



Phoenix Gold
Limited

ANNUAL REPORT 2015

ABN 55 140 269 316

DIRECTORS

Dale Clark Rogers (Executive Chairman)
Stuart John Hall (Non-executive Director)
Ian Edward Gregory (Non-executive Director)

COMPANY SECRETARY

Ian Edward Gregory

REGISTERED & HEAD OFFICE

Unit 2 / 53 Great Eastern Highway
Kalgoorlie WA 6430

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth WA 6000

AUDITOR

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Level 4, 35 Havelock Street
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SOLICITORS

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BANKERS

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Kalgoorlie WA 6430

STOCK EXCHANGE

Phoenix Gold Limited shares are listed
on the Australian Securities Exchange (ASX).

WEBSITE

www.phoenixgold.com.au

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Dear Fellow Shareholders,

ON BEHALF OF PHOENIX GOLD LIMITED ("PHOENIX" OR "COMPANY") IT GIVES ME GREAT PLEASURE TO PRESENT OUR FIFTH ANNUAL REPORT. THIS REPORT REVIEWS THE ACTIVITIES OF PHOENIX FOR THE FINANCIAL YEAR ENDING 30 JUNE 2015.

The past year has brought change but continued progress and significant achievement by your Company. Through the efforts of our employees Phoenix has continued to work towards increasing the size of our Resource and advance our Castle Hill project.

Our large scale gold project, Castle Hill, remained a key focus with conventional mining, milling and heap leaching plans in place. Our underlying assets are strong with 500km² tenure 100% owned on two major shear zones in the Western Australian Goldfields which has had little systematic modern exploration over the last 20 years.

During the year, Phoenix's Resources grew to +4 million ounces including a +1 million ounce Reserve which has been independently verified. Mining at the Kintore West mine was completed and a continued further supplementary ore milling program has delivered positive cashflows.

A high level of corporate activity reflects continued interest in gold with a takeover bid for the shares in Phoenix announced by Zijin Mining Group Co., Ltd in June and a competing bid subsequent to year end by substantial shareholder Evolution Mining Limited. Your Directors consider that neither offer reflects the inherent value of Phoenix and is designed to secure early control of the Castle Hill Project and capture value that the Board believes is rightly yours. The Directors continue to recommend Phoenix shareholders take no action.

During 2015, your managing director Jon Price resigned from the Board, I stepped in as Executive Chairman and Ian Gregory joined the Board. I welcome Ian to the Board and thank Jon for his contribution to the Company and wish him well for the future.

I would like to thank my fellow Directors, Stuart Hall and Ian Gregory and all of our employees for their efforts in 2015.

On behalf of the Board I would also like to acknowledge and thank you for your support and the support of all our shareholders.

Yours Sincerely,



Dale C Rogers
Executive Chairman



Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY CONSISTING OF PHOENIX GOLD LIMITED ("THE COMPANY") AND THE ENTITIES IT CONTROLLED ("PHOENIX") AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2015. THROUGHOUT THE REPORT, THE CONSOLIDATED ENTITY IS REFERRED TO AS THE GROUP.

DIRECTORS

The following persons held office as directors of Phoenix Gold Limited during the whole of the year and up to the date of this report:

Dale Clark Rogers

Stuart John Hall

Ian Edward Gregory

was appointed as a non-executive director on 8 May 2015.

Jonathon Paul Price

resigned as managing director on 8 May 2015.

PRINCIPAL ACTIVITY

The principal activity of the group during the financial year was mineral exploration and gold mining.

There were no significant changes in the nature of the group's principal activity during the financial year.

DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

Financial

The group made a net loss after tax of \$20.3 million (2014: \$9.2 million). The net loss included impairment charges on the Kintore West operation and Toll Milling Agreement of \$4.6 million and the write off of previously capitalised exploration and evaluation costs of \$1.0 million which related to areas of interest which have been relinquished or are planned to be relinquished. These areas of interest do not form part of the core assets of the group.

The total cash outflow of the group for the year was \$5.4 million (2014: \$6.5 million) which included operational cash outflows of \$12.5 million, exploration and development cash outflows of \$4.0 million. These outflows were offset by the issue of 136,455,000 new shares which raised \$13.0 million after transaction costs.

As at 30 June 2015 cash on hand was \$3.9 million (2014: \$9.3 million).

Overview

As of June 2015 the Company had an interest in 279 tenements (269 live and 10 pending) covering an area of 689 square kilometres. All tenements are located in the Eastern Goldfields of Western Australia and are within a 60 kilometre radius northwest of Kalgoorlie in the historic mining centres of Ora Banda, Grants Patch, Carbine-Zuleika and Kunanalling. All exploration activities conducted by the Company focussed on these tenement holdings (Figure 1).

The Company's aim for the year was to continue to increase its Mineral Resources and Ore Reserves through diligent exploration across its prospective tenement holdings and progress a staged development plan, including commencing mine development and production in the near term.



Figure 1: Regional project locations

Mineral Resource

| PROJECT (MILL FEED) | 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 |
| 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 | 163,000 | 5.15 | 1.9 | 312,000 |
| Carbine | | | | 1.70 | 1.6 | 86,000 | 0.21 | 2.1 | 14,000 | 1.90 | 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 |
| TOTAL | 0.49 | 2.0 | 31,000 | 30.68 | 1.6 | 1,618,000 | 22.99 | 1.7 | 1,263,000 | 54.16 | 1.7 | 2,913,000 |
| PROJECT (HEAP LEACH FEED) | 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 |
| 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 |
| TOTAL | | | | 35.25 | 0.6 | 670,000 | 22.05 | 0.6 | 417,000 | 58.34 | 0.6 | 1,109,000 |
| TOTAL JAN 2015 | 0.49 | 2.0 | 31,000 | 65.93 | 1.1 | 2,288,000 | 45.04 | 1.2 | 1,680,000 | 112.50 | 1.1 | 4,022,000 |

Note: Resource estimates are stated inclusive of ore reserve estimates

REVIEW OF OPERATIONS (CONT.)

To this aim Phoenix successfully increased its total JORC Mineral Resources beyond the Company's goal of 4 million ounces, to **4.02 million ounces of gold**, with Ore Reserves at **1.16 million ounces of gold** (Table 1). Phoenix also undertook development and mining operations at its Kintore West open cut mine, progressed work on a joint venture with Norton Gold Fields Limited ("Norton") for development of Castle Hill Stage 1 and advanced a heap leach strategy to treat lower grade ore from its Castle Hill project.

During the year Phoenix completed infill and extension drilling at its advanced mining projects to improve geological confidence and to test strike and depth extensions beyond the current mining envelope. This work was undertaken at the Kintore, Burgundy, Zinfandel and Red Dam projects on the highly prospective Kunanalling and Zuleika shear zones in the heart of the Western Australian Goldfields.

In total 357 RC percussion holes were completed for 23,919m at the four project areas; 11,125m completed at Kintore, 8,420m completed at Burgundy, 1,248m at Zinfandel and 3,126m at Red Dam. The results of these drilling programs enabled the Company to achieve Mineral Resources growth beyond 4 million ounces with Resource updates for the Castle Hill Stage 3, Kintore, Red Dam and Burgundy gold projects announced during the year.

Ore Reserve

| PROJECT (MILL FEED) | PROVEN ORE RESERVE | | | PROBABLE ORE RESERVE | | | TOTAL ORE RESERVE | | | CUT OFF (g/t) |
|------------------------------------|--------------------|-------------|---------------|----------------------|-------------|------------------|-------------------|-------------|------------------|------------------|
| | Mt | Au (g/t) | Au Oz | Mt | Au (g/t) | Au Oz | Mt | 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 |
| SUB-TOTAL - MILL FEED | 0.35 | 2.09 | 24,000 | 15.28 | 1.74 | 854,180 | 15.63 | 1.75 | 878,180 | |
| PROJECT (HEAP LEACH FEED) | | | | | | | | | | |
| 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 | 2.60 | 0.54 | 46,000 | 0.4-0.8 |
| Stockpiles | | | | 0.20 | 1.10 | 7,000 | 0.20 | 1.10 | 7,000 | |
| SUB-TOTAL - HEAP LEACH FEED | | | | 14.96 | 0.58 | 280,450 | 14.96 | 0.58 | 280,450 | |
| TOTAL | 0.35 | 2.09 | 24,000 | 30.24 | 1.17 | 1,134,630 | 30.59 | 1.18 | 1,158,630 | |

**REVIEW OF OPERATIONS
 (CONT.)**

Qualification Statements

The information in this report 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 report 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 report 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 is a former 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 report 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 report 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 report 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 report 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.

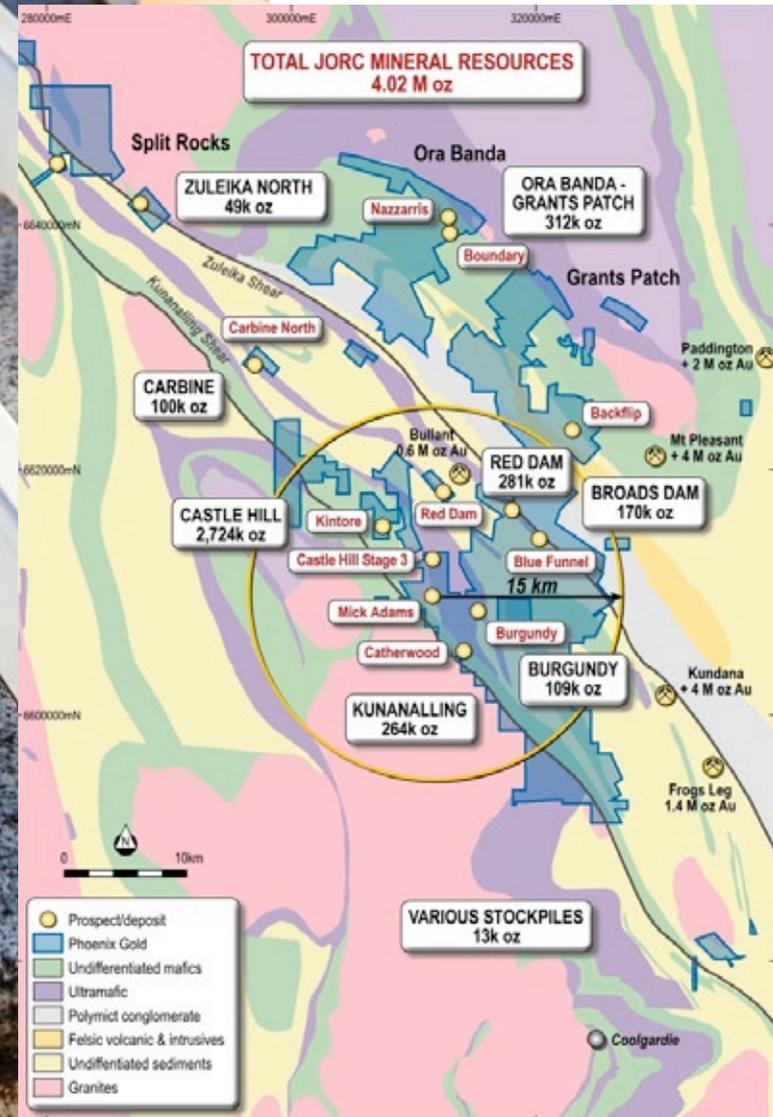


Figure 2: Project tenement locations

REVIEW OF OPERATIONS (CONT.)

Exploration

Castle Hill

The Castle Hill project, located adjacent to the historic Kunanalling mining area, is approximately 50 kilometres northwest of Kalgoorlie. Castle Hill has emerged as a major exploration centre for the Company. Geology at Castle Hill is dominated by the Kunanalling Sheet, a northwest trending lineament akin to the prolific Zuleika Shear 10 kilometres to the east. Semi-continuous gold mineralisation hosted within granitic and basaltic rocks has been defined along the eastern shear for a strike length of over 9 kilometres.

Mineralisation is amenable to open pit mining being generally near surface, free milling and comprising both large tonnage, base-load style mineralisation adjacent to higher-grade, shear-hosted lodes.

During the 2014/15 financial year 102 RC holes totalling 11,125 metres were completed at the Kintore project (Castle Hill Stage 2) aiming to test further extensions to the mineralisation to the south, north and east of the resource defined by previous drilling. It also aimed to validate historic holes drilled in the 1980s and infill areas to improve

geological confidence for conversion into Indicated and Inferred categories for estimation of Resources.

The aim of the drilling program was to test lateral extensions to the mineralisation both proximal and between the historic deposits. The drilling was successful in delineating the extent of the mineralisation north along the tonalite contact and defining additional gold mineralisation west internal to the tonalite. The mineralisation remains open in this direction on several drill sections and to the east where drilling has failed to delineate any structural or lithological closure to the gold mineralisation.

Phoenix also released during the year the results of extension drilling completed in the 2014 financial year at Castle Hill Stage 3, further demonstrating the growth potential of the large Castle Hill gold system.

The aim of the drilling program was to test lateral and depth extensions to the mineralisation both proximal and between the historic deposits. The drilling was successful in delineating the extent of the mineralisation north along the tonalite contact and defining

**REVIEW OF OPERATIONS
 (CONT.)**

Castle Hill (Cont.)

additional gold mineralisation west internal to the tonalite. The mineralisation remains open in this direction on several drill sections.

Completion of the above drilling and work programs and further evaluation of the historical exploration data base has led to an increase of the Mineral Resource at Castle Hill:

- Mill feed of 35.5Mt at 1.5g/t Au for 1,735,000oz
- Heap leach feed of 52.9Mt at 0.6g/t Au for 989,000oz

This represents an approximate 10% increase on the mill feed Resource reported last year of 1,569,000 ounces and 11% increase on the heap leach feed Resource reported last year of 889,000 ounces.

The mineralised system at Castle Hill (Figure 3) remains open along strike and at depth and the Company believes the Project has the potential to become a very large multi-stage gold camp.

Red Dam

During the year, the Company continued exploration drilling and drill targeting work on its second major exploration centre at the Zuleika Shear projects. Drilling was focused on the Red Dam project, which is part of the Broads Dam project area (including the Broads Dam, Blue Funnel and Red Dam projects).

The project area, less than 15 kilometres from the Company's Castle Hill Project, is located on the Zuleika Shear, which is renowned for hosting multi-million ounce gold deposits. For example the +6 Million ounce Kundana camp is located 15 kilometres to the south of Phoenix's Broads Dam Project area.

During the year 29 RC holes totalling 3,126 metres were completed at

the Red Dam project with the aim of testing short range continuity of the central high grade zone and to test for up-dip extensions of the gold mineralisation in the northern peripheries of the deposit. Positive results from the drilling demonstrated the potential for both open pit and underground development that is typical of the Kundana area.

Phoenix increased Mineral Resources at Red Dam to:

- Mill feed (at a 0.8g/t Au cut off) of 3.1Mt at 2.2g/t Au for 214,000oz
- Heap leach feed (at a 0.4g/t Au cut off) of 2.9Mt at 0.7g/t Au for 67,000oz

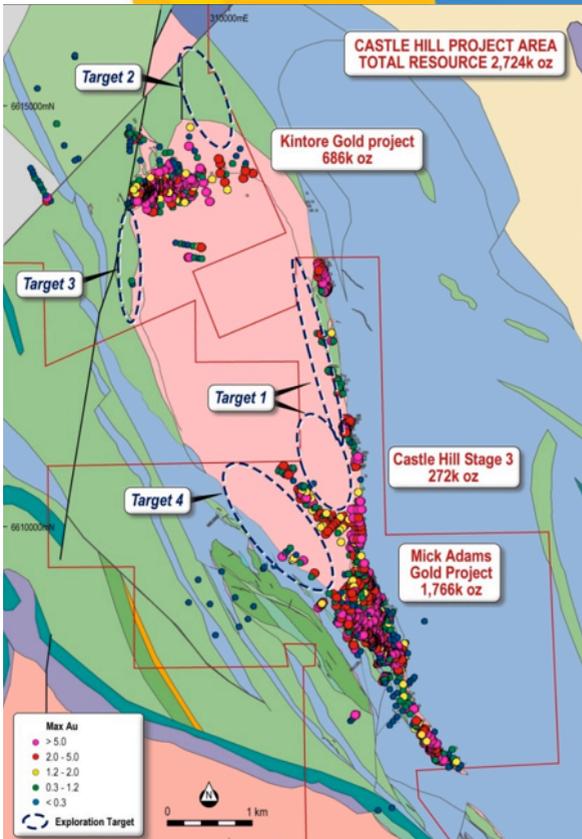


Figure 3: Castle Hill Project



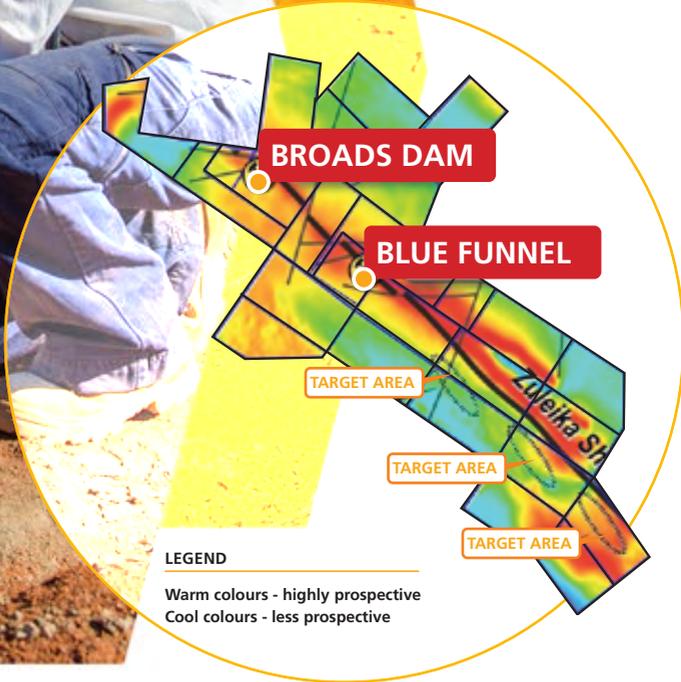


Figure 4: Zuleika Shear zone priority target areas

REVIEW OF OPERATIONS (CONT.)

Burgundy / Zinfandel

A total of 17 RC holes totalling 1,248 metres were completed at the Zinfandel project (2kms immediately south of Burgundy) in the September quarter 2014. The aim of the program was to test further extension to the mineralisation to the north and south of the deposit, validate historic holes, and convert Inferred material into the Indicated category. A further 209 RC

percussion holes for 8,420m were completed at the Burgundy deposit in the March 2015 quarter. The aim of this drilling was to infill the previously defined resource to a 10m (N-S) by 7m (E-W) and 10m (N-S) by 14m (E-W) grid to obtain data on the short range continuity of the gold mineralisation. This data could be used for updating of the Burgundy resource estimate and extrapolated to define infill drill spacing on other parts of the deposit.

Mineral Resources at Burgundy increased to 109,000oz, up 47% from the Resource published in February 2014:

- Mill feed of 0.98Mt at 2.0g/t Au for 65,000oz
- Heap leach feed of 2.12Mt at 0.60g/t Au for 44,000oz

Geological Targeting Study – Kunanalling and Zuleika Shear zones

In February the Company reported the results of a three year 4D mineral evolution research program that delivered over 30 high priority drill targets on the Kunanalling and Zuleika Shear Zones.

The PhD linked study, undertaken in conjunction with the University of Western Australia's Centre for Exploration Targeting led to an increased focus by the Company on the Zuleika Shear, where the tenure has had limited to no modern exploration.

In May 2015 the Company announced it had formed a strategic partnership with Evolution Mining Limited to accelerate exploration on its highly prospective Zuleika shear gold projects, covering the Broads Dam, Kundana North, Carbine and Zuleika North project areas.

Resource Estimates

The total resource estimate for Phoenix Gold Ltd increased by 27% in 2015 over the total estimated resources stated in January 2014. The largest increase (+24%) was in the Heap Leach category due to the inclusion of Castle Hill Stage 3 which had not been reported in January 2014. Mill Feed estimated

resources increased by 3% due to an increase in the Castle Hill Stage 2 estimated resource and inclusion of Castle Hill Stage 3. The small increase in Mill Feed estimates resources was a function of Castle Hill Stage 2 and Burgundy being reported at a 1.0g Au/t cut-off grade to reflect that the majority of

these deposits would be processed through a toll treatment facility as part of the Staged Development mine plan rather than the proposed Castle Hill stand-alone processing facility. Estimated resources for this facility have been reported at a 0.8g Au/t cut-off grade.

REVIEW OF OPERATIONS (CONT.)

Mining Operations

Safety and Environment

Safety and environment performance for the year was acceptable with no lost time injuries or reportable environmental incidents. There were a number of minor safety incidents reported that have been subsequently investigated and corrective actions put in place.

Kintore West

Mining at Kintore West was undertaken during the financial year commencing in August 2014 with first gold production in October 2014. Mining of the Kintore West pit continued throughout the December and March Quarters with the mine advancing through the transitional material to the fresh ore. However, the selective mining of high grade vein sets within a lower grade stockwork system proved more amendable to bulk mining and led to lower mined grades than anticipated. Mining was completed in April 2015 with the mill campaign completed in May 2015.

Total production to 30 June 2015 of high grade ROM ore was 367,000 tonnes at 1.3 g/t

for 14,115 ounces of recovered gold at a process recovery of 95%. Cash Costs ("C1") for the year were \$1,878 per recovered ounce and the All In Sustaining Costs ("AISC") were \$2,359 per recovered ounce inclusive of all ore mining and waste removal costs, royalties, corporate overheads and exploration expenditure.

In addition to the high grade ore, some low grade ore was added to the blend in the December and March Quarters, and in June 2015 the Company commenced a supplementary milling campaign of 100% low grade ore at the Greenfields processing plant, which was completed on 2 July 2015. Low grade ore treated throughout the year was a total of 109,777 tonnes treated at a reconciled grade of 0.75 g/t for 2,352 ounces produced.

Plans to mine additional projects such as Burgundy, Red Dam and Nazaris remain under review pending the outcome of the Norton joint venture and associated cash flow from the Mick Adams and Wadi open pit developments. The primary focus for the Company remains the Norton joint venture at Castle Hill Stage 1 and the heap leach project.



REVIEW OF OPERATIONS (CONT.)

Business Development

Norton Joint Venture Arrangements

In 2014 Phoenix delivered to Norton separate Feasibility Studies on the Mick Adams/Kiara and Wadi projects ("Castle Hill Stage 1") in accordance with an existing option to mine and treatment agreement.

Under the terms of the agreement:

- Norton may exercise an option within a 6 month period after the Feasibility Study delivery, expiring mid-August 2014;
- Upfront capital development is funded by Norton;
- Mining, haulage, milling and rehabilitation is conducted by Norton;
- Subject to fleet availability, mining is to commence within 3 months of execution of the formal agreement;
- As the project becomes cash flow positive on a production cost basis, Phoenix receives 50% of the resultant cash surplus.

In August 2014 Norton notified Phoenix it had exercised its option to enter into a mine and ore sale agreement.

During the year a joint mining study was commissioned to re-optimize the Mick Adams/Kiara and Wadi projects using the agreed JORC 2012 geological models prepared by Cube Consulting, updated capital and operating costs, and updated mining fleet selection information provided by Norton. The study was released and announced to the ASX on 21 January 2015.

The study indicated the potential for a larger project, delivering 398,200 ounces from mining 8.7 million tonnes at a grade of 1.51 g/t and a recovery of 94%. At a A\$1,350/oz gold price the study showed the project could potentially deliver a \$91 million cash surplus to be shared equally by Phoenix and Norton. The final mine design and ore schedule is yet to be finalised with Norton which may result in a different physical and financial outcome from that presented in the study.

The Company and Norton continued to work to complete and execute the final Licence to Mine and Ore Sale Agreement with respect to Castle Hill Stage 1. Development at the Mick Adams and Wadi open pit projects (Castle Hill Stage 1) is expected to commence once the Agreement is signed.

Heap Leach Strategy

During the year Phoenix entered into an agreement with St Ives Gold Mining Company Pty Limited to purchase a standalone 2.3Mtpa heap leach processing facility. The total consideration payable is \$2.05 million with \$0.45 million paid during the financial year and further deferred payments of \$1.1 million and \$0.5 million due in September and December 2015 respectively.

In March 2015 results of a Definitive Feasibility Study (DFS) on the Heap Leach Facility estimated total net cash flow to the Company (after capex, before tax) of A\$70 million over the project's current 7 year life. Based on an assumed gold price of A\$1,500 per ounce, the DFS demonstrated robust financials with a pre-tax net present value of A\$40.6 million (at an 8% discount rate) and strong IRR of 45%.

The heap leach ore will be sourced from the lower grade stockpiles mined from the Mick Adams-Kiara, Wadi, Kintore, Castle Hill Stage 3 and Burgundy open pits. The Mick Adams and Wadi projects are currently the subject of the License to Mine and Ore Sale Agreement with Norton. The lower grade

material is stockpiled separately and is available for heap leaching by Phoenix.

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**.

Relocation, refurbishment and recommissioning of the plant and construction of the heap leach pads will happen over a 12 to 15 month period at a capital cost estimated at A\$34.4 million.

Project financing for development of the Company's heap leach project was progressing at year end with Phoenix continuing engagement with a number of domestic and international financiers.



SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the group were as follows:

- On 15 July 2014 the Company issued 36,400,000 fully paid ordinary shares at 13 cents per share raising \$4.7 million before transaction costs.
- On 28 November 2014 the Company issued 10,500,000 unlisted options with an exercise price of 15 cents per share and an expiry date of 28 November 2017 in accordance with the employee share option plan approved by shareholders.
- On 9 February 2015 the Company successfully completed a share placement of 50,000,000 fully paid ordinary shares at 10 cents per share raising \$5 million before transaction costs.
- On 6 March 2015 the Company completed a Share Purchase Plan for 6,055,000 fully paid ordinary shares at 10 cents per share raising \$0.6 million before transaction costs.
- On 8 May 2015 the Company issued 44,000,000 fully paid ordinary shares to Evolution Mining Limited at 7.5 cents per share raising \$3.3 million before transaction costs.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 6 August 2015 Zijin Mining Group Co Ltd, through its wholly owned subsidiary, Norton Gold Fields Limited lodged a Bidder's Statement to acquire all of the fully paid ordinary shares in Phoenix Gold Limited for \$0.10 per share. This offer was conditional on, amongst other items, Zijin acquiring a relevant interest of 50.1% in Phoenix Gold Limited. The Phoenix Board advised Phoenix shareholders to reject the offer by taking no action on this takeover bid from Zijin.

The offer lapsed on 21 September 2015 without the 50.1% condition being either satisfied or waived.

On 11 September 2015 Evolution Mining Limited lodged a Bidder's Statement to acquire all of the fully paid ordinary shares in Phoenix Gold Limited for \$0.06 cash and 0.06 Evolution Shares for every Phoenix share held. The Phoenix Board advised Phoenix shareholders to reject the offer by taking no action on this proposed takeover bid from Evolution.

The Evolution offer is currently open and is due to close on 26 October 2015, unless otherwise extended under the Corporations Act.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF FUTURE OPERATIONS

The likely developments and expected results of future operations are dependent upon the outcome of the recent takeover activity Phoenix has been the subject of (refer to note paragraph above).

ENVIRONMENTAL REGULATIONS

The operations of the group are subject to environmental regulation under the laws of the Commonwealth and the State of Western Australia. The group holds various environmental licences and is party to statutory agreements made under these laws, to regulate its mining and exploration activities in Western Australia. These licences include conditions and regulations in relation to specifying limits on discharges into the air, surface water and groundwater, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

All environmental performance obligations are monitored by the board of directors and subjected from time to time to Government agency audits and site inspections. There have been no material breaches of the group's licences and all mining and exploration activities have been undertaken in compliance with the relevant environmental regulations.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.



DALE CLARK ROGERS
 Executive Chairman

Mr Rogers is a Mining Engineer with almost 30 years' experience in the mining industry. He has experience developing and operating underground and open cut mining operations in a range of commodities. His broad range of historical roles includes 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 the Founding Chairman of Phoenix Gold Limited.

STUART JOHN HALL
 Non-executive Director

Mr Hall is a qualified geologist with over 40 years' experience of exploration and mining projects in Australia, Africa and South East 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.

IAN EDWARD GREGORY
 Non-executive Director & Company Secretary

Mr Gregory has over 28 years' experience in the provision of company secretarial and business administration services to listed and unlisted companies. Companies for which Mr Gregory has acted as Company Secretary include Iluka Resources Limited, IBJ Australia Bank Limited and the Griffin Coal Mining Group of companies. Mr Gregory currently consults on secretarial matters to a number of listed and unlisted companies. He 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.

COMPANY SECRETARY

The Company Secretary is Mr Ian Gregory, B.Bus, FGIA, FCIS, F Fin, MAICD. Mr Gregory was appointed to the position of Company Secretary in 2010.

MEETINGS OF DIRECTORS

| DIRECTOR | BOARD OF DIRECTORS | |
|---|--------------------|----------|
| | HELD | ATTENDED |
| Dale Rogers | 14 | 14 |
| Stuart Hall | 14 | 14 |
| Ian Gregory (appointed 8 May 2015) | 1 | 1 |
| Jonathan Price (resigned 8 May 2015) | 13 | 13 |

Other current directorships

Mr Rogers is the Non-executive Chairman of Primary Gold Limited (ASX: PGO) and A1 Consolidated Gold Limited (ASX: AYC)

Former directorships in last three years

Nil

Interests in shares & options
Ordinary shares –

Phoenix Gold Limited 7,033,335

Options over ordinary shares –
 Phoenix Gold Limited 1,500,000

Other current directorships

Nil

Former directorships in last three years

Non-executive director Horseshoe Metals Limited (resigned June 2014)

Non-executive director Gladiator Resources Limited (resigned Dec 2012)

Interests in shares & options
Ordinary shares –

Phoenix Gold Limited Nil

Options over ordinary shares –
 Phoenix Gold Limited 1,500,000

Other current directorships

Nil

Former directorships in last three years

Nil

Interests in shares & options
Ordinary shares –

Phoenix Gold Limited Nil

Options over ordinary shares –
 Phoenix Gold Limited Nil

REMUNERATION REPORT (AUDITED)

The directors are pleased to present Phoenix Gold Limited's 2015 remuneration report which sets out remuneration information for the Company's non-executive directors, executive director and other key management personnel.

The report contains the following sections:

- (a) Key management personnel disclosed in this report
- (b) Executive remuneration policy and framework
- (c) Relationship between remuneration and Phoenix Gold Limited's performance
- (d) Non-executive director remuneration policy
- (e) Voting and comments made at the Company's 2014 Annual General Meeting
- (f) Details of remuneration
- (g) Service agreements
- (h) Details of share-based compensation
- (i) Equity instruments held by key management personnel
- (j) Loans to key management personnel
- (k) Other transactions with key management personnel

(a) Key management personnel disclosed in this report

Executive and non-executive directors

Dale Rogers
Stuart Hall
Ian Gregory (appointed 8 May 2015)
Jonathan Price (resigned 8 May 2015)

Other key management personnel

Ian Copeland (Exploration General Manager)
Grant Haywood (Chief Operating Officer)
Tim Manners (Chief Financial Officer)

(b) Executive remuneration policy and framework

The remuneration policy of Phoenix Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and offering specific long-term incentives based on key performance areas affecting the group's financial results. The board of Phoenix Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to run and manage the group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the group's is as follows:

- The remuneration policy, setting the terms and conditions for the executive director and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%. The executive director and executives do not receive any other retirement benefits.
- The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders in general meeting. Fees for non-executive directors are not linked to the performance of the group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in Phoenix Gold Limited.

The objective of the group's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

REMUNERATION REPORT (AUDITED) (CONT.)

(c) Relationship between remuneration and Phoenix Gold Limited's performance

Part of the remuneration for certain individuals is directly linked to the performance of the group. A portion of share options and bonuses issued as part remuneration is dependent on a defined market capitalisation being met. The remaining portion of the share options and bonuses issued are at the discretion of the board. The board is of the opinion that that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|-----------------------------------|------------|------------|------------|------------|------------|
| Share price at financial year end | \$0.11 | \$0.15 | \$0.11 | \$0.17 | \$0.24 |
| Basic loss per share | 5.11 cents | 3.54 cents | 1.15 cents | 4.20 cents | 3.07 cents |

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Directors and senior executives are encouraged to purchase shares and options in Phoenix Gold Limited. The group believes the policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options and shares at year end, refer to (i) below.

(d) Non-executive director remuneration policy

Non-executive directors receive a board fee, see the table below. They do not receive performance based pay. Fees are reviewed annually by the board taking into account comparable roles and market data.

The maximum annual aggregate directors' fee pool limit is \$300,000 and was approved by shareholders at the annual general meeting on 30 November 2011.

| BASE FEES | FROM 1 JULY 2015 | FROM 1 JULY 2014 TO 30 JUNE 2015 |
|------------------------------|------------------|----------------------------------|
| Chair | \$82,125 | \$81,125 |
| Other non-executive director | \$60,225 | \$60,225 |

There is no requirement for non-executive directors to hold shares in Phoenix Gold Limited.

(e) Voting and comments made at the company's 2013 Annual General Meeting

Phoenix received more than 86% of "yes" votes on its remuneration report for the 2014 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(f) Details of remuneration

The following table shows details of the remuneration expense recognised for the group's executive key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards

| 2015 | SHORT-TERM EMPLOYEE BENEFITS | | | POST-EMPLOYMENT BENEFITS | | SHARE BASED PAYMENTS | TOTAL | % PERFORMANCE RELATED |
|---|------------------------------|----------|-----------------------|--------------------------|---------------|----------------------|------------------|-----------------------|
| | SALARY & FEES | BONUSES | NON-MONETARY BENEFITS | TERMINATION BENEFITS | SUPER | OPTIONS | | |
| NAME | | | | | | | | |
| Non-executive directors | \$ | \$ | \$ | | \$ | \$ | \$ | % |
| Dale Rogers (non – exc chair to 8 May 2015) | 104,875 | - | - | - | 5,983 | 5,486 | 116,299 | 5% |
| Stuart Hall | 54,083 | - | - | - | 5,138 | 7,681 | 66,902 | 11% |
| Ian Gregory (appointed 8 May 2015) | 6,374 | - | - | - | 606 | - | 6,980 | - |
| Sub-total non-executive directors | 165,332 | - | - | | 11,682 | 13,167 | 190,181 | - |
| Executive directors | | | | | | | | |
| Jonathan Price (resigned 8 May 2015) | 310,606 | - | 29,797 | 160,998 | 16,637 | - | 518,038 | - |
| Dale Rogers (exec chair from 8 May 2015) | 47,319 | - | 266 | - | 4,102 | 2,195 | 53,882 | 4% |
| Other key management | | | | | | | | |
| Ian Gregory | 150,000 | - | - | - | - | - | 150,000 | - |
| Ian Copeland | 240,000 | - | 18,563 | - | 18,783 | 15,648 | 292,994 | 5% |
| Grant Haywood | 280,000 | - | 33,838 | - | 18,783 | 14,524 | 347,145 | 4% |
| Tim Manners | 300,000 | - | 27,833 | - | 18,783 | 16,003 | 362,619 | 4% |
| TOTAL | 1,493,257 | - | 110,297 | 160,998 | 88,770 | 61,537 | 1,914,859 | - |

REMUNERATION REPORT (AUDITED) (CONT.)

(f) Details of remuneration (Cont.)

| 2014 | SHORT-TERM EMPLOYEE BENEFITS | | | POST-EMPLOYMENT BENEFITS | SHARE BASED PAYMENTS | TOTAL | % PERFORMANCE RELATED |
|--|------------------------------|---------------|-----------------------|--------------------------|----------------------|------------------|-----------------------|
| | SALARY & FEES | BONUSES | NON-MONETARY BENEFITS | SUPER | OPTIONS | | |
| NAME | \$ | \$ | \$ | \$ | \$ | \$ | % |
| NON-EXECUTIVE DIRECTORS | | | | | | | |
| Dale Rogers | 129,825 | - | - | 6,938 | - | 136,763 | - |
| Stuart Hall | 50,417 | - | - | 4,664 | - | 55,081 | - |
| Sub-total non-executive directors | 180,242 | - | - | 11,602 | - | 191,844 | - |
| EXECUTIVE DIRECTOR | | | | | | | |
| Jonathan Price | 322,000 | - | 28,841 | 17,775 | 90,584 | 459,200 | 20% |
| OTHER KEY MANAGEMENT | | | | | | | |
| Ian Copeland | 240,000 | 15,000 | 2,151 | 17,775 | 54,313 | 329,239 | 21% |
| Grant Haywood | 280,000 | 30,000 | 23,228 | 17,775 | 37,369 | 388,372 | 17% |
| Tim Manners | 300,000 | 30,000 | 20,976 | 17,775 | 51,454 | 420,205 | 19% |
| TOTAL | 1,322,242 | 75,000 | 75,196 | 82,702 | 233,720 | 1,788,860 | - |

(g) Service agreements

Remuneration and other terms of employment for the executives are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the Employee Share Option Plan is subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below.

Termination benefits are within the limits set by the Corporations Act 2001 such that they do not require shareholder approval.

| NAME | TERM OF AGREEMENT | BASE SALARY (INC SUPER) | NOTICE PERIOD |
|-----------------|-------------------|-------------------------|---------------|
| Dale Rogers | No fixed term | \$416,308 | 3 months |
| Ian Copeland | No fixed term | \$258,783 | 1 month |
| Grant Haywood | No fixed term | \$298,783 | 1 month |
| Tim Manners | No fixed term | \$318,783 | 1 month |
| Jonathan Price* | No fixed term | \$340,783 | 6 months |

* Jonathan Price resigned as managing director on 8 May 2015.

(h) Details of share-based compensation

Options

The terms and conditions of each grant of options affecting remuneration in the current or future reporting period are as follows:

| GRANT DATE | EXPIRY DATE | NUMBER OF OPTIONS | EXERCISE PRICE | VALUE PER OPTION AT GRANT DATE * | PERFORMANCE ACHIEVED | % VESTED |
|--------------|--------------|-------------------|----------------|----------------------------------|----------------------|----------|
| 11 June 2013 | 10 June 2016 | 4,875,000 | \$0.33 | \$0.03 | Partial | 69% |
| 11 Oct 2013 | 11 Oct 2016 | 500,000 | \$0.33 | \$0.04 | Partial | 50% |
| 28 Nov 2014 | 28 Nov 2017 | 9,000,000 | \$0.15 | \$0.02 | Partial | 17% |

* Represents the weighted average value per option at grant date for the option tranche.

Options granted under the plan carry no dividend or voting rights.

Details of options over ordinary shares in the company provided as remuneration to key management personnel are shown below. When exercisable, each option is convertible into one ordinary share of Phoenix Gold Limited.

The exercise price of options is set at a 45% premium to the 5 day volume weighted average price at which the Company's shares are traded on the Australian Securities Exchange.

REMUNERATION REPORT (AUDITED) (CONT.)

(h) Details of share-based compensation (Cont.)

The table below also shows the percentages of the options granted under the Phoenix Gold Employee Option Plan that vested and were forfeited during the year. Further information on the options is set out in note 28 to the financial statements.

| NAME | FINANCIAL YEAR OF GRANT | FINANCIAL YEAR IN WHICH OPTIONS MAY VEST | NUMBER OF OPTIONS GRANTED | VALUE OF OPTIONS AT GRANT DATE | NUMBER OF OPTIONS VESTED DURING THE YEAR | VESTED % | NUMBER OF OPTIONS FORFEITED DURING THE YEAR | VALUE AT DATE OF FORFEITURE | FORFEITED % |
|----------------|-------------------------|--|---------------------------|--------------------------------|--|-------------|---|-----------------------------|-------------|
| Jonathan Price | 2012 | 2015 | 1,500,000 | \$339,750 | - | 100% | (1,500,000) | - | 100% |
| Ian Copeland | 2012 2015 | 2015 2018 | 1,000,000 1,000,000 | \$128,625 \$23,000 | - 250,000 | 100% 25% | (1,000,000) | - | 100% - |
| Grant Haywood | 2015 | 2018 | 1,000,000 | \$18,500 | 500,000 | 50% | - | - | - |
| Tim Manners | 2015 | 2018 | 1,000,000 | \$21,750 | 500,000 | 50% | - | - | - |

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Shares provided on exercise of remuneration options

During the year and up to the date of this report no shares were provided as a result of the exercise of remuneration options.

(i) Equity instruments held by key management personnel

The following tables show the number of options over ordinary shares in the Company at the date of this report, and shares in the company that were held during the financial year by key management personnel of the group, including their close family members and entities related to them.

There were no shares granted during the reporting period as compensation.

(i) Equity instruments held by key management personnel (Cont.)

Options

| 2015 NAME | BALANCE AT START OF YEAR | OPTIONS ISSUED | OPTIONS CANCELLED | OTHER CHANGES DURING THE YEAR | BALANCE AT END OF YEAR | VESTED & EXERCISABLE | UNVESTED |
|-----------------|--------------------------|----------------|-------------------|-------------------------------|------------------------|----------------------|-----------|
| Jonathan Price* | 6,000,000 | 3,000,000 | 6,000,000 | (3,000,000) | - | - | - |
| Dale Rogers | 3,250,000 | 1,500,000 | 3,250,000 | | 1,500,000 | - | 1,500,000 |
| Stuart Hall | - | 1,500,000 | - | | 1,500,000 | - | 1,500,000 |
| Ian Gregory | - | - | - | | - | - | - |
| Ian Copeland | 2,108,000 | 1,000,000 | 1,233,000 | | 1,875,000 | 625,000 | 1,250,000 |
| Grant Haywood | 2,000,000 | 1,000,000 | - | | 3,000,000 | 2,000,000 | 1,000,000 |
| Tim Manners | 2,080,000 | 1,000,000 | 80,000 | | 3,000,000 | 2,000,000 | 1,000,000 |

Shareholdings

| 2015 NAME | BALANCE AT START OF YEAR | RECEIVED ON EXERCISE OF OPTIONS | OTHER CHANGES DURING THE YEAR | BALANCE AT END OF YEAR |
|-----------------|--------------------------|---------------------------------|-------------------------------|------------------------|
| Jonathan Price* | 7,150,000 | - | (7,150,000) | - |
| Dale Rogers | 7,645,810 | - | (524,595) | 7,121,215 |
| Stuart Hall | - | - | - | - |
| Ian Gregory | - | - | - | - |
| Ian Copeland | 30,667 | - | - | 30,667 |
| Grant Haywood | - | - | 300,000 | 300,000 |
| Tim Manners | 340,000 | - | - | 340,000 |

* Jonathan Price resigned as managing director on 8 May 2015

(j) Loans to key management personnel

There were no loans made during the financial year or loans outstanding at the end of the financial year between the group and key management personnel.

(k) Other transactions with key management personnel

There were no other transactions during the financial year between the group and key management personnel.

REMUNERATION REPORT - END

SHARES UNDER OPTION

Unissued ordinary shares of Phoenix Gold Limited under option at the date of this report are shown to the right.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

| DATE OPTIONS GRANTED | EXPIRY DATE | ISSUE PRICE OF SHARES | NUMBER UNDER OPTION |
|----------------------|------------------|-----------------------|---------------------|
| 11 June 2013 | 10 June 2016 | \$0.33 | 4,875,000 |
| 27 November 2014 | 27 November 2017 | \$0.15 | 6,375,000 |
| TOTAL | | | 11,250,000 |

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No options over the ordinary shares of Phoenix Gold Limited were exercised during the year.

CORPORATE GOVERNANCE STATEMENT

The Company's 2015 Corporate Governance Statement has been released as a separate document and is located on our website at <http://www.phoenixgold.com.au/corporate-governance>.

INSURANCE OF OFFICERS

During the financial year, Phoenix Gold Limited paid a premium to insure the directors and secretaries of the Company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information

to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.





NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor (PKF Mack) for audit and non-audit services provided during the year are set out in Note 29.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* as none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 36.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Dale Rogers
Executive Chairman

Perth
30 September 2015



AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PHOENIX GOLD LTD

In relation to our audit of the financial report of Phoenix Gold Ltd for the year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack

PKF MACK

Simon

SIMON FERMANIS
PARTNER

30 SEPTEMBER 2015
WEST PERTH,
WESTERN AUSTRALIA

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Liability limited by a scheme approved under Professional Standards Legislation.

Financial Statements

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These financial statements are consolidated financial statements for the group consisting of Phoenix Gold Limited and its subsidiaries. A list of subsidiaries is included in note 23.

The financial statements are presented in Australian dollars.

Phoenix Gold Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Phoenix Gold Limited
Unit 2, 53 Great Eastern Highway
Kalgoorlie WA 6430

The financial statements were authorised for issue by the directors on 30 September 2015. The directors have the power to amend and reissue the financial statements.

All ASX announcements, financial reports and other information are available at our website: www.phoenixgold.com.au

**CONSOLIDATED INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2015**

| | NOTES | 2015 \$'000 | 2014 \$'000 |
|--|---------|-----------------|----------------|
| Sales revenue | 6 | 25,398 | 10,690 |
| Costs of sales | | (37,165) | (12,939) |
| Gross loss | | (11,767) | (2,249) |
| Other revenue | 6 | 188 | 291 |
| Exploration and evaluation expenses | | (922) | (2,787) |
| Corporate and administrative costs | | (3,432) | (2,924) |
| Exploration costs written off | 14 | (1,002) | (2,388) |
| Impairment loss | 13 & 15 | (4,596) | - |
| Share based payments | | (68) | (332) |
| Finance costs | | (34) | - |
| Other | | - | 310 |
| Loss before income tax | 7 | (21,633) | (10,079) |
| Income tax benefit | 8 | 1,382 | 830 |
| Loss for the year | | (20,251) | (9,249) |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | (20,251) | (9,249) |
| Loss per share | | Cents | Cents |
| Basic loss per share | 30 | (5.11) | (3.54) |
| Diluted loss per share | 30 | (5.11) | (3.54) |

The above consolidated income statement and other comprehensive income should be read in conjunction with the accompanying notes.

| | NOTES | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|-------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 9 | 3,881 | 9,323 |
| Trade and other receivables | 10 | 2,162 | 969 |
| Gold bullion | | 36 | 20 |
| Other current assets | | 68 | 37 |
| Total current assets | | 6,147 | 10,349 |
| Non-current assets | | | |
| Financial assets | 11 | 27 | 592 |
| Property, plant, and equipment | 12 | 901 | 74 |
| Mine development | 13 | - | - |
| Exploration and evaluation assets | 14 | 33,570 | 35,623 |
| Other non-current assets | 15 | - | 1,500 |
| Total non-current assets | | 34,498 | 37,789 |
| Total assets | | 40,645 | 48,138 |
| Current liabilities | | | |
| Trade and other payables | 16 | 2,339 | 3,292 |
| Employee benefit obligations | | 144 | 218 |
| Provisions | 17 | 62 | - |
| Total current liabilities | | 2,545 | 3,510 |
| Non-current liabilities | | | |
| Provisions | 17 | 676 | - |
| Total non-current liabilities | | 676 | - |
| Total liabilities | | 3,221 | 3,510 |
| Net assets | | 37,424 | 44,628 |
| Equity | | | |
| Issued capital | 18 | 74,394 | 61,415 |
| Reserves | 19 | 2,087 | 2,019 |
| Accumulated losses | | (39,057) | (18,806) |
| Total equity | | 37,424 | 44,628 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

| | ISSUED CAPITAL | SHARE BASED PAYMENT RESERVE | ACCUMULATED LOSSES | TOTAL |
|--|----------------|-----------------------------|--------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2013 | 50,165 | 1,687 | (9,557) | 42,295 |
| Loss for the year | - | - | (9,249) | (9,249) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | (9,249) | (9,249) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of ordinary shares | 12,121 | - | - | 12,121 |
| Share issue costs | (871) | - | - | (871) |
| Options vesting expense | - | 332 | - | 332 |
| | 11,250 | 332 | - | 11,582 |
| Balance at 30 June 2014 | 61,415 | 2,019 | (18,806) | 44,628 |
| Balance at 1 July 2014 | 61,415 | 2,019 | (18,806) | 44,628 |
| Loss for the year | - | - | (20,251) | (20,251) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | - | - | (20,251) | (20,251) |
| Transactions with owners in their capacity as owners: | | | | |
| Issue of ordinary shares | 13,638 | - | - | 13,638 |
| Share issue costs | (659) | - | - | (659) |
| Options vesting expense | - | 68 | - | 68 |
| | 12,979 | 68 | - | 13,047 |
| Balance at 30 June 2015 | 74,394 | 2,087 | (39,057) | 37,424 |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

| | | 2015 | 2014 |
|--|----|-----------------|-----------------|
| | | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 27,336 | 14,987 |
| Payments to suppliers and employees (inclusive of GST) | | (40,803) | (19,281) |
| Interest received | | 214 | 279 |
| Income tax benefits received | | 720 | 112 |
| Net cash used in operating activities | 20 | (12,533) | (3,903) |
| Cash flows from investing activities | | | |
| Payment for exploration, evaluation and development | | (3,341) | (11,814) |
| Payments for mine infrastructure & development | | (692) | - |
| Proceeds from the sale of property, plant, and equipment | | 2 | - |
| Payments for property, plant and equipment | | (922) | (4) |
| Refund of / (Payments for) bonds and guarantees | | 565 | (58) |
| Payments for tenement acquisitions | | (750) | (1,222) |
| Payments for mill capital contributions | | (750) | (750) |
| Net cash used in investing activities | | (5,888) | (13,848) |
| Cash flows from financing activities | | | |
| Proceeds from issue of shares | | 13,638 | 12,121 |
| Payment for costs of issue of shares | | (659) | (871) |
| Net cash provided by financing activities | | 12,979 | 11,250 |
| Net decrease in cash and cash equivalents | | (5,442) | (6,501) |
| Cash and cash equivalents at the beginning of the year | | 9,323 | 15,824 |
| Cash and cash equivalents at the end of the year | 9 | 3,881 | 9,323 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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1 BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* as appropriate for for-profit orientated entities.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Details of the group's accounting policies are included throughout the notes to the consolidated financial statements and in Note 32.

2 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis.

3 FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Australian Dollars, which is the group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates, and assumptions that affect the application of the group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

This note highlights the areas that involved a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in the respective notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving significant estimates or judgements are:

- Income taxes (Note 8)
- Mine development assets (Note 13)
- Exploration and evaluation assets (Note 14)
- Rehabilitation and restoration provisions (Note 17)

5 SEGMENT INFORMATION

The group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by management based on the mineral resource and exploration activities in Australia. Discrete financial information about each project is reported to the chief operating decision maker on regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

Operating segments are identified by management based on exploration activities in Australia.

6 REVENUE

| | 2015 | 2014 |
|----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| <i>Sales revenue</i> | | |
| Gold sales | 25,398 | 11,030 |
| Ore sales | - | (340) |
| Total sales revenue | 25,398 | 10,690 |
| <i>Other revenue</i> | | |
| Interest revenue | 186 | 251 |
| Other revenue | 2 | 40 |
| Total other revenue | 188 | 291 |

Recognising revenue from business activities

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Gold and ore stockpiles sales

Revenue from the production of gold and/or sale of ore stockpiles is recognised when the group has a significant transfer of risk and rewards to the buyer.

(ii) Interest

Revenue is recognised as the interest accrues.

7 EXPENSES**BREAKDOWN OF EXPENSES BY NATURE:**

| | | |
|--|--------------|--------------|
| Employee benefits expense: | | |
| Salaries | 3,810 | 3,616 |
| Superannuation | 293 | 273 |
| Share based payments | 68 | 332 |
| Other | 434 | 281 |
| Total employee benefits expense | 4,605 | 4,502 |

| | 2015 | 2014 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Depreciation & amortisation: | | |
| Property, plant, and equipment | 94 | 47 |
| Mine development asset | 1,049 | 1,802 |
| Other non-current asset | 562 | - |
| Total depreciation & amortisation | 1,705 | 1,849 |
| Operating lease payments | 179 | 115 |
| Royalties | 1,060 | 409 |
| Impairment: | | |
| Mine development asset | 3,658 | - |
| Other non-current asset | 938 | (310) |
| Total impairment | 4,596 | (310) |

8 INCOME TAXES**(a) Amounts recognised in profit or loss**

| | | |
|--------------------------|----------------|--------------|
| Current tax expense | (1,382) | (830) |
| Deferred tax expense | - | - |
| Total tax expense | (1,382) | (830) |

(b) Numerical reconciliation of income tax expense to prima facia tax payable

| | | |
|---|----------------|--------------|
| Loss before income tax | (21,633) | (10,079) |
| Prima facia tax at 30% (2013: 30%) | (6,490) | (3,024) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Other non-allowable / non-assessable items | 12 | 3 |
| Provisions and accruals | 201 | (91) |
| Tax losses not brought to account | 5,914 | 4,016 |
| Share based payments | 20 | 100 |
| Capital raising costs | (273) | (236) |
| Exploration and evaluation expenditure | 616 | (768) |
| Research and development tax credit | (1,382) | (830) |
| Income tax benefit | (1,382) | (830) |

8 INCOME TAXES (CONT.)**(c) Unrecognised deferred tax assets**

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Carried forward tax losses | 20,774 | 14,860 |
| Capital raising costs | 498 | 573 |
| Provisions and accruals | 280 | 79 |
| Total unrecognised deferred tax asset | 21,552 | 15,512 |

Tax benefits of the above deferred tax assets will only be obtained if:

- (a) the group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be used;
- (b) the group continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the group in utilising the benefits.

(d) Unrecognised deferred tax liabilities

| | | |
|--|---------------|---------------|
| Exploration, evaluation and development costs | 10,071 | 10,687 |
| Accrued income | 3 | 11 |
| Total unrecognised deferred tax liability | 10,074 | 10,698 |

The above deferred tax liabilities have not been recognised as they have given rise to carry forward tax losses for which the deferred tax asset has not been recognised.

Recognition and measurement**(i) Current Tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Research and development tax offsets are accounted for on receipt, or accrual if received subsequent to year end, and under the requirements of AASB 112.

(ii) Deferred tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity are not in the profit or loss in the statement of profit or loss and other comprehensive income.

(iii) Tax Consolidation

Phoenix Gold Limited (head entity) and its controlled entities, have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group, effective from 14 December 2010. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

Critical judgements and estimates

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

9 CASH AND CASH EQUIVALENTS

| | 2015 | 2014 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Cash on hand and at bank | 3,881 | 1,323 |
| Short term deposits | - | 8,000 |
| Total cash and cash equivalents | 3,881 | 9,323 |

Recognition and measurement

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant rise of changed in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

10 TRADE AND OTHER RECEIVABLES

| | | |
|--|--------------|------------|
| Trade debtors | 33 | - |
| Other receivables | 2,129 | 969 |
| Total trade and other receivables | 2,162 | 969 |

Recognition and measurement

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the group will not be able to collect the debt.

11 FINANCIAL ASSETS

| | | |
|-------------------------------|-----------|------------|
| Security deposits | 27 | 592 |
| Total financial assets | 27 | 592 |

Security deposits relate to cash deposits held as security for guarantees provided in under office rental agreements.

With the introduction of the Mine Rehabilitation Fund (MRF) during the year the deposits previously held in favour of the Minister Responsible for the Mining Act 1978 have been returned.

12 PROPERTY, PLANT, & EQUIPMENT

| | FURNITURE, FITTINGS, & EQUIPMENT | VEHICLES | ASSETS UNDER CONSTRUCTION | TOTAL |
|--------------------------------|--|-----------|------------------------------|------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at July 2013 | | | | |
| Cost | 222 | 33 | - | 255 |
| Accumulated depreciation | (158) | (23) | - | (181) |
| Net book amount | 64 | 10 | - | 74 |
| Year ended 30 June 2014 | | | | |
| Opening net book amount | 100 | 14 | - | 114 |
| Additions | 7 | - | - | 7 |
| Depreciation charge | (43) | (4) | - | (47) |
| Closing net book amount | 64 | 10 | - | 74 |
| As at July 2014 | | | | |
| Cost | 447 | 33 | 694 | 1,174 |
| Accumulated depreciation | (247) | (26) | - | (273) |
| Net book amount | 200 | 7 | 694 | 901 |
| Year ended 30 June 2015 | | | | |
| Opening net book amount | 64 | 10 | - | 74 |
| Additions | 228 | - | 694 | 922 |
| Disposals | (1) | - | - | (1) |
| Depreciation charge | (91) | (3) | - | (94) |
| Closing net book amount | 200 | 7 | 694 | 901 |

(i) Assets under construction

Assets under construction relate to the deposits paid and studies undertaken for the Heap Leach acquisition from St Ives Gold Mining Company Pty Limited.

(ii) Non-current assets pledged as security

No non-current assets are pledged as security by the group.

Depreciation methods and useful lives

Depreciation is calculated using either diminishing value or the straight-line method to allocate the cost over the estimated useful lives as follows:

- Furniture, fittings, and equipment 3 – 8 years
- Vehicles 3 – 5 years

Assets under construction are not depreciated.

12 PROPERTY, PLANT, & EQUIPMENT (CONT.)**Recognition and measurement**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

13 MINE DEVELOPMENT

| | 2015 | 2014 |
|--|----------|----------|
| | \$'000 | \$'000 |
| Balance at the beginning of the year | - | - |
| Transfer from exploration and evaluation expenditure | 3,098 | 1,802 |
| Additions: mine development expenditure | 693 | - |
| Additions: rehabilitation asset | 916 | - |
| Depreciation and amortisation | (1,049) | (1,802) |
| Impairment of mine development asset | (3,658) | - |
| Balance at the end of the year | - | - |

During the year production commenced at the Kintore West small mining project. Accordingly, previously capitalised tenement acquisition, exploration and evaluation expenditure was transferred to a "mine development" asset.

Recognition and measurement

Capitalised mining development costs include expenditures incurred to develop new ore bodies, to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Critical judgements and estimates

The Mine development assets are assessed for impairment when facts and circumstances suggest that the carrying amount of a development asset may exceed its recoverable amount. These timings, calculations and reviews require the use of assumptions and judgement.

Impairment

During the year it was noted that impairment triggers relating to the Kintore West mine existed. Accordingly, the recoverable amount of the mine development assets relating to the Kintore West mine were estimated based on the value in use methodology. The value in use was determined on a forecasted cash flow model based on revised grade control mine plans, existing mining and milling contracts, and committed and spot gold sales at that time. Given the period of time remaining on the Kintore West mine at that time the forecasted cash flows were not discounted.

The recoverable amount was determined to be below the carrying value of the assets and an impairment to the carrying value has been recorded.

Mining at Kintore West was completed in April 2015 and as such the carrying value of the mine development assets is nil.

The recoverable amount of the mine development assets was estimated on the basis of future cash flows. The estimates of future cash flows were based on significant assumptions including:

- Estimates of the quantities of remaining ore and contained gold expected to be extracted from the Kintore West mine at that time;
- Future gold prices based on current gold commitments and the spot price at the time the financial model was prepared. The use of a spot price was considered reasonable given the short life remaining for Kintore West;
- Future foreign exchange rates were based on the spot rate at the time the financial model was prepared. The use of a spot rate was considered reasonable given the short life remaining for Kintore West;
- Production rates and costs were based on existing contracts and the cost profile incurred to date.

14 EXPLORATION AND EVALUATION ASSETS

| | 2015 | 2014 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Balance at the beginning of the year | 35,623 | 29,926 |
| Acquisition of tenements | - | 222 |
| Exploration and evaluation expenditure capitalised | 2,047 | 10,033 |
| Transfer to cost of sales | - | (368) |
| Transfer to mine development | (3,098) | (1,802) |
| Exploration expenditure written off | (1,002) | (2,388) |
| Balance at the end of the year | 33,570 | 35,623 |

14 EXPLORATION AND EVALUATION ASSETS (CONT.)

The group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

The directors have considered indicators of impairment in the value of the capitalised exploration and evaluation expenditure and are satisfied that no such indicators existed at reporting date.

Recognition and measurement

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

- (i) the area has proven commercially recoverable reserves; or
- (ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each financial year the directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest. Capitalised exploration expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Critical judgements and estimates

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest on the basis that this is either expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis it is not yet possible to assess whether it will be recouped.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the company decides to exploit the related area of interest itself, or, if not, whether it successfully the related exploration and evaluation asset through sale.

Factors that could impact future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes, and changes to commodity prices.

15 OTHER NON-CURRENT ASSETS

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Balance at the beginning of the year | 1,500 | - |
| Capital contributions made under Toll Milling Agreement | - | 1,500 |
| Amortisation | (562) | - |
| Impairment | (938) | - |
| Balance at the end of the year | - | 1,500 |

Phoenix entered into a Toll Milling Agreement ("Agreement") with FMR Investments Pty Limited on 10 April 2014. Under this Agreement Phoenix was required to pay a capital contribution towards the mill of \$1.5m. Payment of this capital contribution reduces the charge per tonne processed from FMR Investments Pty Limited as ore is processed.

Impairment

The Toll Milling Agreement with FMR included minimum annual tonnage levels, with the conclusion of mining operations at Kintore West in April 2015 Phoenix was unable to meet these tonnage requirements going forward and as such terminated the Agreement. The termination of the agreement did not result in any termination fees payable by Phoenix.

With the termination of the agreement Phoenix will be unable to realise the future economic benefit of the capital contributions made under the Agreement by way of a reduced operating charge per tonne processed. Accordingly the balance of the other non-current asset at the completion of the processing of the Kintore West ore under the Agreement is considered to have no value to Phoenix and as such an impairment charge to the other non-current asset has been recorded reducing the value of the asset to nil.

16 TRADE AND OTHER PAYABLES**Current**

| | | |
|--|-------|-------|
| Trade creditors | 1,342 | 1,543 |
| Contingent consideration | - | 750 |
| Mill capital contribution | - | 750 |
| Other creditors and accruals | 997 | 249 |
| Total current trade and other payables | 2,339 | 3,292 |

Recognition and measurement

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the group.

Payables to related parties are carried at the principal amount.

17 PROVISIONS

| | 2015 | 2014 |
|--------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Current | | |
| Rehabilitation and restoration | 62 | - |
| Total current provisions | 62 | - |
| Non-current | | |
| Rehabilitation and restoration | 676 | - |
| Total non-current provisions | 676 | - |
| Total provisions | 738 | - |

(i) Movements in provisions

| | REHABILITATION & RESTORATION | TOTAL |
|--|------------------------------|--------|
| | \$'000 | \$'000 |
| Carrying amount at the start of the year | - | - |
| Additional provision charged to mine development | 916 | 916 |
| Amounts used during the year | (176) | (176) |
| Charged / (credited) to profit or loss: | | |
| - Unwinding of discount rate | 34 | 34 |
| - Unused amounts reversed | (36) | (36) |
| Carrying amount at the end of the year | 738 | 738 |

Recognition and measurement

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(i) Rehabilitation and restoration

Long-term environmental obligations are based on the group's environmental management plans, in compliance with current environmental and regulatory requirements.

The costs will include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site, when relevant.

Full provision is made based on estimated cost of restoring the environmental disturbance that has been incurred as at the reporting date. Increases due to additional environmental disturbance (to the extent that it relates to the development of an asset) are capitalised and amortised over the remaining lives of the mines.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from sale of assets or from plant clean-up at closure.

Critical judgements and estimates

The Company's accounting policy for the recognition of rehabilitation provisions requires significant estimates in determining the estimated cost for the rehabilitation of disturbed areas, removal of infrastructure and site closure at a point in the future. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision required is determined with reference to the mine closure plans in effect. Department of Mines & Petroleum prescribed rates are adopted where possible in determining a rehabilitation provision. A 10% discount factor is also applied to take into account the time value of money.

18 ISSUED CAPITAL

| | | 2015 | 2014 | 2015 | 2014 |
|----------------------------|---------|---------------|---------------|--------|--------|
| | NOTES | NO. OF SHARES | NO. OF SHARES | \$'000 | \$'000 |
| Fully paid ordinary shares | (a),(b) | 470,087,330 | 333,632,330 | 74,394 | 61,415 |
| Total issued capital | | 470,087,330 | 333,632,330 | 74,394 | 61,415 |

(a) Movements in ordinary shares

| | NOTES | NO. OF SHARES | \$'000 |
|---|-------|--------------------|---------------|
| Balance at 30 June 2013 | | 240,397,255 | 50,165 |
| Rights issue | | 33,235,075 | 4,321 |
| Share placement | | 60,000,000 | 7,800 |
| | | 333,632,330 | 12,121 |
| Less: Transaction costs arising from share issues | | | (871) |
| Balance at 30 June 2014 | | 333,632,330 | 61,415 |
| Share placement shortfall | (d) | 36,400,000 | 4,732 |
| Share placement | (c) | 50,000,000 | 5,000 |
| Share purchase plan | (e) | 6,055,000 | 606 |
| Share placement – Evolution Tranche 1 | (c) | 44,000,000 | 3,300 |
| | | 470,087,330 | 13,638 |
| Less: Transaction costs arising from share issues | | | (659) |
| Balance at 30 June 2015 | | 470,087,330 | 74,394 |

18 ISSUED CAPITAL (CONT.)
(b) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. The fully paid ordinary shares have no par value.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Share placements

On 9 February 2015 the company successfully completed a share placement of 50,000,000 fully paid ordinary shares at \$0.10 per share. The share placement was made utilising the company's 15% placement capacity under ASX Rule 7.1 and the shareholder approved 10% placement capacity under ASX Listing Rule 7.1A. The shares were issued on 13 February 2015.

On 1 May 2015 the company entered into a Share Subscription Agreement with Evolution Mining Limited for the issue of 105,856,900 fully paid ordinary shares in two tranches at an average issue price of 8.5 cents per share. The first tranche of 44,000,000 fully paid ordinary shares issued at 7.5 cents per share was completed and issued on 8 May 2015 utilising the company's 15% placement capacity under ASX Rule 7.1 and the shareholder approved 10% placement capacity under ASX Listing Rule 7.1A. This tranche 1 share issue was ratified by shareholders at a General Meeting held on 23 June 2015. Tranche 2 has not progressed.

(d) Share placement shortfall

On 15 July 2014 the company issued 36,400,000 fully paid ordinary shares at an issue price of \$0.13 per share to both existing shareholders and new investors arising from the shortfall from the non-renounceable entitlement offer which closed on 17 April 2014.

(e) Share purchase plan

On 11 March 2015 the company issued 6,055,000 fully paid ordinary shares at an issue price of \$0.10 per share under a Share Purchase Plan offer dated 17 February 2015.

(f) Movements in options

| EXERCISE PRICE: | \$0.25 | \$0.37 | \$0.40 | \$0.25 | \$0.33 | \$0.33 | \$0.15 |
|--------------------------------|-------------------|------------------|------------------|------------------|------------------|----------------|------------------|
| EXPIRY DATE: | 30 NOV 14 | 1 SEPT 14 | 18 SEPT 14 | 28 AUG 15 | 10 JUN 16 | 11 OCT 16 | 27 NOV 17 |
| Balance at 1 July 2013 | 35,983,350 | 5,000,000 | 1,700,000 | 6,000,000 | 5,300,000 | - | - |
| Options issued | - | - | - | - | - | 500,000 | - |
| Options cancelled | - | - | (100,000) | - | (200,000) | - | - |
| Balance at 30 June 2014 | 35,983,350 | 5,000,000 | 1,600,000 | 6,000,000 | 5,100,000 | 500,000 | - |
| Options issued | - | - | - | - | - | - | 10,500,000 |
| Options cancelled | (35,983,350) | (5,000,000) | (1,600,000) | - | (225,000) | - | (1,000,000) |
| Balance at 30 June 2015 | - | - | - | 6,000,000 | 4,875,000 | 500,000 | 9,500,000 |

Information relating to Phoenix Gold Employee Share Option Plan, including details of shares issued and options issued, exercised and lapsed during the financial year and options outstanding at the end of the year, is set out in note 28.

Recognition and measurement

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

19 RESERVES

| | 2015 \$'000 | 2014 \$'000 |
|--------------------------------------|----------------|----------------|
| Share option reserve | 2,087 | 2,019 |
| Reconciliation of movements: | | |
| Balance at the beginning of the year | 2,019 | 1,687 |
| Share based payments expense | 68 | 332 |
| | 2,087 | 2,019 |

The share option reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

20 CASH FLOW INFORMATION

(a) Reconciliation of loss after income tax to cash outflow from operating activities

| | 2015 | 2014 |
|---|----------|---------|
| | \$'000 | \$'000 |
| Loss for the year | (20,251) | (9,249) |
| Depreciation and amortisation | 1,704 | 1,849 |
| Share based payments | 68 | 332 |
| Capitalised exploration costs written off | 1,002 | 2,388 |
| Impairment loss | 4,596 | - |
| Rehabilitation provision amounts used | (176) | - |
| Unwinding of discount rate | 34 | - |
| Unused rehabilitation provisions reversed | (36) | - |
| Costs of goods sold transferred from exploration assets | - | 368 |
| Changes in operating assets and liabilities: | | |
| (Increase) / decrease in trade and other receivables | (1,195) | 283 |
| Increase in gold bullion | (16) | (20) |
| Increase in prepayments | (32) | (26) |
| Increase in trade and other payables | 1,843 | 157 |
| Increase / (decrease) in employee benefit obligations | (74) | 15 |
| Net cash outflow from operating activities | (12,533) | (3,903) |

(b) Non-cash financing and investing activities

There were no non-cash financing or investing activities undertaken during the year.

21 FINANCIAL RISK MANAGEMENT

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The group's risk management is carried out by senior finance executives ("finance") under policies approved by the board of directors ("board"). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the group's operating units. Finance reports to the Board on a monthly basis.

(a) Market risk

(i) Foreign exchange risk

The group has no significant exposure to market risk.

(ii) Interest rate risk

The group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The group does not use derivatives to mitigate these exposures.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result in changes in interest rates. A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below.

At reporting date, the group had \$nil (2014: \$8,000,000) in fixed rate deposits for terms of between 1-2 months with an interest rate of nil% (2014: 3.48%) and \$3,881,000 (2014: \$1,323,000) is held in accounts with a variable interest rate of 1.39% (2014: 2.12%).

| | 2015 | 2014 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Interest rates increase by 100 basis points | 39 | 93 |
| Interest rates decrease by 100 basis points | (39) | (93) |

(iii) Price risk

The group has no significant exposure to price risk at reporting date. However, the Company has and may hedge forward gold sales in order to reduce its exposure to fluctuations in the gold price.

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to debtors, including outstanding receivables and committed transactions.

All cash and cash equivalents are held onshore at reputable financial institutions in Australia. Trade receivables are regularly monitored to ensure they are paid within agreed terms.

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| AS AT 30 JUNE 2015: | LESS THAN 6 MONTHS | 6 - 12 MONTHS | BETWEEN: 1 AND 2 YEARS | 2 AND 5 YEARS | OVER 5 YEARS | TOTAL CONTRACTUAL CASH FLOWS | TOTAL CARRYING AMOUNT |
|--------------------------|-----------------------|------------------|------------------------------|------------------|-----------------|------------------------------------|-----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 2,339 | - | - | - | - | 2,339 | 2,339 |

| AS AT 30 JUNE 2014: | LESS THAN 6 MONTHS | 6 - 12 MONTHS | BETWEEN: 1 AND 2 YEARS | 2 AND 5 YEARS | OVER 5 YEARS | TOTAL CONTRACTUAL CASH FLOWS | TOTAL CARRYING AMOUNT |
|--------------------------|-----------------------|------------------|------------------------------|------------------|-----------------|------------------------------------|-----------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | 3,042 | 250 | - | - | - | 3,292 | 3,292 |

21 FINANCIAL RISK MANAGEMENT (CONT.)**(d) Fair values and carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT |
|---------------------------|--------------|-----------------|------------|-----------------|
| | 2015 | 2015 | 2014 | 2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 3,881 | 3,881 | 9,323 | 9,323 |
| Receivables | 2,162 | 2,162 | 969 | 969 |
| Payables | 2,339 | 2,339 | 3,292 | 3,292 |
| Financial assets | 27 | 27 | 592 | 592 |
| | 8,409 | 8,409 | 14,176 | 14,176 |

22 CAPITAL MANAGEMENT

The group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern; and
- maintain a strong capital base sufficient to maintain future exploration and development of its projects.

The group's focus has been to raise sufficient funds through equity to fund exploration and project development activities. The group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at reporting date and the group is not exposed to any externally imposed capital requirements.

23 INTERESTS IN OTHER ENTITIES

The group's principal subsidiary at 30 June 2015 is set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

| NAME OF ENTITY | COUNTRY OF INCORPORATION | OWNERSHIP INTEREST: | | PRINCIPAL ACTIVITY |
|--------------------------|--------------------------|---------------------|------|---------------------|
| | | 2014 | 2013 | |
| Hayes Mining Pty Limited | Australia | 100% | 100% | Mineral exploration |

24 COMMITMENTS**(a) Exploration commitments**

In order to maintain current rights of tenure to mining tenements, the group has a minimum annual commitment of \$2,509,615 (2014: \$2,829,094). This obligation, which is subject to renegotiation upon expiry of the leases, is not provided for in the financial statements.

If the group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

(b) Non-cancellable operating leases

The group leases various premises, motor vehicles, and other office equipment under non-cancellable operating leases expiring within one to two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year

Later than one year but not later than five years

| | 2015 | 2014 |
|---|------------|--------|
| | \$'000 | \$'000 |
| Within one year | 128 | 163 |
| Later than one year but not later than five years | 10 | 17 |
| | 138 | 180 |

25 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2015, nor have any arisen in the interval between 30 June 2015 and the date of this report.

26 EVENTS OCCURRING AFTER REPORTING DATE

On 6 August 2015 Zijin Mining Group Co Ltd, through its wholly owned subsidiary, Norton Gold Fields Limited lodged a Bidders Statement to acquire all of the fully paid ordinary shares in Phoenix Gold Limited for \$0.10 per share. This offer was conditional on, amongst other items, Zijin acquiring a relevant interest of 50.1% in Phoenix Gold Limited. The Phoenix Board advised Phoenix shareholders to reject the offer by taking no action on this takeover bid from Zijin.

The offer lapsed on 21 September 2015 without the 50.1% condition being either satisfied or waived.

On 11 September 2015 Evolution Mining Limited lodged a Bidders Statement to acquire all of the fully paid ordinary shares in Phoenix Gold Limited for \$0.06 cash and 0.06 Evolution Shares for every Phoenix share held. The Phoenix Board advised Phoenix shareholders to reject the offer by taking no action on this proposed takeover bid from Evolution.

The Evolution offer is currently open and is due to close on 26 October 2015, unless otherwise extended under the Corporations Act.

27 RELATED PARTIES**(a) Parent entity**

The ultimate parent entity of the group is Phoenix Gold Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel compensation

| | 2015 | 2014 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Short-term employee benefits | 1,604 | 1,472 |
| Post-employment benefits (including termination benefits) | 249 | 83 |
| Share based payments | 62 | 234 |
| | 1,915 | 1,789 |

Detailed remuneration disclosures are provided in the remuneration report contained within the directors' report.

(d) Loans to / from related parties

Phoenix Gold Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Hayes Mining Pty Ltd totalling \$10,198,000 (2013: \$8,779,000) at reporting date. There were no repayments made during the year. This loan can be recalled within 12 months and is interest free however, this loan will not be called should there be insufficient funds available.

There were no loans to key management personnel or any other related party for the year.

(e) Transactions with other related parties

Apart from the details disclosed in this note, no director or other related party has entered into a material contract with the group since the end of the previous financial year and there were no material contracts involving directors' or other related party's interest existing at year end.

28 SHARE BASED PAYMENTS

The establishment of the Phoenix Employee Option Plan was approved by shareholders at the 2011 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior managers and above (including directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on varying vesting criteria being met, typically relating to that employees role with the group. Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

When exercised, each option is convertible into one ordinary share.

The exercise price of options is set at a 45% premium to the 5 day volume weighted average price at which the company's shares are traded on the Australian Securities Exchange.

Set out below are summaries of options granted under the plan:

| | 2015 | | 2014 | |
|--------------------------------|---|-------------------|---|-------------------|
| | AVERAGE EXERCISE PRICE PER SHARE OPTION | NUMBER OF OPTIONS | AVERAGE EXERCISE PRICE PER SHARE OPTION | NUMBER OF OPTIONS |
| As at 1 July | \$0.32 | 18,200,000 | \$0.31 | 18,000,000 |
| Exercised during the year | - | - | - | - |
| Granted during the year | \$0.15 | 10,500,000 | \$0.33 | 500,000 |
| Cancelled during the year | \$0.35 | (7,825,000) | \$0.35 | (300,000) |
| As at 30 June | \$0.23 | 20,875,000 | \$0.32 | 18,200,000 |
| Vested and exercisable 30 June | \$0.26 | 11,250,000 | \$0.32 | 16,400,000 |

The weighted average share price at the date of exercise of options during the year ended 30 June 2015 and 30 June 2014 was not applicable.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

| GRANT DATE | EXPIRY DATE | EXERCISE PRICE | SHARE OPTIONS 30 JUNE 2015 | SHARE OPTIONS 30 JUNE 2014 |
|--------------|--------------|----------------|----------------------------|----------------------------|
| 2 Sept 2011 | 1 Sept 2014 | \$0.37 | - | 5,000,000 |
| 2 Sept 2011 | 28 Aug 2015 | \$0.25 | 6,000,000 | 6,000,000 |
| 19 Sept 2011 | 18 Sept 2014 | \$0.40 | - | 1,600,000 |
| 11 Jun 2013 | 10 Jun 2016 | \$0.33 | 4,875,000 | 5,100,000 |
| 11 Oct 2013 | 11 Oct 2016 | \$0.33 | 500,000 | 500,000 |
| 28 Nov 2014 | 28 Nov 2017 | \$0.15 | 9,500,000 | - |
| Total | | | 20,875,000 | 18,200,000 |

Weighted average remaining contractual life of options outstanding at end of year 1.40 years 1.06 years

Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2015 was 2.3 cents per option (2014 – 3.5 cents). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2015 included:

- options are granted for no consideration
- exercise price: \$0.15 (2014 – \$0.33)
- grant date: 28 Nov 2014 (2014 – 11 Oct 2013)
- expiry date: 28 Nov 2017 (2014 – 11 Oct 2016)
- share price at grant date: \$0.10 (2014 – \$0.16)

28 SHARE BASED PAYMENTS (CONT.)

- (f) expected price volatility of the company's shares: 71% (2014 – 75%)
 (g) expected dividend yield: 0% (2014 – 0%)
 (h) risk-free interest rate: 2.81% (2014 – 2.40%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The options issued during the year under the terms of the Employee Share Option Plan are subject to the achievement of a number of milestones (which additionally impact the fair value of the options granted) as follows:

| MILESTONE | MILESTONE DATE | NUMBER OF OPTIONS | KEY VESTING CONDITION |
|-----------|----------------|-------------------|---|
| 1 | 28 Nov 2017 | 1,000,000 | Market capitalisation of \$80 million and 2 years service |
| 2 | 28 Nov 2017 | 1,000,000 | Market capitalisation of \$80 million and 1 year service |
| 3 | 28 Nov 2017 | 1,000,000 | Market capitalisation of \$100 million and 18 months service |
| 4 | 28 Nov 2017 | 1,000,000 | Market capitalisation of \$120 million and 2 years service |
| 5 | 30 June 2015 | 1,250,000 | Successful delivery of internal budget for the financial year ending 30 June 2015 |
| 6 | 30 June 2015 | 500,000 | Achieving a cost per ounce 10% below the internal budget for the financial year ending 30 June 2015 |
| 7 | 30 June 2016 | 250,000 | Achieving mining dilution and ore loss parameters for the two years ended 30 June 2016 |
| 8 | 30 June 2015 | 125,000 | Delivery of \$2m in cost savings from the internal budget for the financial year ending 30 June 2015. |
| 9 | 31 Dec 2016 | 1,250,000 | Receiving aggregate payments of \$17,500,000 pursuant to the Norton licence to mine agreement |
| 10 | 31 Dec 2015 | 1,000,000 | Successful delivery of a heap leach processing facility |
| 11 | 28 Nov 2017 | 250,000 | Exploration spend of \$2m per annum with a discovery cost of less than \$10 / ounce |
| 12 | 30 June 2015 | 250,000 | Resources increased to greater than 4.5 million ounces and Reserves replaced plus 20% |
| 13 | 30 June 2016 | 250,000 | Successful divestment of non-core tenure and consolidation of further tenure in the 2015 and 2016 financial years |
| 14 | 30 June 2016 | 250,000 | Completion of Broads Dam / Kundana North exploration programme |
| 15 | 31 March 2015 | 250,000 | Successful debt facility/prepay of \$20 million |
| 16 | 30 June 2015 | 250,000 | Successful hedging strategy and price risk protection on current mine plan |
| 17 | 28 Nov 2017 | 250,000 | Successful management and contractual outcomes from the toll treatment agreement and 2 years service |
| 18 | 28 Nov 2017 | 125,000 | Implementation of financial reporting for mining operations |
| 19 | 28 Nov 2017 | 125,000 | Delivery of financial model supporting external funding and hedging lines |
| 20 | 28 Nov 2017 | 125,000 | Management and coordination of key supply contracts and 2 years service |

Expenses arising from share-based payment transactions

The total expense arising from share-based payment transactions under the Employee Share Option Plan was \$68,000 (2014: \$332,000).

29 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| PKF MACK & CO | | |
| Audit and review of financial statements | 68 | 74 |
| Tax and other professional services | 8 | 7 |
| Total remuneration of PKF Mack & Co | 76 | 81 |

30 LOSS PER SHARE**(a) Basic loss per share**

Total basic loss per share attributable to ordinary equity holders of the company

| 2015 CENTS | 2014 CENTS |
|---------------|---------------|
| (5.11) | (3.54) |

(b) Diluted loss per share

Total diluted loss per share attributable to ordinary equity holders of the company

| 2015 CENTS | 2014 CENTS |
|---------------|---------------|
| (5.11) | (3.54) |

(c) Reconciliation of loss used in calculating loss per share

Loss used in calculation of basic and diluted loss per share:

Loss from continued operations

| 2015 \$'000 | 2014 \$'000 |
|----------------|----------------|
| (20,251) | (9,249) |

(d) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic loss per share

Adjustments for calculation of diluted loss per share for options on issue

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share

| 2015 Shares | 2014 Shares |
|----------------|----------------|
| 396,538,727 | 261,165,953 |
| - | - |
| 396,538,727 | 261,165,953 |

Options are considered to be potential ordinary shares and have been included in the determination of diluted loss per share to the extent to which they are dilutive. The options have not been included in the determination of basic loss per share. Details relating to the options are set out in note 28.

31 PARENT ENTITY FINANCIAL INFORMATION**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2015 | 2014 |
|-----------------------------------|----------|----------|
| | \$'000 | \$'000 |
| Balance sheet | | |
| Current assets | 6,146 | 10,343 |
| Total assets | 34,421 | 41,920 |
| Current liabilities | 2,544 | 3,508 |
| Total liabilities | 3,024 | 3,508 |
| Shareholders' equity | | |
| Issued capital | 74,394 | 61,415 |
| Option reserve | 2,087 | 2,019 |
| Accumulated losses | (45,084) | (25,023) |
| Loss for the year | 20,061 | 13,336 |
| Total comprehensive income | 20,061 | 13,336 |

(b) Guarantees entered into by the parent entity

The parent entity has provided no guarantees to subsidiaries.

(c) Contingent liabilities of the parent entity

There were no contingent liabilities at 30 June 2015, nor have any arisen in the interval between 30 June 2015 and the date of this report.

(d) Contractual commitments for the acquisition of property, plant, or equipment

As at 30 June 2015, the parent entity had no contractual commitments for the acquisition of property, plant, or equipment (30 June 2014 – nil).

32 SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Phoenix Gold Limited ('company' or 'parent entity') as at 30 June 2015 and the results of its subsidiary for the year then ended. Phoenix Gold Limited and its subsidiary together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the income statement and other comprehensive income, balance sheet and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The executive management team assesses the financial performance and position of the group, and makes strategic decisions.

The executive management team, which has been identified as being the chief operating decision maker, consists of the managing director, the chief financial officer, the chief operating officer, and the exploration general manager.

(c) Employee benefits**(i) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(ii) Long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

32 SIGNIFICANT ACCOUNTING POLICIES (CONT.)**(iii) Share-based payment transactions**

The grant-date fair value of equity settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(iv) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(d) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

(e) Current / non-current classifications

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(f) Impairment**(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised either in the profit or loss in the income statement and other comprehensive income or revaluation reserves in the period in which the impairment arises.

(ii) Mine development and Exploration and Evaluation Assets

Mine development and exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Mine development and exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

(g) Loss per share**(i) Basic loss per share**

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(h) Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Statement of Cash Flow on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

33 NEW STANDARDS AND INTERPRETATIONS ADOPTED

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The group has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

The group has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The group has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

34 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

| AASB NO. | TITLE | APPLICATION DATE OF STANDARD* | ISSUE DATE |
|--------------|---|--|---------------|
| AASB 9 | Financial Instruments | 1 January 2018 | December 2010 |
| AASB 2013-9 | Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments Part C - Financial Instruments | Part C - 1 January 2015 | December 2013 |
| AASB 2014-1 | Amendments to Australian Accounting Standards Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments | Part D - 1 January 2016 Part E - 1 January 2015 | June 2014 |
| AASB 2014-3 | Amendments to Australian Accounting Standard – Accounting for Acquisition of Interest in Joint Operations [AASB 1 & AASB 11] | 1 January 2016 | August 2014 |
| AASB 2014-4 | Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) | 1 January 2016 | August 2014 |
| AASB 2014-5 | Amendments to Australian Accounting Standard Arising From AASB 15 | 1 January 2017 | December 2014 |
| AASB 2014-6 | Amendments to Australian Accounting Standard – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141] | 1 January 2016 | December 2014 |
| AASB 2014-7 | Amendments to Australian Accounting Standard Arising From AASB 9 | 1 January 2018 | December 2014 |
| AASB 2014-8 | Amendments to Australian Accounting Standards Arising From AASB 9 | 1 January 2015 | December 2014 |
| AASB 2014-9 | Amendments to Australian Accounting Standard - Equity Method in Separate Financial Statements | 1 January 2016 | December 2014 |
| AASB 2014-10 | Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture | 1 January 2016 | December 2014 |
| AASB 2015-1 | Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle | 1 January 2016 | January 2015 |
| AASB 2015-2 | Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 | 1 January 2016 | January 2015 |
| AASB 2015-3 | Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality | 1 July 2015 | January 2015 |
| AASB 2015-4 | Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent** | 1 July 2015 | January 2015 |
| AASB 2015-5 | Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception | 1 July 2015 | January 2015 |
| AASB 2015-6 | Amendments to Australian Accounting Standards – Extending Related Party Disclosures to NFP Public Sector Entities | 1 July 2016 | March 2015 |
| AASB 14 | Regulatory Deferral Account | 1 January 2016 | June 2014 |
| AASB 15 | Revenues from Contracts with Customers | 1 January 2017 | December 2014 |
| AASB 1056 | Superannuation Entities | 1 July 2016 | June 2014 |

Directors' Declaration

In the directors' opinion:

- (a) The financial statements and notes as set out on pages 38 to 71 are in accordance with the *Corporations Act 2001* including:
 - i. complying with the Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the year ended on that date;
- (b) there are reasonable grounds to believe that Phoenix Gold Limited will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements.

The directors have been given the declarations by the managing director and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of directors.



Dale Rogers
Executive Chairman

30 September 2015



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX GOLD LTD

Report on the Financial Report

We have audited the accompanying financial report of Phoenix Gold Ltd, which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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Opinion

In our opinion:

- (a) the financial report of Phoenix Gold Ltd is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2015 and their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Phoenix Gold Ltd for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

PKF Mack
PKF MACK
Simon Fermanis

SIMON FERMANIS
PARTNER

30 SEPTEMBER 2015
WEST PERTH,
WESTERN AUSTRALIA

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Shareholder Information

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 15 OCTOBER 2015.

A. DISTRIBUTION OF EQUITY SECURITIES

| HOLDING RANGE | FULLY PAID ORDINARY SHARES |
|-------------------|----------------------------|
| 1 to 1,000 | 81 |
| 1,001 to 5,000 | 162 |
| 5,001 to 10,000 | 277 |
| 10,001 to 100,000 | 880 |
| 100,001 and over | 304 |
| | 1,704 |

There were 177 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders – Fully paid ordinary shares

The names of the twenty largest holders of fully paid ordinary shares are listed below:

| NAME | ORDINARY SHARES | |
|--|--------------------|--------------|
| | UNITS | % OF UNITS |
| Evolution Mining Limited | 49,000,000 | 10.42 |
| Evolution Mining Limited | 44,000,000 | 9.36 |
| HSBC Custody Nominees (Australia) Limited – GSCO ECA | 42,433,333 | 9.03 |
| Norton Gold Fields Limited | 39,870,375 | 8.48 |
| Citicorp Nominees Pty Limited | 19,031,067 | 4.05 |
| SHL Pty Limited | 16,237,830 | 3.45 |
| HSBC Custody Nominees (Australia) Limited | 15,697,449 | 3.34 |
| Merrill Lynch (Australia) Nominees Pty Limited | 14,855,073 | 3.16 |
| J P Morgan Nominees Australia Limited | 11,960,685 | 2.54 |
| Mr Willem Ravesteyn and Mrs Rosemary Anne Ravesteyn | 10,653,132 | 2.27 |
| 31 May Pty Ltd | 7,320,013 | 1.56 |
| Mr Jonathan Paul Price | 7,150,000 | 1.52 |
| Ms Lesley Ann Thomson {Phoenix A/C} | 5,600,000 | 1.19 |
| BNP Paribas Nominees Pty Limited {Commerzbank AG DRP} | 5,000,000 | 1.06 |
| Mrs Rosemary Anne Ravesteyn | 4,548,925 | 0.97 |
| 789 Asset Management Pty Ltd {Tax Effective Fund} | 4,521,637 | 0.96 |
| Mr Willem Ravesteyn and Mrs Rosemary Anne Ravesteyn {Ravesteyn S/Fund A/C} | 4,476,450 | 0.95 |
| Alcardo Investments Limited | 4,431,580 | 0.94 |
| Tecca Pty Limited {C&E Retirement Fund A/C} | 4,040,112 | 0.86 |
| UBS Nominees Pty Limited | 3,747,270 | 0.80 |
| Top 20 holders of Ordinary Fully Paid Shares (TOTAL) | 314,574,931 | 66.92 |

Unquoted equity securities

| SECURITY CLASS | NUMBER ON ISSUE | NUMBER OF HOLDERS |
|---|-----------------|-------------------|
| Unlisted options exercisable at 3c on or before 10 June 2016 | 4,875,000 | 3 |
| Unlisted options exercisable at 15c on or before 27 November 2017 | 6,375,000 | 6 |

C. SUBSTANTIAL HOLDERS

Substantial shareholders in the company are set out as follows:

| NAME | NUMBER HELD | % OF ISSUED SHARES |
|----------------------------|-------------|--------------------|
| Evolution Mining Limited | 93,000,000 | 19.78 |
| Geologic Resource Fund Ltd | 42,433,333 | 9.03 |
| Norton Gold Fields Ltd | 39,870,375 | 8.48 |

D. VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

- (a) Ordinary shares
 On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
 No voting rights.

Tenement Schedule

30 September 2015

Phoenix Gold Limited and its controlled entity tenement holdings

| TENEMENT | PHOENIX INTEREST | TENEMENT | PHOENIX INTEREST | TENEMENT | PHOENIX INTEREST |
|----------|------------------|----------|------------------|----------|------------------|
| E16/0359 | 100% | L24/0211 | 100% | M16/0215 | 100% |
| E16/0360 | 100% | L24/0212 | 100% | M16/0217 | 100% |
| E16/0364 | 100% | L24/0213 | 100% | M16/0236 | 100% |
| E16/0371 | 100% | M15/0696 | 100% | M16/0248 | 100% |
| E16/0402 | 100% | M16/0015 | 100% | M16/0306 | 100% |
| G16/0010 | 100% | M16/0016 | 100% | M16/0335 | 100% |
| G16/0019 | 100% | M16/0017 | 100% | M16/0344 | 100% |
| G16/0020 | 100% | M16/0019 | 95% | M16/0354 | 100% |
| L15/0344 | 100% | M16/0022 | 100% | M16/0405 | 100% |
| L16/0015 | 100% | M16/0024 | 100% | M16/0444 | 100% |
| L16/0016 | 100% | M16/0029 | 100% | M16/0451 | 100% |
| L16/0020 | 100% | M16/0032 | 100% | M16/0526 | 100% |
| L16/0021 | 100% | M16/0033 | 100% | M16/0527 | 100% |
| L16/0035 | 100% | M16/0036 | 100% | M16/0532 | 100% |
| L16/0046 | 100% | M16/0040 | 100% | M16/0533 | 100% |
| L16/0050 | 100% | M16/0047 | 100% | M16/0535 | 100% |
| L16/0078 | 100% | M16/0052 | 100% | M16/0536 | 100% |
| L16/0084 | 100% | M16/0099 | 100% | M16/0537 | 100% |
| L16/0093 | 100% | M16/0139 | 100% | M16/0538 | 100% |
| L16/0095 | 100% | M16/0140 | 100% | M24/0067 | 100% |
| L16/0097 | 100% | M16/0141 | 100% | M24/0100 | 100% |
| L16/0098 | 100% | M16/0152 | 100% | M24/0195 | 100% |
| L16/0099 | 100% | M16/0178 | 100% | M24/0196 | 100% |
| L16/0100 | 100% | M16/0179 | 100% | M24/0274 | 100% |
| L16/0101 | 100% | M16/0183 | 100% | M24/0366 | 100% |
| L16/0108 | 100% | M16/0187 | 100% | M24/0367 | 100% |
| L16/0109 | 100% | M16/0189 | 100% | M24/0388 | 100% |
| L16/0110 | 100% | M16/0195 | 100% | M24/0391 | 100% |
| L16/0112 | 100% | M16/0198 | 100% | M24/0404 | 100% |
| L16/0113 | 100% | M16/0199 | 100% | M24/0413 | 100% |
| L24/0210 | 100% | M16/0200 | 100% | M24/0436 | 100% |

| TENEMENT | PHOENIX INTEREST |
|----------|------------------|
| M24/0463 | 100% |
| M24/0558 | 100% |
| M24/0603 | 100% |
| M24/0604 | 100% |
| M24/0644 | 100% |
| M24/0707 | 100% |
| M24/0713 | 100% |
| P15/4891 | 100% |
| P15/4892 | 100% |
| P15/4893 | 100% |
| P15/4894 | 100% |
| P15/4895 | 100% |
| P15/4896 | 100% |
| P15/4897 | 100% |
| P15/4898 | 100% |
| P15/4899 | 100% |
| P15/4900 | 100% |
| P15/4901 | 100% |
| P15/4902 | 95% |
| P15/5022 | 100% |
| P15/5023 | 100% |
| P15/5024 | 100% |
| P15/5025 | 100% |
| P15/5920 | 100% |
| P15/5921 | 100% |
| P16/2244 | 100% |
| P16/2245 | 100% |
| P16/2375 | 100% |
| P16/2376 | 100% |
| P16/2378 | 100% |
| P16/2379 | 100% |
| P16/2381 | 100% |
| P16/2382 | 100% |
| P16/2383 | 100% |
| P16/2384 | 100% |

| TENEMENT | PHOENIX INTEREST |
|----------|------------------|
| P16/2385 | 100% |
| P16/2386 | 100% |
| P16/2387 | 100% |
| P16/2388 | 100% |
| P16/2415 | 100% |
| P16/2416 | 100% |
| P16/2417 | 100% |
| P16/2418 | 100% |
| P16/2431 | 100% |
| P16/2432 | 100% |
| P16/2445 | 100% |
| P16/2446 | 100% |
| P16/2447 | 100% |
| P16/2448 | 100% |
| P16/2449 | 100% |
| P16/2450 | 100% |
| P16/2451 | 100% |
| P16/2452 | 100% |
| P16/2453 | 100% |
| P16/2540 | 100% |
| P16/2541 | 100% |
| P16/2542 | 100% |
| P16/2543 | 100% |
| P16/2544 | 100% |
| P16/2552 | 100% |
| P16/2553 | 100% |
| P16/2554 | 100% |
| P16/2555 | 100% |
| P16/2556 | 100% |
| P16/2560 | 100% |
| P16/2561 | 100% |
| P16/2562 | 100% |
| P16/2563 | 100% |
| P16/2572 | 100% |
| P16/2573 | 100% |

| TENEMENT | PHOENIX INTEREST |
|----------|------------------|
| P16/2574 | 100% |
| P16/2582 | 100% |
| P16/2583 | 100% |
| P16/2598 | 100% |
| P16/2599 | 100% |
| P16/2600 | 100% |
| P16/2601 | 100% |
| P16/2602 | 100% |
| P16/2603 | 100% |
| P16/2604 | 100% |
| P16/2605 | 100% |
| P16/2606 | 100% |
| P16/2607 | 100% |
| P16/2608 | 100% |
| P16/2609 | 100% |
| P16/2610 | 100% |
| P16/2611 | 100% |
| P16/2612 | 100% |
| P16/2613 | 100% |
| P16/2614 | 100% |
| P16/2615 | 100% |
| P16/2616 | 100% |
| P16/2624 | 100% |
| P16/2641 | 100% |
| P16/2649 | 100% |
| P16/2652 | 100% |
| P16/2660 | 100% |
| P16/2669 | 100% |
| P16/2670 | 100% |
| P16/2676 | 100% |
| P16/2677 | 100% |
| P16/2683 | 100% |
| P16/2684 | 100% |
| P16/2687 | 100% |
| P16/2688 | 100% |

| TENEMENT | PHOENIX INTEREST |
|----------|------------------|
| P16/2746 | 100% |
| P16/2768 | 100% |
| P16/2770 | 100% |
| P16/2771 | 100% |
| P16/2772 | 100% |
| P16/2773 | 100% |
| P16/2778 | 100% |
| P16/2779 | 100% |
| P16/2780 | 100% |
| P16/2781 | 100% |
| P16/2782 | 100% |
| P16/2787 | 100% |
| P16/2788 | 100% |
| P16/2789 | 100% |
| P16/2791 | 100% |
| P16/2792 | 100% |
| P16/2793 | 100% |
| P16/2794 | 100% |
| P16/2795 | 100% |
| P16/2796 | 100% |
| P16/2797 | 100% |
| P16/2803 | 100% |
| P16/2804 | 100% |
| P16/2815 | 100% |
| P16/2816 | 100% |
| P16/2829 | 100% |
| P16/2830 | 100% |
| P16/2831 | 100% |
| P16/2832 | 100% |
| P16/2833 | 100% |
| P16/2834 | 100% |
| P16/2862 | 100% |
| P16/2863 | 100% |
| P16/2864 | 100% |
| P16/2865 | 100% |

| TENEMENT | PHOENIX INTEREST |
|----------|------------------|
| P16/2866 | 100% |
| P16/2892 | 100% |
| P16/2893 | 100% |
| P16/2894 | 100% |
| P16/2895 | 100% |
| P16/2900 | 100% |
| P24/4039 | 100% |
| P24/4098 | 100% |
| P24/4099 | 100% |
| P24/4100 | 100% |
| P24/4101 | 100% |
| P24/4102 | 100% |
| P24/4103 | 100% |
| P24/4104 | 100% |
| P24/4105 | 100% |
| P24/4111 | 100% |
| P24/4112 | 100% |
| P24/4113 | 100% |
| P24/4114 | 100% |
| P24/4115 | 100% |
| P24/4116 | 100% |
| P24/4117 | 100% |
| P24/4118 | 100% |
| P24/4119 | 100% |
| P24/4123 | 100% |
| P24/4124 | 100% |
| P24/4125 | 100% |
| P24/4126 | 100% |
| P24/4132 | 100% |
| P24/4133 | 100% |
| P24/4134 | 100% |
| P24/4135 | 100% |
| P24/4137 | 100% |
| P24/4138 | 100% |
| P24/4168 | 100% |

| TENEMENT | PHOENIX INTEREST |
|----------|------------------|
| P24/4292 | 100% |
| P24/4380 | 100% |
| P24/4381 | 100% |
| P24/4470 | 100% |
| P24/4787 | 100% |
| P24/4790 | 100% |
| M15/0692 | 49% |
| P15/4863 | 49% |
| P15/4864 | 49% |
| P15/4865 | 49% |
| P15/4866 | 49% |
| P16/2422 | 15% |
| P16/2423 | 15% |
| P16/2424 | 15% |
| P16/2425 | 15% |

All tenements are located in the Eastern Goldfields of Western Australia.



phoenixgold.com.au