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## ASX ANNOUNCEMENT, 3 JUNE 2010

### EXCITING ACQUISITION AND SPP

#### *Highlights*

- *Phoenix Copper to acquire Leigh Creek Copper Mine Pty Ltd and become a copper producer.*
- *Phoenix Copper has assessed its investment in LCCM's Mountain of Light mine as having an internal rate of return of greater than 300% before tax, with LCCM also having available significant tax losses to offset project tax liabilities once the Mountain of Light mine attains projected profits.*
- *JORC compliant Indicated Resource estimates of greater than 20,000 tonnes of contained copper in LCCM Mining Leases (see table below for cut off grades and tonnage).*
- *Cash component of the consideration for LCCM and Phoenix Copper's other short term cash requirements to be funded by a Share Purchase Plan giving Shareholders the opportunity to acquire Phoenix Shares at \$0.16 each.*
- *Subscription Agreement in place to raise up to \$1,900,000, if required.*
- *Acquisition will enable Phoenix Copper to execute a strategy to become a near surface non-sulphide copper miner with a pipeline of projects at varying stages of exploration and development.*

Phoenix Copper Limited (ASX code PNX) (**Phoenix Copper** or **Company**) announced today the conditional purchase of Leigh Creek Copper Mine Pty Ltd (**LCCM**) – a company that owns a copper heap leach project at Leigh Creek, South Australia.

The purchase will transform Phoenix Copper from a junior exploration company to a modest copper producer within a few months of completion of the purchase.

The purchase was made possible because the vendors of LCCM (**Vendors**), a private syndicate of investors, were keen to further develop the potential of this operation by leveraging their investment into a company with the operational knowledge and experience to maximise the return on this investment.

Beyond the obvious benefits of creating a cash flow and reversing the current net cash outflow from a sole exploration focus, the acquisition provides Phoenix Copper shareholders with a rare opportunity to participate in an exciting (but initially, modest) project - with three granted Mining Leases. This is entirely consistent with the Company's vision to become a

successful copper explorer and producer. It also complements the current exploration success at Princess Royal, the exploration potential around the famous Burra open pit and the recent acquisition of contiguous tenements from Burra to Kapunda. These tenements are highly prospective to continue to add to the pipeline of production that will be established with this purchase. All of these granted Mining Leases and Exploration Licences contain similar mineralisation of malachite and azurite, identified at Princess Royal and Burra and are amenable to low-cost heap leach.

Phoenix Copper’s internal evaluation of the purchase of LCCM was predicated solely on the currently developed operation at the Mountain of Light (**MoL**) Mining Lease and indicated, based on the assumptions set out in Annexure A, >300% internal rate of return on cash invested (**IROR**) before tax. LCCM has significant tax losses of which a sufficient proportion are likely to remain available to offset project tax liabilities once the Mountain of Light project reaches the stage where it is generating the profits projected in that evaluation.

The two other LCCM Mining Leases are also extremely important, but were not included in the Phoenix Copper’s internal evaluation. Lorna Doone deposit, NNE of Lyndhurst in South Australia, has an established Indicated Resource of 620,000 tonnes @ 0.90% copper at a cut-off grade of >0.4% copper for 5,600 tonnes of contained copper. The Lynda deposit, located in close proximity to the Lorna Doone deposit, has an established Indicated Resource of 750,000 tonnes @ 0.84% copper at a cut off grade of >0.4% copper for 6,300 tonnes of contained copper. Total contained copper in Indicated Resources on all three LCCM Mining Leases exceeds 20,000 tonnes (see table below for cut off grade and tonnages).

Once resumption of operations at MoL have been optimised and consolidated by Phoenix Copper, attention will then focus on optimising the pipeline of future prospects. These include Lorna Doone, Lynda, Princess Royal and other known prospects around Burra and in the recently acquired contiguous tenements from Burra to Kapunda.

Also based on the assumptions set out in Annexure A, if the purchase of LCCM is completed Phoenix Copper’s forecast consolidated revenue for the 2011 and 2012 financial years and its forecast consolidated profit for those years are:

Forecast consolidated revenue:	2011 \$4,450,000	2012 \$11,200,000
Forecast consolidated profit:	2011 \$270,000	2012 \$2,400,000

The 2011 financial year estimated consolidated profit shows a \$700,000 anticipated turnaround compared with an estimated loss for the 2010 financial year of \$430,000.

An off take agreement is in place for production from LCCM’s three Mining Leases, ensuring a ready market for LCCM’s production on terms that Phoenix Copper regards as attractive.

Expert consultants were engaged to complement the Phoenix Copper team in its due diligence process in relation to LCCM and MoL in particular. These expert consultants will be available to Phoenix Copper as it transitions into production, providing the necessary proven operational expertise for success.

Work continues with azurite and malachite ores to test the application of “Ore Sorting” technology to further add value to LCCM’s, and Phoenix Copper’s own, deposits and thus further improve IRORs. Samples have been shipped to Germany for further testwork and,

should these trials prove successful, there is potential for other prospects within Phoenix Copper Exploration Licences to be added to the growing pipeline.

The following table sets out the JORC compliant mineral resources within LCCM's three Mining Leases ML5467, ML5498 and ML5741.

<b>Indicated Resources</b>				
	<b>Cut-off Grade</b>	<b>Tonnage</b>	<b>Grade % Copper</b>	<b>Tonnes Copper Contained</b>
<b>MOUNTAIN OF LIGHT</b>				
<i>Paltridge North</i>	>0.3%	890,000	0.83%	7,400
	>0.4%	710,000	0.96%	6,800
	>0.5%	570,000	1.10%	6,200
<i>Rosmann East</i>	>0.3%	350,000	0.78%	2,700
	>0.4%	280,000	0.88%	2,500
	>0.5%	220,000	1.00%	2,200
<b>LYNDHURST</b>				
<i>Lorna Doone</i>	>0.3%	840,000	0.75%	6,300
	>0.4%	620,000	0.90%	5,600
	>0.5%	460,000	1.00%	4,600
<i>Lynda</i>	>0.3%	1,000,000	0.72%	7,200
	>0.4%	750,000	0.84%	6,300
	>0.5%	580,000	0.96%	5,600
<b>TOTALS</b>				
<i>Total</i>	>0.3%	3,100,000	0.77%	24,000
	>0.4%	2,400,000	0.90%	21,000
	>0.5%	1,800,000	1.00%	19,000

Phoenix Copper has conservatively assessed that it will require (in addition to its current cash) approximately \$2,600,000 in the short term to fund the acquisition of LCCM, provide for working capital and maintain its exploration activities at a reasonable level. Phoenix Copper has decided to give existing shareholders the opportunity to contribute to this funding requirement by offering a non renounceable Share Purchase Plan (**SPP**). Under the SPP all Phoenix Copper shareholders, with registered addresses in Australia and New Zealand at 5:00pm Adelaide time yesterday, will be offered the opportunity to purchase \$15,000 worth of fully paid ordinary shares in the capital of Phoenix Copper (**Phoenix Shares**) at \$0.16 per share, allowing shareholders to increase their shareholding at an exciting stage of Phoenix Copper's development. Phoenix Copper shareholders will soon receive their SPP offer documents in the mail. Details of the SPP are set out below.

Recognising the possibility that the SPP may not raise all of the money Phoenix Copper has estimated it will require, a conditional Share Subscription Agreement has been entered into providing for a placement of Phoenix Shares, at the same price as Phoenix Shares are offered under the SPP, to the extent the SPP raises more than \$700,000 but less than \$1,900,000. Further details of this additional funding arrangement are set out below.

## **Details of LCCM Purchase**

On 2 June 2010 Phoenix Copper entered into a Share Sale Agreement with the Vendors to acquire all of the issued shares in the capital of LCCM (**LCCM Shares**).

Under the Share Sale Agreement, Phoenix Copper has agreed to pay \$1,250,000 for the LCCM Shares. In addition it will, in full satisfaction and discharge of the debts owed by LCCM to its non-trade creditors (comprising Vendors or related or associated entities), issue to those creditors:

- 6,250,000 Phoenix Shares; and
- 1,250,000 unlisted options each to subscribe for one Phoenix Share at an exercise price of \$0.275 and exercisable within 5 years of issue (**Phoenix Options**).

These Phoenix Shares will represent approximately 8% of Phoenix Copper's expanded share capital.

Half the 6,250,000 Phoenix Shares issued to LCCM creditors will be subject to voluntary escrow restrictions for 12 months from the date they are issued. Also half of any Phoenix Shares issued on the exercise of any of the Phoenix Options during that 12 month period will be subject to escrow restrictions for the remainder of that 12 month period.

The Share Sale Agreement is subject to the certain conditions, including:

- approval by the Treasurer of the Commonwealth of Australia for Phoenix Copper to acquire the LCCM Shares under its foreign investment policy and the *Foreign Acquisitions and Takeovers Act 1975* (Cth) [Phoenix Copper is treated as a foreign person for these purposes because it has a foreign shareholder with a holding of more than 15% of its issued shares. LCCM is treated as an Australian urban land corporation for these purposes. Approval is required for a foreign person to acquire an interest in an Australian urban land corporation. The process for obtaining approval was initiated on 16 May 2010)];
- Phoenix Copper raising at least \$700,000 by means of the SPP; and
- Shareholders, at a general meeting to be held within 55 days of the signing of the Share Sale Agreement, approving of issues of Phoenix Shares that have taken place in the past 12 months without shareholder approval or an exemption from Australian Securities Exchange (**ASX**) Listing Rule 7.1, the issue of Phoenix Shares and Phoenix Options to satisfy LCCM debts and the issue of up to \$1,900,000 worth of Phoenix Shares to Long Fortune Limited (see the discussion in the section below headed "Other Funding Arrangements").

If all of the conditions are not fully satisfied, or waived by Phoenix Copper, within 90 days of signing the Share Sale Agreement, it will terminate and the purchase of LCCM will not proceed. Phoenix Copper will advise shareholders when all of the conditions under the Share Sale Agreement for the purchase of the Shares have been satisfied or waived.

LCCM has bank debt of \$400,000 plus a facility under which bank guarantees for a total of \$150,000 have been provided to the Department of Primary Industries and Resources, SA in connection with the MoL Mining Lease. Phoenix Copper has arranged with its bank for the bank debt and bank guarantee facility to be replaced (in the case of the bank debt for 6 months from completion of the transaction). These replacement arrangements are to be cash collateralised by Phoenix Copper.

Under the Share Sale Agreement the parties give usual warranties for a transaction of this kind. Claims for consequential loss are excluded as are small claims (below \$10,000). The liability of each of Phoenix Copper and the Vendors (who are jointly liable) is limited, in the aggregate, to \$2,500,000. The Vendors liability above \$1,250,000 may be satisfied by returning Phoenix Shares, at a nominal value of 20 cents each, for cancellation.

## **Details of the SPP**

Under the SPP each existing Phoenix Copper shareholder who had a registered address in Australia and New Zealand as at 5.00pm Adelaide time on 2 June 2010 will have the opportunity to participate in the SPP, by subscribing for up to \$15,000 worth of Phoenix Shares at a price of \$0.16 per Share, in the following parcel options:

- a) 93,750 Phoenix Shares for \$15,000
- b) 62,500 Phoenix Shares for \$10,000
- c) 12,500 Phoenix Shares for \$2,000

The issue price offered under the SPP represents a discount of 1.64 cents to the volume weighted average price of Phoenix Shares during the 5 trading days on which sales of Phoenix Shares were recorded on the ASX to, and including, 1 June 2010, being the last day on which sales were recorded before the day of this announcement. It also represents a discount of 20% to the closing price of Phoenix Shares (of 20 cents) on 1 June 2010. The SPP provides Shareholders with an opportunity to increase their investment in Phoenix Copper at an attractive price (particularly having regard to the proposed acquisition of LCCM).

The SPP will be conducted without a prospectus in accordance with ASIC Class Order 09/425.

Under the ASX Listing Rules, the maximum amount that can be raised under the SPP is \$2,616,744 through the issue of a maximum of 16,354,650 Phoenix Shares. If the SPP is over subscribed, or if a Shareholder would acquire more shares than they may legally acquire at the time allocations are made, applications will be scaled back.

The proceeds from the SPP will be used, to the extent sufficient, to fund payment of the purchase price for LCCM. Funds raised may also be applied to Phoenix Copper's general working capital requirements, including those related to the recommencement of LCCM's operations and Phoenix Copper's ongoing exploration programs. Even if the acquisition of LCCM does not proceed the SPP will be completed and funds raised will then be used to augment Phoenix Copper's available cash for the continuation of its exploration programs and to fund general working capital requirements. Shareholders will be aware of Phoenix Copper's recent exploration successes at its Black Hill and Princess Royal projects, where further exploration is required; as well as the recent grant of PACE funding for further drilling at Black Hill and to the north of the old Monster Mine at Burra.

Full details of the Share Purchase Plan are set out in the Offer Memorandum lodged with the ASX today and expected to be sent to Shareholders on Wednesday, 9 June 2010.

The indicative timetable for the SPP is as follows:

<b>EVENT</b>	<b>DATE</b>
<b>Record date</b> – the date for determining eligibility of Shareholders to participate in the Share Purchase Plan	Wednesday, 2 June 2010
<b>Offer Opens</b>	Wednesday, 9 June 2010
<b>Closing Date</b> – The last day for receipt of Application Forms (5.00pm Adelaide time)	Wednesday, 30 June 2010
<b>Expected date of issue of new Phoenix Shares</b>	Wednesday, 7 July 2010
<b>Expected commencement of normal trading in new Phoenix Shares on ASX</b>	Thursday, 8 July 2010
<b>Dispatch of holding statements to Shareholders who participate in the Share Purchase Plan</b>	Monday, 12 July 2010

The Board reserves the right to vary the dates for the SPP at their discretion. Should this occur, then the extension will have a consequential effect on the anticipated dates of issue and normal trading of the new Phoenix Shares.

## **Other Funding Arrangements**

To partially ensure against the SPP not raising the full \$2,600,000 required in the short term to fund the acquisition of LCCM, provide for working capital and maintain Phoenix Copper's exploration activities at a reasonable level, a Share Subscription Agreement has been entered into with Long Fortune Limited for it to subscribe for \$1,900,000 (less the amount in excess of \$700,000 raised by the SPP) worth of Phoenix Shares (**Placement Shares**) at the same price as Phoenix Shares are offered under the SPP (namely \$0.16 per Placement Share). The Share Subscription Agreement is conditional on the SPP raising at least \$700,000, the Share Sale Agreement becoming unconditional and Shareholder's approving the issue of the Placement Shares.

If the number of the Placement Shares would result in the issue to Long Fortune Limited of Phoenix Shares representing more than 19.9% of its then issued shares the Phoenix Shares (and the subscription amount) will be scaled back to that percentage. The Board is satisfied that any resultant reduction in total funds raised will not be detrimental to the achievement of its plans. It will however subsequently look to place Phoenix Shares to make up the shortfall.

Long Fortune Limited is a Hong Kong based Investment Company which was introduced to Phoenix Copper by its major shareholder Asia Image Limited.

The Phoenix Shares issued under the Subscription Agreement would be subject to voluntary escrow restrictions for 12 months from the date they are issued.

If the SPP raises less than \$700,000 the Board will consider whether it would be prudent for Phoenix Copper to proceed with the acquisition of LCCM by waiver of the condition that the SPP raise \$700,000 (with the agreement of Long Fortune Limited). This may require a re-evaluation of Phoenix Copper's exploration budget, expenditure deferral where possible and/or evaluating the prospects of Phoenix Copper raising additional funds by another means.

No decision will be made until the outcome of the SPP and the General Meeting (see below) are known.

The Board is confident that Shareholders will recognise the transformational benefits to Phoenix Copper of acquiring LCCM and will give strong support to the SPP and approve the issue of the Placement Shares.

## **General Meeting**

The issue of Phoenix Shares and Phoenix Options, in connection with the proposed acquisition of LCCM and of Placement Shares, would exceed Phoenix Copper's capacity, under ASX Listing Rule 7.1, to issue securities unless Shareholder approval is obtained to the issue of some of those securities. As Shareholder approval is so required the Board has decided to seek Shareholder approval to all those security issues and for all Phoenix Shares issued in the past 12 months for which Shareholder approval was not obtained and an exemption from ASX Listing Rule 7.1 did not apply. This will refresh the Board's flexibility to issue further securities within a reset 15% limit under ASX Listing Rule 7.1.

It is to be noted that if Shareholders do not approve the issue of the Placement Shares the proposed acquisition of LCCM may still proceed if Phoenix Copper is able to obtain any required remaining funding (taking account of the funds raised by the SPP) from another source or by another means. Whether that could be achieved is uncertain.

A Notice of Meeting will be sent to Shareholders within 4 weeks.

### ***Competent persons statement***

*The information in this presentation that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Ken H Bampton who is a member of the Australasian Institute of Mining and Metallurgy. Mr Bampton is the principal of Ore Reserve Evaluation Services which provides part time consulting services to Phoenix Copper. Mr Bampton has sufficient experience which is relevant to the style of mineralisation and type of deposit 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 Bampton consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.*

### ***Forward looking statements***

*This announcement contains various forward-looking statements. All statements other than statements of historical fact are forward-looking statements, particularly those statements in respect of the future prospects of Phoenix Copper. Those forward-looking statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and factors which could cause actual values or results, performance or achievements to differ materially from the anticipated values, performance or achievements expressed or implied in such forward-looking statements. The forward looking statements in this announcement reflect views held only as at the date of this announcement.*

*Phoenix Copper does not give any assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.*

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**ANNEXURE A**  
**Mountain of Light Project Mining Lease ML5467**  
**Physical and Financial Summary and Assumptions**

	<b>PALTRIDGE NORTH</b>	<b>ROSMANN EAST (Remnant)</b>
<b>PHYSICALS</b>		
Ore Tonnes	660,000	100,000
Grade Copper	0.97%	0.90%
Stripping Ratio (Waste:Ore)	2.1	1.0
Leach Recovery % copper recovered	85%	85%
Metallurgical Recovery % copper recovered	73%	80%
Production Rate Cu Metal tonnes/annum	1,825	1,000
<b>COPPER PRICE &amp; EXCHANGE RATE ASSUMPTIONS – (Both Deposits)</b>		
USD/tonne		\$7,500
Exchange Rate		0.92
AUD/tonne		\$8,152
<b>PRE-TAX FINANCIAL RESULTS – (Both Deposits)</b>		
Total Operating Costs (including State royalties)		\$20,141,695
Total Capital Costs (including Initial Cash Purchase)		\$4,362,689
Total Costs		\$24,504,384
Total Revenue		\$33,315,897
Cumulative Cash Flow		\$8,811,513
NPV (discount rate 6% pa)		\$7,384,006
IRR		338%
Project Life		3.5 years
	<b><u>2010/11</u></b>	<b><u>2011/12</u></b>
Forecast Consolidated Revenue <sup>1</sup>	\$4,450,000	\$11,200,000
Forecast Consolidated Profit <sup>2</sup>	\$270,000 <sup>3</sup>	\$2,400,000

**Tax**

With the acquisition of 100% of LCCM, advice from Phoenix Copper Tax Advisors is that at the time it is acquired by Phoenix Copper, LCCM will automatically join, and the LCCM carry forward tax losses can be transferred into, the existing Phoenix Copper tax consolidated group.

Total carry forward tax losses in the LCCM accounts are for approximately \$3,250,000.

The most effective manner of utilising these benefits is currently under consideration and Phoenix Copper is continuing to receive advice from its Advisors.

<sup>1</sup>Forecast Revenue is based upon the above assumptions and completion of the LCCM acquisition achieved by 1<sup>st</sup> August, 2010.

<sup>2</sup>Profit Forecast is based upon the above assumptions and completion of the LCCM acquisition achieved by 1<sup>st</sup> August, 2010, includes Project depreciation and amortization and no write off of exploration costs.

<sup>3</sup>2010/11 forecast profit is a \$700,000 turnaround compared with the estimated Loss for 2009/10 of \$430,000.