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Dear Shareholder,

As John Lennon once sang, "Strange days indeed, strange days indeed". The current market remains in a mode unfamiliar to most investors and ASX members and its reaction to any form of news is particularly perplexing.

On 2 February 2009 a solitary sale of **12,500** (0.0234% of total issued) Phoenix Copper shares at **6¢**, resulting in a **\$750.00 transaction**, caused a **\$1.6M loss of market capital**. Phoenix Copper Cash at Hand per share is **9.8¢** (as at 31 December 2008). This transaction was traded at 61.4% of that cash backing!

This single minor transaction caused such loss of shareholders' value that it necessitates me to address this issue with you and attempt to instil confidence and share our excitement with you.

The recent report for the December 2008 quarter is our most exciting to date and the excitement is well founded:

1. We were extremely fortuitous to have purchased EL3549 for a modest but fair price;
2. the PACE Report by PIRSA - a "Review of the Burra Mine Project 1980-2008" - provides further strong encouragement and shows that the most-prospective rock units (known extents) – NMS9, for copper are almost entirely on Phoenix Copper ground, including much of EL3549;
3. the heightened prospectivity of Spalding is extremely encouraging, supported by rock ages/types, lithology, old workings, a gossan not previously recorded, anomalous copper geochemical soil samples and a cross-cutting fault system – almost the full suite of contributors to create a mineralising event;
4. our first ever drill programme for gold has commenced at Mongolata. The drilling contractor arrived at Burra last Friday and began drill preparation. As I write this letter, our first hole has been commenced at Mongolata; and
5. All four projects, including Minlaton, now have much improved prospectivity – far more than when we floated in February 2008 and our land holding has also increased significantly.

Although the fall in market capitalisation on 2 February 2009 may have been only coincidental to the release of our report for the December 2008 quarter, it does cause one to question if the market can absorb good news without perverse and adverse reaction. "Strange days indeed, strange days indeed".

Maybe I was too understated in my letter of three days ago!

Sincerely,

Graham Spurling
Chairman