

15 NOVEMBER 2011

Phoenix Gold Limited
ASX: PXG, PXGO,
PXGOA

SECOND SURFACE STOCKPILE DEAL ADDS TO CASH FLOW

Highlights

- ORE PURCHASE AGREEMENT SIGNED WITH NORTON GOLD FIELDS LIMITED
- ORE HAULAGE TO COMMENCE THIS MONTH FROM STOCKPILES CLOSE TO PADDINGTON MILL
- DEAL WILL GENERATE FUNDS IN ADDITION TO FIRST ORE TREATMENT CAMPAIGN

Overview

Phoenix Gold Limited (ASX: PXG, "Phoenix") is pleased to announce that it has reached agreement with Norton Gold Fields Ltd ("Norton") for the sale of several surface stockpiles in close proximity to Norton's 3 million tonnes per annum Paddington mill 35 kilometres north west of Kalgoorlie in Western Australia.

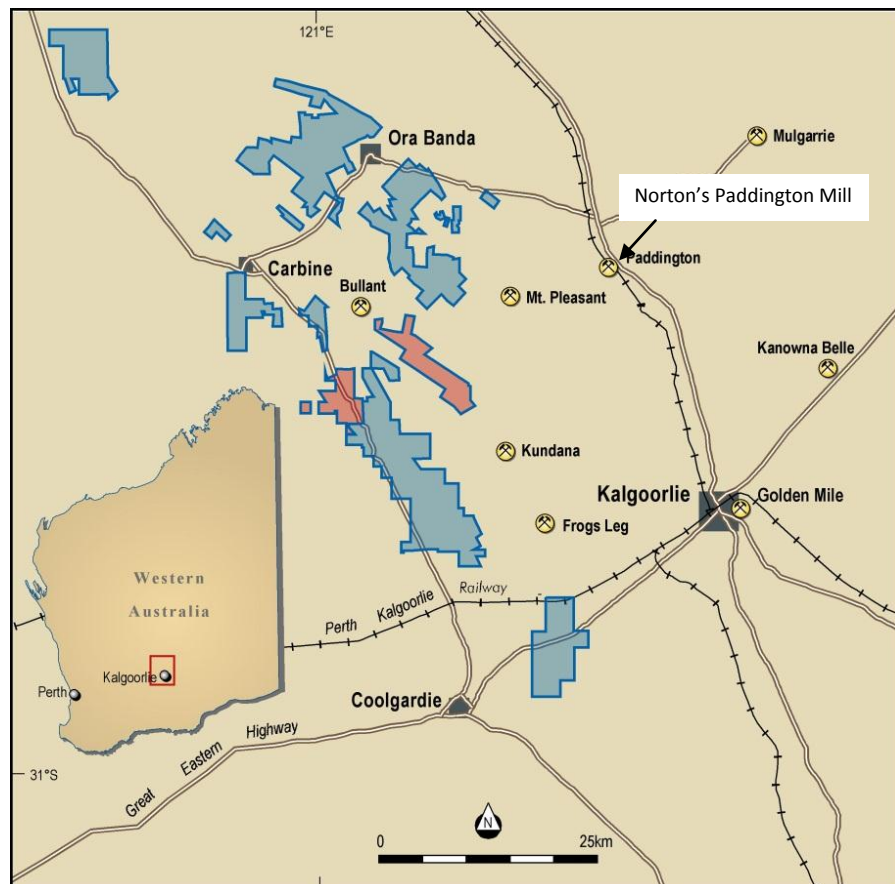


Figure 1. Toll treatment plant location and Phoenix tenements

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The Paddington Mill is 20 kilometres east of Phoenix's tenement package and is well serviced by existing hauls roads in all directions. Phoenix owns a number of surface stockpiles across the tenement holding that are now economic in the high gold price environment.

Under the terms of the agreement, Phoenix will deliver ore to the Paddington run of mine pad (ROM). After weighing the ore by approved methods, payment will be determined on a A\$ per wet tonne basis. The stockpiled ore has been drilled and sampled by both parties. The stockpiles being treated under this agreement amount to approximately 40,000 tonnes from the northern end of the Phoenix tenements.

"This deal generates cash flow, without distraction, so we can focus on resource growth and development opportunities across our tenements. There are several advanced development opportunities that could deliver significant cash flow to fund increased exploration drilling and enable development of progressively larger mines," Managing Director Jon Price said.

The Norton agreement follows the execution of a Memorandum of Understanding with Kalgoorlie Mining Company for the treatment of up to 300,000 tonnes per annum of Phoenix ore through the Bullant processing facility. The MOU was signed in September and contemplates the preparation and execution of a binding agreement within 12 months.

A toll milling agreement has also been executed with FMR Investments to treat a campaign of ore from our southern tenements at the Catherwood Mine. This campaign commenced last week with results expected next week.

"Phoenix has worked closely with all processing plant operators in close proximity to our projects and have signed deals with 3 mills in the short term and we will continue to work with them to have ongoing capacity of up to 500,000 tonnes per annum from 2012", Mr Price said.

"Securing milling capacity can enable development of the Catherwood Mine in the first half of 2012 followed by a series of developments including Blue Funnel, Outridge, Rayjax and Nazzaris. Our aim all along has been to fund our exploration by starting modestly with low risk stockpiles and smaller open cut mines and ramp up to a larger production base on the back of an increased Resource base. We anticipate updating our Resources in the December Quarter incorporating the latest drilling data," he said.

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About Phoenix

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

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

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

Table 1: Phoenix Gold – Summary of Mineral Resources

Project	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Kunanalling	0.49	2.4	38,000	0.78	1.6	40,000	2.11	1.9	130,000	3.39	1.9	209,000
Castle Hill	0.18	3.4	20,000	5.46	1.5	270,000	4.91	1.5	237,000	10.55	1.6	526,000
Ora Banda-Grants Patch				1.52	2.0	97,000	5.12	1.8	300,000	6.64	1.9	397,000
Carbine				0.51	2.5	41,000	1.33	2.2	94,000	1.84	2.3	135,000
Zuleika				0.28	3.9	35,000	0.89	2.2	64,000	1.17	2.6	99,000
Stockpiles				0.50	1.2	19,000				0.50	1.2	19,000
TOTAL	0.67	2.70	58,000	9.04	1.70	502,000	14.37	1.80	825,000	24.08	1.80	1,385,000

Notes:

- Stockpiles report material mined from historical mining operations at Lady Jane, Broads Dam, Premier, Catherwood, Bluebell, Mick Adam and Shamrock.
- The information in this report that relates to Exploration results and Mineral Resources is based on information compiled by Mr Ian Copeland. Mr Copeland, who is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists, is a full time employee of Phoenix Gold. Mr Copeland has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Copeland has given his consent to the inclusion in the report of matters based on the information in the form and context in which it appears.
- Information that relates to exploration and production targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.
- The information on exploration targets is based on a conceptual range of targets as follows: Tonnage range: 2 million to 15 million tonnes, grade range: 1.5 g/t Au to 5 g/t Au

Visit us at www.phoenixgold.com.au

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