



Phoenix Copper Limited

ABN 67 127 446 271

ASX Code: PNX

Issued Capital as at 25/10/10: 84,137,054 ORD

Board & Management:

Chairman:	Graham G Spurling
Managing Director:	Paul J Dowd
Non Exec Director:	Peter J Watson
Non Exec Director:	David Hillier
Company Secretary:	Peta Marshman

Top Shareholders as at 25/10/10:

Asia Image Limited	14.86%
Long Fortune Limited	14.11%
PJ & J Watson Super Fund	4.75%
William Douglas Goodfellow	4.37%
Forty Traders Limited	4.10%
Robert Leon	3.17%

Share Registry:

Computershare Investor Services Pty Limited
Level 5 115 Grenfell Street
Adelaide South Australia 5000
Phone: 1300 305 232 (within Australia)
+61 3 9415 4657 (outside Australia)



PHOENIX COPPER LIMITED

ABN 67 127 446 271

REPORT FOR QUARTER END

30 SEPTEMBER 2010

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1. HIGHLIGHTS

- Leigh Creek Copper Mine Pty Ltd acquisition completed.
- Mountain of Light heap leach and copper processing plant (see **figure 1**) re-commissioned.
- Commencement of shipments of product to Adchem (Australia) Pty Ltd.
- First revenue received.
- Ramp up of production commenced.
- First drill and blast in the Rosmann East pit and ore stacked on Cell #1 & 2 for leaching.
- 193m of exploration grade control drilling in Paltridge South in preparation for early mining.
- Leigh Creek/Copley community and stakeholders consultation initiated.
- AUD2,500,000 placement (AUD500,000 subject to shareholder approval) will allow earlier exploration on prospective Yorke Peninsula exploration licenses.

2. OVERVIEW

Phoenix Copper (**Company**) is now in the process of implementing a new strategic plan, with a unique Business Model that is designed to maximise cash flow – sufficient to self fund exploration and provide additional opportunities for growth. Commencement of production, revenue generation, combined with a strong, rising copper price has positioned Phoenix Copper for success. In a sign of strong support for the company, a placement at a 12 percent premium was finalised to help fast track exploration at the company's Yorke Peninsula tenements, which abut Rex Minerals Ltd's Hillside Project.

Completion of the acquisition of Leigh Creek Copper Mine Pty Ltd (**LCCM**) was achieved on 23 July 2010, when ownership and control of LCCM, its projects and tax base passed to Phoenix Copper.

This acquisition was entirely consistent with Phoenix Copper's vision to become a successful copper producer and explorer, able to self-fund exploration. The acquisition 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 and are likely to add to the pipeline of production through the establishment of a second production hub at Burra to further complement the LCCM acquisition. All of the Phoenix Copper group's granted Mining Leases and Exploration Licences contain mineralisation of malachite and azurite and may be amenable to low-cost heap leach.

At the Mountain of Light facility significant process and heap leach re-design was completed and production of high grade copper concentrate – "copper cement" – has commenced from remnant ores in reconstructed stockpiles.

The copper cement is subject to an off-take agreement with Adchem (Australia) Pty Ltd (**Adchem**), a company based in Burra and adjacent to Phoenix Copper's exploration base for its Spalding/Burra tenements. The off-take agreement is for up to 300 tonnes per month of copper contained in product.

The initial output is the beginning of a ramp up of production, during September and October, which is forecast to consolidate an initial objective of 4 tonnes of contained copper per day by end-December. Once achieved, further development is planned to determine the optimised capacity of



the project. Previous studies have indicated an optimum output of approximately 5 tonnes of contained copper per day.

The Hub and Spoke business model, developed to maximise the opportunities at the Leigh Creek operations, is predicated upon the efficient crushing, screening and beneficiation of malachite and azurite (copper) minerals at various “satellite” pits and transportation of only the resultant higher-graded ore to the central “Hub” for heap leaching and processing. Remaining waste and low grade materials would be available to be dozed into the pit and contoured, when appropriate, as part of rehabilitation. This model has similar applicability at Burra, with the expected resource at Princess Royal forming the “base load” for a second “Hub”. Exploration is therefore focused upon the potential to add sufficient resources to justify this second “Hub” within two or less years.

At current copper prices, successful implementation of this Business Plan will result in cash flows, sufficient to fund on-going exploration and future expansion.

3. OPERATIONS – LEIGH CREEK

Production

After producing its first copper product at the end of August, the Mountain of Light (**MoL**) operation continues to deliver copper cement product to Adchem, with an average copper content of 70.15%.



Figure 1: Mountain of Light Mine site

A 25,000 tonne blast was completed in the Rossmann East Pit. The Mining Contractor loaded and hauled the ore for crushing, screening and agglomerating. The prepared material was then stacked on heap leach Cells One and Two. The cells were then prepared for irrigation and the first high grade leachate has started to report to the Pregnant Liquor Solution (**PLS**) pond. Mining continues on a contract basis. Most other available heaps containing remnant low grade ore are currently under irrigation and this low grade material and PLS have been used to recommission and test the circuit of the processing plant. The remaining stockpiled ore will be “trickle fed” onto the leach pads – blended with other higher-grade, fresh ores.

Survey control has been established over the site and pit floor RLs and in-pit grade control has also been established.

The pump and pipe work to PLS and Barren ponds have been established, with flow meters installed.

Ramp-up of production of copper had been impeded by unexpected production of elevated Cuprous Chloride (**CuCl**) by-product. CuCl is an aggressively corrosive material – detrimental to later processing of the copper cement. Plans to introduce a second shift and therefore continuous processing were deferred until the chemistry of the process was better understood and controlled and thus the CuCl grades significantly reduced. Resolution of this issue was more difficult due to the late delivery of the metallurgical and assaying laboratory and equipment.

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With the assistance of personnel from Adchem and its Burra analytical laboratory, significant improvements have been achieved and will be consolidated and better monitored with the arrival of all analytical equipment in early November. Products sold to Adchem during this initial period have not been subject to impurity penalties.

With further improvements, after September month-end, it is now planned to introduce continuous operations prior to the end of October and the first milestone of 3 tonnes per day (**tpd**) of copper in product will be achieved in November.

The subsequent efficiencies and advantages of continuous operations, combined with more typical, higher grades in the new heaps will allow consolidation of this first 3tpd milestone and provide a basis for expansion to at least 4tpd by end-December 2010.

Reporting of metallurgical and production efficiency data will commence when analytical and monitoring equipment is operational, which is anticipated to occur during November.

		Quarter End
Process Production		
Cu Cement Production	tonnes	24.6
Cu Contained in Product	tonnes	12.5
Process Performance		
Leach Recovery	%	N/A
Metallurgical Recovery	%	50.8
Product Dry Grade	%	70.0
Product Moisture	%	27.9

4. DEVELOPMENT

Permitting

Lorna Doone

Mining Lease 5498 was renewed during the quarter and now has an expiry date of 17 January 2016.

Resource Determination

ML5467

On 28 September a small drilling program was completed at the **Paltridge South** prospect 2km south east of the treatment plant on the Mountain of Light Mining lease. In total 9 vertical holes were drilled to a depth of 21.5m each (193.5m).

The holes were planned to “firm up” the current interpretation and to close drill spacing gaps in the mineralisation model currently based upon 37 historic percussion holes that outline a small pod of copper mineralisation. Assays are pending however visual estimates are encouraging with malachite observed in



Figure 2: Malachite mineralisation in “bleached” (white) siltstones at Paltridge South.

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most holes. Once results are returned a resource model will be built and a small pit optimisation undertaken.

Paltridge South is comprised of shallow East dipping sediments (see **figure 2**). The mineralised zone is primarily hosted within a bleached (white) siltstone lithology and extremities to this are siltstone to fine grained sandstone beds which are ferruginous and orange to red in colour. Siliceous dolomitic sequences are also observed on the extremities of the mineralised zones.

LEIGH CREEK HUB

The following prospects are being considered as possible feed for the treatment plant at Mountain of Light and are referred to as potential Spokes to the Leigh Creek Hub (see **figure 3**).

The green markings on **figure 3** are those shown on PIRSA’s SARIG site and indicate either a copper anomaly or copper mineralisation.

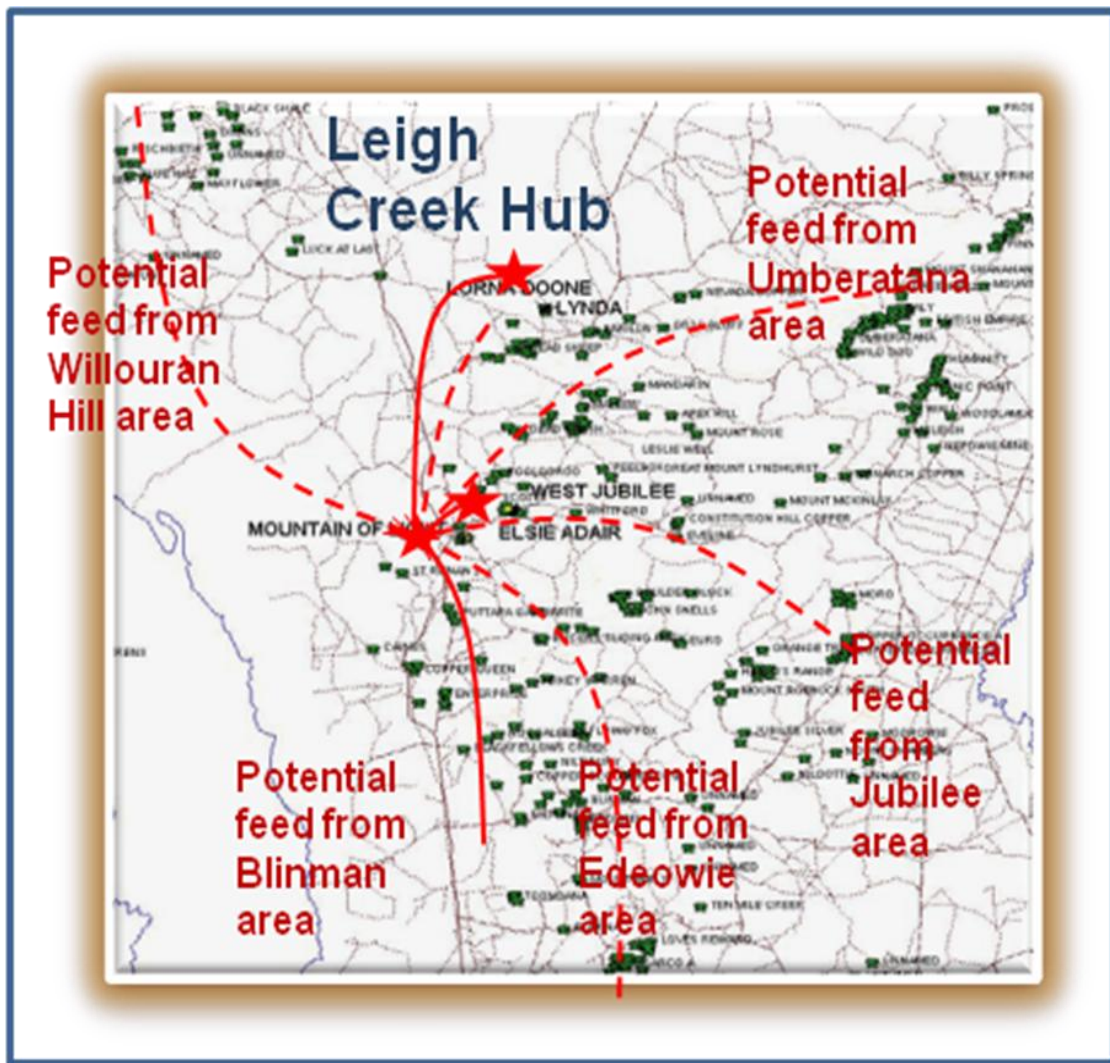


Figure 3: Possible Leigh Creek Hub. This data is extracted from PIRSA’s SARIG website indicating anomalous copper.

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Rosmann East (ML5467)

Mining is underway on the Indicated Resource of 140,000t @ 0.9%Cu (using a >0.4%Cu cut-off). Grade control drilling is being utilised on a bench by bench basis to maximise the return within the historic optimised pit shell as defined in the 2006 MARP.

Paltridge South (ML5467)

Mining is planned to begin in early 2011. Although no formal resource has been published, the Exploration Target for this deposit is 8,000-12,000 t of 1-2% Cu. Results from recent rotary air blast (RAB) drilling by Phoenix Copper are being used in combination with historic drilling and sampling results to block model a resource at Paltridge South and to run a pit optimisation on this small but high-value prospect.

Paltridge North (ML5467)

Mining is planned to begin in early 2011 on Indicated Resource of 710,000t @ 0.96%Cu (using a >0.4%Cu cut-off). The resource is currently being remodelled by Phoenix Copper and a revised pit optimisation will be undertaken before mining commences.

Lynda (ML5498)

Mining is planned to begin at the Lynda resource on ML5498, 70km north of Copley in late 2011. Lynda hosts an Indicated Resource of 750,000t @ 0.84%Cu (using a >0.4%Cu cut-off). The resource is currently being remodelled by Phoenix Copper and if warranted an extensional drilling program will be undertaken before a revised pit optimisation is run, and mining begins.

Lorna Doone (ML5498)

Mining is planned to begin in early 2012 on Indicated Resource of 620,000t @ 0.90%Cu (using a >0.4%Cu cut-off). The resource is currently being remodelled by Phoenix Copper and if warranted an extensional drilling program will be undertaken before a revised pit optimisation is run.

Mount Coffin (ML5741)

An Exploration Target (JORC Code clause 18) on ML 5741, Mount Coffin is for the order of 200,000-250,000 t @ 1-2% Cu of material similar to that at Mountain of Light, potentially truckable to ML 5467 for processing. As this is in very close proximity to the MoL facility, there is a particular advantage in drilling this prospect as early as possible. With the above and other anomalous areas identified, a resource drilling priority for maximised cash flow benefit is being prepared.

BURRA HUB

The possible extent of resources available within the three Mining Leases and other tenements where toll mining and milling may be options - under the Hub-and-Spoke model - would indicate that establishment of an SXEW plant could be viable. An SXEW plant would produce copper cathode for which a significantly higher payment, relative to copper cement, would be available. Phoenix Copper is, however, contractually obligated to Adchem to produce and supply copper cement from its Leigh Creek Mining Leases. Future products produced from Burra are not currently subject to an "Off-take Agreement".

The prospects shown in **figure 4** are being considered as possible spokes to a Burra Hub.

Princess Royal (EL3549)

Reverse Circulation (RC) drilling was planned to be undertaken in October 2010 however rig availability has caused this to be delayed until November. Phoenix Copper is still hopeful that a resource estimate will be available by end-December 2010. Currently 37 recent RAB holes and 26



recent diamond holes are being used to model the mineralisation and plan infill drilling. Approximately 1100m of RC drilling is planned to take the density of information to about 25m spacing over the 600m strike length of the deposit.

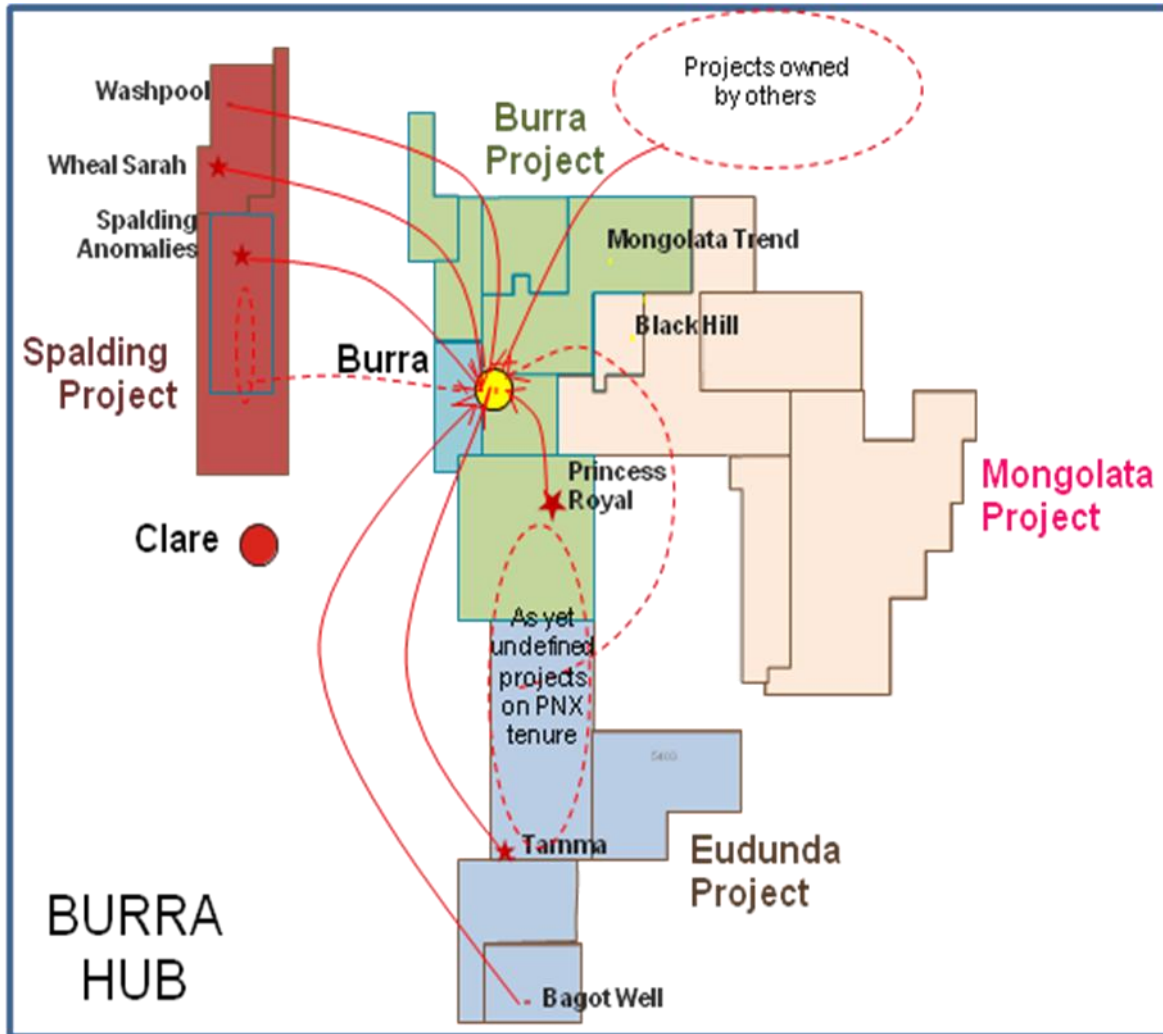


Figure 4: Possible Burra Hub

Other

Several excellent soil geochemical copper anomalies and geophysical copper targets to be drilled have been generated from the work around Burra – Eudunda – Spalding. Phoenix Copper is also identifying and evaluating potential ore sources on tenements not currently owned by it.

5. EXPLORATION

Exploration Overview

Phoenix Copper’s exploration activities will now be broken into three primary areas:

1. Leigh Creek; where work will concentrate upon exploring for and proving up near surface copper carbonate and oxide resources to feed the Mountain of Light treatment facility (see **figure 5**).
2. Burra-Eudunda-Spalding; where work will concentrate on exploring for and proving up near surface copper carbonate and oxide resources to feed a potential second treatment facility at Burra (see **figure 6**).

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3. Yorke Peninsula; where exploration for a significant primary copper or copper/gold resource similar to Moonta or Hillside will be the main focus of activity (see **figure 6**).

Leigh Creek

ML5741

Historic data, including plans and cross sections of drilling, is being compiled for the **Elsie Adair**, **South Adair**, **West Jubilee**, and **Mt Coffin** copper prospects on ML5741 (see **figure 5**).

ML5498

Historic data, including plans and cross sections of drilling, is being compiled for the **Lynda** and **Lorna Doone** copper deposits on ML5498 (see **figure 5**).

Phoenix Copper has agreed to jointly fund, with Zurich Resources Pty Ltd, an exploration program over all of ML5498 owned by Phoenix Copper and partially on EL3522 (surrounding ML5498) owned by Syrah Resources Ltd and subject to a JV buy-in by Zurich Resources Pty Ltd. The program is designed to test for substantial sulphide bodies at depth below the Lynda Lorna Doone (LLD) mining lease and along the trend of intrusives to the East and West.

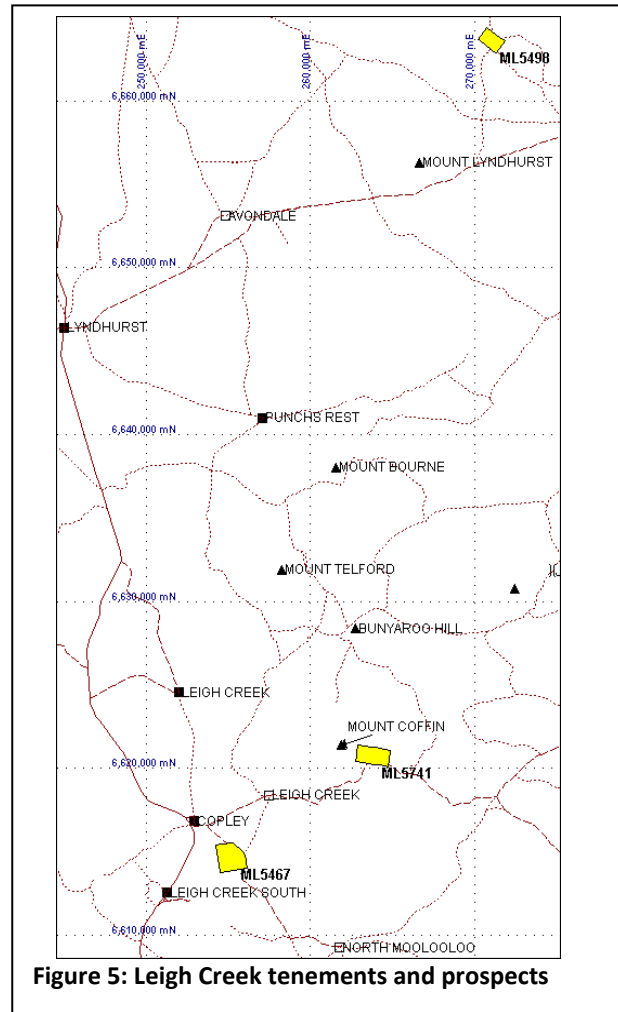
Zurich Resources Pty Ltd will utilise geophysics to explore for copper sulphide mineralisation as well as continuing to explore the oxide copper occurrences. The proposed program consists of:

- Semi-detailed geological mapping focusing on hydrothermal alteration;
- SWIR analysis of selected alteration samples;
- Gridded broad spaced (100m x 300m) FPXRF soil geochemical analysis;
- Detailed (50m spacing) ground magnetics for approximately 320 line km; and
- 3D IP/Resistivity - initially 12 double offset dipole-dipole arrays focused over LLD.

Zurich Resources Pty Ltd has completed geochemical sampling and ground magnetic surveys and are currently mapping. No data has yet been forwarded to Phoenix Copper.

Burra – Mongolata - Eudunda – Spalding

Exploration during the period has concentrated on broad spaced geochemical sampling on the three tenements recently acquired from Copper Range (SA) Pty Limited, EL3971, EL3972 and EL3451 (see **figure 6**).



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Yorke Peninsula

A significant portion of the funds raised by a recent placement will be used to expedite a programme of exploration at Phoenix Copper's Exploration Licenses EL4031 and EL4312 (see **figure 6**), located on the Yorke Peninsula of South Australia and adjacent to the tenements held by Rex Minerals Ltd (**Rex**) that host their "Hillside deposit".

The Yorke Peninsula project covers approximately 802km² which is divided into two separate blocks, the North and South blocks. Both blocks are prospective for Iron Oxide Copper Gold (IOCG) style mineralisation, however, outcrops are scarce and therefore detailed geological maps of the area do not exist. As a result any exploration efforts will largely depend on geological information gained from geophysical surveys.

In early 2010, Phoenix Copper employed

geophysical contractors to undertake an interpretation of the available aeromagnetic and radiometric data over the region and to generate targets that could be tested for similar style mineralisation to that found at Rex's Hillside Cu-Au project east of Phoenix Copper's tenements. From that work seven potential targets were identified and most are associated with structures which may have provided pathways for mineralisation.

High resolution geophysical exploration methods used by Rex over the Hillside deposit include gravity and aeromagnetics as well as airborne electromagnetic surveys. These techniques were employed to take advantage of the geophysical characteristics of the Hillside deposit which include high magnetic and gravity features.

Phoenix Copper is in the process of planning an airborne electromagnetic survey, a ground gravity survey and a program of geochemical calcrete sampling with the aim of defining distinct zones of possible mineralisation occurring along or adjacent to inferred geological structures within the 115km, cumulative strike length of targets.

Once those zones of possible mineralisation have been defined, detailed infill gravity and magnetics surveys will be used to precisely outline tightly focussed drill targets.

The geophysical surveys, that are anticipated to begin in February 2011 will not only identify whether "Hillside" or "Moonta" style anomalies exist on Phoenix Copper's tenure but will also provide a better understanding of the regional geology at depth and of the role that structure plays in the style of mineralisation observed on the Yorke Peninsula.

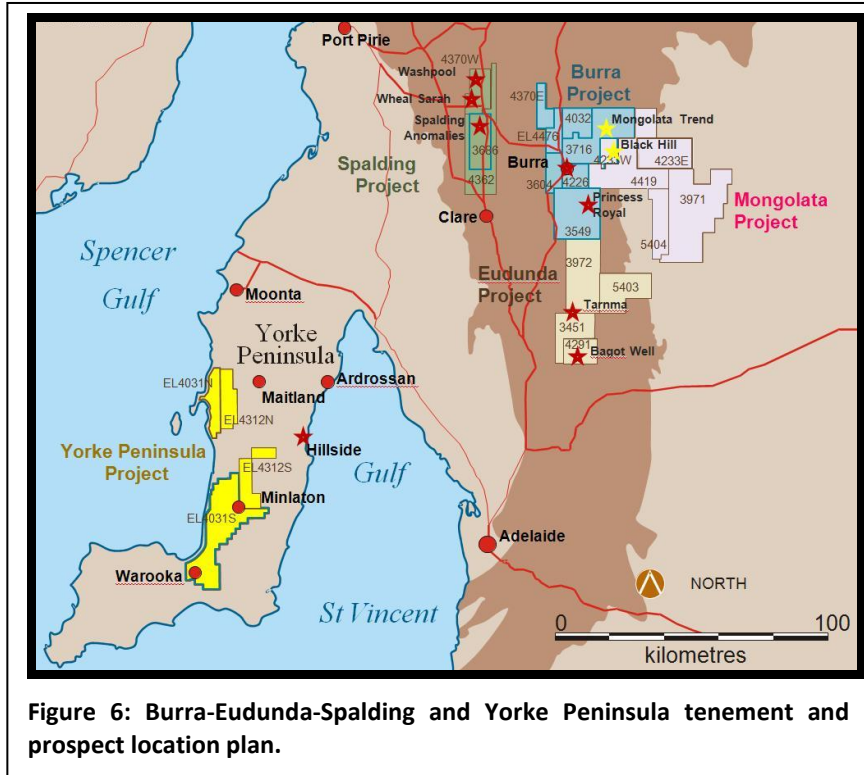


Figure 6: Burra-Eudunda-Spalding and Yorke Peninsula tenement and prospect location plan.

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6. FINANCIAL & CORPORATE

Corporate

On 31 August 2010 Phoenix Copper announced the appointment of Mr Nick Harding as Phoenix Copper's inaugural Chief Financial Officer. Nick is a qualified accountant with significant experience gained over many years working in the resources industry and is considered a key appointment in ensuring the transition of Phoenix Copper from solely a minerals exploration company to a copper-producing mining and exploration company.

On 17 September 2010 Phoenix Copper appointed an additional Non-Executive Director to the Board, Mr David Hillier. A chartered accountant who has worked for over 30 years in many commercial aspects of the resources industry, David brings to the Board significant knowledge and experience that complement those of the current Board members.

Finance

The Company had a cash balance of \$1.049M at 30 September 2010.

Over the September quarter, cash expenditure of \$530K was incurred in recommissioning the Leigh Creek operations in addition to \$285K of capital purchases predominantly for the Mountain of Light operation. Exploration and evaluation cash expenditure for the quarter was \$464K. A total cash payment of \$1,762K was incurred in completing the acquisition of Leigh Creek Copper Mine Pty Ltd (**LCCM**). There were no cash receipts for copper cement production during the quarter. The first proceeds were received on 7 October 2010. Subsequent to the end of the quarter, tranche 1 of a two tranche Placement was made to strategic New Zealand investors. The Placement will raise \$2.5M in total (of which \$500,000 is subject to shareholder approval which will be sought at the Company's annual general meeting on 26 November 2010) – see "Equity" below.

Equity

During the September quarter, Phoenix Copper received a total of \$2.6M under a Placement and Share Purchase Plan made to partially fund the acquisition of LCCM. A total of 16,275,000 fully paid ordinary shares were issued at a price of \$0.16 per share to both sophisticated investors via the Placement and shareholders under the Share Purchase Plan.

A further 6,250,002 fully paid ordinary shares and 1,250,000 unlisted options to subscribe for one fully paid ordinary share at \$0.275 per share were issued in the quarter to creditors of LCCM to settle and discharge the debts owed by LCCM to those creditors.

In the quarter Phoenix Copper also issued to the Managing Director under the terms of the Phoenix Copper Limited Employee Performance Rights Plan a total of 1,000,000 unlisted performance rights for no consideration which will vest upon the achievement of certain performance criteria and result in one fully paid ordinary share in Phoenix Copper being issued for each performance right held by the holder. The issue of shares upon the vesting of these performance rights is subject to shareholder approval which will be sought at the Company's annual general meeting on 26 November 2010 (**AGM**). The performance rights will lapse if that approval is not obtained.

Subsequent to the end of the quarter, on 8 October 2010 a further 200,000 fully paid ordinary shares were issued to a contractor as part consideration for performance in recommissioning the operations at Leigh Creek. On 15 October 2010 an additional 6,896,552 fully paid ordinary shares issued at \$0.29 per share and 2,298,850 unlisted options to subscribe for one fully paid ordinary share at \$0.35 per share were issued under tranche 1 of a two tranche Placement to strategic New Zealand investors. The Placement will raise in total \$2.5M to fund exploration activities on Phoenix Copper's tenements held on the Yorke Peninsula and the Burra district in addition to providing



further working capital and development of satellite ore bodies at Leigh Creek. Tranche 1 raised a total of \$2M with the remaining \$0.5M to be provided under tranche 2 after obtaining shareholder approval at Phoenix Copper's AGM.

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Results is based on and accurately reflects information compiled by Mr Mark Manly, who is a fulltime employee of Phoenix Copper Limited and a Member of The Australasian Institute of Mining and Metallurgy. Mr Manly has sufficient experience relevant to the style of mineralisation and the type of deposits 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 Manly consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on and accurately reflects information compiled by Mr Ken Bampton of Ore Reserve Evaluation Services, who is a consultant and advisor to Phoenix Copper Limited. Mr Bampton is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and the type of deposits 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 report of the matters based on his information in the form and context in which it appears.

DISCLAIMER

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