

ESG Report

Based on submission dated 3rd January 2023

Phoenix Copper Ltd

and associated mining project(s)

Disclosures in this submission

Type	Name	ESG framework type
Corporate	Phoenix Copper Ltd	Exploration stage corporate framework
Project	Empire Mine	Exploration stage project framework



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Introduction

Digbee ESG is the industry standard ESG disclosure framework for the mining sector. It provides mining companies with a right-sized, futurelooking set of frameworks against which they can credibly disclose, track, compare and improve their ESG performance.

Digbee ESG has been developed in consultation with mining companies, ESG specialists and capital providers and is endorsed by leading financial institutions, producing mining companies and other industry stakeholders.

This Digbee ESG Report is the resulting output from your recent ESG submission and comprises an executive summary, your score, score breakdown, positives and negatives as well as a summary of your ESG submission responses.

How are scores calculated?

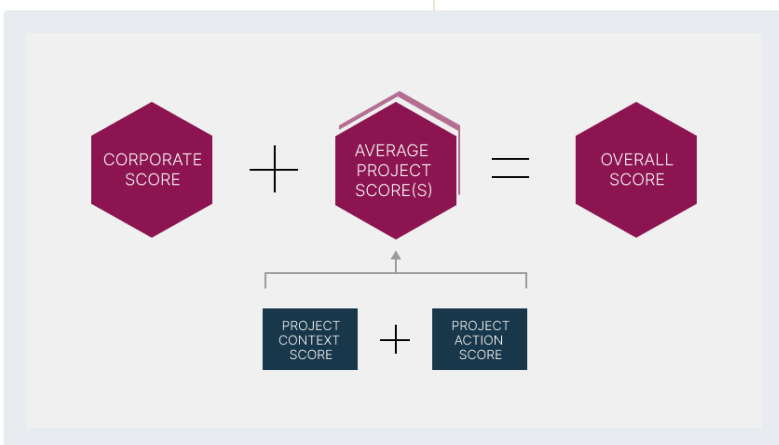
All ESG submissions are manually reviewed and scored against a set of rigorous and standardised scoring criteria.

An ESG submission comprises two types of questionnaire:

1. A single corporate-level questionnaire
2. One or more project-level questionnaires (one for each disclosable project you own).

The questionnaires are tailored to the stage of the mining company and its projects (i.e., exploration, development and/or producing).

The project questionnaires comprise a number of 'Context' questions (relating to the situation of the project) and 'Action' questions (what is being done by the management both in the boardroom and on the ground to mitigate ESG risks).



▲ Visualisation of how Digbee ESG scores are calculated

There is little one can do to influence context scores, however action scores can vary depending on the action being taken by management. Each question is scored in accordance with our scoring criteria and averaged to provide an overall output score along with a confidence banding. A confidence banding illustrates the potential range with which the awarded score can move should any of the risks be realised or mitigated.

Who scores the submission?

Scoring is undertaken by a team of accredited ESG experts who have deep experience in mining projects similar to those being scored. Each scoring team consists of two scorers and a team lead. This team of three ensures consistent scoring through robust peer review and quality control.

Executive summary



Your next ESG submission is due on **3rd January 2024**. We will notify you 2 months prior to the expiry of your current Digbee ESG score.

PHOENIX COPPER LIMITED (PXC) is an exploration and emerging producer of base and precious metals. PXC is listed on the London stock exchange AIM with shares traded on OTCXQ as ADRs (PXCLY) with a high percentage of the share capital in public hands (83.52%) as a diversified shareholding. The Company has a portfolio of exploration targets and concessions located in Custer and Lemhi Counties in Idaho, USA. The Company is led by an experienced Board of Directors and an Advisory Board.

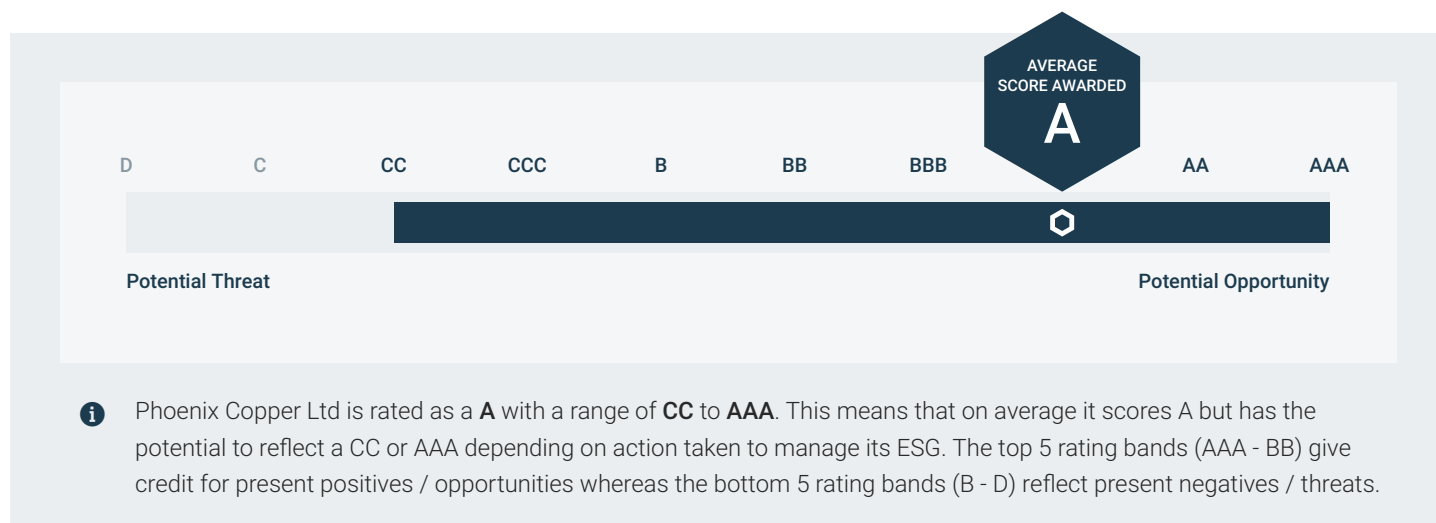
The EMPIRE MINE PROJECT was submitted for review with respect to its exploration activities. The EMPIRE MINE PROJECT is 100% owned by KONNEX RESOURCES INC. which is jointly owned by PHOENIX COPPER LIMITED (80%) and EXGEN RESOURCES (20%). The EMPIRE MINE PROJECT which is in development stage for copper, with gold and silver byproducts, has a long history of exploration and mining dating back to 1901 and as such is considered a well-developed brownfields mining concession.

Based on the information provided, PHOENIX COPPER LIMITED has achieved an overarching score of A with a range of CC to AAA as of October 2022. A corporate score of BB with a range of CC to A was obtained, with the EMPIRE MINE EXPLORATION PROJECT achieving a stronger score of A with a range of B to AAA.

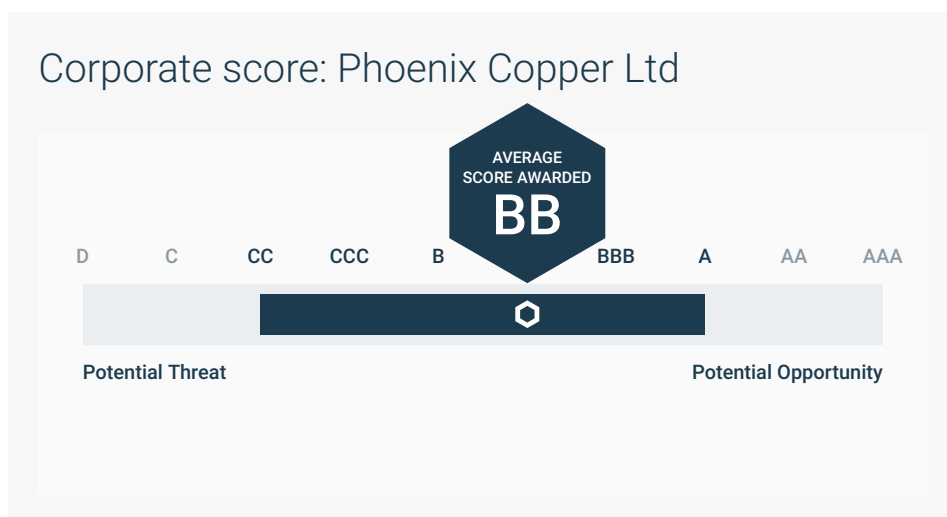
Your submission team

- Catherine Evans - ADMIN
- Lenie Wilkie - ADMIN
- Ryan McDermott - APPROVER

Overall score for this submission



The score breakdown



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Corporate Score:
This is the score awarded for the responses to the 'Corporate-level' questionnaire.

The score breakdown continued...

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Project Score:
 These are the scores awarded to any 'Project-level' questionnaires that have been submitted.

Action:
 Within each project, action questions try to understand what action is being taken by the mining companies to mitigate ESG risks.

Risk Context:
 Within each project, context questions try to understand the inherent risks of where the mining companies are operating.



Overarching positives and negatives

Positives	Negatives
<ul style="list-style-type: none"> • PHOENIX COPPER LIMITED is an exploration and emerging producer of copper. Byproducts are also taken into consideration, thereby making full use of the geological resource. • The EMPIRE MINE PROJECT is a brownfields exploration project and will therefore provide both enhanced levels of remediation for the old mine site, but also work with a local community who have a history of mining operations. • The Company has established the Konnex Community Advisory Team (KCAT) consisting of 3 members of Phoenix / Konnex, plus 11 independent local residents with diverse experience in the municipal sector, local business owners, entrepreneurs, land users and citizens. The committee has decided on its own bylaws and has appointed an independent facilitator. 	<ul style="list-style-type: none"> • While the company is proactively addressing a wide variety of ESG related potential threats and opportunities, the formal processes and systems to guide this activity are not yet in place in all cases. These processes include succession planning and a formal grievance process. • Risk management for health and safety is developed in line with regulatory expectations, however, risk management in an integrated manner, sometimes referred to as Enterprise Risk Management, does not yet appear to be in place. • As yet, no aspects of remuneration are tied to ESG performance.

Corporate positives and negatives

Corporate positives

- PHOENIX COPPER LIMITED (PXC) is listed on the London Stock Exchange AIM with a high percentage of the share capital in public hands (83.52%) and a diversified shareholding.
- The Company is an exploration and emerging producer of base and precious metals with a focus on providing raw materials vital for the energy transition.
- PXC (80%) and EXGEN RESOURCES (20%) jointly own KONNEX RESOURCES which owns 100% of the brownfield EMPIRE MINE PROJECT.
- EXGEN RESOURCES is a Canadian listed royalty company whose CEO sits on the Board of PXC as a Non-Executive Director.
- The former CEO of PXC, who has remained as an advisor to the PXC Board, is also a Non-Executive Director of EXGEN RESOURCES.
- KONNEX RESOURCES owns not only the EMPIRE MINE PROJECT, but also over 5,000 acres of mineral leases in the adjacent area.
- The current Board has the skills and capability to manage current and future risks for the company, however these are routinely reviewed to ensure the Board makeup and skills aligns with the different phases of the company strategy.
- A Board-level ESG and Sustainability Committee has been established to provide oversight and guidance with respect to Sustainability matters. The ESG and

Sustainability Committee sits alongside the Board of Directors Audit Committee and Remuneration Committee, all of which have formally delegated duties and responsibilities.

- A number of governance policies have been developed by the Company and approved by the Board, including a Corporate Governance Statement, Share Dealing Policy and an Anti-Bribery and Corruption policy.
- The PHOENIX COPPER LIMITED (PXC) website contains information related to the company and its various projects, as well as social media posts relating to exploration and development activities, including photos of activities.
- PXC has committed to no net-loss biodiversity and includes this process as part of the company permitting process.
- A clear overview of ESG and Sustainability related threats and opportunities was provided.
- Budgets appear to include good provision for sustainability related activities across the project, both now and for the future.
- From the submission, it was clear that the Company has put in place the necessary resources to ensure compliance with applicable laws and regulations.

Corporate negatives

- While a clear list of key threats and opportunities related to ESG and Sustainability were provided, it was unclear from the submission as to how these were formally incorporated into the strategy of the organisation. For example, no formal Sustainability strategy, or indication of where these aspects are included in the overarching Company strategy were provided.
- Other than No Net-loss Biodiversity, the Company has yet to commit to any other recognised market-facing ESG standards that would demonstrate the Company's positive intent to achieving positive and meaningful ESG outcomes.
- The Company has not as yet incorporated specific ESG performance targets or outcomes into its strategy or remuneration packages.
- It was not clear from the evidence provided how the Company is ensuring transparency in the handling of shareholder requests or stakeholder grievances. No grievance and/or complaints process appears to be in place as yet despite good practical steps already being taken at project level.
- It was not evident from the submission as to how the Company deals with arrangements and transactions with Government agencies despite the intent to provide financial support for additional law enforcement in Mackay.
- From the submission, it is not clear that the Company has robust and effective enterprise- risk management processes in place.

- It was not evident from the submission that the Company has put in place crisis and emergency management planning and testing that will ensure the Company's resilience regarding both physical and digital uncertainties.

Project positives and negatives

Project positives - Empire Mine

- PHOENIX COPPER LIMITED (PXC) and ExGen Resources, a Canadian listed royalty company, own 80% and 20% respectively of Konnex Resources Incorporated, which holds the leases and claims to the Empire Mine Project.
- The EMPIRE MINE PROJECT is located near the township of Mackay, in the state of Idaho in the United States of America (USA). The USA is regarded as being a geographically stable jurisdiction with clear and predictable regulatory frameworks with regards to mining, fiscal, environmental, and OH&S aspects for the exploration and exploitation of minerals.
- The EMPIRE MINE PROJECT area has a long history of exploration and mining and as such is considered a well-developed brownfields exploration, development and mining area.
- The primary target commodity is copper with gold and silver as byproducts. Copper is in high demand as a critical component to the world's energy transition pathway and tungsten is considered a critical mineral.
- According to the submission, PXC is in full compliance with all local laws and regulations, with all of the necessary permits for its exploration activities and reclamation bonds in place.
- Health and Safety is top of mind with clear adherence to regulations. From 2017 to December 2021 there were zero recordable health and safety incidents among employees and stakeholders. In January a geologist sustained a minor shoulder injury which required a visit to a physician but no lost work time.
- The Company has more than >5 years of environmental monitoring data, with baseline modelling indicating low risk of deleterious impact on both the natural and human environment.
- Robust understanding of the groundwater in the area has been gained, together with clear understanding of any potential natural hazards. The project is not considered to be located in a water stressed environment.
- Relatively good diversity is in place within the team given the context of the demographics in the region. Clear consideration is given to the employment of a diverse workforce.
- No firearms are present on site.
- The ownership of the project is clear and transparent.
- The proposed Empire Mine Project will provide local trade and employment opportunities, with a local stakeholder advisory team collating a local vendor / contractor / supplier list. Whilst the Company is proactively engaged in promoting opportunities for women in mining, their ability to achieve the desired level of gender diversity may be constrained by the locality and its demographics.
- The Company has established a Relocation and Rental Assistance Scheme to

encourage employees to relocate and integrate into the local town of Mackay.

- No resettlement will be required to undertake mining activities.
- Over 50% of Idaho's power is generated from renewable sources and has a goal of providing 100% renewable power by 2045. This together with the goal to produce Copper at the lowest possible carbon footprint leads to exciting plans for the future.
- The Company has established the Konnex Community Advisory Team (KCAT) consisting of 3 members of Phoenix / Konnex, plus 11 independent local residents with diverse experience in the municipal sector, local business owners, entrepreneurs, land users and citizens. The committee has decided on its own bylaws and has appointed an independent facilitator. Therefore, while no individual from these teams appears to be in senior levels of decision making within the Company, robust engagement is in place with the local community.
- Following a request of the Mackay City Council, the Company has undertaken a geotechnical assessment of transport routes in and around Mackay, and has committed to sharing the costs for road surface upgrades to cope with the anticipated increased transportation loads.
- Should the proposed Empire Mine proceed, the Company is proposing to use the well understood heap leach, solvent extraction and electro-winning process methodology to negate the need for cyanide extraction and a tailings storage facility, thus eliminating potentially high-risk processing methods and facilities.
- There is no anticipated need for the development of a Tailings Storage Facility for this operation.
- The Company plans to proactively avoid significant cultural heritage artefacts.
- A wide variety of social media engagement mechanisms are in place.
- As required by regulators, a robust rehabilitation plan is in place for all exploration activities.
- The team responsible for stakeholder engagement are primarily based in the local town and are well-respected in the community.
- Clear thought has gone into where supplies are procured from, with optimal revenue flowing into the local community.

Project negatives - Empire Mine

- The Project is located on relatively steep terrain and a seismically active area where the risk of slope failure is ever present. Good research regarding the nature and potential of these natural hazards has been gathered by the project team.
- As is typical in any exploration and development project, increased activity leads to enhanced disruption of the landscape. While increased drilling activity is causing disruption, all measures are being taken to ensure that activity is compliant with rules and regulations, with future plans for mining leading to a net-positive outcome

regarding the landscape including biodiversity.

- The Custer County within which the Project is located promotes itself as a tourism and wilderness destination. It is anticipated that the Company will proactively manage any potential tensions regarding these other forms of job creation.
- No formal grievance mechanisms are currently in place. Whilst the Company has hosted several open meetings, more formalised methods through which stakeholders are invited to voice concerns and ideas are typical of an organisation of this scale.
- The submission suggested that a formal regional or national development plan does not exist, however it is anticipated that the development of this operation would be in line with goals being put in place by the national government.
- While not yet in place, the company will be working on its Environmental Impact Statement, as outlined by US regulations, in the near term.
- While fully compliant with regulatory requirements, opportunity remains for the enhancement of the safety culture, as is the case for all mining operations.
- While in line with regulatory requirements, the environmental bond in place is assumed to be for exploration activities only and not the full mining operation. Should it be for the full mining operation, it is anticipated that this bond may need to be increased in size.
- The management of noise, vibration and emissions are as required for an operation in such a remote location. It is anticipated that the well-entrenched monitoring activities will detect if there is the potential for any negative impact of activities on local flora or fauna.



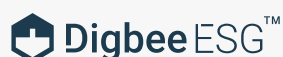
Corporate Score Distributions: Phoenix Copper Ltd

Exploration Framework: Scores valid for 12 months as of 3rd Jan 2023

The following visual is an overview of the corporate-level questionnaire scores.



C-03.03	Shareholder Oversight		B	BBB
C-03.04	Management of Shareholders	CC		BB
C-03.05	Participation in Industry Bodies			BBB
C-04.01	Verification of Site-Level Compliance	CC		A
C-04.02	Permitting Compliance Monitoring			AAA
C-05.01	Feedback Management	CC		BBB
C-05.02	Tax Transparency			AAA
C-05.03	Corruption		BB	A
C-06.01	Promotion of Risk Management	CCC		
C-06.02	Emergency Preparedness		BB	
C-06.03	Prioritisation of ESG			A



Project Score Distributions: Empire Mine

Exploration Framework: Scores valid for 12 months as of 3rd Jan 2023

i This is an overview of the project-level questionnaire scores. In some instances a question may elicit multiple responses (e.g., context and action). In these cases, we provide multiple scores for that question ID. The individual scores noted on each bar are the scores that have been awarded for that question. If an individual bar comprises 2 scores, it's because the scores covered a range across multiple bandings and are represented as a range.

Question IDs & theme		Potential Threat					Potential Opportunity				
		D	C	CC	CCC	B	BB	BBB	A	AA	AAA
		Action Question		Context Question							
P-01.01	Project Location									AA	
P-01.02	Natural Hazard Risk			CC						AA	
P-01.03	Impact of Upstream Activities					B			A		
P-01.04	Impact on Downstream Activities				CCC				A		
P-01.05	Instability									AA	
P-02.01	Exploration Activities		C								
P-02.02	Commodities being explored						BB				
P-03.01	Project Team Size						BB				
P-03.01	Project Team Size								A		
P-03.02	Local Representation in Team								A		
P-03.02	Local Representation in Team									AA	
P-03.03	Health and Safety Record							BBB			
P-03.04	Security and Firearms										AAA

P-10.11 Cultural Preservation

A

P-10.12 Stakeholder Inclusion in Decision Making

AA

P-10.13 Local Procurement

AA

P-10.14 Social Opportunity

AA