

PHOENIX GOLD ENTERS AGREEMENT WITH NORTON GOLDFIELDS FOR THE DEVELOPMENT OF THE CATHERWOOD GOLD MINE

HIGHLIGHTS

- Agreement executed for the development of Catherwood Stage One
- Stage One will generate substantial cash flow for Phoenix
- Norton to fund working capital with development planned to commence in three months
- Norton to mine and haul ore to their 3.5M tpa Paddington mill for processing
- Stage 1 production is estimated at 19,000 ounces at a grade of 2.4g/t¹
- Phoenix will use cash generated to fund exploration and studies on larger projects

ASX: PXG, PXGOA

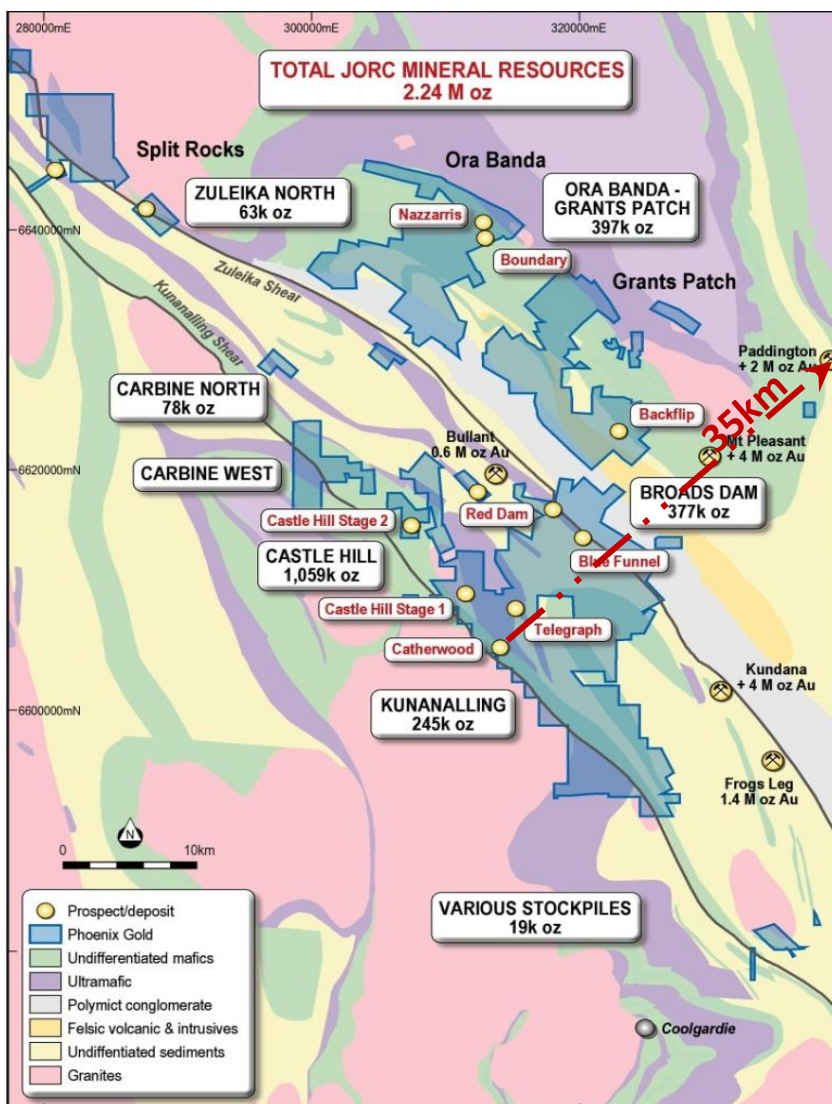


Figure 1: Catherwood Project location and Paddington mill site

¹The production estimate is based on feasibility work completed by Norton based on the Catherwood Resource that is contained within the Company's Kunanalling Resource shown on Table 1.

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Overview

Phoenix Gold Limited (ASX: PXG, "Phoenix") is pleased to advise that it has reached agreement and executed a Right to Mine Agreement ("RTMA") with Norton Gold Fields (ASX: NGF, "Norton") for the development of the Stage One cutback of the Catherwood gold mine in the Goldfields of Western Australia (Figure 1).

Under the terms of the RTMA, Norton will fund the mining, haulage and treatment of ore from Stage One of Catherwood cut back. Phoenix will retain ownership of the Project and all associated tenements.

Ore will be processed at Nortons 3.5M tpa Paddington processing facility located approximately 35 kilometres east of Catherwood. All ore haulage will utilise existing haul roads.

Payment to Phoenix will comprise an initial deposit, prior to mining commencing, after which payments will be made to Phoenix on an agreed rate per ounce of gold recovered. The payments to Phoenix have a guaranteed floor price and Phoenix share in any upside should the mine exceed production estimates.

10th October 2012

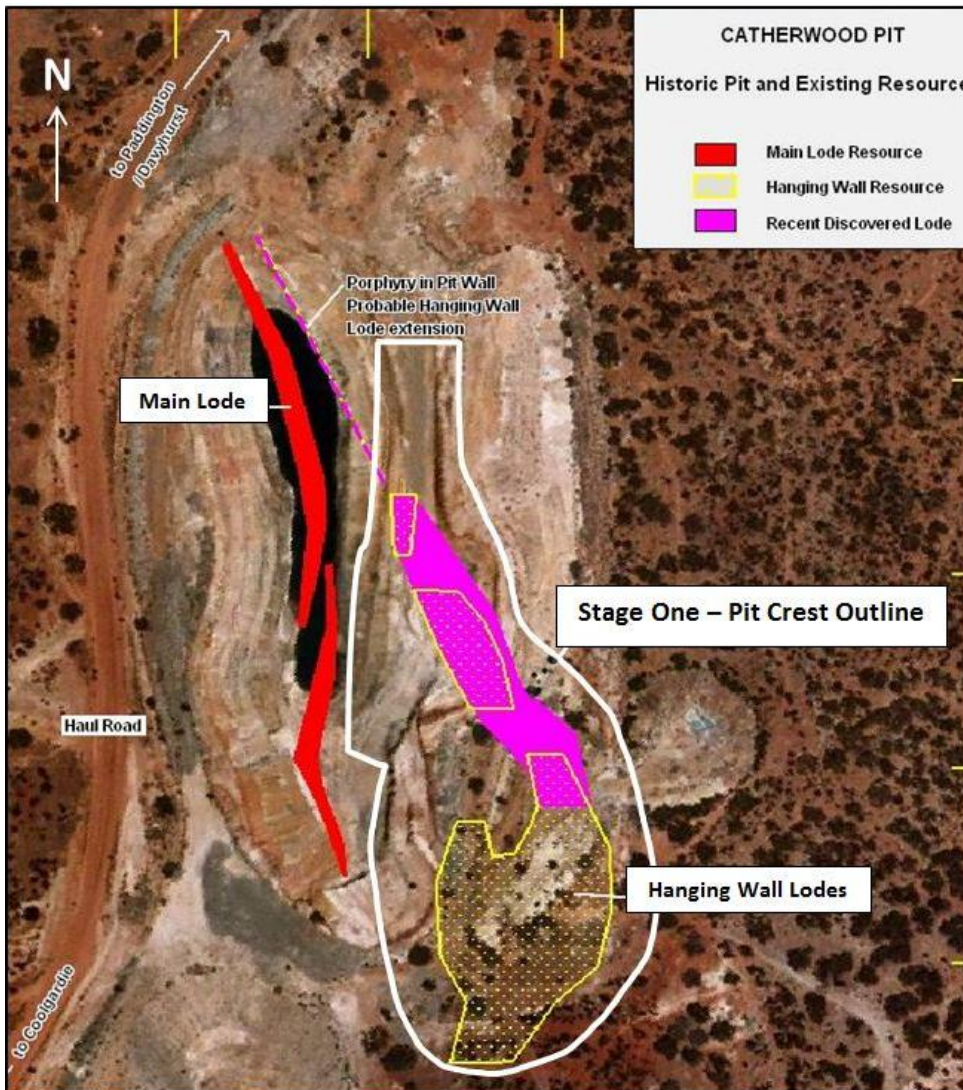


Figure 2: Plan view –Catherwood Stage One pit outline and lode location



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The agreement covers the mining of Stage One of the Catherwood Mine comprising a cutback, to the south eastern wall of the existing pit, exposing the hanging wall lodes (Figure 2) containing an estimated 19,000 ounces grading 2.4g/t¹. Phoenix retains 100% ownership of the project and will continue to explore the significant potential for mineralisation along strike and particularly at depth.

“This agreement combined with earlier stockpile sales agreements with Norton have satisfied our objective of generating cash internally to self-fund further work on our core projects” Managing Director Jon Price said. “Monetising historic stockpiles and our non-core mining projects provides funds without risk or distraction, so we can focus on our strategy, which is to grow resources at our larger projects as fast as possible. Along with this we plan to complete mining studies to determine optimal mining and processing routes for our core projects” he said.

Phoenix completed a Bankable Feasibility Study (“BFS”) on Catherwood in 2011. The results of that study (announced in August, 2011) were a mine design comprising a two stage cut back to the existing pit at Catherwood. The Stage One and Two designs produced 313,600t at 2.69g/t Au for 27,000 ounces and up to \$15.6M in free cash flow at A\$1,500/oz gold price. However, the BFS assumed Phoenix owned and operated a processing facility at Castle Hill approximately 5 – 10kms to the north of Catherwood.

Since the BFS was announced Phoenix completed the appropriate studies and documentation to apply for mining approvals from the relevant state departments. Following approval, Phoenix treated ore from Catherwood through the toll treatment mill in Coolgardie (announced in December, 2011) to verify the metallurgical assumptions within the BFS and also generate cash for the Company.

Due to the very positive results, for both grade and recoveries, from the treatment of the ore Phoenix completed infill drilling of the supergene hanging wall zone within the Stage One design in early 2012.

Results from this drilling were announced in May, 2012 with significant intercepts including:

- **25 metres at 4.14g/t Au** from 11 metres
- **17 metres at 3.66g/t Au** from 16 metres
- **12 metres at 4.18g/t Au** from 20 metres
- **10 metres at 4.06g/t Au** from 16 metres
- **2 metres at 18.02g/t Au** from 18 metres
- **22 metres at 1.45g/t Au** from 10 metres

An updated geological model was prepared for third party operators to review with ongoing negotiations resulting in execution of the RTMA with Norton. Development of the mine is expected to commence within the next three months with first gold production expected in the March Quarter 2013.

For further information please contact

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1-The production estimate is based on feasibility work completed by Norton based on the Catherwood Resource that is contained within the Company's Kuranalling Resource shown on Table 1.

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

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

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

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

Table 1: Phoenix Gold – Summary of Mineral Resources

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

Notes:

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

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