijin Offer is NEITHER FAIR NOR REASONABLE</b></p> <p><i>Your Directors' recommendation is supported by the Independent Expert, BDO Corporate Finance (WA) Pty Ltd who values a Phoenix Share at between \$0.156 and \$0.244</i></p>	Refer to page 3
2	<p><b>The Zijin Offer does not fairly reflect the value of the Phoenix Assets</b></p> <p><i>Your Directors urge you not to let Zijin profit to your detriment – the Zijin Offer fails to recognise the value that has already been demonstrated for the Phoenix Assets</i></p>	Refer to page 4
3	<p><b>Evolution Mining has announced its intention to make a competing offer at a headline price of \$0.12 per Phoenix Share, representing a 20% premium to the Zijin Offer</b></p> <p><i>Your Directors are of the view that the Zijin Offer does not reflect the intrinsic value of Phoenix</i></p>	Refer to page 5
4	<p><b>The Zijin Offer represents just a 2.0% premium to the closing Phoenix Share price on the last trading day prior to the announcement of Zijin's intention to make a takeover bid</b></p> <p><i>Your Directors firmly believe that this premium does not reflect an adequate premium for control</i></p>	Refer to page 5
5	<p><b>The Phoenix Share Price has consistently traded above the Zijin Offer price since the announcement of Zijin's intention to make a takeover bid</b></p> <p><i>The market has demonstrated support for Phoenix at share prices above the Zijin Offer price since the announcement of Zijin's intention to make a takeover bid, which indicates that the Zijin Offer price does not fully reflect Phoenix's intrinsic and unrealised potential value</i></p>	Refer to page 6
6	<p><b>Accepting the Zijin Offer will remove your exposure to any potential increase in value that the Phoenix Assets offer</b></p> <p><i>Your Directors urge you not to sell to Zijin at a price that does not, in the opinion of your Directors, reflect the medium and long term potential upside that Phoenix offers you</i></p>	Refer to page 7

To **REJECT** the Zijin Offer, you should **DO NOTHING** and **TAKE NO ACTION** in relation to all documents sent to you by Zijin

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## KEY DATES

Date of the Zijin Offer	20 August 2015
Date of this Target's Statement	3 September 2015
Close of the Zijin Offer Period (unless extended or withdrawn)	7.00pm AEST on 21 September 2015

3 September 2015

ASX Code: PXG

Dear Fellow Phoenix Shareholder,

I am writing to you in response to the Bidder's Statement, which you will have recently received from Zijin Mining Group Co., Ltd outlining Zijin's unsolicited and conditional takeover offer for your shares in Phoenix Gold Limited.

The Directors believe that the Zijin Offer price of \$0.10 cash per Phoenix Share is inadequate and does not reflect fair value. Accordingly, your Directors unanimously recommend that all Phoenix shareholders **REJECT** Zijin's Offer. Key reasons why you should **REJECT** the Zijin Offer are:

1. The Independent Expert has concluded that the Zijin Offer is NEITHER FAIR NOR REASONABLE.
2. The Zijin Offer is inadequate and does not fairly reflect the value of the Phoenix Assets.
3. Evolution Mining has announced its intention to make a competing offer at a headline price of \$0.12 per Phoenix Share, representing a 20% premium to the Zijin Offer.
4. The Zijin Offer represents just a 2.0% premium to the closing Phoenix Share price on the last trading day prior to the announcement of Zijin's intention to make a takeover bid.
5. The Phoenix Share price has consistently traded above the \$0.10 offer price subsequent to announcement of the Zijin Offer.
6. Accepting Zijin's Offer will remove your exposure to any potential increase in value that the Phoenix Assets offer.

Your Directors consider that the Zijin Offer does not reflect the inherent value of Phoenix and is designed to secure early control of your Company, in particular the Castle Hill Project, and capture value that the Board believes is rightly yours.

Each of your Directors who holds or controls Phoenix shares intends to **REJECT** the Zijin Offer in relation to those shares.

Your Directors' recommendation is supported by the conclusion of the Independent Expert, BDO Corporate Finance (WA) Pty Ltd, that the Zijin Offer is **NEITHER FAIR NOR REASONABLE**. The Independent Expert has valued a Phoenix Share at between \$0.156 and \$0.244 which represents a 56% to 144% premium to the Zijin Offer price of \$0.10.

In addition, you have an alternative competing offer announced by Evolution Mining at a headline price of \$0.12 per Phoenix Share, being 20% higher than the Zijin Offer price. You will note too that last week, Geologic Resources Partners which holds 9.03% of Phoenix's shares, also withdrew its pre-bid agreement with Zijin after determining the Evolution Offer to be a superior proposal.

It is also noted that as at the date of this Target's Statement, the Phoenix Share price continues to trade at or above the Zijin Offer price on the ASX.

**To REJECT the Zijin Offer, simply DO NOTHING.**

The Phoenix Board recommends that you carefully read all the information contained in this Target's Statement and seek independent advice.

Please be aware that you will be receiving a Bidder's Statement from Evolution in relation to the Evolution Offer, which it expects to despatch to Phoenix shareholders during September. In this regard, the Directors will prepare a separate Target's Statement, which will contain the Directors' formal response to the Evolution Offer. Until such time as this recommendation is given, you are advised to **TAKE NO ACTION** with respect to the Evolution Offer.

Your Directors will continue to keep you updated on all material developments with respect to Zijin's Offer, the competing Evolution Offer and any other competing offer that may eventuate. In the meantime, if you have any questions please contact the Phoenix Shareholder Information Line on 1300 889 468 (within Australia) or +61 2 8022 7902 (outside Australia). All Company announcements are available on our website, [www.phoenixgold.com.au](http://www.phoenixgold.com.au)

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Dale Rogers', with a stylized flourish at the end.

**Dale Rogers**  
**Executive Chairman**

## 1. WHY YOU SHOULD REJECT THE ZIJIN OFFER

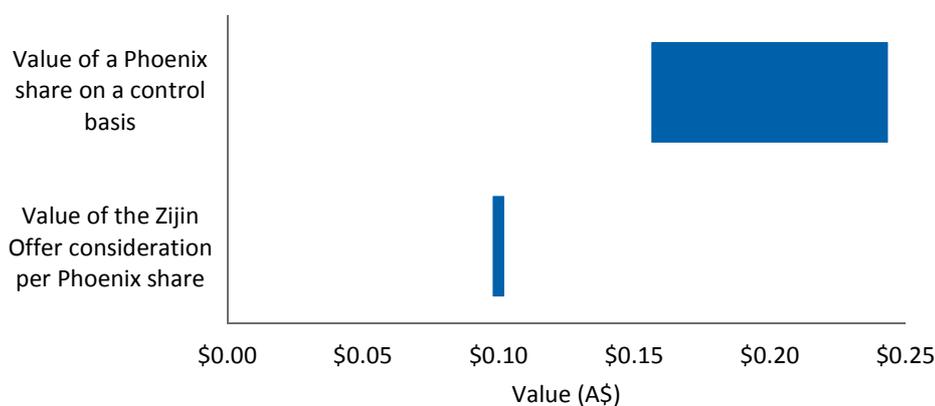
### 1.1 The Independent Expert has concluded that the Zijin Offer is NEITHER FAIR NOR REASONABLE

Phoenix engaged BDO Corporate Finance (WA) Pty Ltd as an Independent Expert to prepare an Independent Expert Report in relation to the Zijin Offer.

The Independent Expert has concluded that the Zijin Offer is **NEITHER FAIR NOR REASONABLE** and that the value of the Zijin Offer is lower than its assessed valuation range for a Phoenix Share.

The Independent Expert has assessed the value of a Phoenix Share on a 100% controlling interest basis to be in the range of \$0.156 and \$0.244. The Zijin Offer of \$0.10 is between **36% and 59% below** the Independent Expert's assessed value range.

Figure 1: Independent Expert's Phoenix Valuation Opinion



Source: BDO Independent Expert's Report

In section 2.3 of the Independent Expert's Report, the Independent Expert states the following opinion:

*"We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of any other relevant information, the Offer is neither fair nor reasonable to Shareholders."*

On pages 2 and 3 of the Independent Expert's Report, respectively, the Independent Expert came to the following conclusions in respect of the Zijin Offer:

- The value of a Phoenix Share, on a control basis, is in the range of \$0.156 and \$0.244 as compared to the Zijin Offer price of \$0.10 and therefore the Zijin Offer is NOT FAIR.
- The position of Phoenix Shareholders if the Zijin Offer is accepted is less advantageous than the position if the Zijin Offer is not accepted. Accordingly, in the absence of any other relevant information, the Zijin Offer is NOT REASONABLE.

In section 13.5 of the Independent Expert's Report, the Independent Expert has also highlighted the following disadvantage of the Zijin Offer:

- the Offer is not fair;
- Shareholders will not benefit from the potential upside of Phoenix;
- Shareholders will no longer be able to benefit from accepting an alternative offer; and
- Capital gains tax consequences.

**The Independent Expert has concluded that the Zijin Offer is NEITHER FAIR NOR REASONABLE. The Independent Expert's valuation range for a Phoenix Share of \$0.156 to \$0.244, supports the Directors' view that the Zijin Offer is inadequate and undervalues your Phoenix Shares.**

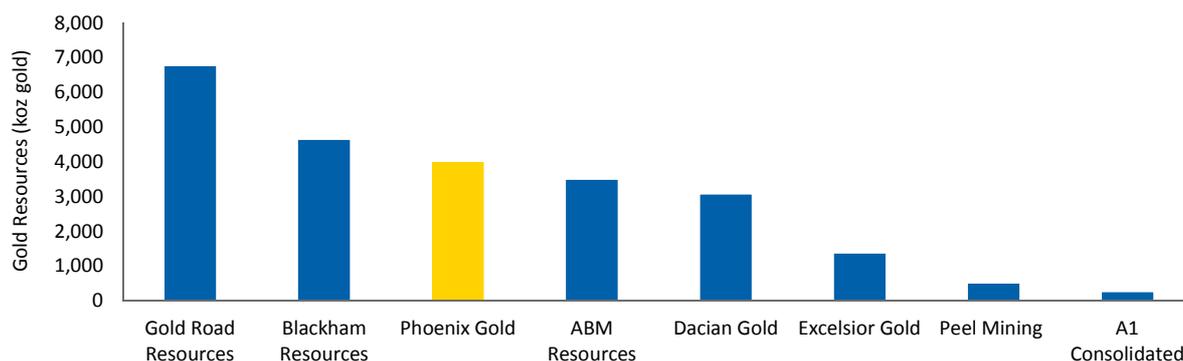
A full copy of the Independent Expert's Report accompanies this Target's Statement as an attachment. You are encouraged to read this report in its entirety.

## 1.2 The Zijin Offer does not fairly reflect the value of the Phoenix Assets

In the opinion of your Directors, the Zijin Offer fails to recognise the potential of the Phoenix Assets. The Zijin Offer implies a value of approximately \$41.8 million<sup>1</sup>. Your Directors believe that the combined value of the Phoenix Assets is higher than this figure, given the size of the mineral resources, the demonstrated discovery potential of the region and the development friendly location.

The Phoenix Assets contain one of Australia's largest undeveloped gold Mineral Resources and are located approximately 60km from Kalgoorlie, in one of Australia's premier goldfields.

Figure 2: Attributable Gold Resources of Junior ASX Listed Gold Exploration Companies



Source: ASX disclosures. Includes comparable ASX listed exploration stage companies with assets located primarily in Australia, with a market capitalisation greater than A\$20 million

Whilst the Directors consider the companies set out in the chart above are at a comparable stage of development to Phoenix, they believe that the Phoenix Assets have a number of critical advantages over several of its peer group's projects including scale of the Phoenix Assets, the anticipated conversion of Indicated Mineral Resources to Ore Reserves and the significant infrastructure support:

### Scale

- The Kunanalling Shear and the Zuleika Shear are two world class shear zones holding the Company's 500km<sup>2</sup> of tenure, consistently delivering resource and reserve growth year on year.
- Phoenix projects located along strike from several major gold camps, including Kundana gold camp, Frog's Leg deposit and Mt Pleasant field.
- Independently assessed Mineral Resources of 112.5 million tonnes of ore containing 4.02 million ounces<sup>2</sup> of gold with an average grade of 1.1 g/t (estimated in accordance with the JORC Code 2012).
- All Mineral Resources are situated on granted Mining Leases and the majority are amenable to bulk tonnage open pit mining and conventional CIL processing.

### Infrastructure

Significant infrastructure is in place adjacent to the Phoenix Assets, including:

- six established processing facilities, including Norton's Paddington Mill and Evolution Mining's Mungari Mill;
- a sealed highway;
- a 220kV power transmission line;

<sup>1</sup> Implied enterprise value of the Phoenix Assets based on the Zijin Offer price of 10 cents per Share, less the cash at bank, gold bullion on hand and receivables totalling approximately A\$5.2 million as at 30 June 2015.

<sup>2</sup> Mineral Resource estimate comprising Indicated Mineral Resources of 65.93 million tonnes at 1.1 g/t gold (2.288 million ounces) and Inferred Mineral Resources of 45.04 million tonnes at 1.2 g/t gold (1.68 million ounces).

- a borefield; and
- skilled labour and mining service providers, given close proximity to Kalgoorlie-Boulder.

In addition, Phoenix has an agreement to purchase the St Ives 2Mtpa standalone heap leach processing plant.

All of which will service to lower both the time and cost to develop the Phoenix Assets, when compared to a more remote or greenfields resource.

#### **Stable environment for development**

Low sovereign risk in a pro-mining jurisdiction, which is an important consideration when evaluating project financing.

**The Zijin Offer fails to recognise both the value that has already been demonstrated for the Phoenix Assets, and Phoenix's unrealised potential.**

### **1.3 Evolution Mining has announced its intention to make a competing offer at a headline price of \$0.12 per Phoenix Share, representing a 20% premium to the Zijin Offer**

On 20 August 2015, Evolution Mining announced its intention to make an off-market takeover offer to acquire all of the ordinary Phoenix Shares that it does not currently own, for consideration of 0.06 Evolution Mining shares and A\$0.06 cash per Phoenix Share, representing a value of \$0.12 per Phoenix Share at the time of the announcement (**Evolution Proposal**).

Based on the closing price of Evolution Mining Shares on ASX on 2 September 2015 of \$1.12, the implied value of the Evolution Proposal is \$0.127 per Phoenix Share, a premium of approximately 27.2% to the Zijin Offer.<sup>3</sup>

Based on the 5 day VWAP of Evolution Mining Shares up to and including the close of trade on 2 September 2015 of \$1.0227, the implied value of the Evolution Proposal is \$0.121 per Phoenix Share, a premium of approximately 21.4% to the Zijin Offer.<sup>4</sup>

Evolution Mining currently has a 19.8% shareholding in Phoenix and is Phoenix's largest shareholder. The Evolution Proposal is expected to open in September 2015.

As announced to the ASX on 24 August 2015, the announcement of the Evolution Proposal has been determined by Geologic Resources Partners LLC (**Geologic**) to be a superior proposal to the Zijin Offer. Accordingly, Geologic has withdrawn from the pre-bid agreement it had previously entered into with Zijin (**Pre-Bid Agreement**) and, as a result, Zijin's relevant interest in Phoenix has decreased by approximately 9% to 8.91% based on the disclosure by Zijin on 25 August 2015. Geologic are under no obligation to accept into the Evolution Proposal and your Directors are not aware of any intention of Geologic to accept.

**A competing offer will soon be made for Phoenix Shares at a headline price in excess of the Zijin Offer price.**

### **1.4 The Zijin Offer represents just a 2.0% premium to the closing Phoenix Share Price on the last trading day prior to the announcement of Zijin's intention to make a takeover bid**

The Zijin Bidder's Statement references the closing price of Phoenix shares on 17 June 2015 for the purposes of calculating the premium implied by the Zijin Offer.

Phoenix believes this reference is incorrect and was used for the purpose of over-stating the implied premium represented by the Zijin Offer.

As previously disclosed, Phoenix was unaware of Zijin's intentions until the approach by Zijin which occurred after market close on 19 June 2015. This was also the last trading day before the Zijin Offer was announced and the closing price on that day was \$0.098. Consequently, the Zijin Offer

<sup>3</sup> The closing price of Evolution Mining Shares on ASX on 2 September 2015 excludes a special crossing of 36,000,000 Evolution Mining Shares at a price of \$1.125 per share and an exchange traded funds special crossing of 19,686 Evolution Mining Shares at a price of \$1.12 per share, both of which occurred after market close on 2 September 2015.

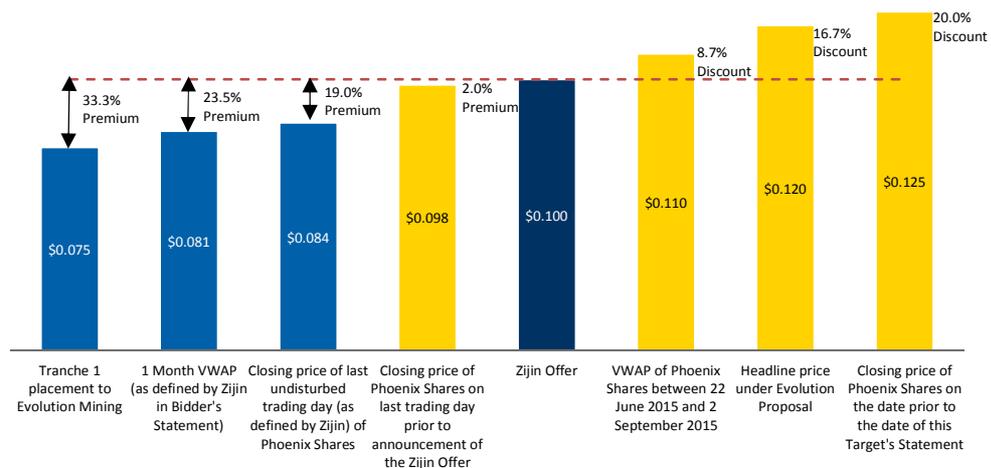
<sup>4</sup> The 5 day VWAP of Evolution Mining Shares up to and including the close of trade on 2 September 2015 excludes a special crossing of 36,000,000 Evolution Mining Shares at a price of \$1.125 per share and an exchange traded funds special crossing of 19,686 Evolution Mining Shares at a price of \$1.12 per share, both of which occurred after market close on 2 September 2015.

represents **only a 2% premium** over the closing price on the day before the Zijin Offer was announced.

For the benefit of Phoenix shareholders, Figure 2 below includes the various premia referred to in the Zijin Bidder's Statement but also includes reference to:

- the headline offer price under the Evolution Proposal;
- the closing price on the day prior to the Zijin Offer being announced, 19 June 2015;
- the volume weighted average price between 22 June 2015, the date of Zijin's announcement, and 2 September 2015, the date prior to the date of this Target's Statement; and
- the closing price on 2 September 2015, being the date prior to the date of this Target's Statement.

Figure 3: Zijin Offer Premium/Discount Chart



Source: Bloomberg, ASX disclosures

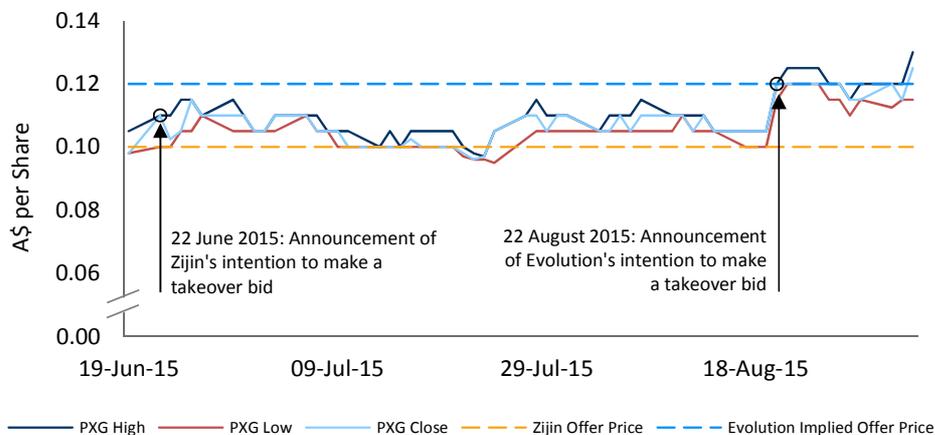
Note: Bars shaded yellow are not included in the Zijin Bidder's Statement.

### 1.5 The Phoenix Share Price has consistently traded above the Zijin Offer price since the announcement of Zijin's intention to make a takeover bid

Since the date of Zijin's announcement, on 22 June 2015, Phoenix Shares have on the majority of trading days traded at or above the Zijin Offer price, as demonstrated in Figure 4.

This trading activity demonstrates that buyers in the market recognise greater value in the Phoenix Share Price than the Zijin Offer price.

Figure 4: Recent Phoenix Share Price History and Offer Prices



Source: Bloomberg

**Recent trading activity in Phoenix Shares has been at levels in excess of the Zijin Offer price.**

## **1.6 Accepting the opportunistic Zijin Offer will remove your exposure to any potential increase in value that the Phoenix Assets offers**

Your Directors believe the Zijin Offer is opportunistic and timed to capture value that will otherwise flow to Phoenix shareholders in the medium and long term.

In the past 12 months, Phoenix has focused on the growth of Mineral Resources and Ore Reserves, developing and implementing the staged development plan inclusive of smaller scale mine development, exploring joint venture opportunities with Norton Gold Fields Limited (**Norton**) under existing mining and milling agreements between the parties, and advancing the heap leach strategy. In particular, Phoenix has completed a number of developments to enhance the understanding and value of the Phoenix Assets, including:

- (a) approving a staged development strategy to minimise capital expenditure utilising existing spare milling capacity in the Goldfields region;
- (b) shifting its exploration focus to the Zuleika Gold Project, with predictive modelling complete and target priorities identified;
- (c) securing the Heap Leach Facility to treat lower grade ore from the Castle Hill Project;
- (d) successfully completing drilling programmes at the flagship Castle Hill Project; and
- (e) completing a definitive feasibility study demonstrating a robust 8 year initial mine plan, a new 2Mtpa processing plant and 2Mtpa heap leach operation.

On this basis, it is in Zijin's interest to buy as many Phoenix Shares as possible at the cheapest possible price before any increase in the value of the Phoenix Assets.

If Zijin acquires your Phoenix Shares now, it will deny you the opportunity to participate in any value accretion that may occur in the future.

Your Directors believe that the Company has a well-developed strategy to create value for its shareholders. In particular, your Directors believe that you should consider the following developments which are scheduled to occur throughout the next several months:

- (a) exploration of high priority targets to expand the current Resource and Reserve base, particularly Castle Hill and Kundana North;
- (b) formalisation of a Licence to Mine and Ore Sale Agreement with Norton over Castle Hill Project Stage 1;
- (c) advance heap leach project development; and
- (d) accelerate exploration programme on the Zuleika Gold Project.

Although completion of these developments is subject to risk, markets and uncertainties and cannot be guaranteed, your Directors believe that the potential rewards substantially outweigh the potential risks.

**Your Directors believe that operational enhancements to the Phoenix Assets should result in further value accretion for shareholders in the short to medium term. Your Directors consider that Zijin has recognised this and has timed its bid accordingly for its own benefit.**

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## 2. FREQUENTLY ASKED QUESTIONS

This section answers some commonly asked questions about the Zijin Offer. It is not intended to address all relevant issues for Phoenix shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
Who is making the Zijin Offer?	Norton Gold Fields Limited, a wholly owned subsidiary of Zijin Mining Group Co., Ltd.
What will I receive for my Phoenix Shares under the Zijin Offer?	Zijin is offering \$0.10 cash for each Phoenix Share you hold.
What choices do I have as a Phoenix shareholder?	<p>As a Phoenix shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none"><li>• reject the Zijin Offer by doing nothing;</li><li>• sell your Phoenix Shares on ASX (unless you have previously accepted the Zijin Offer); or</li><li>• accept the Zijin Offer.</li></ul> <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 6 of this Target's Statement.</p>
Can I accept the Zijin Offer for some, but not all, of my Phoenix Shares?	No. You cannot accept the Zijin Offer for part of your Phoenix Shares. You can only accept the Zijin Offer for all of your Phoenix Shares.
What are your Directors recommending?	Each Director recommends that you <b>REJECT</b> the Zijin Offer. In order to do so you should do nothing and not respond to any correspondence from Zijin.
What do the Directors and management intend to do with their Shares?	Each Phoenix director and member of management who has a relevant interest in Phoenix Shares intends to reject the Zijin Offer in relation to those Shares.
What are the consequences of accepting the Zijin Offer now?	<p>If you accept the Zijin Offer, you will give up your right to sell your Phoenix Shares on ASX or otherwise deal with your Shares while the Zijin Offer remains open.</p> <p>If the share price trades above the Zijin Offer price you will have lost your ability to sell your Shares on ASX at that higher price.</p>
If I accept the Zijin Offer, can I withdraw my acceptance?	No. If you accept the Zijin Offer, you will not be able to trade your Phoenix Shares on ASX and there are only limited circumstances in which you may withdraw your acceptance (see section 7.9 for further details).
What happens if Zijin increases its Offer price under the current Zijin Offer?	<p>If Zijin increases its Offer price during the Zijin Offer Period, all Phoenix shareholders will be entitled to the benefit of any increase in the Zijin Offer price (including those Phoenix shareholders who have already accepted the Zijin Offer prior to the increase).</p> <p>As at the date of this Target's Statement, Zijin has not made any statement regarding its intention to increase the Zijin Offer price. However, Zijin has not made a "last and</p>

Question	Answer
	final” statement as to whether it will increase the Zijin Offer price.
When does the Zijin Offer close?	<p>The Zijin Offer is presently scheduled to close at 7.00pm AEST on 21 September 2015, but the Zijin Offer Period can be extended in certain circumstances.</p> <p>See section 7.6 of this Target’s Statement for details of the circumstances in which the Zijin Offer Period can be extended.</p>
Is the Zijin Offer conditional?	<p>Yes. The Zijin Offer is highly conditional. The outstanding Zijin Offer conditions include:</p> <ul style="list-style-type: none"> <li>• Zijin having an interest in at least 50.1% of the Phoenix Shares on issue at the end of the Zijin Offer Period;</li> <li>• between the Conditions Announcement Date and the end of the Zijin Offer Period, no regulatory action materially adversely impacting the Zijin Offer is issued, commenced or threatened in connection with the Zijin Offer;</li> <li>• between the Conditions Announcement Date and the end of the Zijin Offer Period, no material adverse change occurs in relation to Phoenix;</li> <li>• between the Conditions Announcement Date and the end of the Zijin Offer Period, Phoenix does not undertake any material acquisitions or disposals, enter into any material joint ventures or partnerships or commit to any material capital expenditure or liability;</li> <li>• between the Conditions Announcement Date and the end of the Zijin Offer Period, no person acquires certain rights as a result of the Zijin Offer in relation to the Phoenix Group;</li> <li>• from the Conditions Announcement Date to the end of the Zijin Offer Period, there are no prescribed occurrences; and</li> <li>• between the Conditions Announcement Date and the end of the Zijin Offer Period, Phoenix does not undertake certain corporate actions or borrow money (other than in the ordinary course of business).</li> </ul> <p>This is a summary of some of the conditions of the Zijin Offer. See section 7.3 of this Target’s Statement and Schedule 2 of the Zijin Bidder’s Statement for further details.</p>
When will I receive my cash payment as consideration if I accept the Zijin Offer?	<p>If you accept the Zijin Offer prior to the Zijin Offer becoming unconditional, then you will receive your consideration within 21 days of the offer becoming unconditional.</p> <p>See section 7.10 of this Target’s Statement for further details on when you will be sent your consideration.</p>

Question	Answer
<p>Does the Zijin Offer extend to Phoenix Options?</p>	<p>The Zijin Offer is only for Phoenix Shares. Zijin has stated in the Zijin Bidder's Statement that it proposes to have discussions with the holders of Phoenix Options with respect to the cancellation of those Phoenix Options.</p> <p>Zijin has not provided any further information on these discussions to Phoenix or disclosed the terms of any agreement that will be reached or is proposed to be reached with the holders of Phoenix Options.</p>
<p>What are the tax implications of accepting the Zijin Offer?</p>	<p>A general outline of the tax implications of accepting the Zijin Offer is set out in section 18 of the Zijin Bidder's Statement.</p> <p>As that section is a general outline only, Phoenix shareholders are encouraged to seek their own specific professional advice on the taxation implications applicable to their circumstances.</p>

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### **3. DIRECTORS' RECOMMENDATION**

#### **3.1 Directors' recommendations**

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Zijin Bidder's Statement, each of your Directors recommends that you **REJECT** the Zijin Offer for the reasons set out in section 1 of this Target's Statement.

In considering whether to accept the Zijin Offer, your Directors encourage you to:

- (a) read the whole of this Target's Statement (including the Independent Expert's Report) and the Zijin Bidder's Statement;
- (b) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- (c) consider the alternatives noted in section 6 of this Target's Statement; and
- (d) obtain financial advice on the Zijin Offer from your broker or financial adviser, and obtain taxation advice on the effect of accepting the Zijin Offer.

#### **3.2 Intentions of your Directors and management in relation to the Zijin Offer**

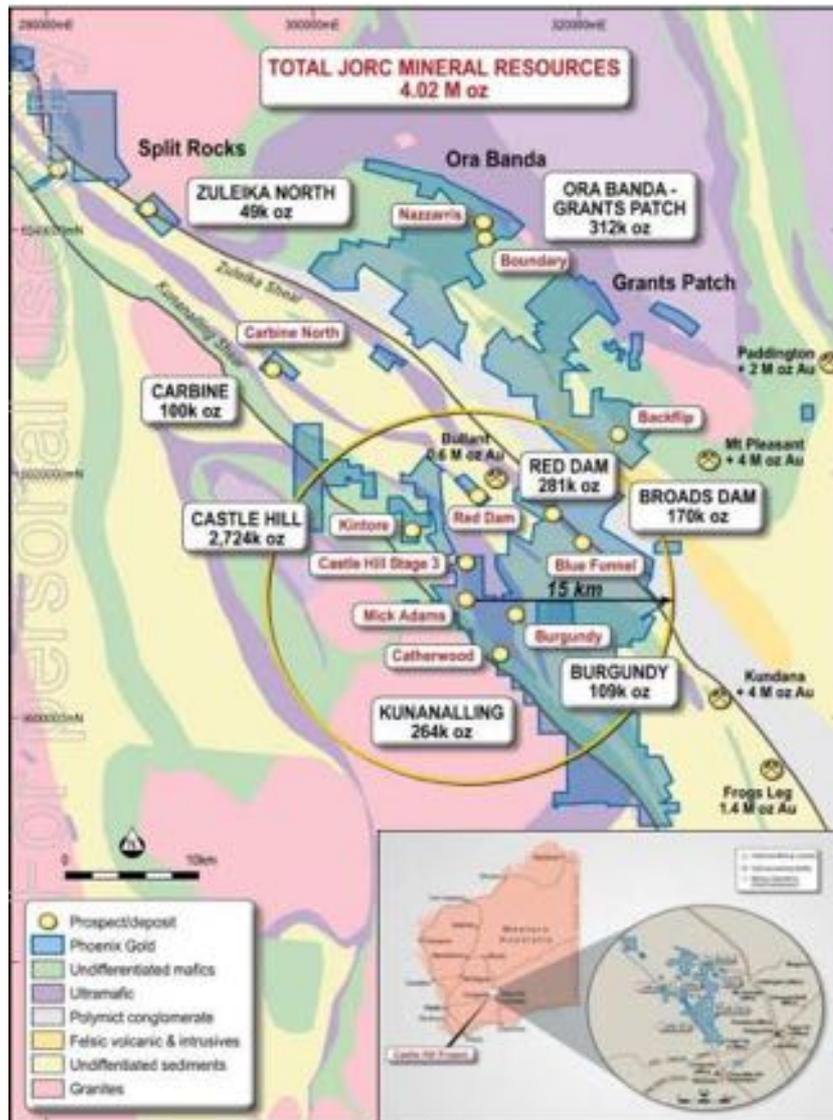
Each Phoenix Director and member of management who has a relevant interest in Phoenix Shares intends to **REJECT** the Zijin Offer in relation to those Shares.

Details of the relevant interests of each Phoenix Director and member of management in Phoenix Shares are set out in section 8 of this Target's Statement.

## 4. OVERVIEW OF PHOENIX

### 4.1 Background information on Phoenix

Phoenix is an emerging Western Australian gold company with consolidated tenure in a world class gold producing region of Australia. All mining tenements held by Phoenix are located in the Eastern Goldfields of Western Australia and are within a 60km radius northwest of Kalgoorlie in the historic mining centres of Ora Banda, Grants Patch, Carbine-Zuleika and Kunanalling. A map illustrating the location of these tenements is shown below:



### 4.2 Directors of Phoenix and Senior Management of Phoenix

As at the date of this Target's Statement, the directors of Phoenix are:

- (a) Dale Rogers, Executive Chairman

Mr Rogers is a mining engineer with 30 years' experience in the resources industry. Mr Rogers is a graduate of the Western Australian School of Mines and holds a WA First Class Mine Managers Certificate of Competency.

He has experience developing and operating underground and open cut mining operations in a range of commodities. Mr Rogers' previous roles include operations management, project construction and development, corporate management and financing. He has developed and managed operations in Africa, South America and throughout Western Australia. Mr Rogers is currently Chairman of Primary Gold Ltd, Chairman of A1 Consolidated Gold Limited and is a Director of his own mining consultancy.

(b) Stuart Hall, Non-Executive Director

Mr Hall is a qualified geologist with over 40 years' experience of exploration and mining projects in Australia, Africa and SE Asia. He has experience in the areas of exploration and mine geology, open pit and underground mining operations, resource/reserve estimations, feasibility studies, mine project development and mine management. His experience has covered a wide range of commodities including base metals, gold, iron ore, tantalum and industrial minerals.

Mr Hall currently runs his own geological consultancy.

(c) Ian Gregory, Non-Executive Director and Company Secretary

Mr Gregory is a professionally well-connected Director and Company Secretary with over 30 years' experience in the provision of company secretarial, governance and business administration services with listed and unlisted companies in a variety of industries, including oil and gas, exploration, mining, mineral processing, banking and insurance. He also has expertise which includes launching successful start-up operations through the development of the company secretarial role and board reporting processes.

Ian currently consults on company secretarial and governance matters to a number of listed companies.

Prior to founding his own consulting Company Secretarial business in 2005 Ian was the Company Secretary of Iluka Resources Ltd (6 years), IBJ Australia Bank Ltd Group, the Australian operations of The Industrial Bank of Japan (12 years), and the Griffin Coal Mining Group of companies (4 years). Ian is a member of the Western Australian Branch Council of Governance Institute of Australia (GIA), a past Chairman of that body and has also served on the National Council of GIA.

As at the date of this Target's Statement, the management of Phoenix are:

(a) Tim Manners, Chief Financial Officer

Mr Manners has over 20 years' experience in senior finance roles within the Australian and International resources sector. He is a Fellow of the Institute of Chartered Accountants of Australia and a qualified company secretary. Mr Manners has significant experience in the fields of finance, accounting, taxation, treasury and financial risk management in companies spanning all stages of corporate growth, from exploration activities and project development through to producing companies.

Having obtained his professional qualifications with Ernst & Young, Mr Manners has focussed his career in the resources industry with exposure to both base and precious metals businesses and bulk commodities. Mr Manners has held Chief Financial Officer roles at Western Areas NL, Perilya Ltd and Bathurst Resources Ltd.

(b) Ian Copeland, General Manager – Exploration

Mr Copeland is both a geologist and mining engineer and has over 35 years' experience in the mining industry, including 25 years' experience in the Goldfields region. He has previously worked as Regional Development Superintendent with Barrick (Kanowna) Limited, and Open Pit Manager and Technical Services Manager with Norton Gold Fields Limited and Planning Superintendent with Placer Dome Australia Limited, in each case in relation to the Paddington Gold Mine.

(c) Grant Haywood, Chief Operating Officer

Mr Haywood is a mining engineer with over 24 years' of experience in the Australian resources sector, primarily working in the gold industry in Western Australia. Mr Haywood is a graduate of the Western Australian School of Mines and holds a WA First Class Mine Managers Certificate of Competency.

Prior to joining Phoenix, he was General Manager - Operations for Saracen Mineral Holdings, where he established new open pit mines and brought the Red October Underground project into production. He has held Senior Operational and Technical Management roles with Norton Gold Fields Limited, with Gold Fields Ltd and with Sons of Gwalia in multiple mining operations within the Yilgarn region.

Information relating to the Phoenix securities held by each of the Directors and management personnel listed above is included in section 8 of this Target's Statement.

### 4.3 Summary of Phoenix's key projects

#### (a) **Castle Hill Project**

The 100% owned Castle Hill Project is Phoenix's flagship asset. The Castle Hill Project is located on the Kunanalling Shear approximately 50 km northwest of Kalgoorlie. The Mineral Resource is currently estimated at 81 million tonnes at 0.94 g/t Au for 2,460,000 oz within the first 90m of surface. Mineralisation at the Castle Hill Project has been defined over a continuous strike length of 9 km and remains open in all directions. Significantly, the resource envelope only extends to (approximately) 190m below surface.

Phoenix commenced a Definitive Feasibility Study (**DFS**) in January 2013 which was completed in approximately 12 months. The results were reported to the ASX on 10 February 2014. The DFS included development of Phoenix's 100% owned Castle Hill Project and Red Dam gold project together with a number of smaller satellite projects within a 15 kilometre radius.

During the June Quarter 2014, the Phoenix Board approved a staged development of the Castle Hill Project, Red Dam and smaller satellite gold projects.

As part of the DFS, a development option study was also completed to enable a staged development approach to minimise capital costs and utilise existing spare milling capacity in the region. In addition to the base level of production under third party milling, the staged approach also allowed for potential joint venture arrangements to be explored with Norton Gold Fields Limited under existing mining and milling agreements between the parties.

#### (b) **Zuleika Gold Project**

The Zuleika Gold Project is located on the Zuleika Shear in the heart of the Western Australian Goldfields, 45 km northwest of the City of Kalgoorlie-Boulder.

While the focus of the Company has been on the Kunanalling Shear over the last four years, a significant asset of the Company is the tenure owned on the Zuleika Shear, including the Zuleika Gold Project. Phoenix has identified a 163,000 ounce Mineral Resource on its package of tenements along the 250 km long, world-class Zuleika Shear and prominent second-order splay, Carbine Shear. The Zuleika Shear is well documented for hosting high-grade, multi-million ounce deposits with an endowment (outside Phoenix's project) exceeding six million ounces.

Exploration at the Zuleika Gold Project is planned for 2015. Priority drill targets have been defined and planned for 2015 on the Zuleika Shear. The Zuleika Gold Project has the benefit of existing roads and minimal on-site infrastructure is required to service the projects and workforce.

#### (c) **Heap Leach Facility**

In July 2014 Phoenix announced it had entered into an agreement with St Ives Gold Mining Company Pty Limited to purchase a standalone 2.3Mtpa heap leach processing facility on care and maintenance in the Goldfields (**Heap Leach Facility**). The total consideration payable under the agreement is \$2 million with a \$0.2 million deposit being paid during the half-year ended 31 December 2014.

In line with this acquisition, Phoenix progressed with an updated heap leach feasibility study to integrate the facility with the leach pad design at the Castle Hill Project. The open pit Ore Reserve studies and subsequent definitive feasibility study conducted during the 2014 calendar year highlighted the significant potential for the development of a heap leach operation at the Castle Hill Project to complement milling operations.

During the course of mining the higher grade feed for the mill, a considerable quantity of lower grade material is mined. This ore would typically be stockpiled separately and treated at the end of the mine life. Historic and recent metallurgical testwork on the Castle Hill Project ore has demonstrated high amenability to heap leaching with recoveries ranging from 70 to 88% with moderate to low reagent consumption and low slumpage rates.

The updated design integrates the St Ives plant. Initial ore feed for the plant will be sourced from the low grade ore that is mined under the Licence to Mine and Ore Sale Agreement with Norton Gold Fields Limited.

The current Mineral Resource for the heap leach project stands at 58.34Mt at 0.60 g/t Au for 1,109,000 ounces. The current Ore Reserve for the heap leach project stands at 14.96Mt at 0.58 g/t Au for 280,450 ounces.

#### 4.4 Mineral Resources and Ore Reserves

As at the date of this Target's Statement, the Mineral Resources in respect of the Phoenix Assets are as follows:

Project (Mill Feed)	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	MI	Au (g/t)	Au Oz	MI	Au(g/t)	Au oz	MI	Au (g/t)	Au Oz	MI	Au (g/t)	Au Oz
Mick Adams/Wadi				18.09	1.5	894,000	6.39	1.3	274,000	24.48	1.5	1,168,000
Kintore				3.03	1.6	160,000	4.21	1.8	239,000	7.24	1.7	399,000
Castle Hill Stage 3				2.38	1.4	109,000	1.36	1.3	59,000	3.74	1.4	168,000
Red Dam				2.05	2.1	140,000	1.04	2.2	74,000	3.09	2.2	214,000
Broads Dam				0.13	2.9	12,000	2.16	2.3	158,000	2.29	2.3	170,000
Burgundy	0.49	2.0	31,000	0.40	2.3	29,000	0.09	1.5	4,000	0.98	2.0	65,000
Kunanalling				0.46	2.4	35,000	4.12	1.7	229,000	4.58	1.8	264,000
Ora Banda				2.36	2.0	149,000	2.79	1.8	143,000	5.15	1.9	312,000
Carbine				1.70	1.6	86,000	0.21	2.1	14,000	1.91	1.6	100,000
Zuleika North							0.62	2.5	49,000	0.62	2.5	49,000
Stockpiles				0.08	1.4	4,000				0.08	2.5	4,000
<b>Total</b>	<b>0.49</b>	<b>2.0</b>	<b>31,000</b>	<b>30.68</b>	<b>1.6</b>	<b>1,618,000</b>	<b>22.99</b>	<b>1.7</b>	<b>1,263,000</b>	<b>54.16</b>	<b>1.7</b>	<b>2,913,000</b>

Project (Heap leach feed)	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	MI	Au (g/t)	Au Oz	MI	Au(g/t)	Au oz	MI	Au (g/t)	Au Oz	MI	Au (g/t)	Au Oz
Mick Adams/Wadi				21.54	0.6	400,000	10.98	0.6	198,000	32.52	0.6	598,000
Kintore				6.68	0.6	131,000	7.87	0.6	156,000	14.55	0.6	287,000
Castle Hill Stage 3				3.80	0.6	68,000	2.01	0.6	36,000	5.81	0.6	104,000
Burgundy	1.04	0.6	22,000	0.86	0.6	18,000	0.22	0.6	4,000	2.12	0.6	44,000
Red Dam				1.89	0.7	44,000	0.97	0.7	23,000	2.86	0.7	67,000
Stockpiles				0.48	0.6	9,000				0.48	0.6	9,000
<b>Total</b>				<b>35.25</b>	<b>0.6</b>	<b>670,000</b>	<b>22.05</b>	<b>0.6</b>	<b>417,000</b>	<b>58.34</b>	<b>0.6</b>	<b>1,109,000</b>

<b>Total Jan 2015</b>	<b>0.49</b>	<b>2.0</b>	<b>31,000</b>	<b>65.93</b>	<b>1.1</b>	<b>2,288,000</b>	<b>45.04</b>	<b>1.2</b>	<b>1,680,000</b>	<b>112.50</b>	<b>1.1</b>	<b>4,022,000</b>
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Notes:

1. Stockpiles report material mined from historical mining operations at Lady Jane, Broad Dam, Premier, Catherwood, Bluebell, Mick Adams and Shamrock.

As at the date of this Target's Statement, the Ore Reserves in respect of the Phoenix Assets are as follows:

Project - Mill Feed	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve			Cut off
	MI	Au (g/t)	Au Oz	MI	Au(g/t)	Au oz	MI	Au (g/t)	Au Oz	
Castle Hill (Stage 1)				10.68	1.71	588,380	10.68	1.71	588,380	0.8
Kintore (Castle Hill Stage 2)				2.00	1.33	86,100	2.00	1.33	86,100	0.8
Red Dam				1.60	2.19	110,900	1.60	2.19	110,900	1.0
Kunanalling	0.35	2.09	24,000	0.02	1.63	1,000	0.37	2.07	25,000	0.9
Ora Banda				0.58	2.33	44,000	0.58	2.33	44,000	0.8
Carbine				0.40	1.70	23,800	0.40	1.70	23,800	1.0
<b>Sub total - mill feed</b>	<b>0.35</b>	<b>2.09</b>	<b>24,000</b>	<b>15.28</b>	<b>1.74</b>	<b>854,180</b>	<b>15.63</b>	<b>1.75</b>	<b>878,180</b>	
<b>Project - Heap leach feed</b>										
Castle Hill				12.16	0.58	227,450	12.16	0.58	227,450	0.4-0.8
Kintore (Castle Hill Stage 2)				2.60	0.54	46,000	2.6	0.54	46,000	0.4-0.8
Stockpiles				0.20	1.10	7,000	0.20	1.10	7,000	
<b>Sub total - Heap leach feed</b>				<b>14.96</b>	<b>0.58</b>	<b>280,450</b>	<b>14.96</b>	<b>0.58</b>	<b>280,450</b>	
<b>Total</b>	<b>0.35</b>	<b>2.09</b>	<b>24,000</b>	<b>30.24</b>	<b>1.17</b>	<b>1,134,630</b>	<b>30.59</b>	<b>1.18</b>	<b>1,158,630</b>	

Notes:

1. The Ore Reserve estimates have been modified with dilution and mining recovery factors
2. Tonnes and ounces are rounded, rounding errors may occur

#### **4.5 Historical Financial Information**

As at 30 June 2015, Phoenix's cash, deposits, gold bullion and receivables totalled approximately A\$5.2 million.

Phoenix's Quarterly Cash Flow Report for the period from 31 March 2015 to 30 June 2015 was released on 31 July 2015. The report can be accessed online via [www.phoenixgold.com.au](http://www.phoenixgold.com.au).

Phoenix's Interim Report for the half year ending 31 December 2014 was released on 11 March 2015. The report can be accessed online via [www.phoenixgold.com.au](http://www.phoenixgold.com.au).

## 5. OVERVIEW OF ZIJIN AND ITS INTENTIONS

### 5.1 Information on Zijin and Norton

Information on Zijin and Norton can be found in section 4 of the Zijin Bidder's Statement.

Information about the Zijin group may also be obtained from Zijin's website at [www.zijinmining.com](http://www.zijinmining.com). English-language announcements made by Zijin to the Hong Kong Stock Exchange may also be obtained from the exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) (search for company code 2899). Information contained in or otherwise accessible from those websites does not form part of the Target Statement.

### 5.2 Zijin's Western Australian assets

In July 2011, Zijin acquired its initial interest of 9.96% in Norton Gold Fields Limited (**Norton**) via a combination of on-market acquisitions and a share subscription agreement.

In August 2012, Zijin increased its stake in Norton to 89% following a recommended takeover offer to shareholders.

In June 2015, following the approval of a scheme of arrangement between Norton and its shareholders, Norton became a wholly-owned subsidiary of Zijin.

During the period from April 2013 to September 2014, Norton itself acquired a number of Western Australian gold projects, including the Bullant Gold Project (via the acquisition of Kalgoorlie Mining Company Limited) and the Bullabulling Gold Project (via the acquisition of Bullabulling Gold Limited), both projects of which are located in the Goldfields region.

As a result, Zijin's current key assets in Western Australia comprise the Paddington Operations (which includes the Bullant Gold Project), the Bullabulling Gold Project and the Mt Jewell tenements, all of which are located in close proximity to the Phoenix Assets and are centred around the Paddington Mill, which is the central hub for Norton's gold processing operations in the Goldfields region, as shown in the map below.



At section 7.2 of the Zijin Bidder's Statement, Zijin states that the proposed acquisition of Phoenix is a continuation of the strategy of Zijin to pursue growth opportunities both organically and through the acquisition of businesses that will expand its domestic and international interests. In addition, Zijin states that the acquisition of Phoenix will represent an opportunity to consolidate and maximise the potential of the various intertwined tenement packages as well as to optimise the Castle Hill Project.

As stated in section 1.6 of this Target's Statement, your Directors believe that the Company has a well-developed strategy to create value for its shareholders. This strategy includes:

- (a) formalisation of a mine and ore treatment agreement with Norton over the Castle Hill Project Stage 1; and
- (b) development of priority drill targets that have been defined and planned for 2015 on the Castle Hill Project to expand the current Resource and Reserve base.

If you accept the Zijin Offer, you will remove your exposure to any potential increase in value that the Phoenix Assets offers. Accordingly, your Directors consider that the Zijin Offer presents an opportunity for Zijin's shareholders to benefit from the potential value offered by the Phoenix Assets to the detriment of Phoenix Shareholders.

### 5.3 Zijin's Intentions in relation to Phoenix

#### (a) **Zijin's intentions if it acquires 90% or more of Phoenix Shares**

Section 7.3 of the Zijin Bidder's Statement sets out Zijin's intentions if it acquires 90% or more of Phoenix Shares. One of these intentions is that Zijin may consider divesting exploration tenements on trend with the Zuleika Shear, including the Zuleika Gold Project, to other parties that may attribute more value to it than Zijin.

Your Directors believe that this further supports their view that if you accept the Zijin Offer, you will allow Zijin to acquire the Phoenix Assets at a reduced price and thereafter to benefit from the sale of certain Phoenix Assets at a price more aligned with their intrinsic value. In doing so, it will deny you the opportunity to take advantage of that increased price.

#### (b) **Zijin's intentions if it acquires in excess of 50.1% of Phoenix Shares but less than 90% of Phoenix Shares**

Section 7.4 of the Zijin Bidder's Statement sets out Zijin's intentions if it acquires in excess of 50.1% of Phoenix Shares but less than 90% of Phoenix Shares. These intentions include the following:

- (i) Zijin will seek board representation commensurate to its shareholding;
- (ii) Zijin will conduct a board review of the Phoenix Assets; and
- (iii) Zijin will suspend continuing activities on Phoenix's heap leach assets while an operation review is undertaken.

Zijin (through Norton) is a counterparty to a number of material agreements relating to the Phoenix Assets, including an option deed pursuant to which Norton has exercised its option to enter into a mine and ore treatment agreement over Stage 1 of the Castle Hill Project (**Licence to Mine Agreement**). A draft of the Licence to Mine Agreement is in near final form, pending only confirmation from Norton as to timing of construction of the sampling station at the Paddington Mill. However, as at the date of this Target's Statement, this agreement has yet to be executed by the parties.

Zijin has not specified in the Zijin Bidder's Statement whether it intends to execute the Licence to Mine Agreement in its current draft form.

If Zijin acquires in excess of 50.1% of Phoenix Shares but less than 90% of Phoenix Shares and subsequently gains control of the Phoenix Board, Zijin will have the ability to alter the terms of the Licence to Mine Agreement to the benefit of Zijin and its shareholders and to the detriment of all other Phoenix Shareholders.

Zijin also states at paragraph (b) of section 7.4 of the Bidder's Statement that under these circumstances, Zijin will also:

*"consider and investigate, subject to compliance in all respects with the Corporations Act, for the acquisition, buy-out or cancellation of (or alternative*

*arrangements in relation to) any other Marketable Securities in Phoenix to which Zijin Group (of its Associates) are not otherwise entitled to;”*

Your Directors believe that if Zijin fails to acquire 100% of Phoenix in its first attempt (i.e. under the Zijin Offer), it is possible that Norton may return in the future with a separate, follow-on offer in order to acquire 100%. That follow-on offer may be at a higher price than the current Zijin Offer price.

If you accept the Zijin Offer, not only will you not be entitled to participate in the Evolution Proposal, you will also not be able to participate in any separate takeover offer that Zijin may make in the future.

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## 6. YOUR CHOICES AS A PHOENIX SHAREHOLDER

**Your Directors recommend that you REJECT the Zijin Offer and each Phoenix director and member of management who has a relevant interest in Phoenix Shares intends to REJECT the Zijin Offer in relation to those Shares.**

However, as a Phoenix shareholder you have 3 choices currently available to you:

(a) **Reject the Zijin Offer**

Shareholders who wish to reject the Zijin Offer should do nothing.

Shareholders should note that if Zijin and its associates have a relevant interest in at least 90% of the Shares during or at the end of the Zijin Offer Period, Zijin will be entitled to compulsorily acquire the Shares that it does not already own. See section 7.13 of this Target's Statement for further details.

(b) **Sell your Shares on market**

During the Zijin Offer Period, Phoenix shareholders who have not already accepted the Zijin Offer can still sell their Shares on market for cash, on ASX.

On 2 September 2015 Phoenix's Share price closed at \$0.125 on ASX. This represents a 25.0% premium to the Zijin Offer price of \$0.10 per Phoenix Share.

The latest price for Phoenix Shares quoted on ASX may be obtained from the ASX website [www.asx.com.au](http://www.asx.com.au).

Shareholders who sell their Shares on market may be liable for CGT on the sale and may incur a brokerage charge.

Phoenix shareholders who wish to sell their Shares on market should contact their broker for information on how to effect that sale.

(c) **Accept the Zijin Offer**

Phoenix shareholders may elect to accept the Zijin Offer. Details of the consideration that will be received by Phoenix shareholders who accept the Zijin Offer are set out in section 7.2 of this Target's Statement and in sections 8 and 14 of the Zijin Bidder's Statement.

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## 7. KEY FEATURES OF THE ZIJIN OFFER

### 7.1 Background to the Zijin Offer

Zijin announced its intention to make its takeover bid for Phoenix on 22 June 2015. On 6 August 2015, Zijin lodged the original bidder's statement. On 18 August 2015, in response to the Company raising a number of concerns with Zijin regarding the disclosure in the original bidder's statement, Zijin lodged a replacement bidder's statement. A copy of Zijin's announcement and replacement bidder's statement dated 18 August 2015 can be found at [www.asx.com.au](http://www.asx.com.au). A summary of the Zijin Offer is contained in section 7 of this Target's Statement.

The Zijin Offer is open for acceptance until 7.00pm AEST on 21 September 2015, unless it is extended or withdrawn (sections 7.6 and 7.7 of this Target's Statement describe the circumstances in which Zijin can extend or withdraw the Zijin Offer).

### 7.2 Consideration payable to shareholders who accept the Zijin Offer

The consideration being offered by Zijin is \$0.10 for each Phoenix Share that you hold.

The Zijin Offer is only for Phoenix Shares, it does not extend to Phoenix Options. Zijin has stated in the Zijin Bidder's Statement that it proposes to have discussions with the holders of Phoenix Options with respect to the cancellation of those Phoenix Options.

Zijin has not provided any further information on these discussions to Phoenix or disclosed the terms of any agreement that will be reached or is proposed to be reached with the holders of Phoenix Options.

### 7.3 Conditional Offer

Phoenix shareholders should note that the Zijin Offer (and each contract resulting from acceptances of the Zijin Offer) is subject to a number of conditions, and that the Zijin Offer will lapse unless the conditions are either satisfied or waived by Zijin prior to the end of the Zijin Offer Period. These conditions are set out in full in Schedule 2 of the Zijin Bidder's Statement.

Some of these conditions (the **Defeating Conditions**) are broadly summarised below:

- (a) Zijin having a relevant interest in at least 50.1% of Phoenix Shares on issue during, or at the end of, the Zijin Offer Period;
- (b) between the Conditions Announcement Date and the end of the Zijin Offer Period, no regulatory action materially adversely impacting the Zijin Offer being issued, commenced, or threatened in connection with the Zijin Offer (other than an application to, or decision or order of, ASIC or the Takeovers Panel);
- (c) between the Conditions Announcement Date and the end of the Zijin Offer Period, no event, change or condition occurs, is announced or becomes known to Phoenix that could reasonably be expected to result in liabilities, an adverse effect on the financial or trading position or profitability of the Phoenix Group, a diminution of the Phoenix Group's net assets by more than \$1,000,000, or a material adverse effect on the prospects of the Phoenix Group or the status or terms of any material approvals, licences, tenements or permits issued to the Phoenix Group;
- (d) between the Conditions Announcement Date and the end of the Zijin Offer Period, Phoenix does not acquire, dispose, or offer to acquire or dispose of an interest in one or more companies or assets for an amount in aggregate greater than \$750,000, or enter into a joint venture or partnership involving a commitment of the same value, or commit to any capital expenditure or liability in respect of one or more related items of the same value;
- (e) between the Conditions Announcement Date and the end of the Zijin Offer Period, no person has or will have any right, as a result of the Zijin Offer, to acquire or require the disposal of any material assets within the Phoenix Group, terminate or vary a material agreement within the Phoenix Group, terminate or vary the terms of any material approvals, licences or permits issued to the Phoenix Group, or require repayment of any moneys or withdraw or inhibit the ability of the Phoenix Group to borrow money;
- (f) during the period from the Conditions Announcement Date to the end of the Zijin Offer Period, no prescribed occurrences (as set out in section 652C Corporations Act); and

- (g) during the period from the Conditions Announcement Date to the day before the date of the Zijin Bidder's Statement, the Phoenix Group must not, amongst other things, borrow money (other than in the ordinary course of business), change its Constitution, enter into any guarantee or indemnity in excess of \$2,000,000, enter into or vary a contract of service with a director or manager, enter into any agreement with a third party that would require expenditure or incur liability in excess of \$2,000,000, release or discharge any substantial obligation owed to it, or terminate, vary or enter into a material agreement.

Phoenix shareholders should be aware that even if the Defeating Conditions are not satisfied they may be waived by Zijin (other than in respect of 7.3(a)). Furthermore, if a Defeating Condition is not satisfied and has not been waived, then Zijin may allow the Zijin Offer to lapse and you will continue to hold your Phoenix Shares.

#### **7.4 Notice of Status of Conditions**

The Zijin Bidder's Statement states that Zijin will give its Notice of Status of Conditions to ASX and Phoenix on 11 September 2015 (subject to variation in accordance with section 630(2) of the Corporations Act if the Zijin Offer period is extended). If the Zijin Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. If there is such an extension, Zijin is required, as soon as possible after the extension, to give notice to ASX and Phoenix that states the new date for the giving of the Notice of Status of Conditions.

Zijin is required to set out in its Notice of Status of Conditions:

- (a) whether the Zijin Offer is free of any or all conditions;
- (b) whether, so far as Zijin knows, any of the conditions have been fulfilled; and
- (c) Zijin's voting power in Phoenix.

If a condition is fulfilled (so that the Zijin Offer becomes free of the condition) before the date on which the Notice of Status of Conditions is required to be given, Zijin must, as soon as possible, give ASX and Phoenix a notice that states that the particular condition has been fulfilled.

#### **7.5 Offer Period**

Unless the Zijin Offer is extended or withdrawn, it is open for acceptance from 20 August 2015 until 7.00pm AEST on 21 September 2015.

The circumstances in which Zijin may extend or withdraw its Offer are set out in section 7.6 and section 7.7 respectively of this Target's Statement.

#### **7.6 Extension of the Zijin Offer Period**

While the Zijin Offer is subject to a Defeating Condition, Zijin may extend the Zijin Offer Period at any time before giving the Notice of Status of Conditions.

However, if the Zijin Offer is or becomes not subject to a Defeating Condition (that is, it is free of all Defeating Conditions), Zijin may extend the Zijin Offer Period at any time before the end of the Zijin Offer Period.

To extend the Zijin Offer Period, Zijin must lodge a notice of variation with ASIC and give a notice to Phoenix and to each Phoenix shareholder to whom an offer was made under the Zijin Offer.

In addition, there will be an automatic extension of the Zijin Offer Period if, within the last 7 days of the Zijin Offer Period:

- (a) Zijin improves the consideration under the Zijin Offer; or
- (b) Zijin's voting power in Phoenix increases to more than 50%.

If either of these events occurs, the Zijin Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

#### **7.7 Withdrawal of Offer**

Zijin may not withdraw the Zijin Offer if you have already accepted it. Before you accept the Zijin Offer, the Zijin Offer may only be withdrawn by Zijin with the written consent of ASIC and subject to the conditions (if any) specified in the consent.

However, if the Defeating Conditions of the Zijin Offer are not satisfied or waived by the end of the Zijin Offer Period, the Zijin Offer will lapse. This means that even if you have accepted the Zijin Offer, the Zijin Offer will not proceed and you will continue to hold your Phoenix Shares. Details of the conditions of the Zijin Offer are set out in Section 7.3 of this Target's Statement.

## **7.8 Effect of acceptance**

If you accept the Zijin Offer, subject to any withdrawal rights set out in Section 7.9 of this Target's Statement:

- (a) you will be unable to accept any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the Board;
- (b) you will relinquish control of your Phoenix Shares to Zijin but will have no guarantee of payment until the Zijin Offer becomes unconditional; and
- (c) you will be unable to sell your Phoenix Shares on ASX.

The effect of acceptance is set out in detail in section 13 of the Zijin Bidder's Statement. That section of the Zijin Bidder's Statement describes the representations and warranties that you will be making and the irrevocable authorities and appointments that you will be giving if you accept the Zijin Offer.

## **7.9 Your ability to withdraw your acceptance**

You have only limited rights to withdraw your acceptance of the Zijin Offer. Specifically, you may withdraw your acceptance of the Zijin Offer if:

- (a) it is still subject to a Defeating Condition; and
- (b) the Zijin Offer is varied in a way that postpones, for more than 1 month, the time by which Zijin must satisfy its obligations under the Zijin Offer. This may occur if Zijin extends the Zijin Offer Period by more than 1 month and the Zijin Offer is still subject to a Defeating Condition.

## **7.10 When you will receive your consideration if you accept the Zijin Offer**

In accordance with section 14.4 of the Zijin Bidder's Statement, if you accept the Zijin Offer in accordance with the instructions contained in the Zijin Bidder's Statement, Zijin will provide the consideration for your Phoenix Shares to you by the later of 21 days after you accept the Zijin Offer, or if the Zijin Offer is still subject to a Defeating Condition when accepted, within 21 days after the contract resulting from your acceptance becomes unconditional.

## **7.11 Effect of an improvement in consideration on shareholders who have already accepted the Zijin Offer**

If Zijin improves the consideration offered under its bid, all Phoenix shareholders, whether or not they have accepted the Zijin Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

## **7.12 Risks of accepting the Zijin Offer**

### **(a) Compulsory acquisition**

Maintaining your investment in Phoenix may attract the following risks, depending on the outcome of the Zijin Offer:

- (i) if you choose not to accept the Zijin Offer and Zijin subsequently becomes entitled to and exercises its compulsory acquisition rights (consistent with its intention set out in section 7.3 of the Zijin Bidder's Statement), you are likely to be paid later than Phoenix shareholders who accept the Zijin Offer;
- (ii) if you choose not to accept the Zijin Offer and Zijin is not able to exercise its compulsory acquisition buy-out rights, but declares the Zijin Offer unconditional, then Zijin will have acquired control of Phoenix (provided it acquires more than 50% of the Phoenix Shares) and you will become a minority shareholder in Phoenix. This has a number of possible implications, including:
  - (A) further reduced liquidity of the Phoenix Shares that you hold;
  - (B) Zijin will be in a position to cast the majority of votes at a general meeting of Phoenix, which will enable it to control the composition of the Phoenix

Board and senior management and control the strategic direction of the business of Phoenix;

- (C) if Zijin acquires 75% or more of the Phoenix Shares, it will be able to pass special resolutions at meetings of Phoenix shareholders, which will enable Zijin to, among other things, change the Phoenix Constitution;
- (D) while Zijin's intentions for Phoenix are described in section 7.4 of the Zijin Bidder's Statement, those intentions may change; and
- (E) changes to Phoenix's business to be implemented by Zijin may mean that you may subsequently choose to dispose of your Phoenix Shares at a time when liquidity in your Phoenix Shares and the ability to sell them may be severely reduced;

(iii) if you choose not to accept the Zijin Offer and Zijin does not declare the Zijin Offer unconditional, the Zijin Offer will not be successful and you and other Phoenix shareholders will continue as shareholders.

(b) **Possibility of a superior proposal emerging**

If you accept the Zijin Offer, you will not be able to accept your Shares into any superior proposal that may be forthcoming, including the Evolution Proposal, and therefore will not be able to obtain any potential benefit associated with that superior proposal.

(c) **No interest in equity upside**

If you accept the Zijin Offer, you will lose your interest and exposure in the future profits and dividends (if any) associated with Phoenix and the Phoenix Assets.

## 7.13 Compulsory acquisition

Zijin has stated in section 7.3 of the Zijin Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition of Phoenix Shares in accordance with the Corporations Act and the other conditions of the Zijin Offer are satisfied, then Zijin intends to do so.

The two types of compulsory acquisition permissible under Chapter 6A of the Corporations Act are discussed below.

(a) Follow-on compulsory acquisition

Under Part 6A.1 of the Corporations Act, Zijin will be entitled to compulsorily acquire any Phoenix Shares on the same terms as the Zijin Offer if, during or at the end of the Zijin Offer Period, Zijin (together with its associates):

- (i) has a relevant interest in at least 90% (by number) of all the Phoenix Shares; and
- (ii) has acquired at least 75% (by number) of all the Phoenix Shares that Zijin offered to acquire under the Zijin Offer (whether the acquisitions happened under the Zijin Offer or otherwise).

If these thresholds are met, Zijin will have up to 1 month after the end of the Zijin Offer Period within which to give compulsory acquisition notices to Phoenix shareholders who have not accepted the Zijin Offer. Phoenix shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Phoenix shareholder to establish to the satisfaction of a court that the terms of the Zijin Offer do not represent a "fair value" for the Phoenix Shares.

Phoenix shareholders should be aware that if they do not accept the Zijin Offer and their Phoenix Shares are compulsorily acquired, those Phoenix shareholders will face a delay in receiving the consideration for their Phoenix Shares compared with Phoenix shareholders who have accepted the Zijin Offer.

(b) General compulsory acquisition

Under Part 6A.2 of the Corporations Act, Zijin will be entitled to compulsorily acquire any Phoenix Shares if Zijin holds full beneficial interests in at least 90% (by number) – i.e. if Zijin becomes a 90% holder of Phoenix Shares.

If this threshold is met, Zijin will have 6 months after it becomes a 90% holder within which to give compulsory acquisition notices to Phoenix shareholders. The compulsory acquisition

notices sent to Phoenix shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give a "fair value" for the Phoenix Shares and the independent expert's reasons for forming that opinion.

If Phoenix shareholders with at least 10% of the Phoenix Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least 1 month), Zijin may apply to the court for approval of the acquisition of the Phoenix Shares covered by the notice.

Phoenix shareholders should be aware that if they do not accept the Zijin Offer and their Phoenix Shares are compulsorily acquired, those Phoenix shareholders will face a delay in receiving the consideration for their Phoenix Shares compared with Phoenix shareholders who have accepted the Zijin Offer.

## 8. INFORMATION RELATING TO YOUR DIRECTORS

### 8.1 Interests and dealings in Phoenix securities

#### (a) Interests in Phoenix Shares and Options

As at the date of this Target's Statement, your Directors had the following relevant interests (direct and indirect) in Shares and Options:

Director	Number of Phoenix Shares	Number of Phoenix Options
Dale Rogers	7,033,335	1,500,000 Phoenix Options with an exercise price of 15 cents each expiring on 27 November 2017
Stuart Hall	Nil	1,500,000 Phoenix Options with an exercise price of 15 cents each expiring on 27 November 2017
Ian Gregory	Nil	Nil
<b>Total</b>	<b>7,033,335</b>	<b>3,000,000</b>

As at the date of this Target's Statement, your management had the following relevant interests (direct and indirect) in Shares and Options:

Management	Number of Phoenix Shares	Number of Phoenix Options
Tim Manners (Chief Financial Officer)	340,000	2,000,000 Phoenix Options with an exercise price of 33 cents each expiring on 10 June 2016 1,000,000 Phoenix Options with an exercise price of 15 cents each expiring on 27 November 2017
Ian Copeland (General Manager – Exploration)	Nil	875,000 Phoenix Options with an exercise price of 33 cents each expiring on 10 June 2016 1,000,000 Phoenix Options with an exercise price of 15 cents each expiring on 27 November 2017
Grant Haywood (Chief Operating Officer)	300,000	2,000,000 Phoenix Options with an exercise price of 33 cents each expiring on 10 June 2016 1,000,000 Phoenix Options with an exercise price of 15 cents each expiring on 27 November 2017
<b>Total</b>	<b>640,000</b>	<b>7,875,000</b>

#### (b) Dealings in Phoenix Shares and Options

No Director has acquired or disposed of a relevant interest in any Shares or Options in the 4 month period ending on the date immediately before the date of this Target's Statement.

### 8.2 Interests and dealings in Zijin securities

#### (a) Interests in Zijin securities

As at the date immediately before the date of this Target's Statement, no Director had a relevant interest in any Zijin securities.

#### (b) Dealings in Zijin securities

No Director acquired or disposed of a relevant interest in any Zijin securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

### **8.3 Benefits and agreements**

(a) **Benefits in connection with retirement from office**

As a result of the Zijin Offer, no person has been or will be given any benefit (other than a benefit which can be given without shareholder approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a Board or managerial office of Phoenix or related body corporate of Phoenix.

(b) **Agreements connected with or conditional on the Zijin Offer**

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Zijin Offer other than in their capacity as a holder of Shares or Options.

(c) **Benefits from Zijin**

None of the Directors have agreed to receive, or is entitled to receive, any benefit from Zijin which is conditional on, or is related to, the Zijin Offer, other than in their capacity as a holder of Shares or Options.

(d) **Interests of Directors in contracts with Zijin**

None of the Directors has any interest in any contract entered into by Zijin.

## 9. ADDITIONAL INFORMATION

### 9.1 Material litigation

Phoenix does not believe that it is involved in any litigation or dispute which is material in the context of Phoenix and its subsidiaries taken as a whole.

### 9.2 Issued capital

As at the date of this Target's Statement, Phoenix's issued capital consisted of:

(a) **Number and class of all securities quoted on ASX**

Number	Class
470,087,333	Fully paid ordinary shares

(b) **Number and class of all securities not quoted on ASX**

As at the date of this Target's Statement, Phoenix has 11,250,000 unquoted Options on issue, the details of which are set out below.

Expiry Date	Number	Exercise price
10 June 2016	4,875,000	\$0.33
27 November 2017	6,375,000	\$0.15

The Company notes that Zijin has not disclosed its specific intentions with respect to Phoenix's 11,250,000 Options. Zijin's Bidder's Statement states that it proposes to have discussions with the holders of Phoenix Options with respect to the cancellation of those Phoenix Options. As at the date of this Target Statement, Zijin has not provided any further details of the arrangements it has entered into, or proposes to enter into, with respect to the holders of Phoenix Options.

### 9.3 Substantial holders

As at the date of this Target's Statement, based on the substantial shareholding notices provided to Phoenix, the substantial shareholders of Phoenix are:

Name of substantial holder	Person's votes	Voting power (%)
Evolution Mining Limited	93,000,000	19.78%
Geologic Resource Partners LLC ( <b>Geologic</b> ) and associated entities*	42,433,333	9.03% <sup>1</sup>
Zijin Mining Group Co., Ltd ( <b>Zijin</b> ) (including securities held through Jinyu (HK) International Mining Company Limited, Norton Gold Fields Limited and Gold Mountains (H.K.) International Mining Company Limited)	41,870,375	8.91%

Note:

1. On 18 May 2015 Geologic entered into a Pre-Bid Agreement with Zijin, pursuant to which Geologic, in the absence of a superior proposal, agreed to accept the Zijin Offer by 27 August 2015. On 25 August 2015, Geologic was relieved of their obligation to accept the Zijin Offer on the basis that the Evolution Proposal was a superior offer.

### 9.4 Risk factors

Phoenix is currently exposed to a number of risks that Phoenix shareholders should be aware of, both of a general nature and more specific to the mining industry. A brief outline of these risks is set out

below, which should be considered in conjunction with Phoenix's ongoing disclosure under the ASX Listing Rules.

Your Directors consider that the current board and management team's detailed knowledge of the Phoenix Assets, and the gold industry more generally, put it in the best position to manage these risks going forward and maximise the return to shareholders from the Phoenix Assets.

(a) **General risks for all gold mining companies**

The occurrence of one or more of the scenarios set out below could have a material adverse impact on the future performance of Phoenix or return on an investment in Phoenix. The Company has considered the probability of the industry specific risks above eventuating and concluded that the Phoenix Assets has overall positive prospects.

- (i) **Macroeconomic conditions:** Macroeconomic conditions, both domestic and global, may affect Phoenix's financial performance (such as inflation, interest rates, government policy, employment and industrial disruption).
- (ii) **Market conditions:** As Phoenix is a listed company, its share price is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies.
- (iii) **Changes in legislation and government regulation:** Government legislation and policy, both within Australia and internationally, including changes to the taxation system.
- (iv) **Commodity price volatility and exchange rate risks:** Any revenue derived by Phoenix from the Phoenix Assets will be subject to commodity price and exchange rate risks (as its revenues are likely to be denominated in US\$ while its expenditure will be largely denominated in A\$), both which are affected by factors beyond the control of Phoenix.

Whilst the above factors are outside the control of Phoenix and may result in material adverse impacts on its business and operating results, the Board and management believe they have the skills to manage these risks if and when they arise.

(b) **Specific risks to Phoenix**

- (i) **Exploration risks:** Mineral exploration and development are speculative undertakings, as such if a viable deposit is identified, there is no assurance that it can be commercially developed.
- (ii) **Development and infrastructure risk:** Phoenix may encounter unforeseen difficulties in developing the infrastructure (including the commission of mine or mines) necessary to commence mining production.
- (iii) **Liquidity and future financings:** The development of the Phoenix Assets depends upon Phoenix's ability to obtain financing.

## 9.5 Consents

Royal Bank of Canada (operating as RBC Capital Markets) has given, and has not withdrawn before the date of this Target's Statement, its written consent to be named in this Target's Statement as Phoenix's Australian financial adviser in the form and context in which it is so named.

Allion Legal has given, and has not withdrawn before the date of this Target's Statement, its written consent to be named in this Target's Statement as Phoenix's Australian legal adviser in the form and context in which it is so named.

BDO Corporate Finance (WA) Pty Ltd has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement in the form and context it is so named and to the inclusion of its Independent Expert's Report as an attachment to this Target's Statement.

Optiro Pty Ltd has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to the inclusion of the Independent Technical Assessment and Valuation Report as Appendix 6 of the Independent Expert's Report included as an attachment to this Target's Statement.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX in compliance with the ASX Listing Rules. Pursuant to ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Target's Statement. A list of all such documents is set out below:

Date lodged	Announcement
26 August 2015	Second Supplementary Bidder's Statement
18 August 2015	Replacement Bidder's Statement
18 August 2015	Supplementary Bidder's Statement
6 August 2015	Original Bidder's Statement
14 April 2015	Phoenix Suspends Small Mining Projects to Focus on Norton JV and Heap Leach
18 March 2015	Strong Feasibility Study Results Confirm Castle Hill Heap Leach Strategy
10 February 2014	Phoenix Board Approves Staged Development After Successful Completion of Feasibility Study.
14 January 2015	Phoenix's Mineral Resources Grow Beyond 4 Million Ounces
28 October 2014	Phoenix Gold Limited Annual Report 2014

Phoenix will, upon request from any Phoenix shareholder during the Zijin Offer Period, provide within 2 Business Days of the request, a copy of any of the above documents (free of charge).

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or a published book, journal or comparable publication.

## 9.6 JORC Code reporting of Phoenix's Mineral Resources and Ore Reserves

The information in this Target's Statement that relates to Ore Reserves relating to Castle Hill Stages 1, 2 and 3, Red Dam and Carbine are based on information compiled by Mr Glenn Turnbull who is a Fellow of the Institute of Material, Minerals and Mining. As at the relevant date, Mr Glenn Turnbull was a full time employee of Golder Associates Ltd with sufficient experience relevant to the engineering and economics of the types of deposits which are covered in this Target's Statement and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012.

The information in this Target's Statement that relates to Ore Reserves other than Castle Hill Stages 1, 2 and 3, Red Dam and Carbine are based on information compiled by Mr William Nene who is a member of The Australian Institute of Mining and Metallurgy. As at the relevant date, Mr Nene was a full time employee of Goldfields Mining Services Pty Ltd with sufficient experience relevant to the engineering and economics of the types of deposits which are covered in this Target's Statement and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 JORC Code.

The information in this Target's Statement that relates to a Mineral Resource estimation for the Castle Hill Project Stage 1 and 3 is based on information compiled by Mr Brian Fitzpatrick who is a member of the Australasian Institute of Mining and Metallurgy and is also an accredited Chartered Professional Geologist. As at the relevant date, Mr Fitzpatrick was a Senior Consulting Geologist for Cube Consulting with sufficient experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 JORC Code.

The information in this Target's Statement that relates to a Mineral Resource estimation for the Red Dam and Burgundy projects is based on information compiled by Dr Sia Khosrowshahi who is a member of the Australasian Institute of Mining and Metallurgy. As at the relevant date, Dr Khosrowshahi was a Principal Consulting Geologist for Golder Associates Pty Ltd with sufficient experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 JORC Code.

The information in this Target's Statement that relates to Exploration Results and other Resources are based on information compiled by Mr Ian Copeland who is member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. As at the relevant date, Mr Copeland was an employee of the Company with sufficient experience relevant to the styles of mineralization and the types of deposits under consideration, and the activities undertaken, to qualify as a Competent Person as defined in the 2012 JORC Code.

The Company confirms that it is not aware of any information or data that materially affects the information included in the Company's previous announcements lodged with ASX in respect of the Mineral Resources and Ore Reserves relating to the Phoenix Assets and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The Company further confirms that the form and context in which the relevant competent person's findings were previously presented have not been materially modified.

Certain information in this Target Statement which relates to Exploration Results, Mineral Resources or Ore Reserves was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## **9.7 Continuous disclosure**

Phoenix is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Phoenix to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Phoenix has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Phoenix Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) or from Phoenix's website at [www.phoenixgold.com.au](http://www.phoenixgold.com.au).

In addition, Phoenix will make copies of the following documents available for inspection at Phoenix's offices which are located at Unit 2, 53 Great Eastern Highway, West Kalgoorlie, Western Australia 6430, (between 9.00am and 5.00pm on Business Days):

- (a) Annual Report 2014, lodged with ASX on 28 October 2014; and
- (b) any continuous disclosure document lodged by Phoenix with ASX between the lodgement of its Annual Report 2014 and the date of this Target's Statement.

Copies of documents lodged with ASIC in relation to Phoenix may be obtained from, or inspected at, an ASIC office.

## **9.8 ASIC declarations and Listing Rule waivers**

Phoenix has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Zijin Offer. Nor has Phoenix been granted any waivers from ASX in relation to the Zijin Offer.

## **9.9 No other material information**

This Target's Statement is required to include all the information that Phoenix shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Zijin Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Directors are of the opinion that the information that Phoenix shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Zijin Offer is:

- (a) the information contained in the Zijin Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) the information contained in Phoenix's releases to ASX, and in the documents lodged by Phoenix with ASIC before the date of this Target's Statement; and

- (c) the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Zijin Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Zijin Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- (a) the nature of Phoenix Shares;
- (b) the matters that Phoenix shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to Phoenix shareholders' professional advisers; and
- (d) the time available to Phoenix to prepare this Target's Statement.

## 10. GLOSSARY AND INTERPRETATION

### 10.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
<b>\$, A\$ or AUD</b>	Australian dollar.
<b>AEST</b>	Australian Eastern Standard Time.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited or the market operated by it (as applicable).
<b>ASX Listing Rules</b>	the listing rules of the ASX.
<b>Board or Phoenix Board</b>	the Board of Directors.
<b>Business Day</b>	a day on which banks are open for business in Perth excluding a Saturday, Sunday or public holiday.
<b>Castle Hill Project</b>	the project described in section 4.3(a).
<b>CGT</b>	capital gains tax.
<b>CHESS Holding</b>	a number of Shares which are registered on Phoenix's share register being a register administered by ASX Settlement Pty Limited and which records uncertificated holdings of Shares.
<b>Conditions Announcement Date</b>	has the meaning given in Schedule 1 of the Zijin Bidder's Statement.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC).
<b>Director</b>	a director of Phoenix
<b>Encumbrance</b>	has the meaning given in Schedule 1 of the Zijin Bidder's Statement.
<b>Evolution Mining</b>	Evolution Mining Limited ABN 74 084 669 036
<b>Exploration Results</b>	has the meaning given in the JORC Code 2012 or JORC Code 2004 (as applicable).
<b>Heap Leach Facility</b>	has the meaning in section 4.3(c).
<b>Independent Expert</b>	BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045.
<b>Independent Expert's Report</b>	the independent expert's report prepared by BDO Corporate Finance (WA) Pty Ltd and dated 2 September 2015 which is contained as an attachment to this Target's Statement.
<b>Indicated Mineral Resource</b>	has the meaning given in the JORC Code 2012 or JORC Code 2004 (as applicable).
<b>JORC Code 2004</b>	the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"

prepared by the JORC Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

<b>JORC Code 2012</b>	the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” prepared by the JORC Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
<b>Notice of Status of Conditions</b>	Zijin’s notice disclosing the status of the conditions to the Zijin Offer which is required to be given by section 630(3) of the Corporations Act.
<b>Ore Reserve</b>	has the meaning given in the JORC Code 2012 or JORC Code 2004 (as applicable).
<b>Phoenix or Company</b>	Phoenix Gold Limited (ABN 55 140 269 316).
<b>Phoenix Assets</b>	Phoenix’s gold projects located in the Western Australian Goldfields region, including the: <ul style="list-style-type: none"> <li>(a) Castle Hill Project;</li> <li>(b) Zuleika Gold Project; and</li> <li>(c) Heap Leach Facility.</li> </ul>
<b>Phoenix Group</b>	has the meaning given in Schedule 1 of the Zijin Bidder’s Statement.
<b>Phoenix Option or Option</b>	an option to acquire an unissued Phoenix Share.
<b>Phoenix Share or Share</b>	a fully paid ordinary share in Phoenix.
<b>Zijin</b>	Norton Gold Fields Limited (ABN 23 112 287 797), a wholly-owned subsidiary of Zijin Mining Group Co. Limited, a company incorporated in the People’s Republic of China.
<b>Zijin Bidder’s Statement</b>	the replacement bidder’s statement of Zijin dated 18 August 2015.
<b>Zijin Offer</b>	the offer by Zijin for the Phoenix Shares, the details of which are set out in sections 8 to 10 of the Zijin Bidder’s Statement.
<b>Zijin Offer Period</b>	the period during which the Zijin Offer will remain open for acceptance in accordance with section 10 of the Zijin Bidder’s Statement.
<b>Zuleika Gold Project</b>	the project described in section 4.3(b).

## 10.2 Interpretation

In this Target’s Statement:

- (a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

- (e) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) A reference to time is a reference to AWST.
- (i) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

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**11. AUTHORISATION**

This Target's Statement has been approved by a resolution passed by the directors of Phoenix. All Phoenix directors voted in favour of that resolution. Signed for and on behalf of Phoenix:



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**Ian Gregory**  
Director and Company Secretary

## **ATTACHMENT – INDEPENDENT EXPERT’S REPORT**



**PHOENIX GOLD LIMITED**  
**Independent Expert's Report**

2 September 2015



## Financial Services Guide

2 September 2015

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Phoenix Gold Limited ('Phoenix') to provide an independent expert's report on the takeover offer by Zijin Mining Group Co., Ltd (through its wholly-owned subsidiary Norton Gold Fields Limited) for all the ordinary shares in Phoenix that it does not already own for \$0.10 cash per Phoenix share. You will be provided with a copy of our report as a retail client because you are a shareholder of Phoenix.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

## **Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$45,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Phoenix for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 4 - Key ASX Announcements of Phoenix Gold Limited

Appendix 5 - Profile and Overview of Evolution Mining Limited

Appendix 6 - Independent Technical Assessment and Valuation Reports prepared by Optiro Pty Ltd

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2 September 2015

The Directors  
Phoenix Gold Limited  
Unit 2  
53 Great Eastern Highway  
WEST KALGOORLIE WA 6430

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 22 June 2015, Phoenix Gold Limited ('Phoenix' or 'the Company') announced it had received an unsolicited takeover offer from Zijin Mining Group Co., Ltd ('Zijin') (through its wholly-owned subsidiary Norton Gold Fields Limited ('Norton')) to acquire all the ordinary shares in Phoenix that it does not already own (including via its associates) for \$0.10 cash per Phoenix share ('the Offer').

On 20 August 2015, Evolution Mining Limited ('Evolution') announced a competing offer to acquire all the ordinary shares in Phoenix that it does not already own.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of Phoenix have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether the Offer is fair and reasonable to the non associated shareholders of Phoenix ('Shareholders').

As Zijin does not have any common directors with Phoenix, nor holds 30% or more of Phoenix's voting shares, there is no legal requirement for an independent expert's report pursuant to section 640 of the *Corporations Act 2001* ('Corporations Act'). However the directors of Phoenix have nonetheless requested that BDO prepare this report and opine on whether the Offer is fair and reasonable to assist Phoenix's shareholders in deciding whether or not to accept the Offer.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- How the value of a Phoenix share on a control basis compares to the value of the consideration offered by Zijin for each Phoenix share;
- Whether any alternative offers are available for Phoenix Shareholders which may be superior;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not be successful or be only partly successful.

### 2.3 Opinion

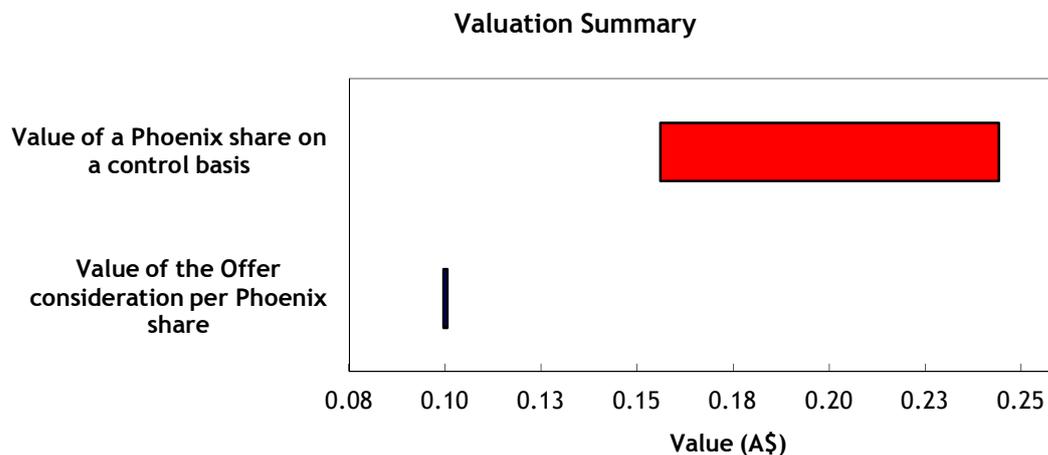
We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of any other relevant information, the Offer is neither fair nor reasonable to Shareholders.

### 2.4 Fairness

In section 12, we determined that the Offer consideration compares to the value of a Phoenix share, as detailed below.

	Ref	Low A\$	High A\$
Value of a Phoenix share on a control basis	10.5	0.156	0.244
Value of the Offer consideration per Phoenix share Source: BDO analysis	11	0.100	0.100

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Offer is not fair for Shareholders.

### 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Offer; and

- other considerations, including the position of Shareholders if the Offer is not successful or is only partially successful.

In our opinion, the position of Shareholders if the Offer is accepted is less advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information, we believe that the Offer is not reasonable for Shareholders.

The respective advantages and disadvantages of accepting the Offer considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	The Offer provides cash certainty	13.5	The Offer is not fair
13.4	Shareholders will no longer be exposed to risks associated with being Phoenix shareholders	13.5	Shareholders will not benefit from the potential upside of Phoenix
13.4	In the event the Offer is successful, Shareholders will no longer be exposed to the potential of becoming minority shareholders	13.5	Shareholders will no longer be able to benefit from accepting an alternative offer
		13.5	Capital gains tax consequences

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposals
13.2	Practical Level of Control
13.3	Consequences of not Accepting the Offer
13.6	Other Considerations

### 3. Scope of the Report

#### 3.1 Purpose of the Report

As Zijin does not have any common directors with Phoenix, nor holds 30% or more of Phoenix's voting shares, there is no requirement under the Australian Security Exchange's ('ASX') Listing Rules or the Corporations Act for Phoenix to engage an independent expert in relation to the Offer.

Notwithstanding the above, section 638 of the Corporations Act requires Phoenix to prepare a Target's Statement in response to the Offer which includes all information that holders of bid class securities and their professional advisers would reasonably require to make an informed assessment whether to accept the offer under the bid.

Phoenix has engaged BDO to prepare this report for provision to Shareholders with its Target's Statement to assist them in deciding whether or not to accept the Offer.

#### 3.2 Regulatory guidance

Neither the ASX's Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject to the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Phoenix share on a control basis and the value of the consideration offered by Zijin per Phoenix share (fairness - see Section 12 'Is the Offer Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness - see Section 13 'Is the Offer Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## 4. Outline of the Offer

On 22 June 2015, Phoenix announced it had received an unsolicited takeover offer from Zijin to acquire all the ordinary shares in Phoenix that it did not already own (including via its associates) for \$0.10 cash per Phoenix share (previously defined **the Offer**).

As at the date of the announcement, Zijin (and its associates) held a relevant interest of 17.9% in Phoenix's ordinary shares. This relevant interest was made up of approximately 8.91% held by Norton and Gold Mountains (H.K.) International Mining Company Limited ('**GMHK**') as well as via a pre-bid agreement that Zijin entered into with Geologic Resource Partners LLC ('**Geologic**') for the remaining 9.03%.

The Offer was initially subject to defeating conditions including:

- Zijin (and its associates) holding, at or before the end of the offer period, a relevant interest of at least 50.1% in Phoenix's issued ordinary shares;
- Zijin receiving notification to the effect that there are no objections to the Offer from the Foreign Investment Review Board ('**FIRB**'); and
- Resolution 2 of Phoenix's extraordinary general meeting to be convened on 23 June 2015 (or any adjournment of this meeting) not being passed.

On 23 June 2015, Phoenix advised that it had withdrawn resolution 2 from the agenda of the shareholders' meeting to be convened on the same date.

On 6 August 2015, Zijin announced it had received FIRB approval for the Offer.

On 25 August 2015, Zijin announced that its relevant interest in Phoenix had reduced to approximately 8.91% following the termination of its pre-bid agreement with Geologic.

As at the date of our Report, the key remaining defeating condition is Zijin (including via its associates) acquiring at least 50.1% in Phoenix's issued ordinary shares at or before the end of the offer period.

### Zijin's Intentions

On 6 August 2015, Zijin issued its Bidder's Statement. On 18 August 2015, Zijin issued a Replacement Bidder's Statement that, among other things, disclosed Zijin's intentions with respect to Phoenix's business, operations and assets.

#### If 50.1% or more but less than 90% ownership is acquired

If Zijin acquires in excess of 50.1% but less than 90% of Phoenix's shares:

- Zijin would review the composition of the board of directors of Phoenix, request representation on the board (commensurate with its shareholding in Phoenix) and otherwise consider whether it is necessary to make any changes having regard to the present position;
- Zijin would consider and investigate, subject to compliance in all respects with the Corporations Act, for the acquisition, buy-out or cancellation of (or alternative arrangement in relation to) any other marketable securities in Phoenix to which Zijin (and its associates) are not otherwise entitled to;
- Zijin would support the continuation of Phoenix's exploration activities;
- Zijin would conduct a review of Phoenix's business, assets and operations to identify the most effective means of exploring and developing Phoenix's projects;

- Zijin intends to suspend the activities relating to Phoenix's heap leach assets while an operational review is being undertaken; and
- Zijin would review the future employment of the present employees of Phoenix after the close of the Offer, having regard to its specific plans for Phoenix's business and upon completing a review of the business, assets and operations of Phoenix.

### If 90% or more of Phoenix's shares is acquired

If Zijin acquires 90% or more of Phoenix's shares and it is entitled to proceed to compulsory acquisition of the outstanding Phoenix shares, the current intentions of Zijin are as follows:

- Zijin intends to:
  - proceed with compulsory acquisition in accordance with Chapter 6A of the Corporations Act;
  - arrange for Phoenix to be removed from the official list of the Australian Securities Exchange; and
  - replace all members of the board of directors Phoenix with its own nominees;
- Zijin intends to amalgamate the administrative functions of Norton and Phoenix with a view to eliminating duplications of tasks.

The operations of Norton and Phoenix will also be integrated into the global operations of Zijin;

- Zijin intends to conduct an immediate, broadly-based review of Phoenix's administrative structure and the development plans for the Castle Hill project with a view to integrating Phoenix into Norton's structure and optimising the value of the Castle Hill project.

As a result of this review, there may be a need for the roles of some Phoenix employees to change, as well as a need for redundancies in certain circumstances.

- Zijin intends to proceed with the completion of studies for the development of the Castle Hill project to determine the viability and possible synergies of developing the project into a mining operation. Zijin notes that other parties may attribute more value to exploration tenements on trend with the Zuleika Shear than Zijin and may consider divesting these assets. Zijin intends to suspend the activities relating to Phoenix's heap leach assets while the operational review is being undertaken.
- Zijin intends to dispose of any non-performing assets and contracts of Phoenix identified during the operational review.

### Phoenix's Optionholders

As at the date of our Report, Phoenix has 11,250,000 options on issue at various exercise prices and expiry dates (details of the various classes of options in Phoenix are outlined in section 5.6 of our Report), and the Offer does not extend to Phoenix optionholders.

However, Zijin proposes to have private discussions with holders of Phoenix options with respect to the cancellation of those options. Additionally, in accordance with the Corporations Act, the Offer does extend to securities which come into the bid class during the offer period as a result of conversion of or exercise of rights attached to other Phoenix securities, and for the avoidance of doubt this includes Phoenix shares that are issued upon vesting and exercise of any Phoenix options.

## 5. Profile of Phoenix

### 5.1. History and Overview

Phoenix is a mining company with its head office located in Kalgoorlie, Western Australia. Phoenix was initially incorporated as a proprietary company on 28 October 2009 for the purposes of assessing and acquiring precious metals projects for eventual exploration and mining. Phoenix subsequently became a public company on 25 June 2010, and was admitted to the official list of the ASX on 20 December 2010.

Since inception, Phoenix has held interests in gold projects all of which have been located 30 to 100 kilometres north-west of Kalgoorlie, Western Australia. As such, the projects are within the geological domains renowned for their gold endowment and neighbour several multi-million ounce gold deposits.

The current board and senior management of Phoenix includes:

- Mr Dale Rogers - Executive Chairman;
- Mr Stuart Hall - Non-Executive Director;
- Mr Ian Gregory - Non-Executive Director and Company Secretary;
- Mr Grant Haywood - Chief Operating Officer;
- Mr Tim Manners - Chief Financial Officer; and
- Mr Ian Copeland - General Manager - Exploration.

### 5.2. Recent Corporate Events

On 9 December 2014, Norton announced that it had acquired a relevant interest of 10.77% in Phoenix following the acquisition of 39,870,375 Phoenix shares at \$0.083 per share. At this time, Norton warranted as part of the purchase agreement and advised the market that, it had no present intention to make a takeover offer for the remaining shares in Phoenix that it did not already own, however that Norton reserved its rights to revisit this position in the future.

On 9 February 2015, Phoenix announced it had completed a placement of 50 million shares at an issue price of \$0.10 per share to raise \$5 million, and would also seek to issue an additional 10 million shares at \$0.10 per share under a share purchase plan ('SPP') to raise up to \$1 million. The use of funds from the placement and SPP would be allocated towards the acquisition and relocation costs of the St Ives heap leach processing facility as well as for general working capital purposes. On 6 March 2015, the Company confirmed that the SPP offer was closed with \$605,000 being raised.

On 1 May 2015, Phoenix and Evolution announced the execution of a share subscription agreement pursuant to which, Evolution would invest up to \$9 million through two tranches at an average issue price of \$0.085 per share:

- Tranche 1 consisted of 44 million shares issued at \$0.075 per Phoenix share to raise \$3.3 million (before costs) ('Tranche 1 Shares'); and
- Tranche 2 consisted of a further 61,856,900 shares issued at an issue price of \$0.092 per share to raise an additional \$5,690,835 (before costs) ('Tranche 2 Shares').

The placement to Evolution would result in Evolution (subject to obtaining shareholder approval for Tranche 2 Shares) holding a relevant interest of 19.9% in Phoenix. The strategic partnership was

structured to enable accelerated exploration on Phoenix’s mineral assets along the Zuleika Shear which neighbour mining projects held by Evolution.

On 23 June 2015, following and in response to the receipt of the Offer from Zijin, Phoenix determined to withdraw resolution 2 from its scheduled general meeting on that day. Resolution 2 sought shareholder approval to enable the issuance of Tranche 2 Shares. As a result of this withdrawal, only the Tranche 1 Shares were issued to Evolution.

On 24 July 2015, Evolution increased its relevant interest in Phoenix up to 19.78% following the off-market acquisition of 49 million Phoenix shares at \$0.12 per share.

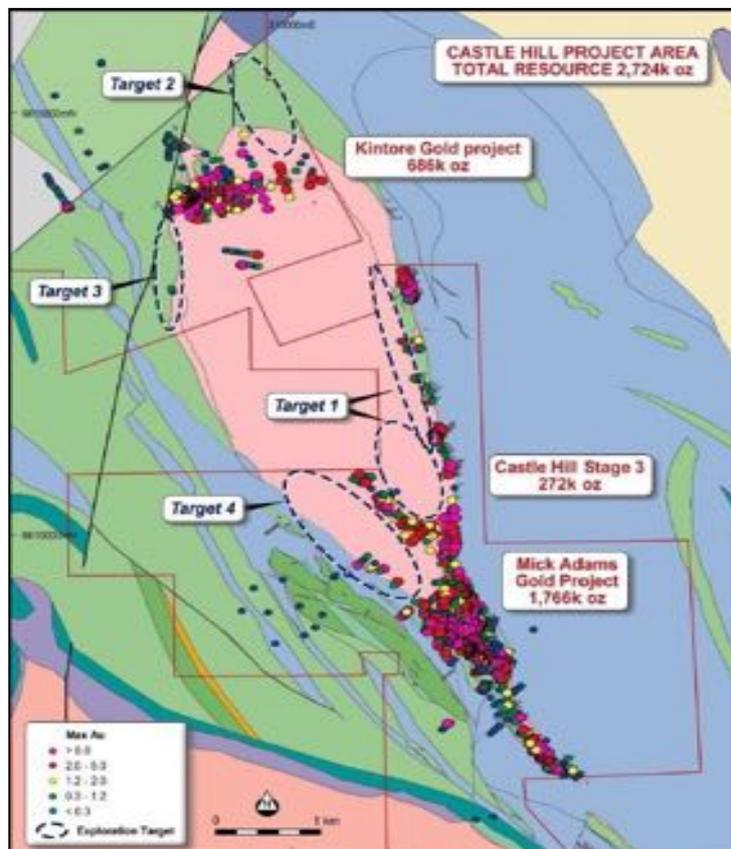
### 5.3. Key Projects

#### 5.3.1. Castle Hill Project

The Castle Hill Project is 100% owned by Phoenix and is located adjacent to the Kunanalling mining area approximately 50 kilometres north-west of Kalgoorlie, Western Australia. The project is along the Kunanalling Shear and is in close proximity to major mining infrastructure.

The Castle Hill Project is effectively comprised of ten gold deposits namely, Mick Adams, Wadi, Kiora, Kintore, Kintore East, Wookie, Picante, Lady Alice, Ridgeback and Outridge. For ease of resource delineation work and mine planning, the Castle Hill area is subdivided into multiple stages.

The diagram below illustrates the subdivision of the Castle Hill Project.



Source: Phoenix Management

### Castle Hill Stage 1 - Norton Agreement

Castle Hill Stage 1 represents the first subset of the Castle Hill project and is comprised of the Wadi and the Mick Adams-Kiora deposits.

On 5 August 2014, Norton exercised its option to enter into a mine and treat ore agreement with Phoenix in respect of Castle Hill Stage 1 (although not legally a joint venture agreement, for ease of future reference this agreement is herein defined 'Norton JV'). The current draft Norton JV is in near final form, pending only confirmation from Norton as to timing of the sampling station. However as at the date of our Report, a formal agreement has yet to be entered into by both parties.

Pursuant to the current draft Norton JV:

- all upfront capital development is funded by Norton;
- mining, haulage, milling and rehabilitation is conducted and funded by Norton; and
- Phoenix receives 50% of the cash surplus of the project once it becomes cumulatively cash flow positive.

Once the Norton JV has been entered into by both parties, mining of the project will commence within three months of execution of the formal agreement.

On 21 January 2015, Phoenix and Norton released the results of its joint commissioned mining study on the Norton JV which outlined a mine operation containing 8.7 million tonnes ('Mt') of mill feed at an average mill feed grade of 1.51 grams of gold per tonne ('g/t') with an estimated contained 423,700 ounces of gold. This corresponded to a mine with an eight year mine life at 1 Mt per annum. The announcement indicated that at a gold price of AU\$1,350 per ounce, the cash surplus to be equally shared between Phoenix and Norton was \$90.6 million. The study was based on indicated mineral resources for the selected deposits, and excluded all inferred mineral resources.

### Castle Hill Stage 2 - Kintore

Castle Hill Stage 2 also known as Kintore (herein defined 'Kintore') is located approximately 7 kilometres north north-west of Castle Hill Stage 1 and is comprised of the Kintore and Kintore East deposits.

The Kintore project's maiden and current ore reserve estimates were first released on 4 February 2014 following a study which assumed conventional carbon in leach processing of high grade ore and heap leaching of lower grade ore through a dedicated facility at the Castle Hill Stage 1 mine site.

On 4 August 2014, Phoenix advised that mining had commenced at Kintore. A small portion within the Kintore project, labelled Kintore West, was developed as a small open cut mine. On 14 April 2015, Phoenix advised that mining at Kintore will no longer continue following difficulties faced with mining narrow vein sets within the broader lower grade stockwork system at Kintore.

The mineral resources and ore reserves as announced on 14 January 2015 and 4 February 2014 respectively are as follows.

Project	Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Kintore - Mill	3.03	1.6	160,000	4.21	1.8	239,000	7.24	1.7	399,000

	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Kintore - Mill				2,000	1.3	86,100	2,000	1.3	86,100

Source: Phoenix management & ASX Announcements

### Castle Hill Stage 3

Castle Hill Stage 3 is comprised of the Wookie, Picante, Lady Alice and Ridgeback gold deposits located immediately north of the Mick Adams gold project, and covers a 3 kilometre strike. Castle Hill Stage 3 represents the potential future expansion of the Castle Hill project, and during the 2014 calendar year was subject to infill and extensional drilling programs.

On account of the additional drilling, the mineral resource estimates for Castle Hill Stage 3 has grown significantly and as announced in January 2015, the current mineral resource estimates are as follows.

Project	Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Castle Hill Stage 3 - Mill	2.38	1.4	109,000	1.36	1.3	59,000	3.74	1.4	168,000

Source: Phoenix management & ASX Announcements

### Castle Hill Stage 4 - Post Norton JV

Castle Hill Stage 4 represents the continuation of mining at the Wadi, Mick Adams and Kiora deposits (Castle Hill Stage 1) after the Norton JV has finished.

This is possible given that the Norton JV only covers a specified area within the broader Castle Hill Stage 1 area, and in addition, the Norton JV is not envisaged to mine out all of the minerals within the specified area. A key benefit of Castle Hill Stage 4 is that although all mining will be 100% conducted by Phoenix, the predominant portion of the requisite capital expenditures will have already been made due to the Norton JV.

The current mineral resources and ore reserves for the entire Castle Hill Stage 1 and 4 as updated on 14 January 2015 and 4 February 2014 respectively are as detailed in the table below.

Project	Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Castle Hill Stage 1 and 4 - Mill	18.09	1.5	894,000	6.39	1.3	274,000	24.49	1.5	1,168,000

	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Castle Hill Stage 1 and 4 - Mill				10,680	1.7	588,380	10,680	1.7	588,380

Source: Phoenix management & ASX Announcements

### 5.3.2. Heap Leach Operations

As part of the ore reserves study completed on the Castle Hill project, it was determined that given the considerable quantity of lower grade ore which would be mined during the course of mining the higher grade feed for milling, a heap leach operation would complement the project's economics.

In July 2014, to continue with its staged development strategy and proposed heap leach operations, Phoenix entered into an agreement to acquire a standalone 2.3 Mt per annum St Ives heap leach processing facility from St Ives Gold Mining Company Pty Ltd.

On 18 March 2015, Phoenix released the results of its updated definitive feasibility study ('DFS') for a heap leach operation for its Castle Hill projects as well as nearby satellite pits. The DFS was updated to incorporate the relocation, refurbishment and recommissioning of the St Ives 2.3 Mt per annum standalone processing plant at Castle Hill.

The DFS assumes the heap leach ore will be sourced from lower grade stockpiles mined from the Mick Adams, Kiora, Wadi, Kintore, Castle Hill Stage 3 and Burgundy deposits, and as such the heap leach operations work in conjunction with mining at Castle Hill Stage 1 through the Norton JV, as well as via Phoenix's small mine projects. The DFS demonstrated the potential for a 7 year mine life operation with an estimated gold production of 191,900 ounces.

The current mineral resource and ore reserve estimates for Phoenix's heap leach operations are as follows.

Project (Heap Leach)	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	g/t	Au Oz	Mt	g/t	Au Oz	Mt	g/t	Au Oz	Mt	g/t	Au Oz
Castle Hill Stage 1				21.54	0.6	400,000	10.98	0.6	198,000	32.51	0.6	598,000
Kintore				6.68	0.6	131,000	7.87	0.6	156,000	14.55	0.6	287,000
Castle Hill Stage 3				3.8	0.6	68,000	2.01	0.6	36,000	5.81	0.6	104,000
Burgundy	1.04	0.6	22,000	0.86	0.6	18,000	0.22	0.6	4,000	2.12	0.6	44,000
Red Dam				1.89	0.7	44,000	0.97	0.7	23,000	2.86	0.7	67,000
Stockpiles				0.48	0.6	9,000				0.48	0.6	9,000
<b>Totals</b>	<b>1.04</b>	<b>0.6</b>	<b>22,000</b>	<b>35.23</b>	<b>0.6</b>	<b>670,000</b>	<b>22.04</b>	<b>0.6</b>	<b>417,000</b>	<b>58.31</b>	<b>0.6</b>	<b>1,109,000</b>

Source: Phoenix management & ASX Announcements

Project (Heap Leach)	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Castle Hill (Ex. Kintore)				12,160	0.6	227,450	12,160	0.6	227,450
Kintore				2,600	0.5	46,000	2,600	0.5	46,000
Stockpiles				200	1.1	7,000	200	1.1	7,000
<b>Totals</b>				<b>14,960</b>	<b>0.6</b>	<b>280,450</b>	<b>14,960</b>	<b>0.6</b>	<b>280,450</b>

Source: Phoenix management & ASX Announcements

### 5.3.3. Small Mine Projects and Exploration Assets

#### Red Dam and Broads Dam

The Broads Dam Project is comprised of the Broads Dam and Red Dam prospects and covers a 14 kilometre strike on the Zuleika Shear. The Zuleika Shear is renowned for hosting high grade multi-million ounce gold deposits. Within this area, the Red Dam project is the Company's key prospect.

The Red Dam project is located less than 50 kilometres from the regional mining centre of Kalgoorlie and immediately north of the Kundana gold province.

The project area for Red Dam was recently subject to infill and extensional drilling and as a result, in January 2015, Phoenix updated its mineral resource estimates. The mineral resource and ore reserve estimates for the respective projects are detailed in the table below.

Project	Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Red Dam - Mill	2.05	2.1	140,000	1.04	2.2	74,000	3.1	2.2	214,000
Broads Dam - Mill	0.13	2.9	12,000	2.16	2.3	158,000	2.29	2.3	170,000

Project	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Red Dam - Mill				1,600	2.2	110,900	1,600	2.2	110,900

Source: Phoenix management & ASX Announcements

#### Burgundy and Kunanalling

The Kunanalling Project covers a 20 kilometre strike on the Kunanalling Shear, and hosts among others, the Catherwood mine which was previously mined in conjunction with Norton in the first half of 2013.

The Catherwood mine was subject to a right to mine agreement whereby Phoenix was not required to contribute any capital towards mining, transport and processing of ore, but was entitled to payments on an AU\$ per reserve ounce basis. The first payment was received by Phoenix in the March quarter in 2013, and final payment was received in the December quarter in 2013.

The mineral resource and ore reserve estimates for the Burgundy and Kunanalling projects as announced in January 2015 and February 2014 respectively are as detailed below.

Project	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	g/t	Au Oz	Mt	g/t	Au Oz	Mt	g/t	Au Oz	Mt	g/t	Au Oz
Burgundy - Mill	0.49	2	31,000	0.4	2.3	29,000	0.09	1.5	4,000	0.98	2	65,000
Kunanalling - Mill				0.46	2.4	35,000	4.12	1.7	229,000	4.58	1.8	264,000

Source: Phoenix management & ASX Announcements

Project	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Kunanalling - Mill	350	2.1	24,000	20	1.6	1,000	370	2.1	25,000

Source: Phoenix management & ASX Announcements

### Ora Banda and Grants Patch

The Ora Banda and Grant Patch Projects are located along strike from the multimillion ounce Mt Pleasant goldfield and north of the Zuleika Shear.

The mineral resource and ore reserve estimates for the Ora Banda project as announced in January 2015 and February 2014 respectively are detailed in the table below.

Project	Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Ora Banda - Mill	2.36	2	149,000	2.79	1.8	163,000	5.15	1.9	312,000

	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Ora Banda - Mill				580	2.3	44,000	580	2.3	44,000

Source: Phoenix management & ASX Announcements

### Carbine and Zuleika North

These exploration projects are located along the Zuleika Shear and have historically been subject to little exploration with most drilling conducted at shallow depths.

In February 2015, the Company released the finding of an intensive research programme conducted by the University of Western Australia's Centre for Exploration Targeting. The 4D study aimed at documenting the lithostratigraphic, structural evolution and associated gold mineralisation within the Coolgardie, Depot and Ora Banda domains. The study covered areas relevant for Phoenix including the Powder Sill, Ora Banda and Carbine tenement areas.

The mineral resource estimates for the Carbine and Zuleika North projects, as well as the ore reserve estimates for the Carbine project are as follows.

Project	Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Carbine - Mill	1.7	1.6	86,000	0.21	2.1	14,000	1.9	1.6	100,000
Zuleika North - Mill				0.62	2.5	49,000	0.62	2.5	49,000

	Proven Ore Reserve			Probable Ore Reserve			Total Ore Reserve		
	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz	Kt	Au (g/t)	Au Oz
Carbine - Mill				400	1.7	23,800	400	1.7	23,800

Source: Phoenix management & ASX Announcements

Further information on Phoenix's gold projects is included in Optiro Pty Ltd's ('Optiro') report attached in Appendix 6.

## 5.4 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-14 \$	Audited as at 30-Jun-14 \$	Audited as at 30-Jun-13 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6,026,000	9,323,000	15,824,000
Trade and other receivables	390,000	969,000	1,306,000
Gold bullion	242,000	20,000	-
Inventory	1,179,000	-	-
Other current assets	150,000	37,000	11,000
<b>TOTAL CURRENT ASSETS</b>	<b>7,987,000</b>	<b>10,349,000</b>	<b>17,141,000</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets	120,000	592,000	533,000
Property, plant and equipment	688,000	74,000	117,000
Mine development	1,625,000	-	-
Exploration and evaluation assets	32,886,000	35,623,000	29,926,000
Other non-current assets	1,311,000	1,500,000	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>36,630,000</b>	<b>37,789,000</b>	<b>30,576,000</b>
<b>TOTAL ASSETS</b>	<b>44,617,000</b>	<b>48,138,000</b>	<b>47,717,000</b>
<b>CURRENT LIABILITIES</b>			
Financial liability	105,000	-	-
Trade and other payables	5,305,000	3,292,000	4,719,000
Provisions	633,000	218,000	203,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,043,000</b>	<b>3,510,000</b>	<b>4,922,000</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	550,000	-	500,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>550,000</b>	<b>-</b>	<b>500,000</b>
<b>TOTAL LIABILITIES</b>	<b>6,593,000</b>	<b>3,510,000</b>	<b>5,422,000</b>
<b>NET ASSETS</b>	<b>38,024,000</b>	<b>44,628,000</b>	<b>42,295,000</b>
<b>EQUITY</b>			
Issued capital	65,831,000	61,415,000	50,165,000
Reserves	2,052,000	2,019,000	1,687,000
Accumulated losses	(29,859,000)	(18,806,000)	(9,557,000)
<b>TOTAL EQUITY</b>	<b>38,024,000</b>	<b>44,628,000</b>	<b>42,295,000</b>

Source: Phoenix's financial statements for the year ended 30 June 2013, 30 June 2014, and half year ended 31 December 2014.

We note that Phoenix's auditor issued an unmodified audit report with no qualifications for the review period to 31 December 2014.

## Commentary on financial position

- Cash and cash equivalents as at 31 December 2014 reduced to \$6,026,000 from \$9,323,000 as at 30 June 2014 predominantly on account of cash payments to suppliers and employees of \$13,725,000, exploration and development costs of \$2,419,000 and payments for plant and equipment, mine development, tenement acquisitions and mill capital contributions of collectively \$2,379,000. Key cash inflows come from sales of gold amounting to \$9,456,000 and the proceeds from the issue of shares amounting to \$4,732,000.
- Inventory of \$1,179,000 as at 31 December 2014 primarily relates to high grade material milled and stockpiled from mining at the Kintore West operations throughout the half year ended 31 December 2014.
- Financial assets decreased to \$120,000 as at 31 December 2014 as \$472,000 security deposits held in relation to the Minister Responsible for the Mining Act 1978 were returned when the Company entered the Mining Rehabilitation Fund regime.
- Mine development of \$1,625,000 as at 31 December 2014 relates to an asset recognised in relation to the Kintore West mining operations. It is however noted that mine development at cost has been reduced by \$1,048,000 and \$3,679,000 as at the half year ended 31 December 2014 due to depreciation and amortisation and impairments respectively. In particular the impairment was recognised noting that the recoverable amount of the asset was determined to be below the carrying value, and therefore an impairment to the carrying value was recorded.
- Phoenix's accounting policy with respect to exploration and evaluation expenditures is to:  
*“accumulate expenditures in respect to each identifiable area of interest. The costs are carried forward if they relate to an area of interest for which rights of tenure are current and in respect of which such costs are expected to be recouped through successful development and exploitation or from the sale of the area, or exploration and evaluation activities in the area have not, at reporting date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing”.*  
As at 31 December 2014, exploration and evaluation assets of approximately \$32.9 million has reduced in comparison to the balance as at 30 June 2014 of approximately \$35.6 million mainly due to exploration expenditures written off of \$790,000 and a transfer to mine development assets (on account of Kintore West mining commencement) of \$3,100,000. This reduction was partially offset by further capitalised expenditures of \$1,151,000.
- Other non-current assets relate to capital contributions made under a toll milling agreement with FMR Investments Pty Ltd which was initially recognised during the financial year ended 30 June 2014, with the carrying value amortised at each reporting date. As at the half year ended 31 December 2014, an amortisation charge of \$189,000 was recognised such that the residual balance was \$1,311,000.
- Current and non-current provisions as at 31 December 2014 increased to \$1,183,000 from \$218,000 as at 30 June 2014 on account of the commencement of production at Kintore West during the half year period ending 31 December 2014. The increase primarily comprises of rehabilitation provisions, as well as a marginal increase in employee leave provisions.
- During the financial year ended 30 June 2014, the Company's issued capital increased by \$11,250,000 on account of the rights issue and share placement issuing respectively 33,235,075 and 60,000,000

shares. During the half year period ended 31 December 2014, Phoenix's issued capital increased again by \$4,416,000 due to a placement of 36,400,000 Phoenix shares.

## 5.5 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-14 \$	Audited for the year ended 30-Jun-14 \$	Audited for the year ended 30-Jun-13 \$
<b>Revenue</b>			
Sales revenue	7,751,000	10,690,000	2,107,000
Cost of sales	(12,281,000)	(12,939,000)	-
<b>Gross (loss)/profit</b>	<b>(4,530,000)</b>	<b>(2,249,000)</b>	<b>2,107,000</b>
Other revenue	138,000	1,121,000	1,391,000
<b>Expenses</b>			
Exploration and evaluation expenses	(523,000)	(2,787,000)	(2,704,000)
Corporate and administrative costs	(1,531,000)	(2,924,000)	(2,671,000)
Share based payments expense	(33,000)	(332,000)	(211,000)
Exploration costs written off	(790,000)	(2,388,000)	-
Net loss on financial instruments held at fair value	(105,000)	-	-
Impairment loss	(3,679,000)	-	-
Other expenses	-	310,000	(310,000)
Finance costs	-	-	(1,000)
<b>Loss from continuing operations before income tax</b>	<b>(11,053,000)</b>	<b>(9,249,000)</b>	<b>(2,399,000)</b>
Income tax expense	-	-	-
<b>Loss from continuing operations after income tax</b>	<b>(11,053,000)</b>	<b>(9,249,000)</b>	<b>(2,399,000)</b>
Foreign currency translation differences	-	-	-
<b>Total comprehensive loss for the year</b>	<b>(11,053,000)</b>	<b>(9,249,000)</b>	<b>(2,399,000)</b>

Source: Phoenix's financial statements for the year ended 30 June 2013, 30 June 2014, and half year ended 31 December 2014.

### Commentary on financial performance

- Sales revenues during the half year ended 31 December 2014 and 30 June 2014 are comprised of income received on gold sales from production at the Kintore and Blue Funnel projects respectively. In both instances, gross loss was greater than expected primarily due to the lower than planned gold grades from mining.
- Other revenues for the period ended 30 June 2014 and 30 June 2013 are comprised of a mixture of research and development grants and interest income.
- Other key expenses during the half year ended 31 December 2014 are comprised of corporate and administration costs of \$1,531,000, exploration expenditures written off of \$790,000 and impairment losses of \$3,679,000. As detailed above, the impairment expense relates to the Kintore West

operations where the recoverable value was less than the carrying value, and therefore an impairment charge was assessed to bring the asset value down to its carrying value.

- Key expenses for the financial year ended 30 June 2014 in addition to exploration and evaluation expenses of \$2,787,000 and corporate and administrative costs of \$2,924,000 includes exploration costs written off of \$2,388,000.

## 5.6 Capital Structure

The share structure of Phoenix as at 13 August 2015 is outlined below:

	Number
Total ordinary shares on issue	470,087,333
Top 20 shareholders	303,524,863
Top 20 shareholders - % of shares on issue	64.57%

Source: Share registry information

The range of shares held in Phoenix as at 31 July 2015 are as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	78	2,658	0.00%
1,001 - 5,000	171	596,010	0.13%
5,001 - 10,000	311	2,656,644	0.57%
10,001 - 100,000	1,030	43,268,886	9.20%
100,001 - and over	347	423,563,135	90.10%
<b>TOTAL</b>	<b>1,937</b>	<b>470,087,333</b>	<b>100.00%</b>

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 13 August 2015 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Evolution Mining Limited	93,000,000	19.78%
HSBC Custody Nominees (Australia) Limited - GSCO ECA	42,433,333	9.03%
Norton Gold Fields Limited	39,870,375	8.48%
HSBC Custody Nominees (Australia) Limited	17,424,263	3.71%
Subtotal	192,727,971	41.00%
Others	277,359,362	59.00%
<b>Total ordinary shares on Issue</b>	<b>470,087,333</b>	<b>100.00%</b>

Source: Share registry information

We note that Zijin (including its associates) holds a relevant interest in Phoenix as at the date of our Report of approximately 8.91%. This relevant interest is made up of the holdings of Norton for the respective amount detailed in the table above, as well as, an additional 2,000,000 shares held by Gold

Mountains (H.K.) International Mining Company Limited which is also an associate of Zijin. As at the date of our Report, Zijin has a collective relevant interest in 41,870,375 Phoenix shares.

The current options issued in Phoenix as at 28 August 2015 are outlined below:

Current Options on Issue	Number
Unlisted options exercisable at \$0.15 on or before 27 November 2017	6,375,000
Unlisted options exercisable at \$0.33 on or before 10 June 2016	4,875,000
<b>Total options on issue</b>	<b>11,250,000</b>

Source: Phoenix management

## 6. Profile of Zijin

### 6.1. History and Overview

Zijin Mining Group Company Limited was incorporated on 6 September 2000 with the approval of the People's Government of Fujian Province as a joint stock limited company in the People's Republic of China ('PRC'). Zijin is a comprehensive mining conglomerate in the PRC primarily engaged in gold production, and specifically engaged in the exploration, mining, and sale of gold and other non-ferrous metals.

Zijin is dual listed, first listing on the Hong Kong Stock Exchange in 2003 and then subsequently on the Shanghai Stock Exchange in 2008. Zijin has subsidiaries across more than 20 provinces, municipalities and autonomous regions across the PRC, and its head office is located in Shanghang County, Fujian Province, PRC.

The present board of directors of Zijin includes:

- Mr Chen Jinghe - Chairman and CEO;
- Mr Wang Jianhua - President;
- Mr Qiu Xiaohua - Vice Chairman;
- Mr Lan Fusheng - Vice Chairman;
- Mr Zou Laichang - Executive Director and Vice President;
- Mr Fang Qixue - Executive Director and Vice President;
- Mr Lin Hongfu - Executive Director and Vice President;
- Mr Li Jian - Non-Executive Director;
- Mr Lu Shihua - Independent Non-Executive Director;
- Mr Ding Shida - Independent Non-Executive Director;
- Mr Qiu Guanzhou - Independent Non-Executive Director; and
- Mr Sit Hoi Wah - Independent Non-Executive Director.

As at 31 August 2015, Zijin had a market capitalisation on the Shanghai Stock Exchange of approximately RMB\$65.4 billion.

For the year ended 31 December 2014, Zijin had a gross operating income of RMB\$58.76 billion, resulting in an operating profit of RMB\$3.46 billion and a net profit after tax of RMB\$2.64 billion.

As at 31 December 2014, Zijin had total assets of RMB\$75.16 billion (including a cash and cash equivalents balance of RMB\$3.51 billion) and total liabilities of RMB\$41.49 billion.

Further details on Zijin are included in its Replacement Bidder's Statement.

### 6.2. Projects

In the PRC, Zijin is one of China's largest gold producers with one of its key assets being the Zijinshan Gold and Copper Mine ('Zijinshan'). Zijinshan is located approximately 20 kilometres northeast of Shanghang County, Fujian province, PRC and the mining licence covers an area of approximately 4.37

square kilometres. Operations at Zijinshan commenced in 1993 and remains continuing, and the mine was once the largest gold mine in the PRC.

Zijin's present portfolio of mining assets include gold, copper, zinc and silver projects at various stages of development and production and in various locations in the PRC. Additionally its key foreign operations include:

- Zeravshan Joint-Venture Gold Mine in Tajikistan - A producing gold, copper and silver mine located at a township of Sogdiana in northwest Sogdiyskaya state, Tajikstan;
- Norton Gold Fields Paddington Gold Mine in Australia - A producing gold mine and mill operation located in Kalgoorlie, WA, Australia;
- Tuva Multi-Metal Mine in Russia - A development stage asset prospective for lead, zinc, copper, gold and silver located 120 kilometres northeast of the capital city Kizil, Russia's Republic of Tuva;
- Rio Blanco Copper-Molybdenum Mine in Peru - A development stage asset prospective for copper and molybdenum located in the Piura region of northern Peru; and
- Taldybulak Levoberezhny Gold Mine in Kyrgyzstan - A development stage asset prospective for gold located in Kyrgyzstan Fortescue Yi Sike state.

### **6.3. Recent Corporate Activities in Australia**

Zijin began its entry into the Australian minerals sector with its takeover offer for Norton in April 2012. With a pre-bid stake of approximately 16.98%, Zijin offered Norton shareholders \$0.27 per Norton share with a cash component of \$0.25 and a special dividend portion of \$0.02. The offer closed on 20 August 2012, with Zijin acquiring 89.15% of Norton's share capital.

In 2014, under Zijin's majority control, Norton launched a takeover bid for Bullabulling Gold Limited ('Bullabulling') with an initial cash offer of \$0.07 per Bullabulling share. This offer was subsequently revised to \$0.08 per Bullabulling share. After acquiring a relevant interest of 90.97% in Bullabulling following the takeover offer, Norton successfully acquired the remainder under Chapter 6A of the Corporations Act.

In 2015, Zijin made another takeover offer for Norton, this time by way of a scheme of arrangement. Zijin offered the remaining minority holders cash consideration of \$0.20 per Norton share. Throughout the scheme process, the scheme consideration increased two times, firstly from \$0.20 to \$0.23, and subsequently again up to \$0.25. The scheme was approved by the Federal Court of Australia on 19 June 2015.

## 7. Economic analysis

The global economy is expanding at a moderate pace, but some key commodity prices are much lower than a year ago. Much of this trend appears to reflect increased supply, including from Australia. Australia's terms of trade are falling nonetheless.

In Australia, the available information suggests that the economy has continued to grow. While the rate of growth has been somewhat below longer-term averages, it has been associated with somewhat stronger growth of employment and a steady rate of unemployment over the past year. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. Recent information confirms that domestic inflationary pressures have been contained. That should remain the case for some time, given the very slow growth in labour costs. Inflation is thus forecast to remain consistent with the target over the next one to two years, even with a lower exchange rate.

The primary cause of the subdued growth is attributed to weaknesses in business capital expenditures in both the mining and non-mining sectors, which is expected to persist over the coming year. Investment in the resources sector is forecast to decline significantly over the next few years as current projects reach the stage of completion.

### Commodities

Global commodity production is being scaled back with the aim to rebalance the demand and supply of commodities. China has been able to take advantage of cheaper commodity prices which prevailed in 2014, importing record amounts of copper and iron ore.

The price of gold has recently seen an increase amid new concerns over Greece's finances. Scope for a significant improvement in gold prices remains limited by the anticipation of US monetary policy tightening.

### Interest Rates

The Reserve Bank of Australia ('RBA') has again judged that leaving the cash rate at 2.0% was appropriate as at the August 2015 meeting, and informed that information on economic and financial conditions to be received over the period ahead will state the RBA's assessment of the outlook and hence whether the current stance of monetary policy will most effectively foster sustainable growth and inflation consistent with the target.

Globally, financing conditions remain very accommodative. Despite fluctuations in markets associated with the respective developments in China and Greece, long-term borrowing rates for most sovereigns and creditworthy private borrowers remain remarkably low.

The RBA's decision to maintain low interest rates has been made in order to support borrowing and spending in the Australian economy. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing market broadly steady over recent months. Broadly prices for equities and commercial property have been supported by lower long-term interest rates.

### Foreign Exchange

Foreign exchange markets have continued to be influenced by the stance, both current and prospective, of monetary policy in the major advanced economies. The Australian dollar has declined noticeably against a rising US dollar over the past year, though less so against a basket of currencies. Further

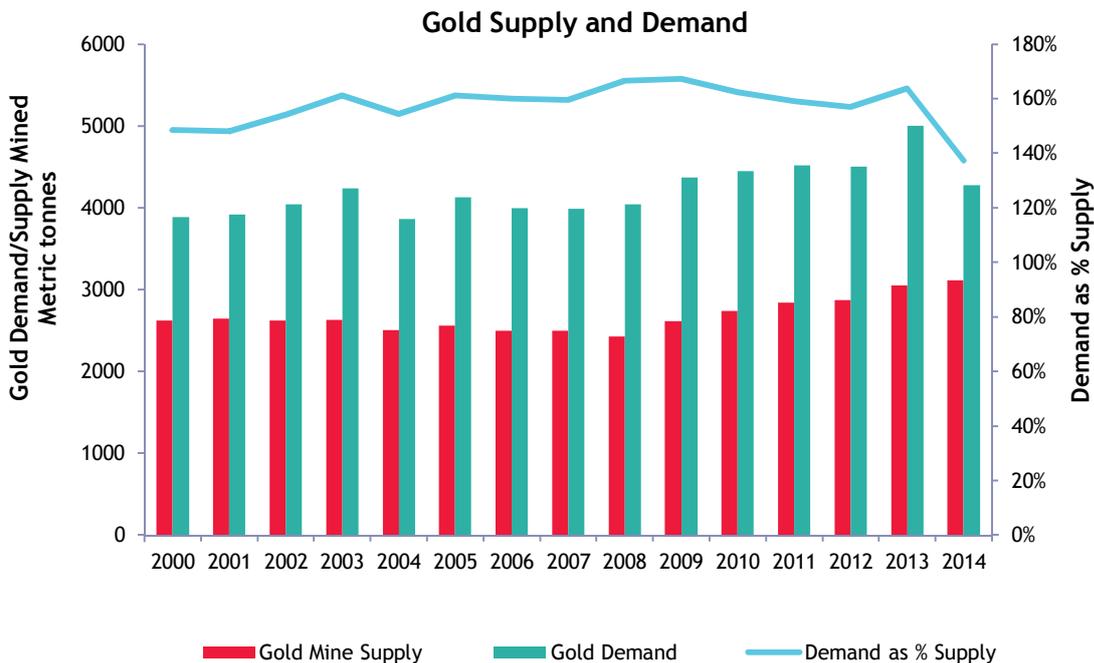
depreciation seems both likely and necessary, particularly given the significant decline in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy. A lower exchange rate is also likely to benefit the projects of Phoenix, particularly since gold contracts are generally denominated in US dollars. This means that Phoenix is highly sensitive to exchange rate movements.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 4 August 2015 and Consensus Economics

## 8. Industry analysis

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

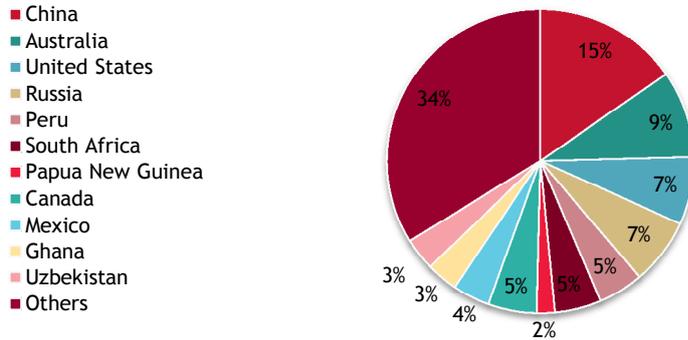
As illustrated in the chart below, gold mine production was approximately 3,114 metric tonnes in 2014 and gold consumption was 4,278 metric tonnes. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased at a compound annual growth rate of 4% between 2008 and 2013, but then decreased by 14.6% in 2014. Over the same period, demand as a percentage of supply was on average greater than 150%.



Source: Bloomberg and BDO analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented, as shown in the chart below, with production dominated by China, Australia and the United States.

### Global Gold Production - 2014



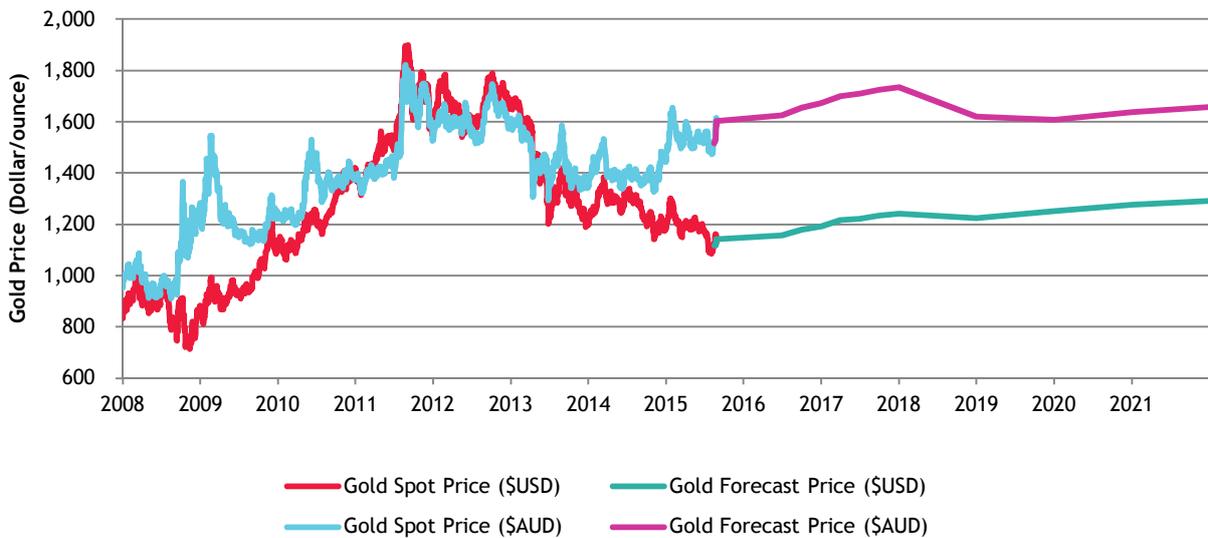
Source: Bloomberg and BDO analysis

### Gold prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US\$1,900 per ounce on 5 September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor’s downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold. Prices contracted in December 2011 reaching a low of US\$1,545 per ounce followed by a recovery in 2012, reaching US\$1,790 per ounce on 4 October 2012 before declining to US\$1,675 per ounce at 31 December 2012. Gold prices have modestly declined over 2013 and 2014. For the first six months of 2015, gold prices have averaged US\$1,206 per ounce, ranging from a low of US\$1,150 on 17 March 2015 to a high of US\$1,302 on 22 January 2015.

According to Consensus Economics, gold prices are forecast to stabilise in the short to medium term, followed by a moderate increase with a long term nominal price forecast of approximately US\$1,292 (approximately AU\$1,658) per ounce.

### Gold Spot and Forecast Price



Source: Bloomberg, Consensus Economics and BDO analysis

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME');
- Discounted cash flow ('DCF');
- Quoted market price basis ('QMP');
- Net asset value ('NAV'); and
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Phoenix shares we have chosen to employ the following methodologies:

- Sum-of-parts method, as our primary method, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods. The component parts of Phoenix are valued using the DCF and NAV methodologies;
- The market based assessment approach as our secondary method noting the recent market based acquisitions of significant portions of Phoenix's shares; and
- QMP approach as our tertiary method as a cross check noting that this represents the value that a Shareholder can receive for a share if sold on the market.

### Sum-of-parts

We have employed the sum-of-parts method in estimating the fair market value of Phoenix by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the value of:

- Phoenix's interest in the Castle Hill Stage 1 project which is subject to the Norton JV (herein defined 'Castle Hill JV') by applying the DCF methodology;
- Phoenix's interests in the:
  - Castle Hill Stage 4 project (i.e. the continuation of Castle Hill Stage 1 under Phoenix's operations);
  - selected heap leach operations; and
  - selected small mine projects (herein together defined 'Pre-Production Assets') (details of the components of the Pre-Production Assets are included in the table below),by applying the DCF methodology;
- Phoenix's interests in residual mining assets which are not otherwise included in the above components, and Phoenix's exploration assets (herein defined 'Residual and Exploration Assets') having commissioned and relied on an independent specialist valuation opinion (details of the components of the Residual and Exploration Assets are listed below); and
- other assets and liabilities of Phoenix (applying the NAV methodology).

For clarity, we have detailed the assets comprising of the Castle Hill JV and the Pre-Production Assets in the table below.

Castle Hill JV	Total Published Ore Reserve (Oz)	In Model (Oz)	Residual Reserve (Oz)
Castle Hill Stage 1	588,380	196,141	392,239
Pre-Production Assets	Total Published Ore Reserve (Oz)	In Model (Oz)	Residual Reserve (Oz)
<b>Mill Feed</b>			
Castle Hill Stage 4	392,239	158,268	233,971
Kintore	86,100	23,705	62,395
Red Dam	110,900	39,604	71,296
Ora Banda	44,000	26,458	17,542
<b>Heap Leach Feed</b>			
Castle Hill Stage 1 and 4	227,450	187,480	39,970
Kintore and Stockpiles	53,000	41,100	11,900

Source: Phoenix Management and BDO Analysis

All residual reserves as demonstrated in the table above are collectively included in the valuation of the Residual and Exploration Assets of Phoenix.

Other than the residual reserves outlined in the table above, the assets which comprise of the Residual and Exploration Assets of Phoenix also includes:

- the remaining mineral resources not included in the reserve estimates outlined above for the Castle Hill Stage 1 and 4, Kintore, Red Dam, and Ora Banda (Nazarris) projects;
- Phoenix's Castle Hill Stage 3 project;
- Phoenix's Burgundy project;
- Phoenix's Broad Dams project;
- Phoenix's Kunanalling project
- Phoenix's Grants Patch project; and
- Phoenix's projects at Carbine and Zuleika North.

### Methodologies adopted

We have chosen the above methodologies for the following reasons:

- none of Phoenix's key projects, in particular the Castle Hill JV nor the Pre-Production Assets, are presently generating any significant income nor are there any historical profits that could be used to represent future maintainable earnings and as such, it would be inappropriate to utilise a FME approach;
- the proposed Castle Hill JV and Pre-Production Assets have finite operating lives with ore reserve estimates. As such we consider there are reliable long term forecasts and sufficient reasonable grounds to utilise a DCF methodology for both mining assets;
- other assets and liabilities of Phoenix are valued using NAV methodology on a going concern basis via either cost or market based approaches;

- given there has recently been genuine market offers for, and acquisitions of, a significant quantum of Phoenix's shares and the announcement of the intention for there to be an alternative offer, we consider it is appropriate to consider the nature and terms of these acquisitions using a market based assessment; and
- the QMP basis is a relevant methodology to consider because Phoenix shares are listed on the ASX and this reflects the value that a Shareholder will receive for a share sold on market. This means there is a regulated and observable market where Phoenix's shares can be traded. However, in order for QMP to be considered an appropriate methodology, as per RG 111.69(d), we have considered whether there is a liquid and active market for Phoenix's shares as well as accounted for the fact that the QMP only reflects a minority interest value.

### Technical expert

In performing our valuation of Phoenix's Castle Hill JV and Pre-Production Assets using the DCF methodology, we have relied on the independent technical assessment prepared by Optiro, based on Optiro's review of the technical project assumptions contained in the cash flow models of the projects. This report has been prepared in accordance with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities Experts Reports ('Valmin Code') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC Code').

A copy of Optiro's Independent Technical Assessment and Valuation Report is attached in Appendix 6.

### Independent specialist valuation

In valuing Phoenix's Residual and Exploration Assets, we have relied on the independent specialist valuation performed by Optiro in accordance with the Valmin Code and the JORC Code. Specific valuation methodologies used by Optiro are referred to in the respective sections of our Report.

We are satisfied with the valuation methodologies adopted by Optiro which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code.

A copy of Optiro's Independent Technical Assessment and Valuation Report is attached in Appendix 6.

## 10. Valuation of Phoenix

### 10.1 Sum-of-parts valuation of Phoenix

We have employed the Sum-of-Parts methodology in estimating the value of Phoenix's shares by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the following:

- the value of Phoenix's Castle Hill JV;
- the value of Phoenix's Pre-Production Assets;
- the value adjustments due to the use of taxation losses;
- the value adjustments for funding requirements being the present value of the debt;
- the value of Phoenix's Residual and Exploration Assets;
- the value of the other assets and liabilities of Phoenix; and
- the present value of Phoenix's future corporate costs.

Sum-of-Parts Valuation	Ref	Midpoint /		
		Low	Preferred	High
		A\$'000	A\$'000	A\$'000
DCF value of Castle Hill JV	10.2.2.3	34,435	38,435	42,435
DCF value of Pre-Production Assets	10.2.3.3	21,436	34,436	47,436
Add: Value adjustments for Tax Losses	10.2.4	14,978	14,978	14,978
Less: PV of debt	10.2.5	(6,726)	(6,726)	(6,726)
Value of Residual and Exploration Assets	10.2.6	15,700	23,600	31,500
Add: Other assets and liabilities	10.2.7	2,514	2,514	2,514
Less: Corporate costs	10.2.8	(10,000)	(10,000)	(10,000)
<b>Equity value</b>		<b>72,337</b>	<b>97,237</b>	<b>122,137</b>
Number of shares on issue	10.2.9	500,087,333	500,087,333	500,087,333
<b>Equity value per share (on a control basis)</b>		<b>\$ 0.145</b>	<b>\$ 0.194</b>	<b>\$ 0.244</b>

Source: BDO analysis

The table above indicates that the value of a Phoenix share using the sum-of-parts approach is between \$0.145 and \$0.244, with a midpoint value of \$0.194. The value of a Phoenix share derived under the sum-of-parts method is reflective of a controlling interest.

## 10.2. DCF valuations of the Castle Hill JV and the Pre-Production Assets

We considered the DCF methodology in valuing the Castle Hill JV and the Pre-Production Assets.

The DCF approach estimates the fair market value by discounting the future cash flows arising from the respective projects to their net present value. Performing a DCF valuation requires the determination of the following:

- the expected future cash flows that each respective project is expected to generate; and
- an appropriate discount rate to apply to the cash flows of each respective project to convert them to the present value equivalent.

### 10.2.1. The Castle Hill JV and Pre-Production Assets - Future Cash Flows

The management of Phoenix has prepared a detailed cash flow model for the Castle Hill JV (**'Castle Hill JV Model'**) and the Pre-Production Assets (**'Pre-Production Assets Model'**) (collectively the **'Phoenix Models'**). We have reviewed the Phoenix Models and the material assumptions that underpin them.

BDO has made certain adjustments to the Phoenix Models where it was considered appropriate to arrive at adjusted models (**'Adjusted Phoenix Models'**). In particular, we have converted the cash flows from real to nominal and also adjusted the economic assumptions underpinning the Phoenix Models.

The Phoenix Models were prepared based on estimates of production profile, operating costs and development and sustaining capital expenditure for both the Castle Hill JV and the Pre-Production Assets.

The main assumptions underlying the Phoenix Models include:

- mining and production volumes;
- stockpile movements;
- commodity prices;
- operating costs;
- development and sustaining capital expenditures;
- foreign exchange rates;
- royalties; and
- discount rates.

BDO has undertaken an analysis of the Phoenix Models which has involved:

- analysing the Phoenix Models to confirm their integrity and mathematical accuracy;
- appointing Optiro as technical expert to review, and where required, provide changes to the technical assumptions underlying the Phoenix Models;
- conducting independent research on certain economic and other inputs such as commodity prices, inflation and discount rates applicable to the future cash flows of the Phoenix Models;
- holding discussions with Phoenix's management regarding the preparation of the forecasts in the Phoenix Models and its views; and
- performing a sensitivity analysis on the values of the Castle Hill JV and the Pre-Production Assets as a result of flexing selected assumptions and inputs.

The cash flows contained in the Adjusted Phoenix Models have been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to the values of the Castle Hill JV and the Pre-Production Assets. Whilst we do not warrant that our enquiries have identified all of the matters that an audit, due diligence and/or tax investigation might disclose, we believe that the information is reasonable for us to form an opinion as to the values of the Castle Hill JV and the Pre-Production Assets and that there are reasonable grounds for the assumptions made in the Adjusted Phoenix Models.

### Appointment of a technical expert

We engaged Optiro to prepare a report providing a technical assessment of the project assumptions underlying the Phoenix Models. Optiro's assessment involved the review and provision of input on the reasonableness of the assumptions adopted in the Phoenix Models, including but not limited to:

- mining physicals (including volume mined, recovery and grade);
- processing assumptions (including products and recovery, scheduling and plant utilization);
- operating costs (including direct operating expenditure and certain fixed costs);
- capital expenditure (development and sustaining capital required);
- royalties payable; and
- other relevant assumptions.

A copy of Optiro's Technical Assessment and Valuation Report is included in Appendix 6.

### Limitations

Since forecasts relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the forecasts are based. Accordingly, actual results may vary materially from the forecasts included in the Adjusted Phoenix Models, as it is often the case that some events and circumstances frequently do not occur as expected, or are not anticipated, and those differences may be material.

### Economic assumptions

#### Inflation

We have applied an inflation rate to convert the forecast real costs into nominal terms in the Adjusted Phoenix Models. In our assessment of the inflation rate, we have considered forecasts prepared by economic analysts and other publically available information including broker consensus to arrive at our inflation rate assumptions. From our analysis, inflation in Australia for the first and second quarters of 2015 on a year ended basis was 1.3% and 1.5% respectively. Historical inflation rates in 2013 and 2014 were 2.5% per annum in both years. The RBA's target inflation rate is between 2% and 3%.

We have assumed the inflation rate in Australia going forward will be 2.5% on average over the life of mine of both the Castle Hill JV and Pre-Production Assets which is together eight years.

#### Foreign exchange rate

All commodity prices are stated in US\$, the forecasts relating to costs in the Adjusted Phoenix Models are in A\$ and our valuation is also in A\$. In selecting appropriate exchange rates, we considered various sources including broker forecast estimates and forwards contracts. Drawing greater influence from more

recent pricing estimates, the conversions from US\$ to A\$ were undertaken using the following foreign exchange rate assumptions:

Foreign Exchange Rate	2015	2016	2017	2018	2019	2020+
AUD/USD	0.715	0.712	0.715	0.756	0.779	0.779

Source: Bloomberg and BDO analysis

## Revenue Assumptions

Phoenix will receive revenues from the sale of gold. In obtaining forecast gold prices we considered:

- Historical spot and forward prices from Bloomberg; and
- the most recent Consensus Economics price forecasts.

Based on our analysis, we have adopted the following future gold prices (in nominal terms):

Gold Price	2015	2016	2017	2018	2019	2020	2021+
US\$/oz	1,133	1,190	1,241	1,224	1,253	1,276	1,292

Source: Bloomberg, Consensus Economics and BDO analysis

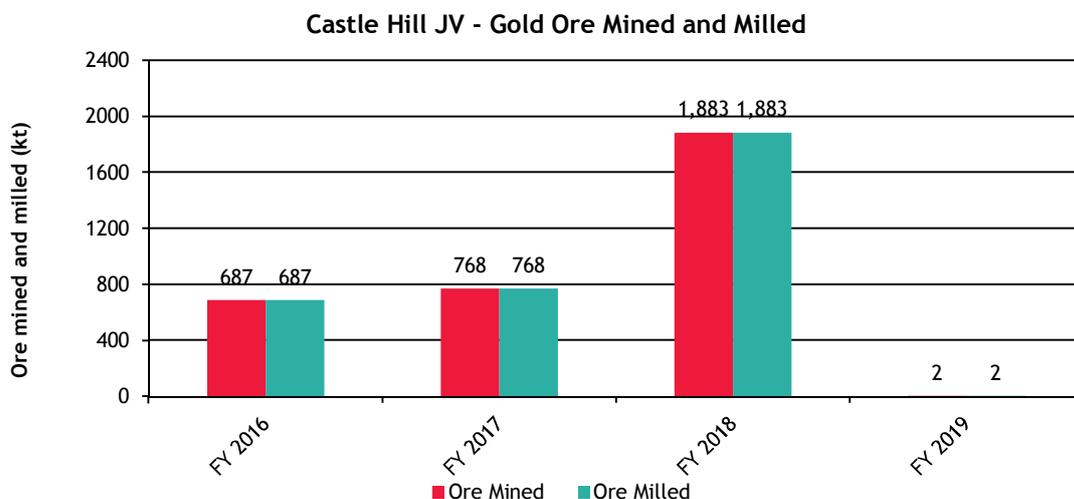
### 10.2.2. DCF valuation - Castle Hill JV

The value of the Castle Hill JV for Phoenix is derived from the 50:50 split in cash flows between Phoenix and Norton pursuant to their agreement. However given that these forecast cash flows to Phoenix will be influenced by the mining operation by Norton, we have valued the cash flows attributable to Phoenix with direct reference to the cash flows of the entire Castle Hill JV.

Our resulting valuation of the Castle Hill JV represents the present value of the cash flows attributable to Phoenix, and therefore already incorporates the 50:50 split of positive cash flows.

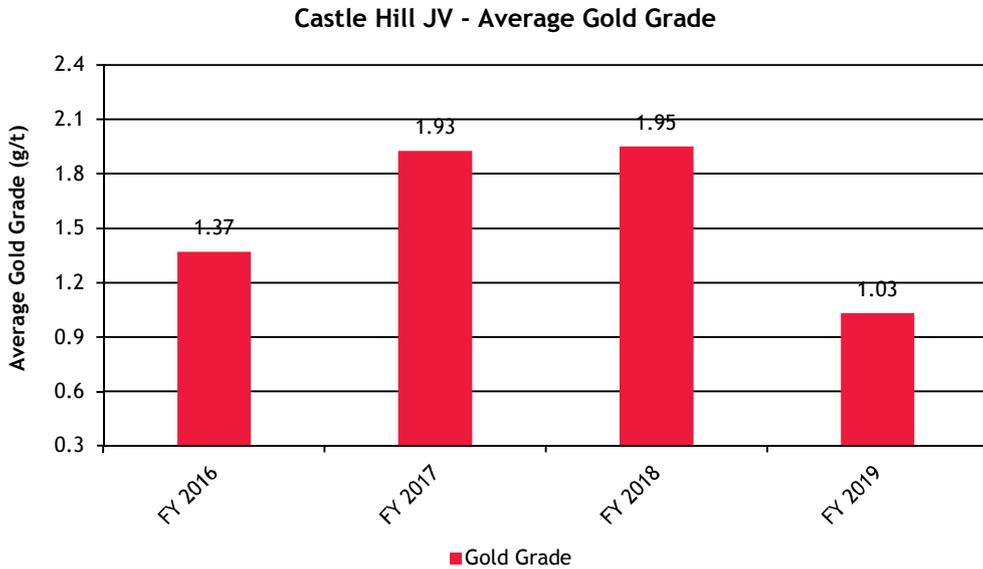
## Mining Physicals

The graph below shows the forecast ore to be mined and milled over the life of mine of the Castle Hill JV.



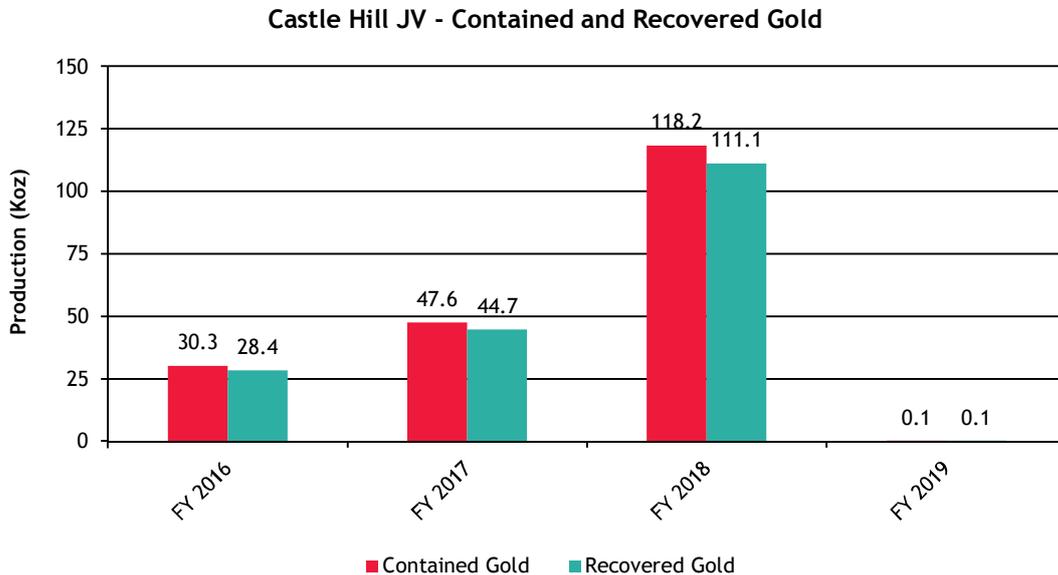
Source: Castle Hill JV Model and Optiro

The graph below shows average gold grade of the ore mined for each year of production.



Source: Castle Hill JV Model and Optiro

The graph below shows the forecast contained and recovered gold produced over the life of mine of the Castle Hill JV.



Source: Castle Hill JV Model and Optiro

## Operating Costs

Operating costs included in the adjusted Castle Hill JV Model consists of mining costs (both fixed and variable), haulage costs, processing costs and technical and mine management costs.

## Capital Costs

Capital expenditures for the Castle Hill JV amount to \$4.05 million and are to be fully funded by Norton. However before distributing any cash to Phoenix, Norton may recover up to 50% of the incurred capital expenditures from Phoenix. As such, based on the forecast capital expenditure, Phoenix will be required to contribute up to \$2.025 million.

## Royalties

A royalty of \$60 per ounce of gold produced will be payable upon the commencement of the operations at the Castle Hill JV. This royalty is the approximate aggregate of a state royalty of 2.5% of sales revenues and all 3<sup>rd</sup> party vendor royalties including to Cazaly Resources Limited.

## Taxation

Tax has been applied at a notional rate of 30% which represents the current corporate tax rate in Australia. In section 10.2.4, we have also considered the value uplift derived from the utilisation of tax losses brought forward.

### 10.2.2.1. DCF valuation - Castle Hill JV discount rate

We have selected a nominal after tax discount rate in the range of 9% and 12% per annum to discount the cash flows from the Castle Hill JV to their present value. In our base case, we have used a discount rate of 10.5% which represents the midpoint from the range of discount rates.

In selecting this range of discount rates we considered the following:

- The rates of return for comparable ASX listed gold companies; and
- The risk profile of Phoenix as compared to other gold companies.

The adjusted Castle Hill JV Model includes all cash inflows and outflows excluding debt cash flows. The nominal after tax discount rate we have selected represents our assessment of Phoenix's weighted average cost of capital.

Details on our discount rate determination are provided in Appendix 3.

### 10.2.2.2. DCF valuation - Castle Hill JV sensitivities

The estimated value of the Castle Hill JV is derived under the DCF approach. Our valuation is highly sensitive to changes in the forecast commodity prices, exchange rates and the discount rate. We have therefore included an analysis to consider the value of the Castle Hill JV under various pricing scenarios and in applying:

- a change of +/- 10% to the gold price;
- a change of +/- 10% to the exchange rate;
- a change of +/- 10% to operating costs;
- a change of +/- 10% to capital expenditures; and
- a discount rate in the range of 6.5% to 14.5%.

The following table sets out the valuation outcomes from our DCF analysis:

Flex	Gold Price	AUD/USD	Operating Costs	Capital Expenditures
	NPV (A\$'000)	NPV (A\$'000)	NPV (A\$'000)	NPV (A\$'000)
-10.0%	29,506	48,367	43,624	38,635
-7.5%	31,695	45,642	42,328	38,585
-5.0%	33,942	43,125	41,032	38,535
-2.5%	36,185	40,739	39,734	38,485
0.0%	38,435	38,435	38,435	38,435
2.5%	40,682	36,240	37,134	38,385
5.0%	42,893	34,156	35,833	38,335
7.5%	45,099	32,166	34,531	38,285
10.0%	47,360	30,326	33,228	38,235

Source: BDO analysis

Discount rate sensitivity					
Discount rate (%)	6.50%	8.50%	10.50%	12.50%	14.50%
NPV (A\$'000)	41,595	39,968	38,435	36,989	35,624

Source: BDO Analysis

### 10.2.2.3. DCF valuation of Castle Hill JV

	Low	Midpoint	High
	A\$'000	A\$'000	A\$'000
DCF Valuation of the Castle Hill JV	34,435	38,435	42,435

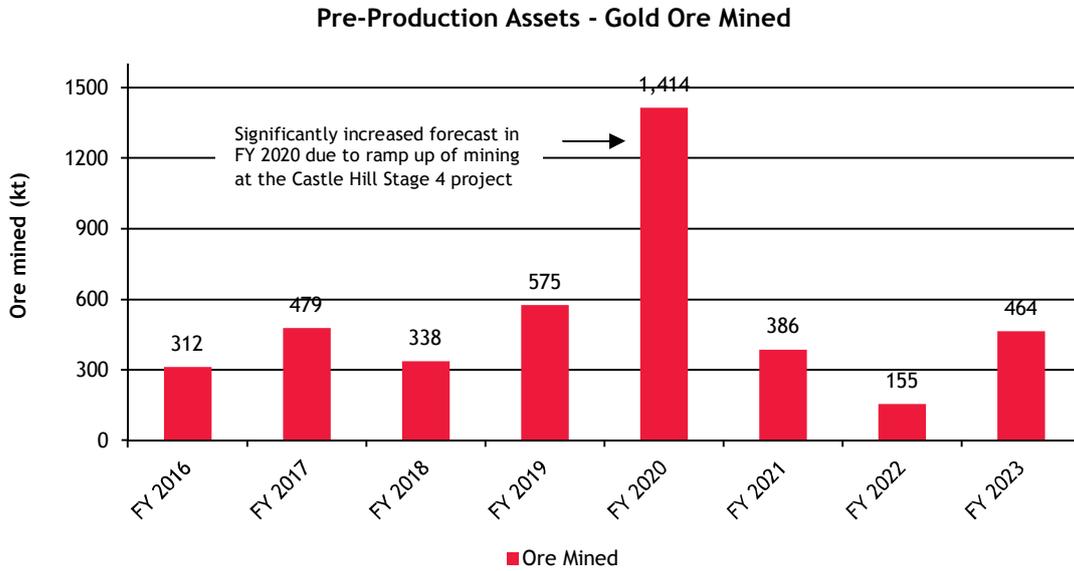
Source: BDO Analysis

The table above indicates that the range of values determined from the DCF valuation of Castle Hill JV is between \$34.44 million and \$42.44 million, with a midpoint value of \$38.44 million.

### 10.2.3. DCF Valuation - Pre-Production Assets

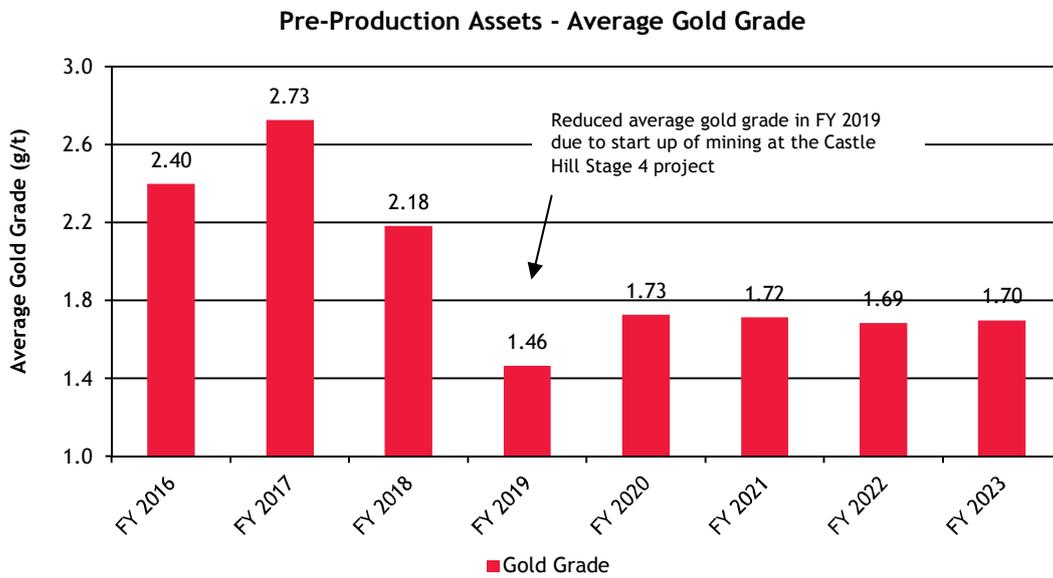
#### Mining Physicals

The graph below shows the forecast ore to be mined over the life of mine of the Pre-Production Assets.



Source: Pre-Production Assets Model and Optiro

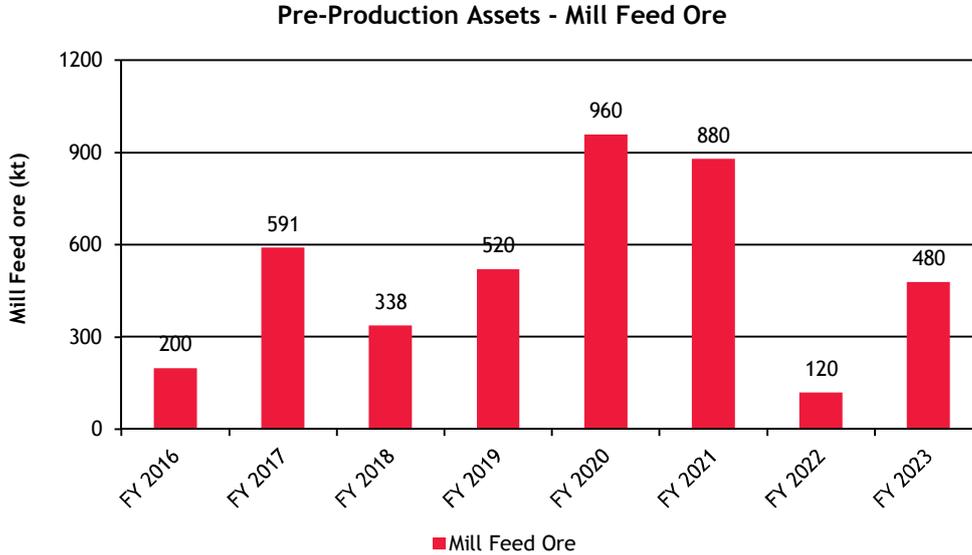
The graph below shows the average gold grade of the ore mined for each year of production.



Source: Pre-Production Assets Model and Optiro

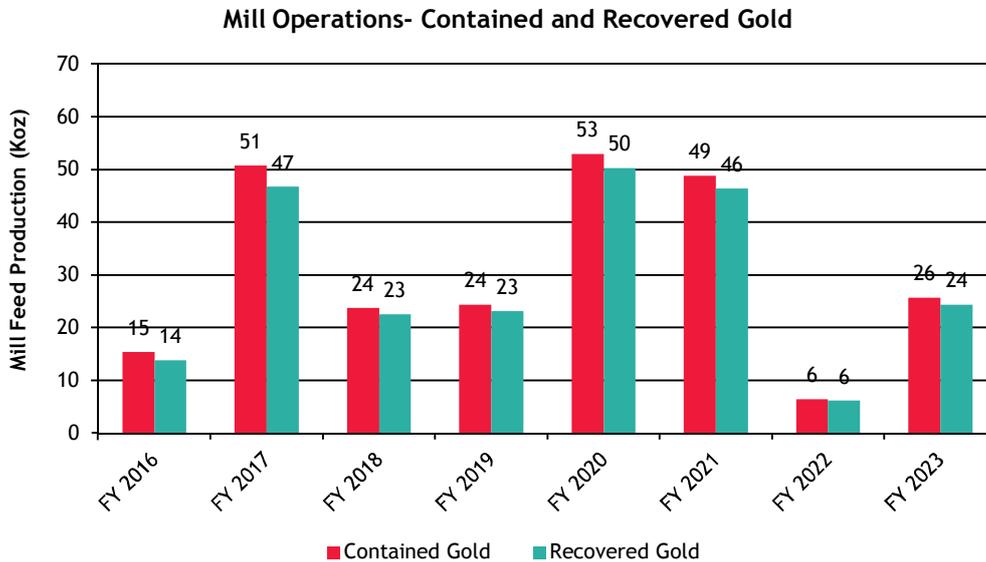
## Milling Assumptions

The graph below shows the forecast gold ore milled over the life of mine of the Pre-Production Assets.



Source: Pre-Production Assets Model and Optiro

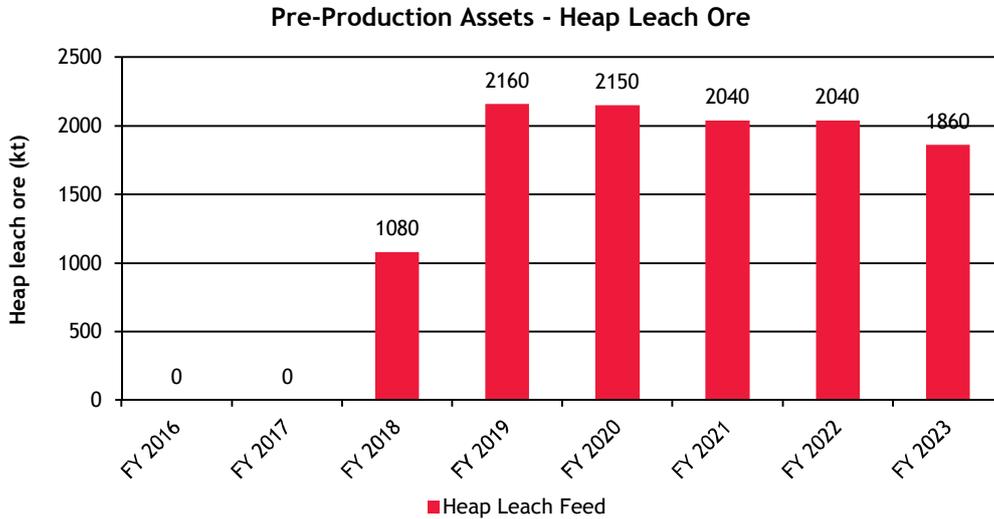
The graph below shows the contained and recovered gold produced annually over the life of mine from the mill feed ore of the Pre-Production Assets.



Source: Pre-Production Assets Model and Optiro

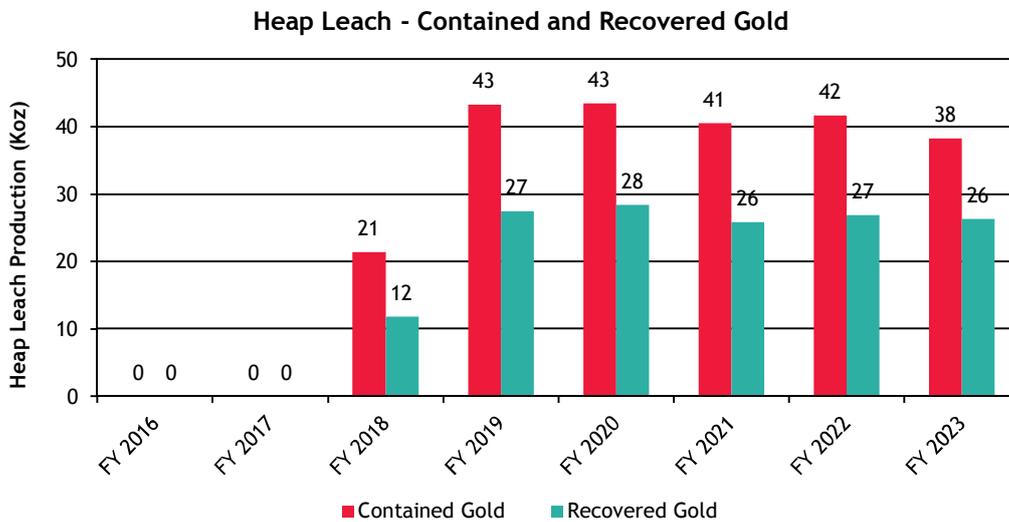
### Heap Leach Assumptions

The graph below shows the forecast heap leach feed over the life of mine of the Pre-Production Assets.



Source: Pre-Production Assets Model and Optiro

The graph below shows the contained and recovered gold produced annually over the life of mine from the heap leach feed of the Pre-Production Assets.



Source: Pre-Production Assets Model and Optiro

### Operating Costs

Operating costs included in the adjusted Pre-Production Assets Model consists of mining costs (both fixed and variable), haulage costs, processing costs and technical and mine management costs.

## Capital Costs

### Mill Feed Operations

Capital expenditures in the adjusted Pre-Production Assets Model for the mill feed assets consist of development capital requirements for the Red Dam and Ora Banda (Nazariss) projects. Respectively these capital expenditures amount to \$2,229,000 and \$200,000.

### Heap Leach Operations

Development capital expenditure for the Heap Leach operations can be differentiated into various costs associated with the plant acquisition, relocation and recommissioning, heap leach pad construction, and services and contingency costs. Collectively the development capital expenditure over the life of the Heap Leach operations amounts to approximately \$34 million. Sustaining capital requirements for the Heap Leach operations over the life of operations amount to \$8,140,000.

## Royalties

With respect to each of the various deposits which will be mined, Phoenix will be liable to pay the following royalties upon the commencement of sales:

- Heap leach operations will be subject to state royalties of 2.5% of sales revenues, as well as vendor royalties of \$14 per ounce produced for the Castle Hill deposits (excluding Kintore) and \$30 per ounce produced for Kintore;
- Castle Hill Stage 4 (continuation of Castle Hill Stage 1) will be subject to state royalties of 2.5% of sales revenues;
- Kintore will be subject to a vendor royalty of \$40 per ounce sold;
- Ora Banda will be subject to state royalties of 2.5% of sales revenues;
- Red Dam will be subject to state royalties of 2.5% of sales revenues, as well as vendor royalties of respectively \$10 per ounce produced and 2.5% of gold sales.

## Taxation

Tax has been applied at a notional rate of 30% which represents the current corporate tax rate in Australia. In section 10.2.4, we have also considered the value uplift derived from the utilisation of tax losses brought forward.

### 10.2.3.1. DCF valuation - Pre-Production Assets discount rate

As detailed in section 10.2.2.1, we have selected a nominal after tax discount rate in the range of 9% to 12% per annum to discount the cash flows from the Pre-Production Assets to their present value. Noting that the Pre-Production Assets carry marginally more risk in comparison to the Castle Hill JV, we have used discount rate of 11% for our base case.

The adjusted Pre-Production Assets Model includes all cash inflows and outflows excluding debt cash flows. The nominal after tax discount rate we have selected represents our assessment of Phoenix's weighted average cost of capital.

Details on our discount rate determination are provided in Appendix 3.

### 10.2.3.2. DCF valuation - Pre-Production Assets sensitivities

The estimated value of the Pre-Production Assets is derived under the DCF approach. Our valuation is highly sensitive to changes in the forecast commodity prices, exchange rates and the discount rate. We have therefore included an analysis to consider the value of the Pre-Production Assets under various pricing scenarios and in applying:

- a change of +/- 10% to the gold price;
- a change of +/- 10% to the exchange rate;
- a change of +/- 10% to operating costs;
- a change of +/- 10% to capital costs; and
- a discount rate in the range of 7% to 15%.

The following table sets out the valuation outcomes from our DCF analysis:

Flex	Gold Price	AUD/USD	Operating Costs	Capital Expenditures
	NPV (A\$'000)	NPV (A\$'000)	NPV (A\$'000)	NPV (A\$'000)
-10.0%	4,816	65,594	56,402	37,617
-7.5%	12,192	57,557	51,275	36,822
-5.0%	19,613	49,627	45,728	36,027
-2.5%	27,041	41,889	40,115	35,231
0.0%	34,436	34,436	34,436	34,436
2.5%	41,704	27,222	28,639	33,640
5.0%	48,872	20,321	22,804	32,843
7.5%	55,921	13,741	16,966	32,039
10.0%	62,620	7,463	11,158	31,238

Source: BDO analysis

	Discount rate sensitivity				
Discount rate (%)	7.00%	9.00%	11.00%	13.00%	15.00%
NPV (A\$'000)	43,083	38,509	34,436	30,798	27,543

Source: BDO analysis

### 10.2.3.3. DCF valuation of Pre-Production Assets

	Low	Midpoint	High
	A\$'000	A\$'000	A\$'000
DCF Valuation of the Pre-Production Assets	21,436	34,436	47,436

Source: BDO Analysis

The table above indicates that the range of values determined from the DCF valuation of Pre-Production Assets is between \$21.44 million and \$47.44 million, with a midpoint value of \$34.44 million.

#### **10.2.4. Adjustments for Tax Losses**

Tax has been applied to the Castle Hill JV and Pre-Production Assets at the notional rate of 30% which represents the current corporate tax rate in Australia. Phoenix's tax losses are considered on a consolidated group basis. Management of Phoenix has provided us with estimates of tax losses which can be applied of \$60 million as at 30 June 2015.

We have incorporated this into the Adjusted Phoenix Models and have determined the present value of the tax adjustments arising from the accumulated tax losses over the life of mines for both the Castle Hill JV and the Pre-Production Assets discounted at 10.5% and 11% for the respective projects to be approximately \$14.98 million.

#### **10.2.5. Adjustments for Funding Requirements**

Although the staged development plan of Phoenix minimises the requirement for external funding for capital expenditure purposes by utilising cash generated from the Castle Hill JV, there is still a residual funding requirement to ensure that Phoenix continually retains a minimum cash balance. To ensure that Phoenix continually retains this minimum cash balance, approximately \$10 million of funds will need to be raised from external sources.

We have incorporated the effect of external funding by way of both debt and equity having regard to the options available to Phoenix as advised by its management. We understand that the proposed funding options relate to expectations which Phoenix has, following discussions and expressions of interests from various parties including commercial banks. Based on these and the quantum of funds to be sourced we consider that it is reasonable to assume that Phoenix will be able to gain access to these funds.

We have calculated the adjustment required to incorporate a debt funding of \$7 million. We have estimated the cash flows associated with this debt funding using an interest rate of 7.5%. Our assumed interest rate has been determined based on market evidence for similar loans for similar companies, as well as following discussions with management. We have then determined the present value of the debt's interest and principal repayment obligations, and discounted this back to present values at a discount rate of 10.5% (being the midpoint of our assessed range of discount rates for Phoenix's projects). The adjustment made on account of the present value of the debt funding is approximately \$6.73 million.

We note that there is still a residual funding requirement of approximately \$3 million which management have advised that they would raise by way of either a quasi-debt agreement such as a convertible note, or otherwise by way of an equity placement. We note that given the relatively small portion of shares or securities which will need to be issued, it is unlikely that a significant discount to market observed trading prices will be required in determining the respective issue price of the placement.

On this basis, we have applied a notional issue price of \$0.10 per Phoenix share (drawing reference to recent trading prices on the ASX as detailed in section 10.4 of our Report), and assumed that 30 million shares are issued. We have made the respective adjustment to the number of shares on issue in Phoenix in section 10.2.9 below.

#### **10.2.6. Valuation of Phoenix's Residual and Exploration Assets**

We instructed and relied on Optiro to provide an independent market valuation of the Residual and Exploration Assets held by Phoenix in accordance with the Valmin Code and JORC Code. Optiro's report is included in Appendix 6 of our Report.

Optiro considered a number of different valuation methodologies when valuing the Residual and Exploration Assets of Phoenix, and determined that the Geoscientific ratings method and comparable transactions methods were most appropriate in deriving a value for Phoenix's Residual and Exploration Assets. We consider the valuation methodologies used by Optiro are reasonable having regard to Phoenix's assets and their respective stages.

The table below indicates that the range of values for the market value of the Residual and Exploration Assets as assessed by Optiro is between \$15.7 million and \$31.5 million, with a preferred value of \$23.6 million.

	Low Value	Preferred Value	High Value
Phoenix - Value of Residual and Exploration Assets	A\$'000	A\$'000	A\$'000
Mineral Resources	11,700	17,400	23,200
Exploration Potential	4,000	6,200	8,300
<b>Total</b>	<b>15,700</b>	<b>23,600</b>	<b>31,500</b>

Source: Optiro

### 10.2.7. Other Assets and Liabilities

Other assets and liabilities of Phoenix represent the assets and liabilities which have not been specifically adjusted. From our review of these other assets and liabilities, outlined in the table below, we do not believe that there is a material difference between their book value and their fair market value unless an adjustment has been noted below.

We note that with respect to some adjustments, where the values have materially changed, we have adopted the values reflected in Phoenix's management accounts for the year ended 30 June 2015 to ensure the currency of our valuation. In utilising the values in Phoenix's management accounts, although we have not conducted work which would constitute a review or audit under the respective Australian Auditing Standards nor do we express an opinion or provide a conclusion, having evaluated the information provided and made due enquiries of Phoenix's management, we consider the respective values do not appear to be materially misstated and as such for the purposes of our valuation we have reasonable grounds to adopt management's figures.

We do however note that given Phoenix will in due course release its audited financial statements for the financial year ended 30 June 2015, should any of the respective values be materially different such as to cause our valuation and/or opinion to materially change, if necessary, we will issue a supplementary report.

The table below represents a summary of the assets and liabilities identified:

Statement of Financial Position	Notes	Reviewed as at 31-Dec-14 A\$	Adjusted Value A\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	a	6,026,000	5,056,335
Trade and other receivables	b	390,000	780,081
Gold bullion	c	242,000	36,000
Inventory	d	1,179,000	-
Other current assets		150,000	150,000

TOTAL CURRENT ASSETS		7,987,000	6,022,415
NON-CURRENT ASSETS			
Financial assets		120,000	120,000
Property, plant and equipment	d	688,000	-
Mine development	d	1,625,000	-
Exploration and evaluation assets	d	32,886,000	-
Other non-current assets	e	1,311,000	-
TOTAL NON-CURRENT ASSETS		36,630,000	120,000
TOTAL ASSETS		44,617,000	6,142,415
CURRENT LIABILITIES			
Financial liability		105,000	105,000
Trade and other payables	f	5,305,000	2,340,428
Provisions	g	633,000	633,000
TOTAL CURRENT LIABILITIES		6,043,000	3,078,428
NON-CURRENT LIABILITIES			
Provisions	g	550,000	550,000
TOTAL NON-CURRENT LIABILITIES		550,000	550,000
TOTAL LIABILITIES		6,593,000	3,628,428
<b>Other Assets/(Liabilities)</b>		<b>38,024,000</b>	<b>2,513,987</b>

Source: BDO Analysis and ASX Announcements

### Note A - Cash and cash equivalents

Cash and cash equivalents have marginally declined since 31 December 2014 as a result of the cash movements as detailed below:

Cash movements since 31-Dec-14	A\$
31-Dec-14 Balance	6,026,000
Cash receipts from gold sales	15,588,000
Payments relating to production, development and exploration	(24,434,000)
Payments for administration	(1,527,000)
Payments for mining prospects and fixed assets	(683,000)
Proceeds from the issue of shares	8,562,000
Other cash movements	142,000
Receipt of R&D refund	1,382,335
<b>Adjusted value of cash and cash equivalents</b>	<b>5,056,335</b>

Source: BDO analysis and ASX Announcements

As detailed in the table, we have adjusted Phoenix's cash balance based on cash movements noted in Phoenix's quarterly cash flow reports (ASX Appendix 5Bs) for the quarters ended 31 March 2015 and 30 June 2015.

Phoenix's cash movements relating to mining operations, development and exploration included sales revenues from gold production of approximately \$15.6 million and payments of approximately \$23.2

million to account for related operating expenditures. Cash payments for other mining development and exploration amounted to approximately \$1.2 million.

Other key cash and cash equivalents outflows observed since 31 December 2014 relate to payments for administration of \$1,527,000, and payments for acquisitions of mining tenements and fixed assets of \$683,000.

Since 31 December 2014, Phoenix has issued ordinary shares by way of a placement to sophisticated investors, a share purchase plan, and a placement to Evolution. On account of these share issues, Phoenix has raised approximately \$8.6 million (net of costs).

Other cash movements are comprised of other minor cash movements such as interest received and returns of security deposits.

We also note that subsequent to the end of June 2015, Phoenix received a research and development refund from the Australian Tax Office of approximately \$1.38 million. We have made an adjustment to Phoenix's cash balance to account for this cash inflow.

#### **Note B - Trade and other receivables**

Based on the management accounts, we understand that trade and other receivables as at 30 June 2015 is \$2,162,415. Noting the 30 June 2015 balance date, this value includes the research and development refund from the Australian Tax Office of approximately \$1.38 million. Given we have already adjusted for this refund in our adjusted cash balance (see Note A for further details), we have deducted \$1,382,335 from the trade and other receivables balance, and are left with an adjusted trade and other receivables balance of \$780,081.

#### **Note C - Gold bullion**

We have adjusted the Company's gold bullion balance to reflect the updated balance as at 30 June 2015 of approximately \$36,000.

#### **Note D - Values removed due to separate valuations of mineral assets**

We have adjusted the value of Phoenix's inventory, property, plant and equipment, mine development and exploration and evaluation assets to a \$nil value for each line item. We have removed the value from the respective line items noting that each of these items are accounted for in our valuation of Phoenix's Castle Hill JV and Pre-Production Assets as detailed in sections 10.2.2 and 10.2.3 of our Report.

#### **Note E - Other non-current assets**

As detailed in section 5.4 of our Report, other non-current assets relate to capital contributions made under a toll milling agreement with FMR Investments Pty Ltd. We understand that based on discussions with management, and Phoenix's management accounts as at 30 June 2015, the entire capital contribution balance has been amortised to \$nil. As such, we have adjusted the other non-current assets value to \$nil.

#### **Note F - Trade and other payables**

Based on the management accounts, we understand that trade and other payables as at 30 June 2015 is \$2,340,428.

## Note G - Provisions

As at 31 December 2014, Phoenix's balance sheet included provisions in relation to current and non-current mining rehabilitations for the Blue Funnel and Kintore West operations of collectively \$916,000 with the remaining \$267,000 being in relation to employee leave provisions. We understand that no material changes are required with respect to these provisions.

Our valuation of the Castle Hill JV and Pre-Production Assets in sections 10.2.2 and 10.2.3 includes expenditure in relation to mine closures and environmental rehabilitation in relation to the mining operations which begin and end within the modelled period of time. As such, there is no additional requirement to incorporate a provision with respect to mining at the small mine projects, namely the Red Dam, Kintore and Ora Banda (Nazarris) projects.

However the mining operation at Castle Hill Stage 4 which is included in our valuation of the Pre-Production Assets does not include any expenditures or provisions in relation to mine closures and/or rehabilitation costs. As such, we consider that a provision to reflect this future cost will be required. We understand that the estimated mine closure and rehabilitation costs for a mine with the area of Castle Hill Stage 4 is approximately \$4.2 million. If the entire mine closure and rehabilitation cost were to be incurred in the eighth and last year of the adjusted Pre-Production Assets Model, we estimate the present value of the associated costs, determined by applying an inflation rate of 2.5% and a discount rate of 11%, to be approximately \$2.2 million.

Notwithstanding the above, we consider that given the adjusted Pre-Production Assets Model only covers a finite period of time and does not fully incorporate all of the ore reserve estimates, it is reasonable to assume that the expenditure in relation to mine closure and rehabilitation is most likely to occur at a later stage, and as such, further reduce the present value of the associated costs. Given we are unable to accurately determine the amount of the necessary expenditure in present value terms, and noting that if the costs are at a maximum approximately \$2.2 million, then for the purposes of our valuation the associated expenditures are unlikely to be a material amount in present value terms. Due to the above, we have determined not to make any further adjustments to the value of the provisions to reflect the future necessary expenditures in relation to mine closure and rehabilitation.

### 10.2.8. Corporate Costs

Based on actual administration costs from Phoenix's quarterly cash flow reports from September 2014 through to June 2015 we note that on average those costs on an annualised basis equated to approximately \$2.7 million. We were advised by management that their future expectation is to reduce corporate costs going forward to a range between \$1.5 million and \$2.0 million. Having considered the cost savings which management have planned, we do not consider it to be unreasonable for corporate costs to be reduced to a range between \$1.5 million and \$2.0 million in the future. On this basis, we have determined that annual corporate costs over the life of mine of the Castle Hill JV and the Pre-Production Assets for the purposes of our valuation will be between \$1.5 million and \$2.0 million.

In determining the future corporate costs of Phoenix, we have taken the midpoint of \$1.75 million from the range of approximate corporate costs above and have calculated the net present value of Phoenix's future corporate costs by inflating these costs by 2.5% per annum over the life of mine of the Castle Hill JV and the Pre-Production Assets of eight years to reflect inflation, and by discounting the costs at 10.5% per annum. Our assessment of the present value of future corporate costs is approximately \$10 million.

### 10.2.9. Number of Phoenix Shares on issue

In determining a valuation per share for Phoenix, we applied the number of Phoenix shares on issue of 500,087,333 shares.

As detailed in section 10.2.5 of our Report as well as the table below, we have adjusted the number of shares on issue to reflect the notional fund raising which will be required to ensure that there is sufficient funding available for Phoenix throughout the life of its respective assets. For the purposes of this notional share issue, we have assumed that a further 30 million Phoenix shares will be issued.

Number of shares on issue	Number
Number of shares as at date of our Report	470,087,333
Shares issued under notional equity funding	30,000,000
<b>Adjusted number of shares on issue</b>	<b>500,087,333</b>

Source: BDO analysis

Additionally we have determined that it would not be appropriate to include the shares which may be issued on the exercise of the options presently on issue in Phoenix (as detailed in section 5.6), noting that, as at the date of our Report all options are presently out-of-the-money with respect to both the Offer consideration and recent ASX trading prices.

### 10.3 Significant Acquisitions of Phoenix's shares

To provide consideration of the market value of Phoenix's shares, we have also considered the prices observed in recent and significant acquisitions of Phoenix's shares.

As noted in section 9 of our Report and as reflected in RG 111, in determining the value of a company's shares, it is generally appropriate to consider whether there were any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets. This methodology falls under the category of a market based assessment.

In utilising a market based assessment, and more specifically in determining whether a recent genuine offer is appropriate to draw influence from, we have considered the following factors:

- the significance of the recent offer in the context of the company;
- whether the recent offer represents an arm's length third party transaction;
- whether the recent offer incorporates a premium for control; and
- whether any unique aspects of the recent offer indicates the deemed value does not reflect the market value of the entire business, or any business units or assets.

#### Significant acquisitions of Phoenix's shares

On 24 July 2015, following the announcement of the Offer, Evolution acquired a parcel of 49 million Phoenix shares at \$0.12 per share. As a result of this recent transaction, Evolution's relevant interest in Phoenix increased to 19.78% up from 9.36% ('**Evolution Share Acquisition**').

In determining whether to draw influence from the Evolution Share Acquisition in our judgement of the market value of Phoenix's shares, in addition to considering the factors outlined above, we have also considered the history between Phoenix and Evolution.

In particular, as outlined in section 5.2 of our Report, we note that Phoenix and Evolution recently entered into a share subscription agreement pursuant to which, subject to shareholder approval, Evolution would invest up to \$9 million through the issue of 105.9 million Phoenix shares in two tranches at an average issue price of \$0.085 per Phoenix share such that Evolution would acquire a relevant interest of up to 19.9%. It is understood the rationale for this share subscription was to accelerate the exploration on Phoenix's Zuleika Shear assets which are located in close proximity to some of Evolution's existing mining projects.

We also note that shareholder approval for the share subscription was to be sought at an extraordinary general meeting to be convened on 23 June 2015, but before Phoenix shareholders could cast their votes, the resolution to enable Evolution to subscribe for the second tranche of the agreement was withdrawn by Phoenix because of the Offer. As a result, Evolution was only able to subscribe for the first tranche of the subscription agreement of 44 million shares at \$0.075 per share.

In assessing the Share Acquisition we considered the following:

- The Evolution Share Acquisition for an additional 49 million shares represents just over 10% of the issued capital in Phoenix as at the date the transaction was made. In all respects, we consider this means that the Evolution Share Acquisition represents a significant and material acquisition of Phoenix shares.

- In our view, the Evolution Share Acquisition represents a bona fide arm's length transaction because the shares the subject of the Evolution Share Acquisition were acquired from multiple parties in off-market transactions, all of whom represent third parties to both Phoenix and Evolution.
- Noting that as a result of the Evolution Share Acquisition, Evolution only acquired a relevant interest in 19.78% of Phoenix's shares, we consider that it does not represent a control transaction and as such is unlikely to include a control premium to reflect the acquisition of control in Phoenix. Furthermore, although it is possible that the price may have been influenced by the potential for Evolution to proceed with a competing offer for Phoenix, we note that as at the date of the Evolution Share Acquisition this could only be speculation, and as such we consider it would be inappropriate to pre-empt that a control premium has already been included in the price paid. On this basis we consider it would be appropriate to apply a control premium to the value observed by the Evolution Share Acquisition.
- Finally, we note that bearing in mind that Evolution has now publically announced that it intends to make an off-market takeover offer for Phoenix, it appears more likely that the Evolution Share Acquisition may have been made to provide a spring board to enable Evolution to make its counter offer.

In this case, we nonetheless consider that the price paid by Evolution represents a reliable market value of Phoenix's shares noting that, Evolution's offer price for its alternative offer for Phoenix will need to equal or exceed the price paid in the Evolution Share Acquisition.

Having considered all of the above factors, we have determined that the Evolution Share Acquisition represents a recent genuine offer (and actual acquisition) for Phoenix's shares, and as such have drawn influence from the price paid for each share of \$0.12 per Phoenix share.

### Control Premium

RG 111.11 suggests that when considering the value of a company's shares the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Zijin may not obtain 100% of Phoenix, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, noting we consider the price paid under the Evolution Share Acquisition represents a minority interest value, we have determined it would be appropriate to add a premium for control to the minority interest value to arrive at a value which includes a premium for control.

### Determining a Control Premium

We have reviewed the control premiums paid by acquirers of gold mining companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	7	111.95	28.23
2013	6	43.10	63.99
2012	7	258.74	34.89
2011	3	150.28	45.43
2010	10	1364.83	56.11
2009	9	169.34	24.94
2008	3	446.27	28.54
2007	8	230.39	31.00
	<b>Median</b>	<b>199.87</b>	<b>32.94</b>
	<b>Mean</b>	<b>346.86</b>	<b>39.14</b>

Source: Bloomberg, BDO Analysis

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed we have also calculated the mean and median of the entire data set comprising control transactions from 2007 onwards, as set out below.

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
<b>Median</b>	<b>37.63</b>	<b>33.80</b>
<b>Mean</b>	<b>363.98</b>	<b>35.67</b>

Source: Bloomberg, BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The tables above indicate the long term average control premium paid by acquirers of gold mining companies on the ASX is approximately 35.7%.

In determining a control premium range most appropriate for Phoenix, we reviewed control transactions of a similar nature and scale. We considered this to be an appropriate approach, noting that observed control premiums are generally influenced by factors such as the size of the deal and whether the consideration is cash or scrip.

On 28 October 2014, Mutiny Gold Limited ('Mutiny') announced it had received a scrip takeover offer of one new Doray Minerals Limited share for every 9.5 Mutiny shares held. The offer was structured as a friendly merger where Mutiny shareholders will hold approximately 33% in the merged entity. The offer valued Mutiny at approximately \$36 million, and based on a pre-announcement closing price for Mutiny's shares, represented a control premium of 38%. In this instance we note that given it was a friendly bid, there was a bid implementation agreement as well as pre-bid acceptance agreements with major shareholders.

On 17 April 2014, Bullabulling Gold Limited (previously defined as **Bullabulling**) announced receipt of an all cash takeover offer from Norton which valued Bullabulling at approximately \$25 million. In comparison to the pre-announcement closing price of Bullabulling, the cash consideration of \$0.07 per share represented a control premium of 30%. We note the cash consideration was subsequently increased to \$0.08 per share, which represents a 48% premium to the price of Bullabulling's shares before the announcement of the takeover bid.

On 24 February 2014, Sierra Mining Limited ('Sierra') announced it had entered into a conditional scheme implementation agreement under which all existing shares and options in Sierra would be exchanged for shares and options in RTG Mining Inc by way of two schemes of arrangements. Based on market prices as at the date of the announcement, the scrip consideration reflected that RTG Mining Inc was offering a control premium of approximately 16% in comparison to pre-announcement pricing, and 27.4% in comparison to the 30 day VWAPs for both Sierra and RTG Mining Inc.

On 3 April 2012, Norton confirmed receipt of an indicative takeover offer from Zijin pursuant to which Zijin would offer a total value of \$0.27 per Norton share. The consideration was made up of a cash component of \$0.25 and a special dividend of \$0.02 per share from Norton. Based on the pre-announcement closing price of Norton's shares, the cash consideration represented a control premium of 35.1%, and including the special dividend represented a control premium of 45.9%.

In the case of Phoenix, based on our research and considerations as set out above, we believe there is broad support for the application of a control premium between 30% and 40%. On this basis, we believe that an appropriate control premium to apply to our valuation of Phoenix's shares is between 30% and 40%.

### Acquisition pricing including control premium

Applying a control premium to the market pricing results in the following market pricings with a premium for control:

	Low	High
	\$	\$
Acquisition pricing value	\$0.12	\$0.12
Control premium	30%	40%
<b>Acquisition pricing valuation including a premium for control</b>	<b>\$0.156</b>	<b>\$0.168</b>

Source: BDO analysis

Therefore, our valuation of a Phoenix share based on the acquisition pricing assessment including a premium for control is between \$0.156 and \$0.168.

## 10.4 Quoted Market Prices for Phoenix Securities

To provide a comparison to the valuation of Phoenix in sections 10.1 and 10.3, we have also assessed the quoted market price for a Phoenix share.

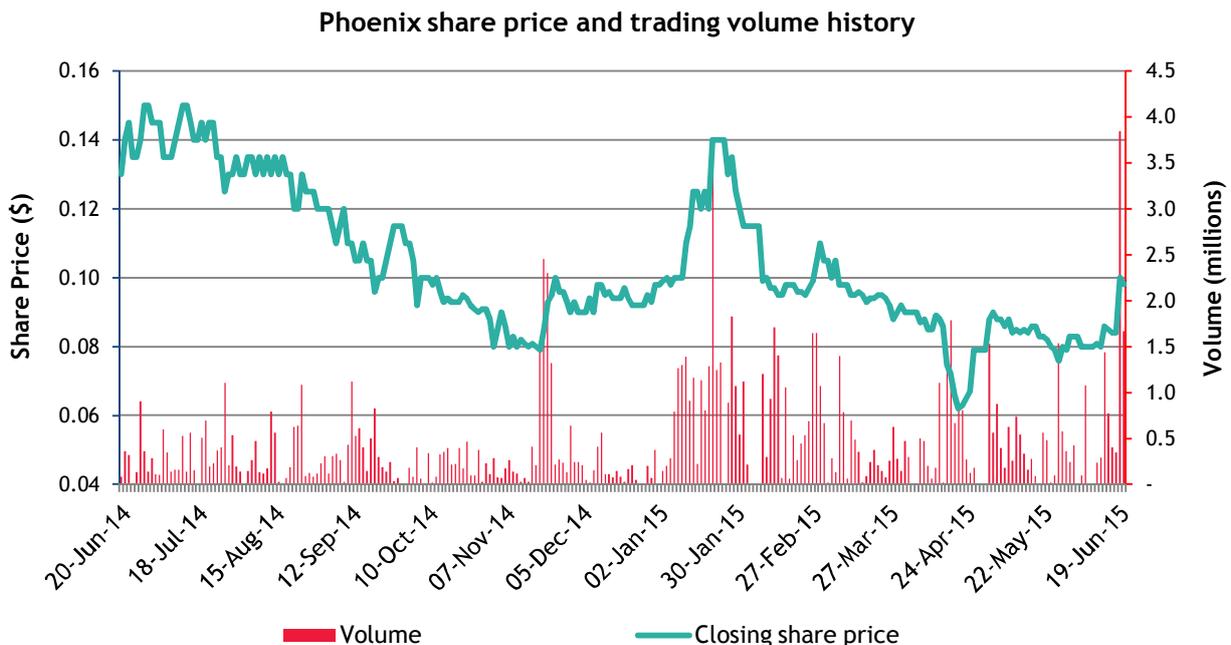
The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

As explained in section 10.3, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. Therefore, our calculation of the quoted market price of a Phoenix share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a Phoenix share is based on the pricing prior to the announcement of the Offer. This is because the value of a Phoenix share after the announcement may include the affects of any change in value as a result of the Offer. However, we have considered the value of a Phoenix share following the announcement when we have considered reasonableness in Section 13.

Information on the Offer was officially announced to the market on 22 June 2015. We note that on Saturday, 20 June 2015, the West Business of the West Australian newspaper featured an article in relation to the Offer, however given the market was closed we note the newspaper article has not otherwise effected the trading price of Phoenix's share before the ASX announcement. Therefore, the following chart provides a summary of the share price movement over the 12 months to 19 June 2015 which was the last trading day prior to the media article and subsequent announcement.



Source: Bloomberg

The daily price of Phoenix’s shares from 20 June 2014 to 19 June 2015 has ranged from a low of \$0.061 on 22 April 2015 to a high of \$0.155 on 11 July 2014.

During the second half of the 2014 calendar year (June 2014 to December 2014), the daily closing price of Phoenix’s shares has shown a declining trend, decreasing by approximately 39%. In comparison, over the same time period the gold price has fallen by approximately 12%. Our analysis of the ASX announcements released by Phoenix, as well as the general market conditions, indicates that the cause of the declining share price is due to general market factors including the falling gold price and poor investor sentiment towards mining companies in addition to some specific events for Phoenix.

Since the beginning of 2015, Phoenix’s daily closing price has traded within a band between approximately \$0.085 and \$0.10, with deviations brought about by three key events.

- In mid-January 2015, Phoenix announced promising results for its joint mining study for the Norton JV Castle Hill project and also released an updated mineral resource estimate across all of its projects confirming Phoenix had over 4 million ounces of mineral resources. The favourable news collectively resulted in Phoenix’s share price spiking up to approximately \$0.140.
- On 14 April 2015, Phoenix announced that its Kintore West operations had not performed as expected and that it would suspend all current and future small scale mining and focus on the Norton JV and Heap Leach operations. On account of this ASX announcement, Phoenix’s share price decreased significantly to reach a low of \$0.061 on 22 April 2015.
- On 1 May 2015, Phoenix announced its proposed strategic alliance with Evolution pursuant to which, Evolution would subscribe for up to 19.9% of the issued capital of Phoenix at an average issue price of \$0.085. As a result of this corporate action, as expected the trading band of Phoenix’s daily closing price reverted to trade within close proximity to the placement issue price.

Over the assessed time period, there were also some significant trading volume spikes which were generally unexplained. For example, on 20 November 2014 and 21 November 2014, approximately 2.45 and 2.3 million shares respectively were traded. In response to the unexplained trading spikes, the ASX issued a price query letter to which Phoenix responded that no material information was being withheld and asserted its compliance with ASX listing rule 3.1.

On 18 June 2015, approximately 3.85 million Phoenix shares were traded, representing the largest volume traded in a single day over our assessed time period. Our analysis of the information released to the market on and around this date, indicates that this trading spike is broadly unexplained.

During this period a number of announcements were made to the market. The key announcements have been detailed in Appendix 4.

To provide further analysis of the market prices for a Phoenix share, we have also considered the volume weighted average market price (‘VWAP’) for 10, 30, 60 and 90 trading day periods to 19 June 2015.

Share Price per unit	19-Jun-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.098				
Volume weighted average price		\$0.091	\$0.086	\$0.083	\$0.088
Source: Bloomberg, BDO analysis					

The above weighted average prices are prior to the date of the announcement of the Offer, to avoid the influence of any increase in price of Phoenix’s shares that has occurred since the Offer was announced.

An analysis of the volume of trading in Phoenix’s shares for the twelve months to 19 June 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	*As a % of Issued capital
1 Day	\$0.098	\$0.105	1,672,783	0.36%
10 Days	\$0.079	\$0.105	9,026,691	1.92%
30 Days	\$0.072	\$0.105	16,961,310	3.61%
60 Days	\$0.061	\$0.105	31,034,798	6.91%
90 Days	\$0.061	\$0.110	46,031,642	10.46%
180 Days	\$0.061	\$0.145	92,648,135	22.86%
1 Year	\$0.061	\$0.155	116,999,151	29.88%

Source: Bloomberg, BDO analysis

\* Calculated as cumulative volume traded over average issued capital over the respective period

This table indicates that Phoenix’s shares display a low level of liquidity, with 29.88% of the Company’s current issued capital being traded in a twelve month period. For clarity, although we note that over 180 trading days Phoenix’s shares exhibit a moderate level of liquidity, our assessment of liquidity has focused on the twelve month period given, in assessing liquidity, it is generally more appropriate to assess over a longer time frame. For the quoted market price methodology to be reliable there needs to be a ‘deep’ market in the shares. RG 111.69 indicates that a ‘deep’ market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company’s securities;
- Approximately 1% of a company’s securities are traded on a weekly basis;
- The spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company’s shares should meet all of the above criteria to be considered ‘deep’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Phoenix, we do not consider there to be a deep market for Phoenix’s shares noting that only 29.88% of Phoenix’s average issued capital traded on the ASX over a one year period, and as detailed above, there are events of unexplained trading volume and price movements. On this basis, we consider that the market pricing of Phoenix’s shares may not provide the most accurate valuation for Phoenix’s shares, and should only be used as a cross check valuation.

Our assessment is that a range of values for Phoenix’s shares based on market pricing, after disregarding post announcement pricing, is between \$0.080 and \$0.100.

### Quoted market price including control premium

As detailed in section 10.3 of our Report, we have determined that an appropriate control premium to apply to Phoenix range is between 30% and 40%.

Applying a control premium to Phoenix’s quoted market share price results in the following quoted market price value including a premium for control:

	Low	High
	\$	\$
Quoted market price value	\$0.08	\$0.10
Control premium	30%	40%
<b>Quoted market price valuation including a premium for control</b>	<b>\$0.104</b>	<b>\$0.140</b>

Source: BDO analysis

Therefore, our valuation of a Phoenix share based on the quoted market price method and including a premium for control is between \$0.104 and \$0.140.

### 10.5 Assessment of Phoenix Value

The results of the valuations performed are summarised in the table below:

	Low	High
	\$	\$
Sum-of-Parts value (Section 10.1)	\$0.145	\$0.244
Significant acquisitions of shares (Section 10.3)	\$0.156	\$0.168
Quoted market prices (Section 10.4)	\$0.104	\$0.140

Source: BDO analysis

Our valuation of a Phoenix share under the QMP methodology (including a premium for control) is less than our valuations using the sum-of-parts and acquisition pricing methods. We consider the following factors may contribute to this disparity:

- The illiquidity of a Phoenix share as detailed in section 10.4, in particular that over a one year trading period only 29.88% of the issued shares traded on the ASX, demonstrates that there does not appear to be a sufficiently liquid and active market to conclude that the QMP methodology would be appropriate, nor provide an effective indication of the fair market value of a Phoenix share. In particular, we note that RG 111.69(d) suggests that it would only be generally appropriate to consider drawing reference from the QMP methodology when there is a liquid and active market for the securities.
- Further to our determination that the QMP methodology does not provide the most effective measure of value, from reviewing the share price performance of Phoenix's shares prior to the announcement of the Offer, we note that its share price has been significantly influenced by two announcements. The first being that the Kintore West operations had not performed as expected, and the second being Evolution's strategic placement at an average issue price, if both tranches had been completed, of \$0.085 per Phoenix share (further details of these events are included section 10.4 of our Report). Generally we consider these two events have depressed Phoenix's recent share price in comparison to its longer term average and our value ranges determined by other methodologies.

- Our sum-of-parts value range includes valuations obtained from our DCF analysis for the Castle Hill JV and Pre-Production Assets as well as an independent market valuation of Phoenix's Residual and Exploration Assets as performed by Optiro. Our valuations of the Castle Hill JV and the Pre-Production Assets utilises forecast prices in relation to gold and the Australian dollar. We note that in comparison, the quoted market prices are likely to reflect differing values, and in this case reduced values, given that investors may have differing views in relation to when the respective projects will be operational (if at all), as well as the future prices of gold and the Australian dollar.
- The range of values determined from the significant acquisition of Phoenix's shares represents the value which was paid to ensure that a significant quantum of shares was acquired over a short period of time whilst, the Offer consideration of \$0.10 set a pricing floor, and Phoenix's quoted market price was heightened due to the takeover activity (details of Phoenix's post announcement share price performance is included in section 13.6.1 of our Report).

As such, it is not unexpected that the pricing observed from the significant acquisition was greater than our valuation of Phoenix using the pre-announcement QMP. We do however note that as at the date of the significant acquisition, there may have been speculation as to whether Evolution would provide Phoenix's shareholders with a competing offer. In our view we consider that given, as at that date, it could only have been speculation, it would be inappropriate to assert that the significant acquisition pricing is higher on the possibility that it already incorporated a premium for control.

- Generally, the market sentiment towards mining companies listed on the ASX has recently been unfavourable given the recent volatility in commodity prices including gold.

Having regard to the above, in determining our preferred valuation range of a Phoenix share on a control basis, we have drawn influence from both our sum-of-parts valuation and the pricing observed under the acquisition pricing method.

In particular, we consider that the acquisition pricing method incorporating a control premium sets a floor to the fair value of Phoenix's shares, and as such, have determined to utilise the low value of \$0.156 from the acquisition pricing method as the low value in our preferred range. To determine our preferred high value, we have drawn influence from the high value obtained from our sum-of-parts valuation, which demonstrates the value of a Phoenix share incorporating the present value of its assets under multiple valuation methodologies including an income based approach.

For the reasons described above, we conclude that our preferred valuation range of a Phoenix share using a combination of the value obtained from the sum-of-parts and acquisition pricing methods is between \$0.156 and \$0.244.

## 11. Valuation of Consideration

Under the Offer, and as at the date of our Report, Zijin is offering Shareholders \$0.10 cash per Phoenix share.

## 12. Is the Offer fair?

We have determined that the value of a Phoenix share on a control basis compared to the value of the consideration offered per share is as compared below:

	Ref	Low A\$	High A\$
Value of a Phoenix share on a control basis	10.5	0.156	0.244
Value of the Offer consideration per Phoenix share	11	0.100	0.100

Source: BDO analysis

We note from the table above that the value of a Phoenix share on a control basis is higher than the value of the consideration under the Offer. Therefore, in the absence of any other relevant information, we consider that the Offer is not fair.

## 13. Is the Offer reasonable?

### 13.1 Alternative Proposals

On 20 August 2015, Evolution announced its intention to also make an off-market takeover bid for all Phoenix shares that it did not already hold ('**Evolution's Competing Offer**').

Evolution's Competing Offer proposes to provide accepting Phoenix shareholders with consideration of \$0.06 cash and 0.06 Evolution shares for each Phoenix share. Collectively, the consideration represents approximately \$0.12 per Phoenix share (based on a 20 day VWAP of Evolution's shares as at 19 August 2015 of \$1.025 per share). As such, Evolution's Competing Offer represents a 20% premium to the Offer consideration provided by Zijin.

As announced by Evolution, and as at the date of our Report, Evolution's Competing Offer is subject to condition precedents including:

- FIRB informing Evolution that it does not object or oppose Evolution's Competing Offer; and
- Up to and including the end of the offer period of Evolution's Competing Offer, neither Phoenix nor any of its subsidiaries entering into, or agreeing to enter into, any agreement with a third party for the development of the Castle Hill Stage 1 project other than with Norton and on the terms of the draft deed previously provided to Evolution.

As at the date of our Report, it is uncertain whether all of the above condition precedents, as well as those which are typical for transaction of this nature, will be met. It is however noted that, Evolution's Competing Offer is not conditional on achieving a minimum level of acceptance.

Due to Evolution's Competing Offer we note that there is presently an alternative proposal available to Shareholders that may offer the Shareholders of Phoenix a premium over the value ascribed to, resulting from the Offer.

Although we are not specifically opining on the merits of Evolution's Competing Offer, on 24 August 2015, Zijin and Geologic Resource Partners LLC (previously defined **Geologic**) terminated their pre-bid agreement. Phoenix announced on 25 August 2015 that this was because Geologic had determined that Evolution's Competing Offer was a superior proposal as defined in its pre-bid agreement with Zijin. For clarity we note that the pre-bid agreement, where Geologic is the grantor, defines a superior proposal as a competing proposal which:

*"(a) in the determination of the Grantor acting in good faith, is reasonably capable of being completed without undue delay, taking into account both the nature of the competing proposal and the person or persons making it; and*

*(b) in the determination of the Grantor acting in good faith would, if completed substantially in accordance with its terms, results in a transaction more favourable to the Grantor."*

Further details in relation to Evolution, including a brief analysis of recent share price performance, is included in Appendix 5.

We note that Zijin may increase the Offer consideration above the currently offered \$0.10 per share, and in this case, Shareholders who have already accepted the Offer will also receive the increased consideration.

## 13.2 Practical Level of Control

Under the conditions of the Offer there is a minimum acceptance condition of 50.1%. This means that Zijin may obtain anywhere from 50.1% to 100% of Phoenix, and as such should the Offer be successful, will obtain control of Phoenix.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter.

If Zijin acquires more than 50.1% but less than 75% of Phoenix shares, Zijin will be able to single handily block both general and special resolutions, and will also be able to pass general resolutions.

If Zijin acquires more than 75%, but less than 90% of Phoenix shares, in addition to the above Zijin will also be able to pass special resolutions.

Among other things, as detailed in section 4 of our Report, Zijin's key intentions if they acquire more than 50.1% but less than 90% includes seeking board representation commensurate with the shareholding it acquires following the Offer. As such, in the event that the Offer is successful, Zijin may also obtain board control.

Zijin's control of Phoenix following the Offer may be significant when compared to all other shareholders. Therefore in our opinion Zijin should be expected to pay a premium for control of Phoenix.

## 13.3 Consequences of not Accepting the Offer

### 13.3.1. Shareholders may become minority shareholders

In the event that Zijin (including via its associates) obtains a relevant interest in Phoenix of greater than 50.1% and the Offer becomes unconditional, Zijin will have control of Phoenix. As such, for Shareholders who do not accept the Offer nor Evolution's Competing Offer, those Shareholders will collectively become minority shareholders in Phoenix. Currently there is no shareholder with more than 20% interest.

The implications of Zijin obtaining control, and the consequences for Shareholders of becoming minority shareholders, includes the following:

- As detailed in section 13.2 of our Report, Zijin will be able to singlehandedly pass and block general resolutions, as well as block special resolutions, at a shareholders meeting.
- Zijin's key intentions if more than 50.1% and less than 90% is acquired, which we consider may be of significant consequence to Shareholders, includes:
  - Zijin will seek board representation commensurate to its shareholding;
  - Zijin will conduct a broad review of Phoenix's assets (the consequences of which are not presently known); and
  - Zijin will suspend continuing activities on Phoenix's heap leach assets while an operational review is undertaken.
- Given Zijin will hold a significant shareholding in Phoenix, and noting Evolution also holds a sizeable portion of the issued share capital in Phoenix, Shareholders will be holding onto shares

with a significantly reduced free float. The significant reduction in free float is likely to result in a decrease in the liquidity of Phoenix’s shares.

### 13.3.2. Reduced potential for an alternative offer

Similarly to above, in the case that Zijin (including via its associates) obtains a relevant interest in Phoenix of greater than 50.1%, following the Offer, Zijin will hold a significant shareholding and potential blocking stake in Phoenix.

We consider that the significant shareholding by Zijin, in addition to any significant shareholding acquired by Evolution, is likely to have a deterrent effect on the potential for an alternative offer to emerge for Shareholders who did not previously accept the Offer or Evolution’s Competing Offer. More specifically, although the prospect of Shareholders realising a control value for their parcel of shares will be dependent on either Zijin or another party offering a further proposal in the future, in our view the palatability of Phoenix as a potential takeover target will be significantly reduced.

## 13.4 Advantages of Accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

Advantage	Description
The Offer provides cash certainty	<p>If the Offer is accepted, Shareholders will receive a cash payment of \$0.10 per Phoenix share they hold. In particular, we note that the cash consideration of Zijin’s Offer is greater than that of Evolution’s Competing Offer given that Evolution’s is only offering \$0.06 in cash per Phoenix share.</p> <p>As such the Offer provides Shareholders with cash certainty with respect to their investment returns which is an important consideration in instances where the securities the subject of the bid exhibit low levels of liquidity.</p> <p>In the case of Phoenix, as detailed in section 10.4, only 29.88% of Phoenix’s shares traded over a one year period to 19 June 2015. In our view, this does not represent sufficient cumulative trading over a one year period to conclude that Phoenix’s shares exhibit a deep level of liquidity.</p> <p>This means that Shareholders may have greater difficulty liquidating their respective holdings on-market as opposed to accepting the Offer. This difficulty is further increased for those who hold large parcels of shares, and in the event they are able to sell, their respective trades may cause disruptive movements in the quoted price for Phoenix’s shares.</p>
Shareholders will no longer be exposed to risks associated with being Phoenix shareholders	<p>The Offer removes the risks that Shareholders bear from continuing to hold Phoenix shares. In particular, in comparison to Evolution’s Competing Offer, we note that given the partial scrip portion of the consideration, Shareholders will retain exposure to potential future risks.</p> <p>For example, such risks may arise from uncertainty in relation to:</p> <ul style="list-style-type: none"> <li>• whether Norton and Phoenix will enter into a mine and operate agreement;</li> <li>• the successful development of, and production at, the Castle Hill JV and the</li> </ul>

Pre-Production Assets;

- whether Phoenix will have access to sufficient funds from both debt and equity markets as and when required to sustain the funding requirements of the Pre-Production Assets and on terms which are commercially acceptable; and
- more broadly the demand and supply markets for gold, and the respective influences on the spot price of gold.

In the event the Offer is successful, Shareholders are no longer exposed to the potential of becoming minority shareholders

In the event that all of the Offer’s bid conditions are met, including Zijin’s minimum acceptance condition of 50.1%, Zijin will have corporate control over Phoenix. Additionally, should Zijin acquire greater than 50.1% but less than 90% in Phoenix’s shares, Shareholders will remain as minority shareholders in Phoenix.

Specific implications of becoming minority shareholders are detailed in section 13.3.2 of our Report, but effectively, Shareholders (even collectively) will have limited control over the future direction and operations of Phoenix if Zijin becomes the majority shareholder with an interest of greater than 50.1% but less than 90%.

The risks associated with becoming a minority shareholder in Phoenix with the significant influence of a controlling shareholder is removed if Shareholders accept the Offer.

### 13.5 Disadvantages of Accepting the Offer

If the Offer is accepted, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Offer is not fair	<p>RG 111 states that an offer is reasonable if it is fair, however as set out in Section 12, in this case the Offer is not fair.</p> <p>This indicates that Zijin is not paying a premium to reflect that it will obtain control of Phoenix.</p>
Shareholders will not benefit from the potential upside of Phoenix	<p>Shareholders who accept the Offer will forgo their participation in potential future profits and capital growth that Phoenix may be able to realise.</p> <p>In particular, we note that Phoenix is presently progressing with its staged development plan. This plan includes deriving potential cash flow streams from Phoenix’s Castle Hill JV, heap leach assets, and various small mine projects. In particular, we note that select heap leach and small mine projects are now at an advanced stage with declared ore reserve estimates and definitive feasibility studies completed.</p> <p>If Shareholders accept the Offer, they will no longer hold a relevant interest in</p>

Phoenix and as such will no longer be able to participate in the potential upside of Phoenix.

Shareholders will no longer be able to benefit from an alternative offer

If Zijin's Offer becomes unconditional, Shareholders who accept the Offer will no longer have the opportunity to participate in an alternative offer. As detailed in section 13.1 of our Report, we note an alternative offer exists.

Shareholders will however benefit from any increased consideration offered by Zijin.

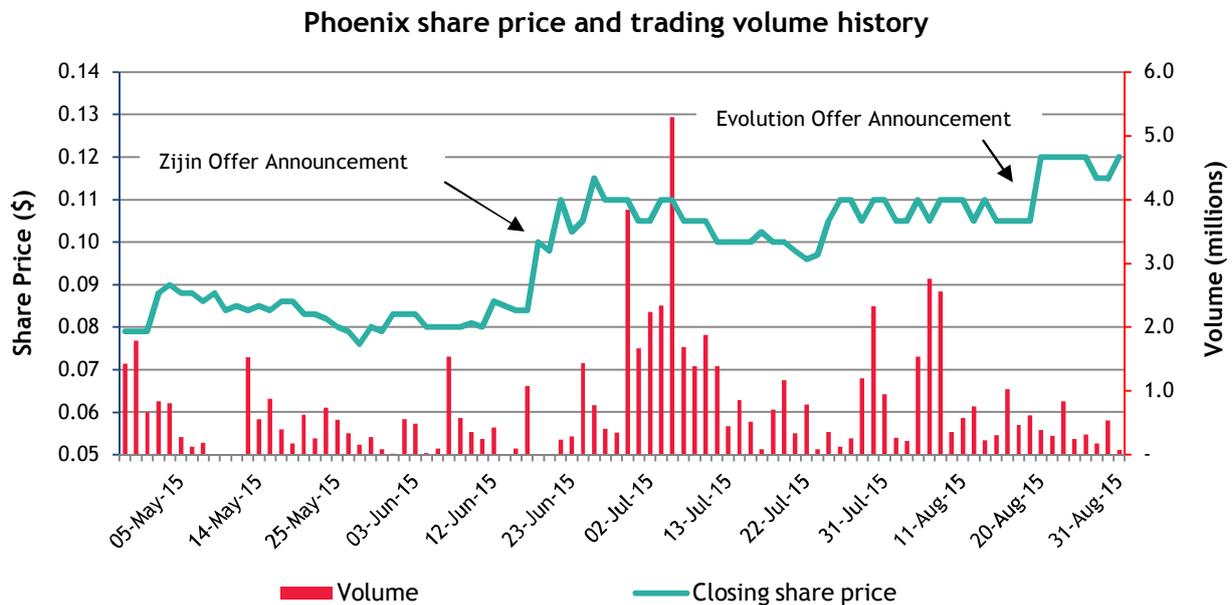
Capital gains tax consequences

The taxation consequences for Shareholders will differ depending on their individual circumstances. Shareholders who are considered Australian residents may be liable to pay capital gains tax on the disposal of their Phoenix shares under the Offer.

## 13.6 Other Considerations

### 13.6.1 Post announcement share price performance

We have analysed movements in Phoenix's share price since the Offer was announced. A graph of Phoenix's share price since the announcement is set out below.



Source: Bloomberg

As illustrated in the graph above, we note that since the announcement of the Offer, Phoenix's shares have on average traded higher than the Offer consideration. In particular the VWAP from 22 June 2015 through to 31 August 2015 is \$0.109.

We consider the movement in Phoenix's share price following the announcement of the Offer, indicated that the market appears to have a favourable response in relation to the Offer, however with the share

price trading above the Offer consideration price of \$0.10 per share that the market believed that an increased Zijin offer or an alternative offer may eventuate.

On 20 August 2015, Evolution announced its intention to make an alternative offer for Phoenix with an offer consideration of approximately \$0.120. We note that due to the announcement of the alternative offer, Phoenix's share price increased again reflecting a favourable response.

### **13.6.2 Compulsory acquisition**

Should Zijin acquire more than 90% of the issued shares in Phoenix, its intentions are to proceed with the compulsory acquisition of the outstanding Phoenix shares in accordance with Chapter 6A of the Corporations Act.

Any Shareholders that form part of this remaining 10% will receive the same consideration that has been offered per share as Shareholders that accepted the Offer.

### **13.7. Is the Offer reasonable?**

In determining whether the Offer is reasonable, we have considered the factors as outlined above.

In our opinion, the position of Shareholders if the Offer is accepted is less advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information, we believe that the Offer is not reasonable for Shareholders.

## **14. Opinion**

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is neither fair nor reasonable to the Shareholders of Phoenix.

## 15. Sources of information

This report has been based on the following information:

- Draft Target's Statement dated on or about the date of our Report;
- Zijin's Bidder Statement dated 6 August 2015;
- Zijin's Replacement Bidder's Statement dated 18 August 2015;
- Audited financial statements of Phoenix for the years ended 30 June 2013 and 30 June 2014;
- Reviewed financial statements of Phoenix for the half year ended 31 December 2014;
- Unaudited management accounts of Phoenix for the period between 1 January 2015 and 30 June 2015;
- Independent Technical Assessment and Valuation Reports of Phoenix's mineral assets dated on or about the date of our Report prepared by Optiro Pty Ltd;
- Share registry information;
- ASX announcements including Phoenix's quarterly activities and cash flow reports and Evolution's announcement of its intention to make a takeover bid for Phoenix;
- Information in the public domain; and
- Discussions with the Directors and Management of Phoenix.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$45,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Phoenix Gold Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Phoenix Gold Limited, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Phoenix Gold Limited and Zijin Mining Group., Ltd and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In addition, following the announcement of the competing bid by Evolution Mining Limited, BDO Corporate Finance (WA) Pty Ltd also considered its independence with respect to Evolution Mining Limited and its associates. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Phoenix Gold Limited, Zijin Mining Group., Ltd, and Evolution Mining Limited and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Phoenix Gold Limited, or its associates, other than in connection with the preparation of this report.

A draft of this report was provided to Phoenix Gold Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of Phoenix Gold Limited for inclusion in the Target's Statement which will be sent to all shareholders of Phoenix Gold Limited. Phoenix Gold Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether, Zijin Mining Group., Ltd's takeover offer to acquire all shares it did not already own in Phoenix Gold Limited for \$0.10 cash per share, is fair and reasonable for the non associated shareholders of Phoenix Gold Limited.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Phoenix Gold Limited and Zijin Mining Group., Ltd. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

The forecasts provided to BDO Corporate Finance (WA) Pty Ltd by Phoenix Gold Limited and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts. We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Phoenix Gold Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Phoenix Gold Limited.

The valuer engaged for the mineral asset valuation, Optiro Pty Ltd, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**

Director



**Adam Myers**

Director

# Appendix 1 - Glossary of Terms

Reference	Definition
Adjusted Phoenix Models	The Phoenix Models which have been adjusted by BDO
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Barrick	Barrick Pty Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
Bullabulling	Bullabulling Gold Limited
CAPM	Capital Asset Pricing Model
Cash Flow Projects	Collectively Phoenix's Castle Hill JV and Pre-Production Assets
Castle Hill JV	Phoenix's interest in the Castle Hill Stage 1 project and its respective cash flows which is subject to the Norton JV which were valued using a discounted cash flow valuation
Castle Hill JV Model	The detailed cash flow model that the management of Phoenix have prepared for the Castle Hill JV
Conquest	Conquest Mining Limited
Corporations Act	The Corporations Act 2001 (Cth)
DCF	Discounted Future Cash Flows
DFS	Definitive feasibility study
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Evolution	Evolution Mining Limited
Evolution Share Acquisition	Evolution's recent acquisition of 49 million Phoenix shares at a price of \$0.12 per Phoenix share
Evolution's Competing Offer	Evolution's intention to make an off-market takeover bid for all Phoenix shares that it does not already hold
FIRB	Foreign Investment Review Board
FME	Future Maintainable Earnings
G/t	Grams of gold per tonne
Geologic	Geologic Resource Partners LLC
GMHK	Gold Mountains (H.K.) International Mining Company Limited
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Kintore	Castle Hill Stage 2
La Mancha	La Mancha Group International BV
La Mancha Transaction	Evolution's proposed acquisition of 100% of La Mancha's Australian operations
Mt	Million tonnes

Mutiny	Mutiny Gold Limited
NAV	Net Asset Value
Newcrest	Newcrest Mining Limited
Norton	Norton Gold Fields Limited
Norton JV	The agreement to be entered into between Norton and Phoenix in respect of the mining and treatment of ore at Castle Hill Stage 1
Optiro	Optiro Pty Ltd
Our Report	This Independent Expert's Report prepared by BDO
Oz	Ounce
Phoenix	Phoenix Gold Limited
Phoenix Models	Collectively the Castle Hill JV Model and the Pre-Production Assets Model
PRC	People's Republic of China
Pre-Production Assets	Collectively the pre-production assets of Phoenix which were valued using a discounted cash flow valuation. The specific assets includes the Castle Hill Stage 4 project, and selected projects within Phoenix's heap leach and small mine projects.
Pre-Production Assets Model	The detailed cash flow model that the management of Phoenix have prepared for the Pre-Production Assets
RBA	Reserve Bank of Australia
Residual and Exploration Assets	All of Phoenix's residual assets which were not otherwise included in the valuation of the Castle Hill JV and the Pre-Production Assets
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Shareholders	Shareholders of Phoenix not associated with Zijin
Sierra	Sierra Mining Limited
SPP	Phoenix's share purchase plan to raise up to \$1 million at \$0.10 per share
The Company	Phoenix Gold Limited
The Offer	Zijin's off-market takeover offer to acquire all the ordinary shares in Phoenix that it does not already own for \$0.10 cash per Phoenix share
Tranche 1 Shares	44 million Phoenix shares which were to be issued to Evolution at \$0.075 per Phoenix share to raise \$3.3 million (before costs)
Tranche 2 Shares	61,856,900 Phoenix shares which were to be issued to Evolution at \$0.092 per Phoenix share to raise \$5,690,835 (before costs)
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted average cost of capital



Zijin	Zijin Mining Group Co., Ltd
Zijinshan	Zijinshan Gold and Copper Mine, Zijin's largest gold mine

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

The market based approach can also involve deriving the value of a company or business with reference to any recent genuine offers received by the company or business. It is however important to consider whether the value observed from the recent genuine offer is reliable and appropriate to draw influence from in particular if the transaction is, for example, a related party transaction.

## Appendix 3 - Discount Rate Assessment

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Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be required before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model ('CAPM') is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business' weighted average cost of capital ('WACC') the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

### Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

#### CAPM

$$K_e = R_f + \beta \times (R_m - R_f)$$

Where:

$K_e$  = expected equity investment return or cost of equity in nominal terms

$R_f$  = risk free rate of return

$R_m$  = expected market return

$R_m - R_f$  = market risk premium

$\beta$  = equity beta

The individual components of CAPM are discussed below.

### Risk Free Rate ( $R_f$ )

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Having regard to the period of operations for Phoenix's Castle Hill JV and the Pre-Production Assets, we have adopted the current yield to maturity on the 10-year Australian Government bond rate of 3.44% being the average rate between August 2013 through to August 2015.

### Market Risk Premium ( $R_m - R_f$ )

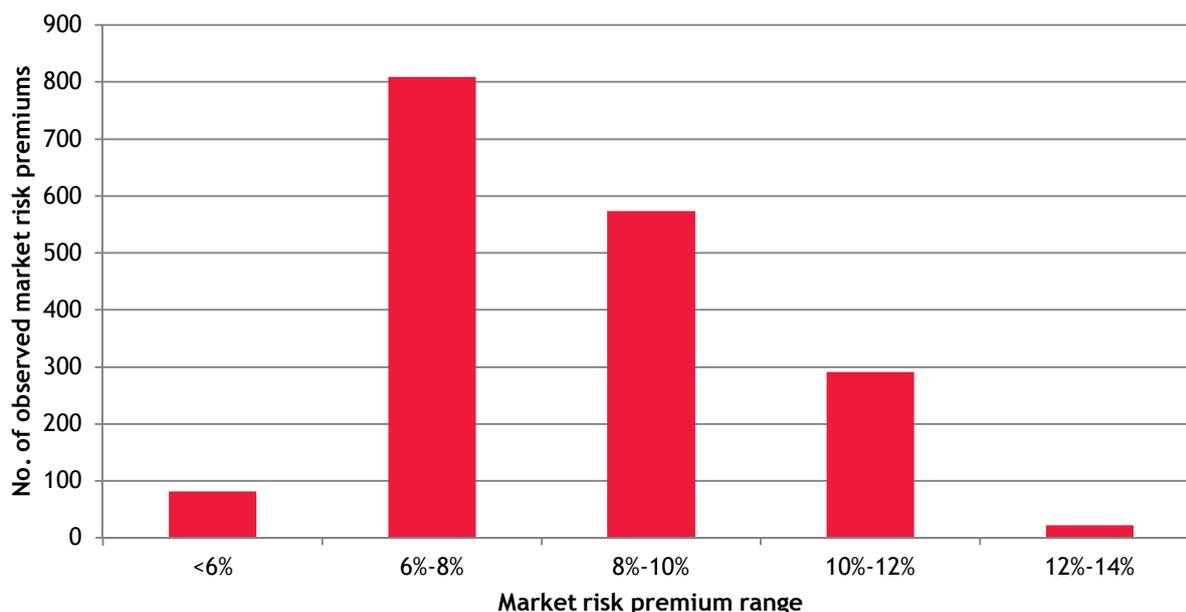
The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the market risk premium in Australia since January 2015 through to August 2015 has been on average approximately 7.25%. This has been sourced from Bloomberg. The market risk premium

is derived on the basis of capital weighted average return of all members of the Australian Stock Exchange composite index minus the risk free rate which is dependent on the ten year Australian Government bond rates.

In order to determine an appropriate range for the market risk premium in Australia we analysed historical data. Our sample of data included daily historical market risk premiums in Australia over the past seven years. Our research indicated the market risk premium in Australia had ranged from a low of 4.01 to a high of 13.07%. The mean and median market risk premium in Australia is 8.34% and 7.98% respectively.

### 10 year Historical Spread - Australian Market Risk Premiums



Source: Bloomberg and BDO analysis

The graph above describes the frequency of observations of the Australian market risk premium over the past seven years. The graph indicates that a high proportion of the sample data for Australian market risk premiums lies in the range of 6% to 10%. Having considered the aforementioned mean and median statistics including for the period of January 2015 to the date of our Report, we have adopted a market risk premium in Australia between 6% and 8%.

### Equity Beta

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole. A beta greater than one implies that an investment's return will outperform the market's average return in a rising market and underperform the market's average return in a falling market. On the other hand, a beta less than one implies that the business' performance compared to that of a business whose beta is greater than one will provide an inverse relationship in terms of the market's average return.

Equity betas are normally either a historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is

then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which must be considered when assessing the equity beta for an investment project.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by ‘ungearing’ the equity beta ( $\beta_a$ ) by applying the following formula:

$$\beta_a = \beta / (1 + (D/E \times (1-t)))$$

In order to assess the appropriate equity beta for Phoenix’s Castle Hill JV and Pre-Production Assets (collectively ‘Cash Flow Projects’) we have also had regard to the equity betas of listed companies involved in similar activities in similar industry sectors which are already producing and those which are still in pre-development. The geared betas below have been calculated using weekly data over a three-year period.

### Cash Flow Projects - Producing Companies

Company	Market Capitalisation (\$m) as at 26 August 2015	Geared Beta ( $\beta$ )	Gross Debt/Equity (%)	Ungearred Beta ( $\beta_a$ )
Northern Star Resources Limited	1146.06	0.86	2.4%	0.85
Evolution Mining Limited	1321.03	0.99	20.6%	0.87
Regis Resources Limited	724.68	0.75	12.5%	0.69
Saracen Mining Holding Limited	364.68	0.87	6.1%	0.83
Tribune Resources Limited	200.40	0.54	0.0%	0.54
Doray Minerals Limited	100.71	0.56	20.0%	0.49
Silver Lake Resources Limited	73.10	0.84	4.6%	0.81
<b>Mean</b>	<b>561.52</b>	<b>0.77</b>	<b>9.5%</b>	<b>0.73</b>
<b>Median</b>	<b>364.68</b>	<b>0.84</b>	<b>6.1%</b>	<b>0.81</b>

Source: Bloomberg, S&P Capital IQ and BDO analysis

### Cash Flow Projects - Pre-Development Companies

Company	Market Capitalisation (\$m) as at 26 August 2015	Geared Beta ( $\beta$ )	Gross Debt/Equity (%)	Ungearred Beta ( $\beta_a$ )
Gold Road Resources Limited	233.38	1.01	0.00	1.01
ABM Resources NL	70.37	0.68	0.00	0.68
Dacian Gold Limited	43.25	1.13	0.00	1.12
Excelsior Gold Limited	33.72	1.24	0.00	1.24
<b>Mean</b>	<b>95.18</b>	<b>1.01</b>	<b>0%</b>	<b>1.01</b>
<b>Median</b>	<b>56.81</b>	<b>1.07</b>	<b>0%</b>	<b>1.07</b>

Source: Bloomberg, S&P Capital IQ and BDO analysis

### Selected Beta (B)

In selecting an appropriate beta for Phoenix’s Cash Flow Projects, we have considered the similarities between the projects and the comparable companies selected above. The similarities and differences noted are:

- the comparable companies’ mining and exploration assets have varying risk profiles depending on the maturity of the assets and the stages of production;
- several companies having been producing for a considerable time period; and
- some comparable companies are still in the prefeasibility and evaluation stage.

Having regard to the above, and noting the present stage of Phoenix’s projects, we consider that an appropriate ungeared beta to apply to Phoenix’s projects is between 0.90 and 1.05. The low end of our assessed ungeared beta has been determined drawing influence from the range of ungeared betas for companies with producing gold assets located in Western Australia. The high end of our assessed ungeared beta is based on the average ungeared betas for companies with pre-development stage gold assets also located in Western Australia and the Northern Territory.

We have selected our beta from the average of the range of comparable companies’ betas. The capital structure of Phoenix’s Cash Flows Projects, bearing in mind the funding requirements as outlined in earlier sections of our Report, is to be approximately 15% debt to equity ratio. As such, we have regared the project beta to 0.99 to 1.16.

### Cost of Equity

On this basis we have assessed the cost of equity to be:

Input	Cash Flows Projects	
	Low	High
Risk free rate of return	3.44%	3.44%
Equity market risk premium	6.00%	8.00%
Geared Beta	0.99	1.16
<b>Cost of Equity</b>	<b>9.39%</b>	<b>12.69%</b>

Source: Bloomberg and BDO analysis

### Weighted Average Cost of Capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly, the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

In calculating WACC there are a number of different formulae which are based on the definition of cash flows (i.e. pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or discount rate), and the manner and extent to which they adjust for the effects of dividend imputation. The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table.

### CAPM

$$WACC = \frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1 - t)$$

Where:

$K_e$	= expected return or discount rate on equity
$K_d$	= interest rate on debt (pre-tax)
T	= corporate tax rate
E	= market value of equity
D	= market value of debt
(1- t)	= tax adjustment

### Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (i.e., gearing ratio) must be determined. The gearing ratio adopted should represent the level of debt that the asset can reasonably sustain (i.e., the higher the expected volatility of cash flows, the lower the debt levels which can be supported). The optimum level of gearing will differentiate between assets and will include:

- the variability in earnings streams;
- working capital requirements;
- the level of investment in tangible assets; and
- the nature and risk profile of the tangible assets.

As described earlier, we have had regard to beta with reference to an optimal debt to equity funding structure for the industry as well as Phoenix's funding requirements. We understand the capital structure of Phoenix to be approximately 15% debt to equity ratio. The proportion of debt is based on both Phoenix management's and industry expectations.

In determining an appropriate cost of debt of 7.5%, we have considered market evidence for similar loans for similar companies, as well as indicative costs of debt which have been received by Phoenix as advised by management.

### Calculation of WACC

Input	Cash Flow Projects	
	Low	High
Cost of Equity	9.39%	12.69%
Cost of Debt	7.5%	7.5%
Proportion of Equity (E/(E+D))	87%	87%
Proportion of Debt (D/(D+E))	13%	13%
<b>WACC</b>	<b>8.86%</b>	<b>11.75%</b>

Source: BDO analysis

Based on the above inputs, we have determined a WACC for Phoenix's Cash Flows Projects of between 9% and 12%, with a midpoint WACC of 10.5%.

Descriptions of comparable listed companies used in the determination of the discount rate for Phoenix's Cash Flow Projects are summarised below.

Company	Description
Northern Star Resources Limited	Northern Star Resources Limited is an Australian gold producer with tenement holdings and gold deposits located in the Ashburton, Kalgoorlie and Plutonic regions in Western Australia.
Evolution Mining Limited	Evolution Mining Ltd is a gold company with operations in Queensland and Western Australia. Cracow, Mt Rawdon and Pajingo and the Mt Carlton projects are located in Queensland, and the Edna May project is located in Western Australia.
Regis Resources Limited	Regis Resources Limited engages in the exploration, development and production from gold projects in Western Australia. Regis Resources Limited's key assets include its Moolart Well, Garden Well, Rosemont, Eristoun, and Satellite deposits located in the North Eastern Goldfields of Western Australia.
Saracen Mining Holding Limited	Saracen Mineral Holdings Limited explores for and produces gold with its key asset being its Carosue Dam mine located in north-east of Kalgoorlie, Western Australia.
Tribune Resources Limited	Tribune Resources Limited explores, develops and produces gold mineral properties primarily with its interests in the East Kundana joint venture tenements located in Western Australia.
Silver Lake Resources Limited	Silver Lake Resources Limited, together with its subsidiaries, operates as a gold exploration and production company with assets located southeast of Kalgoorlie, Western Australia and nearby to Ravensthorpe on the southern coast of Western Australia.
Doray Minerals Limited	Doray Minerals Limited acquires, explores for, and develops gold properties in Australia. It primarily holds 100% interests in the Andy Well gold project located to the north of Meekatharra in the Murchison region of Western Australia.
Gold Road Resources Limited	Gold Road Resources Limited engages in the exploration and development of mineral properties in Australia primarily exploring for gold, copper and molybdenum. One of Gold Road Resources Limited's key assets includes its Gruyere gold project which is presently in advanced exploration stage.
ABM Resources NL	ABM Resources NL explores and develops gold properties in the Central Desert region of the Northern Territory of Australia. ABM Resources NL's principal project is its Twin Bonanza Gold Camp, which includes the Old Pirate High-Grade Gold Project and the Buccaneer Porphyry Deposit located in the Northern Territory.
Dacian Gold Limited	Dacian Gold Limited engages in the exploration and development of gold properties in Australia. Its key project is its 100% interest in the advanced exploration stage Mount Morgans gold project, which comprises approximately an area of 520 square kilometres in the North-Eastern Goldfields region of Western Australia.
Excelsior Gold Limited	Excelsior Gold Limited together with its subsidiaries engages in the exploration and development of gold properties in Western Australia. It's primary asset is an advanced stage exploration project named the Kalgoorlie North Gold Project which is located north of Kalgoorlie, Western Australia.

Source: Bloomberg, S&P Capital IQ

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## Appendix 4 - Key ASX Announcements of Phoenix Gold Limited

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$	(movement)	%	\$	(movement)	%
19/06/2015	Phoenix Announces Supplementary Milling Campaign	0.098	▼	2.0%	n/a		n/a
28/05/2015	Evolution Strategic Alliance - Market Update	0.080	▲	5.3%	0.083	▲	3.8%
08/05/2015	Resignation of Managing Director & Board Changes	0.088	▲	2.3%	0.084	▼	4.5%
01/05/2015	Phoenix and Evolution Mining form Strategic Alliance	0.088	▲	11.4%	0.088	►	0.0%
30/04/2015	Quarterly Activities Report March 2015	0.079	►	0.0%	0.088	▲	11.4%
30/04/2015	Appendix 5B Quarterly Report March 2015	0.079	►	0.0%	0.088	▲	11.4%
29/04/2015	Suspension from official quotation	0.079	►	0.0%	0.090	▲	13.9%
27/04/2015	Trading Halt	0.079	▲	17.9%	0.079	►	0.0%
14/04/2015	Phoenix suspends mining to focus on Norton JV and heap leach	0.088	▼	1.1%	0.072	▼	18.2%
18/03/2015	Updated heap leach feasibility study delivers strong returns	0.093	▼	2.1%	0.095	▲	2.2%
13/03/2015	CAZ: Kalgoorlie Gold Royalty Stream Update	0.095	►	0.0%	0.093	▼	2.1%
25/02/2015	Geological study shifts exploration focus to Zuleika shear	0.097	▲	2%	0.110	▲	13%
09/02/2015	Phoenix completes Placement, announces Share Purchase Plan	0.099	▼	14%	0.097	▼	2%
05/02/2015	Suspension from Official Quotation	0.115	►	0%	0.100	▼	13%
29/01/2015	Appendix 5B Quarterly Report December 2014	0.125	▼	7%	0.115	▼	8%
29/01/2015	Quarterly Activities Report December 2014	0.125	▼	7%	0.115	▼	8%
21/01/2015	Castle Hill joint mining study delivers robust results	0.140	▲	17%	0.140	►	0%
19/01/2015	Addendum to announcement of 14 January 2015	0.125	▲	4%	0.140	▲	12%
14/01/2015	Phoenix Mineral Resources grow beyond 4 million ounces	0.125	▲	9%	0.125	►	0%
08/01/2015	Latest drilling results from Kintore gold project	0.100	►	0%	0.115	▲	15%
19/12/2014	NGF: Update on acquisition of strategic stake in Phoenix Gold	0.097	▲	3%	0.092	▼	5%
11/12/2014	NGF: Addendum to Announcement of 9 December 2014	0.098	►	0%	0.094	▼	4%
09/12/2014	NGF: Norton acquires strategic stake in Phoenix Gold Ltd	0.090	▼	4%	0.095	▲	6%
21/11/2014	Response to ASX Price Query	0.093	▲	9%	0.096	▲	3%
29/10/2014	Appendix 5B Quarterly Report September 2014	0.091	▲	1%	0.080	▼	12%
29/10/2014	Quarterly Activities Report September 2014	0.091	▲	1%	0.080	▼	12%
16/10/2014	Phoenix pours first gold from Kintore West	0.094	▲	1%	0.093	▼	1%

07/10/2014	Latest drilling results from Red Dam gold project	0.100	▲	9%	0.098	▼	2%
25/09/2014	High grade drill results at Burgundy gold project	0.110	▲	5%	0.115	▲	5%
16/09/2014	Drilling results identify further extensions at Castle Hill	0.110	▲	5%	0.096	▼	13%
05/08/2014	Norton exercises option over Castle Hill Stage 1 development	0.135	▲	4%	0.135	▶	0%
05/08/2014	NGF: Norton exercises Right to Mine with Phoenix Gold	0.135	▲	4%	0.135	▶	0%
04/08/2014	Phoenix Gold commences mining at Kintore West	0.130	▶	0%	0.130	▶	0%
29/07/2014	Appendix 5B Quarterly Report June 30 2014	0.130	▲	4%	0.130	▶	0%
29/07/2014	Quarterly Activities Report June 30 2014	0.130	▲	4%	0.130	▶	0%
23/07/2014	Phoenix awards key mining contracts	0.145	▶	0%	0.125	▼	14%
11/07/2014	Phoenix Gold to acquire 2.3Mtpa heap leaching plant	0.150	▲	3%	0.140	▼	7%

On 23 July 2014, Phoenix announced that it had awarded key mining and haulage contracts for its Kintore West open cut mine. The announcement confirmed that the Kintore West operation was the first of a series of smaller mines to be developed under a staged development plan. On the day of the announcement, Phoenix's share price remained unchanged, but unexpectedly over the consecutive three trading days and with significant trading on 28 July 2015, its share price decreased by 14%. Our analysis of the information presented to the market on or around this date, as well as broader general market factors, indicates that the cause of this significant share price fall was broadly unexplained.

On 16 September 2014, the Company released drilling results for its Castle Hill Stage 3 project. The drilling was completed in areas outside the existing resource envelope, to consider growth potential in this prospect. The Company announced the new drilling data will be incorporated into the current geological model to consider whether any mineral resource estimation updates are necessary. As expected, the market reacted favourably to this news and the share price increased by 5% on this day. Unexpectedly subsequent to the announcement, the Company's share price declined by 13%. Our review of the gold price during this period indicates that gold prices declined throughout September 2014, with a significant fall on 19 September 2014. We consider the fall in the Company's share price is more likely associated with investor sentiment towards gold companies rather than information driven.

On 7 October 2014, Phoenix released its drilling results from the Red Dam gold project located along the Zuleika shear. The results confirmed significant mineralisation with both open cut and underground mining potential. Shareholders reacted favourably to this information, as demonstrated by Phoenix's share price increasing by 9% on the day of its release.

On 29 October 2014, the Company released its September quarter activities and cash flow reports. The reports summarised all activities and cash flow movements for the period between 1 July 2014 and 30 September 2014, which among other things included, commencement of mining at the Kintore West project, Norton exercising its option to enter into a mines and treat ore agreement for the Castle Hill Stage 1 project, and the placement of shortfall shares arising from the Company's entitlement offer completed in the June quarter. Notwithstanding the generally positive news, the Company's shares fell by 12% over the next three consecutive trading days. Our analysis of the announcements made on or around this date, and the trading patterns in the Company's shares indicate that the decrease was most likely due to the significant fall in gold prices over 29 October 2014 through to 31 October 2014.

On 21 November 2014, although no ASX announcements were released, Phoenix's share price increased by 9%. In response, the ASX sent Phoenix a price and volume query letter. Phoenix responded confirming no material information had been withheld, and that the Company was in compliance with its obligations under ASX listing rule 3.1. Phoenix did however confirm that a broker report citing a buy recommendation and a \$0.16 price target was released on or around this day.

On 8 January 2015, the Company announced the drilling results of infill and extensional drilling at its Kintore project. The Company confirmed that resource modelling will be completed by independent consultants and that an updated resource estimate was expected in the coming weeks. As expected the market reacted favourably to this information and the share price of the Company increased by 15% over the next three trading days.

On 14 January 2015, Phoenix announced that its mineral resource estimates had been revised and was at over 4 million ounces of gold. The announcement confirmed the increase was as a result of the extensional and infill drilling completed at the Kintore, Red Dam, Burgundy and Castle Hill Stage 3 projects. Phoenix also announced that an updated open pit reserves study was underway as part of the staged mine development plan and heap leach feasibility study. The market reacted as expected and Phoenix's share price increased by 9% on the day of this announcement.

On 19 January 2014, the Company released an addendum to the 14 January 2015 announcement which included additional JORC 2012 table 1 disclosures to satisfy the requirements of the ASX listing rules. The Company's share price increased by 4% on this day, and by an additional 12% over the next three trading days. Our analysis of the share trading during this period indicates that the cause of the significant price increase was greatly influenced by the release of the subsequent ASX announcement on 21 January 2015.

On 21 January 2015, Phoenix announced the results of its joint mining study for the Castle Hill Stage 1 project with Norton. The study demonstrated that there was potential for a project delivering 398,200 ounces from mining 8.7 million tonnes of ore grading 1.51 g/t and 94% process recovery. The project economics at an assumed gold price of AU\$1,350 per ounce resulted in a cash surplus of \$91 million to be equally shared between Phoenix and Norton. As expected the market reacted positively to the release of this information and the share price increased significantly by 17%.

On 3 February 2015, the Company's shares entered a trading halt, and were reinstated on 9 February 2015 following the release of an announcement confirming the completion of a share placement to raise AU\$5 million at \$0.10 per share. The announcement stated the funds will be used to complete the purchase of the heap leach processing facility as well as for general working capital purposes. Prior to this announcement, the Company's share price was previously trading at approximately \$0.115 per share but as expected following reinstatement the Company's share price declined by 14% to reflect the issue price of the placement.

On 25 February 2015, Phoenix announced that a geological targeting study undertaken with the University of Western Australia's Centre for Exploration Targeting had resulted in over 30 high priority drill targets on the Kunanalling and Zuleika shear zones. Phoenix also announced that it would focus on exploration of its prospects along the Zuleika shear. Although there was only a modest increase in share price of 2% on the day of the announcement, over the consecutive three trading days, Phoenix's share price increased by an additional 13%.

On 14 April 2015, the Company announced that the Kintore West operations will shortly come to a close and that mining of high grade vein sets with a lower grade stock work system has led to lower mined graded than anticipated. On account of these results, the Company announced that it would turn its focus

towards its core businesses, namely the Castle Hill Stage 1 project with Norton and the heap leach operations. As expected, the market reacted unfavourably and over the three trading days consecutive to the announcement, the Company's share price declined by approximately 18%.

On 27 April 2015, Phoenix entered into a trading halt and subsequently into a suspension from official quotation. During this period, Phoenix released its March quarter activities and cash flow statements. Our analysis indicates that Phoenix's share price increased significantly over the three trading days subsequent to the release of the quarterly, but in our view the cause of the increase was more likely as a result of the release of a subsequently announcement on 1 May 2015 as discussed further below.

Phoenix's shares were reinstated on 1 May 2015 following the release of an announcement confirming that Phoenix had entered into a share subscription agreement with Evolution. The subscription agreement allows Evolution to invest up to \$9 million at an average issue price of \$0.085 over two tranches, to facilitate the accelerated exploration programme of Phoenix's prospects along the Zuleika shear zone. The announcement also confirmed that on account of the share subscription agreement, Evolution's relevant interest in Phoenix could increase to 19.9%. On the day of this announcement, as expected following the positive news, Phoenix's share price increased by 11.4%.

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# Appendix 5 - Profile and Overview of Evolution Mining Limited

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## History and Overview

Evolution Mining Limited (previously defined as 'Evolution') is an Australian gold producing and exploration company with six gold operations; four in Queensland, one in New South Wales and one in Western Australia. Evolution was initially incorporated as Westonia Mines Limited in 1998 and was admitted to the official list of the ASX in August 2002.

In November 2011, Evolution was transformed into a mid-tier gold company following the merger of Catalpa Resources Limited and Conquest Mining Limited ('Conquest') and the concurrent acquisition of Newcrest Mining Limited's ('Newcrest') interests in its Cracow and Mt Rawdon gold operations. These transactions transformed Evolution from a single mine operation to a multi-mine operation producing over 400,000 ounces of gold per annum.

The current board of directors are:

- Mr Jake Klein - Executive Chairman;
- Mr Lawrie Conway - Finance Director and Chief Financial Officer;
- Mr James Askew - Non-Executive Director;
- Mr Graham Freestone - Lead Independent Director;
- Mr Colin Johnstone - Non-Executive Director;
- Mr Thomas McKeith - Non-Executive Director; and
- Mr John Rowe - Non-Executive Director.

As at 31 August 2015, Evolution had a market capitalisation on the ASX of approximately \$1.31 billion.

During the half year ended 31 December 2014, Evolution had total sales revenue of approximately \$325 million and a net reported profit after tax of approximately \$43 million.

As at 31 December 2014, Evolution had a total assets balance of \$1,144 million with cash and cash equivalents of approximately \$47.5 million.

## Recent Corporate Events

### Newcrest Divestment

On 27 February 2015, Newcrest advised that it had reduced its holding of 32.96% in Evolution to 14.9% by selling approximately 124.6 million Evolution shares. The sell down occurred at a price of \$0.85 per Evolution share.

### La Mancha Transaction

On 20 April 2015, Evolution announced it had entered into a binding agreement with La Mancha Group International BV ('La Mancha') pursuant to which Evolution proposed to acquire 100% of La Mancha's Australian operations, all located near Kalgoorlie in Western Australia ('La Mancha Transaction'). Upon

completion of the La Mancha Transaction, La Mancha will be issued 322,024,000 new fully paid Evolution ordinary shares, which on a pro forma basis would result in La Mancha holding a 31% interest in Evolution's enlarged share capital.

La Mancha's Australian assets include the high grade Frog's Leg underground mine, the White Foil open pit gold mine, and the recently completed 1.5 Mt per annum Mungari carbon in leach processing plant, all located within close proximity to Kalgoorlie in Western Australia.

On 24 August 2015, Evolution announced that it had received FRIB approval for the La Mancha Transaction, and noting all condition precedents had been satisfied or waived, that the La Mancha Transaction is completed.

We note that the completion of the La Mancha Transaction satisfies one of the condition precedents of Evolution's Competing Offer for Phoenix.

#### Cowal Gold Mine Acquisition

On 25 May 2015, Evolution announced that it had entered into an agreement with Barrick (Australia Pacific) Pty Limited to acquire the Cowal gold mine through the purchase of 100% of the shares in Barrick (Cowal) Pty Limited in consideration for a cash payment of US\$550 million.

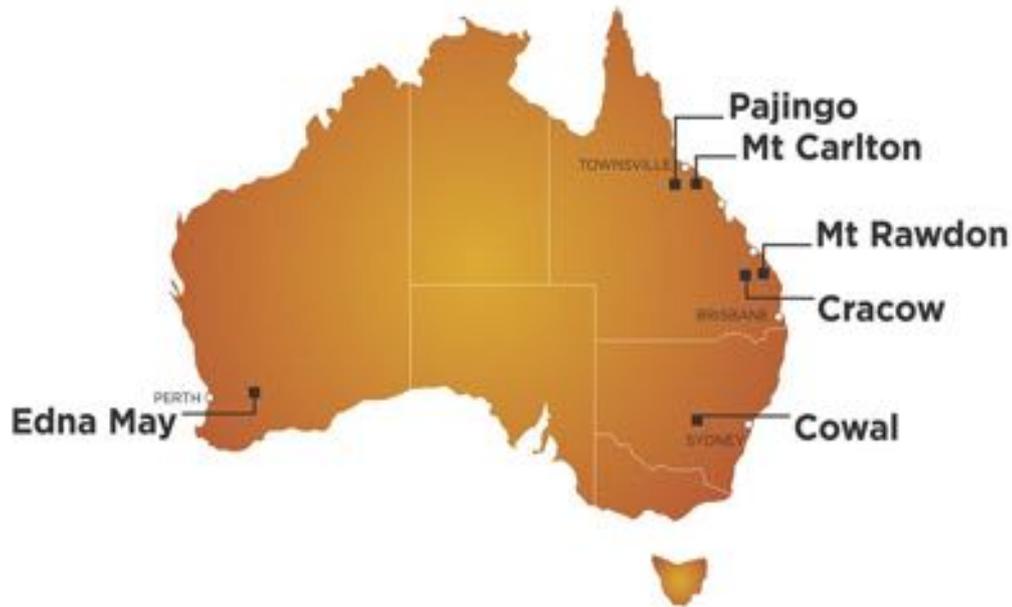
Evolution also announced that the funding of the Cowal gold mine acquisition would be sourced by way of a fully underwritten pro-rata accelerated renounceable rights issue raising A\$248 million, an upsized A\$300 million senior secured revolver debt with a three year term, and a new A\$400 million senior secured term loan with a five year term.

Among other things, as announced to the market, the Cowal gold mine acquisition is expected to contribute to an immediate increase in gold production for Evolution with an additional 230,000 to 260,000 ounces of gold to be produced per annum, as well as a significant increase to Evolution's mineral inventory with Cowal contributing additional reserves of approximately 1.6 million and mineral resources of 3.4 million (for clarity we note that these reserve and resource estimates have been estimated and disclosed according to Canadian NI 43-101, and are not JORC compliant ore reserves and mineral resources).

On 24 July 2015, Evolution informed the market that all of the conditions precedent to the Cowal gold mine acquisition had been satisfied or waived and that the acquisition had been completed.

## Key Projects

Summarised below is a brief description of Evolution's gold producing operations and a diagram illustrating their locations prior to the completion of the La Mancha Transaction.



Source: Evolution Mining Limited

### Cowl

The Cowl operation is an open pit mine located 350 kilometres west of Sydney on the traditional lands of the Wiradjuri People. Mining at the Cowl Project commenced in 2005 and the processing plant was commissioned in May 2006. On 24 July 2015, Evolution confirmed it had acquired the project through the purchase of 100% of the shares in Barrick (Cowl) Pty Ltd for US\$550 million.

### Cracow

Cracow is an underground mine located 500 kilometres northwest of Brisbane on the traditional lands of the Wulli Wulli People. Mine development at the Cracow project commenced in December 2003 and first production was achieved in November 2004. Evolution gained 100% interest in the asset following the merger with Conquest in November 2011.

In July 2013, Cracow transitioned to an owner operator mine, allowing greater operational flexibility and a stronger focus on cost management.

### Edna May

Edna May is an open pit mine located 350 kilometres east of Perth, near the northern end of the Westonia Greenstone Belt. Evolution acquired 100% interest in the project in 2011 following the merger with Conquest. The mine was constructed in 2009/10 and first gold pour was in April 2010.

### Mt Carlton

The Mt Carlton project is an open pit mine is located 150 kilometres south of Townsville on the traditional lands on the Birriah People. The project comprises gold, silver and copper. Commercial production commenced in July 2013 and production is derived solely from the V2 deposit following the completion of

the silver rich A39 deposit during the financial year ended 30 June 2014. The mine currently has an off-take agreement with Shandong Guoda Gold Co. Limited that extends across the entire life of mine.

### Mt Rawdon

Mt Rawdon is an open pit mine located 75 kilometres south west of Bundaberg on the traditional lands of the Port Curtis Coral Coast People. Gold production at the mine commenced in 2001 by Equigold NL. Evolution acquired 100% interest in 2011 following the acquisition of Newcrest’s Cracow and Mt Rawdon mines.

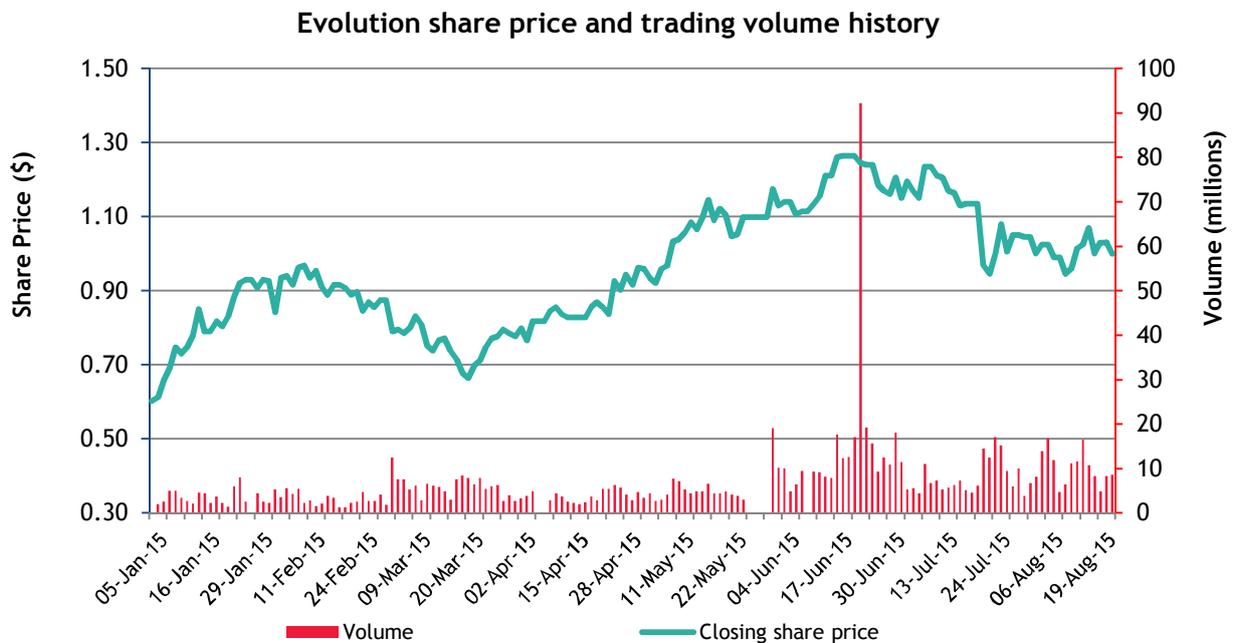
Mine production is derived from a single open pit operation and in July 2014 the 40<sup>th</sup> tonne of gold was poured since production commenced in 2001. Evolution successfully moved to owner operation in July 2014.

### Pajingo

Pajingo is located 50 kilometres south of Charters Towers on the traditional lands of the Kudjala People and the Birriah People. Pajingo was first discovered in 1983 and first gold production from the open pit mine was in 1986. Conquest acquired 100% on Pajingo and in 2011 Evolution acquired 100% interest following the merger with Conquest. In financial year 2014 Pajingo restructured with a move to campaign milling and focus on underground operations only.

### ASX share trading analysis for Evolution

Our analysis of the quoted market price of an Evolution share is based on the pricing prior to the announcement of its alternative offer for Phoenix on 20 August 2015. This is because the value of an Evolution share after the announcement may include the effects of any change in value as a result of its proposed takeover offer.



Source: Bloomberg

The daily closing price of Evolution's shares from 1 January 2015 to 19 August 2015 has ranged from a low of \$0.603 on 1 January 2015 to a high \$1.265 observed over 16 June 2015 through to 18 June 2015.

The key movements in the share price of Evolution can be broadly explained by the key corporate events (detailed earlier), and as such, since the beginning of 2015, Evolution's shares trended upwards before dipping on the unfavourable news that Newcrest would be divesting a significant portion of shares. Since this announcement, the share price of Evolution has recovered and increased following the continual release of announcements in relation to corporate transactions such as new acquisitions (i.e. the La Mancha Transaction and the acquisition of the Cowal Gold Mine) and strategic investments (i.e. in Phoenix).

Over the time period which we assessed, the volume of Evolution shares traded has generally ranged between 5 million and 10 million shares per day. However we note that on 19 June 2015, approximately 92 million Evolution shares were traded. This anomalous trading volume included approximately 60 million shares which traded at \$1.245 per Evolution share. It is noted that on this day, Evolution confirmed it had successfully completed the retail component of its accelerated renounceable rights issue.

During this period a number of announcements were made to the market. Some of the key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$	(movement)	%	\$	(movement)	%
11/08/2015	ERM:Gold Production to Restart in Tennant Creek	1.015	▲	5.7%	1.000	▼	1.5%
07/08/2015	Becoming a substantial holder	0.945	▼	4.5%	1.025	▲	8.5%
05/08/2015	Mungari Site Visit Presentation	0.990	▼	3.4%	0.960	▼	3.0%
03/08/2015	ERM: Deep Drilling Intersects Further Mineralisation	1.025	▲	2.5%	0.990	▼	3.4%
27/07/2015	PXG: Evolution Mining Increases Stake in Phoenix	1.050	▲	4.5%	1.045	▼	0.5%
24/07/2015	Completion of Acquisition of Cowal Gold Mine	1.005	▼	6.9%	1.045	▲	4.0%
20/07/2015	ERM: Significant Copper Sulphides Intersected	0.970	▼	14.5%	1.080	▲	11.3%
24/06/2015	Explanatory Memorandum, Notice of Meeting and Proxy Form	1.185	▼	4.4%	1.205	▲	1.7%
23/06/2015	PXG: Withdrawal of Resolution from General Meeting	1.240	▶	0.0%	1.160	▼	6.5%
22/06/2015	PXG: Zijin - Intention to Make Takeover Bid	1.240	▼	0.4%	1.170	▼	5.6%
19/06/2015	Successful Completion of Retail Entitlement Offer	1.245	▼	1.6%	1.185	▼	4.8%
19/06/2015	DEG: Settlement of Puhupuhi Project NZ Completed	1.245	▼	1.6%	1.185	▼	4.8%
01/06/2015	Retail Entitlement Offer Booklet	1.130	▼	3.8%	1.105	▼	2.2%
29/05/2015	Successful Completion of Institutional Component of AREO	1.175	▲	7.0%	1.140	▼	3.0%
28/05/2015	PXG: Evolution Strategic Alliance - Market Update	1.099	▶	0.0%	1.140	▲	3.8%
25/05/2015	Acquisition of Cowal Gold Mine	1.099	▶	0.0%	1.099	▶	0.0%
14/05/2015	Annual Mineral Resources and Ore Reserves Statement	1.145	▲	4.3%	1.103	▼	3.7%
01/05/2015	Evolution Makes Strategic Investment in Phoenix Gold	0.921	▼	1.5%	1.033	▲	12.2%

23/04/2015	DEG: Sale of the Puhipuhi Project NZ	0.902	▼	2.5%	0.963	▲	6.7%
20/04/2015	Evolution to Combine with La Mancha Australia	0.856	▼	1.6%	0.902	▲	5.5%
14/04/2015	ERM: New Gold Zones and Drill Campaign to Commence	0.828	►	0.0%	0.870	▲	5.1%
12/03/2015	DRP Issue Price And Participation Rate	0.771	▲	0.6%	0.678	▼	12.1%
27/02/2015	Newcrest Completes Partial Sale of Evolution Shareholding	0.790	▼	9.6%	0.799	▲	1.2%

To provide further analysis of the market prices for an Evolution share, we have also considered the volume weighted average market price ('VWAP') for 10, 30, 60 and 90 trading day periods to 19 June 2015.

Share Price per unit	19-Aug-15	10 Days	30 Days	60 Days	90 Days
Closing price	\$1.000				
Volume weighted average price (VWAP)		\$1.021	\$1.039	\$1.138	\$1.116

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of Evolution's Competing Offer, to avoid the influence of any increase in price of Evolution's shares that has occurred since the offer was announced.

An analysis of the volume of trading in Evolution's shares for the 180 trading days to 19 August 2015 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.990	\$1.060	8,583,027	0.86%
10 Days	\$0.935	\$1.115	91,387,322	9.21%
30 Days	\$0.915	\$1.220	278,080,891	28.02%
60 Days	\$0.915	\$1.305	662,630,868	66.77%
90 Days	\$0.813	\$1.305	787,754,321	79.38%
180 Days	\$0.486	\$1.305	1,142,424,425	115.11%

Source: Bloomberg, BDO analysis

This table indicates that Evolution's shares display a high level of liquidity with approximately 115% of Evolution's issued capital being traded in a 180 trading day period. If we remove the anomalous trading on 19 June 2015 of approximately 92 million shares, the 180 trading day cumulative volume traded reduces to approximately 106% of Evolution's issued capital. We consider this still demonstrates that Evolution's shares display a high level of liquidity.

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# Appendix 6 - Independent Technical Assessment and Valuation Report prepared by Optiro Pty Ltd

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# Phoenix Gold Limited Technical Assessment and Valuation for Phoenix Gold Limited



**J\_1897**

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		Date:	21 August 2015
<p><b>Important Information:</b></p> <p>This Report is provided in accordance with the proposal by Optiro Pty Ltd ("Optiro") to Phoenix Gold Limited and the terms of Optiro's Consulting Services Agreement ("the Agreement"). Optiro has consented to the use and publication of this Report by Phoenix Gold Limited for the purposes set out in Optiro's proposal and in accordance with the Agreement. Phoenix Gold Limited may reproduce copies of this entire Report only for those purposes but may not and must not allow any other person to publish, copy or reproduce this Report in whole or in part without Optiro's prior written consent.</p> <p>Optiro has used its reasonable endeavours to verify the accuracy and completeness of information provided to it by Phoenix Gold Limited which it has relied on in compiling the Report. We have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of Optiro acting as an independent valuer to perform any due diligence procedures on behalf of the Company. Optiro provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.</p> <p>The opinion of Optiro is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.</p> <p>The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.</p> <p>The terms of engagement are such that Optiro has no obligation to update this report for events occurring subsequent to the date of this report.</p>			

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## 1. EXECUTIVE SUMMARY

At the request of BDO Corporate Finance (WA) Pty Ltd (BDO) on behalf of Phoenix Gold Limited (Phoenix Gold), Optiro Pty Ltd (Optiro) has reviewed the reasonableness of a number of technical project assumptions associated with Phoenix Gold's major projects. Optiro understands that BDO will prepare a valuation on Phoenix Gold's major projects for which Ore Reserves have been announced on a discounted cashflow basis. The Ore Reserves to be covered are:

- Castle Hill stage 1 project (Mick Adams and Wadi deposits)
- Castle Hill stage 2 project (Kintore deposit)
- Red Dam project
- Nazarris project.

In addition to the above, Optiro has prepared an Independent Valuation on the Mineral Resources and material exploration assets of Phoenix Gold which are not included within financial models.

Optiro understands that its review and valuations will be relied upon and appended to an Independent Expert's Report prepared by BDO for inclusion in a Target Statement. The Target Statement will address the proposed takeover offer from Zijin Mining Group Co Ltd, with BDO's report providing an opinion to Phoenix Gold's shareholders. As such, it is understood that Optiro's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005).

### PHOENIX GOLD'S MINERAL PROJECTS

Phoenix Gold currently holds 240 granted exploration, prospecting and mining licences covering approximately 435 km<sup>2</sup> in Western Australia's Eastern Goldfields, centred approximately 50 km northwest Kalgoorlie. For reporting convenience, the mineral assets have been grouped into the Kunanalling, Broads Dam, Carbine, Grants Patch, Ora Banda and Split Rocks projects.

Phoenix Gold has Mineral Resources totalling 54.2 Mt at 1.7 g/t gold (inclusive of Ore Reserves) of material flagged as potential mill feed and a further 58.3 Mt at 0.6 g/t of material flagged as potential heap leach feed (Table 1.1).

Table 1.1 Summary of Mineral Resources (inclusive of Ore Reserves)

Material	Classification	Mt	Gold g/t	koz gold
Potential mill feed	Measured	0.5	2.0	31
	Indicated	30.7	1.6	1,618
	Inferred	23.0	1.7	1,263
	<b>Total</b>	<b>54.2</b>	<b>1.7</b>	<b>2,912</b>
Potential leach feed	Measured	1.0	0.6	22
	Indicated	35.2	0.6	671
	Inferred	22.0	0.6	417
	<b>Total</b>	<b>58.3</b>	<b>0.6</b>	<b>1,109</b>

\* totals may not reconcile due to rounding errors

Phoenix Gold has reported Ore Reserves totalling 15.6 Mt at 1.8 g/t gold of mill material feed and a further 15.0 Mt at 0.6 g/t of heap leach feed material (Table 1.2).

**Table 1.2** Summary of Ore Reserves

Material	Classification	Mt	Gold g/t	koz gold
Mill feed	Proven	0.4	2.1	24
	Probable	15.3	1.7	854
	<b>Total</b>	<b>15.6</b>	<b>1.8</b>	<b>878</b>
Leach feed	Proven	-	-	-
	Probable	15.0	0.6	280
	<b>Total</b>	<b>15.0</b>	<b>0.6</b>	<b>280</b>

\* totals may not reconcile due to rounding errors

## VALUATION

Optiro has determined the fair market value of Phoenix Gold's mineral assets not included in BDO's financial models at an effective valuation date of 21 August 2015.

Optiro's opinion of the fair market value of the mineral assets not included within the financial models prepared by BDO is summarised in Table 1.3, based upon Phoenix Gold's equity position in the mineral assets. Optiro's opinion of the fair market value of Phoenix Gold's mineral assets is that they lie within the range of A\$15.7 M to A\$31.5 M, with a preferred value of A\$23.6 M.

The values assigned to the mineral assets are in Australian dollars (A\$) and were prepared at the effective valuation date.

**Table 1.3** Valuation summary

Mineral asset	Value (A\$M)		
	Low	High	Preferred
Mineral Resources	11.7	23.2	17.4
Exploration potential	4.0	8.3	6.2
<b>Total</b>	<b>15.7</b>	<b>31.5</b>	<b>23.6</b>

The opinions expressed and conclusions drawn with respect to this valuation of the mineral assets are appropriate at the valuation date of 21 August 2015. The valuation is only valid for this date and may change with time in response to variations in economic, market, legal or political conditions, in addition to future exploration results.

## 2. INTRODUCTION AND TERMS OF REFERENCE

### 2.1. TERMS OF REFERENCE AND PURPOSE OF REPORT

At the request of BDO Corporate Finance (WA) Pty Ltd (BDO) on behalf of Phoenix Gold Limited (Phoenix Gold), Optiro Pty Ltd (Optiro) has reviewed the reasonableness of a number of technical project assumptions associated with Phoenix Gold's major projects. Optiro understands that BDO will prepare a valuation of Phoenix Gold's major projects for which Ore Reserves have been announced on a discounted cashflow basis.

The Ore Reserves to be covered are:

- Castle Hill stage 1 project (Mick Adams and Wadi deposits)
- Castle Hill stage 2 project (Kintore deposit)
- Red Dam project
- Nazarris project.

In performing this review, Optiro has provided an assessment of the reasonableness of the following assumptions used:

- Mineral Resources and Ore Reserves incorporated into the cashflow models for the projects
- mining physicals (including tonnes of ore mined, ore processed, recoveries and forecast grades)
- processing assumptions (including products and recoveries, scheduling considerations, mill production, refining recoveries and plant utilisations)
- operating costs (including, but not limited to, surface mining, underground mining, general site costs, haulage, processing, corporate office and royalties)
- non-operating and other costs (including, but not limited to, reclamation, surface mining pre-stripping, discretionary capital costs and deferred development costs)
- capital expenditure (including, but not limited to, sustaining capital expenditure)
- any other relevant technical assumptions not specified above.

In addition to the above, Optiro has prepared an Independent Valuation on the Mineral Resources and material exploration assets of Phoenix Gold which are not included within financial models.

Optiro understands that its review and valuations will be relied upon and appended to an Independent Expert's Report prepared by BDO for inclusion in a Target Statement. The Target Statement will address the proposed takeover offer from Zijin Mining Group Co Ltd, with BDO's report providing an opinion to Phoenix Gold's shareholders. As such, it is understood that Optiro's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code, 2005).

## **2.2. RESPONSIBILITY FOR THE REPORT AND DATA SOURCES**

This report was prepared by Mr Jason Froud (Principal) with input from Mr Michael Leak and was reviewed by Mrs Christine Standing (Principal) of Optiro. The report has been prepared in accordance with the requirements of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 Edition (the VALMIN Code). The authors and reviewer of this report are Members or Fellows of the Australasian Institute of Mining and Metallurgy (AusIMM), and therefore are obliged to prepare mineral asset valuations in accordance with the VALMIN Code. All values have been compiled in Australian dollar (A\$) terms.

In developing its technical assumptions for the valuation, Optiro has relied upon information provided by Phoenix Gold and their consultants, as well as information obtained from other public sources. The material on which this report is based includes internal and open-file project documentation, technical reports, drillhole databases and Mineral Resource models.

Optiro has independently reviewed and assured itself of the mineral tenure held by Phoenix Gold and reviewed all relevant technical and corporate information made available by the management of Phoenix Gold, which was accepted in good faith as being true, accurate and complete, having made due enquiry of Phoenix Gold. Optiro has additionally sourced publically available information on recent transactions involving gold properties.

Optiro visited the Castle Hill and Kunanalling projects and the Red Dam property within the Broad Dam project on 11 August 2015 as part of this review. Mr Jason Froud (Principal Consultant) inspected the deposit areas, project access and reviewed exploration and project development work completed on the projects. Optiro did not visit the remaining projects as it was considered that a site visit would not reveal information or data material to the outcome of this report. Optiro is satisfied that sufficient current information was made available for these projects in order to allow an informed appraisal to be made without carrying out a site inspection.

### **2.3. LIMITATIONS AND EXCLUSIONS**

This report is based predominantly on information provided by Phoenix Gold, either directly from discussions and data provided, or from reports and correspondence with other organisations whose work is the property of Phoenix Gold.

This report is based on information made available to Optiro up to 21 August 2015. Phoenix Gold has not advised Optiro of any material change, or event likely to cause material change, to the technical assessment of the mineral assets contained within Phoenix Gold projects. This report specifically excludes any aspects relating to legal issues, commercial and financing matters, land titles and agreements, excepting such aspects as may directly influence the technical assessment of the assets.

The conclusions expressed in this report are valid as at 21 August 2015. The valuation is only appropriate for this date and may change with time and response to variations to economic, market, legal or political factors, in addition to ongoing exploration results.

All values are in Australian dollars unless otherwise indicated.

## **3. MINERAL TENURE**

Phoenix Gold currently holds 240 granted exploration, prospecting and mining licences covering approximately 435 km<sup>2</sup> in Western Australia's Eastern Goldfields, centred approximately 50 km northwest Kalgoorlie. For reporting convenience, the mineral assets have been grouped into the Kunanalling, Broads Dam, Carbine, Grants Patch, Ora Banda and Split Rocks projects (Figure 3.1).

In total, Phoenix Gold holds five granted exploration licences covering 81.2 km<sup>2</sup>, 169 granted prospecting licences covering 243.31 km<sup>2</sup> and 66 granted mining leases covering 110.76 km. (Table 1.3). Seven prospecting licences are listed as expired but renewals are currently in place for all except P16/2244 and P16/2245 which are expected to be replaced with P16/2817 and P16/2818.

Phoenix Gold also holds 30 general purpose leases and miscellaneous licences covering 52.0 km<sup>2</sup>. The general purpose leases and miscellaneous licences are for potential access/haulage, groundwater, infrastructure or accommodation requirements. As these tenements exclude mineral rights, Optiro has considered these only in general terms within its valuation.

Furthermore, Phoenix Gold hold a 15% interest in four prospecting licences in joint venture with Barra Resources Limited covering 7.14 km<sup>2</sup> at the Carbine South prospect (Barra JV). A further one mining lease and four prospecting licences (6.09 km<sup>2</sup>) are held in joint venture with La Mancha Resources Australia Pty Ltd at the Cutter’s Ridge prospect with Phoenix Gold holding a 49% interest (La Mancha JV).

Current tenement rental across the licences is \$0.24 M and minimum annual expenditure is \$2.45 M.

Figure 3.1 Phoenix Gold tenements and project areas (source: Phoenix Gold)

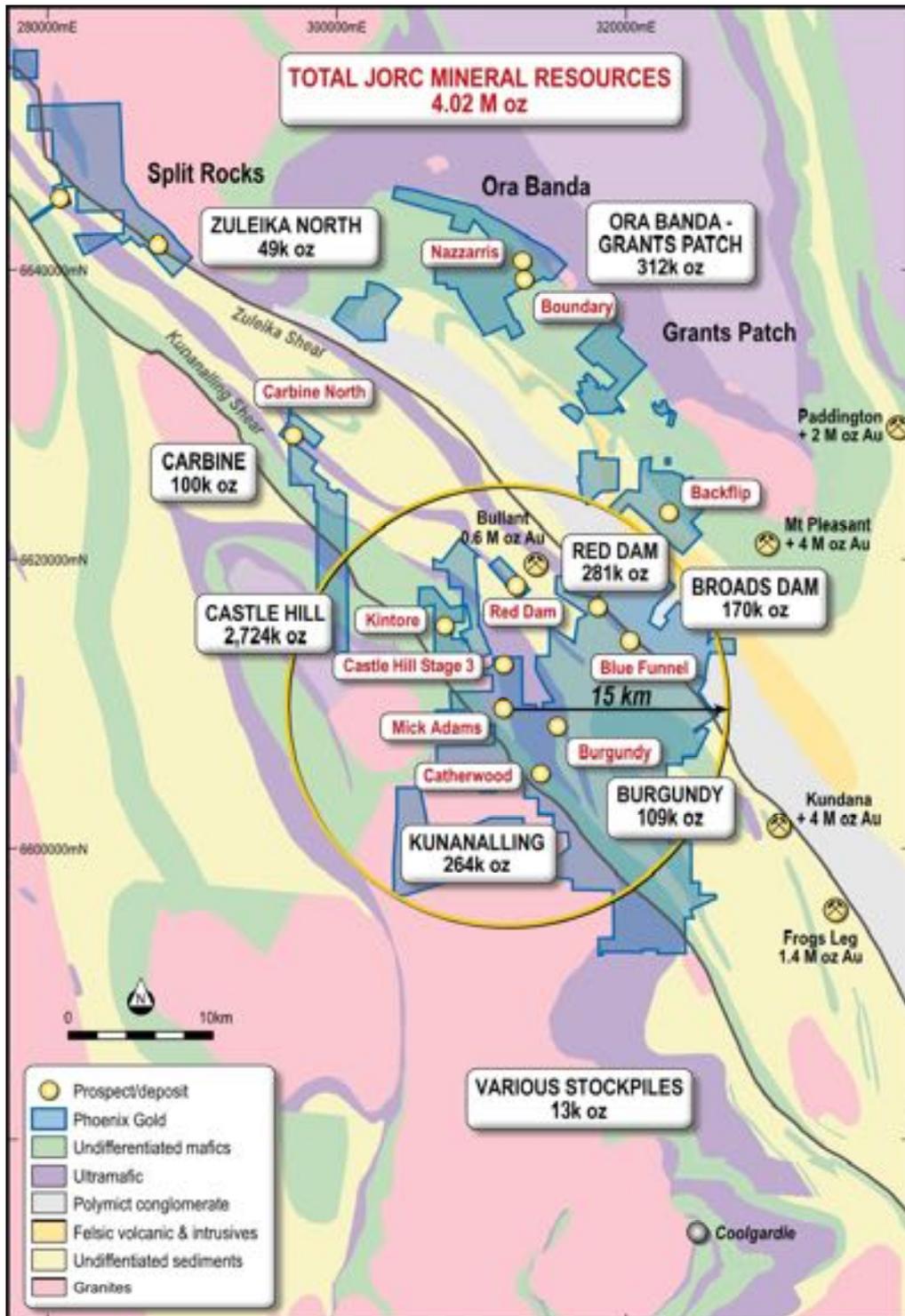


Table 3.1 Phoenix Gold - tenement summary

Tenement number	Tenement name	Tenement holder	Area (km <sup>2</sup> )	Status	Grant date	Expiry date	%
<b>Carbine</b>							
P16/2445	Carbine	Hayes Mining Pty Ltd	2.00	Granted	14 Jan 09	13 Jan 17	100%
P16/2446	Carbine	Hayes Mining Pty Ltd	2.00	Granted	14 Jan 09	13 Jan 17	100%
P16/2447	Carbine	Hayes Mining Pty Ltd	2.00	Granted	14 Jan 09	13 Jan 17	100%
P16/2450	Carbine	Hayes Mining Pty Ltd	1.97	Granted	12 Mar 08	11 Mar 16	100%
P16/2451	Carbine	Hayes Mining Pty Ltd	1.96	Granted	12 Mar 08	11 Mar 16	100%
P16/2452	Carbine	Hayes Mining Pty Ltd	1.97	Granted	12 Mar 08	11 Mar 16	100%
P16/2453	Carbine	Hayes Mining Pty Ltd	1.97	Granted	12 Mar 08	11 Mar 16	100%
P16/2746		Hayes Mining Pty Ltd	1.71	Granted	14 Jun 12	13 Jun 16	100%
P16/2768	Carbine	Phoenix Gold Ltd	1.40	Granted	24 Jan 13	23 Jan 17	100%
P16/2791	Carbine	Phoenix Gold Ltd	2.00	Granted	18 Jul 13	17 Jul 17	100%
P16/2792	Carbine	Phoenix Gold Ltd	2.00	Granted	18 Jul 13	17 Jul 17	100%
P16/2793	Carbine	Phoenix Gold Ltd	0.84	Granted	18 Jul 13	17 Jul 17	100%
P16/2803	Carbine West	Hayes Mining Pty Ltd	2.00	Granted	11 Dec 13	10 Dec 17	100%
P16/2804	Carbine West	Hayes Mining Pty Ltd	2.00	Granted	11 Dec 13	10 Dec 17	100%
P16/2447	Carbine	Hayes Mining Pty Ltd	2.00	Granted	14 Jan 09	13 Jan 17	100%
P16/2450	Carbine	Hayes Mining Pty Ltd	1.97	Granted	12 Mar 08	11 Mar 16	100%
P16/2451	Carbine	Hayes Mining Pty Ltd	1.96	Granted	12 Mar 08	11 Mar 16	100%
P16/2452	Carbine	Hayes Mining Pty Ltd	1.97	Granted	12 Mar 08	11 Mar 16	100%
P16/2453	Carbine	Hayes Mining Pty Ltd	1.97	Granted	12 Mar 08	11 Mar 16	100%
P16/2746		Hayes Mining Pty Ltd	1.71	Granted	14 Jun 12	13 Jun 16	100%
P16/2768	Carbine	Phoenix Gold Ltd	1.40	Granted	24 Jan 13	23 Jan 17	100%
<b>Kunanalling</b>							
M15/0696	Northlander	Phoenix Gold Ltd	6.44	Granted	22 Dec 94	21 Dec 15	100%
M16/0015	Kunanalling	Hayes Mining Pty Ltd	0.09	Granted	10 Apr 85	9 Apr 27	100%
M16/0016	Kintore	Phoenix Gold Ltd	0.17	Granted	4 Feb 85	3 Feb 27	100%
M16/0017	Kunanalling	Hayes Mining Pty Ltd	0.09	Granted	15 Apr 85	14 Apr 27	100%
M16/0022	Kintore	Hayes Mining Pty Ltd	0.02	Granted	4 Jul 86	3 Jul 28	100%
M16/0024	Kunanalling	Hayes Mining Pty Ltd	2.69	Granted	24 Jul 86	23 Jul 28	100%
M16/0033	Kunanalling	Hayes Mining Pty Ltd	1.00	Granted	28 Jan 87	27 Jan 29	100%
M16/0036	Kunanalling	Hayes Mining Pty Ltd	0.08	Granted	28 Jan 87	27 Jan 29	100%
M16/0040	Kia Ora Dam	Hayes Mining Pty Ltd	0.08	Granted	17 Mar 87	16 Mar 29	100%
M16/0047	Blue Bell	Hayes Mining Pty Ltd	0.05	Granted	15 Sep 87	14 Sep 29	100%
M16/0052	Kunanalling	Hayes Mining Pty Ltd	0.10	Granted	3 Nov 87	2 Nov 29	100%
M16/0099	Kunanalling	Hayes Mining Pty Ltd	0.05	Granted	15 Feb 89	14 Feb 31	100%
M16/0139	Kunanalling	Hayes Mining Pty Ltd	4.55	Granted	22 Jan 90	21 Jan 32	100%
M16/0140	Kunanalling	Hayes Mining Pty Ltd	3.74	Granted	12 Apr 91	11 Apr 33	100%
M16/0141	Kintore	Hayes Mining Pty Ltd	0.85	Granted	22 Aug 90	21 Aug 32	100%
M16/0152	Kunanalling	Hayes Mining Pty Ltd	0.22	Granted	28 Mar 90	27 Mar 32	100%
M16/0178	Kunanalling	Hayes Mining Pty Ltd	2.41	Granted	12 Nov 91	11 Nov 33	100%
M16/0179	Kintore	Hayes Mining Pty Ltd	0.10	Granted	12 Nov 91	11 Nov 33	100%
M16/0183	Kintore	Hayes Mining Pty Ltd	1.13	Granted	6 Mar 92	5 Mar 34	100%
M16/0189	London	Hayes Mining Pty Ltd	0.10	Granted	27 Jan 93	26 Jan 35	100%
M16/0195	London	Hayes Mining Pty Ltd	0.05	Granted	20 Oct 93	19 Oct 35	100%
M16/0198	London	Hayes Mining Pty Ltd	1.01	Granted	14 Apr 94	13 Apr 36	100%

Tenement number	Tenement name	Tenement holder	Area (km <sup>2</sup> )	Status	Grant date	Expiry date	%
M16/0199	Kunanalling	Phoenix Gold Ltd	1.99	Granted	4 Aug 94	3 Aug 36	100%
M16/0200	Kunanalling	Phoenix Gold Ltd	3.10	Granted	4 Aug 94	3 Aug 36	100%
M16/0215	Kintore	Phoenix Gold Ltd	1.33	Granted	15 Sep 94	14 Sep 15	100%
M16/0217	Blue Bell	Hayes Mining Pty Ltd	0.90	Granted	24 Jan 95	23 Jan 16	95%
M16/0236	Kunanalling	Hayes Mining Pty Ltd	0.33	Granted	5 Sep 97	4 Sep 18	100%
M16/0248	Kunanalling	Hayes Mining Pty Ltd	1.46	Granted	23 Sep 09	22 Sep 30	100%
M16/0306	Kunanalling	Hayes Mining Pty Ltd	0.17	Granted	4 Nov 97	3 Nov 18	100%
M16/0335	Kunanalling	Hayes Mining Pty Ltd	0.00	Granted	4 Nov 97	3 Nov 18	100%
M16/0354	Kintore	Hayes Mining Pty Ltd	1.43	Granted	16 Aug 07	15 Aug 28	100%
M16/0444	Kintore	Phoenix Gold Ltd	0.10	Granted	8 May 01	7 May 22	100%
M16/0451	Kunanalling	Hayes Mining Pty Ltd	0.07	Granted	30 Aug 01	29 Aug 22	100%
M16/0526	Kunanalling	Hayes Mining Pty Ltd	0.97	Granted	14 Jul 11	13 Jul 32	100%
M16/0527	Kunanalling	Phoenix Gold Ltd	3.02	Granted	4 Aug 11	3 Aug 32	100%
M16/0532	Castle Hill	Hayes Mining Pty Ltd	1.10	Granted	4 Feb 14	3 Feb 35	100%
M16/0533	Castle Hill	Hayes Mining Pty Ltd	0.10	Granted	4 Feb 14	3 Feb 35	100%
M16/0536	Castle Hill	Phoenix Gold Ltd	1.72	Granted	14 Aug 14	13 Aug 35	100%
M16/0537	Castle Hill	Hayes Mining Pty Ltd	3.98	Granted	14 Aug 14	13 Aug 35	100%
M16/0538	Kintore	Phoenix Gold Ltd	1.59	Granted	4 Nov 14	3 Nov 35	100%
P15/4891	Kunanalling	Phoenix Gold Ltd	1.44	Granted	2 Oct 08	1 Oct 16	100%
P15/4892	Kunanalling	Phoenix Gold Ltd	0.10	Granted	2 Oct 08	1 Oct 16	100%
P15/4893	Kunanalling	Phoenix Gold Ltd	0.72	Granted	2 Oct 08	1 Oct 16	100%
P15/4894	Kunanalling	Phoenix Gold Ltd	1.92	Granted	2 Oct 08	1 Oct 16	100%
P15/4895	Gentle Annie North	Phoenix Gold Ltd	1.68	Granted	2 Oct 08	1 Oct 16	100%
P15/4896	Gentle Annie	Phoenix Gold Ltd	1.37	Granted	27 Mar 09	26 Mar 17	100%
P15/4897	Gentle Annie	Phoenix Gold Ltd	1.22	Granted	27 Mar 09	26 Mar 17	100%
P15/4898	North Lander	Phoenix Gold Ltd	1.78	Granted	27 Mar 09	26 Mar 17	100%
P15/4899	North Lander	Phoenix Gold Ltd	1.22	Granted	27 Mar 09	26 Mar 17	100%
P15/4900	Mt Burgess	Phoenix Gold Ltd	1.02	Granted	7 Apr 09	6 Apr 17	100%
P15/4901	Kunanalling	Phoenix Gold Ltd	1.15	Granted	2 Oct 08	1 Oct 16	100%
P15/4902	Kunanalling	Hayes Mining Pty Ltd	0.10	Granted	14 Jul 10	13 Jul 18	100%
P15/5022	Mt Burgess	Phoenix Gold Ltd	1.20	Granted	7 Apr 09	6 Apr 17	100%
P15/5023	Mt Burgess	Phoenix Gold Ltd	1.12	Granted	7 Apr 09	6 Apr 17	100%
P15/5024	Mt Burgess	Phoenix Gold Ltd	1.22	Granted	27 Mar 09	26 Mar 17	100%
P15/5025	Mt Burgess	Phoenix Gold Ltd	1.22	Granted	27 Mar 09	26 Mar 17	100%
P15/5920	Northlander	Phoenix Gold Ltd	1.74	Granted	3 Feb 15	2 Feb 19	100%
P15/5921	Northlander	Phoenix Gold Ltd	1.68	Granted	3 Feb 15	2 Feb 19	100%
P16/2223*	Kunanalling	Phoenix Gold Ltd	1.21	Granted	28 Mar 11	27 Mar 15	100%
P16/2415	Gentle Annie North	Phoenix Gold Ltd	1.75	Granted	2 Oct 08	1 Oct 16	100%
P16/2416	Gentle Annie North	Phoenix Gold Ltd	1.86	Granted	2 Oct 08	1 Oct 16	100%
P16/2417	Gentle Annie North	Phoenix Gold Ltd	1.95	Granted	2 Oct 08	1 Oct 16	100%
P16/2418	Gentle Annie North	Phoenix Gold Ltd	1.88	Granted	2 Oct 08	1 Oct 16	100%
P16/2431	Kunanalling	Hayes Mining Pty Ltd	1.70	Granted	24 Sep 08	23 Sep 16	100%
P16/2432	Kunanalling	Hayes Mining Pty Ltd	0.70	Granted	14 Jan 09	13 Jan 17	100%
P16/2448	Kunanalling	Hayes Mining Pty Ltd	1.06	Granted	2 Oct 08	1 Oct 16	100%
P16/2449	Kunanalling	Hayes Mining Pty Ltd	1.07	Granted	2 Oct 08	1 Oct 16	100%
P16/2552	Kintore	Hayes Mining Pty Ltd	1.49	Granted	17 Jun 10	16 Jun 18	100%

Tenement number	Tenement name	Tenement holder	Area (km <sup>2</sup> )	Status	Grant date	Expiry date	%
P16/2553	Kintore	Hayes Mining Pty Ltd	1.95	Granted	17 Jun 10	16 Jun 18	100%
P16/2554	Kintore	Hayes Mining Pty Ltd	1.76	Granted	17 Jun 10	16 Jun 18	100%
P16/2555	Kintore	Hayes Mining Pty Ltd	2.00	Granted	17 Jun 10	16 Jun 18	100%
P16/2556	Kintore	Hayes Mining Pty Ltd	1.21	Granted	17 Jun 10	16 Jun 18	100%
P16/2572	Kintore	Phoenix Gold Ltd	1.92	Granted	2 Jul 10	1 Jul 18	100%
P16/2573	Kintore	Phoenix Gold Ltd	0.98	Granted	2 Feb 10	1 Feb 18	100%
P16/2574	Kintore	Phoenix Gold Ltd	1.29	Granted	2 Feb 10	1 Feb 18	100%
P16/2582	Kintore	Hayes Mining Pty Ltd	1.65	Granted	15 Jul 10	14 Jul 18	100%
P16/2583	Kintore	Hayes Mining Pty Ltd	1.65	Granted	8 Jul 10	7 Jul 18	100%
P16/2598	Kunanalling	Phoenix Gold Ltd	1.32	Granted	10 Jun 10	9 Jun 18	100%
P16/2599	Kunanalling	Phoenix Gold Ltd	0.66	Granted	10 Jun 10	9 Jun 18	100%
P16/2600	Kunanalling	Phoenix Gold Ltd	1.21	Granted	10 Jun 10	9 Jun 18	100%
P16/2601	Kunanalling	Phoenix Gold Ltd	1.21	Granted	10 Jun 10	9 Jun 18	100%
P16/2602	Kunanalling	Phoenix Gold Ltd	1.21	Granted	10 Jun 10	9 Jun 18	100%
P16/2603	Kunanalling	Phoenix Gold Ltd	1.22	Granted	10 Jun 10	9 Jun 18	100%
P16/2604	Kunanalling	Phoenix Gold Ltd	1.99	Granted	4 Mar 11	3 Mar 19	100%
P16/2605	Kunanalling	Phoenix Gold Ltd	1.18	Granted	4 Mar 11	3 Mar 19	100%
P16/2606	Kunanalling	Phoenix Gold Ltd	1.68	Granted	16 Jun 10	15 Jun 18	100%
P16/2607	Kunanalling	Phoenix Gold Ltd	1.82	Granted	10 Jun 10	9 Jun 18	100%
P16/2608	Kunanalling	Phoenix Gold Ltd	1.11	Granted	10 Jun 10	9 Jun 18	100%
P16/2609	Kunanalling	Phoenix Gold Ltd	1.81	Granted	10 Jun 10	9 Jun 18	100%
P16/2610	Kunanalling	Phoenix Gold Ltd	1.60	Granted	10 Jun 10	9 Jun 18	100%
P16/2611	Kunanalling	Phoenix Gold Ltd	1.88	Granted	10 Jun 10	9 Jun 18	100%
P16/2612	Kunanalling	Phoenix Gold Ltd	1.70	Granted	10 Jun 10	9 Jun 18	100%
P16/2613	Kunanalling	Phoenix Gold Ltd	1.75	Granted	10 Jun 10	9 Jun 18	100%
P16/2614	Kunanalling	Phoenix Gold Ltd	0.93	Granted	10 Jun 10	9 Jun 18	100%
P16/2615	Kunanalling	Phoenix Gold Ltd	1.22	Granted	10 Jun 10	9 Jun 18	100%
P16/2616	Kunanalling	Phoenix Gold Ltd	1.75	Granted	10 Jun 10	9 Jun 18	100%
P16/2624	Kintore	Phoenix Gold Ltd	1.16	Granted	12 Apr 10	11 Apr 18	100%
P16/2641	Kunanalling	Phoenix Gold Ltd	2.00	Granted	2 Jul 10	1 Jul 18	100%
P16/2649	Kunanalling	Phoenix Gold Ltd	0.16	Granted	29 Jul 10	28 Jul 18	100%
P16/2652	Kunanalling	Phoenix Gold Ltd	1.22	Granted	28 Jul 10	27 Jul 18	95%
P16/2660		Phoenix Gold Ltd	1.13	Granted	26 Jul 10	25 Jul 18	100%
P16/2669	Broads Dam	Phoenix Gold Ltd	1.40	Granted	6 Oct 11	5 Oct 15	100%
P16/2670	Broads Dam	Phoenix Gold Ltd	1.49	Granted	6 Oct 11	5 Oct 15	100%
P16/2683*	Kintore	Phoenix Gold Ltd	1.25	Granted	4 Jul 11	3 Jul 15	100%
P16/2684*	Kintore	Phoenix Gold Ltd	1.54	Granted	4 Jul 11	3 Jul 15	100%
P16/2770		Hayes Mining Pty Ltd	0.08	Granted	30 Jan 13	29 Jan 17	100%
P16/2771		Hayes Mining Pty Ltd	0.05	Granted	30 Jan 13	29 Jan 17	100%
P16/2778	Kunanalling	Hayes Mining Pty Ltd	1.98	Granted	2 Apr 13	1 Apr 17	100%
P16/2779	Kunanalling	Hayes Mining Pty Ltd	1.98	Granted	2 Apr 13	1 Apr 17	100%
P16/2780	Kunanalling	Hayes Mining Pty Ltd	1.94	Granted	2 Apr 13	1 Apr 17	100%
P16/2781	Kunanalling	Hayes Mining Pty Ltd	1.13	Granted	2 Apr 13	1 Apr 17	100%
P16/2782	Kunanalling	Hayes Mining Pty Ltd	1.81	Granted	2 Apr 13	1 Apr 17	100%
P16/2787		Phoenix Gold Ltd	1.22	Granted	13 May 13	12 May 17	100%
P16/2788		Phoenix Gold Ltd	0.82	Granted	13 May 13	12 May 17	100%

Tenement number	Tenement name	Tenement holder	Area (km <sup>2</sup> )	Status	Grant date	Expiry date	%	
P16/2789	Kintore	Phoenix Gold Ltd	0.22	Granted	13 May 13	12 May 17	100%	
P16/2815		Phoenix Gold Ltd	1.91	Granted	27 Feb 14	26 Feb 18	100%	
P16/2816		Phoenix Gold Ltd	1.92	Granted	27 Feb 14	26 Feb 18	100%	
P16/2829		Hayes Mining Pty Ltd	1.05	Granted	5 Sep 14	4 Sep 18	100%	
P16/2830		Phoenix Gold Ltd	1.23	Granted	5 Sep 14	4 Sep 18	100%	
P16/2831		Phoenix Gold Ltd	1.22	Granted	5 Sep 14	4 Sep 18	100%	
P16/2832		Phoenix Gold Ltd	1.23	Granted	5 Sep 14	4 Sep 18	100%	
P16/2833		Phoenix Gold Ltd	1.06	Granted	5 Sep 14	4 Sep 18	100%	
P16/2834		Phoenix Gold Ltd	0.06	Granted	5 Sep 14	4 Sep 18	100%	
P16/2862		Phoenix Gold Ltd	0.05	Granted	4 Feb 15	3 Feb 19	100%	
P16/2863		Phoenix Gold Ltd	1.88	Granted	4 Feb 15	3 Feb 19	100%	
P16/2864		Phoenix Gold Ltd	1.97	Granted	3 Feb 15	2 Feb 19	100%	
P16/2865		Phoenix Gold Ltd	1.90	Granted	3 Feb 15	2 Feb 19	100%	
P16/2866		Phoenix Gold Ltd	2.00	Granted	3 Feb 15	2 Feb 19	100%	
<b>Broads Dam</b>								
E16/0359		West Kalgoorlie (Carrick)	Phoenix Gold Ltd	5.60	Granted	3 Dec 08	2 Dec 18	100%
E16/0360	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	5.60	Granted	24 Aug 09	23 Aug 19	100%	
E16/0364	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	25.20	Granted	24 Aug 09	23 Aug 19	100%	
E16/0371	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	11.20	Granted	24 Aug 09	23 Aug 19	100%	
M16/0019	Kintore; East of	Phoenix Gold Ltd	1.09	Granted	16 Oct 85	15 Oct 27	100%	
M16/0344	Red Dam	Phoenix Gold Ltd	2.72	Granted	19 Apr 07	18 Apr 28	100%	
M16/0535		Phoenix Gold Ltd	2.99	Granted	18 Nov 14	17 Nov 35	100%	
P16/2244*	Broads Dam	Hayes Mining Pty Ltd	0.52	Granted	1 Oct 09	30 Sep 13	100%	
P16/2245*	Broads Dam	Hayes Mining Pty Ltd	1.73	Granted	1 Oct 09	30 Sep 13	100%	
P16/2375	Broads Dam	Phoenix Gold Ltd	1.56	Granted	25 Sep 08	24 Sep 16	100%	
P16/2376	Broads Dam	Phoenix Gold Ltd	1.44	Granted	25 Sep 08	24 Sep 16	100%	
P16/2378	Broads Dam	Phoenix Gold Ltd	2.00	Granted	25 Sep 08	24 Sep 16	100%	
P16/2379	Broads Dam	Phoenix Gold Ltd	2.00	Granted	25 Sep 08	24 Sep 16	100%	
P16/2381	Broads Dam	Phoenix Gold Ltd	1.80	Granted	25 Sep 08	24 Sep 16	100%	
P16/2382	Broads Dam	Phoenix Gold Ltd	1.83	Granted	25 Sep 08	24 Sep 16	100%	
P16/2383	Broads Dam	Phoenix Gold Ltd	1.76	Granted	25 Sep 08	24 Sep 16	100%	
P16/2384	Broads Dam	Phoenix Gold Ltd	2.00	Granted	25 Sep 08	24 Sep 16	100%	
P16/2385	Broads Dam	Phoenix Gold Ltd	1.83	Granted	25 Sep 08	24 Sep 16	100%	
P16/2386	Broads Dam	Phoenix Gold Ltd	1.90	Granted	25 Sep 08	24 Sep 16	100%	
P16/2387	Broads Dam	Phoenix Gold Ltd	1.74	Granted	25 Sep 08	24 Sep 16	100%	
P16/2388	Broads Dam	Phoenix Gold Ltd	1.43	Granted	25 Sep 08	24 Sep 16	100%	
P16/2540	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.84	Granted	5 Mar 08	4 Mar 16	100%	
P16/2541	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.93	Granted	5 Mar 08	4 Mar 16	100%	
P16/2542	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.58	Granted	5 Mar 08	4 Mar 16	100%	
P16/2543	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.21	Granted	5 Aug 10	4 Aug 18	100%	
P16/2544	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	0.90	Granted	5 Aug 10	4 Aug 18	100%	
P16/2560	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.87	Granted	30 Dec 09	29 Dec 17	100%	
P16/2561	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	2.00	Granted	30 Dec 09	29 Dec 17	100%	
P16/2562	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.60	Granted	30 Dec 09	29 Dec 17	100%	
P16/2563	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	2.00	Granted	30 Dec 09	29 Dec 17	100%	
P16/2676	Broad Dam	Hayes Mining Pty Ltd	2.00	Granted	4 Jan 12	3 Jan 16	100%	

Tenement number	Tenement name	Tenement holder	Area (km <sup>2</sup> )	Status	Grant date	Expiry date	%
P16/2687	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	2.00	Granted	28 Apr 11	27 Apr 19	100%
P16/2688	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.75	Granted	28 Apr 11	27 Apr 19	100%
P16/2772		Phoenix Gold Ltd	0.03	Granted	30 Jan 13	29 Jan 17	100%
P16/2773		Phoenix Gold Ltd	0.02	Granted	30 Jan 13	29 Jan 17	100%
P24/4039	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	1.82	Granted	6 Nov 07	5 Nov 15	100%
<b>Split Rocks</b>							
E16/0402	Chadwin	Phoenix Gold Ltd	33.60	Granted	16 Feb 11	15 Feb 16	100%
M16/0029	Credo Station Area	Hayes Mining Pty Ltd	1.20	Granted	16 Sep 86	15 Sep 28	100%
M16/0032	Chadwin	Hayes Mining Pty Ltd	5.58	Granted	3 Dec 86	2 Dec 28	100%
M16/0187	Carbine North	Phoenix Gold Ltd	2.79	Granted	23 Mar 93	22 Mar 35	100%
M16/0405	Chadwin	Hayes Mining Pty Ltd	1.19	Granted	12 Oct 07	11 Oct 28	100%
P16/2794	Chadwin	Phoenix Gold Ltd	1.99	Granted	18 Jul 13	17 Jul 17	100%
P16/2795	Chadwin	Phoenix Gold Ltd	1.20	Granted	18 Jul 13	17 Jul 17	100%
P16/2796	Chadwin	Phoenix Gold Ltd	1.52	Granted	18 Jul 13	17 Jul 17	100%
P16/2797	Chadwin	Phoenix Gold Ltd	1.97	Granted	18 Jul 13	17 Jul 17	100%
P24/4790		Phoenix Gold Ltd	0.35	Granted	27 Aug 14	26 Aug 18	100%
<b>Grants Patch</b>							
M24/0067	Dark Horse	Hayes Mining Pty Ltd	0.26	Granted	12 Sep 85	11 Sep 27	100%
M24/0100	Three Boys	Hayes Mining Pty Ltd	0.12	Granted	17 Sep 87	16 Sep 29	100%
M24/0195	Ora Banda	Hayes Mining Pty Ltd	3.54	Granted	5 May 88	4 May 30	100%
M24/0196	Ora Banda	Hayes Mining Pty Ltd	2.67	Granted	5 May 88	4 May 30	100%
M24/0366	Lady Bountiful	Hayes Mining Pty Ltd	9.54	Granted	2 May 90	1 May 32	100%
M24/0367	Balgarrie	Hayes Mining Pty Ltd	2.19	Granted	19 Feb 91	18 Feb 33	100%
M24/0391	Laurie Dam	Hayes Mining Pty Ltd	1.21	Granted	31 Jan 92	30 Jan 34	100%
M24/0404	Grants Patch	Hayes Mining Pty Ltd	1.05	Granted	25 Jan 93	24 Jan 35	100%
M24/0463	Tattersalls	Hayes Mining Pty Ltd	0.19	Granted	3 Mar 95	2 Mar 16	100%
M24/0558	Balgarri	Hayes Mining Pty Ltd	2.79	Granted	30 Mar 07	29 Mar 28	100%
M24/0603	Balgarri	Hayes Mining Pty Ltd	1.05	Granted	19 Feb 98	18 Feb 19	100%
M24/0604	Balgarri West	Hayes Mining Pty Ltd	4.84	Granted	23 Sep 09	22 Sep 30	100%
M24/0644	Black Flag	Hayes Mining Pty Ltd	0.36	Granted	23 Sep 09	22 Sep 30	100%
M24/0707	Grants Patch	Hayes Mining Pty Ltd	0.05	Granted	21 Jun 99	20 Jun 20	100%
M24/0713	Ora Banda	Hayes Mining Pty Ltd	0.05	Granted	9 Jun 99	8 Jun 20	100%
P24/4123	Grants Patch	Hayes Mining Pty Ltd	1.84	Granted	25 Feb 09	24 Feb 17	100%
P24/4124	Grants Patch	Hayes Mining Pty Ltd	2.00	Granted	25 Feb 09	24 Feb 17	100%
P24/4125	Grants Patch	Hayes Mining Pty Ltd	2.00	Granted	25 Feb 09	24 Feb 17	100%
P24/4126	Grants Patch	Hayes Mining Pty Ltd	1.38	Granted	25 Feb 09	24 Feb 17	100%
P24/4132	Grants Patch	Hayes Mining Pty Ltd	2.00	Granted	25 Feb 09	24 Feb 17	100%
P24/4133	Grants Patch	Hayes Mining Pty Ltd	2.00	Granted	25 Feb 09	24 Feb 17	100%
P24/4134	Grants Patch	Hayes Mining Pty Ltd	2.00	Granted	25 Feb 09	24 Feb 17	100%
P24/4135	Grants Patch	Hayes Mining Pty Ltd	0.07	Granted	25 Feb 09	24 Feb 17	100%
P24/4168	Grants Patch	Hayes Mining Pty Ltd	1.94	Granted	16 Feb 09	15 Feb 17	100%
P24/4292	West Kalgoorlie (Carrick)	Phoenix Gold Ltd	0.06	Granted	21 Aug 08	20 Aug 16	100%
P24/4787	Lady Bountiful	Hayes Mining Pty Ltd	0.08	Granted	16 Apr 14	15 Apr 18	100%
<b>Ora Banda</b>							
M24/0274	Ora Banda	Hayes Mining Pty Ltd	4.44	Granted	29 Mar 89	28 Mar 31	100%
M24/0388	Ora Banda	Hayes Mining Pty Ltd	7.91	Granted	15 Oct 91	14 Oct 33	100%

Tenement number	Tenement name	Tenement holder	Area (km <sup>2</sup> )	Status	Grant date	Expiry date	%
M24/0413	Paddy Knob Bore	Hayes Mining Pty Ltd	0.30	Granted	15 Apr 93	14 Apr 35	100%
M24/0436	Ora Banda	Hayes Mining Pty Ltd	2.27	Granted	1 Jun 94	31 May 36	100%
P24/4098	Ora Banda	Hayes Mining Pty Ltd	0.75	Granted	24 Feb 09	23 Feb 17	100%
P24/4099	Ora Banda	Hayes Mining Pty Ltd	2.00	Granted	24 Feb 09	23 Feb 17	100%
P24/4100	Ora Banda	Hayes Mining Pty Ltd	1.94	Granted	24 Feb 09	23 Feb 17	100%
P24/4101	Ora Banda	Hayes Mining Pty Ltd	0.20	Granted	24 Feb 09	23 Feb 17	100%
P24/4102	Ora Banda	Hayes Mining Pty Ltd	0.15	Granted	24 Feb 09	23 Feb 17	100%
P24/4103	Ora Banda	Hayes Mining Pty Ltd	1.67	Granted	24 Feb 09	23 Feb 17	100%
P24/4104	Ora Banda	Hayes Mining Pty Ltd	1.88	Granted	24 Feb 09	23 Feb 17	100%
P24/4105	Ora Banda	Hayes Mining Pty Ltd	1.99	Granted	24 Feb 09	23 Feb 17	100%
P24/4111	Ora Banda	Hayes Mining Pty Ltd	1.75	Granted	25 Feb 09	24 Feb 17	100%
P24/4112	Ora Banda	Hayes Mining Pty Ltd	1.80	Granted	25 Feb 09	24 Feb 17	100%
P24/4113	Ora Banda	Hayes Mining Pty Ltd	1.67	Granted	25 Feb 09	24 Feb 17	100%
P24/4114	Ora Banda	Hayes Mining Pty Ltd	1.77	Granted	25 Feb 09	24 Feb 17	100%
P24/4115	Ora Banda	Hayes Mining Pty Ltd	1.82	Granted	25 Feb 09	24 Feb 17	100%
P24/4116	Ora Banda	Hayes Mining Pty Ltd	1.69	Granted	25 Feb 09	24 Feb 17	100%
P24/4117	Ora Banda	Hayes Mining Pty Ltd	1.61	Granted	25 Feb 09	24 Feb 17	100%
P24/4118	Ora Banda	Hayes Mining Pty Ltd	1.56	Granted	25 Feb 09	24 Feb 17	100%
P24/4119	Ora Banda	Hayes Mining Pty Ltd	2.00	Granted	25 Feb 09	24 Feb 17	100%
P24/4137	Ora Banda	Hayes Mining Pty Ltd	0.15	Granted	11 Dec 07	10 Dec 15	100%
P24/4138	Ora Banda	Hayes Mining Pty Ltd	1.33	Granted	11 Dec 07	10 Dec 15	100%
P24/4380*	Ora Banda	Hayes Mining Pty Ltd	1.81	Granted	17 Aug 11	16 Aug 15	100%
P24/4381*	Ora Banda	Hayes Mining Pty Ltd	1.09	Granted	17 Aug 11	16 Aug 15	100%
P24/4470	Ora Banda	Phoenix Gold Ltd	0.07	Granted	21 Jun 10	20 Jun 18	100%
<b>Joint Ventures</b>							
P16/2422	Dunns Eight Mile	Barra Resources Limited	2.00	Granted	24 Sep 08	23 Sep 16	15%
P16/2423	Dunns Eight Mile	Barra Resources Limited	2.00	Granted	24 Sep 08	23 Sep 16	15%
P16/2424	Carbine	Barra Resources Limited	1.27	Granted	24 Sep 08	23 Sep 16	15%
P16/2425	Carbine	Barra Resources Limited	1.87	Granted	24 Sep 08	23 Sep 16	15%
M15/0692	Gentle Annie	La Mancha Resources Australia Pty Ltd	1.26	Granted	25 Mar 94	24 Mar 36	49%
P15/4863	Cutters Ridge	La Mancha Resources Australia Pty Ltd	2.00	Granted	28 Jul 08	27 Jul 16	49%
P15/4864	Cutters Ridge	La Mancha Resources Australia Pty Ltd	0.81	Granted	28 Jul 08	27 Jul 16	49%
P15/4865	Cutters Ridge	La Mancha Resources Australia Pty Ltd	1.92	Granted	28 Jul 08	27 Jul 16	49%
P15/4866	Cutters Ridge	La Mancha Resources Australia Pty Ltd	0.10	Granted	28 Jul 08	27 Jul 16	49%

\* renewal pending

Optiro has reviewed the standing of Phoenix Gold's tenements and whilst not qualified to provide legal opinion on the status of the licences they are considered to be in good order. Accordingly, Optiro is satisfied that Phoenix Gold has good and valid title to the described mining and exploration licences required to explore, develop and mine the projects in the manner proposed.

Optiro notes there are a number of royalty, contingency payment, native title and other agreements in place over a number of the tenements. These agreements are not considered to be unusual with

respect to other comparable Eastern Goldfields projects and are not considered to materially affect the valuation of the Mineral Resources or exploration potential.

## 4. KUNANALLING PROJECT

### 4.1. INTRODUCTION AND TENURE

The Kunanalling project comprises 128 licences (40 mining leases and 88 prospecting licences) covering 166.7 km<sup>2</sup>. The project is located approximately 35 km west of Kalgoorlie and covers the historic Kunanalling mining region including the Mick Adams, Kintore and Rayjax deposits. Access to the project area from Kalgoorlie is via the Great Eastern Highway, Coolgardie North Road and various station and mine roads.

### 4.2. GEOLOGY

#### 4.2.1. REGIONAL GEOLOGY

Regionally the Kunanalling project area is located on the western margin of the Norseman-Wiluna Greenstone Belt within the Coolgardie Domain of the Kalgoorlie Terrane. The project area covers the Kunanalling Shear Zone which is a trans-crustal feature separating the Coolgardie domain from the Ora Banda domain to the east. The Coolgardie domain comprises a folded sequence of metamorphosed tholeiitic, high magnesian and komatiitic basalts with minor intercalated felsic to intermediate volcanic sediments. The sequence is stratigraphically conformable with the Black Flag Beds within the Ora Banda domain.

The sequence has been intruded by conformable syntectonic dolerites, gabbros and stocks of monzogranitic, tonalitic and granodioritic composition. The sequence in the Kunanalling area strikes northwest and dips steeply to the northeast. The stratigraphy has been metamorphosed to upper greenschist/lower amphibolite facies to the east of the Kunanalling Shear and to a higher metamorphic grade to the west. The complex structural history of the area is dominated by development of the trans-crustal Kunanalling Shear during emplacement of regional granites and subsequence oblique movement.

Gold mineralisation within the Kunanalling area is hosted by the Coolgardie Domain and is preferentially located in areas of high strain associated with the Zulieka and Kunanalling Shear Zones. The Kunanalling Shear Zone, which cuts through anticlinal fold hinges in the Coolgardie North region has been the conduit for the intrusion of numerous mineralised porphyries between the Amphibolite Prospect to the south, through the Star of Fremantle, Blue Bell, Premier and Catherwood Mines and into the Castle Hill Project area further north. The intersection of the north-northwest trending Kunanalling Shear Zone and the extension of the southwest trending Black Flag Fault is considered to be a primary influence on the location of significant mineralisation at the historic Northlander Mining Centre.

#### 4.2.2. LOCAL GEOLOGY

The Kunanalling project is underlain entirely by rocks of the Coolgardie Domain, a sub-domain of the Kalgoorlie Terrane. The Coolgardie Domain from oldest to youngest, is subdivided into:

- Coolgardie Group

- Burbanks Formation - pillowed tholeiitic basalt
  - 3 Mile Sill – differentiated mafic sill from gabbro to quartz dolerite
- Hampton Formation - komatiitic flows with minor shale bands and thick ultramafic flows and cumulates
- Blank Flag Group
  - Spargoville Formation - interbedded fine-grained felsic clastics
    - Powder Sill – fractionated gabbro-norite through to granophyre
  - White Flag Formation – volcanoclastics, Pipeline Andesite

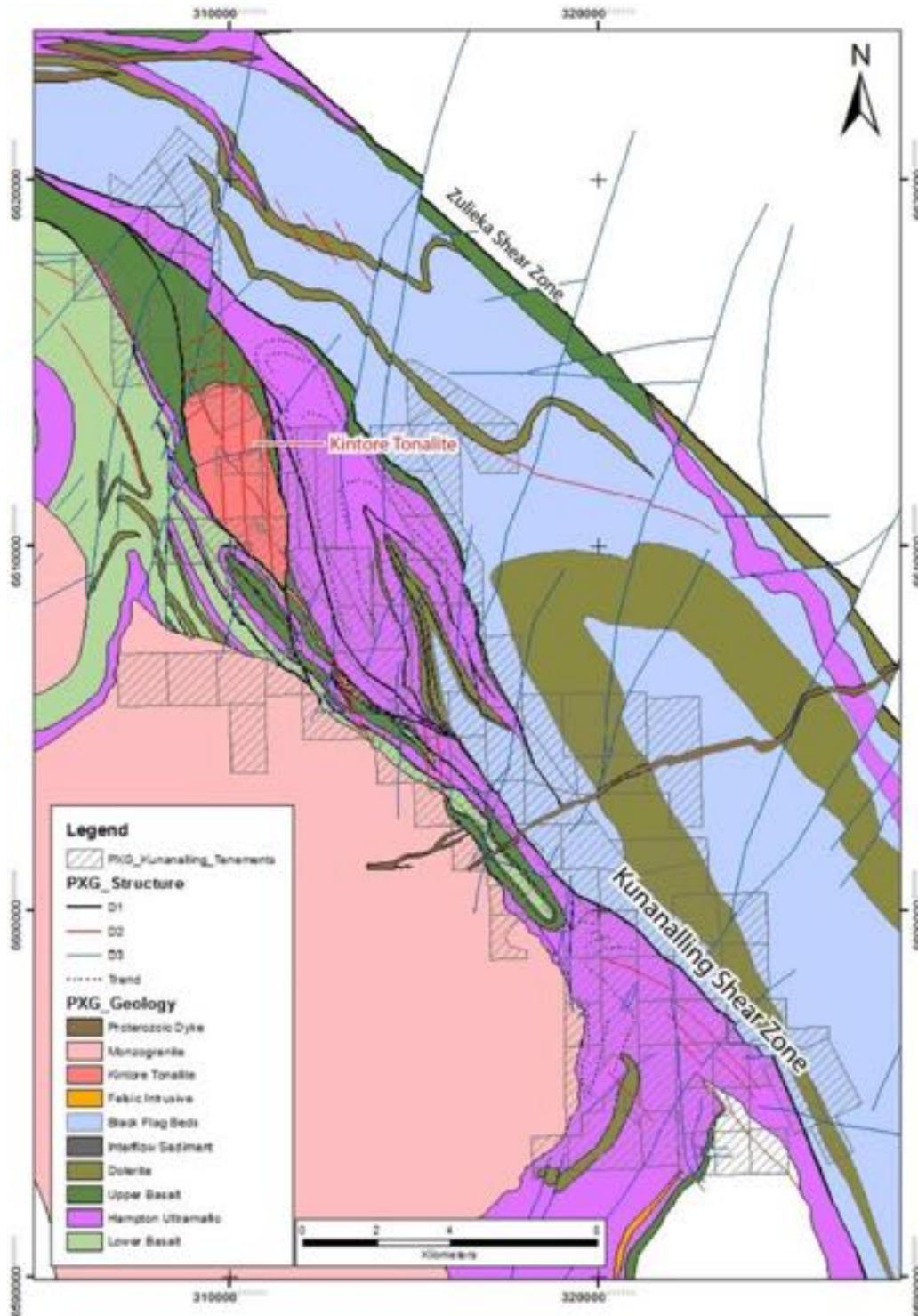
The Telegraph area, in the northeastern part of the project area, is underlain by the western limb of the Telegraph Syncline which is comprised of folded komatiitic volcanics (Hampton Formation) and lesser metabasalt and dolerite. The Kunanalling project tenements in this area are mostly covered with sediments and ferruginous regolith associated with major drainage systems. The Telegraph Syncline hosts several significant prospects, notably Burgundy and Battery.

The main Kunanalling area comprises mafic and ultramafic volcanic and intrusive rocks of the Hampton Hill Formation with thin interflow tuffs and sedimentary rocks. Mafic and ultramafic rocks have been unconformably juxtaposed by faults within the Kunanalling Shear Zone. The shear zone comprises a series of bifurcating and anastomosing, narrow brittle fault zones which create a complex package of intercalated rocks where stratigraphy cannot be followed confidently for extended distances. Bedding in the area is defined mainly by contacts and is sub-parallel with regional foliation. The foliation is overprinted with a static, thermal metamorphic event as evidenced by coarse-grained, randomly oriented, acicular actinolite and tremolite visible in the Catherwood and Premier pits.

The northernmost tenements of the project area (Kintore area) lie within a greenstone sequence adjacent to an intrusive granitoid known as the Kintore Tonalite (Figure 4.1). The Kintore Tonalite is a moderate sized granitoid pluton (approximately 4 km long and 2 km wide) which has intruded along the eastern margin of the Kunanalling Shear. The granitoid has intruded greenstones comprising high magnesium basalts, gabbro, and komatiitic ultramafic rocks. The northern part of the tonalite dips gently below greenstone ridges and a line of small historic shafts have been sunk through the greenstone into the underlying tonalite with gold mineralisation found in both rock types.

In the southeastern part of the project area, the Kunanalling Shear mylonite zone is strongly sheared. This region represents the intersection with the southern extension of the Black Flag Fault. The southern and southwestern tenements overlie the northeastern parts of the Bali Monzogranite, which outcrops in several locations within this part of the project area. Large drainage systems and associated alluvium cover this area mostly draining to the south.

Figure 4.1 Kunanalling geology



## 5. BROADS DAM PROJECT

### 5.1. INTRODUCTION AND TENURE

The Broads Dam project comprises 36 granted tenements (four exploration licences, three mining leases and 29 prospecting licences) covering a total of 100.5 km<sup>2</sup>. The project area is located 45 km north-northwest of Kalgoorlie and lie within the Coolgardie mineral field. Access to the general

project area from Kalgoorlie is gained via the Goldfields Highway and Black Flag Road. Individual tenements are then accessed via various station and mine roads.

## **5.2. GEOLOGY**

### **5.2.1. REGIONAL GEOLOGY**

The Broads Dam project area straddles a portion of the northwest striking Zuleika Shear Zone which marks the boundary between the Coolgardie and Ora Banda domains of the Kalgoorlie Terrain. The Zuleika Shear Zone is interpreted as one of the major internal domain boundaries and has been interpreted by the Geological Survey of Western Australia (GSWA) as extending some 250 km across the Widgiemooltha, Kalgoorlie and Menzies 1:250,000 map sheets. The shear juxtaposes rocks of the Black Flag Group with the younger rocks of the Kurrawang Formation and is interpreted as having a sinistral sense of movement.

The Zuleika Shear Zone is host to numerous gold deposits including Northern Star Resources Limited's Kundana Camp, Norton Gold Fields Limited's Bullant Mine and Gold Fields Limited's Cave Rocks Mine among others. Phoenix Gold currently has three known deposits within the tenement package being the Broads Dam, Blue Funnel and Red Dam deposits.

### **5.2.2. LOCAL GEOLOGY**

From west to east the generalised geology (Figure 5.1) of the project area comprises:

- Felsic volcanic and meta-sedimentary rocks of the Black Flag Group comprising predominantly psammitic rocks containing clay, sericite and quartz and several shale/black shale units and minor porphyritic intrusive.
- Mafic and ultramafic rocks including talc-chlorite, talc-carbonate and tremolite-chlorite metamorphosed ultramafic rocks along with mafic rocks varying in grain size from metabasalt to meta-gabbro. These rocks are interpreted as being from the older Coolgardie Group and in the sheared axis of a tight anticline. This package of rocks contains both the Broads Dam and Blue Funnel deposits.
- Kurrawang Formation: meta-sedimentary rocks of this formation are dominated by polymict conglomerate containing varying amounts of well-rounded banded iron formation, quartz, quartzite, felsic, granitic and mafic pebbles and boulders. The conglomerates vary between clast and matrix supported.

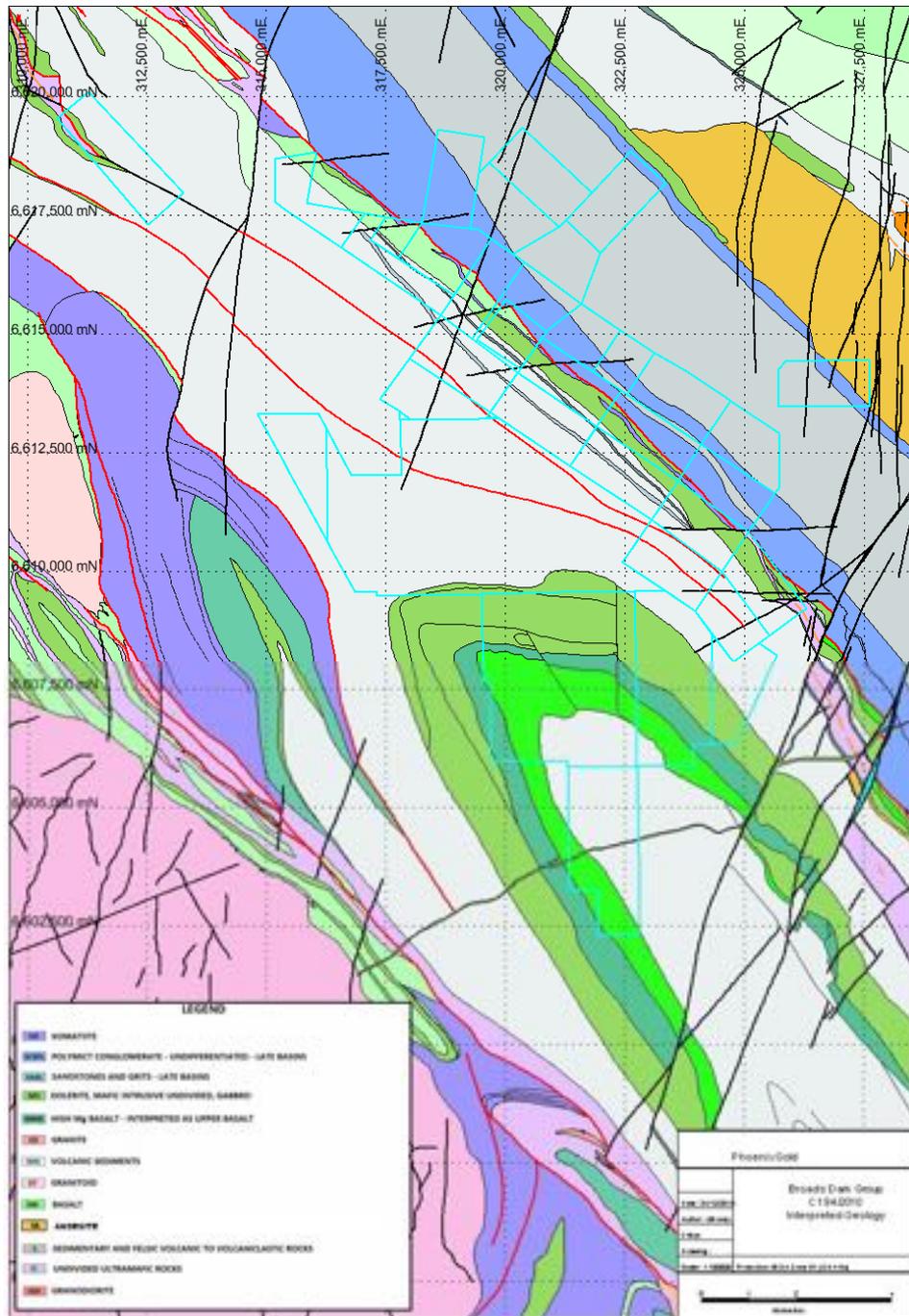
The stratigraphy strikes northwest-southeast and drilling to date has shown that the geology dips from sub-vertical to 60° to the northeast. Previous exploration has interpreted the unconformity at the contact of the conglomerate to be near vertical.

Depositional plains of a contemporary east-northeast drainage system cover the western portion of the tenement package. Transported cover is rarely thicker than 10 m, however, there are areas of the group lying under thicker cover. Outcrop in these areas is minimal.

Low hills dominate the eastern section along the Zuleika Shear Zone and contain minor amounts of outcrop/subcrop along with small mesas and breakaways of silicified and ferruginised material. Where cover exists in this area it is thin and generally less than 5 m. Below the colluvium and soil cover a partially stripped lateritic profile is developed on the Archaean bedrock and the in-situ

material is usually upper saprolite with depths of weathering (saprock/bedrock interface) in the order of 40 m to 70 m vertically.

Figure 5.1 Interpreted geology of the Broads Dam area with tenement boundaries



## 6. CARBINE WEST PROJECT

### 6.1. INTRODUCTION AND TENURE

The Carbine West project comprises 14 granted prospecting licences covering a total of 25.8 km<sup>2</sup>. The project area lies 60 km west of Kalgoorlie within the Coolgardie mineral field. Access to the general

area is gained via the Great Eastern Highway and the Coolgardie North Road then via various station and mine roads.

## **6.2. GEOLOGY**

### **6.2.1. REGIONAL GEOLOGY**

The regional geology at Carbine West is as described for the Kunanalling project in Section 4.2.1.

### **6.2.2. LOCAL GEOLOGY**

The Carbine West project area covers a greenstone sequence of ultramafic, talc-rich rocks, high magnesium basalt, tholeiitic basalt, dolerites, felsic volcanic rocks and intermediate porphyritic intrusive rocks. The sequence is separated from granodiorite in the northeastern part of the project by a shear zone, and numerous small stocks and dykes of intermediate to acid rocks have penetrated the greenstones.

Drilling at the Diablo prospect area has identified a small gold deposit hosted within porphyritic acid volcanic rocks. Mineralisation is associated with an en-echelon quartz vein array adjacent to a dolerite/basalt hangingwall contact zone.

## **7. GRANTS PATCH PROJECT**

### **7.1. INTRODUCTION AND TENURE**

The Grants Patch project comprises 26 granted tenements (15 mining leases and 11 prospecting licences) covering a total of 45.3 km<sup>2</sup>. The project area is located 45 km north-northwest of Kalgoorlie within the Broad Arrow and Coolgardie mineral fields. Access to the general project area from Kalgoorlie is gained via the Goldfields Highway and Broad Arrow-Ora Banda Road. Individual tenements are then accessed via various station and mine roads.

## **7.2. GEOLOGY**

### **7.2.1. REGIONAL GEOLOGY**

The Grants Patch project area overlies a portion of the Norseman-Wiluna greenstone belt of the Eastern Goldfields Province. The general stratigraphic sequence throughout the Mt Pleasant to Grants Patch area and within the fault-bounded terrains of the Norseman-Wiluna Belt comprises a lower basalt unit overlain by a komatiite unit, an upper basalt unit and a felsic volcano-sedimentary formation with mafic to ultramafic sills unconformably overlain by a coarse clastic sedimentary unit

### **7.2.2. LOCAL GEOLOGY**

The Grants Patch prospect overlies the southwestern limb of the southeast plunging Goongarrie-Mt Pleasant Anticline encompassing the prospective Grants Patch Group stratigraphy of the Ora Banda Domain. The west to southwest dipping stratigraphy strikes north-northwest to northwest and is cut by north-south and northeast-southwest trending faults (Figure 8.1). Large areas of the project are covered by colluvium and laterite deposits.

The stratigraphic sequence within the tenement group comprises from basal (northeast) to top (southwest) the Siberia Komatiite and overlying high magnesium basalt of the Linger and Die Group; the Grants Patch Group; intermediate to felsic volcanic rocks of the Black Flag Group and conglomerates and sandstones of the Kurrawang Formation.

The Grants Patch Group comprises two basalt sequences being the lower tholeiitic Bent Tree Basalt, comprising pillowed and massive non-porphyrific lava with some interflow sediment and contemporaneous gabbro and dolerite sills and an upper coarsely plagioclase-phyric basalt ('cat-rock') known as the Victorious Basalt. This sequence has been intruded by the layered mafic to ultramafic Mt Ellis and Mt Pleasant Sills which have been folded and metamorphosed with the enclosing rocks. A thin graphitic shale horizon separates the Bent Tree Basalt from the overlying Victorious Basalt.

The layered mafic to ultramafic sills intrude the lower Bent Tree Basalt sequence at two horizons. The Mt Ellis Sill/Enterprise Dolerite intrudes the sequence above the basal komatiite unit and below the Cashmans Sedimentary Unit. The Mount Pleasant Sill, which ranges in composition from peridotite to quartz gabbro, generally occurs at the base of the Bent Tree Basalt.

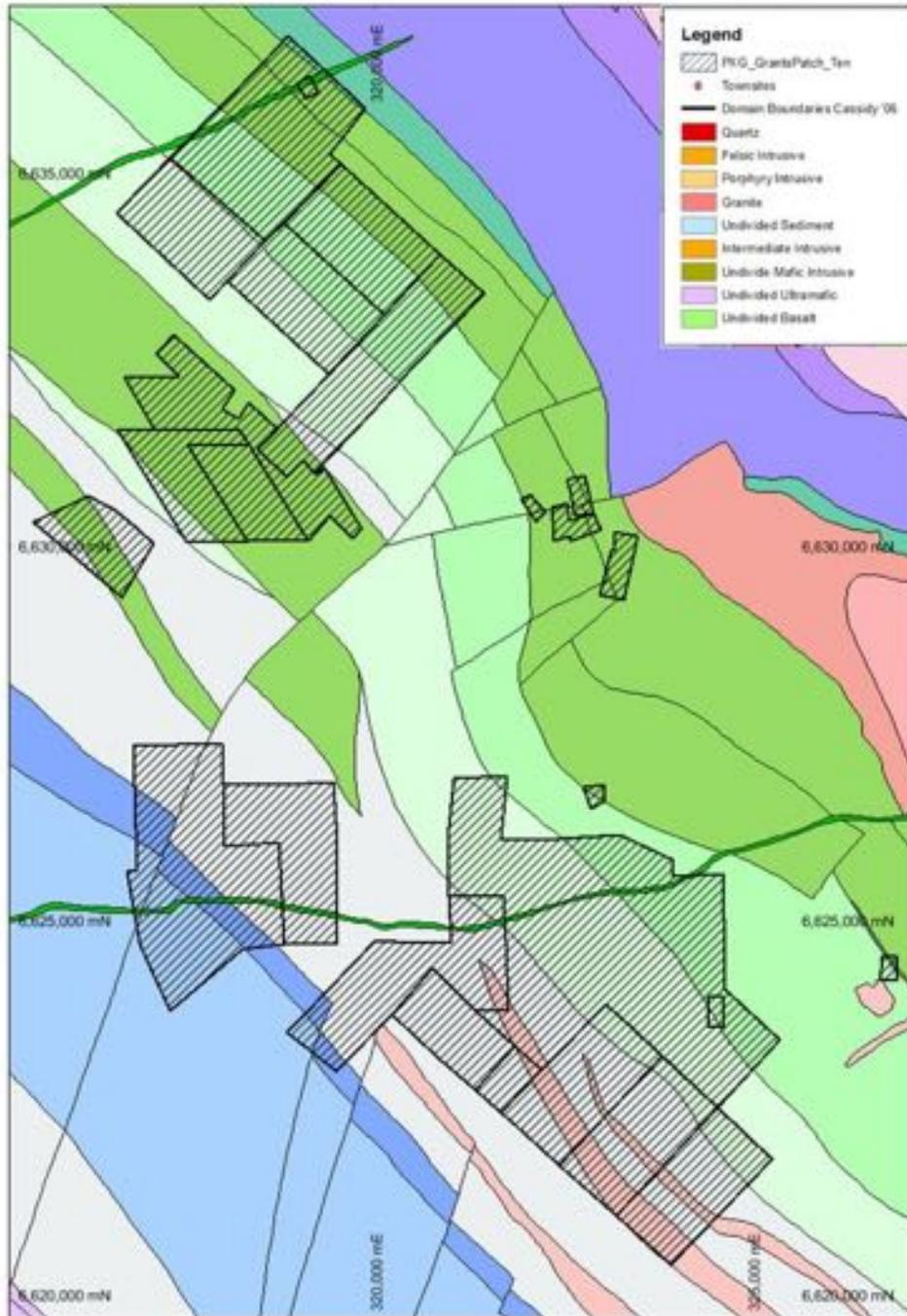
The overlying Black Flag Group consists of felsic to intermediate volcanic and volcanoclastic rocks including greywacke, siltstone and shale with a distinctive intermediate volcanoclastic unit near the base of the sequence known as the Pipeline Andesite. The sequence has been intruded by the Ora Banda and Orinda Sills. The larger, 1,800 m thick Ora Banda Sill comprises a heavily lateritised basal peridotite unit overlain by orthopyroxenite, norite and gabbro and occurs at the base of the Black Flag sequence. The 250 m thick Orinda Sill was emplaced above the Ora Banda Sill near the top of the Pipeline Andesite and immediately beneath the overlying Kurrawang Conglomerate unit.

## **8. ORA BANDA PROJECT**

### **8.1. INTRODUCTION AND TENURE**

The Ora Banda project comprises 26 granted tenements (four mining leases and 22 prospecting licences) covering a total of 45.6 km<sup>2</sup>. The project area is located 3 km west of the historic Ora Banda town site and 60 km northwest of Kalgoorlie within the Broad Arrow mineral field. The project area is accessed from Kalgoorlie via the Goldfields Highway and the Broad Arrow-Ora Banda Road then via various station and mine roads.

Figure 8.1 Interpreted geology of the Grants Patch area with tenement boundaries



## 8.2. GEOLOGY

### 8.2.1. REGIONAL GEOLOGY

The Ora Banda project tenements fall within the prospective Siberia/Ora Banda greenstone sequence as part of the southwestern limb of the Goongarie-Mt Pleasant Anticline. The greenstone sequence consists of a sequence of ultramafic and mafic volcanic rocks up to 10 km thick, overlain by intermediate to felsic volcanoclastic and sedimentary rocks. The entire sequence is intruded by numerous mafic sills.

The Ora Banda greenstone sequence can be divided into several units. The oldest is the Siberia Komatiite, comprising a sequence of ultramafic flows and serpentinites overlain by a high magnesium basalt sequence (Big Dick Basalt). A thin sequence of siltstone, shales and quartz porphyry separates these basalts from the upper theolites.

The upper basalt sequence consists of the Bent Tree Basalt and overlying Victorious Basalt which are separated by a thin bed of graphitic shales. Both basalt sequences consist of pillowed and massive flow units. The Victorious Basalt is characterised by distinct porphyritic texture.

Layered sills intrude the sequence at three horizons: the Enterprise Dolerite intrudes the upper part of the Big Dick Basalt below the shale/quartz porphyry horizon, the Mt Pleasant Sill intrudes along the base of the theolitic sequence and the Ora Banda Sill is at or just below the top of the upper basalt unit.

This entire sequence has been subjected to low to middle greenschist facies metamorphism coincident with the regional deformation event (assigned as the D2 event) which formed the Goongarrie-Mt Pleasant Anticline. Subsequent deformation resulted in the formation of north-south (350 ° to 020°) and northeast-southwest (040 ° to 080°) trending strike slip fault sets with limited dextral offset. The southwesterly trending faults are commonly intruded by basaltic and doleritic dykes of Proterozoic age.

The Ora Banda area includes oxide and sulphide Mineral Resources located within approximately 5 km of the abandoned Ora Banda Mill; these include Boundary, Enterprise, Gimlet South, Nazzaris, Sleeping Beauty, Slippery Gimlet and Whitehaven North. Again the mineralisation is structurally hosted on mostly 060° to 090° trends with some influence from 020° faults as well as being stratigraphically controlled in a north-westerly direction.

### **8.2.2. LOCAL GEOLOGY**

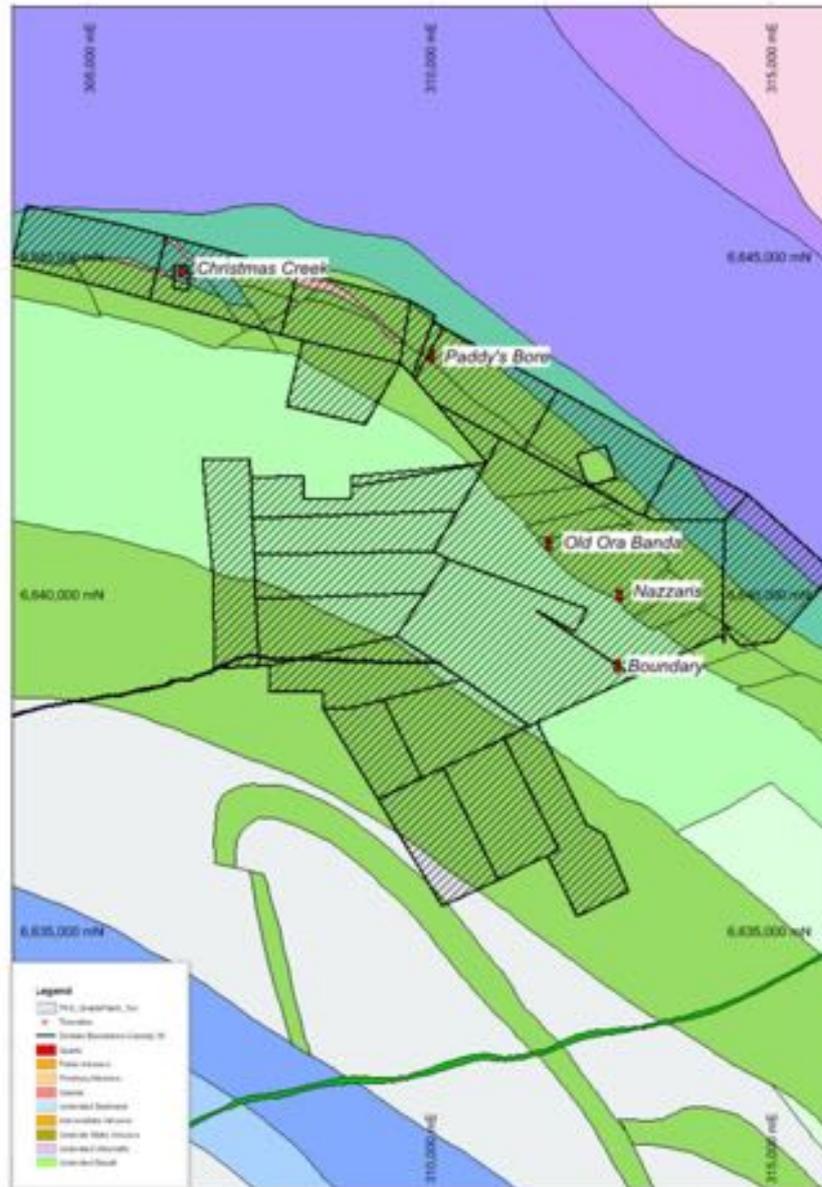
Gold mineralisation occurs within and below a weathered profile developed over the entire stratigraphic package. Several units are recognised as being better hosts for economic gold deposits and form distinguishable styles of mineralisation. The mafic and ultramafic flows of the approximately 40° southwest dipping stratigraphy are the preferred hosts with the majority of the mineralisation being associated with specific units of the layered sill (Mt Pleasant Sill) and theolitic basalts (Victorious and Bent Tree Basalts).

The Mt Pleasant Sill is differentiated and ranges from a perodite to a dolerite in composition and texture. The Victorious Basalt is a coarse to medium-grained porphyritic, often pillowed basalt, which appears to be richer in iron and more likely to be mineralised than other rocks. The Bent Tree Basalt is iron-rich but is aphyric and is more massive in appearance although individual flows/units of coarser grained or pillowed basalt can be recognised.

The positioning of the mineralisation is governed by gold-bearing structures associated with major north-northeast trending faults (Black Flag and Royal Standard Faults) which link the main regional northwest striking structural zones (Zuleika Shear Zone and Boulder-Lefroy Fault). The result is a fracture system made up of conjugate and en-echelon features in several different strike and dip orientations, which form higher grade shoots at their intersections.

The general Ora Banda area contains numerous oxide and sulphide gold deposits located within approximately 5 km of the abandoned Ora Banda Mill including the Boundary, Enterprise, Gimlet South, Nazzaris, Sleeping Beauty, Slippery Gimlet and Whitehaven North deposits. The mineralisation is structurally hosted on mostly 060° to 090° trends with some influence from 020° faults as well as being stratigraphically controlled in a northwest direction.

Figure 8.2 Interpreted geology of the Ora Banda area with tenement boundaries



## 9. SPLIT ROCKS PROJECT

### 9.1. INTRODUCTION AND TENURE

The Split Rocks project comprises 10 granted tenements (one exploration licence, four mining leases and five prospecting licences) covering a total of 51.4 km<sup>2</sup>. The project area is located approximately

80 km northwest of Kalgoorlie lie within the Coolgardie mineral field. Access to the area is gained via the Great Eastern Highway and the Coolgardie North Road, then via various station and mine roads.

## **9.2. GEOLOGY**

### **9.2.1. REGIONAL GEOLOGY**

The Split Rocks area is located within the Norseman-Wiluna Achaean greenstone belt in the Eastern Goldfields province of the Yilgarn Craton. The granite-greenstone belt is approximately 600 km in length and is characterised by thick, possibly rift-controlled, accumulations of ultramafic, mafic, felsic volcanic, intrusives and sedimentary rocks. The greenstone successions of the south Eastern Goldfields have been segregated into elongate structural terranes bounded by regional north-northwest trending faults. These terranes include the Kalgoorlie Terrane, Gindalbie Terrane, Kurnalpi Terrane and Edjudina Terrane.

Split Rocks is located within the Kalgoorlie Terrane. Each terrane has similarities, including timing of the deposition of volcano-sedimentary sequences (2,720 to 2,675 Ma) and regional deformation and plutonism (2,675 to 2,620 Ma). The terranes differ only in lithostratigraphic development and early tectonic history and are therefore interpreted as having formed in adjacent contemporaneous orogenic basins. In the Kalgoorlie terrane, this stratigraphic sequence is extremely consistent, with felsic volcanism generally post mafic/ultramafic volcanism.

The Kalgoorlie Terrane has been internally subdivided into six domains based on major shear zones. Each tectonostratigraphic domain is characterised by slight variations in stratigraphy (particularly the extent of the upper basalt unit). The Split Rocks area is located within the Coolgardie Domain which is bounded to the east by the 250 km long regional Zuleika Shear Zone. The Zuleika Shear Zone separates the Coolgardie Domain from the Ora Banda Domain.

### **9.2.2. LOCAL GEOLOGY**

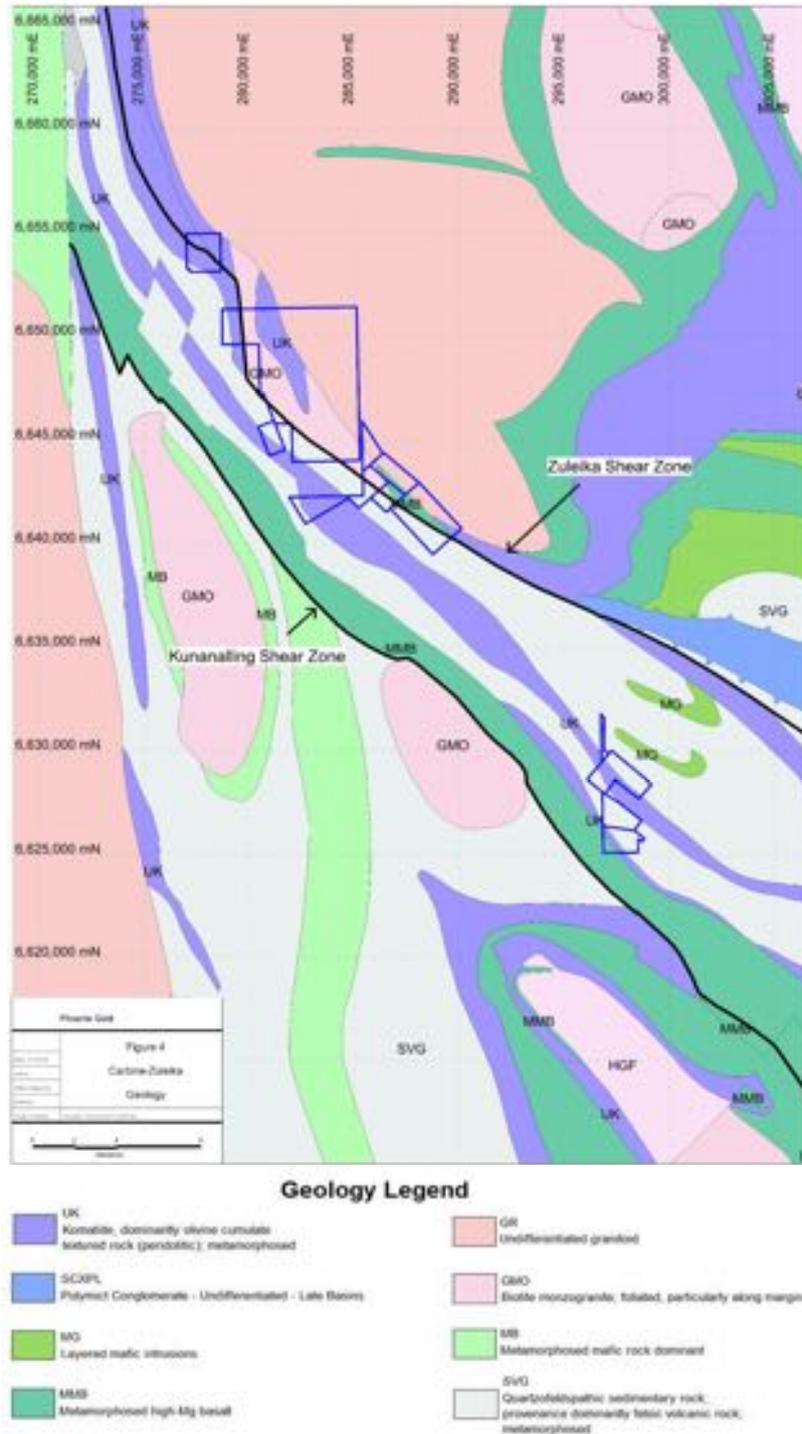
The project area is completely covered by recent transported alluvium. Lithologies consist of a series of feldspathic to quartzofeldspathic tuffs intercalated with shales, siltstones and sandstones. The sedimentary rocks form part of the Black Flag Group which overlies the mafic to ultramafic sequences in the stratigraphic succession. The dominant rock type is a fine to medium grained volcanic-derived felsic to intermediate feldspathic wacke. Fine-grained deep marine sediments, including siltstone and carbonaceous shale, are a major constituent of the Black Flag Group. The sedimentary sequence is located on the western limb of a northwesterly plunging synform.

Gold deposits in the area are generally within or proximate to two major northwest trending regional mineralised shear zones, being the Kunanalling Shear Zone in the west and the Zuleika Shear Zone to the east (Figure 9.1). A third shear zone, the Carbine Shear Zone, is located parallel to and midway between the Kunanalling and Zuleika Shear Zones. Gold deposits are also located on secondary structures related to these shear zones.

The project area straddles the Zuleika Shear Zone and the Carbine Shear Zone, a subsidiary splay off the Zuleika Shear Zone. The Zuleika Shear Zone is not a simple shear zone but interpreted to be an anastomosing network of shear zones enclosing lozenge shaped areas of relatively undeformed rock with a total width of a few hundred metres.

Stratigraphy within the Zuleika Shear Zone is not well defined, comprising structural repeats of ultramafic, mafic and felsic volcanoclastic units. All rock types are extensively carbonate altered, with the degree of alteration related to the shear zones.

Figure 9.1 Interpreted geology of the Split Rocks area with tenement boundaries



## 10. MINERAL RESOURCES

Optiro reviewed the latest Mineral Resource models for the Castle Hill, Red Dam, Carbine, Nazzaris, Backflip and Emu deposits as provided by Phoenix Gold. Optiro considers that the resource estimates

and the methodologies are appropriate and confirms that the reporting and classification of Phoenix Gold's Mineral Resource estimate are in accordance with JORC Code guidelines.

Table 10.1 summarises Phoenix Gold's Mineral Resources. The Mineral Resources are reported above various cut-off grades with higher grade material flagged as potential mill feed and lower grade material as potential heap leach material. The Mineral Resources are inclusive of Ore Reserves where reported. Potential mill feed material has typically been reported above a 0.8 g/t gold cut-off grade with the exception of Red Dam, Kintore and Ridgeback and Burgundy which have been reported above a 1.0 g/t gold cut-off. Potential heap leach material has been reported above a 0.4 g/t gold cut-off grade, with the exception of Red Dam which was reported above a 0.5 g/t gold cut-off grade.

Various methodologies have been employed for the Mineral Resource estimation including inverse distance squared (ID2), ordinary kriging (OK), multiple indicator kriging (MIK), localised indicator kriging (LIK) and uniform conditioning (UC). The estimation methodology, along with competent person and responsible company, are summarised in Table 10.2.

Table 10.1 Phoenix Gold - Mineral Resource summary

Deposit	Measured		Indicated		Inferred		Total	
	Mt	Gold (g/t)	Mt	Gold (g/t)	Mt	Gold (g/t)	Mt	Gold (g/t)
<b>Potential mill feed material</b>								
Castle Hill (Mick Adams, Wadi)			18.09	1.5	6.39	1.3	24.49	1.5
Castle Hill (Kintore, Ridgeback)			3.03	1.6	4.21	1.8	7.24	1.7
Castle Hill (Picante, Wookie)			2.38	1.4	1.36	1.3	3.74	1.4
Red Dam			2.05	2.1	1.04	2.2	3.10	2.2
Broads Dam			0.13	2.9	2.16	2.3	2.29	2.3
Burgundy	0.49	2.0	0.40	2.3	0.09	1.5	0.98	2.0
Kunanalling			0.46	2.4	4.12	1.7	4.58	1.8
Ora Banda			2.36	2.0	2.79	1.8	5.15	1.9
Carbine			1.70	1.6	0.21	2.1	1.90	1.6
Zuleika North					0.62	2.5	0.62	2.5
Stockpiles			0.08	1.4			0.08	1.4
<b>Mill sub-total</b>	<b>0.49</b>	<b>2.0</b>	<b>30.68</b>	<b>1.6</b>	<b>22.99</b>	<b>1.7</b>	<b>54.16</b>	<b>1.7</b>
<b>Potential heap leach material</b>								
Castle Hill (Mick Adams, Wadi)			21.54	0.6	10.98	0.6	32.51	0.6
Castle Hill (Kintore, Ridgeback)			6.68	0.6	7.87	0.6	14.55	0.6
Castle Hill (Picante, Wookie)			3.80	0.6	2.01	0.6	5.81	0.6
Burgundy	1.04	0.6	0.86	0.6	0.22	0.6	2.12	0.6
Red Dam			1.89	0.7	0.97	0.7	2.86	0.7
Stockpiles			0.48	0.6			0.48	0.6
<b>Heap leach sub-total</b>	<b>1.04</b>	<b>0.6</b>	<b>35.23</b>	<b>0.6</b>	<b>22.04</b>	<b>0.6</b>	<b>58.31</b>	<b>0.6</b>
<b>Total</b>	<b>1.53</b>	<b>1.1</b>	<b>65.92</b>	<b>1.1</b>	<b>45.03</b>	<b>1.2</b>	<b>112.48</b>	<b>1.1</b>

\* totals may not reconcile due to xxxx rounding errors

Table 10.2 Mineral Resource competent person and estimation method

Deposit	Company	Competent person	Estimate methodology
Broads Dam	Phoenix Gold	I Copeland	ID2
Blue Funnel	GMS Mining & Infrastructure Pty Ltd	A Moulds	OK
Red Dam	Golder Associates	Golder Associates	MIK
Carbine North	Phoenix Gold	L Sochacki	OK
Lady Jane	CME	A Radjonic	ID2
Backflip	Phoenix Gold	D Omari	OK
Boundary	CME	A Radjonic	ID2
Nazzaris	Auralia Mining Consultants Pty Ltd	K Whitehouse	ID2
Whitehaven	CME	A Radjonic	ID2
Castle Hill 1	Cube Consulting Pty Ltd	B Fitzpatrick	LIK
Castle Hill 2	Cube Consulting Pty Ltd	B Fitzpatrick	LIK
Castle Hill 3	Cube Consulting Pty Ltd	B Fitzpatrick	UC
Ridgeback	Phoenix Gold	I Copeland	ID2
Burgundy	Golder Associates	S Khosrowshahi	MIK
Telegraph	Phoenix Gold	L Sochacki	OK
Catherwood	Phoenix Gold	I Copeland	ID2
Emu	Phoenix Gold	L Sochacki	ID2
Rayjax	Golder Associates	M Wozga & J Farrell	ID2
Broads Dam	Phoenix Gold	I Copeland	ID2
Blue Funnel	GMS Mining & Infrastructure Pty Ltd	A Moulds	OK
Red Dam	Golder Associates	Golder Associates	MIK
Carbine North	Phoenix Gold	L Sochacki	OK
Lady Jane	CME	A Radjonic	ID2

## 11. RESERVES

Phoenix Gold's current Ore Reserves total 30.59 Mt at 1.18 g/t gold for 1.16 Moz of contained gold as detailed in Table 11.1. The Ore Reserve estimate represents a conversion from Mineral Resource to Ore Reserve of 29% of total in-situ metal. Optiro notes that the Castle Hill stage 1 (Castle Hill), Castle Hill stage 2 (Kintore), Red Dam and Carbine Ore Reserves (94% of the mill feed tonnes and 99% of the heap leach tonnes) have been updated in accordance with JORC 2012 guidelines. The remaining Ore Reserve estimates have been completed in accordance with JORC 2004 guidelines.

Table 11.1 Phoenix Gold - Ore Reserves

Deposit	Proved		Probable		Total	
	Mt	Gold (g/t)	Mt	Gold (g/t)	Mt	Gold (g/t)
<b>Mill feed material</b>						
Castle Hill stage 1 (Castle Hill)			10.68	1.71	10.68	1.71
Castle Hill stage 2 (Kintore)			2.00	1.33	2.00	1.33
Red Dam			1.60	2.19	1.60	2.19
Kunanalling	0.35	2.09	0.02	1.63	0.37	2.07
Ora Banda			0.58	2.33	0.58	2.33
Carbine			0.40	1.70	0.40	1.70
<b>Mill sub-total</b>	<b>0.35</b>	<b>2.09</b>	<b>15.28</b>	<b>1.74</b>	<b>15.63</b>	<b>1.75</b>
<b>Heap leach material</b>						
Castle Hill stage 1 (Castle Hill)			12.16	0.58	12.16	0.58
Castle Hill stage 2 (Kintore)			2.60	0.54	2.60	0.54
Stockpiles			0.20	1.10	0.20	1.10
<b>Heap leach sub-total</b>			<b>14.96</b>	<b>0.58</b>	<b>14.96</b>	<b>0.58</b>
<b>Total</b>	<b>0.35</b>	<b>2.09</b>	<b>30.24</b>	<b>1.17</b>	<b>30.59</b>	<b>1.18</b>

\* totals may not reconcile due to rounding errors

### 11.1. PROCESS

For each project that has an Ore Reserve, open pit optimisations were undertaken and a suitable pit shell selected. This pit shell then forms the basis for a detailed mine design to be undertaken. Due to the variance in market conditions at the time this work was undertaken, not every project's optimisation uses the same revenue (commodity price) and cost base. Despite this, Optiro considers that the revenue and cost structures used in the optimisations are in-line with expectations and remain relevant under current market conditions.

The mining projects are located in an area with an extensive and well established mining history where labour sources and operating equipment are readily available. The characteristics of the deposits including metallurgical factors, gold recovery, hydrological and climate factors are typically well understood and appropriately included and accounted for in the project studies.

### 11.2. MINE DESIGN

Phoenix Gold's open pit mine designs are intended to be mined by conventional and well understood drill and blast excavation techniques that are common in Australian open pit metalliferous mines. All methodologies proposed for open pit mining are in-line with industry standards.

Definitive feasibility study (DFS) level geotechnical assessment was undertaken for Red Dam and Kintore by Golder Associates at the same time as Castle Hill. Due to the smaller nature of Red Dam and Kintore, data from other pits in the area was used for slope stability. Any requirement to lower the wall angles due to pit wall instability would increase the amount of waste mining required and increase the overall cost. It is unlikely this would negate the economic benefit shown in the financial modelling, though has the potential to reduce cashflow through increased costs.

The Castle Hill pit has had a more thorough geotechnical assessment as part of the feasibility study and as such there is significantly less geotechnical risk with the Castle Hill mining.

### 11.3. CUT-OFF GRADE

The cut-off grades for ore to be milled for each deposit vary between 0.77 to 1.05 g/t gold depending on the revenue and cost parameters used. Primarily the variance is due to higher operating costs in the smaller pits and variances in cost due to surface haulage to the processing facility.

Cut-off grades have been calculated according to the formula:

$$\text{Cut-off grade} = \text{Cost of Processing} / (\text{Metal Price} \times \text{Recovery})$$

Essentially this formula calculates a marginal cut-off grade where the revenue from the mill feed pays for the cost of processing it (break-even). This is relevant in open pit mining operations as the material inside the pit design must be mined to access ore material and as such the decision point is whether it is more financially viable to process the material or incur the cost of handling to the waste dump.

Additionally a lower cut-off grade can be calculated to then determine which material (below the milling cut-off grade) would be financially viable to treat via heap leaching (lower treatment cost though lower recovery than the milling option). For Phoenix Gold's deposits this has been calculated to be between 0.4 and 0.6 g/t gold which is considered reasonable. This is calculated in the same manner as the milling cut-off grade, using the cost and recovery parameters for heap leaching. Anything below this lower cut-off grade is designated as waste.

All cut-off grades calculated for each of Phoenix Gold's deposits have been calculated in this manner and the calculations are considered correct for the given revenue and cost inputs assumed in each study.

### 11.4. MODIFYING FACTORS

The major modifying factors assumed in the Ore Reserve process are:

- 95% recovery of all ore material
- between 5% and 12% planned dilution.

Whilst the modifying factors are aligned with industry accepted parameters it should be noted that stringent mining practices would need to be adhered to in order to achieve 5% dilution and any inability to achieve this will have the potential to reduce revenue (ore loss) and increase cost (dilution).

### 11.5. SCHEDULES

Optiro considers the schedule assumptions are reasonable based on the equipment specified for each mine.

### 11.6. ORE TREATMENT

Optiro notes that the ore material is planned to be treated by third parties, either at Paddington or Greenfields. Optiro considers metallurgical factors and gold recovery assumptions to be appropriate for these processing options.

## 12. FINANCIAL MODELS

### 12.1. KEY PHYSICALS

The overall material movement included in Phoenix Gold's financial models for each pit is considered reasonable based on the mine designs used in the assessment of each of Phoenix Gold's deposits. The split of this material into either ore or waste is determined by the cut-off grade as discussed in Section 11.3.

Waste tonnages are considered reasonable for the mine life based on the open pit mine designs and the cut-off grades used. Ore tonnages are considered reasonable based on the cut-off grades and modifying factors used. Mining Inventory grades are considered reasonable based on the resource model grades and application of modifying factors.

### 12.2. INCLUDED ORE RESERVES

The financial model includes 58.3% of the ounces of gold in the publically reported Ore Reserves. In Optiro's opinion Phoenix Gold has taken a conservative approach to the inclusion of each project into the financial model based on Phoenix Gold's assessment of the risk associated with each deposit. Optiro notes that there are some discrepancies in what has been included in the financial models and what would be considered appropriate for inclusion when considering JORC 2012 guidelines in conjunction with the VALMIN Code and Chapter Five of the ASX Listing rules, specifically:

- The Ore Reserve for Nazarris is not estimated in accordance with JORC 2012 guidelines, but rather JORC 2004 guidelines. Optiro considers that the Nazarris JORC 2004 Ore Reserves may be included in a cashflow style valuation as the quality and reasonableness of the Ore Reserve estimate is acceptable. In reviewing the Nazarris Ore Reserve estimate Optiro considers that upgrading the estimate to JORC 2012 guidelines would not have any material effect on the outcome. Optiro understands that the Nazarris Ore Reserve has not been update to JORC 2012 guidelines as there has been no material change since it was first reported.
- Phoenix Gold has allowed \$0.58 M for grade control drilling as a capital expense prior to committing to the pre-strip of the deposit.

## 13. OPERATING COSTS

### 13.1. CASTLE HILL STAGE 1

Castle Hill stage 1 operating costs are based on Norton Goldfields Limited's (Norton) known costs utilising their own fleet at the nearby Paddington mine. Optiro considers this to be reasonable given Norton has an agreement to incur all costs associated with mining Castle Hill stage 1 and pay Phoenix Gold 50% of the remaining profits.

The mining cost equates to \$4.77 per bank cubic metre (BCM) of total material movement. Optiro considers this cost to be at the lower end of the expected cost range but reasonable as it is based on existing owner operator costs at a nearby, similar mining operation currently run by Norton. Processing costs of \$20.50 per tonne are reasonable for a simple carbon in leach (CIL) gold circuit in the Goldfields of Western Australia.

A haulage cost of \$5 per tonne is considered reasonable given the proximity to the Paddington mill (approximately 40 km). An administration cost of \$4.50 per tonne of ore equates to \$0.44 M per month over the 34 month project and this is considered to be appropriate.

Royalties equate to 4% of total revenue. Optiro notes that the royalty is higher than the Norton calculated royalty of 2.7% but is considered to be more appropriate.

### **13.2. CASTLE HILL STAGE 4**

Castle Hill stage 4 represents the open pit potential of the Mick Adams, Wadi, Outridge and Kiora deposits remaining after cessation of Castle Hill stage 1. No agreement with Norton exists regarding mining stage 4 and it is anticipated Phoenix Gold will mine and treat this material to fully extract the value of the remaining ore material.

The cost structure for these pits is based on the Norton mining costs for Castle Hill stage 1 and toll treating the ore. The ore transport charges equates to \$5.00 per ore tonne which is deemed reasonable to truck the ore to a toll treating facility most likely in Coolgardie.

The mining cost equates to \$4.76 per BCM of total material movement. As discussed above, this is considered at the lower end of the expected cost range but is considered to be reasonable.

Processing and administration costs of \$28.0 per tonne are at the lower end of expected values but are considered to be reasonable due to the large volumes for processing and the excess processing capacity currently available for negotiation for toll treatment in the Goldfields.

Royalties equate to 2.5% of total revenue. This is reasonable as it is assumed that the only royalty payable during mining of stage 4 is the 2.5% Western Australian State Gold Royalty (other previously payable royalties will not be payable for stage 4).

### **13.3. SMALL MINING PROJECTS**

The 'Small Mining Projects' included in the financial model include Red Dam, Nazzaris and Kintore. The cost structure for these pits is based on contractor mining and toll treating. The ore transport charges equate to \$7.17 per ore tonne which is deemed reasonable to truck the ore to a toll treating facility within 50 km of the mine site.

The mining cost equates to \$5.53 per BCM of total material movement. Optiro considers this to be at the lower end of the expected cost range but is considered reasonable as it is based on a current budget pricing obtained from a reputable open pit mining contractor, the shallow nature of the pits and the proportion of free dig material.

Processing costs of \$32.50 per tonne are at the high end of expected values but are considered reasonable due to the small volumes and requirement to toll treat through a third party milling facility.

An administration cost of \$8.00 per tonne is nearly double the administration costs of Castle Hill stage 1 but is considered reasonable due to the small nature of the pits.

Royalties equate to 3.7% of total revenue which is in-line with expectations and other pits in the financial model.

#### **13.4. HEAP LEACH**

The operating costs associated with a heap leach operation processing previously stockpiled open pit material are transport, processing costs, royalties and administration. Phoenix Gold has assumed that there would be no additional administration costs for the heap leach and this assumption is considered valid as the heap leach would run concurrently with other mining and processing activities.

A heap leach cost of \$10.85 per tonne and a \$3.00 per tonne haulage cost is considered reasonable based on Optiro's experience with other heap leach facilities. Royalties equate to 3.3% of total revenue and this is considered appropriate.

### **14. CAPITAL COSTS**

#### **14.1. CASTLE HILL STAGE 1**

The initial capital costs for Castle Hill stage 1 are based on estimates by Norton and total \$4.05 M. The capital allowances comprise site establishment, clearing and road creation and site infrastructure required for mining. Capital costs equate to \$2.50 per BCM of ore which is considered reasonable for the size of the Castle Hill operations.

#### **14.2. CASTLE HILL STAGE 4**

The financial model assumes that all capital infrastructure put in place by Norton for mining stage 1 of Castle Hill will remain in place and can be utilised during the operation of Castle Hill stage 4. Based on this assumption, the absence of capital infrastructure cost for stage 4 of Castle Hill is justifiable.

#### **14.3. SMALL MINING PROJECTS**

There is a capital allowance of \$2.43 M for all infrastructure associated with the Small Mining Projects and includes a dewatering line to Broads Dam, grade control drilling requirements, mining fleet mobilisation and site establishment. As the intention is to run the Small Mining Project pits using the services of a contractor who would provide much of the infrastructure required as capital infrastructure in an owner operator situation, Optiro considers the capital allowance to be reasonable.

#### **14.4. HEAP LEACH**

Optiro notes that there is a capital allowance of \$42.5 M in the financial model to build the heap leach facility for Castle Hill. The capital allowance comprises:

- purchase of a second hand heap leach plant from Gold Fields Ltd currently located at their St Ives Gold Mine
- capital cost to relocate, refurbish and reinstall the plant at the Castle Hill mine site
- design and construction of eight heap leach cells.

The costs are based on budget estimates from reputable engineering companies in Western Australia who have significant experience in this field. All quotes have an allowance for contingency and are considered reasonable.

## 15. VALUATION APPROACH AND METHODOLOGY

### 15.1. DISCOUNT CASHFLOW MODELLING

Optiro understands that BDO will value the following projects on a discounted cashflow basis:

- Castle Hill stage 1 project (Mick Adams and Wadi deposits)
- Castle Hill stage 2 project (Kintore deposit)
- Red Dam project and
- Nazarris project.

In performing this valuation, BDO required Optiro to review the technical project assumptions and provide an assessment on the reasonableness of the assumptions used in the above projects. Accordingly, Optiro has not independently valued these projects.

### 15.2. MINERAL RESOURCES AND EXPLORATION POTENTIAL VALUATION

In determining the appropriate valuation method(s) to be used for the exploration potential and Mineral Resources outside of those valued on a cashflow basis, Optiro has taken into consideration the classification of these assets according to the categories defined in the VALMIN Code and the different methodologies that are generally accepted as industry practice for each classification. Generally there are three broad methods of valuation that are used for valuing mineral assets: the market approach, cost approach and income approach. The market and cost approaches are used for the grass-roots through to advanced exploration stages and the income approach is used for advanced projects with defined reserves to operating mines.

Phoenix Gold's projects are deemed to be at an advanced exploration stage from a valuation standpoint.

For valuation of Phoenix Gold's projects, the valuation approach that Optiro has elected to use are defined as inferential methods and rely on comparative or subjective inputs, such as the "rule of thumb" or appraised value method. Such a method values the property in dollars per unit area or dollars per resource tonne.

The methodologies considered by Optiro to determine a value for the mineral projects and the exploration potential are summarised below.

#### 15.2.1. GEOSCIENTIFIC RATING METHOD

The most well-known method of the Geoscientific ratings type is the modified Kilburn Geological Engineering/Geoscientific method, which was developed by a Canadian geologist who wished to introduce a more systematic and objective way of valuing exploration properties. The Kilburn and similar rating approaches are acknowledged as industry-standard valuation tools. This method is Optiro's preferred valuation tool for early stage exploration projects.

The Kilburn method uses a Geoscientific rating which has as its fundamental value a base acquisition cost (BAC) of the tenement. The BAC is the average cost to acquire a unit of exploration tenement (generally a graticular block, square kilometre or hectare) and maintain it for one year, including statutory fees and minimum expenditure commitments.

The determination of the BAC for exploration licences in Western Australia considered the application and retention costs as set by the Government of Western Australia, Department of Mines and Petroleum and the average identification, administration and expenditure costs. Based on Optiro's assessment, the BAC applied to exploration licences is A\$1,114 per graticular block or generally A\$343/km<sup>2</sup>.

Four technical factors are then applied serially to the BAC of each tenement which enhance, downgrade or have no impact on the value of the property and which allow a value per tenement to be determined. The four technical factors are:

- **Off-property factor** – relates to physical indications of favourable evidence for mineralisation, such as workings and mining on the nearby properties, which may or may not be owned by the company being valued. Such indications are mineralised outcrops, old workings through to world-class mines.
- **On-property factor** – this is similar to the off property factor but relates to favourable indications on the property itself, such as mines with significant production.
- **Anomaly factor** – the anomaly factor relates to the degree of exploration which has been carried out and the level and/or number of the targets which have been generated as a consequence of that exploration. Properties which have been subject to extensive exploration without the generation of sufficient or quality anomalies are marked down under the Kilburn approach.
- **Geological factor** – this refers to the amount and exposure of favourable lithology and/or structure (if this is related to the mineralisation being valued) on the property. Thus properties which have a high coverage of favourable lithology and through-going structures will score most highly.

The ratings applied by Optiro are listed in Table 15.1.

This methodology is used to determine the technical value and a fifth factor reflecting the current state of the market, is applied to determine the market value. This market value determined from the Geoscientific rating method has been verified by consideration of the current market for gold properties in Australia.

Table 15.1 Geoscientific rating criteria (modified by Optiro)

Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally favourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within tenement	No targets defined	Generally favourable geological setting
1.5	Mineralisation identified	Mineralisation identified	Target identified, initial indications positive	
2.0	Resource targets identified	Exploration targets identified	Significant intersections - not correlated on section	Favourable geological setting
2.5				
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant previous production	Several significant ore grade intersections that can be correlated	Mineralised zones exposed in prospective host rocks
3.5				
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike from world class mine			

### 15.2.2. COMPARABLE TRANSACTION METHOD

The comparable market value approach is a market-based approach and is an adaptation of the common real estate approach to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses transactions, converted to a 100% equity basis, of projects of a similar nature, time and circumstance, with a view to establishing a range of values that the market is likely to pay for a project. The comparable market approach:

- is intuitive, easily understood and readily applied
- implies a market premium/discount for the prevailing sovereign risk
- captures market sentiment for specific commodities or locations
- accounts for intangible aspects of a transaction (i.e. intellectual property).

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. \$/km<sup>2</sup> or \$/tonne metal, etc.) for the asset being valued. However, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) that may result in the exclusion of a large number of comparable transactions, which in turn may undermine the accuracy of this method.

The comparable market value approach is widely used throughout the minerals industry; however, the valuer must take into account that this approach is largely retrospective and therefore cannot take into account anticipated or recent commodity or other market price movements.

### **15.2.3. JOINT VENTURE TERMS METHOD**

The joint venture terms method is a variation of the comparable market value method. This technique involves transactions where only partial ownership of a project is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method and consequently these approaches are often used simultaneously in mineral asset valuations.

It is recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired (e.g. a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired). The valuer therefore needs to account for any potential associated with ownership premiums.

### **15.2.4. APPRAISED VALUE METHOD**

The cost approach or Appraised Value method is founded on the assumption that the intrinsic value of the exploration tenement is based on the exploration expenditure, and that a highly-prospective tenement will generally encourage a higher level of exploration expenditure.

This valuation methodology relies upon the premise that a project is at least worth what the owner has previously spent and/or committed to spending in the future. It considers historical and/or planned future expenditure on the mineral asset and includes the amount of expenditure that has been meaningfully used in the past to define a target or resource and the future costs in advancing the exploration.

The value of the property may be determined from the sum of past effective exploration expenditure (usually limited to the past three years), plus any committed exploration expenditure in the current year and the application of a prospectivity enhancement multiplier (PEM). The PEM is determined by the level of sophistication of the exploration for which positive exploration results have been obtained, and usually ranges between 0.5 and 3.0.

The principal shortcomings of this method are that there is no consistent base from which to derive the valuation and there is no systematic approach taken in determining the PEM. Optiro places less reliance on values determined this method than those determined from the Geoscientific Ratings and comparable transaction methods.

## **16. VALUATION**

### **16.1. OVERVIEW**

Optiro's approach in valuing the exploration potential for mineralisation within Phoenix Gold's exploration tenements was to use the following:

- the Geoscientific Rating method
- comparable transactions
- joint venture terms.

In reviewing the exploration potential, Optiro reviewed recent Australian transactions involving gold projects without defined resources (Appendix A). In order to obtain a dataset that is relevant under

the current time and circumstances, Optiro has typically reviewed transactions that occurred within the last 24 months.

Optiro's approach to value the Mineral Resources that are outside of the financial model was to use comparable transactions. Optiro reviewed recent Australian transactions involving gold projects with defined resources (Appendix B). In order to obtain a dataset that is relevant under the current time and circumstances, Optiro has reviewed transactions that typically occurred within the last 24 months.

## 16.2. EXPLORATION POTENTIAL

Optiro has identified 29 transactions that are considered to be of use in assessing the current market value attributed to mineralisation potential similar to that at Phoenix Gold's projects. Optiro excluded properties with Mineral Resources and defined exploration target tonnages. The transactions selected by Optiro are listed in Appendix A.

Optiro's analysis of the exploration transactions indicates that exploration projects similar to the Phoenix Gold's exploration tenements may attract market values typically up to A\$50,000/km<sup>2</sup> on a 100% equity basis. When considering similar size and prospectivity the range falls within a narrower band of approximately A\$1,000/km<sup>2</sup> to A\$35,000/km<sup>2</sup>.

Optiro has used the identified exploration transactions as a benchmark for its Geoscientific Ratings valuation below.

Optiro determined Geoscientific Ratings for each project area in reference to the off-property, on-property, anomaly and geology factors for potential gold mineralisation. The ratings for the project areas licences are listed in Table 16.1. Optiro has elected to group the exploration tenements into project areas as the large number of small licences held by Phoenix Gold makes valuing individual licences prohibitive. Optiro is satisfied that the exploration potential and underlying geology within the selected project areas are sufficiently comparable to allow a meaningful valuation to be undertaken.

Optiro assigned the ratings based on:

- six main project areas covering a semi-contiguous licence package of 435 km<sup>2</sup>
- a further 13.2 km<sup>2</sup> of joint ventured licences
- the project areas include granted mining leases covering over 110 km<sup>2</sup>, thus streamlining any future path to mining
- over 50 km<sup>2</sup> of general purpose and miscellaneous licences to facilitate future mining requirements
- significant licence holdings along the highly prospective Zuleika and Kunanulling Shear Zones
- historic drilling largely targeted shallow mineralisation with limited drilling beyond 80 m
- numerous exploration targets remain untested
- targets identified by three/four dimensional evolution studies and predictive modelling
- the evolution study completed by Phoenix in February 2015 has identified over 30 high priority exploration targets along the Zuleika and Kunanulling Shear Zones
- the exploration potential of the Zuleika Shear Zone highlighted by third-party interest in the project area

- despite the exploration maturity of the area, large areas remain at a relatively early stage of assessment.

Table 16.1 Phoenix Gold projects - Geoscientific Rating criteria applied to exploration mineralisation potential

Project	Off property factor		On property factor		Anomaly factor		Geology factor	
	Low	High	Low	High	Low	High	Low	High
Carbine West	1.5	1.5	2	2	1.5	2	1	1.5
Kunanalling	2.5	3	2.5	3	2.5	3	1.5	2
Broads Dam	3.5	4	3	3.5	3	3.5	2	2.5
Split Rocks	1.5	1.5	1.5	1.5	1.5	2	1.5	2
Grants Patch	1.5	1.5	1.5	1.5	1.5	2	1.5	2
Ora Banda	2	2.5	2	2.5	2.5	3	1.5	2
Barra JV	1.5	1.5	2	2	1.5	2	1	1.5
La Mancha JV	1.5	2	2	2.5	2.5	3	1.5	2

Fair market value is the technical value (as determined by the Geoscientific Ratings) plus a premium or discount to account for market, strategic considerations and special purposes. Optiro has examined the past and forecast gold prices, general market sentiment, as well as the development stage, location and geology of Phoenix Gold's exploration tenements and has elected not to apply a premium or discount to the licences.

The following assumptions have been used by Optiro in applying the Geoscientific Ratings method to determine a value for the mineralisation potential within Phoenix Gold's exploration licences:

- BAC for Western Australian exploration licence - A\$343/km<sup>2</sup>
- no market premium (or discount) factor for the exploration properties.

Based on the Geoscientific Ratings of the mineralisation prospectivity within Phoenix Gold's exploration tenements and allowing for effective ownership (Table 3.1), the mineral assets are expected to have a market value that lies in the range A\$4.0 M to A\$8.3 M, with a preferred value of A\$6.2 M.

Optiro's analysis of comparable transactions suggests that Australian exploration projects similar to Phoenix Gold's projects would typically attract market values up to A\$15,000/km<sup>2</sup> when considering prospectivity and project size. Based on the Geoscientific Ratings of the gold mineralisation potential of Phoenix Gold's projects, an average value of A\$14,000/km<sup>2</sup> has been determined. This is within the range of values indicated by recent comparable transactions, and given the location of the licences and overall prospectivity of the licences, is considered reasonable.

When considering the projects separately, Optiro notes that based on the Geoscientific Ratings of the gold mineralisation potential of the Broads Dam project, an average value of A\$32,000/km<sup>2</sup> has been determined. The Broads Dam project is considered comparable to the Zuleika transaction (Torian Resources Limited – 22 April 2015) at \$60,000/km<sup>2</sup>. Optiro notes however that the Zuleika transaction is an earn-in rather than a purchase transaction with the \$60,000/km<sup>2</sup> value assuming full exploration expenditure of \$5 M over four years and the associated project value increasing assuming exploration success.

### 16.3. MINERAL RESOURCES

In terms of valuing the Mineral Resources defined within Phoenix Gold's project areas, Optiro identified 39 transactions that are considered to be of use in assessing the current market value attributed to gold Mineral Resources. In valuing the Mineral Resources Optiro considered the classification, size and grades of the gold mineralisation of the Mineral Resources. The transactions selected by Optiro are listed in Appendix B.

To determine the value of Mineral Resources outside of the financial model, Optiro subtracted the Ore Reserve material included with the financial model from the total Mineral Resources (Table 16.2). Optiro considered there was insufficient precision to selectively reduce the Mineral Resources by their classification and accordingly has considered the total Mineral Resource only. The Mineral Resources remaining outside the financial models comprise 46.7 Mt at 1.64 g/t gold of potential mill feed and 46.4 Mt at 0.58 g/t gold of potential heap leach feed.

Table 16.2 Mineral Resources outside of the financial model

Deposit	Mineral Resource			Financial model			Remaining		
	Mt	Gold (g/t)	koz	Mt	Gold (g/t)	koz	Mt	Gold (g/t)	koz
<b>Potential mill feed material</b>									
Castle Hill (Mick Adams, Wadi)	24.49	1.50	1,168	6.30	1.76	357	18.19	1.39	811
Castle Hill (Kintore, Ridgeback)	7.24	1.70	399	0.34	2.18	24	6.90	1.69	375
Castle Hill (Picante, Wookie)	3.74	1.40	168				3.74	1.40	168
Red Dam	3.10	2.20	214	0.48	2.56	40	2.62	2.07	174
Broads Dam	2.29	2.30	170				2.29	2.31	170
Burgundy	0.98	2.00	65				0.98	2.06	65
Kunanalling	4.58	1.80	264				4.58	1.79	264
Ora Banda	5.15	1.90	312	0.31	2.66	26	4.84	1.83	286
Carbine	1.90	1.60	100				1.90	1.64	100
Zuleika North	0.62	2.50	49				0.62	2.46	49
Stockpiles	0.08	1.40	4				0.08	1.56	4
<b>Mill sub-total</b>	<b>54.16</b>	<b>1.70</b>	<b>2,912</b>	<b>7.43</b>	<b>1.87</b>	<b>447</b>	<b>46.74</b>	<b>1.64</b>	<b>2,466</b>
<b>Potential heap leach material</b>									
Castle Hill (Mick Adams, Wadi)	32.51	0.60	599	9.20	0.63	187	23.31	0.55	412
Castle Hill (Kintore, Ridgeback)	14.55	0.60	287	2.13	0.60	41	12.42	0.62	246
Castle Hill (Picante, Wookie)	5.81	0.60	103				5.81	0.55	103
Burgundy	2.12	0.60	44				2.12	0.65	44
Red Dam	2.86	0.70	67				2.86	0.73	67
Stockpiles	0.48	0.60	9				0.48	0.58	9
<b>Heap leach sub-total</b>	<b>58.31</b>	<b>0.60</b>	<b>1,109</b>	<b>11.89</b>	<b>0.63</b>	<b>240</b>	<b>46.44</b>	<b>0.58</b>	<b>869</b>
<b>Total</b>	<b>112.48</b>	<b>1.10</b>	<b>4,021</b>	<b>19.31</b>	<b>1.11</b>	<b>687</b>	<b>93.19</b>	<b>1.11</b>	<b>3,335</b>

Optiro has established from its search of publically available information on recent market transactions of gold Mineral Resources that the market has generally been valuing gold projects up to \$20 per ounce of gold in the ground (Appendix B). Higher grade Mineral Resources (greater than 2.5 g/t gold) and existing operations typically transact for higher amounts. In considering these transactions Optiro notes the following:

- the Mt Henry transaction (31 July 2015) included defined Ore Reserves and distinct synergies with the existing Higginsville gold operations
- the Georges Reward transaction (10 July 2015) is contiguous with the Cannon project with strong synergies to exploit both projects under a single open pit operation
- the White Well transaction (13 November 2014) included a small Mineral Resource and material value associated with exploration potential
- the Barambah transaction (22 June 2015) comprises a small mineral Resource with material silver credits and exploration value.

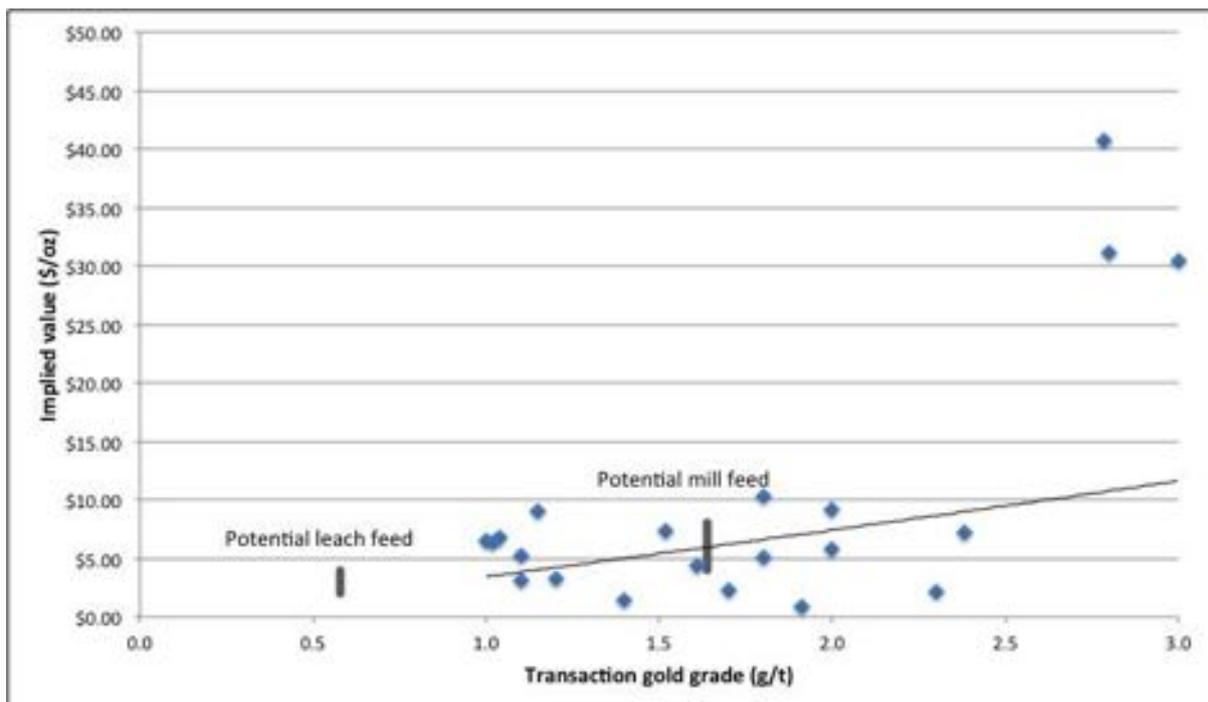
When considering the Mineral Resource grade and excluding the above mentioned and non-comparable projects a distinct cluster of implied value per resource ounce is noted within the 1 to 2 g/t gold range (Figure 16.1). Allowing for the fact that the lowest risk (mill feed) material has been included within a cashflow valuation, Optiro considers the remaining Mineral Resource value would fall within a range of A\$4 to A\$8 per resource ounce of gold in the ground (Figure 16.1). Optiro notes that some transactions of similar grade fall slightly above this range but this is offset by Phoenix Gold’s plan to process the lowest risk material which has separately been valued by discounted cashflow methods.

The mean and median implied values of the 1 to 2 g/t gold transactions shown in Figure 16.1 are \$5.35 and \$5.47 per resource ounce respectively. Using the regression line, the calculated value for Phoenix Gold’s remaining Mineral Resources (at 1.64 g/t gold) is \$5.96 per resource ounce.

When considering the value of the potential heap leach feed material, the grade is below that seen in the Mineral Resource transactions (Appendix B and Figure 16.1). Optiro has accordingly interpolated a value of A\$2 to A\$4 per resource ounce of gold in the ground to the heap leach Mineral Resources.

The Mineral Resource valuation is summarised in Table 16.3.

**Figure 16.1** Implied transaction value relative to Mineral Resource grade showing valuation range and grade for potential heap leach and mill feed material



**Table 16.3** Phoenix Gold's Mineral Resource valuation

Mineral asset	Value (A\$M)		
	Low	High	Preferred
Potential mill feed material	\$9.9	\$19.7	\$14.8
Potential leach feed material	\$1.8	\$3.5	\$2.6
<b>Total</b>	<b>\$11.7</b>	<b>\$23.2</b>	<b>\$17.4</b>

#### 16.4. SUMMARY OF VALUATION

Optiro has applied a number of recognised valuation methods to derive a value estimate for the mineral assets held by Phoenix Gold.

Optiro's opinion of the fair market value of the Mineral Resources and exploration potential, using the methodologies described above, is summarised in Table 16.4. The values presented are based upon the relevant equity ownership of the projects.

**Table 16.4** Valuation summary of Phoenix Gold's exploration potential and Mineral Resources

Mineral asset	Value (A\$M)		
	Low	High	Preferred
Mineral Resources	11.7	23.2	17.4
Exploration potential	4.0	8.3	6.2
<b>Total</b>	<b>15.7</b>	<b>31.5</b>	<b>23.6</b>

Optiro's opinion of the fair market value of the mineral assets not included within the financial models prepared by BDO is that they lie within the range of A\$15.7 M to A\$31.5 M, with a preferred value of A\$23.6 M. The values assigned to these mineral assets are in nominal Australian dollars (A\$) and were prepared with an effective valuation date of 21 August 2015.

## 17. DECLARATIONS BY OPTIRO

### 17.1. INDEPENDENCE

Optiro is an independent consulting organisation which provides a range of services related to the minerals industry including, in this case, independent geological services, but also resource evaluation, corporate advisory, mining engineering, mine design, scheduling, audit, due diligence and risk assessment assistance. The principal office of Optiro is at 16 Ord Street, West Perth, Western Australia, but Optiro's staff work on a variety of projects in a range of commodities worldwide.

This report has been prepared independently and in accordance with the VALMIN and JORC Codes of the AusIMM. The authors do not hold any interest in Phoenix Gold Limited, their associated parties, or in any of the mineral properties which are the subject of this report. Fees for the preparation of this report are being charged at Optiro's standard rates, whilst expenses are reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions drawn in this report.

## 17.2. QUALIFICATIONS

The principal personnel responsible for the preparation and review of this report are Mr Jason Froud (Principal) and Mrs Christine Standing (Principal) of Optiro.

Mr Jason Froud is a geologist with over 18 years' experience in mining geology, exploration, resource definition, mining feasibility studies, reconciliation, consulting and corporate roles in gold, iron ore, base metal and uranium deposits principally in Australia and Africa. Jason has previously acted as a Competent Person and Independent Expert across a range of commodities with expertise in mineral exploration, grade control, financial analysis, reconciliation and quality assurance and quality control.

Mrs Christine Standing [BSc (Hons) Geology, Grad Dip (Min Econs), MAusIMM, MAIG] is a geologist with over 30 years' extensive experience in the exploration and mining industry. She has been consulting in resource estimation and generating independent experts' reports since 1988, and her skills include resource evaluation studies, grade control and reconciliation work. Christine is a Principal for Optiro in Perth and is involved in independent technical reviews, audits and valuations of exploration assets.

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## 19. GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Term	Explanation
Abbreviations	A\$ - Australian dollars, BAC – base acquisition cost, DCF – discounted cashflow, EL – Exploration Licence, g/t – grams per tonne, ha – hectare, km – kilometre, km <sup>2</sup> – square kilometre, m – metre, m <sup>3</sup> – cubic metres, M – million, mg – milligrams, ML – Mining Licence, Mt – million tonnes, Mtpa – million tonnes per annum, PL – Prospecting Licence, % - percentage, ppm – parts per million.
actinolite/tremolite	Two similar amphibole silicate minerals with a fibrous nature.
Andesite	A volcanic rock of intermediate composition.
antiform	A fold shaped like an arch, where the stratigraphic sequence is not known.
Archaean	Era of the geological time scale containing rocks greater than 2,500 million years old.
basalt	A fine grained igneous rock consisting mostly of plagioclase feldspar and pyroxene.
bedrock	The solid rock lying beneath superficial material such as gravel or soil.
classification	A system for reporting Mineral Resources and Ore Reserves according to a number of accepted Codes.
chert	A very fine grained sedimentary rock composed of silica.
cut-off grade	The grade that differentiates between mineralised material that is economic to mine and material that is not.
Definitive Feasibility Study	A study carried out to justify financing for a project.
diamond drilling	Drilling method which produces a cylindrical core of rock by drilling with a diamond tipped bit.
dolerite	Basaltic rocks which are comparatively coarse grained.
fold (folded)	A flexure in rocks.
formation	A defined interval of strata, often comprising similar rock types.
gabbro	A dark, coarse-grained, intrusive igneous rock chemically equivalent to basalt.
gneiss	A rock formed by high-grade regional metamorphic processes from pre-existing formations that were originally either igneous or sedimentary rocks.
granite	A coarse grained intrusive felsic igneous rock.
granodiorite	An intrusive igneous rock similar to granite but with more plagioclase rather than orthoclase minerals.
greenschist facies	Assemblage of minerals formed during regional metamorphism.
ID2	Inverse distance squared (ID2) is a Mineral Resource estimation methods that assigned a weighted average based on the square of the distance from the estimation point.
Indicated Mineral Resource	'An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.' (JORC 2012)
Inferred Mineral Resource	'An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.' (JORC 2012)
intercept	Mineralised intersection in a borehole.
komatiite	Ultramafic mantle-derived volcanic rocks. They have low SiO <sub>2</sub> , low K <sub>2</sub> O, low Al <sub>2</sub> O <sub>3</sub> , and high to extremely high MgO. Komatiites occur in Archaean greenstone belts.
Measured Mineral Resource	'A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit.' (JORC 2012)
metamorphism	The change of minerals or geologic texture in pre-existing rocks that occurs primarily due to heat, pressure, and the introduction of chemically active fluids.
Mineral Resource	'A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.' (JORC 2012)
MIK	Multiple indicator kriging (MIK) is a Mineral Resource estimation method involving kriging of indicators at several cut-offs grades
mineralisation	The process by which a mineral or minerals are introduced into a rock, resulting in a valuable deposit.
monzonite	An intrusive igneous rock composed of approximately equal amounts of plagioclase and alkali feldspar but

Term	Explanation
	only minor quartz.
mylonite	A fine-grained rock produced by dynamic recrystallisation of its constituent minerals principally during shearing.
norite	A mafic intrusive rock composed largely of calcium-rich plagioclase, orthopyroxene, and olivine.
ordinary kriging	A Mineral Resource estimation method using a weighted average of neighbouring samples to estimate the unknown value at a given location.
porphyry	A variety of igneous rock consisting of large grained crystals, such as feldspar or quartz, dispersed in a fine grained feldspathic matrix or groundmass.
pre-feasibility study	Preliminary assessment of a project to determine mining and processing methods, capital costs, logistics etc.
Probable Ore Reserve	'A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve.' (JORC 21012)
Proved Ore Reserve	'A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.' (JORC 2012)
reverse circulation drilling (RC)	Drilling method that uses compressed air and a hammer bit to produce rock chips.
tholeiite	A basaltic rock comprised principally of clinopyroxene and plagioclase.
tonalite	A felsic igneous rock principally comprised of plagioclase and quartz.
supergene	A mineral deposit or enrichment formed near the surface.
UC	Uniform conditioning (UC) is a non-linear Mineral Resource estimation method used to calculate block grade distribution from sample grade distribution.
ultramafic	Igneous rocks with low silica content (less than 45%), generally >18% MgO, high FeO, low potassium and are composed of usually greater than 90% mafic minerals.
vein	A tabular or sheet like body of one or more minerals deposited in openings of fissures, joints, or faults.
volcaniclastic	Referring to rock types composed of fragments or clasts derived volcanic material transported or reworked through mechanical action.
Volcanics	Sequence of strata formed from an erupting volcano.

## **Appendix A      Transactions for Australian gold exploration properties**

Project	Date	Buyer	Seller	Consideration (100% equity basis)	Area (km <sup>2</sup> )	Implied value (A\$/km <sup>2</sup> )
Grafters area and Vetttersburg area	17/10/13	Excelsior Gold Limited	Fe Limited and Cazaly Resources Limited	\$250,000	18	\$13,889
Cue Gold Project	28/11/13	Parker Resources NL	Unspecified	\$100,000	40	\$2,508
Viking gold project	3/03/14	Genesis Minerals Ltd.	AngloGold Ashanti Limited	\$50,000	970	\$52
Mystique gold project	22/04/14	Black Fire Minerals Ltd.	Entrée Gold Inc	\$75,000	205	\$366
7 tenements surrounding Paynes Find	23/04/14	Undisclosed buyer	Paynes Find Gold Ltd.	\$350,000	2	\$141,700
Highland Rocks, Officer Hills South	27/05/14	Ramelius Resources Limited	Tychean Resources Limited	\$764,706	1700	\$450
Mt Holland tenements	27/05/14	Convergent Minerals Ltd	Southern Cross Goldfields	\$200,000	66	\$3,030
McPhees gold project	16/06/14	Asgard Metals Pty Ltd	Ascot Resources Limited	\$15,000	6	\$2,322
Yerilla Mining Centre	30/06/14	Global Gem Mining Pty Ltd.	Wild Acre Metals Limited	\$100,000	3	\$30,533
Gnaweeda Gold Project	4/07/14	Doray Minerals Limited	Transatlantic Mining Corp.	\$500,000	164	\$3,047
Breakaway Dam and Coolgardie	5/08/14	Undisclosed buyer	Amex Resources Limited	\$500,000	204	\$2,446
Horse Well project license	2/09/14	Alloy Resources Limited	Phosphate Australia Limited	\$62,500	50	\$1,240
Triumph gold project	15/10/14	Nexus Minerals Limited	Coxrocks Pty Ltd	\$937,500	24	\$39,063
Central & Western Gawler Craton	17/11/14	Doray Minerals Limited	Iluka Resources Limited	\$8,750,000	21,000	\$417
Lyndon project	28/11/14	Shine Resources Pty Ltd	Latitude Consolidated Limited	\$78,571	27	\$2,872
Gold tenements	16/02/15	Beacon Minerals Limited	Black Oak Minerals Limited	\$500,000	14	\$34,597
Ora Banda South project	20/03/15	Siburan Resources Limited	Western Resources Pty Ltd	\$218,750	9	\$23,855
Binduli project	16/04/15	La Mancha Resources Inc	Intermin Resources Limited	\$6,571,429	99	\$66,512
Zuleika Project	22/04/15	Torian Resources Limited	Cascade Resources Limited	\$10,204,082	169	\$60,326
Burbanks gold mine and Coolgardie North gold project	29/04/15	Kidman Resources Limited	Blue Tiger Mines Pty Ltd.	\$6,750,000	23	\$300,000
Spargos Reward gold	11/05/15	Corona Minerals Ltd	Mithril Resources Limited	\$294,118	34	\$8,528
Lyndon project	22/05/15	Shine Resources Pty Ltd	Latitude Consolidated Limited	\$30,000	27	\$1,096
Gooligoomba	17/06/15	Undisclosed buyer	PepinNini Minerals Limited	\$40,000	1	\$48,193
Four Duketon tenements	14/07/15	Regis Resources Limited	Duketon Mining Limited	\$1,466,667	373	\$3,932
Gloster Tenements	16/07/15	Regis Resources Limited	Private	\$1,500,000	10	\$153,846

Project	Date	Buyer	Seller	Consideration (100% equity basis)	Area (km <sup>2</sup> )	Implied value (A\$/km <sup>2</sup> )
New Year's Gift project	16/07/15	GME Resources Limited	Undisclosed seller	\$30,000	11	\$2,679
Prospect Creek property	20/07/15	Cape Clear Minerals Pty Ltd.	ActivEX Limited	\$400,000	81	\$4,926
Deralinya Project Joint Venture	3/08/15	OMNI GeoX Pty Ltd	Segue Resources Limited	\$433,333	760	\$570
Spargoville project	5/08/15	Maximus Resources Limited	Tychean Resources Limited	\$1,333,333	114	\$11,655

**Appendix B      Transactions for Australian gold Mineral  
Resources projects**

Project	Date	Buyer	Seller	Interest	Gold grade (g/t)	Consideration (A\$)	Implied value (A\$/oz)
Melrose and Darlot East Projects	11/10/13	Unspecified	Korab Resources Ltd	100%	1.6	\$1,500,000	4.41
Sabbath Gold Project	25/10/13	Unspecified	Dourado Resources Ltd	100%	2.4	\$100,000	7.20
Plutonic Dome Gold Project	19/11/13	Ord River Resources	Dampier Gold Ltd	75%	3.8	\$8,000,000	11.72
Norton Gold Mine	11/12/13	Mantle Mining Corporation Ltd	Norton Gold Fields Ltd	100%	7.4	\$330,000	3.06
Plutonic Gold Mine	23/12/13	Northern Star Resources	Barrick Gold Corporation	100%	10.8	\$25,000,000	14.29
Comet Vale Gold Project	6/02/14	Private company	Reed Resources Ltd	100%	7.7	\$2,000,000	9.50
Wiluna Gold Project	20/02/14	Blackham Resources Ltd	Apex Minerals NL (Receivers & Managers Appointed)	100%	5.3	\$50,000,000	17.86
Lake Carey Gold Project	13/03/14	Fortitude Gold Pty Ltd	Midas Resources Ltd	100%	1.9	\$330,000	0.81
Bullabulling Gold Limited	17/04/14	Norton Gold Fields Ltd	Bullabulling Gold Limited	100%	1.0	\$23,957,414	6.38
Jundee gold mine	12/05/14	Northern Star Resources	Newmont Mining Corporation	100%	4.4	\$82,500,000	162.72
Meekatharra gold project	13/05/14	Metals X Limited	Reed Resources Limited	100%	1.7	\$7,700,000	2.28
Bronzewing gold project	14/05/14	Metaliko Resources Limited	Navigator Resources Limited	100%	1.8	\$5,000,000	5.10
Horse Well gold project	23/05/14	Doray Minerals Limited	Alloy Resources Ltd.	80%	2.9	\$5,000,000	50.66
Kathleen Valley project	10/06/14	Ramelius Resources Limited	Glencore plc, Atlas Iron Ltd	100%	2.8	\$4,050,000	31.15
Majestic & Imperial projects	25/07/14	Silver Lake Resources Limited	Newcrest Mining Limited	15%	2.8	\$10,180,000	40.67
Camel Creek project	29/07/14	RSI (WA Gold) Pty Limited	Northwest Resources Limited	50%	1.2	\$4,210,000	39.91
The Mount project	5/09/14	Lukah Mining	Focus Minerals Limited	100%	4.7	\$750,000	5.51
Wilthorpe project	15/09/14	Resourceful Mining Group Pty Ltd	Meteoric Resources NL	90%	1.5	\$450,000	7.38
Mount Jewell	7/11/14	Norton Gold Fields Limited (Zijin Mining Group)	KalNorth Gold Mines Limited	100%	1.0	\$1,800,000	6.53
White Well tenement	13/11/14	Private consortium	Cobra Mining Pty Ltd; Mutiny Gold Ltd	100%	0.8	\$1,300,000	11.82
Tunkillia gold project	25/11/14	WPG Resources Limited	Helix Resources Limited	30%	1.0	\$5,933,333	6.76
Cowarra project	6/01/15	Gold Mountain Limited	Capital Mining Limited	50%	2.3	\$80,000	2.16

Project	Date	Buyer	Seller	Interest	Gold grade (g/t)	Consideration (A\$)	Implied value (A\$/oz)
Hermes gold project	24/02/15	Northern Star Resources	Alchemy Resources Limited	100%	2.0	\$1,950,000	9.20
Bryah Basin project	24/02/15	Northern Star Resources	Alchemy Resources Limited	80%	2.0	\$500,000	5.75
Central Tanami project	25/02/15	Northern Star Resources	Tanami Gold NL	25%	3.0	\$80,000,000	30.48
Charters Towers gold project	2/03/15	Kingsford Investment Groups Ltd.	Citigold Corporation Limited	60%	13.3	\$120,000,000	9.95
Kirkalocka gold project	25/03/15	Ozchina Enterprises Pty Ltd.	Mount Magnet South NL	100%	1.1	\$1,700,000	3.10
Beatons Creek tenements	26/03/15	Novo Resources Corporation	Millennium Minerals Limited	100%	1.2	\$3,800,000	9.03
La Mancha operations	20/04/15	Evolution Mining Limited	Orascom TMT Investments sarl	100%	2.1	\$275,652,544	104.53
Henty mine	27/04/15	Pybar Mining Services Pty Ltd.	Unity Mining Limited	50%		\$10,000,000	37.60
Spring Hill gold project	30/04/15	Thor Mining PLC	Western Desert Resources Limited	49%	1.4	\$632,653	1.41
Mount Adrah project	13/05/15	Chinese investment consortium	Sovereign Gold Company Limited	50%	1.1	\$4,000,000	5.19
Cowal project	25/05/15	Evolution Mining Limited	Barrick Gold Corporation	100%	1.1	\$694,181,497	204.17
Ulysses project	9/06/15	Genesis Minerals Ltd.	Unspecified	100%	2.1	\$2,675,000	19.38
EPM 14937 - Barambah	22/06/15	ActivEX Limited	Norton Gold Fields Limited	25%	1.5	\$300,000	17.44
Georges Reward	10/07/15	Metals X Limited	Balagundi Gold Pty Ltd, Northern Mining Ltd	100%		\$4,500,000	200.00
Mt Henry project	31/07/15	Metals X Limited	Matsa Resources Ltd, Panoramic Resources Ltd	100%	1.2	\$24,750,000	14.95
Grosvenor Gold project	31/07/15	Metals X Limited	RNI NL	100%	1.8	\$20,300,000	10.30