

# ASX Announcement

1 May 2015

## EVOLUTION MAKES STRATEGIC INVESTMENT IN PHOENIX GOLD

Evolution Mining (ASX:EVN) ("Evolution") is pleased to advise it has reached agreement with Phoenix Gold Limited (ASX:PXG) ("Phoenix") regarding a strategic investment and partnership. Under the agreement Evolution will subscribe for up to 105.9 million new shares in Phoenix representing a 19.9% shareholding.

Phoenix is a Kalgoorlie-based gold exploration and development company with a highly prospective tenement holding located in very close proximity to the 1.5Mtpa Mungari processing plant.

As announced to the Australian Securities Exchange on 20 April 2015, Evolution has entered into a binding agreement with La Mancha Group International BV ("La Mancha") to acquire 100% of La Mancha's Australian operations – which include the Mungari processing plant, the adjacent high-grade Frog's Leg underground gold mine and the White Foil open-pit gold mine. The agreement with La Mancha is subject to certain conditions<sup>1</sup> including approval from Evolution shareholders.

The Phoenix tenement package adjoins La Mancha's Australian operations and covers a significant strike length of the highly prospective Zuleika Shear and the Kunanalling Shear (see Figure 1 on following page). Many of the exploration targets developed by Phoenix, on its tenements, are geologically similar to the Frog's Leg mine and the White Foil mine.

Evolution's Executive Chairman, Jake Klein, commented:

*"The close proximity of the Phoenix tenements to the newly built 1.5Mtpa Mungari processing plant provides obvious synergies and further strengthens our position in this important region following the proposed La Mancha transaction. In addition, we see benefit in sharing the geological knowledge between our discovery teams to increase the probability of success in this world-class gold camp."*

### Key terms of the agreement with Phoenix include:

- Binding share subscription agreement executed
- Tranche 1 – Evolution will subscribe for 44 million fully paid ordinary shares in Phoenix at an issue price of 7.5 cents per share, subject to certain conditions precedent, including the average daily spot price for gold not falling below A\$1,300/oz for three consecutive days prior to completion of Tranche 1
- Tranche 2 – Evolution will subscribe for a further 61.9 million fully paid ordinary shares in Phoenix at an issue price of 9.2 cents per share subject to certain conditions precedent, including:
  - Evolution obtaining FIRB approval;
  - Phoenix shareholder approval and regulatory approvals;
  - ASX granting a waiver in respect of the anti-dilution right; and
  - the average daily spot price for gold not falling below A\$1,300/oz for three consecutive days prior to completion of Tranche 2
- Both tranches total 105.9 million shares at an average price of 8.5 cents per share – equivalent to a total investment of A\$9.0 million and a 19.9% shareholding in Phoenix
- Phoenix will allocate a 60% share of the total A\$9.0 million investment to accelerating exploration on Phoenix's highly prospective Zuleika shear gold projects
- Evolution to review and assess Phoenix's exploration and feasibility programs and provide technical, strategic and financing input where appropriate

1. For a full list of the conditions, please refer to the full terms of the agreement as released to the ASX on 20 April 2015

- Upon completion of the second tranche of shares to Evolution, Evolution will have a right to nominate a director to the Phoenix Board of Directors
- Upon completion of the second tranche of shares to Evolution, Evolution will have a right to participate in any new issues of shares in Phoenix on the same terms as other participants in that share issue, up to such additional number of equity securities as is sufficient to enable Evolution to maintain its ownership percentage in Phoenix (subject to compliance with any shareholder or regulatory approvals that may be required for any such issue)
- Upon completion of the second tranche of shares to Evolution, Evolution will hold a first right of refusal over any future potential tenement sales or joint venture developments in the area located within a 75km radius from the Mungari processing plant where there are no pre-existing agreements and obligations already in place

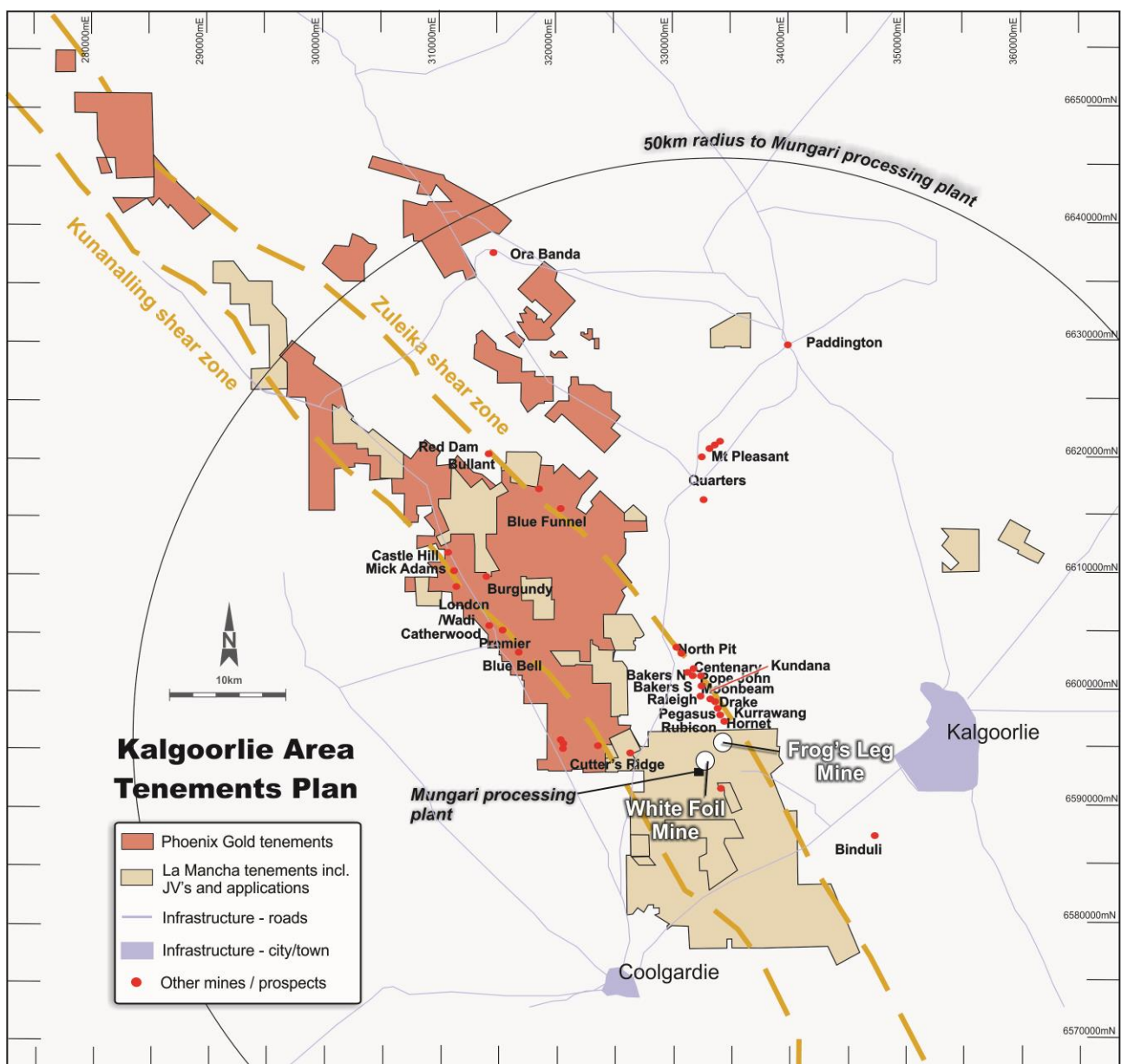


Figure 1. Location of La Mancha's Australian operations and Phoenix tenements



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**About Evolution Mining**

Evolution Mining is a leading, growth-focused Australian gold miner. Evolution operates five wholly-owned mines – Cracow, Mt Carlton, Mt Rawdon and Pajingo in Queensland and Edna May in Western Australia.

Group production for FY14 totalled 427,703 ounces gold equivalent at an AISC of A\$1,083/oz.

FY15 production guidance from its five existing operating assets is 400,000 – 440,000 ounces gold equivalent at AISC in the range of A\$1,050 – A\$1,130/oz.

On 20 April 2015 Evolution announced that it had entered into a binding agreement with La Mancha Group International BV to acquire 100% of La Mancha's Australian operations – the high-grade Frog's Leg underground gold mine, the adjacent White Foil open-pit gold mine and the recently completed 1.5Mtpa Mungari CIL processing plant – all located near Kalgoorlie in Western Australia. Combined annual production from La Mancha Australia's operations is in the range of 130,000 –160,000 ounces of gold at an AISC of \$A950 – A\$1,000 per ounce.

Following completion of the La Mancha Australia transaction, Evolution will have annual production of 530,000 – 600,000 ounces from six operations across Western Australia and Queensland, at a globally competitive AISC of \$A960 – A\$1,030 per ounce.

**About Phoenix Gold**

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

Kalgoorlie-based Phoenix is aiming to significantly grow its JORC-classified resources, complete definitive feasibility studies on core projects and to continue aggressive exploration.

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

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