



ZIJIN TAKEOVER OFFER – ZIJIN REPLACEMENT BIDDER'S STATEMENT

Zijin Mining Group Co., Ltd ("**Zijin**") announced on 22 July 2015 an intention to make an unsolicited off-market takeover offer to acquire all of the ordinary shares that it does not already own in Phoenix Gold Limited ("**Phoenix**" or the "**Company**") at a price of \$0.10 per share (the "**Zijin Offer**"). This Zijin Offer is unsolicited and conditional, including that Zijin must acquire a relevant interest in at least 50.1% of Phoenix shares.

Phoenix reviewed the Zijin Offer contained within the original Zijin Bidder's Statement ("**Original Zijin Bidder's Statement**") lodged on 6 August 2015 and as a result of this review and raising a number of concerns with Zijin, a replacement Bidder's Statement ("**Replacement Zijin Bidder's Statement**") was issued by Zijin on 18 August 2015.

Until the Phoenix Board provides shareholders with a formal recommendation, the Directors continue to recommend all shareholders **TAKE NO ACTION**.

The concerns raised by Phoenix included:

1. Failure to properly state the bid premium

As noted in the announcement by Phoenix on 6 August 2015, in calculating the premium represented by the Zijin Offer, Zijin referenced the closing price of Phoenix shares on 17 June 2015 citing this date as being the undefined "last undisturbed trading day".

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

Phoenix sought clarification from Zijin as to why it deemed the closing price on 17 June 2015 to be the appropriate reference date for calculation of the Offer premium rather than 19 June 2015, the actual final day of trading in Phoenix shares prior to disclosure of the Zijin Offer. In addition, Phoenix requested clarification from Zijin as to what the undefined phrase "last undisturbed trading day" was intended to mean and to what "disturbance" Zijin referred. As a result of this request, Zijin has included the following footnote on page 8 of its Replacement Bidder's Statement:

"References to "last undisturbed trading date" means the last trading date with normal trading volumes and price movements prior to the announcement of the Offer. On 18 and 19 June volumes were 8.5 times and 3.7 times the average daily volume for the preceding year respectively. 18 June also represented the single largest daily price increase for the preceding year."

While this footnote serves as a means of defining Zijin's "last undisturbed trading day" phrase, Phoenix continues to believe that the reference date is incorrect. While the price increase on 18 June 2015 of 19% was in fact, the largest increase of the preceding year, Phoenix notes that the two trading day gain between the closing price on 17 June 2015 and 19 June 2015 was 17%, a two trading day gain that was matched on 22 January 2015 and exceeded on 21 November 2014 (18%) and both 27 April 2015 and 1 May 2015 (22% and 31% respectively).

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

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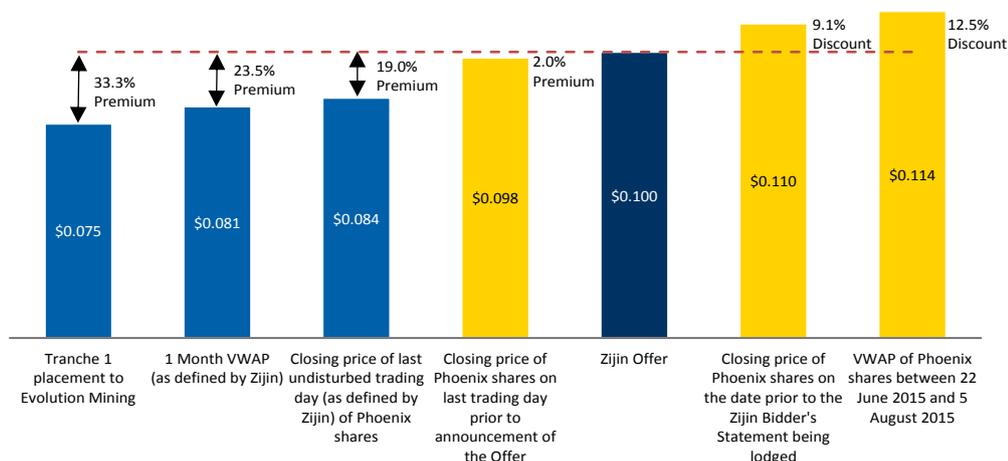
Moreover, Phoenix's share price has traded at a volume weighted average price of \$0.1143 per share between 22 June 2015, the date of Zijin's announcement, and 5 August 2015, the date prior to the Zijin Bidder's Statement being lodged, and closed at \$0.11 per share on 5 August 2015.

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For the benefit of Phoenix shareholders, Figure 1 below includes the various premia referred to in the Zijin Bidder's Statement but also includes reference to:

1. the closing price on the day prior to the Zijin Offer being announced, 19 June 2015;
2. the volume weighted average price between 22 June 2015, the date of Zijin's announcement, and 5 August 2015, the date prior to the Zijin Bidder's Statement being lodged; and
3. the closing price on the date prior to the Zijin Bidder's Statement being lodged, 5 August 2015.

Figure 1: Zijin Offer Premium/Discount Chart



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

2. References to "Phoenix's largest non-interested shareholder"

Zijin referenced Geologic Resources Partners LLC ("**Geologic**") as being "Phoenix's largest non-interested shareholder" in the Original Zijin Bidder's Statement without defining what this phrase meant or how Zijin determined that Evolution Mining Limited ("**Evolution**"), Phoenix's largest shareholder, was not deemed to be a "non-interested shareholder".

Phoenix believes this reference is inaccurate and intended to over-state the level of support for the Zijin Offer by implying it had received the support of Phoenix's largest shareholder.

Phoenix sought clarification from Zijin as to what the undefined phrase "largest non-interested shareholder" was intended to mean and why Evolution was excluded from this definition. As a result of this request, Zijin has included the following footnote on page 10 of its Replacement Bidder's Statement:

"Reference to Geologic Resource Partners LLC as the "largest non-Interested shareholder" means the largest shareholder who does not have adjoining tenements and who has not sought to have a strategic alliance and/or joint venture arrangement with Phoenix. By virtue of adjoining tenements and the previous and current contractual arrangements with Phoenix both Norton and



Evolution are interested Shareholders. Refer to Section 5.4 of the Bidder's Statement for details of the Phoenix Substantial Shareholders."

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While this footnote serves as a means of defining Zijin's "largest non-interested shareholder" phrase, Phoenix continues to believe that the reference was created specifically to over-state the level of support for the Zijin Offer by implying it had received the support of Phoenix's largest shareholder.

3. References to Phoenix's "historically deteriorating financial position" and to Zijin's belief "that it is likely that a significant proportion of Phoenix Shareholders will accept the Offer"

The Original Zijin Bidder's Statement includes unsubstantiated references to Phoenix's "historically deteriorating financial position" and to Zijin's belief "that it is likely that a significant proportion of Phoenix Shareholders will accept the Offer".

Both these statements are without basis and are, in Phoenix's opinion, designed to induce shareholders to accept the Zijin Offer.

Phoenix sought clarification from Zijin as to the basis it used to make the statements and how it was able to verify their accuracy. Zijin's response to this query was deemed inadequate by Phoenix and Zijin declined to include further disclosure in the Replacement Bidder's Statement as to how it was able to substantiate these claims.

The only relevant interest in Phoenix shares that Zijin has disclosed is the 8.91% it holds via Norton Gold Fields Ltd and the 9.03% interest it obtained via a pre-bid agreement with Geologic which remains subject to various walk-away rights for Geologic, including the emergence of a superior proposal. There is no other information in the Replacement Bidder's Statement as to the extent to which other shareholders may be included to accept the Zijin Offer to support the statement that a "significant proportion of Phoenix Shareholders will accept the Offer" as disclosed.

As has been previously advised, the Directors of Phoenix continue to engage with a number of parties to consider alternative, value maximising, proposals for Phoenix and its assets. While there is no guarantee that this engagement will result in a Superior Proposal, these discussions are ongoing.

Phoenix notes that, following the placement to Evolution Mining Ltd on 8 May 2015, it is in a strong financial position with \$5.2 million in cash and receivables as at 30 June 2015.

NEXT STEPS

The Directors of Phoenix maintain their recommendation to shareholders to **TAKE NO ACTION** in relation to the Zijin Offer.

A copy of the Replacement Bidder's Statement is expected to be sent by Zijin to Phoenix shareholders on 20 August 2015 after which the Zijin Offer will be required to remain open for at least a month. The Zijin Offer will not be capable of acceptance until it is despatched to Phoenix shareholders.

The Phoenix Directors will keep shareholders fully informed of further developments as they occur and will provide a formal recommendation on the Zijin Offer via a Target's Statement in ample time for shareholders to make an informed decision. The Target's Statement will also include an Independent Expert's Report from BDO Corporate Finance opining on whether the Zijin Offer is fair and reasonable to Phoenix shareholders.



All company announcements and information on the Zijin Offer are available on the Phoenix website at www.phoenixgold.com.au. Shareholders can also receive further information on the Zijin Offer by calling the Phoenix Shareholder Information Line below:

Within Australia: 1300 889 468
Outside Australia: +61 2 8022 7902

RBC Capital Markets is acting as financial advisor and Allion Legal as legal advisor to Phoenix.

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