



Monday 22 June 2015

**ASX & MEDIA ANNOUNCEMENT**

**ZIJIN ANNOUNCES ITS INTENTION TO MAKE AN ALL CASH TAKEOVER BID FOR PHOENIX GOLD  
CONDITIONAL UPON THE EVOLUTION TRANCHE 2 PLACEMENT NOT PROCEEDING**

- Zijin intends to make an off-market takeover offer for \$0.10 per Phoenix share valuing Phoenix at \$47.0 million
- Zijin has executed a pre-bid agreement with Phoenix's largest non-interested shareholder<sup>1</sup> Geologic Resource Partners LLC and now holds a 17.9% relevant interest in Phoenix (details of the relevant interest set out below)
- The Zijin Offer is considered clearly superior to the proposed Evolution Tranche 2 Placement but will only be presented to Phoenix shareholders upon the proposed Evolution Tranche 2 Placement not proceeding
- Phoenix's four largest non-interested<sup>1</sup> shareholders have already indicated their intention to vote against the proposed Evolution Tranche 2 Placement. As such, Resolution 2 is highly unlikely to proceed
- Phoenix shareholders are urged to vote down the proposed Evolution Tranche 2 Placement at the General Meeting scheduled for Tuesday, 23 June 2015

Zijin Mining Group Co., Ltd, one of China's largest gold miners (**Zijin**)<sup>2</sup>, announces today its intention to make an off-market takeover offer for Phoenix Gold Limited (**Phoenix** or the **Company**). In addition, Zijin announces it now has a relevant interest in 17.9% in Phoenix and will be voting against proposed Evolution Tranche 2 Placement at the General Meeting scheduled for Tuesday, 23 June 2015.

**Intention to Make a Takeover Bid**

Zijin, through a wholly owned subsidiary vehicle (the **Bidder**), intends to offer to purchase all of the ordinary shares of Phoenix that it does not currently own for \$0.10 per share (the **Offer**). The Offer will value Phoenix at approximately \$47.0 million.

The Offer, if made, will be subject to a limited number of conditions including a minimum 50.1% acceptance condition and FIRB approval as set out in Annexure B. Zijin has already completed limited confirmatory due diligence (based on information provided by Phoenix) to its satisfaction.

The Offer will not proceed in the event that Resolution 2 is passed at the Phoenix General Meeting and the Tranche 2 Shares are issued and the Evolution Special Rights are granted.

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<sup>1</sup> Evolution Mining retains a significant interest in the resolutions put to shareholders at Phoenix's General Meeting to be held on 23 June 2015 and therefore is not able to vote on the issue of the Tranche 2 shares at the meeting.

<sup>2</sup> More information about Zijin is set out at Annexure A.

The Bidder has entered into a pre-bid agreement with Phoenix's largest non-interested shareholder Geologic Resource Partners LLC (the **Accepting Shareholder**) under which the Accepting Shareholder is obliged to accept the Offer, once made, in the absence of a Superior Proposal.<sup>3</sup> Pursuant to the pre-bid agreement with the Accepting Shareholder and Zijin's interest in its subsidiaries, Zijin has a relevant interest in 17.9% in Phoenix prior to the making of the Offer.

Subject to the proposed Zijin Offer being made to Phoenix shareholders and becoming unconditional, Zijin intends to undertake an immediate operational review of the Company, its assets and financial position. In particular, Zijin wishes to assess possible synergies it may be able to unlock from the Castle Hill projects. Zijin also notes that other parties may attribute more value to exploration tenements on trend with the Zuleika Shear than Zijin. Zijin ascribes little or no value for the heap leach assets and intends to suspend these activities while the review is completed.

### **Intention to Vote Against Resolution 2 at the Phoenix General Meeting**

Phoenix has called a general meeting of its shareholders at 10:00am on Tuesday, 23 June 2015 to approve the issue of 61,856,900 Tranche 2 shares to Evolution Mining Limited (ASX:EVN) at an issue price of \$0.092 per share (**Tranche 2 Shares**). On the issue of the Tranche 2 Shares to Evolution, Phoenix will grant certain special strategic rights to Evolution, including a first right of refusal over any future potential tenement sales or joint venture developments in the area located within a 75km radius from the Mungari Mill where there are no pre-existing agreements and obligations already in place, the right to nominate a director to the Phoenix Board and a right (subject to approvals) to participate in any new share issues to enable Evolution to maintain its ownership percentage (**Evolution Special Rights**).

Zijin is concerned that the issue of the Tranche 2 Shares and the grant of the Evolution Special Rights delivers value to Evolution at the expense of Phoenix's remaining shareholders. It is therefore not supportive of Resolution 2 and the Offer is conditional upon and subject to Resolution 2 of the Phoenix General Meeting not being passed by Phoenix's shareholders.

The Accepting Shareholder is also not supportive of the issue of the Tranche 2 Shares and the grant of the Evolution Strategic Rights and has committed to the Bidder, via the execution of its pre-bid agreement, to vote against the resolution.

Further, Zijin has received notification from Phoenix's 4 largest non-interested shareholders who are also not supportive of the passing of Resolution 2 at the Phoenix General Meeting and intend to vote against the resolution.

Based on the pre-bid agreement, Zijin's interest in its subsidiaries and additional notified shareholder intentions, Zijin considers it highly unlikely that this Resolution will be approved.

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<sup>3</sup> Acceptance by the Accepting Shareholder is to occur in the absence of a Superior Proposal via delivering instructions to the shareholders custodian to enter, or otherwise entering into, an Institutional Acceptance Facility to be established by the Bidder. Once accepted into the Institutional Acceptance Facility, Accepting Shareholder may only withdraw its acceptance of the Offer on the occurrence of a Superior Proposal or on delivering written instructions to the Bidder. For full details of the Pre-bid agreement, refer to the Form 604 lodged with Phoenix on or about 22 June 2015.

### **Advantages of the Zijin Offer**

Zijin considers that its Offer represents a superior alternative to shareholders over supporting the proposed Evolution Tranche 2 Placement. Key advantages are:

- **All cash consideration offering certain value and a clean exit from Phoenix**

The Offer is subject to limited conditions and based on existing shareholder support has strong prospects of success. The Offer will enable Phoenix shareholders to avoid being exposed to the risks associated with holding shares in a junior gold company with a track record of incurring substantial losses, with limited cash reserves.

- **Attractive Offer premium**

The Offer delivers Phoenix shareholders an attractive premium against key share price benchmarks and the proposed Evolution Tranche 2 Placement:

- a 19.0% premium to the undisturbed price of Phoenix, being \$0.084 at the close of trading on the ASX on 17 June 2015 (**Undisturbed Closing Price**)
- a 21.9% premium to the 30 day volume weighted average price of Phoenix's shares prior to the Undisturbed Closing Price;
- a 22.9% premium to the 3 month volume weighted average price of Phoenix's shares prior to the Undisturbed Closing Price;
- a 17.7% premium to the average subscription price of Evolution (\$0.085) pursuant to which it would achieve the Evolution Special Rights.

- **Avoids Phoenix shareholders suffering further dilution and an unnecessary value transfer to Evolution**

The Evolution Placement, if fully approved, will result in further significant dilution of existing Phoenix shareholders. As outlined above, Zijin's all cash takeover offer at \$0.10 per share represents a 17.7% premium to the average subscription price of Evolution (\$0.085). In addition, the granting of the Evolution Special Rights effectively amounts to a value transfer away to Evolution and its shareholders at the expense of Phoenix shareholders.

By contrast, the Zijin Offer will deliver all Phoenix shareholders an attractive premium on an equal basis.

- **Proposed Evolution Tranche 2 Placement is unlikely to be approved which will place Phoenix in a weak financial position in the absence of the Zijin Offer being successful**

Based on the pre-bid acceptances and additional shareholder support received to date, Zijin and its advisers consider it highly unlikely that the proposed Evolution Tranche 2 Placement will be approved.

Phoenix has disclosed an estimated cash balance of \$3.5 million as at 30 June 2015 on the basis that the proposed Evolution Tranche 2 Placement does not occur.<sup>4</sup> Given Phoenix's track record of incurring substantial losses, Zijin is of the opinion that Phoenix will be in a weak financial position.

By supporting Zijin and its proposed Offer, Phoenix shareholders will receive a better outcome in the form of certain cash consideration or a shareholding in a company backed and managed by one of China's largest gold miners Zijin rather than the current Board of Directors.

Zijin Executive Director & Vice President, Mr George Q Fang said the choice is now in the hands of the Phoenix shareholders.

*"We are delighted to be able to announce our intention to make a Takeover Offer to acquire all of the shares from Phoenix's shareholders via a cash offer of \$0.10 per Phoenix share, with limited conditions.<sup>5</sup> We believe our proposed Offer is clearly superior to the proposed Evolution Tranche 2 Placement as demonstrated by the support of key shareholders. We encourage all remaining shareholders of Phoenix to also vote against the passing of Resolution 2 at the Phoenix General Meeting so that we are able to make our all cash Offer, which will enable shareholders to realise immediate and certain cash value on successful completion of the Offer".*

Zijin is advised by Argonaut in respect of the Offer and HopgoodGanim have been appointed as legal adviser.



GEORGE Q FANG

Zijin Executive Director & Vice President

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<sup>4</sup> Based on page 16 of the Phoenix Investor Presentation June 2015 released on 10 June 2015. Not inclusive of a potential R&D tax refund of which the timing remain uncertain

<sup>5</sup> See Annexure B

## **Annexure A**

### **About Zijin**

Started from Zijinshan Gold Mine in 1993, Zijin Mining Group Co., Ltd has developed an extensive portfolio of gold, copper, lead and zinc, tungsten, iron and other base metals over the past 20 years, with gold being its main focus.

Zijin has become a large state holding mining group specializing in gold and mineral resource exploration and development with subsidiaries in more than 20 provinces, municipalities, autonomous regions across China and seven countries.

Listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, Zijin has a market capitalization of approximately US\$16.5 billion.

In 2014, Zijin recorded a revenue of approximately US\$10 billion.

## **Annexure B**

### **Conditions to the Offer**

**1. Minimum relevant interest**

At or before the end of the Offer Period, the Bidder and its Related Bodies Corporate together have Relevant Interests in at least 50.1% of all the Target Shares.

**2. FIRB approval**

The Treasurer of the Commonwealth of Australia or his agent notifies the Bidder to the effect that there are no objections to the proposed acquisition by the Bidder of interests in up to all of the Target Shares on issue pursuant to or as a result of the Offer (or by any other means permitted under the Corporations Act) under the Commonwealth Government's foreign investment policy, and such notice is unconditional or subject to conditions which are not materially detrimental to the Bidder.

**3. Resolution 2 at EGM not approved**

Resolution 2 in relation to the Tranche 2 Shares is put to the Target EGM (or any adjournment of that meeting) and the result of that vote on the issue of the Tranche 2 Shares is that the resolution is not passed.

**4. Other conditions customary to an offer of this type**