

7 March 2013
ASX: PNX

LETTER TO SHAREHOLDERS FROM CHAIRMAN

Dear Shareholder,

Since taking on the role of Chairman in December 2012, I have been working closely with the Company's management team and fellow directors to understand the potential of our strong exploration portfolio along with some of the challenges we face moving forward. Now, a few months into the job, I thought it would be appropriate to share my thoughts and convey my excitement for the opportunities we have to grow Phoenix Copper through successful exploration.

Recently, I visited the Company's Yorke Peninsula project with our CEO James Fox and Exploration Manager Nicole Warland. I was pleased to see that drilling was being conducted safely, efficiently and in accordance with "industry best practices".

The current drilling program at Yorke Peninsula is screening a number of high quality targets that have the potential to deliver an iron-oxide-copper-gold (IOCG) discovery. Our tenements on the Yorke Peninsula are underexplored but have indications of the presence of an IOCG mineralising system. The area as a whole received limited attention from previous explorers and if it wasn't for Rex Minerals' discovery of the large tonnage Hillside iron-copper-gold deposit nearby, the area would still likely be on the back burner. The Hillside Deposit clearly demonstrates the potential of this area to host large tonnage deposits and the work completed by Phoenix Copper to date has outlined some very exciting targets. The current drilling program is now complete. Results from this shallow aircore and RC program will prioritise targets for further drill testing.

The Burra project is an exciting exploration play with a strong history but a surprising lack of significant drilling outside the boundaries of the Monster Mine pit shell. In May last year, the Company discovered new, high-grade copper sulphide mineralisation at relatively shallow depths at the Eagle Prospect. Drillhole PCD0040 returned an intercept of 26.3m grading 2.86% copper from a downhole depth of 50.7m. This is an outstanding result. The initial follow-up drilling in the vicinity of this hit has demonstrated the system remains open at depth and further drilling to establish its economic significance is required. Reprocessing and modelling of historic geophysical data using modern-day technology shows a discrete anomaly over this new mineralisation and, more significantly, outlines a number of new, highly compelling targets in the vicinity of the Eagle prospect and historic Monster Mine. All targets occur at relatively shallow depths, and with Phoenix Copper's 2012 drilling results clearly demonstrating the potential of the area to host significant widths of high grade copper mineralisation, these are a priority for drill testing in 2013.

The Leigh Creek copper assets are a different kind of challenge. I'm pleased to say that the innovative test work completed to date on Leigh Creek ores demonstrates the effective extraction of copper at a bench and mini-pilot plant scale. Significantly, this work is being completed at little or no cost to Phoenix Copper. Our technology partner on the project, InnovEco Australia, has covered the research costs to date so that they can trial their Ion Exchange technology on our copper ores in

the region. A decision will be made in the near term whether to look to farm-out, sell or develop the asset and will depend on the further results of the on-going testwork. Suffice to say, to this point, the test work has been very encouraging.

Recently, I had the opportunity to travel with James Fox to meet with some of our shareholders and to present to potential new investors. The feedback was largely positive and we are seeing investor confidence build specifically at the larger end of the market. I would like to thank all of our shareholders for their on-going support in these challenging market conditions.

Looking at our current share price, the market is giving little value to the quality project assets and intellectual capital of the Company. While we are not alone in this, we are far from pleased with it. I believe that with its strong project portfolio and excellent targets to be tested in the near term, Phoenix Copper is well positioned to capitalise on the growing demand for base metals and improving market conditions. As our programs progress, successful exploration will lead to solid growth of Phoenix Copper for the benefit of all shareholders.

Kind Regards

A handwritten signature in black ink, appearing to read "G. Ascough".

Graham Ascough
Chairman

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Ms Nicole Galloway Warland (BSc (Hons)), a Competent Person who is a Member of the Australian Institute of Geoscientists and a full-time employee of Phoenix Copper Limited. Ms Galloway Warland has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity being undertaken 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". Ms Galloway Warland consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.