DIRECTORS' REPORT

The Directors of Phoenix Copper Limited ('PNX' or 'Company') present their report for the financial year ended 30 June 2015.

Directors

The names and details of directors in office during and since the end of the financial year are as follows.

Graham Leslie Ascough (Non-Executive Chairman)

Appointed 7 December 2012

Graham Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 25 years of industry experience evaluating mineral projects and resources in Australia and overseas.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at a major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006. He was also a Councillor of the South Australian Chamber of Mines and Energy and Chair of its Exploration Committee from 2006 ~ 2012 and has strong ties to the South Australian resources industry. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

In the 3 years immediately prior to 30 June 2015, Graham Ascough held the following directorships of other listed companies for the following periods:

- Non-executive Chairman, Avalon Minerals Limited – since 30 November 2013
- Non-Executive Director, Reproductive Health Science Limited – from 31 July 2013 to 2 April 2014
- Non-executive Chairman, Mithril Resources Limited – since 9 October 2006
- Non-executive Chairman, Musgrave Minerals Limited – since 26 May 2010
- Non-executive Chairman, Aguia Resources Limited – from 19 October 2010 to 15 November 2013

Paul J Dowd, Non-Executive Director

Appointed 27 September 2007

Paul Dowd has over 50 years' experience in the mining industry in Australia and many overseas countries. In April 2012 he retired as Managing Director of PNX, a position he assumed in September 2008, but remains on the Board as a non-executive director. Mr Dowd's experience includes executive management roles including Vice President of Newmont Mining Corporation's Australian and New Zealand Operations and Managing Director of Newmont Australia Limited, and as a senior public servant – head of the resources and petroleum department in the Kennett Government of Victoria. In 2015, he retired as Chairman of the SA Mineral Resources & Heavy Engineering Skills Centre but remains on the Board. He is a non-executive director of Oz Minerals Limited. Mr Dowd is also a board member of the Sustainable Minerals Institute and the University of Queensland, Chairman of the Mineral Resources Sector Advisory Council of the CSIRO and a SA Training and Skills Commissioner. In the 3 years immediately prior to 30 June 2015, Paul Dowd held the following directorships of other listed companies for the following periods:

- Non-executive director, Oz Minerals Limited since 23 July 2009

Peter Watson, Non-executive Director

Appointed 7 September 2007

Peter Watson, a founder of PNX, studied Law at Melbourne University and graduated with honours. He has practiced law for over 40 years, specialising in commercial, corporate, resources and trade practices law. He is admitted to practice in South Australia, New South Wales, Victoria and Western Australia as well as the High Court of Australia. For over 20 years, Mr Watson was a partner in the national law firm now known as Norton Rose Fulbright. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, he returned to private legal practice and founded the successful boutique law firm Watsons Lawyers in Adelaide. Mr Watson is a member of the board of trustees of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation), non-executive director of Felton Grimwade and Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over-the-counter therapeutic products). In the 3 years immediately prior to 30 June 2015, Peter Watson held the following directorships of other listed companies for the following periods:

- Non-executive director, Lawson Gold Limited from 5 August 2010 to 2 July 2013

David Hillier, Non-executive Director

Appointed 17 September 2010

David Hillier is a Chartered Accountant and has more than 30 years' experience in commercial aspects of the resources industry. He has served as Chairman and as a director of a number of public companies in the mining and exploration field, including Lawson Gold Limited and Buka Gold Limited. Throughout 2008 he was Chief Financial Officer and an executive director of AIM listed Minerals Securities Limited, based in London. Between 1989 and 2002, Mr Hillier held a range of senior executive positions in the Normandy Mining Limited Group of companies and was Chief Financial Officer of Normandy for six of these years. In the 3 years immediately prior to 30 June 2015, David Hillier held the following directorships of other listed companies for the following periods:

- Non-executive Chairman, Lawson Gold Limited from 5 August 2010 to 2 July 2013

James Fox, Managing Director & CEO

Appointed 26 November 2014

James Fox has been CEO of the Company since May 2012. He has more than 15 years' experience in the mining industry. Prior to joining PNX, he was responsible for the development and operation of the Nickel Laterite Heap Leach project at the Murrin Murrin operations in Western Australia. James has held various senior processing positions including Process Manager at the Nifty Copper Operation in Western Australia. He has worked in the UK, Cyprus, Uganda and Australia in gold, lead, zinc, copper, nickel and cobalt mining and processing operations.

Company Secretary

Tim Moran

Tim Moran is a Chartered Accountant with 20 years' experience in accounting and finance and over 10 years' experience in the mining and energy industries. Prior to commencing with PNX, Mr Moran was the Chief Financial Officer and Company Secretary of a Canadian listed oil and gas company in Calgary, Canada, and before that spent 12 years with global accounting and professional advisory firm KPMG.

Interests in Shares and Performance Rights of the Company

As at the date of this report, the interests of the Directors in the shares and performance rights of PNX are as follows:

Graham Ascough, Non-Executive Chairman

Graham Ascough has a direct interest in 439,933 Shares.

Paul Dowd, Non-Executive Director

Paul Dowd has a direct interest in 500,000 Shares, and an indirect interest in 2,595,000 Shares.

Peter Watson, Non-Executive Director

Peter Watson has a direct interest in 998,000 Shares and an indirect interest in 7,000,000 Shares. Related parties of Mr Watson hold a further 1,350,000 Shares.

David Hillier, Non-executive Director

David Hillier has an indirect interest in 510,000 Shares.

James Fox, Managing Director & CEO

James Fox has a direct interest in 825,000 Performance Rights. A related party of Mr Fox holds 3,325,000 Shares.

Dividends and Distributions

No dividends or distributions were paid to members during the financial year and none were recommended or declared for payment.

Principal Activities

The principal activity of the Company and its wholly owned subsidiaries ('Group') during the financial year was mineral exploration, including research and development activities associated with identifying and understanding geological structures and the mineralogical structure and processing characteristics of the polymetallic ores at the Hayes Creek project.

Crocodile Gold Transaction

In August 2014, the Company executed an agreement with Crocodile Gold Australia Pty Ltd (Crocodile Gold), a subsidiary of Canadian-listed Crocodile Gold Corp. (now Newmarket Gold Inc.) for the acquisition of 14 mineral leases in the Northern Territory, and a farm-in arrangement whereby the Company can earn up to 90% in 21 (now 20) exploration licences and 4 mineral leases, also in the Northern Territory. Consideration for the purchase of the mineral leases was $1 plus a 2% royalty on the market value of any future production of gold and silver from the leases (all other metals are excluded from the royalty). Payment of $500,000, either in cash or shares at the Company's election, is due if a bankable feasibility study is completed on any of the acquired or farm-in tenements.

The acquisition of the mineral leases was formally completed on 20 November 2014, with the satisfaction of all conditions precedent.

Crocodile Gold retains a 30% claw-back right over the acquired tenements that can be exercised by paying PNX three times the Company's accumulated expenditure on these tenements. Crocodile Gold can also re-acquire 90% of any gold or silver deposits with a JORC compliant resource on the farm-in tenements by paying PNX three times the Company's accumulated expenditure on the deposit(s).

The acquired mining leases include the Iron Blow and Mount Bonnie base metals and precious metals deposits contained within the Hayes Creek project.

The farm-in tenements include the Burnside, Moline and Chessman base metals and gold (excluding uranium) exploration projects. Under the terms of the farm-in, PNX can earn a 51% interest in the farm-in tenements with expenditure of $2 million over 2 years (to 15 December 2016), and can then elect to increase its interest to 90% with expenditure of an additional $2 million over a further 2 year period. Of this expenditure, up to $500,000 incurred on the acquired mineral leases is counted in each 2 year period. As at 30 June 2015, total expenditure for the purposes of the farm-in was $0.9 million.

The transaction has expanded the Group's exploration focus from South Australia to include the Northern Territory.

Capital Raising

In conjunction with the execution of the Crocodile Gold transaction, in August 2014 PNX raised $0.3 million via the placement of 24.3 million shares to sophisticated investors at a price of $0.013 per share.

In October 2014 the Company completed a partially underwritten one (1) for two (2) non-renounceable pro rata rights issue at an issue price of $0.023 that raised $2.69 million before costs, including the placement of shortfall shares.

Subsequent to 30 June 2015, the Company raised $0.9 million via the placement of 70 million shares at $0.013 each to sophisticated investors, and received commitments for further share placements of $0.6 million to be approved by shareholders at the Company's annual general meeting.

Leigh Creek

In April 2015, the Company executed an Option and Sale Agreement with private company Hillsgold Resources Pty Ltd (**Hillsgold**) regarding the Company's 100% owned subsidiary Leigh Creek Copper Mine Pty

Ltd ('LCCM'). LCCM holds three mining leases in the Leigh Creek area including Mountain of Light, which has been on care and maintenance since January 2012.

Under the Agreement, Hillsgold has the option to acquire LCCM as well as two exploration licences held by PNX near LCCM's mining leases, in return for preparing and submitting to the State government updated environmental plans (PEPRs) for the three mining leases, and also preparing certain feasibility studies on the leases, within 9 months of the date of the Agreement (mid-January 2016). The option can be exercised at any time during the 9 month period. Should Hillsgold exercise the option, it will acquire LCCM, and the two exploration licences, from the Company for nil up-front consideration (other than the assumption of the rehabilitation obligations at Mountain of Light) and a contingent payment to the Company of $100,000 if and when 3,000 tonnes of copper are produced from future operations at any of the three mining leases.

Hillsgold has not yet exercised the Option. Draft PEPRs have been submitted but have not yet been approved by the Department of State Development, SA.

Avalon Investment

The Company continues to hold 12.9 million shares in Avalon Minerals Limited, representing approximately 5.4% of that company. The investment was funded primarily by a $1.2 million unsecured loan, which is to be repaid via the remittance of proceeds from the sale of Avalon shares. Any shortfall may be paid by the issue of shares in the Company. If the shares in Avalon are not disposed of by the November 2016 maturity date, the loan is repayable in cash. The Company is continuing to evaluate strategic options regarding its holding in Avalon. Avalon is continuing to progress its flagship Viscaria copper project in northern Sweden toward feasibility and a production decision.

Review of Operations

The Group reported a comprehensive net loss for the year of $3.9 million (2014: $7.0 million). The net result from continuing operations was a loss after income tax of $4.1 million, which included impairment charges on exploration and evaluation assets of $1.7 million and $1.2 million on the Group's investment in Avalon. The loss from the Group's discontinued operations at Leigh Creek was $0.2 million, which included a $0.15 million impairment charge on the Leigh Creek disposal group which reduced its carrying value to nil.

The exploration asset impairment charge related to the Company's South Australian tenement holdings, reducing the carrying value of the Burra and Yorke Peninsula projects to their estimated combined fair value of $2 million.

As noted previously, the key event during the year was the completion of the transaction with Crocodile Gold and commencement of exploration activities on the new projects in the Northern Territory. These activities are described below in more detail.

Excluding the impairment charges on exploration assets and the Avalon investment, the loss from continuing operations in 2015 of $1.2 million was similar to the $1 million loss from continuing operations (excluding exploration asset impairment) incurred in the prior year. The Group's corporate costs, which include head office wages, directors' fees, professional fees, insurance, regulatory, occupancy and communications costs has not changed significantly.

Net operating cash outflows for the year of $1.2 million reflect the loss from continuing operations (excluding impairment) noted above. Exploration cash outflows of $1.3 million related almost entirely to the Group's new projects in the Northern Territory.

At 30 June 2015, the Group had cash holdings of $0.8 million and net working capital of $0.7 million excluding the Company's investment in Avalon. As noted earlier, in August 2015 the Group raised $0.9m from placements to sophisticated investors.

Exploration

During the year, exploration activity was focussed on the Company's new projects in the Northern Territory. Highlights included:

- New inferred mineral resource estimate (JORC 2012) defined at Iron Blow
- An initial 2 hole, 706m diamond drill program at Iron Blow returned the highest-grade intersection of massive sulphides recorded at the deposit

- An initial 12 hole 1,114m RC drill program completed at Mt Bonnie was successful in delineating near-surface massive sulphide mineralisation containing high grades of Zn-Au-Ag. A lower conductive zone was identified with the potential to double the depth extent of the deposit
- Ground electromagnetic (EM) surveying at Iron Blow, Mt Bonnie and Joplin has provided additional drill target areas
- Positive results from preliminary stage metallurgical test work at Iron Blow
- Structural evaluation of the Iron Blow and Mt Bonnie deposits completed to assist in understanding the geology and targeting of future drilling
- Regional exploration including geological mapping, soil sampling and field portable XRF surveys

Hayes Creek – Iron Blow and Mt Bonnie

An Inferred Mineral Resource estimate (reported in accordance with the JORC Code, 2012) was completed for the Iron Blow deposit:

- 2.6Mt @ 2.4g/t Au, 130g/t Ag, 0.3% Cu, 0.9% Pb and 4.8% Zn (at a minimum gold equivalent cut-off grade of 0.7g/t)[1]
- Contains approximately 200,000 ounces of gold, 10 million ounces of silver, and 125,000 tonnes of zinc

At Iron Blow, two diamond drill holes (IBDH023 and IBDH024) were completed in December 2014 (after the Inferred Mineral Resource estimate was completed and therefore the estimate does not incorporate the drilling results) for a total of 705.8m. IBDH023 was drilled to a depth of 365.8m and intersected significant widths of high grade zinc, gold and silver:

- 50.39m @ 10.12% Zn, 2.66 g/t Au, 283 g/t Ag, 0.57% Cu, 1.39% Pb from 155.72m, including 19.45m @ 15.48% Zn, 2.65 g/t Au, 492 g/t Ag, 0.56% Cu, 2.52% Pb from 156.5m.[2]

The results from IBDH023 are very significant, primarily due to their exceptionally high grades – up to 22.5% Zn, 7.0 g/t Au and 0.11% Ag, but they also demonstrate continuity of mineralisation and importantly that the overall mineralised envelope extends outside of the massive sulphide boundaries which were used to constrain the Inferred Resource estimate. The Western Lode has not been mined at surface, and so potential exists to define shallow oxide mineralisation with low cost RC drilling. It is anticipated that a significant portion of the resource defined to date may be mined by open pit methods.

At Mt Bonnie, a 12 hole Reverse Circulation drill program for approximately 1,100m was completed in May 2015 targeting new mineralised positions and extensions to existing high-grade massive sulphide mineralisation. Assay results were highly encouraging and provide the foundation for a valuable near-surface, high-grade sulphide orebody with considerable potential at depth and along strike to increase the size of the deposit. Highlights included[3]:

- 8m @ 12.6% Zn, 2.4g/t Au, 328g/t Ag, 0.5% Cu, and 2.8% Pb from 89m in MBRC014
- 12m @ 8.4% Zn, 2.57g/t Au, 228g/t Ag, 0.7% Cu, and 2.0% Pb from 48m in MBRC015

The overall grades and style of mineralisation encountered at Mt Bonnie are very similar to that observed at the Iron Blow resource, which lies less than 3km to the north. Mineralisation at Mt Bonnie occurs within a sphalerite-galena-pyrrhotite rich massive sulphide body dipping moderately to the northwest, as predicted by modelling of the electromagnetic (EM) conductor. Importantly, the down-dip continuation of this zone has not yet been drill tested, and so there is significant potential to discover new mineralisation in this zone.

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[1] *Iron Blow Inferred Mineral Resource Estimate as at 8th October 2014. See ASX release 3 November 2014 where further details are provided. Note there has been no material change in the Inferred Mineral Resource Estimate since it was first reported on 3 November 2014.*

[2] *See ASX release 22 January 2015. There has been no material change in these results since first reported.*

[3] *See ASX release 6 July 2015. There has been no material change in these results since first reported.*

A structural evaluation of the Iron Blow and Mt Bonnie deposits completed during the year has assisted in understanding the geology of these complex deposits and has provided a working model for exploration.

In addition, a coincident EM, magnetic and geochemical anomaly was defined at the newly named Joplin prospect, which is only 3km from Iron Blow and Mt Bonnie. The coincidence of geochemical and geophysical anomalism combined with gossanous quartz veining at surface and the close proximity to existing VMS deposits at Iron Blow and Mt Bonnie provides excellent evidence for a new mineralised system. The Joplin target is considered highly prospective.

Metallurgical Research & Development work - a comprehensive review of historical metallurgical test work has provided valuable insights as to how the Iron Blow ore responds to particular metallurgical test work.

Research and development test-work including QEMSCAN, optical examination, and magnetic separation work on Iron Blow composite material was completed and enabled bulk and differential flotation tests to be conducted using a standard non-optimised chemical regime, the results of which are very encouraging:

- Zinc is the best performing base metal with respect to concentrate recovery and grade; it is well liberated with excellent recoveries (>95 %)
- Excellent early stage results for silver and gold with silver concentrate grades up to 400ppm and recoveries of up to 75%, and gold concentrate grades over 7g/t, using non-specific collectors with up to 65% recovery
- Greater than 77% of the mass rejected to tails including a substantial amount of deleterious elements
- Optimisation test work is underway with a focus on maximising grade and recoveries of zinc, gold and silver

<u>Regional Exploration (Burnside, Moline and Chessman projects)</u>

The Company's overall objective and highest priority is to establish sufficient mineral resources at Hayes Creek to justify a Scoping Study to demonstrate the economic viability of developing the project, at the level of certainty typically associated with a Scoping Study. At the same time, regional exploration prospects will gradually be tested for future development extensions.

During the year, numerous structural, geochemical and geophysical targets were evaluated in the field within all projects. This work has focussed initially on the Burnside Project, including the Joplin prospect noted above.

Efforts were also directed at a new gold target north of Rocklands' Thunderball uranium deposit, where an RC hole drilled by Thundelarra Exploration Limited in September 2010 intersected 12m @ 4.7 g/t gold in hole TPCTC066 on EL23431 in the western limb of an anticlinal structure - typical of many gold deposits in the region. Mapping, soil sampling and rock chip sampling is ongoing.

Further work is scheduled on the exploration tenements surrounding Iron Blow and Mt Bonnie. Target stratigraphy can be traced on the surface for at least 10km with numerous additional areas identified within the broader Burnside project to be followed up.

South Australian Projects

No activities of significance occurred during the year at the Company's Burra or Yorke Peninsula projects.

Significant Changes in State Of Affairs

There were no significant changes in the state of affairs of the Group during or since the end of the year, other than the noted change in exploration focus from South Australia to the Northern Territory.

Significant Events Subsequent to the end of the Financial Year

As noted previously, in August 2015 the Company raised $0.9 million via the placement of 70 million shares to sophisticated investors at an issue price of 1.3 cents per share. The Company also received commitments for further placements of $0.6 million, to be approved by shareholders at the Company's 2015 AGM.

There has not otherwise been any matter or circumstance that has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments

PNX's focus is to be a sustainable, profitable gold and base metals producer and successful explorer in the Pine Creek region by establishing an economic mining project at Hayes Creek and to make new mineral discoveries in the region.

In 2015-16, the Group will continue mineral exploration and research and development activities on its projects in the Northern Territory. Key priorities include establishing an initial JORC compliant resource estimate at Mt Bonnie, undertaking optimisation metallurgical studies on the Iron Blow and Mt Bonnie deposits, completion of a scoping study at the Hayes Creek project, and continued regional exploration targeting gold and base metals mineralisation at the Burnside, Moline and Chessman projects.

Subject to available funding and priorities, the Group may conduct drilling of Induced Polarisation anomalies identified at its Burra project.

The Group hopes to conclude a divestment of its Leigh Creek assets by early 2016, and will continue to investigate opportunities to undertake exploration programs on the Yorke Peninsula.

Environment Regulation and Performance

The Group continues to meet all environmental obligations across its tenements.

Options and Performance Rights

During or since the end of the financial year:

- In September 2014, 1,200,000 Performance Rights were issued to Company CEO James Fox, with performance conditions covering the period out to 30 June 2016. 375,000 of these Rights vested in November 2014 as performance conditions were met and an equivalent number of Shares were therefore issued;
- In January 2015, 750,000 Performance Rights were issued to the Company's new Exploration Manager Andy Bennett, with performance conditions extending to 30 June 2016;
- At 30 June 2015, 375,000 Performance Rights lapsed (300,000 held by James Fox and 75,000 held by Andy Bennett) as the related performance conditions were not met; and
- On 29 July 2015, 1,250,000 unlisted share options exercisable at $0.27 expired.

As at the date of this report, the Group has on issue 1,500,000 Performance Rights and no share options.

Indemnification and Insurance of Directors and Officers

The Company entered into a Deed of Access, Insurance and Indemnity with Peter Watson and Paul Dowd on 12 November 2007, David Hillier on 22 September 2010, Graham Ascough on 11 December 2012, and James Fox on 26 November 2014. Under the terms of these Deeds, the Company has undertaken, subject to restrictions in the *Corporations Act 2001*, to:

- indemnify each Director in certain circumstances;
- advance money to a Director for the payment of legal costs incurred by a Director in defending legal proceedings before the outcome of those proceedings is known (subject to an obligation by the Director to repay money advanced if the costs become costs in respect of which the Director is not entitled to be indemnified under the Deed);
- maintain Directors' and Officers' insurance cover (if available) in favour of each Director whilst they remain a director of the Company and for a run out period after ceasing to be such a director; and
- provide each Director with access to Board papers and other documents provided or available to the Director as an officer of the Company.

Throughout and since the end of the financial year, the Company has had in place and paid premiums for insurance policies, with a limit of liability of $10 million, indemnifying Directors and Officers of the Company against certain liabilities incurred in the conduct of business or in the discharge of their duties as Directors or

Officers. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premium paid.

Directors' attendance at Meetings

9 Board meetings were held during the financial year. Graham Ascough and Paul Dowd attended all 9, Peter Watson attended 8 meetings and David Hillier attended 6 meetings. James Fox attended all 3 meetings he was eligible to attend following his appointment to the Board on 26 November 2014.

3 Audit Committee meetings were held during the financial year. David Hillier attended all three, Graham Ascough and Peter Watson attended two. James Fox attended three meetings by invitation, and Paul Dowd attended one meeting by invitation.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 16.

Non-Audit Services

At the Company's Annual General Meeting in November 2014, shareholders approved the appointment of Grant Thornton Audit Pty Ltd as external auditor, following the resignation of previous auditor Deloitte Touche Tohmatsu. During the year, no services other than the external audit were provided by Grant Thornton. The previous auditor provided tax compliance services for the Company during the year.

REMUNERATION REPORT - AUDITED

This Report outlines the remuneration arrangements in place for the Directors, Company Secretary and key management personnel of the Group.

Where this report refers to the 'Grant Date' of Shares, Options or Performance Rights, the date mentioned is the date on which those Shares, Options or Performance Rights were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms of the Shares, Options or Performance Rights (e.g. subscription or exercise price) were determined.

Directors and Key Management Personnel details

The following persons acted as Directors of the Company during and since the end of the financial year:

- Graham Ascough (Non-executive Chairman)
- Paul Dowd (Non-executive Director)
- Peter Watson (Non-executive Director)
- David Hillier (Non-executive Director)
- James Fox (Managing Director & CEO – appointed to the Board on 26 November 2014)

The following persons were key management personnel of the Company and Group during and since the end of the financial year:

- Tim Moran (Chief Financial Officer & Company Secretary)
- Andy Bennett (Exploration Manager – from 1 January 2015)
- Nicole Galloway-Warland (Geology Manager - to 20 November 2014)

Relationship between remuneration policy and Group performance

There is no direct link between the Group's financial performance and the setting of remuneration except as discussed below in relation to Performance Rights.

Remuneration Philosophy

The performance of the Group depends on the quality of its Directors and management and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre executives, directors and employees;
- link executive rewards to Group financial performance and shareholder value by the granting of Performance Rights with performance-based vesting conditions; and
- ensure total remuneration is competitive by market standards.

The Group does not currently have a policy on trading in derivatives that limit exposure to losses resulting from share price decreases applicable to Directors and employees who receive part of their remuneration in securities of the Company. The Board is not aware of any member of the Company's directors or key management personnel ever conducting such activity.

Remuneration Policy

The Group does not have a separately established remuneration committee. The full Board acts as the Group's remuneration committee. The Board is responsible for determining and reviewing remuneration arrangements for non-executive Directors, the Managing Director & CEO, the Company Secretary and other senior management. The Board assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis with reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. External advice on remuneration matters is sought when the Board deems it necessary.

The remuneration of non-executive Directors and senior management is not dependent on the satisfaction of performance conditions, except in relation to Performance Rights as described below.

In 2010, the Company replaced its Employee Share Option Plan with an Employee Performance Rights Plan. In accordance with the Performance Rights Plan the Directors can, at their discretion, grant Performance Rights to eligible participants. Upon a grant of Performance Rights, the Board may set vesting conditions, determined at the Board's discretion, which if not satisfied will result in the lapse of the Performance Rights granted to the particular employee.

Each Performance Right granted converts into one ordinary share in PNX on vesting. No amounts are paid or payable by the recipient on receipt of the Performance Right, nor at vesting. Performance Rights have no entitlement to dividends or voting rights.

The Performance Rights Plan offers employees the possibility of reward without monetary cost and is less dilutive than the previous Employee Share Option Plan due to the lesser number of Performance Rights that need to be issued to achieve a similar level of reward or incentive.

Non-Executive Director Remuneration

The Board seeks to set remuneration of non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development.

As Chairman, Graham Ascough is entitled to receive $75,000 per annum inclusive of superannuation and non-executive directors are each entitled to receive $40,000 per annum inclusive of superannuation. Non-executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. Non-executive Directors are also entitled to additional remuneration for extra services or special exertions, in accordance with the Company's Constitution. There are no schemes for retirement benefits other than government mandated superannuation.

As noted in the remuneration table on page 13, certain non-executive directors elected to forego part of their fees during the year to assist the Company to minimise administrative costs.

Summary details of remuneration for non-executive Directors are given in the table on pages 13 and 14. Remuneration is not dependent on the satisfaction of performance conditions. The maximum aggregate remuneration of non-executive Directors, other than for extra services or special exertions, is presently set at $500,000 per annum.

Managing Director & Chief Executive Officer Remuneration

The Group aims to reward the Managing Director & Chief Executive Officer (MD & CEO) with a level and mix of remuneration commensurate with his position and responsibilities within the Group to:

- align the interests of the MD & CEO with those of shareholders;
- through Performance Rights, link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

James Fox has been Chief Executive Officer of PNX since 1 May 2012 and assumed the title Managing Director & CEO on 26 November 2014 with his appointment to the Board. Mr Fox is entitled to an annual salary of $250,000 plus mandated superannuation contributions as well as 20 days annual leave and 10 days sick leave per annum.

At 30 June 2015 and as of the date of this report, Mr Fox held no Shares in the Company and 825,000 Performance Rights with performance conditions extending to 30 June 2016. A related party of Mr Fox holds 3,325,000 Shares in the Company.

During the year (in September 2014) Mr Fox was issued with 1,200,000 performance rights under the Employee Performance Rights Plan, with the following performance conditions:

- achievement of a capital raising in excess of $2 million by 30 December 2014 (375,000 Rights);
- a discovery defined by two drill holes spaced a minimum of 75 metres apart with ore-grade mineralisation by 30 June 2016 (375,000 Rights); and

- at the Hayes Creek project, double the contained metal of the (then) existing foreign resource estimate at Iron Blow through the definition of additional resources within a 10km radius of the existing deposit by 30 June 2016 (450,000 Rights).

The achievement of each of these performance conditions is subject to Board approval. The Board also has discretion to amend the allocation of Performance Rights to each condition by up to 50%; however, the total number of Performance Rights that could vest is fixed at 1,200,000.

The Directors believe the performance conditions attached to Mr Fox's Performance Rights appropriately align the incentives of the MD & CEO with those of shareholders and other Company stakeholders.

The capital raising performance condition was met in November 2014, entitling Mr Fox to 375,000 shares (subsequently issued to a party related to him).

Mr Fox also received 375,000 shares in August 2014 (issued to a party related to him) following the vesting on 30 June 2014 of 375,000 performance rights granted in September 2013. A further 300,000 rights issued in September 2013 lapsed on 30 June 2015 as the performance conditions were not met.

James Fox's employment with the Company may be terminated on 3 months written notice or on summary notice if he:

- is charged with any criminal offence or is guilty of any other conduct which, in the reasonable opinion of the Board, is prejudicial to the interests of the Group;
- is negligent in the performance of his duties;
- is incapacitated from performing his duties as Chief Executive Officer by illness or injury for a period of 2 consecutive months;
- materially breaches any term of his contract of employment and this is not remedied within 14 days of notice of the breach to him by the Company;
- materially contravenes any share dealing code relating to shares;
- is the subject of, or causes the Company or Group to be the subject of, a material penalty or serious reprimand imposed by any regulatory authority; or
- independently acts in a manner contravening the directives and expressed wishes of the Board.

Company Secretary/Chief Financial Officer Remuneration

Tim Moran has been Chief Financial Officer and Company Secretary since January 2012. In June 2013, Mr Moran ceased as an employee of the Company and from July 2013 has provided CFO and Company Secretary services on a contract basis, and is therefore not entitled to any employee benefits. During the 2015 financial year Mr Moran's fees were $173,940.

Exploration Manager Remuneration

Andy Bennett commenced as Exploration Manger on 1 January 2015. Mr Bennett is entitled to an annual salary of $195,000 plus mandated superannuation contributions, as well as 20 days annual leave and 10 days sick leave each year.

Mr Bennett was granted 750,000 performance rights under the Employee Performance Rights Plan upon commencement of his employment with the Company, with the following performance conditions:

- Completion of a scoping study on the Hayes Creek project including defining an initial resource estimate at Mount Bonnie of greater than 1 million tonnes by 31 December 2015 (187,500 Rights);
- Increase in the market capitalisation of the Company to >$20 million, measured on a 20 day VWAP basis, by 30 June 2015 (75,000 Rights);
- A discovery, defined by two drill holes spaced a minimum of 75 metres apart with ore-grade mineralisation, at a new prospect by 30 June 2016 (225,000 Rights); and
- At the Hayes Creek project, double the contained metal of the current JORC 2012 resource estimate at Iron Blow through the definition of additional resources within a 10km radius by 30 June 2016 (262,500 Rights).

The achievement of each of the performance conditions is subject to Board approval. The Board also has discretion to amend the allocation of Performance Rights to each condition by up to 50%; however, the total number of Performance Rights that could vest is fixed at 750,000.

At 30 June 2015, the rights related to the market capitalisation target (75,000) lapsed as the target was not met. Mr Bennett therefore holds 675,000 Performance Rights as of the date of this report.

Andy Bennett's employment with the Company may be terminated on 4 weeks written notice or on summary notice if he:

- commits any act of misconduct or acts in a way which in the reasonable opinion of the Company may injure or be likely to injure the business or reputation of the Company or other employees of the Company;
- is convicted of any criminal offence or is guilty of any other conduct which, in the opinion of the Company, may bring the Company into disrepute or affect his ability to perform his duties;
- commits a serious, persistent or material breach of the terms and conditions of his employment contract;
- refuses to carry out a lawful and reasonable instruction by the Company;
- is negligent in the performance of his duties;
- becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under laws relating to mental health;
- becomes incapacitated by illness or injury which prevents him from performing his duties as Exploration Manager for a period of 3 consecutive months or any periods aggregating 3 months in any 12 month period of employment; or
- is the subject of, or causes the Company or Group to be the subject of, a material penalty or serious reprimand imposed by any regulatory authority.

Remuneration of Directors and Key Management Personnel

Directors', Company Secretary and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2015:

	Short term employment benefits	Post-Employment	Equity		
	Salary & Fees	Superannuation	Performance Rights	Total	% of total remuneration consisting of equity
Directors					
Graham Ascough	$75,000	-	-	$75,000	0%
Paul Dowd[1]	$13,699	$16,301	-	$30,000	0%
Peter Watson[1]	$27,397	$2,603	-	$30,000	0%
David Hillier	$40,000	-	-	$40,000	0%
James Fox	$250,000	$23,750	$7,177	$280,927	2.5%
Company Secretary & Chief Financial Officer					
Tim Moran	$173,940	-	-	$173,940	0%
Other Key Management Personnel					
Andy Bennett[2]	$97,500	$9,263	$3,620	$110,383	3.3%
Nicole Galloway Warland[3]	$100,367	$8,478	-	$108,845	0%
TOTALS	**$777,903**	**$60,395**	**$10,797**	**$849,095**	

[1] Mr Dowd and Mr Watson waived 25% of their fees for each quarter of the financial year (total $10,000 waived each)
[2] From 1 January 2015
[3] Until 20 November 2014

Directors', Company Secretary and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2014:

	Short term employment benefits	Post-Employment	Equity		
	Salary & Fees	Superannuation	Performance Rights	Total	% of total remuneration consisting of equity
Directors					
Graham Ascough	$75,000	-	-	$75,000	0%
Paul Dowd[1]	$30,000	-	-	$30,000	0%
Peter Watson[2]	$nil	-	-	$nil	0%
David Hillier[3]	$37,500	-	-	$37,500	0%

Company Secretary & Chief Financial Officer					
Tim Moran	$164,925	-	-	$164,925	0%
Other Key Management Personnel					
James Fox	$250,000	$23,125	$26,341	$299,466	9%
Nicole Galloway Warland	$188,125	$17,402	-	$205,527	0%
TOTALS	**$745,550**	**$40,527**	**$26,341**	**$812,418**	

[1] Mr Dowd waived 25% of his fees for each quarter of the financial year (total $10,000)
[2] Mr Watson waived all of his fees for the year (total $40,000)
[3] Mr Hillier waived 25% of his fees for the first quarter of the financial year (total $2,500)

Other than the amounts disclosed in the columns for equity, all other remuneration amounts are fixed.

Equity holdings of Directors and Key Management Personnel

(i) Fully paid ordinary shares issued by Phoenix Copper Limited:

2015	Balance 01/07/14	Net Changes	Balance 30/06/15
Directors			
Graham Ascough	-	439,933	439,933
Paul Dowd	2,230,000	865,000	3,095,000
Peter Watson[1]	7,998,000	-	7,998,000
David Hillier	340,000	170,000	510,000
James Fox[2]	340,000	(340,000)	-
Key Management Personnel			
Tim Moran	-	-	-
Andy Bennett	-	-	-

[1] Additional shares held by related parties: 1,350,000 (2014: 1,350,000)
[2] Shares held by related party: 3,325,000 (2014: nil)

(ii) Options - none of the directors or key management personnel held any Options to acquire fully paid ordinary shares in Phoenix Copper Limited at any point in the 2015 financial year or at the date of this report.

(iii) Performance rights issued by Phoenix Copper Limited:

	Balance 01/07/14	Granted	Vested	Lapsed	Balance 30/06/15
James Fox*	300,000	1,200,000	375,000	300,000	825,000
Andy Bennett*	-	750,000	-	75,000	675,000

*Refer to previous sections **'Managing Director & Chief Executive Officer Remuneration'** and **'Exploration Manager Remuneration**' for further detail.

Other related party transactions

During the financial year the Group entered into the following transactions:

- A close family member of a Director (Peter Watson) was the Office Manager until October 2014. The amount paid as salary inclusive of superannuation to that person was $15,911 (2014: $59,941).
- The Company engaged Watsons Lawyers, an entity in which a Director (Peter Watson) is a partner, to advise on legal matters. The amount paid in the financial year for these services inclusive of GST was $134,788 (2014: $60,032). No amount was owed at year end.

<u>End of Remuneration Report</u>

Signed on **18 September 2015** in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.

Graham Ascough

Chairman

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PHOENIX COPPER LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Phoenix Copper Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 18 September 2015

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Note	Year Ended 30/06/15 $	Year Ended 30/06/14 $
Other income	**4(a)**	68,520	102,406
Employee benefits		(265,286)	(282,866)
Professional fees		(337,855)	(254,969)
Directors' fees		(175,000)	(142,500)
Exploration – tenement maintenance	**11**	(53,207)	-
Occupancy	**4(c)**	(66,954)	(65,515)
Insurance		(41,865)	(46,719)
Share registry and regulatory		(51,127)	(49,231)
Communication		(5,289)	(6,648)
Audit fees	**22**	(33,385)	(55,304)
Equity-based remuneration	**20**	(10,797)	(26,341)
Other expenses		(49,462)	(42,165)
Depreciation	**4(b)**	(32,370)	(37,627)
Impairment - Exploration and evaluation assets	**4(d), 11**	(1,717,891)	(5,083,980)
Impairment – financial assets	**10**	(1,229,448)	-
Interest charges	**14**	(100,000)	(63,062)
Loss before income tax		**(4,101,416)**	**(6,054,521)**
Income tax benefit	**5**	-	77,404
Loss for the year – continuing operations		**(4,101,416)**	**(5,977,117)**
Loss from discontinued operations, net of tax	**6**	**(229,883)**	**(653,139)**
Total Loss for the year		**(4,331,299)**	**(6,630,256)**
Other comprehensive loss:			
Change in fair value of investment – reclassified to Impairment Loss (tax: nil)	**10,18**	327,007	(327,007)
Change in fair value of investment – may be reclassified subsequently to profit or loss (tax: nil)	**10,18**	128,920	-
Total comprehensive loss for the year, attributable to equity holders of the parent		**(3,875,372)**	**(6,957,263)**
Loss Per Share – continuing operations			
Basic and Diluted (cents per share)	**27**	(1.3)	(3.0)
Loss Per Share - Total			
Basic and Diluted (cents per share)	**27**	(1.4)	(3.3)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 30 June 2015

	Note	30/06/15 $	30/06/14 $
CURRENT ASSETS			
Cash and cash equivalents	**7**	868,865	447,663
Trade and other receivables	**8**	14,607	21,655
Prepayments/deposits	**9**	54,927	60,542
Other financial assets	**10**	386,761	1,160,281
Assets Held for Sale	**6**	-	150,000
TOTAL CURRENT ASSETS		**1,325,160**	**1,840,141**
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	**11**	3,293,812	3,633,957
Plant and equipment	**12**	54,154	38,973
TOTAL NON-CURRENT ASSETS		**3,347,966**	**3,672,930**
TOTAL ASSETS		**4,673,126**	**5,513,071**
CURRENT LIABILITIES			
Trade and other payables	**13**	235,269	187,134
Provisions	**15**	45,606	47,871
TOTAL CURRENT LIABILITIES		**280,875**	**235,005**
NON-CURRENT LIABILITIES			
Provisions	**15**	9,932	7,518
Loan	**14**	1,200,000	1,200,000
TOTAL NON-CURRENT LIABILITIES		**1,209,932**	**1,207,518**
TOTAL LIABILITIES		**1,490,807**	**1,442,523**
NET ASSETS		**3,182,319**	**4,070,548**
EQUITY			
Issued capital	**16**	26,562,067	23,557,745
Other contributed equity	**17**	600,000	600,000
Reserves	**18**	347,193	(91,555)
Accumulated losses	**19**	(24,326,941)	(19,995,642)
TOTAL EQUITY		**3,182,319**	**4,070,548**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital	Other Equity	Reserves	Accumulated losses	Total
	$	$	$	$	$
Balance at 30 June 2013	**22,296,472**	**600,000**	**277,111**	**(13,433,386)**	**9,740,197**
Total loss for the year	-	-	-	(6,630,256)	(6,630,256)
Other comprehensive loss	-	-	(327,007)	-	(327,007)
Total Comprehensive Loss for the year	**-**	**-**	**(327,007)**	**(6,630,256)**	**(6,957,263)**
Shares issued	1,315,962	-	-	-	1,315,962
Share issue costs	(14,650)	**-**	**-**	**-**	(14,650)
Interest on convertible notes	(40,039)	-	-	-	(40,039)
Fair value of equity settled payments	-	-	26,341	-	26,341
Transfer from reserve on expiry of options	-	-	(68,000)	68,000	-
Balance at 30 June 2014	**23,557,745**	**600,000**	**(91,555)**	**(19,995,642)**	**4,070,548**
Total loss for the year	-	-	-	(4,331,299)	(4,331,299)
Other comprehensive income	-	-	455,927	-	455,927
Total Comprehensive Loss for the year	**-**	**-**	**455,927**	**(4,331,299)**	**(3,875,372)**
Shares issued	3,142,847	-	-	-	3,142,847
Share issue costs	(108,525)	**-**	**-**	**-**	(108,525)
Interest on convertible notes	(30,000)	-	-	-	(30,000)
Fair value of equity settled payments	-	-	10,797	-	10,797
Transfer from reserve on vesting of performance rights	-	-	(27,976)	-	(27,976)
Balance at 30 June 2015	**26,562,067**	**600,000**	**347,193**	**(24,326,941)**	**3,182,319**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the year ended 30 June 2015

	Inflows/(Outflows)	
	Year Ended 30/06/15 $	**Year Ended 30/06/14 $**
Cash flows relating to operating activities		
Receipts from customers	-	-
Receipt of research and development tax refund	-	77,404
Payments to suppliers and employees	(1,194,653)	(1,068,784)
Net operating cash flows	**(1,194,653)**	**(991,380)**
Cash flows relating to investing activities		
Interest received	36,507	25,680
Payments for exploration activities	(1,288,747)	(612,580)
Investment in Avalon Minerals Ltd	-	(1,487,288)
Payments for plant and equipment	(47,551)	-
Proceeds from sale of plant and equipment	14,300	31,818
Net investing cash flows	**(1,285,491)**	**(2,042,370)**
Cash flows relating to financing activities		
Proceeds from borrowings	-	1,200,000
Proceeds from share issues	3,009,871	1,240,962
Payments for capital raising costs	(108,525)	(14,650)
Net financing cash flows	**2,901,346**	**2,426,312**
Net increase/(decrease) in cash	**421,202**	**(607,438)**
Cash at beginning of financial year	447,663	1,055,101
Cash at end of financial year	**868,865**	**447,663**
Loss for the year	(4,331,299)	(6,630,256)
Interest income	(38,638)	(24,876)
Equity-based remuneration	10,797	26,341
Interest expense – equity settled	90,000	45,000
Cash-settled interest on convertible notes – accounted for in equity	(15,000)	(6,750)
Depreciation and amortisation	32,370	37,627
Other income from asset disposals	(14,300)	(9,324)
Impairment charges – exploration and evaluation assets	1,717,891	5,083,980
Impairment charges – investment (other financial asset)	1,229,448	-
Impairment charges - discontinued operations	150,000	505,608
(Increase)/decrease in operating receivables	14,349	(3,982)
(Increase)/decrease in other current assets	4,323	(21,611)
(Increase)/decrease in inventory	-	7,410
Increase/(decrease) in operating payables	(44,743)	35,834
Increase/(decrease) in employee provisions	149	(36,381)
Net operating cash flows	**(1,194,653)**	**(991,380)**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements for the Year Ended 30 June 2015

1. General information and Basis of Preparation

Phoenix Copper Limited ("Company") is a for-profit Australian publicly listed company, incorporated and operating in Australia. Its registered office and principal place of business is Level 1, 135 Fullarton Road, Rose Park, South Australia 5067.

The consolidated financial statements of Phoenix Copper Limited comprises the Company and its controlled entities ("Group") and is a general purpose financial report prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on the basis of historical cost, which is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the Directors on 16 September 2015.

2. New and revised Accounting Standards

None of the standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 had any material effect on any amounts recognised or disclosed in the current or prior period and are not likely to affect future periods.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on the only new standard that is expected to be relevant to the Group's financial statements is provided below.

Year ended 30 June 2019: AASB 9: Financial Instruments

This standard introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted by presenting changes in credit risk in other comprehensive income (OCI) and the remaining change in the statement of profit or loss.

This standard is not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

3. Significant accounting policies

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions. Key areas of judgement and estimation uncertainty are discussed in Note 3(u).

The following significant accounting policies have been adopted in the preparation of the financial report:

a) Going Concern Basis

The financial report has been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the year ended 30 June 2015, the Group made a comprehensive loss of $3,875,372 (2014: loss of $6,957,263) and recorded a net cash outflow from operating and investing activities of $2,480,144 (2014: net cash outflow of $1,546,462 excluding the Group's investment in Avalon Minerals). At 30 June 2015, the Group had cash of $868,865 (2014: $447,663), net current assets excluding the investment in Avalon Minerals Ltd and assets held for sale of $657,524 (2014: $294,855) and net assets of $3,182,319 (2014: $4,070,548).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis, as the Group plans to raise sufficient capital in the future to allow planned exploration and administrative activities to continue over at least the next 12 months. Subsequent to year-end, the Company raised $0.9 million via the placement of 70 million shares at $0.013 each to sophisticated investors, and received commitments for further share placements of $0.6 million to be approved by shareholders at the Company's annual general meeting.

If sufficient additional capital is not raised, the going concern basis of accounting may not be appropriate, and the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of are included in the Statement of Profit or Loss and Other Comprehensive Income from the effective date of acquisition and up to the effective date of disposal.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses, and cash flows are eliminated in full on consolidation.

c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, payables to the

3. Significant accounting policies (continued)

vendors, and any equity instruments issued by the Group in exchange for control of the acquired entity. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income taxes* and AASB 119 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquired entity, or share-based payment arrangements of the Group that are entered into to replace share-based payment arrangements of the acquired entity, are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposals groups) classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the subsequent measurement period, or, if applicable, additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

d) Discontinued Operations & Assets Held for Sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset or disposal group to fair value less costs to sell. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale.

Assets of the disposal group held for sale are presented separately from other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation. The results of discontinued operations are presented separately in the Statement of Profit or Loss and Other Comprehensive Income.

e) Revenue

Revenue is measured at the fair value of consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Royalties based on revenue from the sale of goods are accrued as payables in the same period as the related revenue is recognised.

3. Significant accounting policies (continued)

Interest

Interest income is accrued on a time basis, with reference to the principal balance and at the effective interest rate applicable, which is that rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

f) Government Grants

Government grants that are received or receivable as direct compensation for mineral exploration expenditure already incurred are recognised as a reduction in the accumulated cost of the relevant exploration and evaluation asset.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held at financial institutions and bank deposits with a maturity of less than 3 months.

h) Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held to maturity investments', 'loans and receivables', and 'available for sale financial assets'. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Other Financial Assets – Available for Sale

Other financial assets are those that are not held for trading and have no fixed maturity date. These assets are initially measured at fair value and any subsequent changes in fair value prior to disposal are recognised in other comprehensive income. Upon disposal, the cumulative balance in the reserve in equity is reclassified to the income statement.

Loans and Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition of the financial asset.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, the estimated future cash flows have been impacted.

For available for sale (AFS) financial assets carried at fair value, the amount of any impairment is recorded in profit and loss, including any cumulative loss carried in other comprehensive income with the latter recorded as a reclassification adjustment. Any further decline in the fair value of the AFS asset is recorded as an impairment loss. Subsequent increases in the carrying value of the AFS asset are not reversed back through profit and loss, but rather are recorded in other comprehensive income.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3. Significant accounting policies (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is determined to be uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was first recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

i) Exploration and Evaluation Expenditure and Mineral Rights

Exploration and evaluation expenditure and mineral rights in relation to each separate area of interest are recognised as an asset in the year in which they are incurred or acquired and where the following conditions are satisfied:

i. the rights to tenure of the area of interest are current; and

ii. at least one of the following conditions is also met:

- the exploration and evaluation expenditure is expected to be recouped through successful development of the mineral exploration project, or alternatively, by its sale;

  or

- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets and mineral rights are initially measured at cost and include the acquisition cost of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation assets where they relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets and mineral rights are assessed for impairment when facts and circumstances (as defined in AASB 6 *Exploration for and Evaluation of Mineral Resources*) suggest that the asset's carrying amount may exceed its recoverable amount. The recoverable amount of exploration and evaluation assets and mineral rights (or the cash-generating unit to which they have been allocated, being no larger than the relevant area of interest), is determined in accordance with AASB 136 *Impairment of Assets*, being the higher of fair value less costs to sell and value in use. If the recoverable amount as determined is less than the carrying amount, an impairment loss is recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

3. Significant accounting policies (continued)

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Estimated useful lives of 3-5 years are used in the calculation of deprecation for plant and equipment.

k) Impairment of assets (other than Financial Assets, Exploration and Evaluation Assets and Mineral Rights)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset which have not already been incorporated into the future cash flows estimates.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in profit or loss.

l) Trade and Other Payables

Liabilities for goods and services provided to the Group are recognised initially at their fair value and subsequently at amortised cost using the effective interest method. Trade and other payables are unsecured.

m) Debt and equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Contracts settled via the delivery of a fixed number of equity instruments in the Company in exchange for cash or other assets are accounted for as equity instruments. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and amounts are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. The present value is calculated using a discount rate that references market yields on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash flows.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

3. Significant accounting policies (continued)

o) Site Restoration and Rehabilitation Provision

Provision for the costs of mine and environmental restoration and rehabilitation are recognised when the Group has a present obligation (legal or constructive) to perform restoration activities, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Restoration and rehabilitation provisions are measured as the present value of estimated future cash flows to perform the rehabilitation activities, discounted at pre-tax rate that reflects market assessments of the time value of money and risks specific to the rehabilitation obligation.

p) Share-based payments

Equity-settled share-based payments made to employees and directors are measured at fair value at the grant date, which is the date on which the equity instruments were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms (e.g. subscription or exercise price) were determined. Fair value is determined using the Black-Scholes model or another binomial model, depending on the type of equity instrument issued.

The fair value of the equity instruments at grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest, with a corresponding increase to the equity settled benefits reserve in shareholders' equity.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case the transactions are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service.

q) Leases

Operating lease payments made by the Group are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

r) Income tax

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax

Current tax is calculated with reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the financial year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for accounting purposes and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) when the assets or liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement

3. Significant accounting policies (continued)

of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax recognition

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity (in which case the deferred tax is also recognised directly in equity), or where it arises from the initial accounting for a business combination.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The members of the tax consolidated group are disclosed in Note 28. Phoenix Copper Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as the head entity in the tax-consolidated group).

Under a tax funding arrangement between the entities in the tax-consolidated group, amounts transferred from entities within the tax consolidated group and recognised by the Company (‘tax contribution amounts’) are recorded in intercompany accounts in accordance with the arrangement.

Where the tax contribution amount recognised by a member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) the group member.

s) Goods and service tax

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except:

I. where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

II. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

t) Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the Company (excluding any costs of servicing equity other than ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

3. Significant accounting policies (continued)

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

u) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets, liabilities and equity. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis for making judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only the current period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment

Determining whether assets are impaired requires an estimation of the value in use or fair value of the assets or cash-generating units to which assets are allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset or cash-generating unit and apply a suitable discount rate in order to calculate present value.

An impairment loss of $1,717,891 was recognised during the year in relation to Exploration and Evaluation Assets (2014: $5,083,980) and an impairment charge of $150,000 was recorded in relation to Assets Held for Sale (2014: $505,608). Details of the impairment loss calculations are provided in Notes 11 and 6 respectively.

Restoration and rehabilitation provision

The site restoration and rehabilitation provision require estimates of future cash flows to meet the costs of rehabilitation activities and the application of a discount rate in order to determine the present value of those cash flows. Refer to Note 6 Assets Held for Sale for further detail on the basis for the restoration and rehabilitation provision.

Equity-based payments

The determination of the fair value at grant date of options and performance rights utilises a financial asset pricing model with a number of assumptions, the most critical of which is an estimate of the Company's future share price volatility. Refer to Note 20 for detail on assumptions made regarding equity-based payments made during the year.

4.	**LOSS FROM OPERATIONS**		
		Year Ended 30/06/15 $	**Year Ended 30/06/14 $**
	a) Other income		
	Interest on bank deposits	38,638	24,876
	Asset sales	14,300	9,324
	Exploration personnel & equipment hire	5,460	49,173
	Other	10,122	19,033
		68,520	**102,406**
	b) Depreciation		
	Depreciation of plant and equipment	32,370	37,627
	c) Occupancy		
	Operating lease rental expenses	66,954	65,515
	d) Impairment		
	Exploration and evaluation assets	1,717,891	5,083,980

5.	**INCOME TAX**		
		Year Ended 30/06/15 $	**Year Ended 30/06/14 $**
	(a) Income tax recognised in profit or loss		
	Current tax expense/(benefit)	-	-
	Deferred tax benefit	-	(77,404)
	Total tax expense/(benefit)	**-**	**(77,404)**
	The prima facie income tax benefit on the loss before income tax reconciles to the tax expense/(benefit) in the financial statements as follows:		
	Loss for the year before tax	4,331,299	6,707,660
	Income tax benefit calculated at 30%	(1,299,390)	(2,012,298)
	Equity-based remuneration	3,239	7,902
	Current year tax losses and movements in temporary differences not recognised	1,296,151	2,004,396
	Recognition of research and development tax refund from the previous tax year	-	(77,404)
	Tax expense (benefit)	**-**	**(77,404)**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Recognised tax assets and liabilities

Deferred tax assets and (liabilities) are attributable to the following:

	30/06/15 $	30/06/14 $
Trade and other receivables	-	-
Other financial assets	330,158	98,102
Exploration and evaluation expenditure	(956,944)	(609,452)
Plant and equipment	(16,246)	181,094
Mineral Rights*	(69,037)	(15,337)
Trade and other payables	12,741	14,055
Employee benefits	16,661	16,617
Restoration and rehabilitation provision*	168,075	168,075
Share issue costs	49,867	49,193
Net deferred tax liabilities	**(464,725)**	**(97,653)**
Tax losses recognised	464,725	97,653
Net deferred tax assets / (liabilities)	-	-

*part of Assets Held for Sale in the Statement of Financial Position

(c) Unrecognised tax losses:

A deferred tax asset has not been recognised in respect of the following:

	30/06/15 $	30/06/14 $
Tax Losses – operating, at 30% potential benefit	7,406,862	6,738,944
Tax Losses – capital, at 30% potential benefit	115,307	115,307

Of the total operating tax losses in the Group at 30 June 2015 of approximately $26 million, $24.7 million are unrecognised as shown above ($7.4 million tax effected at 30%). A deferred tax asset has not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which to utilise the losses.

6.	ASSETS HELD FOR SALE		
		30/06/15 **$**	**30/06/14** **$**
	Assets Held for Sale	-	150,000

In the prior financial year, the Company formally commenced a sale process for its three mining leases near Leigh Creek, and associated assets and liabilities. The preferred manner of sale is through a 100% disposition of the Company's subsidiary Leigh Creek Copper Mine Pty Ltd ('LCCM').

Mining and production operations at Leigh Creek have been on care and maintenance since January 2012, during which time the Company conducted studies into alternative leaching methods before formally putting the assets for sale.

In April 2015, the Company executed an Option and Sale Agreement with private company Hillsgold Resources Pty Ltd (Hillsgold) regarding LCCM. Under the Agreement, Hillsgold has the option to acquire LCCM as well as two exploration licences held by the Company near LCCM's mining leases, in return for preparing and submitting to the State government updated environmental plans (PEPRs) for the three mining leases, and also preparing certain feasibility studies on the leases, within 9 months of the date of the Agreement (mid-January 2016). The option can be exercised at any time during the 9 month period. Should Hillsgold exercise the option, it will acquire LCCM, and the two exploration licences mentioned, from the Company for nil up-front consideration (other than the assumption of the rehabilitation obligations at Mountain of Light) and a contingent payment to the Company of $100,000 if and when 3,000 tonnes of copper are produced from future operations at any of the three mining leases.

Hillsgold has not yet exercised the Option.

As a formal sale process is ongoing, the disposal group has been classified as a single current asset in the Statement of Financial Position, and the loss incurred on these discontinued operations has been shown in the Statement of Comprehensive Income as a separate line, with re-stated comparatives for the prior year.

Detail of the loss from discontinued operations:

		30/06/15 **$**	**30/06/14** **$**
	Employee benefits	-	89,424
	Plant depreciation	-	-
	Mine site maintenance	79,883	58,107
	Impairment	150,000	505,608
	Loss – discontinued operations	**229,883**	653,139
	Loss per share (cents) basic and diluted	0.1	0.3
	Cash outflows	79,883	147,531

Given the continuing lack of interest in small-scale mining projects both within the industry and in the wider investment community, the fair value of the Leigh Creek net asset disposal group was re-assessed during the year. It was determined that based on estimated net disposal proceeds from an arm's length transaction of nil (ie disposal of assets and liabilities for a net nil sum), the fair value was zero and as such an impairment charge of $150,000 was recorded.

That figure continues to be management's best estimate at 30 June 2015 of the overall recoverable amount, and is consistent with what would be received from Hillsgold, should they exercise the Option to acquire LCCM.

The fair value had been assessed at $150,000 at 30 June 2014, based on market conditions and discussions with prospective buyers at that time.

Detail of the assets and liabilities of the disposal group at 30 June 2015:

		30/06/15 $	30/06/14 $
	Assets		
	Environmental deposit[1]	150,000	150,000
	Plant & equipment - cost	3,634,902	3,643,382
	Plant & equipment – accumulated depreciation	(3,634,902)	(3,643,382)
	Mineral rights[2]	410,250	560,250
	Total Assets	**560,250**	**710,250**
	Liabilities		
	Rehabilitation[3]	(560,250)	(560,250)
	Net asset carrying value	**-**	**150,000**

[1] The environmental deposit is held by the South Australian government as a condition of the mining leases held by the Group. The deposit will be returned to the Group upon satisfactory rehabilitation of its mining leases. Interest on the deposit does not accrue to the Group.

[2] Mineral rights are amortised as the resource is mined. No mining has occurred since 2011.

[3] The provision for site restoration and rehabilitation is based on the estimated future costs of dismantling plant and equipment and performing site rehabilitation at the Group's Mountain of Light copper mine, discounted at a risk-adjusted risk-free rate.

7.	CASH AND CASH EQUIVALENTS		
		30/06/15 **$**	**30/06/14** **$**
	Cash at bank	218,865	247,533
	Term deposit	650,000	200,130
		868,865	**447,663**

At year end, the term deposit was invested for 90 days earning 2.97% annual interest.

8.	TRADE AND OTHER RECEIVABLES		
		30/06/15 **$**	**30/06/14** **$**
	Interest	3,312	1,181
	Goods & Services Tax	11,179	6,010
	Other	116	14,464
		14,607	**21,655**

9.	PREPAYMENTS AND DEPOSITS		
		30/06/15 **$**	**30/06/14** **$**
	Prepayments	22,167	27,782
	Deposit – office bond	32,760	32,760
		54,927	**60,542**

The office bond is invested in a 365 day term deposit maturing February 2016 and earning 3.2% interest.

10.	OTHER FINANCIAL ASSETS		
		30/06/15 **$**	**30/06/14** **$**
	Investment in Avalon Minerals Ltd	386,761	1,160,281

In the prior year, the Company acquired 128,920,124 shares in ASX listed Avalon Minerals Limited (Avalon), at a cost of $1,487,288. During the current year, Avalon completed a 10-for-1 share consolidation, which resulted in an adjustment to the number of shares in Avalon held by the Company to 12,892,013.

At 31 December 2014, an impairment charge of $1,229,448 was recorded to reduce the carrying value of the investment in Avalon to fair value, based on the market value of Avalon Minerals Limited's shares at that time. The impairment was recorded in profit or loss in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, due to the significant and prolonged decline in Avalon's share price in comparison to the Company's average cost of the investment. The impairment charged included a reclassification of $327,007 from Other Comprehensive Income/Loss (OCI) representing the decline in the value of the Avalon investment initially recorded in OCI as a loss in the 2014 financial year.

At 30 June 2015, the Investment in Avalon was revalued to its fair value at that time, and resulted in a $128,920 increase to the carrying value of the investment to $386,761. This increase was recorded in OCI, as per AASB 139.

In accordance with the requirements of AASB 13 *Fair Value Measurement*, and consistent with prior periods, the fair value of the investment in Avalon is determined with reference to its quoted market price (a 'Level 1' measurement standard per AASB 13) on the ASX at each reporting date.

11.	EXPLORATION AND EVALUATION EXPENDITURE		
		30/06/15 **$**	**30/06/14** **$**
	Costs brought forward	**3,633,957**	**8,533,941**
	Expenditure incurred during the year	1,430,953	617,858
	Recognised as an expense (tenements previously impaired)	(53,207)	-
	Reclassified to Assets Held for sale	-	(433,862)
	Impairment charges	(1,717,891)	(5,083,980)
		3,293,812	**3,633,957**

Virtually all expenditure during the year related to exploration activity on the Group's new Northern Territory projects.

In August 2014, the Company executed an agreement with Crocodile Gold Australia Pty Ltd (Crocodile Gold), a subsidiary of Canadian-listed Crocodile Gold Corp. (now Newmarket Gold Inc.) for the acquisition of 14 mineral leases in the Northern Territory, and a farm-in arrangement whereby the Company can earn up to 90% in 21 (now 20) exploration licences and 4 mineral leases, also in the Northern Territory. The acquisition of the mineral leases was formally completed on 20 November 2014, with the satisfaction of all conditions precedent.

Consideration for the purchase of the mineral leases was $1 plus a 2% royalty on the market value of any future production of gold and silver from the leases (all other metals are excluded from the royalty). Payment of $500,000, either in cash or shares at the Company's election, is due if a bankable feasibility study is completed on any of the acquired or farm-in tenements.

Crocodile Gold retains a 30% claw-back right over the acquired tenements by paying Phoenix Copper Limited three times the Company's accumulated expenditure on the tenements, and can also re-acquire 90% of any gold or silver deposits with a JORC compliant resource on the farm-in tenements by paying Phoenix Copper Limited three times the Company's accumulated expenditure on the deposit(s).

The acquired mineral leases include the Iron Blow and Mount Bonnie base metals and gold deposits contained within the Hayes Creek project.

The farm-in tenements include the Burnside, Moline and Chessman base metals and gold exploration projects. Under the terms of the farm-in, Phoenix Copper can earn a 51% interest in the farm-in tenements with expenditure of $2 million over 2 years (to 15 December 2016) , and can then elect to increase its interest to 90% with expenditure of an additional $2 million over a further 2 year period. $500,000 of the expenditure requirements for each 2 year period may be spent on the acquired mineral leases. As at 30 June 2015, total expenditure for the purposes of the farm-in was $0.9 million.

Impairment

At 30 June 2015, an impairment charge of $1,717,891 was recognised in relation to the Group's Burra Central and Yorke Peninsula exploration tenements in South Australia. With the shift in the Group's exploration focus to the Northern Territory, the majority of available funds will be directed toward these higher priority projects and significant expenditure in South Australia is not budgeted for nor is planned in the near term. While tenure has been maintained at Burra Central and on the Yorke Peninsula, impairment indicators were considered to exist warranting a re-assessment of fair value. The fair value less costs to sell of these projects was assessed as $2 million, based on their estimated value in an arms-length sale transaction in current market conditions.

The exploration and evaluation asset write-off in the prior year related to the Group's South Australian tenements aside from its key projects at the Burra Central tenement and on the Yorke Peninsula. Accumulated costs on these non-core tenements are considered unlikely to be recovered through a future mining operation as significant further expenditure is not planned in the near term. The fair value less costs to sell of these projects was also assessed as minimal, and therefore the costs were written off in full.

12.	**PLANT AND EQUIPMENT**	
	Cost	**$**
	Balance at 30 June 2013	4,197,743
	Additions	-
	Disposals	(65,045)
	Reclassified to Assets Held for Sale	(3,643,482)
	Balance at 30 June 2014	**489,216**
	Additions	47,551
	Disposals	(96,532)
	Balance at 30 June 2015	**440,235**
	Accumulated Depreciation	
	Balance at 30 June 2013	4,099,734

	Depreciation Expense	37,627
	Disposals	(43,636)
	Reclassified to Assets Held for Sale	(3,643,482)
	Balance at 30 June 2014	**450,243**
	Depreciation Expense	32,370
	Disposals	(96,532)
	Balance at 30 June 2015	**386,081**
	Net book value – Plant and Equipment	
	Balance at 30 June 2014	38,973
	Balance at 30 June 2015	**54,154**

The useful lives applied in the determination of deprecation for all items of plant and equipment is 3-5 years.

13.	**TRADE AND OTHER PAYABLES**		
		30/06/15 **$**	**30/06/14** **$**
	Trade payables	134,083	88,641
	Accrued expenses	78,319	83,628
	Other payables	22,867	14,865
		235,269	**187,134**

Average credit period on trade payables is 30 days.

14.	**LOAN**		
		30/06/15 **$**	**30/06/14** **$**
	Loan	1,200,000	1,200,000

During the prior year, the Company arranged a $1.2 million loan to fund a potential sub-underwriting commitment in relation to an Avalon Minerals Limited rights issue. While the funds were ultimately not required for that purpose, the full $1.2 million was drawn in November 2013 and utilised to acquire shares in Avalon Minerals Limited (refer to Note 10). Key terms of the loan are as follows:

- Loan funding must be used to acquire shares in Avalon Minerals Limited
- Maturity date of 6 November 2016
- Unsecured
- 7.5% annual interest rate, payable in cash or ordinary shares of the Company, at the option of the Company
- Principal is to be repaid via the remittance of net proceeds from the sale of any of the shares in Avalon acquired using the loan proceeds, up to the $1.2m loan principal. If the cash proceeds available to the Company through the sale of Avalon shares are insufficient to repay the loan principal amount by the maturity date, any shortfall may be repaid via the issue of shares in the Company. If the shares in Avalon have not been disposed of by the maturity date, the loan is repayable in cash.

Interest charges of $100,000 (2014: $63,062 from the November 2013 draw-down) were incurred on the loan during the year, of which $10,000 consisted of withholding tax remitted to the Australian Taxation Office. Interest payable on a 6-monthly basis was settled on both occasions by issuing shares; refer to Note 16(e) for further detail.

15.	PROVISIONS		
		30/06/15 $	30/06/14 $
	Current		
	Employee benefits	45,606	47,871
	Non-current		
	Employee benefits	9,932	7,518

16.	ISSUED CAPITAL		
		30/06/15 $	30/06/14 $
	357,256,457 fully paid ordinary shares (2014: 210,052,258)	26,562,067	23,557,745

Movement in ordinary shares for the year:

		No.	30/06/15 $	No.	30/06/14 $
Ref	Balance at beginning of year	**210,052,258**	**23,557,745**	**179,707,749**	**22,296,472**
a	Shares issued on vesting of performance rights, and transfer from equity settled benefits reserve to share capital	750,000	27,976	-	-
b	Shares issued at 1.3 cents	24,300,000	315,900	-	-
c	Shares issued at 2.3 cents, Rights Issue	117,129,179	2,693,971		
d	Shares issued to settle interest on convertible notes	872,094	15,000	1,027,188	30,000
e	Shares issued to settle interest on loan	4,152,926	90,000	1,740,384	45,000
f	Shares issued at 4.5 cents	-	-	27,576,937	1,240,962
	Share issue costs		(108,525)	-	(14,650)
g	Interest on convertible notes – reduction in share capital		(30,000)	-	(40,039)
	Balance at end of year	**357,256,457**	**26,562,067**	**210,052,258**	**23,557,745**

Fully paid shares carry one vote per share and a right to dividends.

a) 375,000 ordinary shares were issued to a related party of the Company's Chief Executive Officer in August 2014 following the vesting of an equivalent number of performance rights that were originally issued in September 2013. A further 375,000 ordinary shares were issued to a related party of the Company's CEO in November 2014 following the vesting of an equivalent number of performance rights that were issued in September 2014.

b) 24,300,000 ordinary shares were issued to sophisticated and professional investors in August 2014 at 1.3 cents raising $315,900 before costs.

c) 117,129,179 shares were issued in October and November at 2.3 cents raising $2.69 million before costs under a one-for-two non-renounceable pro-rata Rights Issue, including 6,260,693 shares placed with sophisticated investors within 90 days of the closing of the offer.

d) Shares were issued in May 2015 at the Company's preceding 30 day volume weighted-average share price (VWAP) of 1.7 cents to settle $15,000 of interest payable on convertible notes.

In the prior year, shares were issued in November 2013 and May 2014 to settle 6 monthly interest payable ($15,000 each time) on the Company's $600,000 convertible notes. Shares were issued at the Company's (VWAP) of 4.2 cents (November) and 2.2 cents (May).

e) Shares were issued in November 2014 (1,567,643) and May 2015 (2,585,283) at the Company's 30 day volume weighted-average share price of 2.9 cents (November) and 1.7 cents (May) to settle a total of $90,000 of interest payable on the Company's $1.2 million loan.

In the prior year, shares were issued in May 2014 to settle 6 monthly interest payable of $45,000 on the Company's $1.2 million loan. Shares were issued at the Company's preceding 30 day VWAP of 2.6 cents.

f) In the prior year, 1,740,384 shares were issued to sophisticated investors in two separate placements at 4.5 cents each in September 2013 and November 2013.

g) Interest paid in cash ($15,000 November 2014) and by issuing shares ($15,000 May 2015) on convertible notes has been accounted for as a reduction in share capital, consistent with the treatment of the convertible notes as an equity item (refer Note 17 for further detail).

17. OTHER CONTRIBUTED EQUITY

		30/06/15 $	30/06/14 $
	Convertible notes – equity settled	600,000	600,000

In May 2013, the Group issued 600,000 unsecured convertible notes at a price of $1 per note. The key terms of the notes are as follows:

- Convertible any time after 18 months from the date of issue, at the option of either the Company or the Subscriber, for 20 ordinary fully paid shares per note
- Interest accrues at 5% per annum, payable in cash or ordinary shares (based on the Company's 30 day VWAP preceding the end of each interest period) semi-annually at the option of the Company
- Any unconverted notes automatically convert into ordinary shares, at the rate of 20 ordinary shares per note, on the maturity date of 22 May 2016
- Redeemable in cash at the option of the Company at the end of each calendar quarter during the 18 month period after issuance (subject to an interest premium of 2.5% for early redemption)

As the notes will be settled by way of the issue of a fixed number of shares in the Company (unless the Company elects to settle in cash as noted above), the notes have been accounted for as a separate component of shareholders' equity.

Semi-annual interest payable of $15,000 was settled in cash in November 2014 and in May 2015 by issuing shares as outlined in Note 16(d).

18.	RESERVES		
		30/06/15 $	30/06/14 $
	Equity-settled benefits reserve	218,273	235,452
	Fair value movements reserve	128,920	(327,007)
		347,193	**(91,555)**

The equity-settled benefits reserve arises on the vesting of performance rights and share options granted to employees, consultants and executives under the Employee Performance Rights Plan and (previous) Employee Share Option Plan. It also reflects the fair value at grant date of options issued in conjunction with ordinary shares for capital raising purposes.

Amounts are transferred out of the reserve and into issued capital when the rights are converted into shares or options are exercised, or to accumulated losses when rights or options lapse. Further information about share based payments is disclosed in Note 20.

The decrease in the equity settled benefits reserve for the year consists of:

- $27,976 transferred to share capital for shares issued upon the satisfaction of the performance conditions attached to performance rights (refer Note 16a)

offset by

- The recognition of share-based payment expense for the year of $10,797, representing the current year's portion of the grant date fair value of performance rights considered likely to vest

The fair value movements reserve relates to the Company's investment in Avalon Minerals Ltd (refer to Note 10). The debit balance reserve of $327,007 at the prior year end was reclassified into profit and loss via the impairment loss recorded at 31 December 2014, and a new credit reserve was created at 30 June 2015 to record the upward movement in the market value of the investment in Avalon since the impairment loss was recorded.

19.	ACCUMULATED LOSSES		
		30/06/15 $	30/06/14 $
	Balance at beginning of year	19,995,642	13,433,386
	Loss for the year	4,331,299	6,630,256
	Transfer from equity settled benefits reserve regarding options that lapsed unexercised	-	(68,000)
	Balance at end of year	**24,326,941**	**19,995,642**

20. SHARE OPTIONS AND PERFORMANCE RIGHTS

In 2011, the Group replaced the Employee Share Option Plan with the Employee Performance Rights Plan. Details about these plans are set out below.

Performance Rights Plan

Under the Phoenix Copper Limited Employee Performance Rights Plan (PRP), the Directors may issue performance rights to Company executives, employees and consultants. Performance rights are granted for no consideration and entitle the holder to be issued one fully paid ordinary share per performance right upon vesting.

September 2013 Rights

On 19 September 2013, 1,500,000 performance rights were issued to the Company's CEO under the PRP. The performance rights had the following performance conditions, with all but the market capitalisation performance condition required to be achieved by 30 June 2014:

- achievement of a capital raise of at least $2 million such that cash on hand is at least $1m at 30 June 2014, after spending at least $1m on exploration activities (20%);
- share price performance of the Company exceeding that of 50% of the Company's peer group, or the Company's market capitalisation exceeding $20 million over 20 days' trading on the ASX in the period to 30 June 2015 (20%);
- discovery of ore-grade mineralisation (35%);
- presentation to and acceptance by the Board of at least one value accretive project (20%); and
- zero lost time due to accidents and zero environmental incidents (5%).

At 30 June 2014, the Board determined that performance conditions relating to 375,000 rights (25%) had been met and consequently 375,000 shares were issued in August 2014. It was also determined that performance conditions related to 825,000 rights had not been met, and these rights therefore lapsed.

At 30 June 2015, it was determined that the performance conditions relating to the remaining 300,000 rights were not met and therefore the rights lapsed at that time.

September 2014 Rights

In September 2014, a further 1,200,000 Performance Rights were issued to the Company's CEO, with performance conditions covering the period to 30 June 2016:

- achievement of a capital raise in excess of $2 million by 30 December 2014 (375,000 Rights);
- a discovery defined by two drill holes spaced a minimum of 75 metres apart with ore-grade mineralisation by 30 June 2016 (375,000 Rights); and
- at the Hayes Creek project, double the contained metal of the existing foreign resource estimate at Iron Blow through the definition of additional resources within a 10km radius of the existing deposit by 30 June 2016 (450,000 Rights).

The achievement of each of the performance conditions is subject to Board approval. The Board also has discretion to amend the allocation of Performance Rights to each condition by up to 50%; however, the total number of Performance Rights that could vest is fixed at 1,200,000.

375,000 shares were issued in November 2014 as the performance condition of a minimum $2 million capital raise prior to 30 December 2014 was met on 7 November 2014, following the issue of shares under a non-renounceable rights issue. 825,000 rights remain, with performance conditions extending to 30 June 2016.

January 2015 Rights

In January 2015, 750,000 performance rights were issued to the Company's Exploration Manager with the following performance conditions:

- Completion of a scoping study on the Hayes Creek project including defining an initial resource estimate at Mount Bonnie of greater than 1 million tonnes by 31 December 2015 (187,500 Rights);
- Increase in the market capitalisation of the Company to >$20 million, measured on a 20 day VWAP basis, by 30 June 2015 (75,000 Rights);
- A discovery, defined by two drill holes spaced a minimum of 75 metres apart with ore-grade mineralisation, at a new prospect by 30 June 2016 (225,000 Rights); and
- At the Hayes Creek project, double the contained metal of the current JORC 2012 resource estimate at Iron Blow through the definition of additional resources within a 10km radius by 30 June 2016 (262,500 Rights).

The achievement of each of the performance conditions is subject to Board approval. The Board also has discretion to amend the allocation of Performance Rights to each condition by up to 50%; however, the total number of Performance Rights that could vest is fixed at 750,000.

At 30 June 2015, it was determined that the performance conditions relating to 75,000 rights (second bullet point above) were not met and therefore the rights lapsed at that time. 675,000 rights remain, with performance conditions extending to 30 June 2016.

During the year, share-based payment expense of $10,797 (2014: 26,341) was recorded in relation to the Performance Rights described above. Key assumptions in determining the grant date fair value of Rights granted during the year:

- Grant Date 19 September 2014: Share Price at Grant Date: 3.0 cents; Volatility: 133%; Risk-free rate: 2.6%.
- Grant Date 14 January 2015: Share Price at Grant Date: 3.0 cents; Volatility: 133%; Risk-free rate: 2.6%.

Share Option Plan

Prior to 2010, the Group had an ownership-based compensation plan for executives, employees and consultants ('Employee Share Option Plan'), under which the Directors could issue options to purchase shares in the Company to executives, employees, and consultants. The exercise price of the options was determined with reference to the market price of ordinary shares at the time the option was granted. No Directors participated in the Employee Share Option Plan.

Options vested at grant date and could be exercised at any time from the date of issue to expiry. Options were not listed, and carried no rights to dividends and no voting rights.

All options under the Share Option Plan had either lapsed or been exercised prior to the start of the financial year.

The following table reconciles the outstanding share options granted under the Employee Share Option Plan from the beginning to the end of the financial year:

Employee Share Option Plan	30/06/15		30/06/14	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	-	-	85,000	0.07
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	-	-	(85,000)	(0.07)
Balance at end of the year	-	-	-	-

Other Options

At the discretion of the Directors, and subject to shareholder approval, other options to acquire shares can and have been issued, for example as part of corporate and asset acquisitions or as part of a capital raising process.

The following table reconciles outstanding Other Options from the beginning to the end of the financial year:

Other Options	30/06/15		30/06/14	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	1,250,000	0.27	1,250,000	0.27
Options granted	-	-	-	-
Options exercised or lapsed	-	-	-	-
Balance at end of the year	1,250,000	0.27	1,250,000	0.27

The share options outstanding at the end of the financial year had a remaining contractual life of 29 days (2014: 394 days).

The following options were in existence at 30 June 2015:

Options – Series	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date	Vesting Date
LCCM Vendors	1,250,000	30/07/2010	29/07/2015	$0.27	$0.1673	30/07/2010

All options expired unexercised on 29 July 2015.

21. KEY MANAGEMENT PERSONNEL DISCLOSURE

The key management personnel of the Group during the year were:

- Graham Ascough (Non-Executive Chairman)
- Paul Dowd (Non-Executive Director)
- Peter Watson (Non-Executive Director)
- David Hillier (Non-Executive Director)
- James Fox (Managing Director & Chief Executive Officer)
- Tim Moran (Chief Financial Officer and Company Secretary)
- Andy Bennett (Exploration Manager – from 1 January 2015)
- Nicole Galloway Warland (Geology Manager – to 20 November 2014)

The aggregate compensation of Key Management Personnel of the Group is set out below:

	Year Ended 30/06/15 $	Year Ended 30/06/14 $
Short-term employee benefits	777,903	745,550
Post-employment benefits	60,395	40,527
Share-based payments	10,797	26,341
	849,095	**812,418**

Details of key management personnel compensation are disclosed in the Remuneration Report in the Directors' Report.

22.	REMUNERATION OF AUDITOR		
	Paid or payable for the following services:	**30/06/15 $**	**30/06/14 $**
	Audit and Review of the financial reports*	33,385	55,304
	Tax return preparation and advice	6,825	7,481
		40,210	**62,785**

*The auditor of Phoenix Copper Limited is Grant Thornton, as approved by the Company's shareholders at the November 2014 AGM. In the prior year, Deloitte Touche Tohmatsu was the Company auditor.

Audit fees for the year ended 30 June 2015 include $27,000 paid and payable to Grant Thornton. Remaining audit fees and fees for the preparation of the tax return and other advice were paid to the previous auditor.

23. RELATED PARTY DISCLOSURES

a) Subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 28 to the financial statements.

b) Other related party transactions

During the financial year the Group and the Company entered into the following transactions:

- A close family member of a Director (Peter Watson) was the Office Manager until October 2014. The amount paid as salary inclusive of superannuation to that person was $15,911 (2014: $59,941).
- The Company engaged Watsons Lawyers, an entity in which a Director (Peter Watson) is a partner, to advise on legal matters. The amount paid in the financial year for these services inclusive of GST was $134,788 (2014: $60,032). No amount was owed at year end (2014: $2,221 was owed including GST).

24. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements in South Australia in order to retain the tenement lease. There are no minimum expenditure requirements on the Company's mineral leases in the Northern Territory.

These obligations vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry will alter the expenditure commitments of the Company.

Total expenditure commitments at 30 June 2015 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/15 $	**30/06/14 $**
Minimum exploration expenditure on tenements	1,000,000	1,400,000

The Group's office lease in Rose Park, South Australia, with annual lease payments exclusive of GST of $64,332, has been renewed for two years to August 2017.

(b) Reilly Tenement Acquisition Agreement

By the Reilly Tenement Acquisition Agreement dated 19 October 2007 between the Company and Matthew Reilly, as amended by deed dated 19 November 2007 (RTAA), the Company agreed to purchase mineral exploration licence EL 3161 (now EL 5382) from Mr Reilly.

Contingent consideration pursuant to this agreement:

- the issue and allotment to Mr Reilly of 800,000 Shares and 800,000 Options upon grant of an Exploration Licence over some or all of the area within EL 3161 reserved from the operation of the Mining Act 1971 (SA), comprising the area, and immediate surroundings, of the historic Burra Mine and the historic Burra Smelter, as gazetted in March 1988;
- the payment of $100,000 upon commencement of processing of any tailings, waste residues, waste rock, spoiled leach materials and other materials located on the surface of the land the subject matter of EL 3161 or derived from that land by or on behalf of the Company; and
- the payment of $200,000 upon the Company announcing an ore reserve, prepared in accordance with the JORC Code, on EL 3161 of at least 15,000 tonnes of contained copper.

(c) Royalty Agreements

The Company has granted the following royalties:

- to Mr Matthew Reilly - 6% of the aggregate net revenue in respect of all metals derived from EL 3161 (now EL 5382).
- to Avanti Resources Pty Ltd - 2.5% of the net smelter return on all metals derived from EL 3604, EL 3716 and EL 3686 (now ELs 4807, 4970, and 4886 respectively).
- to Marathon Resources Limited - 2.5% net smelter return on all metals derived from EL 3164 (now EL 5411).
- to Copper Range (SA) Pty Limited - 1.5% net smelter return on all metals derived from EL 3459 (now EL 4809).
- to Copper Range (SA) Pty Limited - 2.0% net smelter return on all metals derived from EL 3971 and EL 3972 (now ELs 5169 and 4626 respectively).
- to Copper Range (SA) Pty Limited - 50% of a 1.5% net smelter return on all metals derived from EL 4370 (now EL 5557).
- to Flinders Mines Limited - 50% of a 1.5% net smelter return on all metals derived from EL 4370 (now EL 5557).

The Company's subsidiary Leigh Creek Copper Mine Pty Ltd has a royalty agreement with Mount Gunson Mines Pty Ltd whereby a 1% royalty is payable to Mount Gunson in respect of copper produced from operations at ML 5467, ML 5498, and ML 5741.

(d) Native Title

A native title claim application has been lodged with the Federal Court of Australia over land on which the majority of the Group's tenements in South Australia are located. The Group is unable to determine the prospects of success or otherwise of the claim application, and to what extent an approved claim might affect the Group or its projects.

(e) Crocodile Gold

As outlined in Note 11, Crocodile Gold is entitled to a 2% royalty on the market value of any future production of gold and silver from the 14 mineral leases the Company acquired from Crocodile Gold in the Northern Territory. A payment of $500,000, either in cash or shares at the Company's election, is also due if a bankable feasibility study is completed on any of the acquired or farm-in tenements.

In addition, Crocodile Gold holds a 30% claw-back right over the acquired tenements by paying Phoenix Copper Limited three times the Company's accumulated expenditure on the tenements, and can also re-acquire 90% of any gold or silver deposits with a JORC compliant resource on the farm-in tenements by paying Phoenix Copper Limited three times the Company's accumulated expenditure on the deposit(s).

25. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	30/06/15 $	30/06/14 $
Financial assets		
Cash and cash equivalents	868,805	447,663
Deposits	32,760	32,760
Trade and other receivables	14,607	21,655
Other financial assets – Investment in Avalon	386,761	1,160,281
Financial liabilities		
Trade and other payables	235,269	187,134
Loan	1,200,000	1,200,000

The Group's activities expose it to several financial risks which impact on the measurement and potentially could affect the ultimate settlement amount of its financial instruments: market risk, credit risk, and liquidity risk.

Market risk

The Group's activities, up to 31 December 2011 when copper production ceased, were exposed to the financial risks of changes in US dollar exchange rates and global copper prices. Since then, price and currency risk is minimal.

The Group is exposed to movements in the share price of Avalon Minerals Ltd, as the Company's investment of 12,892,013 shares in Avalon is carried at fair value, and movements are reflected through other comprehensive income or loss. Each one cent change in the market value of Avalon's shares changes the fair value of the Company's investment by $128,920. Movement in the fair value of the investment in Avalon, as an indicator of its realisable value, also affects the number of shares the Company may have to issue to settle any shortfall in the Company's $1.2 million loan before it matures in November 2016 (refer Note 14).

The Group's exposure to interest rate movements is limited to increases or decreases in interest earned on cash, cash equivalents, and deposits.

If interest rates had been 50 basis points higher or lower during the financial year and all other variables were held constant, the Group's net loss would increase/decrease by approximately $5,000 and $5,000 respectively (2014: increase/decrease by approximately $3,500 and $3,500 respectively).

As the Group's exposure to market risks is not significant, management of these risks is limited to monitoring movements in commodity prices, foreign exchange rates, interest rates, and the market value of the shares of Avalon Minerals Ltd.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk

Ultimate responsibility for managing liquidity risk rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Board manages liquidity risk by continuously monitoring forecast and actual cash flows, and raising capital as needed, primarily through new equity issuances, in order to meet the Group's exploration expenditure commitments and corporate and administrative costs.

Liquidity and interest risk tables

The following table details the Company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than one month	1-3 months	3-12 months	1-5 years
	%	$			
2015					
Non-interest bearing	-	175,021	43,398	16,850	-
Fixed Interest bearing	7.5	-	-	90,000	1,245,000
2014					
Non-interest bearing	-	115,886	54,398	-	-
Fixed Interest bearing	7.5	-	-	90,000	1,335,000

Fair value of financial instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of debt and equity balances. Due to the nature of the Group's activities (primarily exploration), the Directors believe that the most appropriate and advantageous way to fund activities is through equity issuances, and all capital raised to date with the exception of the $1.2 million loan (which funded the acquisition of shares in Avalon Minerals Ltd) has been equity based.

The Group closely monitors and forecasts its cash flow and working capital to ensure that adequate funds are available in the future to meet exploration and administrative activities.

26. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is both activity and project based. The principal activity is exploration, now in both the Northern Territory and South Australia. Exploration projects are evaluated individually, and the decision to allocate resources to individual projects in the Group's overall portfolio is predominantly based on available cash reserves, technical data and expectations of resource potential and future metal prices.

The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration in the Northern Territory
- Exploration in South Australia
- Mining and production of copper in Australia (now discontinued)

Financial information regarding these segments is presented below. The accounting policies for reportable segments are the same as the Group's accounting policies.

	Revenue			**Segment loss**	
	Year ended			**Year ended**	
	30/06/15 $	**30/06/14 $**		**30/06/15 $**	**30/06/14 $**
Exploration – SA	-	-		(1,771,097)	(5,083,980)
Exploration - NT	-	-		-	-
Mining - discontinued operation	-	-		(229,883)	(653,139)
Unallocated	-	-		(2,330,319)	(970,541)
Loss before tax				**(4,331,299)**	**(6,707,660)**
Income tax benefit				-	77,404
Consolidated segment loss for the year				**(4,331,299)**	**(6,630,256)**

The segment loss of Exploration- SA consists primarily of the $1,717,891 impairment charge (Note11), and the Mining segment loss includes a $150,000 impairment charge (Note 6).

Segment loss represents the loss earned by each segment without allocation of corporate administration costs, impairment in the investment in Avalon, interest income and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment:

		30/06/15 $	30/06/14 $
Assets			
Exploration - SA		2,000,000	3,633,957
Exploration - NT		1,330,479	-
Mining (Held for Sale)		-	150,000
Unallocated assets		1,342,647	1,729,114
Total assets		**4,673,126**	**5,513,071**
Liabilities			
Exploration - SA		-	13,104
Exploration - NT		101,965	-
Mining (Held for Sale)		-	-
Unallocated liabilities		1,388,842	1,429,419
Total liabilities		**1,490,807**	**1,442,523**

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments except for cash/cash equivalents, other financial assets, prepayments/deposits, and corporate office equipment.

All liabilities are allocated to reportable segments other than employee provisions, loan, and corporate/administrative payables.

27. EARNINGS PER SHARE

	Year Ended 30/06/15 Cents per share	Year Ended 30/06/14 Cents per share
Basic and Diluted loss per share- continuing operations	(1.3)	(3.0)
Basic and Diluted loss per share – discontinued operations	(0.1)	(0.3)
Total loss per share	(1.4)	(3.3)
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	$	**$**
Loss after tax – continuing operations	(4,101,416)	(5,977,117)
Loss after tax – discontinued operations	(229,883)	(653,139)
Weighted average number of ordinary shares	311,671,557	198,465,806

The weighted average number of ordinary shares in the calculation of diluted earnings per share is the same as for basic earnings per share, as the inclusion of potential ordinary shares in the diluted earnings per share calculation is anti-dilutive due the loss incurred for the year.

28. CONTROLLED ENTITIES

Name of Entity		Country of Incorporation	Ownership Interest 2015 %	Ownership Interest 2014 %
Parent Entity				
Phoenix Copper Limited	(i)	Australia		
Subsidiaries				
Wellington Exploration Pty Ltd	(ii)	Australia	100%	100%
Leigh Creek Copper Mine Pty Ltd	(ii)	Australia	100%	100%

(i) Head entity in tax consolidated group

(ii) Members of tax consolidated group

The ultimate parent entity in the wholly-owned group is Phoenix Copper Limited. During the financial year, Phoenix Copper Limited provided accounting and administrative services at no cost to the controlled entities and advanced interest free loans. Tax losses have been transferred to Phoenix Copper Limited by way of inter-company loans.

Phoenix Copper Limited has entered into a deed of cross guarantee with its wholly-owned subsidiaries, Leigh Creek Copper Mine Pty Ltd and Wellington Exploration Pty Ltd, and therefore these latter entities are relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. As there are no other entities in the Group other than those party to the deed of cross guarantee, the consolidated financial statements of the entities party to the deed of cross guarantee are the same as those of the Group.

29. PARENT ENTITY DISCLOSURES

	30/06/15 $	30/06/14 $
Financial Position		
Assets		
Current assets	1,325,160	1,840,141
Non-current assets	3,347,966	3,672,930
Total assets	**4,673,126**	**5,513,071**
Liabilities		
Current liabilities	280,875	235,005
Non-current liabilities	1,209,932	1,207,518
Total liabilities	**1,490,807**	**1,442,523**
Net Assets	**3,182,319**	**4,070,548**
Equity		
Issued capital	26,562,067	23,557,745
Other equity	600,000	600,000
Reserves	347,193	(91,555)
Accumulated losses	(24,326,941)	(19,995,642)
Total equity	**3,182,319**	**4,070,548**

	Year Ended 30/06/15 $	Year Ended 30/06/14 $
Financial Performance		
Loss for the year	(4,331,299)	(6,630,256)
Other comprehensive income/loss	455,927	(327,007)
Total comprehensive loss	**(3,875,372)**	**(6,957,263)**

Commitment for expenditure and contingent liabilities of the parent entity

Note 24 discloses the Group's commitments for expenditure and contingent liabilities, all of which are applicable to the parent entity also.

30. SUBSEQUENT EVENTS

In August 2015, the Group raised $0.9 million via the placement of 70 million shares at $0.013 each to sophisticated investors. The Group also received commitments for further share placements of $0.6 million to be approved by shareholders at the Company's annual general meeting.

There are no other matters or circumstances that have arisen since 30 June 2015 and have significantly affected or may significantly affect:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years

Directors' Declaration

In the Directors' opinion:

(a) the consolidated financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including

  i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

  ii. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;

(b) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 28.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporation Act 2001*.

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

Graham Ascough

Chairman

18 September 2015

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PHOENIX COPPER LIMITED

Report on the financial report

We have audited the accompanying financial report of Phoenix Copper Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Phoenix Copper Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as going concern

Without qualifying our opinion, we draw attention to Note 3(a) in the financial report which indicates that for the year ended 30 June 2015 the consolidated entity incurred a comprehensive loss of $3,875,372 and operations were funded by a net cash outlay of $2,480,144 from operating and investing activities. These conditions, along with other matters as set forth in Note 3(a), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Phoenix Copper Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 18 September 2015