

**EARLY WARNING REPORT
FILED PURSUANT TO
NATIONAL INSTRUMENT 62-103**

1. Name and Address of the offeror:

Kroy Holdings Limited (“**Kroy**”)
c/o Insinger Corporate Services (BVI) Limited
Tropic Isle Building
P.O. Box 438, Road Town
Tortola, BVI

2. Name of the reporting issuer with respect to which this report is filed:

Phoenix Gold Resources Corp. (the “**Company**”)

3. Designation and number or principal amount of securities and the offeror’s security-holding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances:

On August 28, 2014, Kroy subscribed for and purchased 500,000 units (the “**Units**”) of the Company at a price of \$0.10 per Unit pursuant to the closing of the second tranche of a private placement (the “**Private Placement**”) by the Company of Units at \$0.10 per Unit for gross proceeds of up to \$750,000. Each Unit is comprised of one common share (a “**Share**”) and one-half common share purchase warrant (the “**Warrants**”) and paid the Company gross proceeds of \$50,000. Each whole Warrant is exercisable at a price of \$0.20 per Share for a period of 3 years from the date of issuance. Accordingly, 500,000 shares and 250,000 Warrants were issued to Kroy as owner thereof.

The 500,000 Shares issued to Kroy represents approximately 1.4% of the current issued and outstanding common shares of the Company on a non-diluted basis. Kroy now holds 2,830,357 Shares which is approximately 8.0% of the current issued and outstanding common shares of the Company, on a non-diluted basis, giving effect to the exercise of the Warrants and the issuance of the Shares, and 9.8% of the issued and outstanding common shares of the Company on a partially-diluted basis after giving effect to the Shares that would be held by Kroy following the exercise of the 250,000 Warrants and the other 451,665 share purchase warrants held by Kroy.

In addition to Kroy’s shareholdings above, Kroy’s affiliated companies, Avonlea Ventures Inc. (“**Avonlea**”) owns 1,285,714 Shares and Resource Hunter Capital Partners (“**Resource Hunter**”) owns 3,487,500 Shares. Kroy, Avonlea and Resource Hunter (collectively, the “**Kroy Group**”) are under indirect common ownership and control of and by Glenn Laing, the President, CEO and a director of the Company. Accordingly, the Kroy Group now holds approximately 21.6% of the current issued and outstanding common shares of the Company, on a non-diluted basis, giving effect to the exercise of the Warrants and the issuance of the Shares, and 23.1% of the issued and outstanding common shares of the Company on a partially-diluted basis after giving effect to the Shares held by the Kroy Group following the exercise of the 250,000 Warrants and the other 451,665 share purchase warrants held by the Kroy Group.

The Kroy Group previously acquired 7,103,571 Shares and 451,665 share purchase warrants prior to the second tranche of the Private Placement in connection with the Company’s going public transaction which occurred on April 23, 2014 and the first tranche of the Private Placement on August 21, 2014.

- 4. The designation and number or principal amount of securities and the Offeror's security-holding percentage in the class of securities immediately after the transaction or occurrence giving rise to obligation to file the news release:**

Upon completion of the second tranche of the Private Placement, the Kroy Group owns 7,603,571 Shares and 701,665 Warrants, which represents ownership of approximately 21.6% of the issued and outstanding voting securities of the Company on a non-diluted basis, and 23.1% of the issued and outstanding voting securities of the Company on a partially diluted basis, giving effect to the exercise of the 250,000 Warrants acquired in the transaction and the other 451,665 share purchase warrants which were previously acquired.

- 5. The designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph (4) over which:**

- (a) the offeror, either alone or together with any joint actors, has ownership and control**

Reference is made to item 3 above. The Kroy Group has no joint actors with respect to its ownership of securities of the Company.

- (b) the offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor, and**

Not applicable.

- (c) the offeror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership**

Not applicable.

- 6. Name of the market in which the transaction or occurrence that gave rise to the news release took place.**

Not applicable.

- 7. The value of consideration, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence that gave rise to the obligation to file a news release.**

The Units were issued at a subscription price of \$0.10 per Unit for a total gross aggregate subscription amount of \$50,000.00.

- 8. Purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer.**

Kroy acquired the Units for investment purposes. Kroy may increase or decrease its ownership interest in the Company depending on, among other factors, market conditions. It has no present intention to change its holdings of securities of the Company.

- 9. General nature and the material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities.**

The Units were issued pursuant to terms of the subscription agreement under the Company's private placement of Units which closed on August 28, 2014. The subscription agreement has terms customary for a transaction of this nature.

The Kroy Group has no joint actors with respect to its ownership of securities of the Company.

- 10. In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value, in Canadian dollars, of the consideration paid by the offeror.**

The Units were issued at a subscription price of \$0.10 per Unit for a total gross aggregate subscription amount of \$50,000.00.

- 11. If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities.**

The number of Shares owned by Kroy and the Kroy Group and the corresponding undiluted and partially diluted percentages have changed since the last early warning report and news release filed by Kroy on August 21, 2014, as a result of the additional Shares acquired pursuant to the Debt Settlement, as described above.

- 12. If applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting that reliance.**

Kroy and the Kroy Group are a "related parties" to the Company under Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101") as they beneficially own more than 10% of the issued and outstanding Shares of the Company. Accordingly, the subscription by Kroy under the second tranche of the Private Placement is a "related party transaction" under MI 61-101. However, its \$50,000 subscription under the second tranche of the Private Placement together with its earlier \$50,000 subscription under the first tranche of the Private Placement (collectively, the "Subscriptions") are exempt from the formal valuation requirements under Section 5.4 of MI 61-101 and the minority approval requirements under Section 5.6 of MI 61-101 pursuant to Section 5.5(b) and 5.7(1)(a), respectively, because prior to the closing of the first tranche and the second tranche of the Private Placement and the time the Company agreed to the Subscriptions by Kroy under the second tranche of the Private Placement:

- (i) no securities of the Company are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market or a stock exchange outside of Canada and the United States; and
- (ii) neither the \$100,000 fair market value of the Subscriptions nor the \$100,000 consideration for the Subscriptions exceeds 25% of the Company's market capitalization, which totals \$839,448 (based on 25% of a share capital of 33,577,900 shares at the market price of \$0.10 per share).

DATED this 28th day of August, 2014.

KROY HOLDINGS LIMITED

Per:

"Signed"
Authorized Signatory