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## **PHOENIX RAISES \$20 MILLION TO ACCELERATE DRILLING PROGRAMME AND COMPLETE DEFINITIVE FEASIBILITY STUDY FOR CASTLE HILL**

ASX: PXG, PXGOA

### **HIGHLIGHTS**

- *Placement of 66.7 million ordinary shares at \$0.30 per share to raise \$20 million*
- *Share Purchase Plan at \$0.30 following Placement to raise an additional \$2 million*
- *Strong demand from new and existing Australian and International institutional investors*
- *Proceeds will be used to accelerate the planned drilling programme over the next 12 to 15 months to achieve the Company's interim target of 4 million ounces<sup>1</sup> and to complete the Definitive Feasibility Study for Castle Hill and other core projects*

### **Overview**

Phoenix Gold Limited (ASX: PXG, "Phoenix") is pleased to announce it has successfully completed a Placement of approximately 66.7 million shares at \$0.30 per share to raise \$20 million ("Placement"). The Placement received strong support from both existing shareholders and enabled a number of new institutional investors to be added to Phoenix's register.

The offer price of \$0.30 per share represents a 13.0% discount to Phoenix's last trading price on 18 October 2012.

In addition to the Placement, Phoenix will also be offering eligible existing shareholders the opportunity to participate in a Share Purchase Plan ("SPP") to raise up to \$2 million. The SPP shares will be offered to existing shareholders at the Placement price of \$0.30 per share.

Funds from the Placement and SPP will be used to significantly accelerate the planned drilling programme over the next 12 to 15 months and to complete the Definitive Feasibility Study ("DFS") for Phoenix's core projects.

"Drilling success to date at Castle Hill and Broads Dam has demonstrated that the more drilling we do, the bigger the project becomes. With shareholder support and encouragement it has become apparent that we must accelerate the drilling programmes at our flagship projects to grow the resource and reserves as fast as possible. With these funds raised today we will triple the drilling activity at Castle Hill and Broads Dam and fast track the DFS in parallel," Managing Director Jon Price said.

"This work will put us in a strong position to be able to make a sound investment decision in the December Quarter of 2013 to develop the projects and construct a stand-alone processing plant at Castle Hill," he said.

<sup>1</sup> see note 3 on page 4

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<b>Sources of funds</b>	
Existing Cash	\$1.9m
+ Placement and SPP proceeds	\$22.0m
+ Internal cash flow	\$8.5m
+ Proceeds from option exercise	\$0.8m
<b>= Available cash</b>	<b>\$33.2m</b>
<b>Uses of funds</b>	
- Definitive feasibility study, drilling and corporate costs over 12 -15 months	(\$23.4m)
<b>= Remaining funds for working capital and costs of the offer</b>	<b>\$9.8m</b>

## Details of the Placement

The Placement consists of 66,666,667 new shares to be issued at a price of \$0.30 per share to raise total funds of \$20 million. The shares will be issued in two tranches:

- Tranche 1 – consisting of approximately 19.3 million shares at \$0.30 utilising Phoenix's 15% existing placement capacity under ASX Listing Rule 7.1 and approximately 15.7 million shares at \$0.30 pursuant to Phoenix's shareholder approved 10% placement capacity under ASX Listing Rule 7.1A; and
- Tranche 2 – consisting of 31.7 million shares at \$0.30 subject to shareholder approval.

Investec Bank (Australia) Limited and Patersons Securities Limited acted as Joint Lead Managers to the Placement.

## Details of the Share Purchase Plan

Under the SPP, each eligible shareholder will be offered the opportunity to subscribe for up to \$15,000 at \$0.30 per share. The SPP will seek to raise \$2 million representing approximately 6.7 million shares.

## Director Participation and Options

In conjunction with the Placement, the Joint Lead Managers offered for sale an additional 4 million shares in Phoenix. These new shares will be issued on exercise of 4 million, \$0.20 December 2012 expiry options ("Option Shares") held by Phoenix Directors Jon Price and Dale Rogers. The Option Shares will be sold at the Placement price.

Exercise of the options will raise a further \$800,000. Net funds received by the Directors from the sale of the Option Shares will be used to fund tax liabilities associated with the options and a portion will be re-invested in new Phoenix shares by both directors as part of the Placement (subject to shareholder approval).



# ASX Announcements

23<sup>rd</sup> October 2012

## Use of Proceeds

Funds from the Placement and SPP will be used to significantly accelerate the planned drilling programme over the next 12 to 15 months and to complete the Definitive Feasibility Study.

The Board has adopted an escalated drilling programme of circa 217,180 metres over Phoenix's projects. This will be comprised of:

- Resource extensions along strike and at depth;
- Greenfield drilling of new targets, and
- Infill and sterilisation drilling to support the DFS.

This will involve up to four drilling rigs and increased field work and is expected to increase both resources and reserves whilst the Company completes its DFS.

Projects	Meters Drilled (m)	Projected Cost (\$m)
Castle Hill – Resource extension	50,420	5.5
Broads Dam – Resource extension	28,620	3.1
Telegraph – Resource extension	12,350	1.3
Grass roots exploration	29,230	1.9
Infill and sterilisation drilling	96,560	7.7
Bankable feasibility study		3.9
<b>Total Program</b>	<b>217,180</b>	<b>23.4</b>

## Indicative Timetable for the Placement and SPP

Event	
SPP record date	7pm, Monday 22 October 2012
ASX announcement of placement, SPP and resumption of trading	Tuesday, 23 October 2012
Settlement of Tranche 1 shares	Friday, 26 October 2012
Allotment and trading of Tranche 1 shares	Monday, 27 October 2012
SPP materials sent to shareholders	~ Thursday, 1 November 2012
SPP opens	Monday, 5 November 2012
Shareholder meeting to approve Tranche 2 shares and SPP closes	~Thursday, 29 November 2012
Settlement of Tranche 2 shares	~Tuesday, 4 December 2012
Allotment and trading of Tranche 2 shares	~Wednesday, 5 December 2012

*This timetable is indicative only and subject to change at the discretion of Phoenix. All dates and times are references to Sydney time. Phoenix reserves the right to extend the closing date, accept late applications or withdraw the SPP without prior notice.*

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23<sup>rd</sup> October 2012

## About Phoenix

Phoenix Gold Ltd is an emerging Australian exploration and development company with an extensive land holding on the Zuleika and Kunanalling shear zones northwest of Kalgoorlie in Western Australia, home to some of Australia's richest gold deposits.

Kalgoorlie-based Phoenix is aiming to significantly grow its JORC-classified resources and to self-fund aggressive exploration through the development of advanced mining projects that can deliver cash flow in the short term.

The 100% owned Castle Hill gold project is emerging as a flagship asset with the potential to become a multi-million ounce gold mine<sup>4</sup> with excellent metallurgy and close to all major infrastructure. Castle Hill is one of many well-endowed gold systems within Phoenix's portfolio.

With a balanced mix of exploration (new discoveries and extensions) and development of a sustainable production profile, Phoenix aims to grow a significant gold company for the benefit of all stakeholders.

**Table 1: Phoenix Gold – Summary of Mineral Resources**

Project	Measured Mineral Resource			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	Mt	Au (g/t)	Au Oz
Castle Hill	0.18	3.4	20,000	7.28	1.5	356,000	14.25	1.5	684,000	21.71	1.5	1,059,000
Broads Dam				2.37	2.2	168,000	2.95	2.2	210,000	5.32	2.2	377,000
Kunanalling	0.49	2.4	38,000	0.78	1.6	40,000	2.91	1.8	166,000	4.18	1.8	245,000
Ora Banda/ Grants Patch				1.52	2.0	97,000	5.12	1.8	300,000	6.64	1.9	397,000
Carbine							1.40	1.7	78,000	1.40	1.7	78,000
Zuleika North				0.51	2.5	41,000	0.27	2.5	22,000	0.78	2.5	63,000
Stockpiles				0.50	1.2	19,000				0.50	1.2	19,000
<b>Total</b>	<b>0.67</b>	<b>2.7</b>	<b>58,000</b>	<b>12.96</b>	<b>1.7</b>	<b>721,000</b>	<b>26.89</b>	<b>1.7</b>	<b>1,460,000</b>	<b>40.52</b>	<b>1.7</b>	<b>2,239,000</b>

### Notes:

1. Stockpiles report material mined from historical mining operations at Lady Jane, Broads Dam, Premier, Catherwood, Bluebell, Mick Adam and Shamrock.
2. The information in this report that relates to Exploration results and Mineral Resources is based on information compiled by Mr Ian Copeland. Mr Copeland, who is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists, is a full time employee of Phoenix Gold. Mr Copeland has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Copeland has given his consent to the inclusion in the report of matters based on the information in the form and context in which it appears.
3. Information that relates to exploration and production targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.
4. The information on exploration targets is based on a conceptual range of targets as follows: Tonnage range: 2 million to 20 million tonnes, grade range: 1.5 g/t Au to 5 g/t Au

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