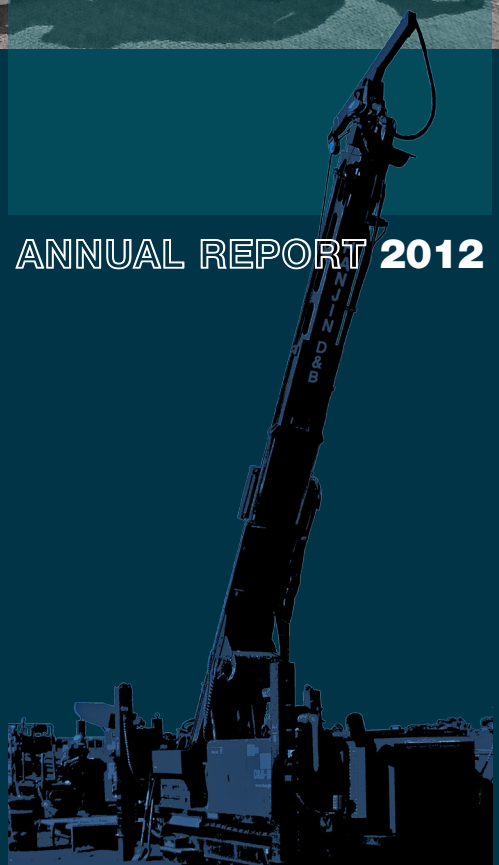
phoenix
COPPER

ANNUAL REPORT 2012



Corporate directory

Australian Business Number 67 127 446 271

Country of Incorporation Australia

Board of Directors

Graham Spurling	Chairman
Paul Dowd	Non-executive Director
Peter Watson	Non-executive Director
David Hillier	Non-executive Director

Company Secretary

Tim Moran

Principal Administrative Office

Level 1, 135 Fullarton Rd
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Registered Office

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Website www.phoenixcopper.com.au

Share Registry

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Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide
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Lawyers

Watsons Lawyers
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ASX

The Company's fully paid ordinary shares are quoted on the ASX under the code PNX.

Contents

Chairman's Letter

Dear Shareholder,

In reporting on the events of the past year ending 30 June 2012, I would also like to lead into the events currently taking place and the strategies being developed for the future.

A significant event during the year was the retirement of Paul Dowd from his position of Managing Director. Paul has led the Company and has developed its strategy from Phoenix Copper's inception. We thank him sincerely for his very valuable contribution so far and we are pleased that he will remain on the Board as a Non-Executive Director.

James Fox in his appointment as Chief Executive Officer brings his youth, professionalism and enthusiasm to the company. He is very ably supported by our new Chief Financial Officer Tim Moran.

In examining our mining operations, it now is clearly evident that the investment in the Mountain of Light mine at Leigh Creek did not live up to our expectations of providing cash flow for exploration. This has led us to isolate and mothball the operation and evaluate options for its future.

The Company is now strongly focussed on our "main game" of exploration. To tighten this focus even more, we are concentrating our efforts and our cash spend in two areas—Burra North and Yorke Peninsula. Having completed a stringent evaluation of the potential of our tenements outside those two strategic regions, we are now in the process of disposing of some and reducing the areas of responsibility of others.

This strategy of focus is well founded on our high level of confidence in the ultimate potential of the Yorke Peninsula, influenced by our immediate proximity to Rex Minerals and also from the fact that we are second only to Rex in the size of our tenement holdings on the Peninsula. Both of us are in the zone of high opportunity. Phoenix Copper is executing an exploration program that will more clearly identify the real potential of our tenements in this area, with a view to attracting new investors and potential partners.

Drilling at Burra North is continuing with a view to establishing a resource, by following the line of strike emanating north from the Monster mine at Burra.

A tight program in terms of both time and expenditure is in work and it will result in a decision being made regarding the future of our activity in the Burra region by the end of 2012.

From an overall financial perspective, there will be enough cash to achieve both the North Burra and the Yorke Peninsula goals.

Our most recent fund-raising attracted further investment by 30% of our current shareholding. All of our Directors participated.

Looking at our financial structure, our overheads are currently of the same level as our exploration costs. It is clear that to improve this situation we need to find a synergistic partner for the future. Management is actively pursuing this strategy.

Yours sincerely,

Graham Spurling
10 OCTOBER 2012

Overview

Figure 1 Phoenix Copper tenements.

1 General

Phoenix Copper Limited (Phoenix Copper or the Company) is primarily a mineral exploration company, with a focus at present on its tenement holdings in South Australia. Through the Company's wholly owned subsidiary Leigh Creek Copper Mine Pty Ltd (LCCM), Phoenix Copper also holds three South Australian mineral leases and mining and processing facilities, although mining activities are currently on hold. During the 2012 financial year, the Company's priorities lay in advancing two key exploration projects: Burra North and the Yorke Peninsula.

During the year, the Company appointed a new Chief Executive Officer (James Fox), following the retirement of Paul Dowd, and also appointed a new Chief Financial Officer and Company Secretary (Tim Moran).

2 Key financial data

	30 June 2012	30 June 2011
Copper sales volumes (tonnes)	124	301
Average realised price (A$/lb)	3.13	3.17
	$000's	$000's
Revenue – copper sales	856	2,101
Production loss – copper+	1,505	3,016
Impairment - LCCM	1,496	1,630
Corporate/administrative costs	1,678	2,018
Research & Development tax refund	644	164
Loss after tax	4,111	6,944
Loss per share	3.0 cents	8.1 cents
	$000's	$000's
Net operating cash flows	(2,587)	(2,807)
Funds raised - equity (net of costs)	5,039	8,286
	$000's	$000's
Cash on hand	1,820	1,090
Net working capital	2,240	(217)
Capitalised exploration expenditure	7,164	5,354
Borrowings	-	500
Net assets	10,279	8,389
Number of shares on issue*	177,442,543	93,116,512
Number of unlisted options on issue**	12,186,102	15,809,665
Indicated contained copper resources (tonnes, 0.4% cut-off grade)	19,600	19,600
Share price (ASX: PNX)++	9 cents	10 cents

+ *excluding impairment charges*

* *178,707,749 as of the date of this report*

** *27,450,551 as of the date of this report*

++ *6 cents at the date of this report*

The overall loss after tax for Phoenix Copper and its subsidiaries (the 'Group') for the 2012 financial year of $4.1m included the following significant items:

- Production loss at LCCM – Mountain of Light (MoL) $1.5m
- Impairment charges at MoL $1.5m
- Exploration asset write off $0.15m
- Corporate/administrative costs $1.7m
- R&D refund $0.64m

Production of copper cement over the first half of the financial year was 124 tonnes, sold to Adchem Australia Pty Ltd at an average realised price of $3.13/lb (80% of LME under the off-take agreement). The operating loss incurred was due to lower than planned copper recoveries and high operating costs in a low volume operation. Copper production was put on hold in January 2012, pending the results of studies into alternative processing methods. This is discussed in more detail in the Operations and Exploration section of this report.

The impairment charges at MoL represent a write-down in the carrying value of plant and equipment and mineral rights to their fair value. The on-going operating losses necessitated a review of the recoverability of the assets of the operation.

Following a review of the status and future prospectivity of the Group's tenements, it was decided at year end that three tenements will be relinquished (noted in Tenements section below), and therefore accumulated costs on those tenements of $0.15m were written off.


Princess Royal.

Corporate and administrative expenses include head office wages, professional fees, insurance, regulatory, occupancy and communications.

The Research and Development tax concession claim of $0.64m related to the 2011 tax year, and in particular to heap leaching studies conducted over that period. The claim was received subsequent to 30 June 2012.

Net operating cash flows were negative at $2.6m, which reflects the operating loss at MoL during the first half of the year, and corporate and administrative costs otherwise.

Overall the loss for 2012 of $4.1m was lower than the loss of $6.9m in 2011, due mainly to a lower loss at MoL ($1.5m lower), lower exploration asset write-offs ($0.4m lower), and a greater R&D refund ($0.5m higher).

During the 2102 financial year, the Group raised a total of $5.1m (net of costs) through a shareholder Rights Issue in November ($3.6m) and the exercise at year-end of 10 cent options originally issued under the Rights Issue ($1.5m). Cash invested in exploration activities was $2m, while operating/administrative activities cost $2.6m. Exploration primarily consisted of geophysical surveys and drilling on the Yorke Peninsula ($1m) and drilling at Burra North ($0.4m); these projects are discussed in more detail below under Operations and Exploration.

Total issued shares as of the date of this report are 178,707,249, and there are 27.5 million unquoted options on issue, of which all but 2.1 million expire in the 2012/13 financial year.

At 30 June 2012, the Group had $1.8m of cash, net working capital of $2.2m, and no borrowings. As of the date of this report, cash is still at $1.8m as receipt of the Group's research and development claim for 2011 (noted above) has offset expenditure. The Group has sufficient cash to meet is near-term exploration activities and administrative costs, however further funds will need to be raised in 2013 as is the norm with mineral exploration companies.

The most significant planned exploration activity in the 2013 financial year is a follow up drilling program at Burra North. Some funds may be spent on specified drilling targets on the Yorke Peninsula while the Group seeks a joint venture partner to assist with funding a larger scale, more comprehensive exploration program there.

The Group is also evaluating alternatives with respect to LCCM.


Princess Royal.

3 Tenements

The Group currently holds 20 exploration licences covering 4,571km² and three mining leases covering 572ha (6km²), a total area of 4,577km² in the highly prospective Yorke Peninsula, Burra, Eudunda, and Leigh Creek regions of South Australia as shown in Table 1 and Figure 1.

Included in the totals above are one tenement that was acquired subsequent to year end but is still to be completed (EL 3907 on the Yorke Peninsula), and another tenement, which had previously been applied for, that was granted subsequent to year end (EL 4983 Weaver Hill, also on the Yorke Peninsula).

Several tenements were renewed during the year:

- EL3604 Burra West, now EL4807;
- EL3459 Princess Royal, now EL4809;
- EL3716 Burra North, now EL4970;
- EL3451 Bagot Well North, now EL4626; and
- EL3686 Spalding, now EL4886.

Two tenements were relinquished during the year, EL4032 Mt Bryan and EL4362 Mt Tinline.

Three other tenements are planned to be relinquished in 2012/2013: EL4476 Hallett Hill, EL4504 The Gums, and EL4503 Australia Plains.

Table 1: Phoenix Copper Exploration and Mining Leases

Exploration licence no	Exploration licence name	Area (sq km)	Grant date	Registered holder
Burra Group		**2,221**		
4226	Burra Central	86	24/02/2009	Phoenix Copper 100%
4807	Burra West	69	25/07/2006	Phoenix Copper 100%
4970	Burra North	300	6/03/2007	Phoenix Copper 100%
4233	Mongolata	283	10/03/2009	Phoenix Copper 100%
4809	Princess Royal	314	1/05/2006	Phoenix Copper 100%
4419	Red Banks	396	21/01/2010	Phoenix Copper 100%
4476	Hallett Hill	80	27/04/2010	Phoenix Copper 100%
4504	The Gums	160	31/05/2010	Phoenix Copper 100%
3971	Anabama	465	5/11/2007	Phoenix Copper 100%
4711	Burra Creek Plain	68	29/03/2011	Phoenix Copper 100%
Yorke Peninsula Group		**1,419**		
4031	Minlaton	547	21/01/2008	Wellington Exploration 100%
4312	Koolywurtie	258	30/09/2009	Phoenix Copper 100%
4983	Weaver Hill	360	31/08/2012	Phoenix Copper 100%
3907*	Coonarie	254	*	Phoenix Copper 100%
Spalding Group		**366**		
4886	Spalding	157	2/01/2007	Phoenix Copper 100%
4370	Washpool	209	10/11/2009	Phoenix Copper 100%
Eudunda Group		**565**		
4291	Bagot Well	71	5/08/2009	Phoenix Copper 100%
4503	Australia Plains	222	31/05/2010	Phoenix Copper 100%
4626	Bagot Well North	142	15/11/2005	Phoenix Copper 100%
3972	Tarnma	130	5/11/2007	Phoenix Copper 100%
Total ELs		**4,571**		
Mining lease no	**Mining lease name**	**Area (ha)**	**Grant date**	**Registered holder**
Leigh Creek Group		**572**		
ML 5467	Mountain of Light	250	16/10/1987	LCCM 100%
ML 5741	Mount Coffin	200	3/06/1991	LCCM 100%
ML 5498	Lorna Doone	122	18/01/1988	LCCM 100%
Total All Tenements		**4,577 sq km**		

* *purchase agreement signed in August 2012, completion expected in November 2012*

4 Operations and Exploration Highlights

LEIGH CREEK – MOUNTAIN OF LIGHT

There were no reportable accidents or incidents during the year; however, one rainfall event at MoL at the end of February 2012 occurred, and in line with Phoenix Copper's Rainfall Event Management Procedure, excess surface runoff water was redirected to the stormwater containment dam where it was subsequently allowed to evaporate.

All mining, crushing and stacking activities were completed prior to the start of the financial year with copper being leached from the stacked ore until December 2011. All remaining product was shipped from site and all revenues received by the end of January 2012.

Extensive test-work and analysis was also undertaken and a scoping study was completed during the year to determine whether the existing heap leach process should be re-started and to identify alternative higher efficiency leaching processes. Several alternative processing methods were pursued and the next stage of a mini pilot plant is being considered.

BURRA PROJECT – BURRA NORTH

At Burra North, a diamond drilling program was undertaken during the February – April period over two Inverse Polarisation (IP) anomalies 800m to the north-west and along strike from the Monster Mine. The maiden drilling program resulted in nine holes completed for 984m and the discovery of the Eagle Prospect. Better intercepts included[1]:

- PCD0038 - 22.5m at 0.81% copper from 94.9m including 4.6m at 2.19% copper from 102.6m (see Figure 2).
- PCD0040 - 26.3m at 2.86% copper from 50.7m including 15.7m at 4.65% copper from 61.1m
- PCD0041 - 14.9m at 0.67% copper from 55.9m including 4.8m at 1.01% copper from 65.2m
- PCD0042 - 8.9m at 0.57% copper from 50.0m including 2.1m at 0.79% copper from 56.8m

A second phase of drilling commenced at Burra North in late August 2012 in an effort to further define the boundaries of the Eagle Prospect mineralised zone.

YORKE PENINSULA PROJECT

A Versatile Time Domain Electromagnetic (VTEM) geophysical survey was flown in November 2011 over the northern portions of EL4031 and EL4312. Three sharply defined conductivity anomalies, SGVT1, SGVT9 and NGVT56 were chosen as the first diamond drill targets.

Following the VTEM survey, ground gravity data was collected and processed over six selected target areas on tenements EL4031 and EL4312 to further refine the drill targets.

A maiden diamond drilling program was undertaken over the March – May period with six holes for 1,331m being completed. Encouraging assays were received with a number of results greater than 400ppm Cu. Sulphide rich alteration assemblages similar to those associated with Iron Ore Copper Gold (IOCG) style mineralisation at the Moonta and Wallaroo Mines located to the north were identified (see Figure 3).

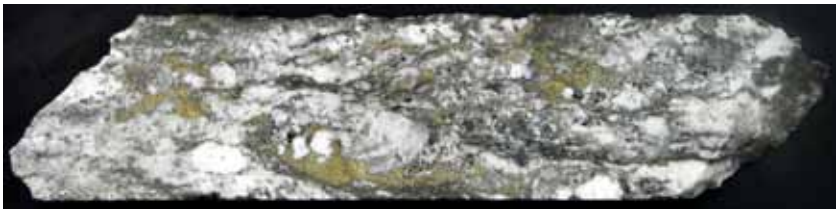


Figure 2 *PCD038 at 103m chalcopyrite veinlets in quartz carbonate veined phlogopite and feldspar rich metamorphosed sandy-dolomite. For scale the core is 50.6mm wide.*

Figure 3 *Yorke Peninsula, PYD005 at 99m, pyrite and chalcopyrite associated with foliation and cross cutting vein sets.*

1 *All intercepts are down hole length, interpreted approximate true width is up to 16.5m, interpreted approximate depth to start of mineralisation from the surface is 40m.*

OTHER PROJECTS

The following projects are currently of lower priority for the Group, and activity on them over the 2012 financial year was limited.

Princess Royal

An Inferred Resource of 216,586 tonnes of ore at an average grade of 0.96% copper, for 2,083 tonnes of contained copper using a mining cut-off grade of 0.4% copper was calculated.

Mongolata, Spalding, and Eudunda

FPXRF analysis continued on the Mongolata project, drill targets identified during the period included the hinge zone of the Cox Sandstone south of Mongolata where arsenic values were found to be elevated over iron rich quartz and sulphide veined siltstone units near the southern extension of the Mongolata line around the hinge of the Cox Sandstone in EL4419.

At Spalding, FPXRF analysis continued predominantly over the western contact of the Spalding Inlier where several weakly anomalous zones of copper were identified.

At Eudunda, FPXRF field work continued over a north trending fault at Bagot Well in central EL4291. A copper anomaly over 1km in length was identified.

Mount Coffin ML5741

All historic drilling data was located and compiled, and plotting and modelling of the historic percussion drilling was completed. A copper exploration target was defined along strike of the old Elsie Adair workings in the southern portion of the tenement.

SUMMARY OF EXPLORATION ACTIVITIES

2012 Financial year and to date of this report

- 2315.5m of diamond drilling was completed (plus 239.7m since 30 June 2012)
- 1421 diamond core samples sent to laboratory for copper and gold assay (plus 51 since 30 June 2012)
- 17,409 FPXRF analyses taken of soils (none since 30 June 2012)
- 977 FPXRF analyses taken on diamond drill core (plus 24 since 30 June 2012)
- 1320 scintillometer analyses (none since 30 June 2012).

Core review on Yorke Peninsula

Core from PYD005 89.9m

Operations and Exploration Report

Operations – Leigh Creek

There were no reportable accidents or incidents during the year; however, between the 27th February and the 2nd March 2012 over 200mm of rainfall was experienced on site. In accordance with Phoenix Copper's Rainfall Event Management Procedure, excess surface runoff water was redirected to the stormwater containment dam were it was subsequently allowed to evaporate. Water damage also occurred to the haul roads and the main access road to site necessitating remedial grading, this was completed by the 20 March 2012.

All mining, crushing and stacking activities were completed prior to the start of the financial year with copper being leached from the stacked ore until December 2011. All remaining product was shipped from site and all revenues received by the end of January 2012. The operation has been on 'care and maintenance' since that time whilst additional test-work was undertaken.

Pad 3 continued to be the primary leach pad to the end of December 2011, providing the bulk of the copper to final product. Pads 1 and 2 also contributed but to a lesser extent.

In excess of 120t of copper was produced from Pad 3 resulting in a total copper recovery of 57% over 270 days at an irrigation rate of 5.2l/m^2/hr. Net sulphuric acid consumption was 22kg/t of ore stacked resulting in 4.6kg acid per kg of copper produced.

Being the 'test' Pad, Pad 3 was subjected to a number of ongoing research and development metallurgical trials throughout the year, designed to understand and overcome the leaching difficulties associated with excess fines and a high percentage of clay minerals in the main ore body at Paltridge North.

Bench scale test work was also undertaken to optimise the process and provide further direction as to the feasibility of heap leaching. This work comprised assay by size, particle size distribution, mineralogy via quantitative X-ray diffraction (QXRD), batch scrubbing, sulphuric acid copper solubility, and bottle roll tests.

By scrubbing the -25mm crushed ore followed by screening or hydrosizing, approximately 78% of the copper can be recovered in the coarse +250µm fraction for 33.5% of the mass.

In doing this it was determined that although technically successful, a process comprised of crushing, scrubbing and desliming the ore prior to heap leaching would be economically marginal due to the compounding copper losses to tails through the process and therefore too high risk at current copper prices.

As a result, it was decided to move away from heap leaching, and several other processing options have been identified and investigated; these are Continuous Vat Leaching (CVL) by Innovat Limited of Burlington, Canada, and Ion Exchange (IE) by InnovEco Australia.

Initial test-work was undertaken and both processes were favourable, showing significantly higher copper dissolution rates and lower residence times on the Leigh Creek ore than with heap leaching. As a result, Promet Engineering was engaged to assist with the scoping study and further test-work was undertaken. Agitated tank leaching was also included as a comparison.

The main advantages of CVL and IE over Heap Leaching are as follows:

- Higher overall recovery rates – greater than 85%
- Low residence time (fast recovery) less than 48hrs
- Minimal copper in inventory (low cost inventory)
- Constant operation (no batch process)
- Lower operating costs
- Full utilisation of available resource (processes less affected by fine clays).

The next stage under consideration is to construct and operate a mini pilot plant using the Ion Exchange process. Pilot plants give a best estimate through small scale continuous testing of ion exchange kinetics, acid consumption, copper recovery and purity, and are used to generate design criteria for any future engineering of a full scale plant.

The wet analytical laboratory at MoL has been used extensively for providing pH, sulphuric acid concentrations, copper and other analyses for the heap leach operations and related test-work. The sample preparation laboratory was used to prepare samples, including diamond drill core from the Yorke Peninsula and Burra North drill programs, along with a dedicated core cutting saw.

ANNUAL PRODUCTION

Copper cement product produced	Wet weight	Dry weight	Contained Cu t	% H_2O	Cu% Wet	Cu % Dry
Total to 30 June 2012	200.6	159.6	123.9	20.4%	61.7%	77.6%

Sales during the period: 123.9 tonnes of copper in final product.

Copper cement at Leigh Creek

Exploration

OVERVIEW

Phoenix Copper's main exploration activities during the year consisted of two projects:

- The Yorke Peninsula project, where exploration for an IOCG resource similar to Moonta or Hillside continued to be the main focus of activity in this area of significant prospectivity. Exploration activities included a Versatile Time-Domain Electromagnetic (VTEM) survey, select ground gravity and a maiden diamond drilling program.
- The Burra North prospect, where a maiden diamond drilling program over historical Inverse Polarisation (IP) targets resulted in the discovery of the 'Eagle Prospect', a high grade copper sulphide zone of mineralisation.

YORKE PENINSULA PROJECT

Highlights

- Completion of a Versatile Time Domain Electromagnetic (VTEM) airborne survey using a helicopter platform to map possible mineralisation associated with interpreted geological contacts and structures.
- Ground gravity survey over six selected areas.
- Biogeochemistry orientation survey was trialed over three selected geophysical targets.
- Maiden diamond drilling program, comprising six holes for a total of 1,331m over three prospective areas. These were the first diamond holes drilled in the area since 1955.
- Encouraging assays received with a number of results greater than 400ppm copper.
- Sulphide rich alteration assemblages similar to those associated with Iron Oxide Copper Gold (IOCG) style mineralisation at the Moonta and Wallaroo Mines located to the north were identified.
- Additional exploration license EL4983 Weaver Hill applied for and granted subsequent to year end, providing further access to the interpreted southern extension of the Pine Point Copper Belt.
- Acquisition of exploration license EL3907 subsequent to year end (still to be completed) resulting in Phoenix Copper having the second largest exploration land holding on the Yorke Peninsula, with 1,419km^2 (see Table 1).
- PACE funding of $57,500 was received for the VTEM air-borne geophysical survey – *PACE Targeting 2011.*
- Successful PACE grant in the amount of $65,000 for drill testing of VTEM targets – *PACE Discovery Drilling 2012*.

Drilling at Burra North

Prospectivity

Phoenix Copper's 100% owned highly prospective Yorke Peninsula tenure now consists of four Exploration Licenses, EL4031, EL4312, EL4983, and EL3907 (once the acquisition is completed), and covers a significant land area of 1,419km², adjacent to Rex Minerals Limited's Hillside Deposit and to the south of the historic Moonta-Wallaroo 'Copper Triangle'. The Olympic IOCG Domain, of which the Yorke Peninsula is part, hosts a number of large scale copper-gold deposits including the giant Olympic Dam copper-gold-uranium deposit and world class resources at Prominent Hill, Carapateena as well as Hillside (see Figure 4).

These four tenements remain largely unexplored and the six holes drilled as part of Phoenix Copper's maiden diamond drilling program cover only a very small area within this large highly prospective tenure. They are the first diamond holes drilled since 1955 when two holes were drilled at Balgowan by the South Australia Department of Mines[2]; these holes intersected elevated zones of both base metal and iron mineralisation in the form of magnetite. Best results were from hole DDH 2: 79.2m at 18.9% iron from 35m, including 0.33m at 0.3% copper and 0.35% nickel from 105.5m.

Phoenix Copper's program only tested three of the 29 VTEM and 13 3D magnetic and gravity targets identified through geophysical analysis.

The prospectivity of each of the three drill targets is confirmed by the intersection in all six diamond drill holes of the following positive ingredients for IOCG mineralisation:

- favourable lithologies (Wallaroo Group and Hiltaba Suite intrusives);
- anomalous copper values indicating copper in the system;
- style and intensity of alteration (albite –haematite, biotite-magnetite pyrite-chalcopyrite, chlorite-quartz-haematite-k feldspar-pyrite – chalcopyrite) brecciation; and
- level of sulphides (PYD005: pervasive disseminated pyrite 1-10% over 140m down hole length (visible estimates from 93.2m – 233.6m).

Figure 4 *Phoenix Copper's Yorke Peninsula tenements in the Olympic Domain.*

Drilling has also confirmed that the depth of cover in the northern portions of EL4031 and EL4312 is between 30m and 70m thick. This relatively thin cover provides a higher degree of confidence in the use of geochemical sampling to test geophysical targets for evidence of mineralisation and minimises the cost of future drilling.

Broad analogies can be made between the alteration assemblage associated with strong sulphides and copper mineralisation in the Moonta-Wallaroo copper-gold mines and the alteration assemblage observed in PYD005 and PYD006. Continued exploration focus is warranted, based upon:

- the alteration assemblage;
- the high levels of pervasive sulphides; and
- petrological evidence that the rock has been fractured, followed by infiltration of hydrothermal fluids.

2 *South Australia Department of Mines Mining Review for the Half Year ended 31st December 1955, No.103 issued under the authority of the Hon. Sir A. Lyell McEwin, K.B.E., Minister of Mines K.M. Stevenson, Government Printer, Adelaide 1957*

Exploration during the year

Phoenix Copper has undertaken geological, geochemical and geophysical surveys over its tenure in the last 12 months generating exciting IOCG drill targets.

VTEM

A VTEM geophysical survey was flown over the northern portions of EL4031 and EL4312 during November 2011 (see Figure 5). The aim of the survey was to identify conductivity anomalies that may be associated with IOCG deposits. The data was acquired at a line spacing of 200m for a total of approximately 1,000 line kilometres.

Twenty-nine high priority conductive targets which may be associated with IOCG mineralisation were identified. Of these, three sharply defined conductivity anomalies, SGVT1, SGVT9 and NGVT56 were chosen as the first drill targets on the basis of contrast to background, coincidental structural, geological, conductivity, gravity, copper-in-soil anomalism and accessibility.

Biogeochemistry

In February 2012, a small biogeochemical orientation program across three selected geophysical targets was trialled. This method involved using plant leaves in a sampling medium, which is a low impact, environmentally friendly, time and cost efficient geochemical sampling method compared with more invasive exploration sampling techniques.

The trial biogeochemical survey was considered successful, highlighting the ability of native vegetation (Eucalyptus socialis) to detect geochemical anomalies through greater than 40m of transported cover – sands, clays and limestone.

Ground gravity

Following the VTEM survey, Atlas Geophysics Pty Ltd were contracted to acquire and process ground gravity data over six selected areas on tenements EL4031 and EL4312. The selection of areas was based on target generation from VTEM data and 3D magnetic modelling.

The survey was conducted on a 100m x 50m east west grid configuration, totalling approximately 4,500 stations.

Figure 5 *Geophysical crew discussing VTEM program with farmer at Minlaton.*

Diamond drilling

Phoenix Copper's maiden diamond drilling program was undertaken during March–May of 2012 with six holes totalling 1,331m completed (see Table 2). The holes were primarily designed to test the three 'stand out' VTEM anomalies, whilst identifying possible favourable host lithologies and alteration assemblages that could vector future exploration toward copper-gold mineralisation.

These are the first diamond holes in the area since 1955. Encouraging assays were received with many results greater than 400ppm copper. Sulphide rich alteration assemblages similar to those associated with IOCG style mineralisation at the Moonta and Wallaroo Mines located to the north were identified.

The lithologies, style and intensity of alteration, and levels of sulphides intersected throughout all six drill holes confirms the Company's geological models and provide increased exploration confidence for vectoring to copper-gold mineralisation within Phoenix Copper's tenure.

From the three targets drilled, SGVT1, SGVT9, and NGVT56 (see Figure 6), three discrete geological and structural settings are now recognised, each with the potential to host significant copper mineralisation. Each area hosted a different stratigraphic unit: Hiltaba Suite (SGVT9 PYD003-PYD004), Wallaroo Group (NGVT56 PYD005-PYD006) and possible Lincoln Complex (SGVT1 PYD001-PYD002), each with varying styles and intensity of alteration assemblages.

Cross sections for each of the drilled targets are shown in Figures 7, 8 and 9.

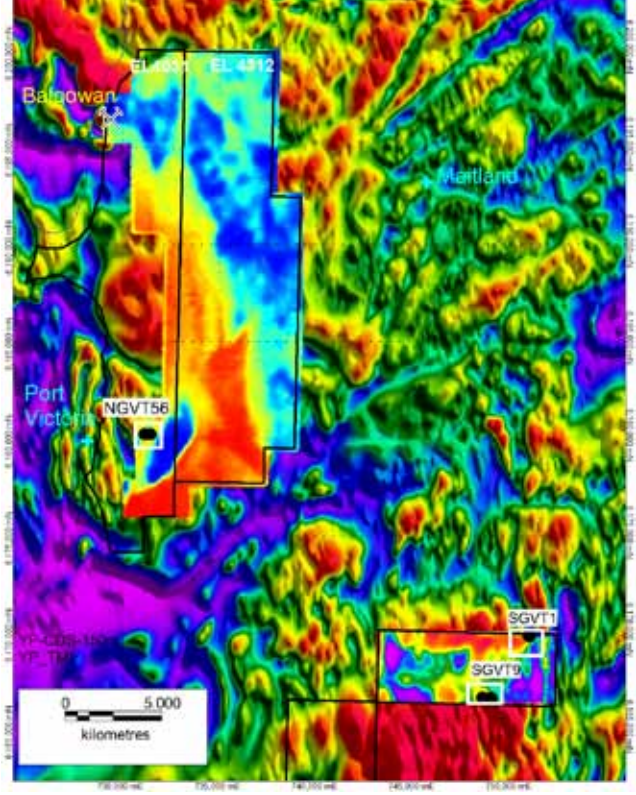


Figure 6 Target locations showing VTEM conductivity depth slice at 150m on TMI image.

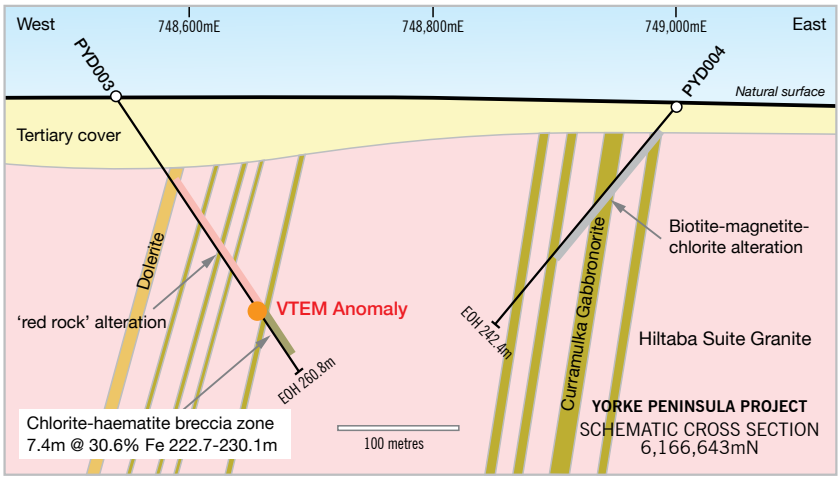


Figure 7 Schematic cross section for SGVT9.

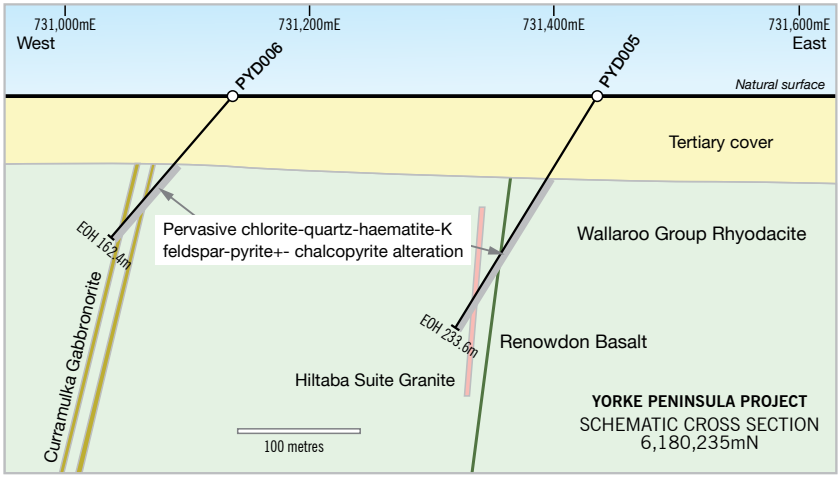


Figure 8 Schematic cross section for NGVT56.

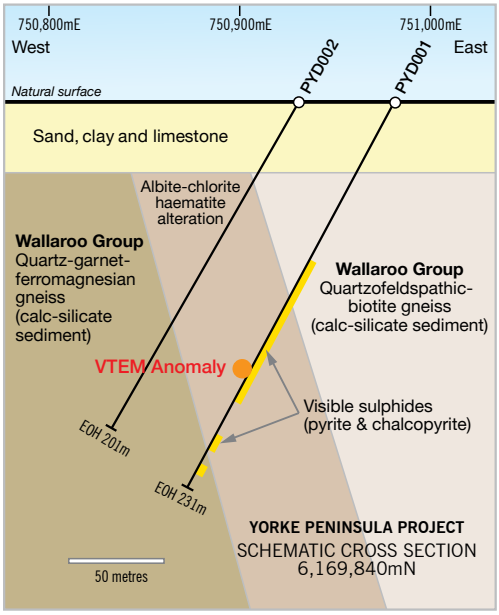


Figure 9 *Schematic cross-section for SGVT1 target showing PYD001 and PYD002.*

Table 2: Drill hole collar positions

Hole ID	Target	Easting	Northing	Azimuth	Dip	EOH (m)
PYD001	SGVT 1	750975	6169842	270	-60	231.1
PYD002	SGVT 1	750928	6169838	270	-60	201.0
PYD003	SGVT 9	748538	6166643	090	-57	260.8
PYD004	SGVT 9	749010	6166638	270	-50	242.2
PYD005	NGVT 56	731438	6180236	270	-60	233.6
PYD006	NGVT 56	731135	6180233	230	-60	162.4

Projection: MGA zone 53 (GDA 94)

Table 3: Copper values greater than 400ppm (0.04%)

Hole ID		From	To	Interval (m)	Cu (ppm)*
PYD001		129.00	130.60	1.60	532
	including	129.00	130.00	1.00	685
PYD001		151.00	153.00	2.00	430
	Including	151.00	152.00	1.00	513
PYD001		212.00	213.70	1.70	460
	including	213.00	213.70	0.70	936
PYD002	No copper values greater than 400ppm				
PYD003		100.90	101.40	0.50	469
PYD004		124.2	124.8	0.60	520
PYD005		114.1	114.3	0.2	759
PYD006	No copper values greater than 400ppm				

* *Copper determined by four acid digest followed by ICP-OES finish. QA/QC samples indicated acceptable analytical quality. Intersections are down hole lengths. True widths not known at this stage. Based on drill holes samples background copper is approximately 79ppm.*

Table 4: Gold values above 0.1g/t

Hole ID	From	To	Interval (m)	Au g/t *
PYD006	94.6	95.6	1.0	0.13

* *Gold determined by aqua regia digestion followed by AA finish. QA/QC samples indicated acceptable analytical quality. Intersections are down hole lengths. True widths unknown are not known at this stage.*

Future planned exploration activities

The next stage of planned exploration is to identify the core to the alteration system. This will include:

- vectoring in on potential economic mineralisation associated with all three diamond drill areas and also the historical Balgowan drill holes;
- follow up drilling to provide geochemical data; and
- further geophysical surveys.

An Information Memorandum (IM) has been selectively issued to several companies that have expressed an interest in a possible joint venture on Phoenix Copper's highly prospective Yorke Peninsula IOCG tenements due to the large area held and the multiplicity of excellent targets.

BURRA PROJECT

Burra North Prospect – EL4970

Highlights

- A maiden diamond drill program over historical IP anomalies was completed
- nine diamond holes were drilled for 984.4m
- Discovery of the 'Eagle Prospect', a copper mineralised zone 800m to the north-west and along strike from the Monster Mine
- Best downhole copper intercept to date from diamond drill hole PCD0040 (see Figure 13):
  - » 26.3m at 2.86% copper from 50.7m including 15.7m at 4.65% copper from 61.1m

The Burra North prospect is situated 150km north of Adelaide within the Adelaide Geosyncline, 800m to the northwest of the historic Monster Mine on the outskirts of Burra (see Figure 10).

A program of diamond drilling was undertaken to identify the sources of three IP anomalies generated by the precursor to DMITRE in the 1960s and aimed to identify whether copper mineralisation exists north along strike of the Monster Mine copper lode.

The first phase of diamond drilling commenced at the end of January 2012, where nine diamond drill holes PCD0035 – PCD0043 (see Table 5) were completed for a total of 984.4m. This maiden exploration drill program resulted in the discovery of a zone of copper mineralisation newly named 'Eagle Prospect'.

Significant copper mineralisation has been identified in two adjacent cross sections (see Figures 11 and 12) in drill holes PCD0038, PCD0040, PCD0041 and PCD0042 (see Figure 10 and Table 6).

Figure 10 *Aerial view of the Burra North prospect showing approximate historic shaft locations as dark blue squares, proposed Burra North drill sites as light blue boxes and flags and existing drill hole collars and traces in yellow.*

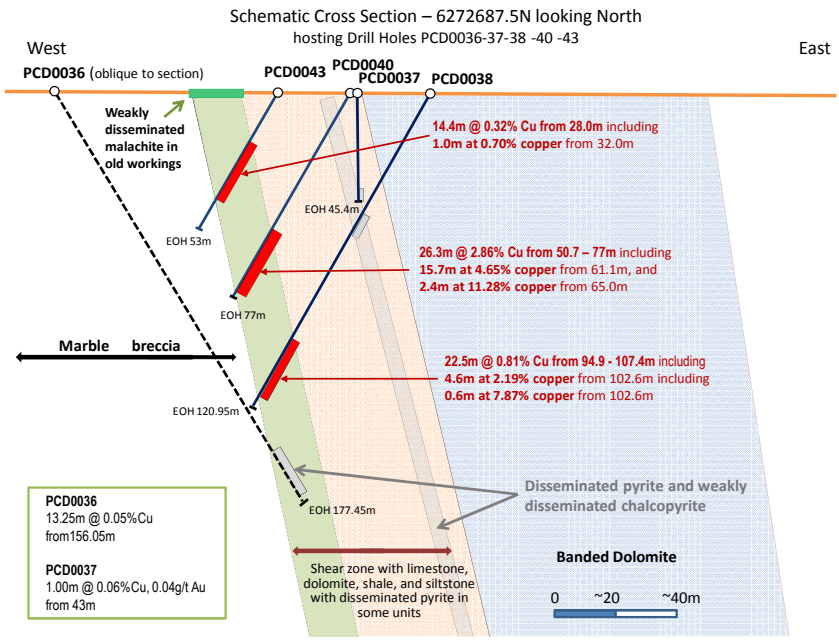


Figure 11 *Schematic cross section at 6272687.5N including drill holes PCD0037, PCD0038, PCD0040 and PCD0043.*

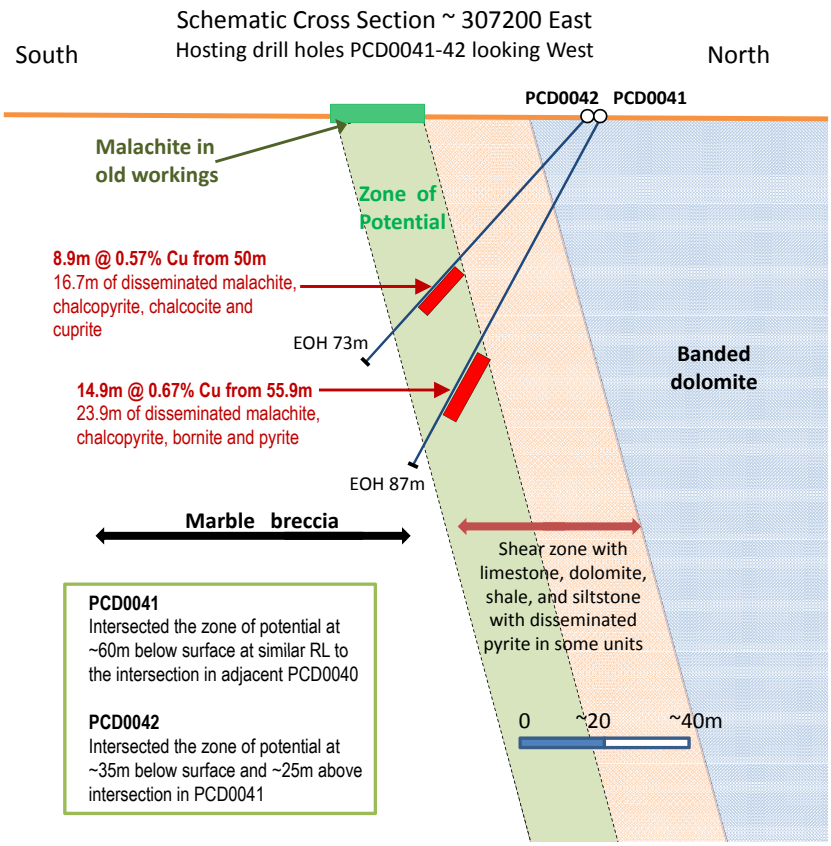


Figure 12 *Schematic cross section at 307200E including drill holes PCD0041 and PCD0042.*

Figure 13 *Chalcopyrite in brecciated carbonate from 63.6–65.9m in PCD0040.*

This highly prospective zone is interpreted to extend for more than 800m to the north-west of the Monster Mine. Its approximate trend is interpolated from the position of historic shafts (whose locations have recently been interpreted from historic maps[3] (see Figure 10) past the Bon Accord mine (Engine Shaft) and on toward the Burra golf course.

This copper rich sandy meta-dolomite hosted zone is interpreted to be North-North West striking, -80° North East dipping and with a true width of approximately 12m (see schematic cross sections in Figures 11 and 12 and plan view in Figure 10). The orientation of the zone is interpreted from observing intercepts approximately 40m apart in two oblique cross sections. All intercepts greater than 1% copper are listed below in Table 6.

Future planned exploration activities

A follow up drilling program comprising up to 12 drill holes for up to 1,000m is currently underway and further geophysical surveys may be undertaken with the aim of determining the trend and northern, southern and depth extents of the zone of mineralisation.

There is no record of any drilling between the Engine shaft at the Bon Accord Mine and Killicoat's shaft 200m further north or between Killicoat's shaft and the section hosting PCD0041 and PCD0042. This zone is therefore undrilled and unexplored, and Phoenix Copper is excited to be able to continue mineral exploration in this area of significant prospectivity.

3 *Sanders, R., December 23rd 1873. The Yorke Peninsula Mining Company - Burra Mines. Journal of Geology 25th April 1874.*

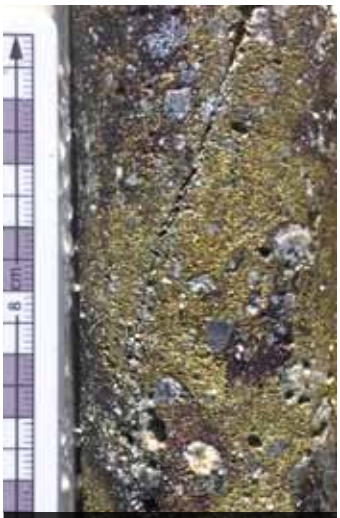
Table 5: Collar file showing Burra North drill hole details

Hole ID	Northing	Easting	Azimuth (GDA94)	Dip	Downhole depth (m)	RL
PCD0035	6272610	306832	276	-60	205.3	465
PCD0036	6272623	307106	61	-50	177.5	465
PCD0037	6272685	307204	0	-90	46.0	467
PCD0038	6272683	307232	280	-60	121.0	466
PCD0039	6272500	306700	266	-60	144.7	465
PCD0040	6272685	307204	281	-60	77.0	467
PCD0041	6272685	307205	200	-60	87.0	467
PCD0042	6272685	307205	200	-47	73.0	467
PCD0043	6272687	307183	201	-60	52.9	468

Table 6: Assays above 1% copper[4]

Hole ID	From	To	Downhole interval (m)	Cu (%)*
PCD0035	No assay greater than 1% copper			
PCD0036	No assay greater than 1% copper			
PCD0037	No assay greater than 1% copper			
PCD0038	102.6	103.2	0.6	7.87
	105.7	106.3	0.6	4.65
	109.9	110.2	0.3	1.24
	110.2	110.7	0.5	1.52
PCD0039	No assay greater than 1% copper			
PCD0040	61.1	62.1	1.0	18.74
	62.1	63.0	0.9	1.56
	63.0	63.5	0.5	1.73
	63.5	64.0	0.5	11.46
	64.0	65.0	1.0	11.19
	65.0	65.9	0.9	11.27
	65.9	66.3	0.4	7.54
	66.3	67.0	0.7	3.06
	67.0	67.7	0.7	1.29
	69.0	70.0	1.0	1.04
	70.0	70.8	0.8	7.92
	70.8	71.8	1.0	2.49
	71.8	72.8	1.0	4.04
	72.8	73.8	1.0	1.84
	76.5	76.8	0.3	3.30
PCD0041	65.2	66.1	0.9	1.74
	69.2	70	0.8	1.98
PCD0042	No assay greater than 1% copper			
PCD0043	No assay greater than 1% copper			

Mineralised diamond drill hole core from Burra North



Mineralised diamond drill hole core from Burra North

4 *Copper determined by 4A and 4AHBR/OE. QA/QC samples indicated acceptable analytical quality. Intersections are down hole lengths, true widths will be determined by further drilling.*

Princess Royal Prospect EL4809

A JORC compliant, inferred copper carbonate mineral resource has been calculated for the Princess Royal copper deposit, located 10km south east of Burra, approximately 130km north of Adelaide in the mid-north of South Australia.

The inferred mineral resource at Princess Royal, using a mining cut-off grade of 0.4% copper, is 216,586 tonnes of ore at an average grade of 0.96% copper containing 2,083 tonnes of copper.

478 samples were assayed for both gold and copper and the average gold grade for those returning greater than 0.4% copper is 0.2g/t gold.

The inferred mineral resource that has been defined occurs wholly within EL4809 which is owned 100% by Phoenix Copper. This inferred resource occurs at shallow depths (less than 40m), and the proximity to infrastructure and labour make it an attractive resource.

Although there has been significant historic drilling in this area, the Princess Royal resource is based solely on drilling conducted by Phoenix Copper, as historic drill collars could not be precisely located. In total: 26 diamond holes, for 1017.5 m; 44 reverse circulation holes for 969.3m; and, 37 rotary air blast holes for 1,349m, were drilled to define the resource (see Table 7).

The mineralisation at Princess Royal occurs in the Upper Proterozoic Skillogalee Dolomite, the same formation which is host to the nearby Monster Mine ore body at Burra. Mineralisation generally consists of malachite and lesser azurite, chrysocolla and cuprite (see Figure 14).

Table 7: Princess Royal Inferred Mineral Resource at a range of cut-off grades

Cu cut-off grade (%)	Ore (tonnes)	Cu grade (%)	Contained Cu (tonnes)
0.2	342,524	0.72	2,446
0.3	286,757	0.811	2,325
0.4	216,586	0.962	2,083

Figure 14 *Core samples of hole PCD017.*

SPALDING PROJECT

(Figure 17)

Washpool Prospect

A RAB drilling program designed to test widespread copper anomalism reported in FPXRF analyses to the east and north of the historic Wheal Sarah workings was completed at Washpool on EL4370, nine km NW of Spalding in June 2011. Laboratory assays of drill cuttings report widespread, low grade enrichment of copper, with zones of higher grade mineralisation encountered in some holes, see below.

- PCRB0070 - 9m at 0.50% copper from 2.0m including 1m at 1.10% copper from 3.0m
- PCRB0076 - 3m at 0.56% copper from 22.0m including 1m at 1.54% copper from 23.0m
- PCRB0097 - 4m at 0.45% copper from 29.0m including 1m at 1.10% copper from 30.0m

The program was designed to provide information on the grade of copper underlying surface FPXRF anomalies. These holes represent the first exploration drilling conducted in the area since the South Australian Department of Mines drilled three diamond holes in 1967. This drilling provides important lithological and assay information for any further exploration in the area.

EUDUNDA PROJECT

Tarnma EL3972, Bagot Well EL4291, Bagot Well North EL4626 and Australia Plains EL4503 prospects

204 FPXRF analyses were taken on the Eudunda tenements Tarnma EL3972, Bagot Well EL4291, Bagot Well North EL4626 and Australia Plains EL4503 during the period. All of these analyses were taken over the interpreted north-trending fault in central EL4291 Bagot Well (See Figures 15 and 17).

Previous exploration (by others) in this area had concentrated on geochemical sampling and drilling of the stratigraphic unit hosting the Kapunda ore body to the south. This work had proven unsuccessful and in this recent program of FPXRF analyses Phoenix Copper's aim was to test the northern extension of the structure that is adjacent to mineralisation at Kapunda for near surface copper carbonate ore and deeper copper sulphide mineralisation that may have been transported in this structural conduit. A copper anomaly over 1km in length was identified between 6204000N and 6206000N (see Figure 15).

As priorities dictate, this target may be drilled to test for both near surface copper carbonate ore and/or deeper copper sulphide mineralisation.

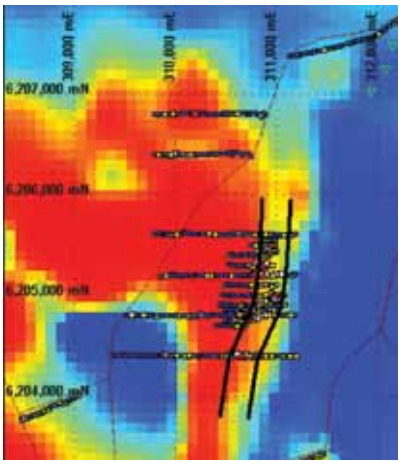


Figure 15 *Geochemical analyses Cu over magnetic intensity Bagot Well Prospect EL4291.*

MONGOLATA PROJECT

(Figures 16 and 17)

Mongolata EL4233, Redbanks EL4419, Anabama EL3971, Burra Creek Plain EL4711 and The Gums EL4504 prospects

FPXRF analysis continued on the Mongolata project, with 15,242 analyses taken during the year. Work concentrated around the hinge zone of the Cox Sandstone south of Mongolata where arsenic values were found to be elevated over an iron rich quartz and sulphide veined siltstone unit in EL4419 Redbanks (see Figures 16 and 17).

Targets have been generated and remain to be fully drill tested at Black Hill on EL4233, and on Anabama EL3971 where subtle geochemical anomalism, primarily copper and iron, is associated with a major north north-east trending magnetic high visible in Total Magnetic Intensity (TMI) imagery, (see Figure 17).

No coherent zones of elevated copper are reported in the areas surveyed to date on EL4504 The Gums.

Radiometric anomalies remain to be drill tested on EL4711 Burra Creek Plain and EL4419 Redbanks.

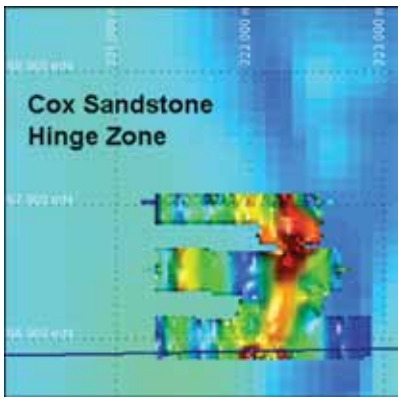
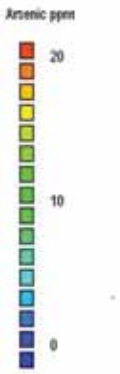


Figure 16 *Contoured As values over a quartz-sulphide veined siltstone unit in South Eastern Cox Hinge Zone.*

Mongolata



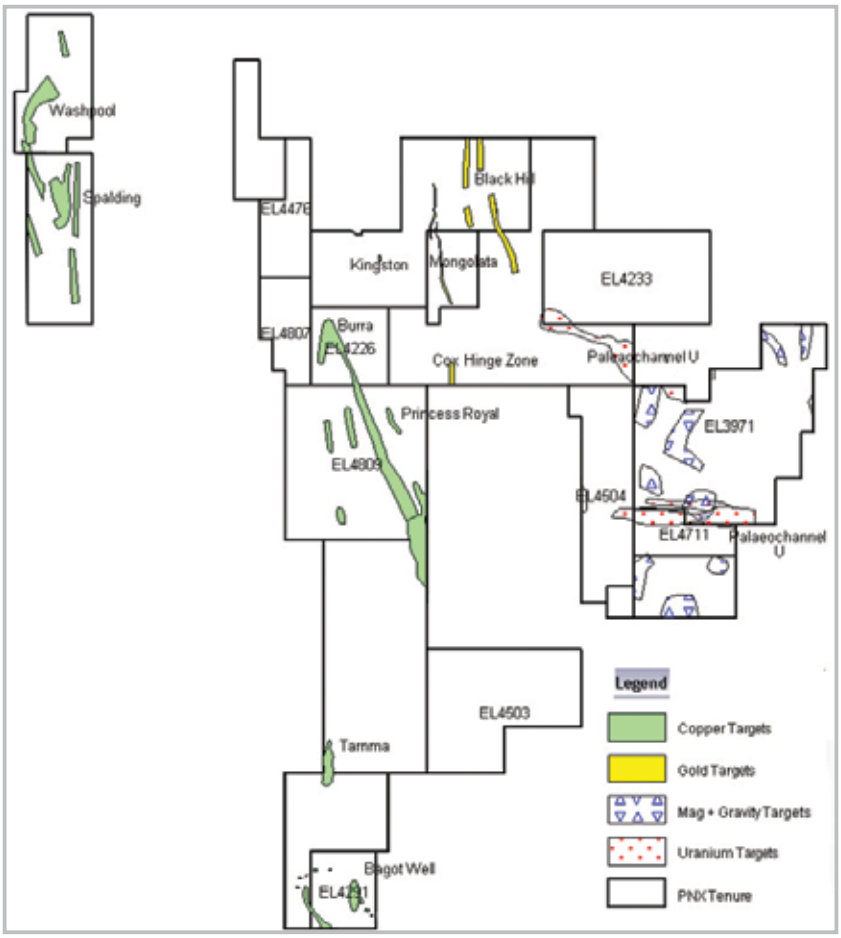


Figure 17 *Geochemical and geophysical exploration targets on the Burra, Spalding, Eudunda and Mongolata tenements.*

LEIGH CREEK PROJECT

Mountain of Light ML5467 and Lynda-Lorna Doone ML5498

A desk top review of historic drilling and re-modelling of various ore block shapes in Vulcan (mining software) was undertaken during the period.

Mount Coffin ML5741

All historic drilling data was located and compiled, and plotting and modelling of the historic percussion drilling was completed. A copper exploration target was defined along strike of the old Elsie Adair workings in the southern portion of the tenement and around West Jubilee workings in the north-east of the tenement (see Figure 18).

FPXRF - Field-Portable X-ray Fluorescence analyser

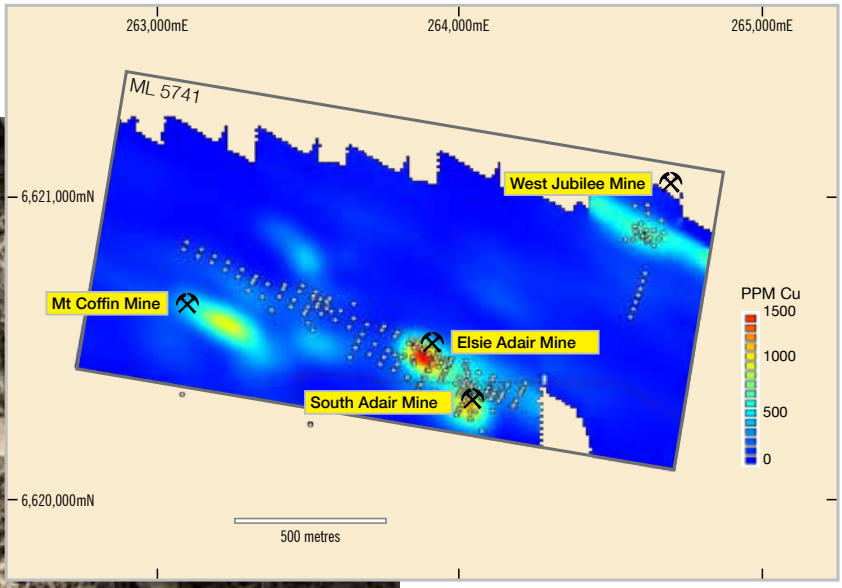


Figure 18 *Mt Coffin ML5741 historic drill holes over contoured copper values from FPXRF.*

Mineral Resources and Ore Reserves

As at 30 September 2012

Phoenix Copper Limited

INDICATED RESOURCES

	Cut-off grade (%)	Tonnage	Copper grade (%)	Contained copper (tonnes)
ML5467 - Mountain of Light				
Paltridge North	>0.3	890,000	0.83	7,400
	>0.4	710,000	0.96	6,800
	>0.5	570,000	1.10	6,200
Rosmann East	>0.3	128,000	0.78	1,000
	>0.4	100,000	0.88	900
	>0.5	77,000	1.00	800
ML5498 - Lorna Doone				
Lorna Doone	>0.3	840,000	0.75	6,300
	>0.4	620,000	0.90	5,600
	>0.5	460,000	1.00	4,600
Lynda	>0.3	1,000,000	0.72	7,200
	>0.4	750,000	0.84	6,300
	>0.5	580,000	0.96	5,600

INFERRED RESOURCES

	Cut-off grade (%)	Tonnage	Copper grade (%)	Contained copper (tonnes)
EL4809 - Princess Royal				
Princess Royal	>0.3	286,757	0.81	2,325
	>0.4	216,586	0.96	2,083
	>0.5	184,995	1.10	2,034

TOTALS

Indicated				
	>0.3	2,858,000	0.77	21,900
	>0.4	2,180,000	0.90	19,600
	>0.5	1,687,000	1.02	17,200
Inferred				
	>0.3	286,757	0.81	2,325
	>0.4	216,586	0.96	2,083
	>0.5	184,995	1.10	2,034

COMPETENT PERSONS' STATEMENT

The information in this report that relates to Mineral Resources is based on and accurately reflects information compiled by Mr Mark Manly and Mr Paul Dowd. Mr Manly is a full-time employee and Mr Dowd is a non-executive director of Phoenix Copper Limited. Mr Manly (BSc-Hons) is a Member of the Australasian Institute of Mining and Metallurgy and Mr Dowd is a Fellow of the Australasian Institute of Mining and Metallurgy and both have sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Manly and Mr Dowd consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Exploration Targets and Exploration Results is based on and accurately reflects information compiled by Mr Mark Manly who is a full-time employee of Phoenix Copper Limited. Mr Manly (BSc-Hons) is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Manly consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Directors' Report

The Directors of Phoenix Copper Limited ('Phoenix Copper' or 'Company') present their report for the financial year ended 30 June 2012.

Directors

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

GRAHAM G SPURLING

Chairman

Appointed 27 September 2007

Graham Spurling has a Bachelor of Technology and Mechanical Engineering from the University of Adelaide and a Masters in Automotive Engineering from the Chrysler Institute in Detroit (USA). He received the Melbourne Business School Award in 1995 for International Business and received the Centenary of Federation Medal Award for Service to Industry. He is a decorated former Major in the Australian Army Reserve. Mr Spurling spent seven years as Managing Director and CEO of Mitsubishi Motors Australia in Adelaide before moving to the United States to become President and CEO of GNB Technologies in Atlanta, then President and CEO of Pacific Dunlop Holdings (USA) Inc. In the three years immediately prior to 30 June 2012, Graham Spurling held the following directorships of other listed companies for the following periods:

- Non-executive director, Dexion Limited from 19 February 2004 to 25 August 2010.

PAUL J DOWD

Non-Executive Director

Appointed 27 September 2007

Paul Dowd has over 45 years experience in the mining industry in Australia and many overseas countries. In April 2012 he retired as Managing Director of Phoenix Copper, 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. He is currently Chairman of the SA Mineral Resources & Heavy Engineering Skills Centre, and non-executive director of Oz Minerals Limited. Mr Dowd is also a board member of the Sustainable Minerals Institute, the University of Queensland, a member of the Mineral Resources Sector Advisory Council of the CSIRO and a SA Training and Skills Commissioner. In the three years immediately prior to 30 June 2012, Paul Dowd held the following directorships of other listed companies for the following periods:

- Non-executive director, Buka Gold Limited from 1 June 2006 to 26 August 2009;
- Non-executive chairman, Adelaide Resources Ltd from 14 August 2006 to 30 June 2010;
- Non-executive director, Northgate Minerals Corporation (TSX Listed) from 4 November 2008 to 25 October 2011;
- Non-executive director, MacArthur Coal Limited from 26 October 2011 to 20 December 2011; and
- Non-executive director, Oz Minerals Limited since 23 July 2009.

PETER WATSON

Non-executive Director

Appointed 7 September 2007

Peter Watson, a founder of Phoenix Copper, 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. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for two 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) and a non-executive director of Lawson Gold Limited (an ASX listed gold exploration Company) and Felton Grimwade and Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over-the-counter therapeutic products). In the three years immediately prior to 30 June 2012, Peter Watson held the following directorships of other listed companies for the following periods:

- Non-executive director, Lawson Gold Limited since 5 August 2010.

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, and is currently non-executive Chairman of Lawson Gold Limited. Mr Hillier was Chairman of Buka Gold Limited which successfully identified a number of gold anomalies in the Maryborough Basin in Queensland, an area not previously considered prospective for gold. In addition, throughout 2008 he worked as Chief Financial Officer and subsequently as an executive director of Buka Gold's major shareholder 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 three years immediately prior to 30 June 2012, David Hillier held the following directorships of other listed companies for the following periods:

- Non-executive Chairman, Lawson Gold Limited since 5 August 2010;
- Executive Chairman, Buka Gold Limited from 10 October 2005 to 26 August 2009, and non-executive director of Buka Gold Limited from 26 August 2009 to 17 November 2009; and
- Non-executive director of Mineral Securities Limited from April 2009 to July 2009.

COMPANY SECRETARY

Tim Moran

Appointed 24 January 2012

Tim Moran is a Chartered Accountant with 15 years experience in accounting and finance and 10 years experience in the mining and energy industries. Prior to commencing with Phoenix Copper, Mr Moran was the Chief Financial Officer and Company Secretary of a Canadian listed oil and gas company in Calgary, Canada.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Phoenix Copper are as follows:

Graham Spurling, Chairman

Graham Spurling has an indirect interest in 1,463,656 Shares and 100,000 unlisted Options exercisable at $0.15 on or before 30 June 2013, and a direct interest in 500,000 unlisted Options exercisable at $0.245 on or before 11 February 2013.

Paul Dowd, Non-Executive Director

Paul Dowd has a direct interest 500,000 Shares, and an indirect interest in 1,730,000 Shares. Mr Dowd also has an indirect interest in:

- 200,000 unlisted Options exercisable at $0.15 any time on or before 30 June 2013;
- 500,000 unlisted Options exercisable at $0.245 any time on or before 11 February 2013; and
- 1,500,000 Performance Shares, the terms of which are set out in the Remuneration Report.

Peter Watson, Non-Executive Director

Peter Watson has a direct interest in 998,000 Shares and 500,000 unlisted Options exercisable at $0.245 any time on or before 11 February 2013. Mr Watson also has an indirect interest in 7,000,000 Shares and 600,000 unlisted Options exercisable at $0.15 on or before 30 June 2013.

David Hillier, Non-executive Director

David Hillier has an indirect interest in 340,000 Shares and 100,000 unlisted Options exercisable at $0.15 on or before 30 June 2013.

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 activities of Phoenix Copper Limited and its wholly owned subsidiaries ('Group') during the financial year comprised mineral exploration and copper cement production.

The net result from operations for the Group for the year was a loss after income tax of $4,111,617 (2011: loss of $6,944,215).

During the first six months of the year, operations of the Group were focused mainly on copper cement production from the Mountain of Light ("MoL") mining operation just north of Leigh Creek in South Australia, while in the second half of the year exploration activities at Burra and on the Yorke Peninsula took priority.

PRODUCTION

There were no reportable accidents or incidents during the year; however, one rainfall event at MoL at the end of February 2012 occurred, and in line with Phoenix Copper's Rainfall Event Management Procedure, excess surface runoff water was redirected to the stormwater containment dam were it was subsequently allowed to evaporate.

All mining, crushing and stacking activities were completed prior to the start of the financial year, with copper being leached from the stacked ore until December 2011. All remaining product was shipped from site and all revenue was received by the end of January 2012.

Total copper cement production for the year under an off-take agreement with Adchem (Australia) Pty Ltd was approximately 123.9t, generating revenue of $855,681.

Extensive test-work and analysis were also undertaken and a scoping study was completed during the year to determine whether the heap leach process should be re-started and to identify alternative leaching processes.

ALS/Ammtec Laboratories conducted analysis on bulk samples from the MoL Paltridge North pit. From this test-work and subsequent process modelling of the data, it was determined that although technically successful, conventional heap leaching of the high clay ores was only marginally economic and too high risk at current copper prices. Actual copper recoveries at less than 55% are much lower than the estimated recoveries of upwards of 67% in the studies undertaken by previous owners, prior to the acquisition of MoL by the Company.

Subsequent to the work on heap leaching, several alternative processing methods were investigated - Continuous Vat Leaching by Innovat of Burlington, Canada, and Ion Exchange by InnovEco. Initial test-work was undertaken and both processes showed significantly higher copper dissolution rates and lower residence times on the MoL ore than heap leaching. As a result, Promet Engineering was engaged to assist with the scoping study, and agitated tank leaching was also included as a comparison.

The next stage being considered is to construct and operate a mini pilot plant using the Ion Exchange process. Pilot plants give the best estimate through small scale continuous testing of ion exchange kinetics, acid consumption, copper recovery and purity and are used to generate design criteria for engineering of a full scale plant.

EXPLORATION

During the year, the Group undertook a significant number of exploration activities:

Yorke Peninsula

- A VTEM (Versatile Time Domain Electro-Magnetic) airborne geophysical survey was flown during November 2011 over the northern portion of Exploration Licenses 4031 and 4312 on the Yorke Peninsula. The aim of this survey was to assist with mapping and identifying conductivity anomalies and structures that may be associated with Iron Oxide Copper Gold (IOCG) mineralisation. The data was combined with the existing 3D model, historical geochemical data and gravity information to provide specific guidance for determining appropriate drill collar locations.
- Following the VTEM survey, ground gravity data was also collected and processed over six selected target areas on tenements EL 4031 and EL 4312 to further refine drill targets.
- A maiden diamond drilling program was undertaken on the Yorke Peninsula during the second half of the financial year with six holes for 1,331m being completed. These are the first diamond holes in this particular area since 1955. Encouraging assays were received with a number of results greater than 400ppm Cu. Sulphide rich alteration assemblages similar to those associated with IOCG style mineralisation at the Moonta and Wallaroo Mines located to the north were identified.
- Exploration license EL 4983 "Weaver Hill" on the Yorke Peninsula was applied for during the year and granted subsequent to year end.
- Agreement was reached subsequent to year end regarding the acquisition of EL 3907 "Coonarie" on the Yorke Peninsula. The transaction, once completed, will result in the issuance of 1,000,000 fully paid ordinary shares in Phoenix Copper to the vendors as consideration for the tenement acquisition.

Burra North

- At Burra North a diamond drilling program was undertaken over two Inverse Polarisation (IP) anomalies 800m to the north-west and along strike from the Monster Mine. Nine holes were completed for 984m and resulted in the discovery of the Eagle Prospect. Better intercepts include:
  - » PCD0038 – 22.5m at 0.81% Cu from 94.9 including 4.6m at 2.19% copper from 102.6m
  - » PCD0040 – 26.3m at 2.86% Cu from 50.7 including 15.7m at 4.65% copper from 61.1m
  - » PCD0041 – 14.9m at 0.67% Cu from 55.9 including 4.8m at 1.01% copper from 65.2m
  - » PCD0042 – 8.9m at 0.57% Cu from 50.0 including 2.1m at 0.79% copper from 56.8m
- A second phase of drilling commenced at Burra North during September 2012 in an effort to define the boundaries of the Eagle Prospect mineralised zone.

Other exploration (all in South Australia)

- At Princess Royal an inferred resource of 216,586 tonnes of ore at an average grade of 0.96 % Cu, for 2,083 tonnes of contained copper using a mining cut-off grade of 0.4% copper was calculated.
- FPXRF analysis continued over the Mongolata, Spalding and Eudunda projects with several weakly anomalous zones of copper identified at Spalding and a copper anomaly over 1km in length identified at the Eudunda prospect.

Refer to the 'Operations and Exploration Report' on pages 9–21 of this Annual Report for further detail of activity diuring the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In November 2011, the Company completed a Rights Issue, which resulted in the issue of 60,905,523 shares for proceeds net of costs of $3.6m. Participants in the Rights Issue also received one option for every two shares subscribed for, resulting in the issue of 30,452,761 options with an exercise price of 10 cents and an expiry date of 30 June 2012. A further 20,301,841 options with identical terms were issued to the sub-underwriters of the Rights Issue. On exercise, option holders were entitled to one share in the Company plus an additional option with an exercise price of 15 cents and an expiry date of 30 June 2013.

Of the 50.7 million 10 cent options, 15,264,449 were exercised by 30 June 2012, with the remainder expiring unexercised. Total proceeds from the exercise of these options were $1.5 million (net of costs). As a result of the exercise of these options, an equivalent 15,264,449 options with an exercise of price of 15 cents and an expiry date of 30 June 2013 were issued in July 2012.

Other significant changes in the state of affairs of the Group during the financial year:

- the appointment of James Fox as Chief Executive Officer on 1 May 2012 following the retirement of Managing Director Paul Dowd; and
- the appointment of Tim Moran as Chief Financial Officer and Company Secretary in January 2012.

Other than the above, there were no significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other than the issue of 15,264,449 options exercisable at 15 cents and expiring 30 June 2013 noted above, there has not 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

In 2012-13, the Group expects to complete follow-up drilling at its Burra North project. The Group is currently seeking a partner to assist with the next phase of surface and/or drilling work on it Yorke Peninsula land holding. The Group will also continue to evaluate its MoL assets in order to determine the best way to extract value from them.

ENVIRONMENT REGULATION AND PERFORMANCE

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

OPTIONS, PERFORMANCE SHARES, AND PERFORMANCE RIGHTS

During or since the end of the financial year:

- 15,264,449 Shares were issued as a result of the exercise of the same number of 30 June 2012 ten cent Options - 14,499,243 were issued before 30 June 2012 and 765,206 in early July 2012;
- 15,264,449 unlisted Options were issued in July 2012 with an exercise price of 15 cents and an expiry date of 30 June 2013;
- 100,000 Shares were issued during the financial year on the vesting of 100,000 Performance Rights;
- 8,392,693 Shares were issued during the financial year on conversion of a $750,000 Convertible Note; and
- 500,000 Shares were issued 31 July 2012 on the vesting of 500,000 Performance Rights, and at that time a further 500,000 Performance Rights lapsed.

No Performance Rights or Performance Shares were issued during or since the end of the financial year.

As at the date of this report, the Company and Group have on issue the following unlisted Options:

- 5,500,000 exercisable at $0.245 and expiring on 25 January 2013;
- 1,500,000 exercisable at $0.245 and expiring on 11 February 2013;
- 2,351,102 exercisable at $0.345 and expiring on 11 March 2013;
- 250,000 exercisable at $0.245 and expiring on 18 June 2013;

- 15,264,449 exercisable at $0.15 and expiring 30 June 2013;
- 500,000 exercisable at $0.245 and expiring on 11 September 2013;
- 750,000 exercisable at $0.095 and expiring on 15 March 2014;
- 23,000 exercisable at $0.081 and expiring on 10 June 2014;
- 62,000 exercisable at $0.068 and expiring on 21 June 2014; and
- 1,250,000 exercisable at $0.27 and expiring on 29 July 2015.

As at the date of this Report, the Company also has on issue 1,500,000 Performance Shares expiring 27 October 2012 which automatically convert (in tranches of 500,000 shares each) to ordinary shares if and when the Company's shares trade for five consecutive ASX trading days at or above 40 cents, 60 cents and 80 cents respectively.

There are no Performance Rights on issue as of the date of this report.

Option holders and Performance Share holders do not have any right by virtue of their holdings to participate in new issues of shares offered to Shareholders.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Phoenix Copper entered into a Deed of Access, Insurance and Indemnity with each of the Directors on 12 November 2007 or, in the case of David Hillier, 22 September 2010. 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 any 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 any 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 Phoenix Copper 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 Phoenix Copper.

Throughout and since the end of the financial year, Phoenix Copper 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

Ten Board meetings were held during the financial year. Graham Spurling, Paul Dowd and David Hillier attended each of these, while Peter Watson attended nine of the ten meetings.

Two Audit Committee meetings were held during the financial year. Each of the Directors attended these meetings, Paul Dowd by invitation.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 33.

NON-AUDIT SERVICES

The following non-audit services were provided to the Group by the Group's auditor, Deloitte Touche Tohmatsu, during the financial year:

- Accounting assistance $23,625 (related to the 2011 financial year)
- Assistance in the preparation of annual tax return and associated tax advice $15,564.

The Directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*, and in particular that the services provided did not affect the objectivity of the auditor.

Remuneration Report

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 and Group for the whole of and since the end of the financial year, except as noted:

- Graham Spurling
  (Non-executive Chairman)
- Paul Dowd
  (Managing Director until retirement 30 April 2012, non-executive Director thereafter)
- Peter Watson
  (Non-executive Director)
- David Hillier
  (Non-executive Director)

The Company Secretary is Tim Moran, who was appointed 24 January 2012 replacing Peta Marshman.

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

- James Fox
  (Chief Executive Officer from 1 May 2012, General Manager – Mountain of Light Copper Mine prior to that)
- Mark Manly
  (Chief Geologist)
- Tim Moran
  (Chief Financial Officer, appointed 4 January 2012)

RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the four years to 30 June 2012.

	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue	$855,681	$2,100,766	-	-
Net loss before tax	$4,755,247	$7,080,221	$576,256	$578,272
Net loss after tax	$4,111,617	$6,944,215	$583,795	$785,701
Share price at start of the financial year	$0.10	$0.16	$0.07	$0.12
Share price at end of the financial year	$0.09	$0.10	$0.16	$0.07
Basic earnings/(loss) per share	($0.030)	($0.0814)	($0.0105)	($0.0143)
Diluted earnings/(loss) per share	($0.030)	($0.0814)	($0.0105)	($0.0143)

No dividends have been declared during or since the end of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

There is no link between the Group's financial performance and the setting of remuneration except as discussed below in relation to the former Managing Director's Performance Shares and 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 or Options); 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.

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 Company Secretary and 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. Directors and senior management have interests in Options and Shares as outlined above.

In 2010, Phoenix Copper 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 of Phoenix Copper 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 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 Spurling is entitled to receive $75,000 per annum inclusive of superannuation and other non-excutive 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 for non-executive Directors.

Summary details of remuneration for non-executive Directors are given in the table on page 31. 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.

CHIEF EXECUTIVE OFFICER REMUNERATION

The Group aims to reward the Chief Executive Officer with a level and mix of remuneration commensurate with his position and responsibilities within the Group to:

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

James Fox (appointed 1 May 2012)

James Fox was appointed Chief Executive Officer of Phoenix Copper on 1 May 2012. Previously he had been employed by the Company in the role of General Manager – Mountain of Light. As CEO, Mr Fox is entitled to an annual salary of $272,500 (inclusive of mandated superannuation contributions). He is entitled to 20 days paid annual leave and 10 days paid sick leave per annum.

Mr Fox holds 340,000 Shares in the Company, of which 100,000 were issued during the financial year upon the vesting of 100,000 Performance Rights.

James Fox's employment with the Company may be terminated on three 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 two 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; 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.

Paul Dowd (retired 30 April 2012)

Paul Dowd commenced as Managing Director and Chief Executive Officer on a full time basis with effect from 1 September 2010, and was employed on a part-time basis at four days per week from 1 July 2011. Mr Dowd retired from the role of Managing Director on 30 April 2012.

From 1 July 2011, Paul Dowd's salary was $275,000 per annum inclusive of mandated superannuation contributions. He was also entitled to reimbursement of expenses and additional remuneration for extra services or special exertions, in accordance with Phoenix Copper's Constitution.

At the 2010 Annual General Meeting, shareholders approved the issuance of one million Performance Rights to Paul Dowd, with the following vesting conditions:

a) 500,000 of the Performance Rights (T1 Rights) vest on 31 July 2012; and

b) 500,000 Performance Rights (T2 Rights) vest within 30 days of the earlier of:

   i. the 2011/2012 profit being determined, and 2011/12 profit exceeds $4.5 million and it is expected by the Board that a profit of that amount is sustainable for the following two years; and

ii. Phoenix Copper having made a discovery or discoveries of mineralisation internally estimated, to the satisfaction of the Board, to contain, or to contain in the aggregate, 125,000 tonnes of contained copper or equivalent in other metals determined in the usual way (in addition to the resources announced by Phoenix Copper prior to 1 September 2010).

The T1 Rights vested on 31 July 2012. In June 2012, the Board agreed that Mr Dowd had met the vesting criteria for the T1 Rights by finding a suitable replacement for himself as Chief Executive (being James Fox) by 31 March 2012.

The T2 Rights lapsed with effect 31 July 2012 as neither the profit nor mineral discovery conditions outlined above were achieved.

The Performance Rights issued to Paul Dowd were issued under Phoenix Copper's Employee Performance Rights Plan adopted by the Board on 17 September 2010.

1,500,000 Performance Shares were issued to Paul Dowd's nominee on 11 February 2008. The Performance Shares:

- confer on the holder the right to receive notices of general meetings and financial reports and accounts of Phoenix Copper that are circulated to shareholders;
- confer on the holder the right to attend general meetings of shareholders of Phoenix Copper;
- do not entitle the holder to vote on any resolutions proposed at a general meeting of shareholders;
- do not entitle the holder to any dividends;
- do not confer on the holder any right to participate in the surplus profits or assets of Phoenix Copper upon winding up of Phoenix Copper;
- are not transferable; and
- will not be quoted on ASX or any other stock exchange.

If at any time the issued capital of Phoenix Copper is reorganised, a Performance Share may be treated in accordance with the ASX Listing Rules at the time of reorganisation.

500,000 of the Performance Shares will automatically convert into one (1) Share each on each of the following events occurring:

- Shares trading for five consecutive ASX trading days at $0.40 or greater;
- Shares trading for five consecutive ASX trading days at $0.60 or greater;
- Shares trading for five consecutive ASX trading days at $0.80 or greater.

Upon conversion of a Performance Share, Phoenix Copper will issue the holder with a new holding statement for the relevant number of shares. The Shares into which Performance Shares will convert will rank equally in all respects with existing shares. Within seven days after conversion Phoenix Copper must apply for official quotation on ASX of the shares arising from conversion.

As at the date of this Report none of the Performance Shares have converted. Any Performance Shares which have not otherwise converted to Shares by 27 October 2012 (the date six months after the date on which Paul Dowd ceased his employment with Phoenix Copper), shall automatically convert in total to one share.

COMPANY SECRETARY/ CHIEF FINANCIAL OFFICER REMUNERATION

Tim Moran replaced Nick Harding as Chief Financial Officer on 4 January 2012, and replaced Peta Marshman as Company Secretary effective 24 January 2012. Up to the resignation dates of Mr Harding and Ms Marshman, the Company paid $64,167 (2011: $101,742) and $37,829 (2011: $62,046) respectively for their services during the financial year. Mr Moran was paid $97,283 (inclusive of mandated superannuation contributions) from his commencement with the Company to the end of the financial year in return for his full-time employment services as Chief Financial Officer and Company Secretary. Mr Moran is entitled to 20 days paid annual leave and 10 days paid sick leave per annum.

Tim Moran's employment with the Company may be terminated upon one month's 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 Financial Officer by illness or injury for a period of two 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; 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.

CHIEF GEOLOGIST REMUNERATION

Mark Manly was appointed Chief Geologist of Phoenix Copper on 10 March 2008, on a full time basis. Mark Manly was paid $215,417 (inclusive of mandated superannuation contributions) during the financial year. He is entitled to 20 days paid annual leave and 10 days paid sick leave per annum.

Mark Manly holds the following Options:

- 250,000 Options issued on 19 June 2008, exercisable at $0.245 and expiring on 18 June 2013;
- 500,000 Options issued on 12 September 2008 exercisable at $0.245 and expiring on 11 September 2013; and
- 750,000 Options issued on 16 March 2009 exercisable at $0.095 and expiring on 15 March 2014.

Mark Manly's employment with the Company may be terminated upon one month's 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 Geologist by illness or injury for a period of two 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; 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 2012:

	Short term employment benefits	Post Employment	Equity			
	Salary & Fees	Superannuation	Options	Performance Rights	Total	% of total remuneration consisting of equity
Directors						
Graham Spurling	*$68,807	$6,193	-	-	$75,000	25%
Paul Dowd	$216,912	$18,922	-	***(4,088)	$231,746	0%
Peter Watson	**$30,000	-	-	-	$30,000	0%
David Hillier	$40,000	-	-	-	$40,000	0%
Company Secretary and Chief Financial Officer						
Tim Moran	$89,250	$8,033	-	-	$97,283	0%
Peta Marshman	$37,829	-	-	-	$37,829	0%
Nick Harding	$64,167	-	-	-	$64,167	0%
Key Management Personnel						
Mark Manly	$197,630	$17,787	-	-	$215,417	0%
James Fox	$221,667	$19,950	-	16,841	$258,458	7%
TOTALS	$966,262	$70,885	-	12,753	$1,049,900	

* *428,572 shares were issued in November 2011 in lieu of cash for directors' fees for the period 1 April 2011 to 30 September 2011. Shares were issued at the Company's 30 day volume-weighted average share price.*

** *Mr Watson waived one quarter of fees, valued at $10,000, during the financial year.*

*** *includes negative amounts related to performance rights on which vesting conditions were not met and lapsed subsequent to year end.*

No share-based payments were granted as compensation during the financial year ended 30 June 2012.

Directors', Company Secretary and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2011:

	Short term employment benefits	Post Employment	Equity			
	Salary & Fees	Superannuation	Options	Performance Rights	Total	% of total remuneration consisting of equity
Directors						
Graham Spurling	*$68,807	$6,193	-	-	$75,000	25%
Paul Dowd	$481,156	$26,491	-	$116,889	$624,536	18.7%
Peter Watson**	$30,000	-	-	-	$30,000	-
David Hillier	$59,003	-	-	-	$59,003	-
Company Secretary						
Peta Marshman	$62,046	-	-	-	$62,046	-
Key Management Personnel						
Mark Manly	$192,661	$17,339	-	-	$210,000	-
Nick Harding	$101,742	-	-	-	$101,742	-
James Fox	$38,000	$3,240	-	$8,149	$49,389	16.5%
TOTALS	$1,033,415	$53,263	-	$125,038	$1,211,716	

* *428,572 shares were issued in November 2011 in lieu of cash for directors' fees for the period 1 April 2011 to 30 September 2011. Shares were issued at the Company's 30 day volume-weighted average share price.*

** *Mr Watson waived one quarter of fees, valued at $10,000, during the financial year.*

Other than the amounts disclosed in the columns for equity, all other amounts are fixed as part of the executive's remuneration.

Other than Paul Dowd's Performance Shares and Performance Rights described previously, all other securities issued are not subject to performance conditions. The Directors decided that the exclusion of performance conditions on Options issued in prior years to Directors (Graham Spurling, Peter Watson and Paul Dowd) and Mark Manly was appropriate after consideration of industry practice. In relation to the Performance Shares, the performance conditions were chosen in February 2008 as the key measure to best reflect the Group's financial performance.

In relation to Paul Dowd's Performance Rights, the Directors considered that with the acquisition of Leigh Creek Copper Mine Pty Ltd ('LCCM') in 2010, the interests of Phoenix Copper would best be served by retaining the services of Paul Dowd until the business plan had been well established incorporating LCCM, a suitable replacement Managing Director had been recruited, appointed and effectively installed and Phoenix Copper had achieved a level of profitability that would enable it to self fund exploration for several years. The vesting conditions for the Performance Rights granted to Paul Dowd were chosen to support those key objectives. As noted previously, half (500,000) of Mr Dowd's Performance Rights vested on 31 July 2012 with the successful transitioning of a new Chief Executive, however the remaining half lapsed as the performance conditions were not met.

Signed on 28 September 2012 in accordance with a resolution of the Board made pursuant to section 298(2) of the Corporations Act 2001.

Graham Spurling
Chairman

Auditors Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Phoenix Copper Limited
Level 1
135 Fullarton Road
ROSE PARK SA 5067

28 September 2012

Dear Board Members

Phoenix Copper Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Phoenix Copper Limited.

As lead audit partner for the audit of the financial statements of Phoenix Copper Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants

The Board has adopted a Corporate Governance Charter (Charter), which includes a code of conduct, an audit committee charter, a shareholder communication policy, a continuous disclosure policy and a securities dealing policy. The Charter is available on the Company's website. The Company's corporate governance principles and policies and this corporate governance statement are structured with reference to the ASX Corporate Governance Principles and Recommendations (Principles and Recommendations).

FUNCTIONS OF THE BOARD

The names, term of office, skills, experience and expertise of the Directors in office at the date of this Annual Report are set out at the beginning of the Directors' Report.

The Board is responsible for the corporate governance of the Company. The Board's primary responsibility is to shareholders but it also has regard for the interests of other stakeholders and the broader community.

The Board is comprised of an independent Chairman, and a majority of independent non-executive directors.

The most important responsibilities of the Board include:

- providing oversight and strategic direction to the Company, including reviewing and approving business plans and monitoring the achievement of the Company's strategic goals and objectives;
- appointing, removing and monitoring the performance of the Chairman, Chief Executive Officer, senior executives, consultants and the Company Secretary;
- approving remuneration of Directors, senior executives and consultants;
- evaluating the Board's performance and recommending the appointment and removal of Directors;
- reporting to and communicating with shareholders;
- identifying and managing material business and legal risks, including regulatory, safety and environmental;
- reviewing, approving and monitoring the progress of budgets, financial plans, acquisitions, divestments and major capital expenditure;
- approving and monitoring financial performance and financial reporting including approval of the annual and half-year reports; and
- improving and protecting the reputation of the Company.

The Board has delegated the day-to-day management of the Company's business to its senior executives, and in particular the Chief Executive Officer.

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense where prior written or email approval has been obtained from the Chairman. Such approval will not be unreasonably withheld.

Appointment/Retirement/ Removal

The Directors may appoint any person as a Director to fill a casual vacancy or as an addition to the existing Directors. Unless the Director is an Executive Director and the ASX Listing Rules do not require that Director to be subject to retirement, a Director so appointed will hold office until the end of the next annual general meeting of the Company, at which time the Director may be re-elected but he or she will not be taken into account in determining the number of Directors who must retire by rotation at the meeting.

A person, other than a Director retiring by rotation or because he is a Director appointed by the other Directors, and is seeking re-election, is not eligible for election as a Director at a general meeting unless:

- the person is proposed as a candidate by at least 50 Members or Members holding between them at least 5% of the votes that may be cast at a general meeting of the Company; and
- the proposing Member leaves a notice at the Company's registered office not less than 35 Business Days before the relevant general meeting which nominates the candidate for the office of Director and includes the signed consent of the candidate.

The retirement by rotation of Directors is governed by the Company's Constitution, the *Corporations Act 2001* and the ASX Listing Rules. Clause 2.5 of the Company's Constitution specifies that one-third of the Directors must retire from office at the end of each annual general meeting. A retiring Director remains in office until the end of the meeting and will be eligible for re-election at the meeting. The Directors to retire by rotation at an annual general meeting are those Directors who have been longest in office since their last election.

According to the Company's Constitution, the Company may, subject to the Corporations Act, pass a resolution in a general meeting to:

- remove any Director before the end of the Director's term of office; and
- if the outgoing Director is a Non-Executive Director, elect another person to replace the Director.

Diversity

The Board recognises the benefits of diversity in terms of both the composition of the Board and senior executives of the Company. However, the Board does not have specific objectives in relation to the gender, age, cultural background or ethnicity of its Board or senior executives. Board members and senior executives are appointed or employed based on their skills and experience and candidates are not discriminated against based on age, gender or background.

The Board currently has no female representation. The Company has one woman in a senior executive role, and of the Company's eight permanent employees as of the date of this Annual Report, seven are male and one is female.

COMMUNICATION

Communication with the Company's shareholders occurs through ASX announcements, updates to the Company's website, at the Annual General Meeting and other general meetings (when held), through its share registry, and other means as appropriate.

The Board is mindful of its obligations under the Continuous Disclosure rules set by the ASX, and also of its disclosure requirements under the *Corporations Act 2001*. The Board has delegated the day to day management of public disclosure to its Chief Executive Officer and Company Secretary. All price sensitive information is disclosed to the ASX before being disclosed to any party outside the Company.

PERFORMANCE EVALUATION AND REMUNERATION

There is currently no formal process for evaluating the performance of the Board, Audit Committee or individual directors and no such evaluation occurred during the year. Performance is informally reviewed on an ongoing basis by self-assessing whether or not the Company is achieving its strategic objectives, and by assessing the Company's financial performance and movement in its market capitalisation.

A performance appraisal process exists regarding the Company's senior executives, whereby the performance of executives is formally reviewed once per year against previously set goals relating to both Company and individual performance.

The performance of the Chief Executive Officer is monitored by the Board. A formal performance review of the Chief Executive Officer has not yet occurred since his appointment on 1 May 2012.

The performance of Phoenix Copper's Chief Financial Officer/Company Secretary and Chief Geologist is monitored by the Chief Executive Officer. A formal evaluation of the Chief Geologist occurred during the year, but has not yet occurred for the Chief Financial Officer as he has been employed for less than one year.

Remuneration arrangements for non-executive directors are structured separately from those of senior executives. Non-executive directors are entitled to fixed fees for services, whereas senior executives can earn equity-based remuneration, at the Board's discretion, in addition to fixed salary arrangements. Details of the Company's remuneration policies and levels are provided in the Remuneration Report in the Directors' Report.

The Board considers that a separate remuneration committee is not necessary for the Company given its current size and complexity. The full Board acts as the Company's remuneration committee.

The Company's Constitution states that, subject to the *Corporations Act 2001*, the Company may provide a retirement benefit to persons retiring from the Board or from employment with the Company.

AUDIT COMMITTEE

The Audit Committee consists of three non-executive directors and is chaired by David Hillier. All three members are considered to be independent. One member, Peter Watson, is the principal of the Company's legal advisor Watsons Lawyers. However, as Peter Watson is not actively engaged in the day to day management of the Company's key business function (mineral exploration activity), he is considered by the Board to be independent. The qualifications of the Audit Committee members are set out at the beginning of the Directors' Report.

The Audit Committee's responsibilities are set out in the Company's Corporate Governance Charter and include:

- establishing a framework for identifying and managing the Company's key business risks;
- reviewing, at least twice annually, the Company's risk management controls and procedures, ensuring these controls are regularly tested for effectiveness, and that recommended improvements are implemented;
- recommending the appointment, liaising with, and reviewing the performance of the external auditors;
- evaluating the independence of the external auditor, including considering the auditor's policy on rotating the external audit engagement partner;
- reviewing the Company's annual reports and half year reports and ensuring that the financial reports comply with accounting standards and the law;
- evaluating the adequacy and effectiveness of the Company's accounting policies through ongoing communication with management and the Company's external auditors; and
- investigating any matters raised by the external auditors.

The Audit Committee discharges its responsibilities by making recommendations to the Board. The Audit Committee does not have any executive powers to commit the Board or management to implement its recommendations.

Two Audit Committee meetings were held during the year. All members of the Audit Committee attended these meetings.

The Company's auditor was appointed by the Directors in accordance with section 327A of the *Corporations Act 2001*. Any subsequent appointment or rotation of external auditors will occur in accordance with the Corporations Act 2001.

Risk management

Whilst the Board is ultimately responsible for identifying and managing areas of significant business risk, it has delegated the management of this function to the Audit Committee as noted above. The Audit Committee is responsible for identifying and managing key Company risks and ensuring compliance with risk management policies and reporting of any non-compliance if it occurs. The Company has created a Corporate Risk Register which lists and rates these risks in terms of likelihood and consequence, and also documents the controls in place to manage these risks.

The key areas of risk that have been identified are as follows:

- Financial
- Statutory/regulatory
- Legal
- Personnel and safety
- Asset management and protection
- Tenement management
- IT management
- Community
- Environmental

Management ensures that the Risk Register is kept up-to-date on an 'as needs' basis so as to reflect changes in the Company's business activities and risks, the law and current best practice within the mining industry. A thorough review of the Corporate Risk Register is undertaken by the management and the Audit Committee each year to identify any further risks, evaluate existing controls and, if necessary, develop and implement further strategies and action plans for minimising and treating the risks.

The Audit Committee, in conjunction with management, has developed specific cost-effective strategies and action plans for minimising and treating the risks. The current control measures and improvement actions for minimising and treating each risk are noted in detail on the Company's Corporate Risk Register and followed by employees and contractors.

The Board requires management to report to it at least annually in a comprehensive manner, and by exception at each Board meeting, on compliance with the Company's Risk Management policies and whether the Company's material business risks are being managed effectively.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

DEPARTURES FROM THE PRINCIPLES AND RECOMMENDATIONS

In accordance with ASX Listing Rule 4.10.3, this Corporate Governance Statement discloses the extent to which Phoenix Copper has followed the Principles and Recommendations by detailing the Principles and Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. With the exception of the departures detailed below, the corporate governance practices of Phoenix Copper were compliant with the Principles and Recommendations throughout the year.

Recommendation	Notification of departure	Explanation for departure
2.4 The Board should establish a nomination committee.	The Phoenix Copper Board has not established a nomination committee.	The Phoenix Copper Board considers that a separate nomination committee is not necessary for the Company given its current size and complexity. The full Board is responsible for the duties and responsibilities typically delegated to a nomination committee.
8.1 The Board should establish a remuneration committee.	The Phoenix Copper Board has not established a remuneration committee.	The Phoenix Copper Board considers that a separate remuneration committee is not necessary for the Company given its current size and complexity. The full Board acts as the Company's remuneration committee.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	Year ended 30/06/12 $	Year ended 30/06/11 $
Revenue	4(a)	855,681	2,100,766
Other income	4(b)	72,213	87,776
Employee benefits		(1,191,571)	(2,981,838)
Mining and production		(977,143)	(1,571,782)
Professional fees		(364,400)	(487,369)
Occupancy		(59,530)	(56,864)
Insurance		(98,880)	(110,053)
Share registry and regulatory		(56,254)	(39,187)
Communication		(16,225)	(45,852)
Audit fees		(79,930)	(64,404)
Equity based payments		(61,311)	(302,655)
Other expenses		(209,708)	(652,850)
Depreciation and amortisation	4(c)	(922,342)	(675,978)
Impairment	4(e)	(1,496,458)	(1,629,931)
Exploration and evaluation write down		(149,389)	(650,000)
Loss before income tax		(4,755,247)	(7,080,221)
Tax recovery	6	643,630	136,006
Loss for the year		(4,111,617)	(6,944,215)
Other comprehensive income		-	-
Total comprehensive loss for the year, attributable to equity holders of the parent		(4,111,617)	(6,944,215)
Loss per share			
Basic (cents per share)	27	(3.0)	(8.1)
Diluted (cents per share)	27	(3.0)	(8.1)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2012

	Note	Year ended 30/06/12 $	Year ended 30/06/11 $
CURRENT ASSETS			
Cash and cash equivalents	5	1,819,859	1,089,883
Trade and other receivables	7	855,864	730,226
Prepayments/deposits	8	40,931	14,167
Inventory	9	7,410	429,404
TOTAL CURRENT ASSETS		2,724,064	2,263,680
NON-CURRENT ASSETS			
Deposit	10	150,000	150,000
Exploration and evaluation expenditure	11	7,163,587	5,354,298
Plant and equipment	12	685,813	2,423,930
Mineral rights	13	631,996	1,256,714
TOTAL NON-CURRENT ASSETS		8,631,396	9,184,942
TOTAL ASSETS		11,355,460	11,448,622
CURRENT LIABILITIES			
Trade and other payables	14	368,447	1,878,105
Provisions	15	115,659	102,831
Other financial liabilities	16	-	500,000
TOTAL CURRENT LIABILITIES		484,106	2,480,936
NON-CURRENT LIABILITIES			
Provisions	15	592,834	578,611
TOTAL NON-CURRENT LIABILITIES		592,834	578,611
TOTAL LIABILITIES		1,076,940	3,059,547
NET ASSETS		10,278,520	8,389,075
EQUITY			
Issued capital	17	21,982,917	16,227,893
Reserves	18	1,099,538	993,247
Accumulated losses	19	(12,803,935)	(8,832,065)
TOTAL EQUITY		10,278,520	8,389,075

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 2012

	Issued capital $	Performance shares $	Equity-settled benefits $	Accumulated losses $	Total $
Balance at 1 July 2010	7,815,603	126,185	543,480	(1,887,850)	6,597,418
Total comprehensive loss for the year	-	-		(6,944,215)	(6,944,215)
Shares issued pursuant to tenement purchase agreements	8,328,430	-	-	-	8,328,430
Fair value of equity settled payments	-	-	472,616	-	472,616
Transfer to issued capital from equity settled benefits reserve on conversion of employee share options	22,849	-	(22,849)	-	-
Costs associated with the issue of shares	(65,174)	-	-	-	(65,174)
Balance at 30 June 2011	16,101,708	126,185	993,247	(8,832,065)	8,389,075
Total comprehensive loss for the year	-	-	-	(4,111,617)	(4,111,617)
Shares and options issued pursuant to Rights Issue	1,913,150	-	2,045,709	-	3,958,859
Shares issued on note conversion	750,000	-	-	-	750,000
Shares issued for services	37,652	-	-	-	37,652
Fair value of equity settled payments	-	-	61,311	-	61,311
Transfer from equity settled benefits reserve on conversion/expiry of share options	2,070,699	-	(2,210,446)	139,747	-
Shares issued on option exercise	1,449,924	-	-	-	1,449,924
Shares allotted in July 2012 on option exercises	76,521	-	-	-	76,521
Costs associated with the issue of shares	(333,205)	-	-	-	(333,205)
Fair value of options granted on share issuance	(209,717)	-	209,717	-	-
Balance at 30 June 2012	21,856,732	126,185	1,099,538	(12,803,935)	10,278,520

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 2012

	Inflows/(outflows)	
	Year ended 30/06/12 $	Year ended 30/06/11 $
Cash flows relating to operating activities		
Receipts from customers	1,097,378	1,664,475
Receipt of research and development tax concession	163,895	-
Payments to suppliers and employees	(3,848,608)	(4,471,785)
Net operating cash flows	(2,587,335)	(2,807,310)
Cash flows relating to investing activities		
Interest received	67,551	76,005
Payment on acquisition of subsidiary (Note 29)	-	(1,762,086)
Receipt of government funding for exploration activities	57,500	-
Payments for exploration and evaluation expenditure	(2,081,178)	(1,142,460)
Payments for plant and equipment	(14,866)	(3,931,498)
Net investing cash flows	(1,970,993)	(6,760,039)
Cash flows relating to financing activities		
Proceeds from borrowings	250,000	500,000
Proceeds from share issues	5,371,509	8,351,279
Payments for capital raising costs	(333,205)	(65,174)
Net financing cash flows	5,288,304	8,786,105
Net increase/(decrease) in cash	729,976	(781,244)
Cash at beginning of financial year	1,089,883	1,871,127
Cash at end of financial year	1,819,859	1,089,883
Reconciliation of Loss for the year to Net operating cash flows:		
Loss for the year	(4,111,617)	(6,944,215)
Interest income	(72,213)	(76,005)
Share-based payments	61,311	449,767
Depreciation and amortisation	922,342	675,978
Exploration and evaluation write down	149,389	650,000
Impairment charges	1,496,458	1,629,931
(Increase)/decrease in prepayments/deposits	(26,763)	8,061
(Increase)/decrease in interest receivable	(4,662)	4,776
(Increase)/decrease in receivables	56,989	(626,110)
(Increase)/decrease in other current assets	-	(150,000)
(Increase)/decrease in inventory	380,894	(429,404)
Increase/(decrease) in payables	(1,466,513)	1,384,019
Increase/(decrease) in employee provisions	27,050	615,892
Net operating cash flows	(2,587,335)	(2,807,310)

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

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.

Certain items in the comparative Statement of Comprehensive Income have been reclassified to conform to the current year's presentation. None of the reclassifications were as a result of a change in accounting policy or change in accounting estimate.

The financial statements were authorised for issue by the Directors on 28th September 2012.

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 2011 affected any amounts recognised in the current or prior period and are not likely to affect future periods. However, the adoption of AASB 1054 Australian Additional Disclosures enabled the removal of certain disclosures in relation to expenditure commitments.

Various other Standards and Interpretations on issue but not yet effective have not been early-adopted by the Group. It is anticipated that the adoption of these Standards and Interpretations in future periods will not significantly affect the amounts recognised in the financial statements of the Group.

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

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 2012, the Group and parent entity made a loss of $4.1 million (2011: loss of $6.9 million) and recorded a net cash outflow from operating and investing activities of $4.6 million (2011: net cash outflow of $9.6 million). At 30 June 2012, the Group had net current assets of $2.2 million (2011: net current liabilities of $0.2 million) and net assets of $10.3 million (2011: $8.4 million).

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis for the following reasons:

a) The Group has undertaken measures to reduce expenditure through cessation of mining activities at Mountain of Light and by focusing exploration expenditure on the Burra North and Yorke Peninsula projects;

b) The Group expects to raise further capital within the next 12 months to allow currently planned levels of exploration and administrative activities to continue. Historically, the Group has demonstrated the ability to raise capital when needed, however significant uncertainty currently exists in capital markets.

The Directors believe that the combined impacts of the actions in (a) and (b) above will enable the Company and the Group to generate sufficient cash flows to meet their liabilities for planned exploration and administrative activities as and when they fall due.

In the event that the actions contemplated in (a) and (b) are unsuccessful, then the Company and the Group have the ability to significantly reduce costs and still meet the minimum legal and contractual obligations of the Group and thus to continue as going concerns.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that might be necessary should the Company and the Group not continue as going concerns.

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 a company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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 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 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) 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.

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.

e) 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.

f) 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 three months.

g) Financial assets

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

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 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.

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.

h) Inventory

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on an average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 estimated to determine the extent of the impairment loss (if any).

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.

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.

The following estimated useful lives are used in the calculation of deprecation:

- Plant and equipment – 3-5 years

k) Impairment of assets (other than 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) Financial liabilities

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. 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.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

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 share-based payments 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 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 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
- 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 $1,496,458 (2011: $1,629,931) was recognised during the current financial year. Details of the impairment loss calculation are provided in Note 12.

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 15 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 30/06/12 $	Year ended 30/06/11 $
a) Revenue from continuing operations consisted of the following items		
Copper cement sales	855,681	2,100,766
b) Other income		
Interest on bank deposits	72,213	76,005
Rental revenue	-	6,313
Other	-	5,458
	72,213	87,776
c) Depreciation and amortisation		
Depreciation of plant and equipment	911,785	649,957
Amortisation of mineral rights	10,557	26,021
	922,342	675,978
d) Occupancy		
Operating lease rental expenses	59,530	56,864
e) Impairment		
Plant and equipment	841,197	1,105,598
Mineral rights	614,161	524,333
Inventory – copper in circuit	41,100	-
	1,496,458	1,629,931

5 Cash and cash equivalents

	Year ended 30/06/12 $	Year ended 30/06/11 $
Cash at bank	1,519,494	1,059,036
Term deposits	300,365	30,847
	1,819,859	1,089,883

6 Income tax

	Year ended 30/06/12 $	Year ended 30/06/11 $
a) Income tax recognised in profit or loss		
Current tax expense/(recovery)	-	-
Deferred tax recovery	(643,630)	(136,006)
Total tax expense/(recovery)	(643,630)	(136,006)

The prima facie income tax recovery on the loss before income tax reconciles to the tax expense/(recovery) in the financial statements as follows:

Loss before tax	4,755,247	7,080,221
Income tax recovery calculated at 30%	(1,426,574)	(2,124,066)
Share based payments	18,393	90,797
Other permanent tax differences	-	102,933
Adjustment recognised in the current year in relation to the prior year	-	15,809
Current year recognition of prior year research and development tax concession	(643,630)	(163,895)
Current year tax losses not recognised	1,408,181	1,942,416
Tax expense (recovery)	(643,630)	(136,006)

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.

	Year ended 30/06/12 $	Year ended 30/06/11 $
b) Recognised tax assets and liabilities		
Deferred tax assets and (liabilities) are attributable to the following:		
Trade and other receivables	(4,674)	(230)
Exploration and evaluation expenditure	(1,689,341)	(1,145,354)
Plant and equipment	411,328	-
Mineral Rights	341,548	-
Trade and other payables	16,500	87,577
Employee benefits	44,473	204,433
Restoration and rehabilitation provision	168,075	-
Share issue costs	94,627	83,921
Net deferred tax liabilities	(617,464)	(769,653)
Tax losses recognised	617,464	769,653
Net deferred tax assets / (liabilities)	-	-
c) Unrecognised tax losses:		
A deferred tax asset has not been recognised in respect of the following:		
Tax Losses – operating, at 30% potential benefit	4,600,631	1,542,949
Tax Losses – capital, at 30% potential benefit	115,307	-
A deferred tax asset has not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which to utilise the losses.		
d) Movement in recognised temporary differences and tax losses		
Opening balance	-	-
Recognised in equity	-	27,889
Recognised in income	-	(27,889)
Closing balance	-	-

7 Current trade and other receivables

	Year ended 30/06/12 $	Year ended 30/06/11 $
Trade receivables	-	241,697
Interest	5,427	765
Goods and services tax	28,012	323,869
State government exploration funding	65,000	-
Exercise of options	113,795	-
Research and development tax concession	643,630	163,895
	855,864	730,226

The research and development tax concession receivable at 30 June 2012 relates to the 2011 tax year, and was collected subsequent to year end. The receivable at the prior year end related to the 2010 tax year.

8 Other current assets

	Year ended 30/06/12 $	Year ended 30/06/11 $
Prepayments	8,171	14,167
Deposit – office bond	32,760	-
	40,931	14,167

The office bond is invested in a 365 day term deposit maturing February 2013 and earning 5.0% interest.

9 Inventory

	Year ended 30/06/12 $	Year ended 30/06/11 $
Raw materials	7,410	41,823
Work in progress	-	341,378
Finished goods	-	46,203
	7,410	429,404

During the year, an impairment charge in the amount of $41,100 to reflect copper in-circuit (work in progress) at net realisable value was recorded.

10 Other non-current assets

	Year ended 30/06/12 $	Year ended 30/06/11 $
Environmental deposit	150,000	150,000

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 (refer Note 15). Interest on the deposit does not accrue to the Group.

11 Exploration and evaluation expenditure

	Year ended 30/06/12 $	Year ended 30/06/11 $
Costs brought forward	5,354,298	4,861,838
Expenditure incurred during the year	2,081,178	1,142,460
Expenditure recovered via State government funding	(122,500)	-
Expenditure written off	(149,389)	(650,000)
	7,163,587	5,354,298

The majority of exploration and evaluation expenditure during the year related to the Group's Yorke Peninsula ($1.06 million) and Burra ($0.4 million) tenements. The Group received $57,500 in funding from the South Australia government during the year, and further funding of $65,000 was receivable at year end, in relation to its Yorke Peninsula and Burra North projects respectively. At 30 June 2012, accumulated expenditure of $149,389 in relation to three tenements which are to be relinquished was written off.

12 Plant and equipment

	Cost $
Balance at 30 June 2010	473,970
Additions through acquisition	1,678,500
Additions - other	2,208,017
Balance at 30 June 2011	4,360,487
Additions	14,866
Balance at 30 June 2012	4,375,353
Accumulated depreciation	
Balance at 30 June 2010	181,002
Depreciation Expense	649,957
Impairment	1,105,598
Balance at 30 June 2011	1,936,557
Depreciation Expense	911,785
Impairment	841,197
Balance at 30 June 2012	3,689,539
Net book value	
Balance at 30 June 2011	2,423,930
Balance at 30 June 2012	685,813

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

Impairment

For the purposes of assessing the recoverability of the carrying amounts of Plant and Equipment and Mineral Rights, assets have been allocated to the following cash generating units:

- Mining operations
- Exploration

Following the results of a scoping study into the copper mining and production operations at Mountain of Light (Leigh Creek) conducted during the year, the Group reassessed the recoverable amount of these assets. As a result, an impairment charge of $1.45 million was recorded, allocated pro-rata (on the basis of written down values) between Plant & Equipment and Mineral Rights (refer Note 4e). The recoverable amount of the Mountain of Light mining assets was assessed on a fair value basis, being estimated net disposal proceeds from an arm's length transaction should the assets be held for sale.

During the prior year, as a result of an unexpected halt in production and higher than expected costs, the Group carried out a review of the recoverable amount of its mining plant and equipment and mineral rights. The review indicated an impairment loss of $1.63 million, which was allocated between Plant and Equipment and Mineral Rights on the basis of written down values. The recoverable amount of the relevant assets was determined on the basis of their value in use, using a discount rate of 30% per annum.

13 Mineral rights

	Year ended 30/06/12 $	Year ended 30/06/11 $
Mineral Rights	1,807,068	1,807,068
Accumulated amortisation	(36,578)	(26,021)
Accumulated Impairment	(1,138,494)	(524,333)
	631,996	1,256,714

Mineral rights are amortised as the resource is mined. As discussed in Note 12, during the year an impairment charge of $614,161 (2011: $524,333) was recorded.

14 Current liabilities – trade and other payables

	Year ended 30/06/12 $	Year ended 30/06/11 $
Trade payables	245,534	1,482,162
Accrued expenses	79,399	291,925
Other payables	43,514	104,018
	368,447	1,878,105

15 Provisions

	Year ended 30/06/12 $	Year ended 30/06/11 $
Current		
Employee benefits	115,659	102,831
Non-current		
Employee benefits	32,584	18,361
Site restoration and rehabilitation	560,250	560,250
	592,834	578,611

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.

16 Convertible notes

	Year ended 30/06/12 $	Year ended 30/06/11 $
Convertible notes	-	500,000

At the prior year end, the Group had issued 500,000 convertible notes, with a 7% interest rate, at an issue price of $1 per note. A further 250,000 notes on the same terms were issued to the subscriber on 7 September 2011. Each note entitled the holder to convert the note into one ordinary share upon payment of $1. On 23 September 2011, the holder converted all 750,000 notes into 8,392,693 fully paid ordinary shares in the Company, as shown in Note 17 below.

No interest was paid in the period between issue and conversion.

17 Issued capital

	Year ended 30/06/12 $	Year ended 30/06/11 $
177,442,543 fully paid ordinary shares (2011: 93,116,512)	21,856,732	16,101,708
1,500,000 Performance shares (2011: 1,500,000)	126,185	126,185
	21,982,917	16,227,893

Movement in ordinary shares for the year:

Ref		No.	Year ended 30/06/12 $	No.	Year ended 30/06/11 $
	Balance at beginning of year	93,116,512	16,101,708	54,515,500	7,815,603
	Shares issued pursuant to tenement purchase agreements	-	-	38,399,012	8,328,430
	Conversion of employee options at 14.6 cents	-	-	111,000	16,206
	Conversion of employee options at 7 cents	-	-	91,000	6,643
a	Shares issued at 6.5 cent pursuant to Rights Issue	60,905,523	3,958,859	-	-
a	Less: amount allocated to 50,754,602 options granted as part of Rights Issue	-	(2,045,709)	-	-
d	Shares issued at 8.9 cents on note conversion	8,392,693	750,000	-	-
c	Shares issued in return for services	528,572	37,652	-	-
b	Shares issued on exercise of 10 cent options*	14,499,243	1,449,924	-	-
b	Shares allotted subsequent to year end on exercise of 10 cent options	-	76,521	-	-
b	Less: amount allocated to 15,264,449 secondary options	-	(209,717)	-	-
b	Transfer from share option reserve on conversion/expiry of options	-	2,070,699	-	-
a	Share issue costs (net of tax)	-	(333,205)	-	(57,634)
	Balance at end of year	177,442,543	21,856,732	93,116,512	16,101,708

* *$37,274 was receivable at year end, as was the $76,521 shown in the line below, total $113,795 as shown in Note 7.*

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

a) In November 2011, the Group successfully completed a Rights Issue, which resulted in the issue of 60,905,523 shares at 6.5 cents for gross proceeds of $3.9m ($3.6m net of costs). Participants in the Rights Issue also received one option for every two shares subscribed for, resulting in the issue of 30,452,761 options with an exercise price of 10 cents and expiry date of 30 June 2012. A further 20,301,841 options with identical terms were issued to the sub-underwriters of the Rights Issue. Upon exercise of each of these options, holders were entitled to one share in the Company plus an additional option with an exercise price of 15 cents and expiry date of 30 June 2013 ('secondary option').

The 50,754,602 million 10 cent options issued, along with the rights to the secondary options, were valued at $2.0 million which was reflected as an increase to reserves in equity. The remainder of the gross proceeds raised ($1.96 million) was reflected as an increase to share capital.

b) Of the 50,754,602 options issued under the Rights Issue, 15,264,449 were exercised by 30 June 2012 with the remainder expiring unexercised. The exercise resulted in 14,499,243 shares being issued prior to 30 June 2012, with the remaining 765,206 allotted in July 2012 (all cash from exercise was received prior to 30 June 2012, with the exception of $113,795 which was receivable at 30 June 2012 as disclosed in Note 6). In July 2012, 15,264,449 secondary options were issued, each with an exercise price of 15 cents and an expiry date of 30 June 2013. Options will not be quoted on the ASX as quotation conditions were not met. The value of the secondary options, as determined under the Black-Scholes pricing model, was $209,717, which has been allocated to reserves in equity.

With the conversion and expiry of the 50,754,602 ten cent options on 30 June 2012, the $2 million value ascribed to the options on their original issue was transferred to share capital.

c) 428,572 shares were issued to the Company's Chairman in lieu of director's fees for the period 1 April 2011 to 30 September 2011, as approved by shareholders at the Company's AGM on 25 November 2011. A further 100,000 shares were issued to the Company's General Manager (now CEO) after the completion of the six month vesting period regarding 100,000 performance rights.

d) 8.3 million shares were issued to Talis SA, on conversion of the note referred to in Note 16. The conversion price was determined based on the Company's volume weighted average share price over the 30 days preceding conversion.

18 Reserves

	Year ended 30/06/12 $	Year ended 30/06/11 $
Equity-settled benefits reserve	1,099,538	993,247

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 lapse. Further information about share based payments made under the plans is disclosed in Note 20.

The increase in the reserve for the year relates to:

» the vesting of performance rights, with a corresponding $61,311 share-based payments expense recorded in profit and loss;

» the $209,717 fair value of 15,264,449 secondary options (Refer to Note 17b) granted on the issue of an equivalent number of shares by 30 June 2012 following the exercise of 10 cent options originally issued under the November 2011 Rights Issue. Refer to Note 20 for details of the fair value calculation; and

» a reduction in the reserve of $164,737 due to options/performance rights that either converted or lapsed during the year, with a corresponding adjustment to accumulated losses ($139,747 as shown in Note 19), and share capital ($24,990).

19 Accumulated losses

	Year ended 30/06/12 $	Year ended 30/06/11 $
Accumulated losses	12,803,935	8,832,065
Balance at beginning of year	8,832,065	1,887,850
Loss for the year	4,111,617	6,944,215
Transfer to accumulated losses from share option reserve regarding options that lapsed unexercised	(139,747)	-
Balance at end of year	12,803,935	8,832,065

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.

No performance rights were issued in the current financial year. In the prior year, 100,000 performance rights were issued to James Fox – these vested in November 2011 upon the completion of six months continuous employment with the Company, and 100,000 shares were consequently issued (refer Note 17c).

At 30 June 2012, there were 1,000,000 performance rights in existence (30 June 2011: 1,100,000), held by former Managing Director Paul Dowd. These rights were issued in 2010, and vest as follows:

a) 500,000 performance rights (tranche 1 or T1) on 31 July 2012

b) 500,000 performance rights (tranche 2 or T2) within 30 days of the earlier of

   i) the achievement of a 2011/2012 profit for the Group of $4.5 million or greater and the Board considers that a profit of at least that amount is sustainable for the following 2 years; and

   ii) a discovery or discoveries of mineralisation internally estimated, to the satisfaction of the Board, to contain, or contain in aggregate, 125,000 tonnes of contained copper or equivalent in other metals.

Subsequent to year end, the T1 performance rights vested and 500,000 shares were issued to Mr Dowd. The conditions for vesting associated with the T2 performance rights were not met, and therefore these rights lapsed with effect of 31 July 2012. As it was clear the T2 rights would not vest as of 30 June 2012, all amounts previously recorded as share-based payment expense in relation to the T2 rights ($105,561) were reversed.

The net amount recorded as share-based payment expense during the financial year was $61,311 (2011: $302,655).

Share option plan

Prior to the current financial year, 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 can be exercised at any time from the date of issue to expiry. Options are not listed, and carry no rights to dividends and no voting rights.

No options under the Share Option Plan were granted during the year (2011: 7,224,665), and none were exercised (2011: 202,000).

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 tables reconcile the outstanding share options granted under the Employee Share Option Plan and Other Options from the beginning to the end of the financial year:

	Year ended 30/06/12		Year ended 30/06/11	
Employee share option plan	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	1,585,000	0.164	1,787,000	0.226
Granted	-	-	-	-
Exercised	-	-	(202,000)	(0.113)
Lapsed	-	-	-	-
Balance at end of the year	1,585,000	0.164	1,585,000	0.169

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 542 days (2011: 891 days).

	Year ended 30/06/12		Year ended 30/06/11	
Directors and others	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	14,224,665	0.29	7,000,000	0.25
Granted as part of Rights Issue	50,754,602	0.10	7,224,665	0.33
Exercised – Rights Issue options	(15,264,449)	(0.10)	-	-
Lapsed – Rights Issue options	(35,490,153)	(0.10)		
Lapsed – other options	(3,623,563)	(0.33)	-	-
Balance at end of the year	10,601,102	0.27	14,224,665	0.29

As disclosed in Note 17(a), in November 2011 50,754,602 ten cent options with an expiry date of 30 June 2012 were issued as part of a Rights Issue. Of these, 15,264,449 were exercised and the remaining 35,490,153 lapsed unexercised. The fair value at grant date of the 50,754,602 ten cent options was determined utilising the Black-Scholes option pricing model to be $2,045,709 (refer table below for key assumptions). The fair value was accounted for initially as an increase to the equity-settled benefits reserve, but was reclassified to share capital at 30 June 2012 upon exercise/expiry of all options.

As disclosed in Note 17(b), subsequent to year end 15,264,449 secondary options were issued with an exercise price of 15 cents and expiring 30 June 2013. The fair value at grant date of these secondary options was determined utilising the Black-Scholes option pricing model to be $209,717 (refer table below for key assumptions).

Also as summarised above, 2,873,563 options with an exercise price of $0.345 expired unexercised on 15 April 2011, and a further 750,000 options with an exercise price of $0.28 expired unexercised on 31 October 2011.

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 280 days (2011: 583 days).

Inputs into the option pricing models used to calculate the fair value of options granted during the year are as follows:

	Rights issue 10 cent options	Rights issue 15 cent secondary options
Grant date	2 November 2011	30 June 2012*
Grant date share price	$0.07	$0.09
Exercise price	$0.10	$0.15
Expected volatility	154%	77%
Term	8 months	12 months
Risk-free interest rate	3.75%	2.75%

* *Options were not actually issued until July 2012; however the grant date for valuation and accounting purposes is 30 June 2012*

The following options were in existence at 30 June 2012:

Options – series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $	Vesting date
Employee share option plan						
19 June 2008	250,000	28/04/2008	18/06/2013	0.245	$0.0336	18/06/2008
12 September 2008	500,000	12/09/2008	11/09/2013	0.245	$0.0411	12/09/2009
16 March 2009	750,000	16/03/2009	15/03/2014	0.095	$0.0436	16/03/2009
11 June 2009	23,000	11/06/2009	10/06/2014	0.081	$0.0600	11/06/2009
22 June 2009	62,000	22/06/2009	21/06/2014	0.068	$0.0800	22/06/2009
Total ESOP	**1,585,000**					
Director options	**1,500,000**	04/10/2007	11/02/2013	0.245	$0.0648	11/02/2008
Other options						
Reilly	2,000,000	19/10/2007	25/01/2013	0.245	$0.0642	25/01/2008
Avanti	1,750,000	16/10/2007	25/01/2013	0.245	$0.0648	25/01/2008
Marathon	750,000	09/11/2007	25/01/2013	0.245	$0.0642	25/01/2008
Taylor Collison	1,000,000	09/11/2007	25/01/2013	0.245	$0.0642	25/01/2008
LCCM vendors	1,250,000	30/07/2010	29/07/2015	0.27	$0.1673	30/07/2010
11 March 2011	2,351,102	11/03/2011	11/03/2013	0.345	-	11/03/2011
Total other	**9,101,102**					
Total options	**12,186,102**					

As a result of the Rights Issue during the year, and according to the terms of all share options issued, the exercise price of all existing share options was revised in November 2011 to take into account the dilutive impact of issuing shares at a discount to the market price at the time of issuance. As a result, the exercise price of all options was reduced by one-half of a cent. The fair value of this modification to the exercise price was determined to be immaterial and therefore no additional share-based payment expense was recorded.

21 Key management personnel disclosure

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

- Graham Spurling (Chairman)
- Paul Dowd (Managing Director until 30 April 2012, non-executive director thereafter)
- Peter Watson (Non-executive Director)
- David Hillier (Non-executive Director)
- James Fox (Chief Executive Officer from 1 May 2012, and General Manager – Mountain of Light Copper Mine beforehand)
- Peta Marshman (Company Secretary until resignation 24 January 2012)
- Nick Harding (Chief Financial Officer until resignation January 2012)
- Tim Moran (Chief Financial Officer from 4 January 2012 and Company Secretary from 24 January 2012)
- Mark Manly (Chief Geologist)

The aggregate compensation of key management personnel of the Group is set out below:

	Year ended 30/06/12 $	Year ended 30/06/11 $
Short-term employee benefits	966,262	1,033,415
Post employment benefits	70,885	53,263
Share-based payments*	12,753	125,038
	1,049,900	1,211,716

* *Share based payments relate to performance rights granted during the 2011 financial year*

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

Equity holdings of key management personnel

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

2012	Balance 01/07/11	Net changes	Balance 30/06/12
Directors			
Graham Spurling	710,084	753,572	1,463,656
Paul Dowd	543,750	1,186,250	1,730,000
Peter Watson	4,623,750	3,374,250	7,998,000
David Hillier	150,000	190,000	340,000
Other key management personnel			
James Fox	-	340,000	340,000
Mark Manly	-	-	-
Tim Moran	-	-	-

Subsequent to year end, 500,000 shares were issued to Mr Paul Dowd upon the vesting of 500,000 Performance Rights (refer Note 20).

2011	Balance 01/07/10	Net changes	Balance 30/06/11
Directors			
Graham Spurling	616,334	93,750	710,084
Paul Dowd	450,000	93,750	543,750
Peter Watson	4,530,000	93,750	4,623,750
David Hillier	-	150,000	150,000
Other key management personnel			
Mark Manly	-	-	-
James Fox	-	-	-
Peta Marshman	100,000	12,500	112,500
Nick Harding	3,000	-	3,000

ii) Options to acquire fully paid ordinary shares issued by Phoenix Copper Limited:

2012	Balance 01/07/11	Granted	Lapsed	Balance 30/06/12	Vested and exercisable
Directors					
Graham Spurling	500,000	-	-	500,000	500,000
Paul Dowd	500,000	-	-	500,000	500,000
Peter Watson	500,000	-	-	500,000	500,000
David Hillier	-	-	-	-	-
Other key management personnel					
James Fox	-	-	-	-	-
Mark Manly	1,500,000	-	-	1,500,000	1,500,000
Tim Moran	-	-	-	-	-

2011	Balance 01/07/10	Granted	Lapsed	Balance 30/06/11	Vested and exercisable
Directors					
Graham Spurling	500,000	-	-	500,000	500,000
Paul Dowd	500,000	-	-	500,000	500,000
Peter Watson	500,000	-	-	500,000	500,000
David Hillier	-	-	-	-	-
Other key management personnel					
Mark Manly	1,500,000	-	-	1,500,000	1,500,000

iii) Performance shares issued by Phoenix Copper Limited:

2012	Balance 01/07/11	Granted	Lapsed	Balance 30/06/12
Directors				
Paul Dowd	1,500,000	-	-	1,500,000

2011	Balance 01/07/10	Granted	Lapsed	Balance 30/06/11
Directors				
Paul Dowd	1,500,000	-	-	1,500,000

iv) Performance rights issued by Phoenix Copper Limited:

2012	Balance 01/07/11	Granted	Vested	Lapsed	Balance 30/06/12
Directors					
Paul Dowd	1,000,000	-	-	-	1,000,000
Other key management personnel					
James Fox	100,000	-	(100,000)	-	-

As disclosed in Note 20, subsequent to year end 500,000 Performance Rights vested and as a result 500,000 shares were issued to Mr Dowd. The conditions for vesting associated with the other 500,000 performance rights were not met, and therefore these rights lapsed with effect of 31 July 2012.

22 Remuneration of auditor

Paid or payable for the following services:	Year ended 30/06/12 $	Year ended 30/06/11 $
Audit or review of the financial report	63,305	55,325
Accounting assistance	23,625	-
Tax return preparation and advice	15,564	14,576
	102,494	69,901

The auditor of Phoenix Copper Limited is Deloitte Touche Tohmatsu.

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) Transactions within wholly owned 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.

c) Other related party transactions

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

- A relative of a Director (Peter Watson) is the Office Manager. The amount paid as salary to that person was $75,330 (2011: $70,000) for the financial year.
- 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 $99,304 (2011: $84,588). A balance of $4,467 was outstanding for payment to Watsons Lawyers at year end.
- Directors fees were owing at year to Peter Watson of $11,000.

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 order to retain the tenement lease.

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 2012 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	Year ended 30/06/12 $	Year ended 30/06/11 $
Minimum exploration expenditure on tenements	1,420,000	8,760,501

Subsequent to year end, the Group renewed its office lease in Rose Park, South Australia for a period of two years, with annual lease payments exclusive of GST of $52,458.

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 EL3161 (now EL4226) from Mr Reilly.

Contingent consideration pursuant to this agreement are:

- 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 EL3161 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 EL3161 or derived from that land by or on behalf of the Company;
- the payment of $200,000 upon the Company announcing an ore reserve, prepared in accordance with the JORC Code, on EL3161 of at least 15,000 tonnes of contained copper; and
- the payment of a retainer of $20,000 per year, payable on the anniversary of completion of the sale and purchase of EL3161, for a period of four years (to an aggregate total value of $80,000), for the provision of services by Mr Reilly to the Company. As at 30 June 2012, Mr Reilly was still owed approximately $25,000 by the Company; this amount is included in Trade and Other Payables in the Statement of Financial Position.

c) Joint Venture with Australian Field Services Pty Limited

The eastern portion of EL3164 (now EL4233, acquired by the Company from Marathon Resources Limited (Marathon) on 25 January 2008) is subject to a contractual joint venture with Australian Field Services Pty Ltd (AFS). The joint venture is constituted by a letter agreement dated 8 October 2007 between Marathon and AFS and a Deed of Assignment, Assumption and Variation dated 9 November 2007 between the Company, Marathon and AFS.

AFS earned a 90% interest in the joint venture by spending $180,000 by October 2010. The Company has a 10% free carried interest up to a decision to mine.

AFS is the manager of the Joint Venture and is responsible for the design and execution of exploration programmes as long as its joint venture interest is 51% or more. Each party may withdraw from the Joint Venture at any time.

d) 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 EL3161 (now EL4226).
- to Avanti Resources Pty Ltd - 2.5% of the net smelter return on all metals derived from EL3604, EL3716 and EL3686 (now EL's 4807, 3716, and 4886 respectively).
- to Marathon Resources Limited - 2.5% net smelter return on all metals derived from the Western Portion of EL3164 (now EL4233).
- to Copper Range (SA) Pty Limited - 1.5% net smelter return on all metals derived from EL3459 (now EL4809).
- to Copper Range (SA) Pty Limited - 2.0% net smelter return on all metals derived from EL3971, EL3972 and EL3451.
- to Copper Range (SA) Pty Limited - 50% of a 1.5% net smelter return on all metals derived from EL4370.
- to Flinders Mines Limited - 50% of a 1.5% net smelter return on all metals derived from EL4370.

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

e) 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.

25 Financial instruments and financial risk management

Categories of financial instruments

	Year ended 30/06/12 $	Year ended 30/06/11 $
Financial assets		
Cash and cash equivalents	1,819,859	1,089,883
Deposits (current and non-current)	182,760	150,000
Trade and other receivables	855,864	880,226
Financial liabilities		
Trade and other payables	368,447	1,878,104
Convertible note	-	500,000

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'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 $7,000 and $7,000 respectively (2011: increase/decrease by approximately $5,500 and $5,500 respectively).

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

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 Group has credit risk exposure to AdChem being the sole customer for copper cement sales, however as mining and production is currently on hold this exposure is zero at 30 June 2012. 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, who have 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 Group manages liquidity risk by maintaining adequate cash reserves and continuously monitoring forecast and actual cash flows.

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 $
2012					
Non-interest bearing	-	289,048	79,399	-	-
Fixed interest bearing	-	-	-	-	-
2011					
Non-interest bearing	-	676,672	1,201,432	-	-
Fixed interest bearing	7%	-	-	500,300	-

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 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 categories are exploration as well as mining and production of copper. 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 Australia

» Mining and production of copper in Australia

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

	Revenue Year ended 30/06/12 $	Revenue Year ended 30/06/11 $	Segment loss Year ended 30/06/12 $	Segment loss Year ended 30/06/11 $
Exploration	-	-	(149,389)	(2,434,474)
Mining*	855,681	2,100,766	(3,001,013)	(4,645,747)
Unallocated	-	-	(1,604,845)	-
Loss before tax			(4,755,247)	(7,080,221)
Income tax recovery			643,630	136,006
Consolidated segment revenue and loss for the year	855,681	2,100,766	(4,111,617)	(6,944,215)

* *segment loss includes depreciation and amortisation of $757,811 (2011: $535,757) and impairment $1,496,458 (2011: $1,629,931)*

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the current or prior year.

Segment loss represents the loss earned by each segment without allocation of central administration costs and Directors' fees, 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:

	Year ended 30/06/12 $	Year ended 30/06/11 $
Assets		
Exploration	7,228,587	7,829,054
Mining	1,286,273	4,079,668
Unallocated assets	2,840,600	288,425
Total assets	11,355,460	11,448,622
Liabilities		
Exploration	72,231	56,010
Mining	584,648	1,935,250
Unallocated liabilities	420,061	1,068,287
Total liabilities	1,076,940	3,059,547

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

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

27 Earnings per share

	Year ended 30/06/12 Cents per share	Year ended 30/06/11 Cents per share
Basic loss per share	(3.0)	(8.1)
Diluted loss per share	(3.0)	(8.1)

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Year ended 30/06/12 Cents per share	Year ended 30/06/11 Cents per share
Loss after tax	(4,111,617)	(6,944,215)
Weighted average number of ordinary shares	138,695,757	85,267,990

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

	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
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

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 Acquisition of subsidiary – prior year

On 23 July 2010 the Group acquired a 100% interest in Leigh Creek Copper Mine Pty Ltd.

Consideration transferred

	$
Cash	1,762,086
Shares	1,187,500
Share options	209,112
	3,158,698

Assets acquired and liabilities assumed at the date of acquisition

	$
Non-current assets	
Plant and equipment	1,678,500
Mineral rights	1,807,068
Environmental bond	150,000
Current liabilities	
Rehabilitation provision	(476,870)
	3,158,698

Net cash outflow arising on acquisition:

	$
Consideration paid in cash	1,762,086
	1,762,086

30 Parent entity disclosures

	Year ended 30/06/12 $	Year ended 30/06/11 $
Financial Position		
Assets		
Current assets	2,724,068	1,660,507
Non-current assets	7,931,085	8,903,995
Total assets	10,655,153	10,564,502
Liabilities		
Current liabilities	344,049	2,157,066
Non-current liabilities	32,584	18,361
Total liabilities	376,633	2,175,427
Net assets	10,278,520	8,389,075
Equity		
Issued capital	21,982,917	16,227,893
Accumulated losses	(12,803,935)	(8,832,065)
Equity-settled benefits reserve	1,099,538	993,247
Total equity	10,278,520	8,389,075
Financial performance		
Loss for the year	(4,111,617)	(6,944,215)
Other comprehensive income/loss	-	-
Total comprehensive loss	(4,111,617)	(6,944,215)

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.

31 Subsequent events

The matters or circumstances that have arisen since 30 June 2012 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

are as follows:

- issue of 15,264,449 unlisted options with an exercise price of 15 cents and expiry date of 30 June 2013. As discussed in Note 17(b), these options ('secondary options') were issued upon the exercise of the same number of 10 cent options originally issued under the November 2011 Rights Issue.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year requiring adjustment to, or disclosure in, the 30 June 2012 Group financial statements.

Directors' Declaration

Directors' Declaration

In the Directors' opinion:

a) the 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 2012 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 Spurling
CHAIRMAN

28th September 2012

Deloitte.

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Independent Auditor's Report to the members of Phoenix Copper Limited

We have audited the accompanying financial report of Phoenix Copper Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, 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 as set out on pages 37 to 64.

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* and for 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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 that we 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.

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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Phoenix Copper Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

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 2012 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 32 of the directors' report for the year ended 30 June 2012. 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

In our opinion the Remuneration Report of Phoenix Copper Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants
Adelaide, 28 September 2012

Shares

The total number of shares issued as at 10 October 2012 was 178,707,749 held by 580 registered shareholders.

None of these Shares are subject to escrow.

110 shareholders hold less than a marketable parcel, based on the market price of a share as at 10 October 2012.

Each share carries one vote.

Performance shares

As at 10 October 2012 the Company had on issue 1,500,000 Performance Shares, held by one holder, the former Managing Director's nominee, PJ & BA Dowd Investments Pty Ltd <Super Fund A/C>.

No voting rights are attached to the Performance Shares.

Quoted options

The Company does not have any quoted Options on issue.

Unquoted options

As at 10 October 2012 the Company has on issue:

- 5,500,000 exercisable at $0.245 and expiring on 25 January 2013, held by sevenholders (Avanti Resources Pty Ltd <Marlow Family A/C> holds 1,750,000 of these Options and Matthew Reilly holds 1,525,000);
- 1,500,000 exercisable at $0.245 and expiring on 11 February 2013, held by three holders (each Director holds 500,000 of these Options);
- 2,351,102 exercisable at $0.345 and expiring on 11 March 2013, held by 13 holders (Asia Image Limited holds 952,380 of these Options);
- 250,000 exercisable at $0.245 and expiring on 18 June 2013, held by one holder;
- 15,264,449 exercisable at $0.15 and expiring 30 June 2013, held by 31 holders;
- 500,000 exercisable at $0.245 and expiring on 11 September 2013, held by one holder;
- 750,000 exercisable at $0.095 and expiring on 15 March 2014, held by one holder;
- 23,000 exercisable at $0.081 and expiring on 10 June 2014, held by one holder;
- 62,000 exercisable at $0.068 and expiring on 21 June 2014, held by one holder; and
- 1,250,000 exercisable at $0.27 and expiring on 29 July 2015, held by nine holders (McMahon Services Australia Pty Limited holds 345,684 of these Options and Texdos Pty Limited in its capacity as trustee of the Bill Buttrose Family Trust holds 292,920 of these Options).

No voting rights are attached to any Options.

Twenty largest shareholders

As at 10 October 2012, the twenty largest Shareholders were as shown in the following table and held 73% of the Shares.

RANK	NAME	SHARES	% OF SHARES
1	LONG FORTUNE LIMITED	27,075,000	15.15
2	ASIA IMAGE LIMITED	24,571,434	13.75
3	TALIS SA	21,160,262	11.84
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,960,815	7.25
5	MR PETER JAMES WATSON + MS JUDITH WATSON <SUPER FUND A/C>	7,000,000	3.92
6	MR WILLIAM DOUGLAS GOODFELLOW	5,879,962	3.29
7	FORTY TRADERS LIMITED	5,517,242	3.09
8	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,412,488	1.91
9	THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED <COMPANY NO 115240>	2,758,621	1.54
10	ROBERT LEON C/O TONY STRASSER	2,665,000	1.49
11	I E PROPERTIES PTY LTD	2,368,385	1.33
12	FORTY TRADERS LIMITED	2,162,913	1.21
13	GDE EXPLORATION (SA) PTY LTD <A1 ENGLISH A/C>	1,806,643	1.01
14	RETZOS INVESTMENTS PTY LTD <RETZOS ALTONA PROPERTY A/C>	1,750,000	0.98
15	AVALON FAMILY TRUSTEE (WD TRUST) LIMITED	1,740,000	0.97
16	THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED <469119 ACCOUNT>	1,740,000	0.97
17	PJ & BA DOWD INVESTMENTS PTY LTD <THE DOWD SUPER FUND A/C>	1,730,000	0.97
18	MR MATHEW REILLY	1,525,000	0.85
19	BT PORTFOLIO SERVICES LIMITED <FAIRFIELD SUPER FUND A/C>*	1,463,656	0.82
20	WELDBANK PTY LTD	1,371,914	0.77
	Total	130,659,375	73.11

* *Nominee of Graham Spurling*

Substantial shareholders

As at 10 October 2012, the substantial shareholders as disclosed in substantial holding notices given to the Company are:

	Holding	%
Long Fortune Limited	27,075,000	15.19
Asia Image Limited	25,071,434	15.44
Talis SA	21,160,262	12.58

Distribution schedules

A distribution schedule of the number of shareholders, by size of holding, as at 10 October 2012 is set out below:

Size of holdings	Number of shareholders
1 – 1000	27
1,001 – 10,000	143
10,001 – 100,000	283
100,001 and over	123
Total	576

A distribution schedule of the number of holders of unquoted options exercisable at $0.245 and expiring on 25 January 2013, by size of holding, as at 10 October 2012 is set out below:

Size of holdings	Number of holders
1 – 1000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	0
100,001 and over	7
Total	7

A distribution schedule of the number of holders of unquoted options exercisable at $0.345 and expiring on 11 March 2013, by size of holding, as at 10 October 2012 is set out below:

Size of holdings	Number of holders
1 – 1000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	8
100,001 and over	5
Total	13

A distribution schedule of the number of holders of unquoted options exercisable at $0.15 and expiring on 30 June 2013, by size of holding, as at 10 October 2012 is set out below:

Size of holdings	Number of holders
1 – 1000	4
1,001 – 5,000	9
5,001 – 10,000	3
10,001 – 100,000	11
100,001 and over	4
Total	31

A distribution schedule of the number of holders of unquoted options exercisable at $0.27 and expiring on 29 July 2015, by size of holding, as at 10 October 2012 is set out below:

Size of holdings	Number of holders
1 – 1000	0
1,001 – 5,000	0
5,001 – 10,000	0
10,001 – 100,000	4
100,001 and over	5
Total	9

All other option groups are held by one holder or as disclosed on page 67.

There is no current on-market buy-back.

Enquiries from shareholders

Shareholders wishing to record a change of address or other holder details or with queries regarding their shareholding should contact the Company's share registry, Computershare, as detailed in the corporate directory at the front of this annual report. Shareholders with any other query are invited to contact the Company's registered office as detailed in the corporate directory at the front of this annual report.