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# PHOENIX COPPER LIMITED

# REPORT TO SHAREHOLDERS

# JUNE QUARTER 2008

## Highlights

- The assembly of an experienced and highly qualified exploration team led by Chief Geologist, Mark Manly
- The purchase of a Niton X Ray Fluorescence Analyser
- Commencement of in-field exploration and detailed soil analyses
- The establishment of an Exploration base, with all necessary facilities for work and accommodation, in the town of Burra
- Planned IP Survey and RAB Drilling
- The purchase of Vulcan - a specialist GIS (Geographic Information System)

## Overview

Whereas Phoenix Copper's planned exploration program is in its initial stages, and progress is necessarily considered and time consuming, there have already been some important achievements. The first is our continuing formation of important relationships with local landowners. The second is the commencement of soil analyses in the Burra area and the final relates to putting together an experienced and highly skilled exploration team headed by Chief Geologist, Mark Manly (formerly of Perilya).

Mark has many years of experience but the biggest asset that he brings to Phoenix Copper is his work in pioneering the development of the Niton XRF Analyser for field exploration. The team now includes a Senior Geologist in Aaron Steinert (formerly of Penrice), an experienced Field Supervisor in Peter Cleary (formerly of the New Zealand Antarctic Survey and Perilya Limited), a Field Assistant and a Data Entry Clerk.

Community relations are vitally important to the Company. Phoenix Copper has been working closely with the Local Councils since before it was listed in February 2008, to ensure that there has been a consistent flow of information to the Community. The most critical issue for the Company has been landholder liaisons. The Company's tenement areas contain over a thousand landholders and Phoenix Copper is committed to investing the necessary time to achieve a long-term, cooperative relationship with these landowners. This is an important process and doing it right first time will be extremely beneficial to the Company. There has been a determined effort to visit and explain Phoenix Copper's planned exploration programs to as many of the major landholders as possible within these initially targeted areas. So far there have been 22 Notices of Entry documents hand delivered by Mark Manly in order to help explain their purpose and immediately answer any important questions. Twenty-two LACAs (Land Access Compensation Agreements) have also been prepared.

Most of the other major landholders are awaiting the outcome of ongoing negotiations between the district's largest landholder and Phoenix Copper over the finer points of this Access Agreement. These negotiations will have a positive outcome and they will help form a template agreement for all pertinent landholders. This will ensure that the critical issue of

land access is managed for the immediate future and allow the Company to efficiently pursue its initial exploration programs.

## Establishment of Field Office and Exploration Base

Phoenix Copper's field office and exploration base has been established and is now operative. As reported in the Company's March Quarterly Report Phoenix Copper has obtained a lease on the historic Butterworth Mill, located within the town of Burra. This 3 storey facility provides ample space for work, storage and accommodation. The Company's Field Supervisor has now taken up residence and the field office is fully functional. A large shed located on the property will be used to cut and store drill core, thereby ensuring all of the Company's field exploration needs are met in this one facility. This allows the Company to save valuable exploration dollars on storage and accommodation that would have had to be spent had this facility not been obtained.

## Soil Analyses

Some regional and limited detailed local geophysical survey information is available for much of the tenement areas however there is a paucity of relevant soil analysis in areas where the cover is relatively thin. The initial primary focus has therefore been to undertake a detailed and densely spaced program of soil analyses over much of the tenement areas. This exploration has been, and will continue to be, significantly aided by the use of the Company's new Niton XRF soil sampling device. This device, which our Chief Geologist helped to pioneer for field exploration during his time with Perilya, is a great leap forward for mineral exploration. The Niton has been programmed to provide soil analysis for minor concentrations of 34 elements including Pb, Cu, Ni, Ag, Bi, As, Zn and $U_3O_8$. This measurement is immediately available to the Geologist and saves countless hours involved in collecting and bagging soil samples for dispatch to a laboratory for testing, and the many weeks of delay for those results to be received.

Figure 1: Chief Geologist – Mark Manly Conducting Soil Analysis

The Niton is allowing Phoenix Copper to be efficient and cost-effective in its initial exploration work. The immediate results that it offers allow the Geologist to respond to anomalous values and lessen the intervals between samples in order to get a better perspective of possible mineralisation and therefore drilling targets. The Company intends to utilise the Niton where cover is appropriate and determine indicator elements from a selective 'blanket cover' of samples from its tenement areas. The Niton XRF has been a valuable investment and will continue to prove very useful to drill target identification.

## Planned IP Survey & RAB Drilling Programme

The Company is also working towards two further exploration processes in the coming months. The first will be an IP (Induced Polarisation) Survey, which will focus on the Company's Mongolata Project, more specifically along strike from the historical gold workings. This will give a more detailed knowledge of the geology of this important project and, coupled with the Niton sampling work, allow the exploration team to identify drilling targets. This will be followed by an initial phase of RAB (Rotary Air Blast) Drilling at both the Burra and Mongolata Projects. This RAB Drilling will test the northern and southern extensions of known mineralised zones along with any highly anomalous targets derived from the Niton soil sampling and IP Survey.

## Tenement Details

Phoenix Copper has seven tenements covering an area of more than 1,500 km$^2$ in the historically significant and highly prospective Burra and Yorke Peninsula regions of South Australia.

| EL No | EL Name | Registered Holder | Area sq km | Application/ Grant Date | Expiry Date | Annual/Term Expenditure Commitment $ |
|---|---|---|---|---|---|---|
| 3161 | Burra Central | Phoenix Copper Limited | 84 | 27/01/2004 | 26/01/2009 | 185,000: over 5 years |
| 3604 | Burra West | Phoenix Copper Limited | 86 | 25/07/2006 | 24/07/2008 | 80,000: between 25/7/06 & 24/7/08 |
| 3716 | Burra North | Phoenix Copper Limited | 300 | 6/03/2007 | 5/03/2008 | 60,000 |
| 3164 | Mongolata | Phoenix Copper Limited | 283 | 13/02/2004 | 12/02/2009 | 55,000 |
| 3686 | Spalding | Phoenix Copper Limited | 157 | 2/01/2007 | 1/01/2009 | 90,000: between 2/1/07 & 1/1/09 |
| 4031 | Minlaton | Wellington Exploration Pty Ltd | 547 | 21/01/2008 | 20/01/2009 | 85,000 |
| 4032 | Mount Bryan | Wellington Exploration Pty Ltd | 116 | 21/01/2008 | 20/01/2009 | 40,000 |

## Digitising & Compilation of Monster Mine Data

Phoenix Copper has also purchased Vulcan - a specialist GIS (Geographic Information System), to create three-dimensional geological models, particularly for the old Monster Mine mineralisation but also to assist with modelling the vast amounts of data from the Company's intensive Niton soil analysis. All mining, drilling and geological records data and images from the previous exploration and mining phases that took place at the Historic Monster Mine at Burra are being entered into Vulcan. This process should be completed in the December quarter 2008. An example of the kind of data being entered can be seen in Figure 2 and an initial 3D model complete with mineralisation and structures should be available by late October 2008. This information will then provide drill targets along the Kingston Fault, both north and south of the old workings. In particular, the drill target programme will be intended to test for extension of oxide/carbonate mineralisation, but also deeper drilling to test the system for mineralised sulphides, likely to have been the original source of the Monster Mine. The historic Monster Mine was gazetted as a reserve, exempt from the Mining Act, in 1988, but the Kingston Fault remains prospective for extensions, beyond the reserve.

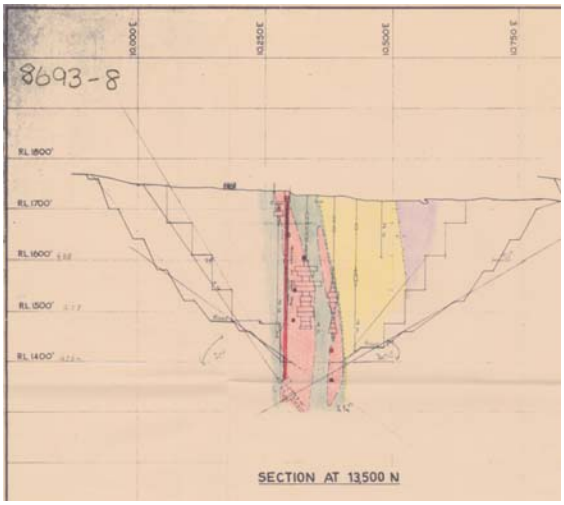


Figure 2: Old Cross Section of Monster Mine

## Individual Tenement Exploration

### EL 3161

Soil analysis has begun at the Grove Prospect, an area that occurs on the triple junction of EL 3161, EL 3604 and EL 3716 (see Figure 3). This area is prospective for Cu and is one of the main targets within Phoenix Copper's Burra Project. This prospect is a primary drilling target and has been a prominent

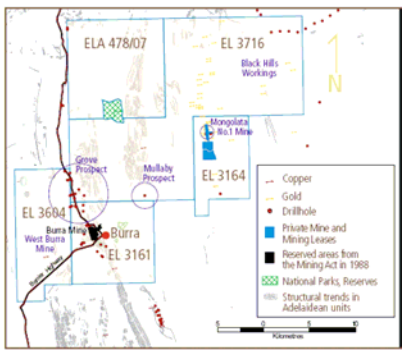


Figure 3: Burra and Mongolata Projects

target since the Company began researching the exploration and mining history of this region.

Soil analysis will continue once crops in the area have been taken off and Phoenix Copper anticipates that once this initial phase of Niton sampling has been completed, the results will reinforce its view of the area's prospectivity and help to fine tune a detailed drilling programme.

**EL 3604**

The initial phase of soil sampling using the Niton XRF on EL 3604 is now complete with almost 2500 samples taken. This has provided a reasonably comprehensive first pass grid over the tenement and has highlighted areas of interest or "hot spots" which are to be

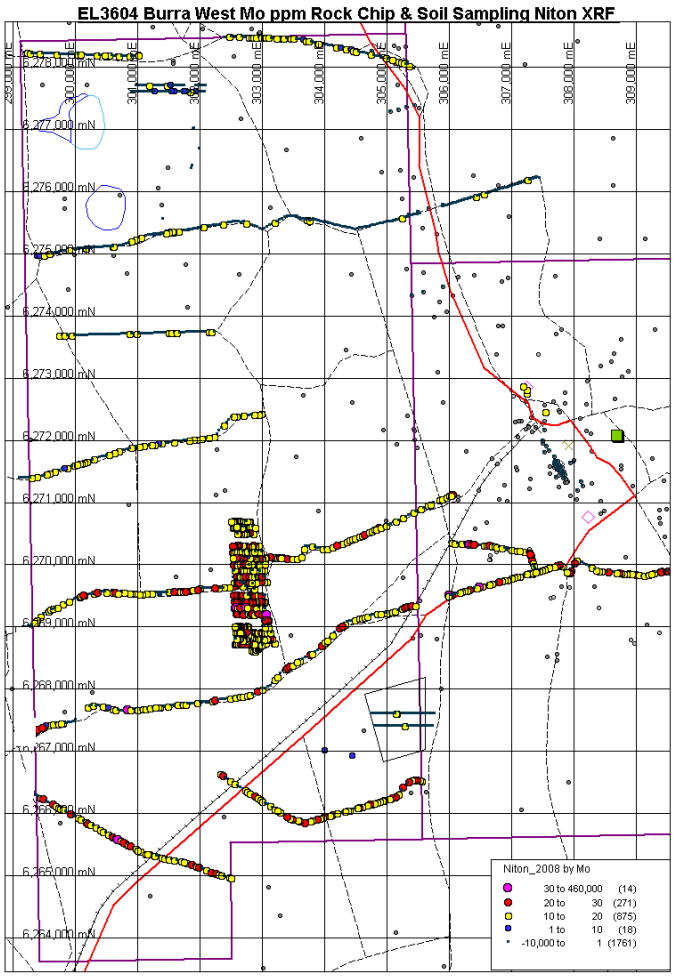


Figure 4: Concentrations in Soil at EL 3604 Burra West Mine

considered for infill soil sampling programs and drill targets (see Figure 4). These "hot spots" are samples which have returned anomalous copper results, higher than 300 parts per million (ppm) and / or anomalous levels of other indicator metals (Mo, Ba, Th, Mn, Pb, Zn Fe and As).

The highlights of this initial soil sampling program on EL3604 have been:

1) the confirmation of the potential that exists around the Burra West Mine both along strike on the host dolomite and on the East West orientated shear (which is

dominantly under cover) and on the intersection plane of the shear and the dolomite; and

2) the identification of Cu, Pb, Zn, Mo, Ba, Th and Mn as regional indicators for potential hosts rocks to Cu mineralisation and Cu As, Fe, Ba, and Pb as local indicators of mineralisation within a host sequence.

A follow up, infill sampling program around these “hot spots” will be conducted however the first priority is to complete this initial soil sampling phase on all tenements. This will generate

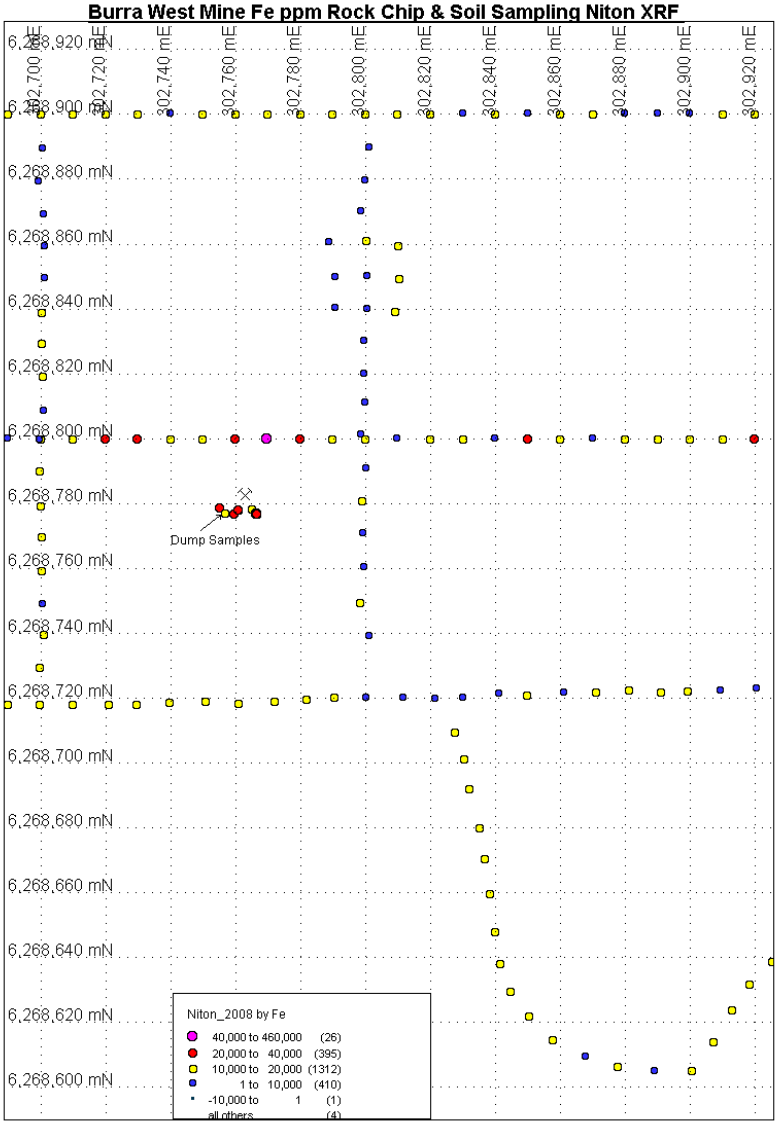


Figure 5: Fe Concentrations in Soils around the Burra West Mine

a broader number of options for prioritisation for drilling.

Figure 4 shows the molybdenum concentration in soils and clearly highlights the large accumulation of high values of Mo in the centre of the diagram coincidental with the old Burra West Mine. The anomalous values extend significantly beyond the old mine boundary indicating that potential exists along strike for the discovery of more Cu mineralisation. These and other anomalous zones require follow up soil sampling and drilling. Figure 5 is a detailed plan view of Fe concentration in soil analysis around the Burra West Mine.

**EL 3164**

Niton Sampling has only recently begun on the Mongolata Project, which has been designated as an exploration priority and lies over EL 3164 and EL 3716. This is the first

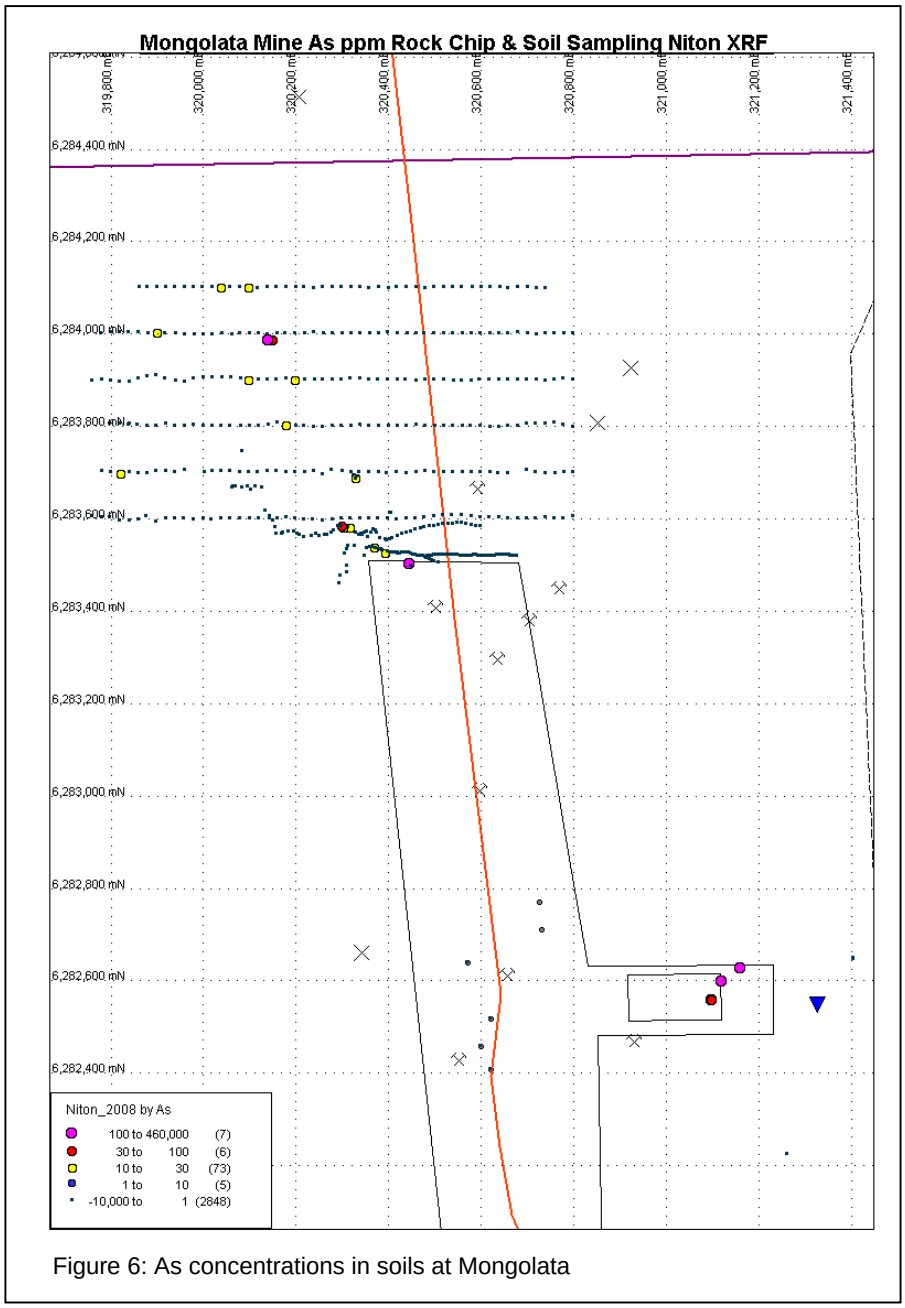


Figure 6: As concentrations in soils at Mongolata

step of the planned exploration, which also includes an IP Survey and some initial RAB drilling as mentioned earlier in this report. The initial sampling process is an orientation sampling program aimed at identifying the best unit within the regolith profile to sample and identifying an indicator element suite for Au (Gold) mineralisation, which is the primary target of this project.

Indicator elements are those that occur wherever the targeted element also occurs, thus identifying those minerals or elements associated with gold mineralisation at Mongolata is

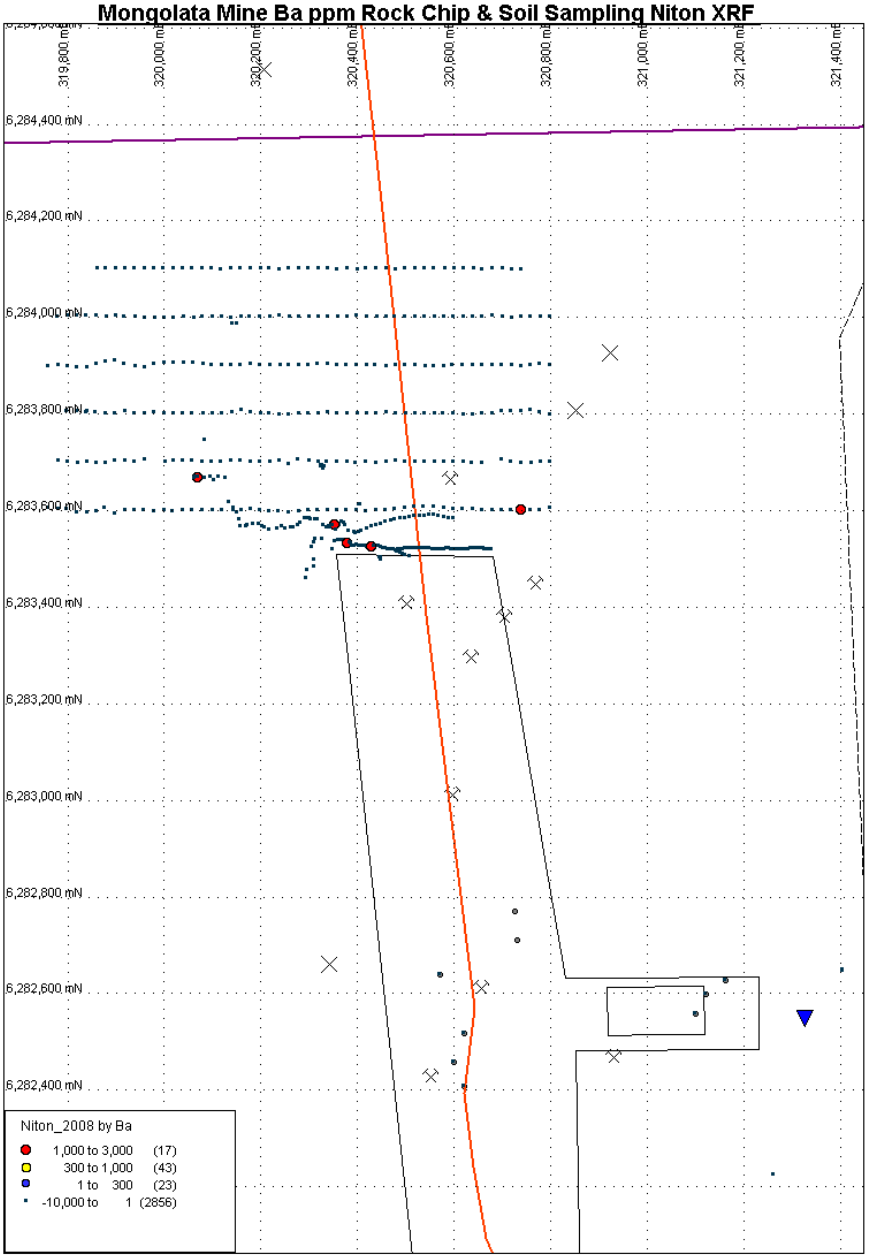


Figure 7: Ba Concentrations in Soil at Mongolata

essential.

Preliminary results indicate that Arsenic and Barium are associated with or in close proximity to the gold mineralisation at Mongolata (see figures 6 and 7) however these are weak associations and more work is required here.

Once this orientation program is complete Niton sampling will ensue and the results will be used in conjunction with the results of the planned IP Survey to finalise the planned RAB drill-hole programme.

Phoenix Copper anticipates that this activity will be completed during the next quarter.

**EL 3716**

As mentioned previously, sampling has begun on EL 3716 at both the Grove Prospect (part of the Burra Project) and the Mongolata Project. Detailed sampling at the Grove Prospect will ensue after crops are taken off around December and the area remains a prime drilling target for the Company.

A similar orientation sampling program to that being undertaken at Mongolata has started at the Mullaby prospect on EL3716. Mullaby is a gold prospect and in the same host rock - the Cox Sandstone, as mineralisation at Mongolata. Thus it would be expected that Arsenic and

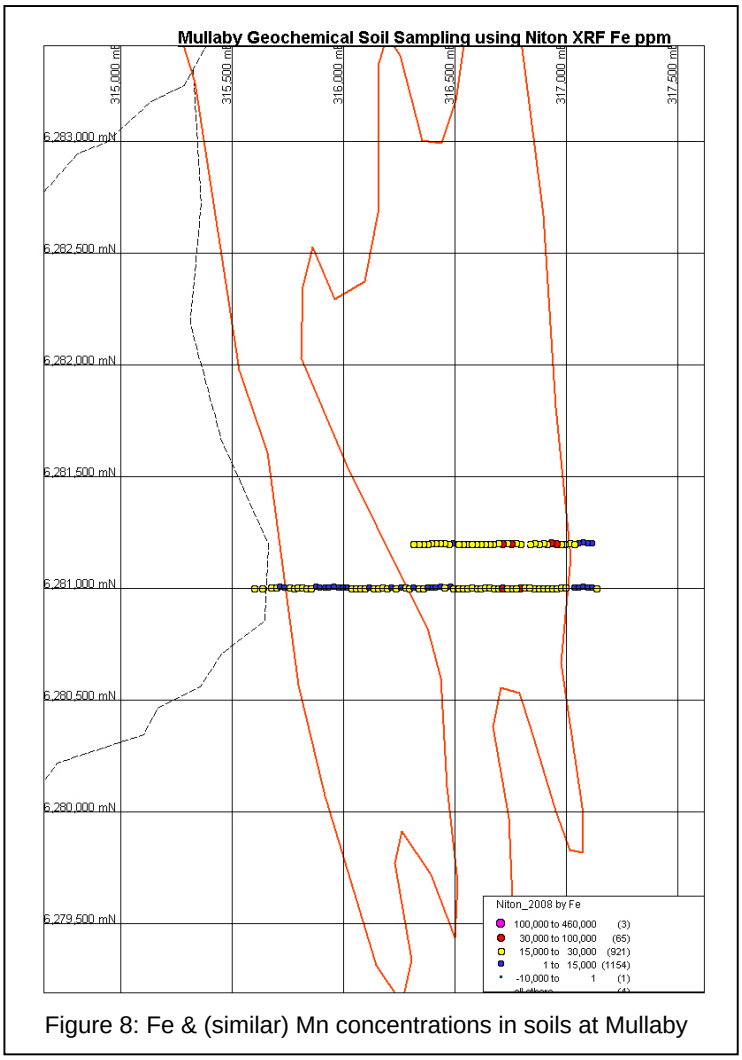


Figure 8: Fe & (similar) Mn concentrations in soils at Mullaby

Barium would be the indicator minerals here however on the first pass it seems the most interesting altered quartz veined outcrop areas are coincidental with zones enriched in Iron and Manganese (see figure 8).

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