DIRECTORS' REPORT

The Directors of Phoenix Copper Limited ('Phoenix Copper' or 'Company') present their report for the financial year ended 30 June 2014.

Directors

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

Graham Leslie Ascough (Non-Executive Chairman)

Appointed 7 December 2012

Graham Ascough (BSc, PGeo, MAusIMM) is a senior resources executive with more than 24 years of industry experience evaluating mineral projects and resources in Australia and overseas.

Mr Ascough, a geophysicist by training, has had broad industry involvement playing a leading role in setting the strategic direction for companies, completing financing and in implementing successful exploration programmes. He was also a Councillor of the South Australian Chamber of Mines and Energy and Chair of its Exploration Committee from 2006 ~ 2012 and has strong ties to the South Australian resources industry. He is a member of the Australian Institute of Mining and Metallurgy and is a Professional Geoscientist of Ontario, Canada.

Mr Ascough was the Managing Director of Mithril Resources Ltd from October 2006 until June 2012. Prior to joining Mithril in 2006, he was the Australian Manager of Nickel and PGM Exploration at a major Canadian resources house, Falconbridge Limited, which was acquired by Xstrata Plc in 2006.

In the 3 years immediately prior to 30 June 2014, Graham Ascough held the following directorships of other listed companies for the following periods:

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

Paul J Dowd, Non-Executive Director

Appointed 27 September 2007

Paul Dowd has over 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 and the University of Queensland, Chairman of the Mineral Resources Sector Advisory Council of the CSIRO and a SA Training and Skills Commissioner. In the 3 years immediately prior to 30 June 2014, Paul Dowd held the following directorships of other listed companies for the following periods:

- 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
- 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 Fulbright. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, he returned to private legal practice and founded the successful boutique law firm Watsons Lawyers in Adelaide. Mr Watson is a member of the board of trustees of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation), non-executive director of Felton Grimwade and Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over-the-counter therapeutic products). In the 3 years immediately prior to 30 June 2014, Peter Watson held the following directorships of other listed companies for the following periods:

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

David Hillier, Non-executive Director

Appointed 17 September 2010

David Hillier is a Chartered Accountant and has more than 30 years' experience in commercial aspects of the resources industry. He has served as Chairman and as a director of a number of public companies in the mining and exploration field, including Lawson Gold Limited and Buka Gold Limited. Throughout 2008 he was Chief Financial Officer and an executive director of AIM listed Minerals Securities Limited, based in London. Between 1989 and 2002, Mr Hillier held a range of senior executive positions in the Normandy Mining Limited Group of companies and was Chief Financial Officer of Normandy for six of these years. In the 3 years immediately prior to 30 June 2014, David Hillier held the following directorships of other listed companies for the following periods:

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

Company Secretary

Tim Moran

Tim Moran is a Chartered Accountant with 18 years' experience in accounting and finance and over 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 Ascough, Non-Executive Chairman

Nil.

Paul Dowd, Non-Executive Director

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

Peter Watson, Non-Executive Director

Peter Watson has a direct interest in 998,000 Shares and an indirect interest in 7,000,000 Shares.

David Hillier, Non-executive Director

David Hillier has an indirect interest in 340,000 Shares.

Dividends and Distributions

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

Principal Activities

The principal activity of Phoenix Copper Limited and its wholly owned subsidiaries ('Group') during the financial year was mineral exploration and corporate activity seeking value accretive minerals projects.

Subsequent to year end (August 2014), the Group executed an agreement with Crocodile Gold Australia Pty Ltd ('Crocodile Gold'), a subsidiary of Canadian listed Crocodile Gold Corp for the acquisition of 15 mining leases and a farm-in to earn up to 90% of a further 21 exploration licences and 4 mining leases, all in the Northern Territory.

Consideration for the purchase of the mining leases is $1 plus a 2% royalty on the market value of any future production of gold and silver from the leases. Under the terms of the farm-in, Phoenix Copper can earn a 51% interest in the farm-in tenements with expenditure of $2 million over 2 years, and can then elect to increase its interest to 90% with expenditure of an additional $2 million over a further 2 year period. A further $500,000, either in cash or shares at the Company's election, is payable if a bankable feasibility study is completed on any of the acquired or farm-in tenements.

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

The transaction will expand the Group's exploration focus in the near-term from South Australia to the Northern Territory. Initial funding to support the transaction was arranged in August 2014, with the placement of 24.3 million shares to raise $300,000 net of costs.

The transaction is subject to a number of conditions precedent which must be satisfied or waived by 15 November 2014.

The majority of funding for the first 12 months of exploration in the Northern Territory will be raised via a partially underwritten Rights Issue, which was announced on 25 September 2014. The Rights Issue is a one (1) for two (2) non-renounceable pro rata offer at an issue price of $0.023 per share to raise up to approximately $2.7 million before costs and expenses. CPS Capital Group Pty Ltd ('CPS') have agreed to underwrite approximately 50% of the Rights Issue. In addition, the Company has been advised that certain major shareholders currently intend to support the Rights Issue to an extent aggregating to $1.2 million. If applications are received consistent with these intentions then, together with the amount underwritten by CPS, a minimum of approximately $2.6 million before costs would be raised.

The Rights Issue is scheduled to close on 16 October 2014 with proceeds to be received by the Company and new shares allotted on 23 October 2014.

Review of Operations

Overall, the Group reported a comprehensive net loss for the year of $7.0 million (2013: $1.2 million). The net result from continuing operations was a loss after income tax of $6.0 million, which included a $5.1 million impairment charge on exploration and evaluation assets. The loss from the Group's discontinued operations at Leigh Creek was $0.65 million.

During the year, the Company focused on corporate activities that resulted in the Company obtaining a strategic stake in ASX listed Avalon Minerals Limited ('Avalon') and, subsequent to year end, an agreement to acquire the Northern Territory assets. Exploration activity was limited due to funding constraints. In August and September 2013, the Group conducted a small reverse-circulation drill program at the Black Hill area that is prospective for gold. A 1000 metre program produced no results of economic significance.

Exploration activity at the Group's Burra project was limited to securing land access arrangements.

Management continued cost containment efforts during the year, which included the secondment of exploration staff and hiring out of equipment to other companies.

During the year the Group acquired 129 million shares in Avalon at a cost of $1.5 million, which currently represents a 9% stake in that company. The investment was funded primarily by a $1.2 million loan, which is to be repaid via the remittance of proceeds from the sale of Avalon shares. Any shortfall may be paid by the issue of shares in the Company. If not repaid by the November 2016 maturity date the loan is repayable in cash. The Company is continuing to evaluate strategic options regarding its 9% holding in Avalon.

The Company's copper mining and processing operations at Leigh Creek remain on care and maintenance. A formal sale process commenced early in the financial year, which resulted in the signing of a non-binding term sheet with a potential buyer in October 2013. Unfortunately the transaction did not eventuate, and the Company has resumed discussions with other interested parties.

The overall loss for 2014 of $7.0 million noted previously included the following significant items:

- Impairment of exploration and evaluation assets $5.1 million
- Impairment charge regarding the Leigh Creek assets held for sale $0.5 million
- Loss on adjustment to the fair market value of the investment in Avalon $0.3 million
- Corporate and administration costs $0.9 million

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

The exploration and evaluation asset write-down related to the Group's South Australian tenements aside from its key projects at Burra and the Yorke Peninsula. Accumulated costs on these non-core tenements are considered unlikely to be recovered as significant further expenditure is not planned in the near term.

The impairment charge in relation to the Leigh Creek assets reduces their carrying value to the estimated net proceeds from sale.

Excluding the $5.1 million exploration and evaluation charge, the loss from continuing operations for 2014 was similar to the loss incurred in the prior year, as the Group's corporate cost structure has not changed significantly.

Net operating cash outflows for the year of $1.0 million reflect corporate and administrative costs noted above. During the 2013 financial year, the Group raised a total of $1.2 million through share placements, and also borrowed $1.2 million to fund the majority of its investment in Avalon.

At 30 June 2014, the Group had cash holdings of $0.45 million and net working capital of $0.3 million excluding the Company's investment in Avalon and the Leigh Creek assets held for sale. As noted earlier, in September 2014 the Group commenced a $2.5 million capital raising (net of costs) via a partially underwritten Rights Issue.

Exploration

Upon completion of the conditional transaction with Crocodile Gold, the Group will hold 15 mining leases in the Northern Territory, as well as 20 exploration licences and 3 mining leases in South Australia, the latter covering an area in excess of 5,500 square kilometres.

Burra

It is evident from the drilling conducted in 2012 and 2013, consistent with the Company's Induced Polarisation (IP) modelling, that the high grade copper intercepts at the Eagle prospect are all located close to the surface and in the northern portion of a north-west trending IP high, approximately 600m in length.

The Company has identified six drill targets, all having the potential for copper sulphide mineralisation similar to that observed at Eagle. Drilling will be conducted when funding is available.

Yorke Peninsula

The Company continues to seek a joint venture partner to assist in funding a comprehensive exploration program on its 1400 km^2 tenure on the Yorke Peninsula. Further drilling is warranted at both the Cross and Balgowan prospects (drilled in 2013). In addition, a large number of VTEM and ground gravity drill targets on the Yorke Peninsula remain untested.

Other Exploration – Black Hill

The Black Hill Prospect is situated approximately 22km to the north-east of Burra, 7km from Mongolata and within the historic Mongolata Goldfields. Drill testing of several gold targets was carried out in August 2013 (14 holes, 1012 metres), following ground magnetic surveys and historical data review. The program unfortunately did not produce any drill results of significance.

Significant Changes in State Of Affairs

As noted previously, in August 2014 the Group executed a conditional agreement with Crocodile Gold for the acquisition of 15 mining leases and a farm-in to earn up to 90% of a further 21 exploration licences and 4 mining leases, all in the Northern Territory. If completed, the transaction will expand the near-term exploration focus of the Group from South Australia to the Northern Territory.

During the year the Group acquired and continues to hold 129 million shares in Avalon Minerals Limited, representing an approximate 9% holding in that company.

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

Significant Events Subsequent to the end of the Financial Year

As noted, in August 2014 the Group executed a farm-in and acquisition agreement with Crocodile Gold.

The Company also raised $300,000 net of costs through the placement of 24.3 million shares in August.

In September 2014 the Company commenced a partially underwritten Rights Issue to raise approximately $2.5 million net of costs. The Rights Issue is scheduled to close on 16 October 2014 with proceeds to be received by the Company and new shares allotted on 23 October 2014.

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

Likely Developments

In 2014-15, the Group will be focusing mineral exploration activities on the projects in the Northern Territory (assuming the transaction with Crocodile Gold is completed). Key priorities include defining the extent of mineralisation at the Iron Blow and Mount Bonnie high-grade massive sulphide deposits, drill testing exploration targets in particular at Moline, and prioritising regional VTEM targets.

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

The Group will also continue to seek a partner for a significant exploration program on the Yorke Peninsula, and will look to conclude a sale of its Leigh Creek assets.

Environment Regulation and Performance

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

Options and Performance Rights

During or since the end of the financial year:

- In September 2013, 1,500,000 Performance Rights were issued to Chief Executive Officer James Fox, of which 375,000 vested at 30 June 2014 (shares issued subsequent to year end), 825,000 lapsed and 300,000 continue with performance conditions covering the period to 30 June 2015;
- In September 2014, a further 1,200,000 Performance Rights were issued to James Fox, with performance conditions covering the period out to 30 June 2016;
- 85,000 options issued under the former Employee Share Option Plan lapsed unexercised during the year.

As at the date of this report, the Group has on issue the following

- 1,500,000 Performance Rights as described above; and
- 1,250,000 unlisted Options exercisable at $0.27 and expiring on 29 July 2015.

Option 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 Peter Watson and Paul Dowd on 12 November 2007, David Hillier on 22 September 2010, and Graham Ascough on 11 December 2012. 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

13 Board meetings were held during the financial year. Graham Ascough, Paul Dowd and David Hillier attended all 13 meetings, and Peter Watson attended 11 meetings.

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

Auditor's Independence Declaration

The auditor's independence declaration is included on page 13.

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:

- Assistance in the preparation of annual tax return and associated tax advice at a cost of $7,481.

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:

- Graham Ascough (Non-executive Chairman)
- Paul Dowd (Non-executive Director)
- Peter Watson (Non-executive Director)
- David Hillier (Non-executive Director)

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

- James Fox (Chief Executive Officer)
- Tim Moran (Chief Financial Officer & Company Secretary)
- Nicole Galloway Warland (Geology Manager)

Relationship between remuneration policy and Group performance

The table below sets out summary information on the Group's earnings and movements in shareholder wealth for the five years to 30 June 2014.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Revenue	-	-	$855,681	$2,100,766	-
Comprehensive loss before tax	$7,034,667	$1,597,471	$4,755,247	$7,080,221	$576,256
Comprehensive loss after tax	$6,957,263	$1,206,986	$4,111,617	$6,944,215	$583,795
Share price at start of the financial year	$0.04	$0.09	$0.10	$0.16	$0.07
Share price at end of the financial year	$0.016	$0.04	$0.09	$0.10	$0.16
Basic earnings/(loss) per share	($0.030)	($0.003)	($0.030)	($0.0814)	($0.0105)
Diluted earnings/(loss) per share	($0.030)	($0.003)	($0.030)	($0.0814)	($0.0105)

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 direct link between the Group's financial performance and the setting of remuneration except as discussed below in relation to Performance Rights.

Remuneration Philosophy

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

- provide competitive rewards to attract and retain high calibre executives, directors and employees;
- link executive rewards to Group financial performance and shareholder value (for example, by the granting of Performance Rights); 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, except in relation to Performance Rights as described below.

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 in 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 Employee Share Option Plan due to the lesser number of Performance Rights that need to be issued to achieve a similar level of reward or incentive.

Non-Executive Director Remuneration

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

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

As noted in the remuneration table on page 10, certain non-executive directors elected to forego all or part of their fees during the year to assist the Company to minimise administrative costs.

Summary details of remuneration for non-executive Directors are given in the table on pages 10 and 11. 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 has been Chief Executive Officer of Phoenix Copper since 1 May 2012. Mr Fox is entitled to an annual salary of $250,000 plus mandated superannuation contributions as well as 20 days annual leave and 10 days sick leave per annum.

At 30 June 2014, Mr Fox held 340,000 Shares in the Company, and was entitled to a further 375,000 shares following the vesting on 30 June 2014 of the same number of performance rights (shares were issued subsequent to year end). At 30 June 2014, he also held 300,000 performance rights with an expiry date of 30 June 2015 and a performance condition that the market capitalisation of the Company exceeds $20 million for a period of 20 ASX trading days. These performance rights, and the 375,000 that vested as noted above, were part of a total of 1,500,000 rights that were issued to him on 19 September 2013. The remaining 825,000 rights lapsed at 30 June 2014 as the performance conditions were not met.

Subsequent to year end (September 2014) Mr Fox was issued with an additional 1,200,000 performance rights under the Employee Performance Rights Plan, with the following performance conditions:

- achievement of a capital raising in excess of $2 million by 30 December 2014 (375,000 Rights);
- a discovery defined by two drill holes spaced a minimum of 75 metres apart with ore-grade mineralisation by 30 June 2016 (375,000 Rights); and
- double the contained metal of the current foreign resource estimate at the Iron Blow project in the Northern Territory by 30 June 2016 (450,000 Rights).

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

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

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

- is charged with any criminal offence or is guilty of any other conduct which, in the reasonable opinion of the Board, is prejudicial to the interests of the Group;
- is negligent in the performance of his duties;
- is incapacitated from performing his duties as Chief Executive Officer by illness or injury for a period of 2 consecutive months;
- materially breaches any term of his contract of employment and this is not remedied within 14 days of notice of the breach to him by the Company;
- materially contravenes any share dealing code relating to shares; 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.

Company Secretary/Chief Financial Officer Remuneration

Tim Moran has been Chief Financial Officer and Company Secretary since January 2012. In June 2013, Mr Moran ceased as an employee of the Company and from July 2013 has provided CFO and Company Secretary

services on a contract basis, and is therefore not entitled to any employee benefits. During the 2014 financial year Mr Moran was paid $164,925.

Geology Manager Remuneration

Nicole Galloway Warland was appointed Geology Manager of the Company on 28 January 2013. Ms Galloway Warland is entitled to an annual salary of $188,125 plus mandated superannuation contributions, as well as 20 days annual leave and 10 days sick leave each year.

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 2014:

	Short term employment benefits	Post-Employment	Equity			
	Salary & Fees	Superannuation	Options	Performance Rights	Total	% of total remuneration consisting of equity
Directors						
Graham Ascough	$75,000	-	-	-	$75,000	0%
Paul Dowd[1]	$30,000	-	-	-	$30,000	0%
Peter Watson[2]	$nil	-	-	-	$nil	0%
David Hillier[3]	$37,500	-	-	-	$37,500	0%
Company Secretary & Chief Financial Officer						
Tim Moran	$164,925	-	-	-	$164,925	0%
Key Management Personnel						
James Fox	$250,000	$23,125	-	$26,341	$299,466	9%
Nicole Galloway Warland	$188,125	$17,402	-	-	$205,527	0%
TOTALS	**$745,550**	**$40,527**	**-**	**$26,341**	**$812,418**	

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

Directors', Company Secretary and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2013:

	Short term employment benefits	Post-Employment	Equity			
	Salary & Fees	Superannuation	Options	Performance Rights	Total	% of total remuneration consisting of equity
Directors						
Graham Ascough	$42,481	-	-	-	$42,481	0%
Graham Spurling	$26,925	$2,423	-	-	$29,348	0%
Paul Dowd*	$37,500	-	-	$8,595	$46,095	19%
Peter Watson**	$30,000	-	-	-	$30,000	0%
David Hillier*	$37,500	-	-	-	$37,500	0%
Company Secretary & Chief Financial Officer						
Tim Moran	$177,287	$15,956	-	-	$193,243	0%
Key Management Personnel						
James Fox	$250,000	$22,500	-	-	$272,500	0%
Nicole Galloway Warland	$81,424	$7,328	-	-	$88,752	0%
Mark Manly	$124,187	$11,177	-	-	$135,364	0%
TOTALS	**$807,304**	**$59,384**	**-**	**$8,595**	**$875,283**	

*Mr Dowd and Mr Hillier each waived 25% of their director fees ($2,500) for the fourth quarter of the financial year

** Mr Watson waived all of his director fees for the fourth quarter of the financial year ($10,000)

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

Equity holdings of Directors and Key Management Personnel

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

2014	Balance 01/07/13	Net Changes	Balance 30/06/14
Directors			
Graham Ascough	-	-	-
Paul Dowd	2,230,000	-	2,230,000
Peter Watson	7,998,000	-	7,998,000
David Hillier	340,000	-	340,000
Key Management Personnel			
James Fox	340,000	-	340,000

Tim Moran	-	-	-
Nicole Galloway Warland	-	200,000	200,000

(ii) Options - none of the directors or key management personnel held any Options to acquire fully paid ordinary shares in Phoenix Copper Limited at any point in the 2014 financial year.

(iii) Performance shares – none of the directors or key management personnel held any Performance Shares at any point in the 2014 financial year.

(iv) Performance rights issued by Phoenix Copper Limited:

2014	**Balance 01/07/13**	**Granted**	**Vested**	**Lapsed**	**Balance 30/06/14**
James Fox*	-	1,500,000	375,000	825,000	300,000
2013	**Balance 01/07/12**	**Granted**	**Vested**	**Lapsed**	**Balance 30/06/13**
Graham Ascough	-	250,000	-	(250,000)	-
Paul Dowd	1,000,000	-	(500,000)	(500,000)	-

*Refer to previous section **'Chief Executive Officer Remuneration'** for further detail.

Subsequent to year end, 1,200,000 performance rights were issued to the Company's CEO James Fox, as noted previously.

Signed on **30 September 2014** in accordance with a resolution of the Board made pursuant to section 298(2) of the *Corporations Act 2001*.

Graham Ascough

Chairman

Deloitte Touche Tohmatsu
ABN 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

Tel: +61 8 8407 7000
Fax: +61 8 8407 7001
www.deloitte.com.au

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

30 September 2014

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 2014, 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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	Year Ended 30/06/14 $	Year Ended 30/06/13 $
Other income	**4(a)**	102,406	145,482
Employee benefits		(282,866)	(450,919)
Professional fees		(254,969)	(74,744)
Directors' fees		(142,500)	(174,406)
Occupancy	**4(c)**	(65,515)	(65,335)
Insurance		(46,719)	(35,881)
Share registry and regulatory		(49,231)	(53,629)
Communication		(6,648)	(14,788)
Audit fees	**25**	(55,304)	(55,925)
Equity based remuneration	**23**	(26,341)	(8,595)
Other expenses		(42,165)	(38,246)
Depreciation	**4(b)**	(37,627)	(67,866)
Exploration and evaluation write down	**4(d), 13**	(5,083,980)	-
Interest charges	**17**	(63,062)	(3,288)
Loss before income tax		**(6,054,521)**	**(898,140)**
Income tax benefit	**5**	77,404	390,485
Loss for the year – continuing operations		**(5,977,117)**	**(507,655)**
Loss from discontinued operations, net of tax	**6**	**(653,139)**	**(699,331)**
Total Loss for the year		**(6,630,256)**	**(1,206,986)**
Other comprehensive loss		(327,007)	-
Total comprehensive loss for the year, attributable to equity holders of the parent		**(6,957,263)**	**(1,206,986)**
Loss Per Share – continuing operations			
Basic (cents per share)	**30**	(3.0)	(0.3)
Diluted (cents per share)	**30**	(3.0)	(0.3)

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

Consolidated Statement of Financial Position as at 30 June 2014

	Note	30/06/14 $	30/06/13 $
CURRENT ASSETS			
Cash and cash equivalents	**7**	447,663	1,055,101
Trade and other receivables	**8**	21,655	18,477
Prepayments/deposits	**9**	60,542	38,931
Other financial assets	**10**	1,160,281	-
Inventory	**11**	-	7,410
Assets Held for Sale	**6**	150,000	-
TOTAL CURRENT ASSETS		**1,840,141**	**1,119,919**
NON-CURRENT ASSETS			
Environmental deposit	**12**	-	150,000
Exploration and evaluation expenditure	**13**	3,633,957	8,533,941
Plant and equipment	**14**	38,973	98,009
Mineral rights	**15**	-	631,996
TOTAL NON-CURRENT ASSETS		**3,672,930**	**9,413,946**
TOTAL ASSETS		**5,513,071**	**10,533,865**
CURRENT LIABILITIES			
Trade and other payables	**16**	187,134	141,648
Provisions	**18**	47,871	75,697
TOTAL CURRENT LIABILITIES		**235,005**	**217,345**
NON-CURRENT LIABILITIES			
Provisions	**18**	7,518	576,323
Loan	**17**	1,200,000	-
TOTAL NON-CURRENT LIABILITIES		**1,207,518**	**576,323**
TOTAL LIABILITIES		**1,442,523**	**793,668**
NET ASSETS		**4,070,548**	**9,740,197**
EQUITY			
Issued capital	**19**	23,557,745	22,296,472
Other equity	**20**	600,000	600,000
Reserves	**21**	(91,555)	277,111
Accumulated losses	**22**	(19,995,642)	(13,433,386)
TOTAL EQUITY		**4,070,548**	**9,740,197**

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 2014

	Issued capital	Other Equity	Perf. Shares	Reserves	Accumulated losses	Total
	$	$	$	$	$	$
Balance at 30 June 2012	**21,856,732**	**-**	**126,185**	**1,099,538**	**(12,803,935)**	**10,278,520**
Total comprehensive loss for the year	-	-	-	-	(1,206,986)	(1,206,986)
Shares issued – tenement acquisition	70,000	-	-	-	-	70,000
Convertible notes issued	-	600,000	-	-	-	600,000
Equity issuance costs	(9,932)	-	-	-	-	(9,932)
Fair value of equity settled payments	-	-	-	8,595	-	8,595
Transfer from reserve on vesting of performance rights	169,955	-	-	(169,955)	-	-
Transfer from reserve on expiry of options/performance shares	209,717	-	(126,185)	(661,067)	577,535	-
Balance at 30 June 2013	**22,296,472**	**600,000**	**-**	**277,111**	**(13,433,386)**	**9,740,197**
Total loss for the year	-	-	-	-	(6,630,256)	(6,630,256)
Other comprehensive loss	-	-	-	(327,007)	-	(327,007)
Shares issued	1,315,962	-	-	-	-	1,315,962
Share issue costs	(14,650)	-	-	-	-	(14,650)
Interest on convertible notes	(40,039)	-	-	-	-	(40,039)
Fair value of equity settled payments	-	-	-	26,341	-	26,341
Transfer from reserve on expiry of options	-	-	-	(68,000)	68,000	-
Balance at 30 June 2014	**23,557,745**	**600,000**	**-**	**(91,555)**	**(19,995,642)**	**4,070,548**

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 2014

	Inflows/(Outflows)	
	Year Ended 30/06/14 $	Year Ended 30/06/13 $
Cash flows relating to operating activities		
Receipts from customers	-	-
Receipt of research and development tax refund	77,404	1,034,115
Payments to suppliers and employees	(1,068,784)	(1,325,185)
Net operating cash flows	**(991,380)**	**(291,070)**
Cash flows relating to investing activities		
Interest received	25,680	58,119
Receipt of government funding for exploration activities	-	65,000
Payments for exploration activities	(612,580)	(1,392,850)
Investment in Avalon Minerals Ltd	(1,487,288)	-
Payments for plant and equipment	-	(6,624)
Proceeds from sale of plant and equipment	31,818	107,153
Net investing cash flows	**(2,042,370)**	**(1,169,202)**
Cash flows relating to financing activities		
Proceeds from borrowings	1,200,000	-
Proceeds from share issues	1,240,962	113,795
Proceeds from issue of convertibles notes	-	600,000
Payments for capital raising costs	(14,650)	(18,281)
Net financing cash flows	**2,426,312**	**695,514**
Net increase/(decrease) in cash	**(607,438)**	**(764,758)**
Cash at beginning of financial year	1,055,101	1,819,859
Cash at end of financial year	**447,663**	**1,055,101**
Loss for the year	(6,630,256)	(1,206,986)
Interest income	(24,876)	(54,677)
Equity-based remuneration	26,341	8,595
Interest expense – equity settled	45,000	-
Cash settled withholding tax accounted for in equity	(6,750)	-
Depreciation and amortisation	37,627	544,304
Other income from asset disposals	(9,324)	(61,029)
Exploration and evaluation write down	5,083,980	-
Impairment charges - discontinued operations	505,608	-
(Increase)/decrease in operating receivables	(3,982)	655,150
(Increase)/decrease in other current assets	(21,611)	-
(Increase)/decrease in inventory	7,410	-
Increase/(decrease) in operating payables	35,834	(119,954)
Increase/(decrease) in employee provisions	(36,381)	(56,473)
Net operating cash flows	**(991,380)**	**(291,070)**

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

Notes to the Financial Statements for the Year Ended 30 June 2014

1. General information and Basis of Preparation

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

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

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

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

The financial statements were authorised for issue by the Directors on 30 September 2014.

2. New and revised Accounting Standards

In the current year, the Group applied the following revised standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

- ***AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'***

  This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. As a result, the Group now discloses individual key management personnel disclosure previously required in the notes under paragraph Aus 29 (in particular equity holdings) in the remuneration report.

None of the other standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any amounts recognised in the current or prior period and are not likely to affect future periods.

The following Australian Accounting Standard is on issue but not effective for the 30 June 2014 financial year:

- ***AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'***

  This standard is applicable from 1 July 2015 and includes more detailed disclosures related to the recoverable amounts of assets assessed for impairment on a fair value basis.

The application of this standard in the future is not expected to have a significant impact on the financial statements of the Group, although some additional note disclosure may be required.

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(v).

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

a) Going Concern Basis

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

3. Significant accounting policies (continued)

For the year ended 30 June 2014, the Group and Company made a comprehensive loss of $6,957,263 (2013: loss of $1,206,986) and recorded a net cash outflow from operating and investing activities, excluding the Group's investment in Avalon Minerals, of $1,546,462 (2013: net cash outflow of $1,460,272). At 30 June 2014, the Group had cash of $447,663 (2013: $1,055,101), net current assets excluding the investment in Avalon Minerals Ltd and assets held for sale of $294,855 (2013: $902,574) and net assets of $4,070,548 (2013: $9,740,197).

The Directors believe that it is appropriate to prepare the financial statements on the going concern basis. The Group commenced a partially underwritten Rights Issue on 25 September 2014 which is expected to raise $2.5 million after costs. The Rights Issue is a 1 for 2 non-renounceable pro rata offer at an issue price of $0.023 per share, with CPS Capital Group Pty Ltd ('CPS') underwriting approximately 50% of the offer. The underwriting agreement with CPS was executed on 24 September 2014. The Company has also been advised that certain major shareholders currently intend to support the Rights Issue to an extent aggregating to $1.2 million. If applications are received consistent with these intentions then, together with the amount underwritten by CPS, a minimum of approximately $2.6 million before costs would be raised. The Rights Issue is scheduled to close on 16 October 2014 with proceeds to be received by the Company and new shares allotted on 23 October 2014.

Funding from the Rights Issue will allow planned exploration, which will be focused on the Group's projects in the Northern Territory that are being acquired under a conditional agreement (refer to note 33 for further details), and administrative activities to continue over at least the next 12 months.

The Directors believe that the completion of the Rights Issue described above will enable the Group and Company 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 Rights Issue is not completed as planned, and if alternative funding cannot be arranged by 31 December 2014, significant uncertainty would arise as to whether the Group and Company could continue as going concerns and therefore, whether they would be able to realise their assets and extinguish their liabilities in the normal course of business.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amount and classification of liabilities that might be necessary should the Group and Company 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 the Company:

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

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

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

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

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

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

3. Significant accounting policies (continued)

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) Discontinued Operations & Assets Held for Sale

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

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

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

e) Revenue

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

Sale of goods

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

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

3. Significant accounting policies (continued)

- 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.

f) Government Grants

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

g) Cash and cash equivalents

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

h) Financial Assets

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

Other Financial Assets – Available for Sale

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

Loans and Receivables

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

Interest is recognised by applying the effective interest rate.

Effective interest method

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

Impairment of financial assets

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

For 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

3. Significant accounting policies (continued)

allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

i) 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.

j) Exploration and Evaluation Expenditure and Mineral Rights

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

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

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

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

  or

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

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

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

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

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

k) 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

3. Significant accounting policies (continued)

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.

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

l) 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.

m) 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.

n) Debt and equity Instruments

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

o) 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.

3. Significant accounting policies (continued)

p) 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.

q) Share-based payments

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

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

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

r) 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.

s) Income tax

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

Current tax

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

Deferred tax

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

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

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

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

3. Significant accounting policies (continued)

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

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

Current and deferred tax recognition

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

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. The members of the tax consolidated group are disclosed in Note 31. 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.

t) 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.

u) Earnings Per Share

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

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

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

3. Significant accounting policies (continued)

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

v) 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 $5,083,980 was recorded in relation to Exploration and Evaluation assets during the year, and an impairment charge of $505,608 was recognised in relation to Assets Held for Sale. Details of the impairment loss calculations are provided in Notes 13 and 6 respectively.

Restoration and rehabilitation provision

The site restoration and rehabilitation provision require estimates of future cash flows to meet the costs of rehabilitation activities and the application of a discount rate in order to determine the present value of those cash flows. Refer to Notes 6 and 18 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 23 for detail on assumptions made regarding equity-based payments made during the year.

4.	LOSS FROM OPERATIONS		
		Year Ended 30/06/14 $	Year Ended 30/06/13 $
	a) Other income		
	Interest on bank deposits	24,876	54,677
	Asset sales	9,324	61,029
	Exploration personnel & equipment hire	49,173	-
	Other	19,033	29,776
		102,406	**145,482**
	b) Depreciation		
	Depreciation of plant and equipment	37,627	67,866
	c) Occupancy		
	Operating lease rental expenses	65,515	65,335
	d) Impairment		
	Exploration and evaluation assets	5,083,980	-

5.	INCOME TAX		
		Year Ended 30/06/14 $	Year Ended 30/06/13 $
	(a) Income tax recognised in profit or loss		
	Current tax expense/(benefit)	-	-
	Deferred tax benefit	(77,404)	(390,485)
	Total tax expense/(benefit)	**(77,404)**	**(390,485)**
	The prima facie income tax benefit on the loss before income tax reconciles to the tax expense/(benefit) in the financial statements as follows:		
	Loss for the year before tax	6,707,660	1,597,471
	Income tax benefit calculated at 30%	(2,012,298)	(479,241)
	Equity-based remuneration	7,902	2,579
	Current year tax losses and movements in temporary differences not recognised	2,004,396	476,662
	Current year recognition of prior year research and development tax concession	(77,404)	(390,485)
	Tax expense (benefit)	**(77,404)**	**(390,485)**

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

(b) Recognised tax assets and liabilities

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

	30/06/14 $	30/06/13 $
Trade and other receivables	-	(2,224)
Other financial assets	98,102	-
Exploration and evaluation expenditure	(609,452)	(2,079,447)
Plant and equipment*	181,094	358,383
Mineral Rights*	(15,337)	61,839
Trade and other payables	14,055	9,987
Employee benefits	16,617	27,531
Restoration and rehabilitation provision*	168,075	168,075
Share issue costs	49,193	71,642
Net deferred tax liabilities	**(97,653)**	**(1,384,214)**
Tax losses recognised	97,653	1,384,214
Net deferred tax assets / (liabilities)	-	-

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

(c) Unrecognised tax losses:

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

	30/06/14 $	30/06/13 $
Tax Losses – operating, at 30% potential benefit	6,738,944	4,708,503
Tax Losses – capital, at 30% potential benefit	115,307	115,307

Of the total operating tax losses in the Group at 30 June 2014 of approximately $22.8 million, $22.5 million are unrecognised as shown above ($6.7 million tax effected at 30%). A deferred tax asset has not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which to utilise the losses.

6.	ASSETS HELD FOR SALE		
		30/06/14 $	30/06/13 $
	Assets Held for Sale	150,000	-

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

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

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

Detail of the loss from discontinued operations:

		30/06/14 $	30/06/13 $
	Employee benefits	89,424	161,333
	Plant depreciation	-	476,438
	Mine site maintenance	58,107	61,560
	Impairment	505,608	-
	Loss – discontinued operations	**653,139**	**699,331**
	Loss per share (cents) basic and diluted	**0.3**	**0.4**
	Cash outflows	**147,532**	**222,893**

The Group signed a non-binding agreement for the sale of the Leigh Creek assets in October 2013 for consideration of $750,000 with a possible further payment of $250,000; however the transaction was not completed. Given that no offers have been received since October 2013, the fair value of the assets was re-assessed at 30 June 2014. It was determined that the estimated net disposal proceeds from an arm's length transaction are $150,000, and as such the decision was made to impair the assets to that net carrying value.

The impairment charge of $505,608 was allocated to capitalised exploration and evaluation costs at the two mining leases that have never produced ($433,862), as well as a portion of the mineral rights asset ($71,746), and reduces the overall carrying value of the disposal group to its estimated fair value less costs to sell at 30 June 2014 of $150,000.

Detail of the assets and liabilities of the disposal group at 30 June 2014:

		30/06/14 $	30/06/13 $
	Assets		
	Inventory	-	-
	Environmental deposit	150,000	-
	Plant & equipment - cost	3,643,382	-

	Plant & equipment – accumulated depreciation	(3,643,382)	-
	Exploration assets*	-	-
	Mineral rights*	560,250	-
	Total Assets	**710,250**	
	Liabilities		-
	Rehabilitation	(560,250)	-
	Net asset carrying value	**150,000**	-

*net of impairment charge noted above

7.	**CASH AND CASH EQUIVALENTS**		
		30/06/14	**30/06/13**
		$	**$**
	Cash at bank	247,533	555,101
	Term deposit	200,130	500,000
		447,663	**1,055,101**

At year end, the term deposit was invested for 90 days earning 3.56% annual interest.

8.	**TRADE AND OTHER RECEIVABLES**		
		30/06/14	**30/06/13**
		$	**$**
	Interest	1,181	1,985
	Goods & Services Tax	6,010	1,092
	Other	14,464	15,400
		21,655	**18,477**

9.	**OTHER CURRENT ASSETS**		
		30/06/14	**30/06/13**
		$	**$**
	Prepayments	27,782	6,171
	Deposit – office bond	32,760	32,760
		60,542	**38,931**

The office bond is invested in a 365 day term deposit maturing February 2015 and earning 3.7% interest.

10.	**OTHER FINANCIAL ASSETS**		
		30/06/14	**30/06/13**
		$	**$**
	Investment in Avalon Minerals Ltd	1,160,281	-

During the year, the Company acquired 128,920,124 shares in ASX listed Avalon Minerals Limited, at a cost of $1,487,288. The Company's percentage holding in Avalon at the time of investment was 10.7%; subsequent to year end this percentage dropped to 9%. At 30 June 2014, the carrying value of the investment was adjusted to fair value, based on the market value of Avalon Minerals Limited's shares at that time. As a result, a loss of $327,007 was recorded in Other Comprehensive Income.

11.	INVENTORY		
		30/06/14 $	30/06/13 $
	Raw materials	-	7,410
	Work in progress	-	-
	Finished goods	-	-
		-	**7,410**

Raw materials inventory was written down to zero as the net realisable value at 30 June 2014 was considered negligible. The charge is included in the loss from discontinued operations under 'Mine site maintenance' – refer to Note 6.

12.	OTHER NON-CURRENT ASSETS		
		30/06/14 $	30/06/13 $
	Environmental deposit	-	150,000

Reclassified to Assets Held for Sale, refer to Note 6. The environmental deposit is held by the South Australian government as a condition of the mining leases held by the Group. The deposit will be returned to the Group upon satisfactory rehabilitation of its mining leases. Interest on the deposit does not accrue to the Group.

13.	EXPLORATION AND EVALUATION EXPENDITURE		
		30/06/14 $	30/06/13 $
	Costs brought forward	**8,533,941**	**7,163,587**
	Expenditure incurred during the year	617,858	1,370,354
	Reclassified to Assets Held for sale	(433,862)	-
	Expenditure written off	(5,083,980)	-
		3,633,957	**8,533,941**

The majority of expenditure during the year related to exploration activity at the Group's Burra ($0.3 million) and Mongolata ($0.1 million) tenements.

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

14.	PLANT AND EQUIPMENT	
	Cost	**$**
	Balance at 30 June 2012	4,375,353
	Additions	6,624
	Disposals	(184,234)
	Balance at 30 June 2013	**4,197,743**
	Additions	-
	Disposals	(65,045)
	Reclassified to Assets Held for Sale*	(3,643,482)
	Balance at 30 June 2014	**489,216**
	Accumulated Depreciation	
	Balance at 30 June 2012	3,689,539
	Depreciation Expense	544,304
	Disposals	(134,109)
	Balance at 30 June 2013	**4,099,734**
	Depreciation Expense	37,627
	Disposals	(43,636)
	Reclassified to Assets Held for Sale*	(3,643,482)
	Balance at 30 June 2014	**450,243**
	Net book value	
	Balance at 30 June 2013	98,009
	Balance at 30 June 2014	**38,973**

*Plant and equipment at Leigh Creek now held for sale with a cost of $3.6 million has been reclassified as shown above.

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

15.	MINERAL RIGHTS		
		30/06/14	**30/06/13**
		$	**$**
	Mineral Rights	1,807,068	1,807,068
	Accumulated amortisation	(36,578)	(36,578)
	Accumulated Impairment	(1,138,494)	(1,138,494)
	Reclassified to Assets held for Sale	(631,996)	-
		-	**631,996**

Mineral rights are amortised as the resource is mined. No mining or production took place in the current financial year. Amount reclassified to Assets Held for Sale – refer to Note 6.

16.	TRADE AND OTHER PAYABLES		
		30/06/14 $	30/06/13 $
	Trade payables	88,641	53,168
	Accrued expenses	83,628	63,304
	Other payables	14,865	25,176
		187,134	**141,648**

Average credit period on trade payables is 30 days.

17.	LOAN		
		30/06/14 $	30/06/13 $
	Loan	1,200,000	-

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

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

Interest charges of $63,062 were incurred on the loan in the period from draw-down to 30 June 2014. Six monthly interest payable of $45,000 was settled on 7 May 2014 by issuing shares, refer to Note 19(e) for further detail.

18.	PROVISIONS		
		30/06/14 $	30/06/13 $
	Current		
	Employee benefits	47,871	75,697
	Non-current		
	Employee benefits	7,518	16,073

	Site restoration and rehabilitation*	-	560,250
	Total Non-current	**7,518**	**576,323**

*Reclassified to Assets Held for Sale – refer to Note 6. 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.

19.	**ISSUED CAPITAL**		
		30/06/14 **$**	**30/06/13** **$**
	210,052,258 fully paid ordinary shares (2013: 179,707,749)	23,557,745	22,296,472

Movement in ordinary shares for the year:

		No.	**30/06/14** **$**	**No.**	**30/06/13** **$**
Ref	Balance at beginning of year	**179,707,749**	**22,296,472**	**177,442,543**	**21,856,732**
a	Shares issued on vesting of performance rights, and transfer from equity settled benefits reserve to share capital	-	-	500,000	169,955
b	Shares issued for tenement acquisition	-	-	1,000,000	70,000
c	Shares issued at 4.5 cents, Sept & Nov	27,576,937	1,240,962	-	-
d	Shares issued to settle interest on convertible notes (November & May)	1,027,188	30,000	-	-
e	Shares issued to settle interest on loan - May	1,740,384	45,000	-	-
f	Shares allotted July 2012 on exercise of 10 cent options	-	-	765,206	-
	Transfer from reserve on expiry of options	-	-	-	209,717
	Share issue costs	-	(14,650)	-	(9,932)
g	Interest, including accrued, on convertible notes – reduction in share capital	-	(40,039)	-	-
	Balance at end of year	**210,052,258**	**23,557,745**	**179,707,749**	**22,296,472**

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

a) In July 2012 500,000 performance rights vested and an equivalent number of shares were issued. The balance in the equity settled benefits reserve related to these rights was reclassified to share capital at that time.

b) In November 2012 the Group issued 1,000,000 shares as consideration for the acquisition of a minerals exploration tenement.

c) Shares were issued to sophisticated investors in two separate placements at 4.5 cents each in September 2013 and November 2013.

d) At the Company's election, shares were issued in November 2013 and May 2014 to settle 6 monthly interest payable ($15,000 each time) on the Company's $600,000 convertible notes. Shares were issued at the Company's preceding 30 day volume weighted average share price (VWAP) of 4.2 cents (November) and 2.2 cents (May).

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

f) In July 2012, 765,206 shares were allotted following the exercise of options on 30 June 2012. A total of 15,264,449 10 cent options were exercised at 30 June 2012, of which 14,499,243 shares were issued prior to 30 June 2012, and the remainder in July 2012.

g) Interest paid and payable (including withholding tax remittances) on convertible notes has been accounted for as a reduction in share capital, consistent with the treatment of the convertible notes as an equity item (refer Note 20 for further detail).

20.	**OTHER EQUITY**		
		30/06/14 **$**	**30/06/13** **$**
	Convertible notes – equity settled	600,000	600,000

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

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

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

Semi-annual interest payable was settled by way of share issuances in November 2013 and May 2014 as outlined in Note 19(d).

21.	**RESERVES**		
		30/06/14 **$**	**30/06/13** **$**
	Equity-settled benefits reserve	235,452	277,111
	Fair value movements reserve	(327,007)	-
		(91,555)	**277,111**

The equity-settled benefits reserve arises on the vesting of performance rights and share options granted to employees, consultants and executives under the Employee Performance Rights Plan and (previous)

Employee Share Option Plan. It also reflects the fair value at grant date of options issued in conjunction with ordinary shares for capital raising purposes.

Amounts are transferred out of the reserve and into issued capital when the rights are converted into shares or options are exercised, or to accumulated losses when rights or options lapse. Further information about share based payments is disclosed in Note 23.

The decrease in the equity settled benefits reserve for the year relates to

- expiry of options issued to employees, with a corresponding increase to accumulated losses ($68,000);

offset by

- the vesting of performance rights held by the Company's CEO $26,341, with a corresponding charge to profit and loss.

The fair value movements reserve relates to the Company's investment in Avalon Minerals Ltd (refer to Note 10). The $327,007 decrease in the market value of this investment since it was acquired has been recorded to the reserve via a charge to Other Comprehensive Income.

22.	ACCUMULATED LOSSES		
		30/06/14 $	30/06/13 $
	Balance at beginning of year	13,433,386	12,803,935
	Loss for the year	6,630,256	1,206,986
	Transfer from equity settled benefits reserve regarding options that lapsed unexercised	(68,000)	(451,350)
	Transfer from Performance Shares on lapsing of shares	-	(126,185)
	Balance at end of year	**19,995,642**	**13,433,386**

23. 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.

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

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

At 30 June 2014, the Board determined that performance conditions relating to 375,000 rights (25%) had been met and consequently 375,000 shares were issued subsequent to year end. It was also determined that performance conditions related to 825,000 rights had not been met, and these rights therefore lapsed. 300,000 rights remain, with performance conditions related to the Company's market capitalisation over the period to 30 June 2015 as noted previously.

Subsequent to year end (September 2014), a further 1,200,000 Performance Rights were issued to James Fox, with performance conditions covering the period to 30 June 2016.

In the prior year (December 2012), 250,000 performance rights were issued to Graham Ascough upon his acceptance of the position of Company Chairman. The performance conditions attached to the rights were not met by the expiry date of 30 June 2013, and the rights therefore lapsed at that time.

Also in the prior year, on 31 July 2012, 500,000 performance rights held by former Managing Director Paul Dowd vested upon satisfactory completion of the performance conditions, and 500,000 shares were consequently issued. A further 500,000 performance rights held by Mr Dowd lapsed at 31 July 2012 as the performance conditions were not met.

During the year, share-based payment expense of $26,341 (2013: 8,595) was recorded in relation to the Performance Rights. Key assumptions in determining the expense for the year: Grant Date: 21 August 2013 (shared understanding of terms); Share Price at Grant Date: 4.4 cents; Volatility: 77%; Risk-free rate: 2.6%.

Share Option Plan

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

Options vested at grant date and 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 exercised during the year (2013: none). 85,000 options expired unexercised during the year (2013: 1,500,000).

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

Employee Share Option Plan	30/06/14		30/06/13	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	85,000	0.07	1,585,000	0.164
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	(85,000)	(0.07)	(1,500,000)	(0.17)
Balance at end of the year	-	-	85,000	0.07

Other Options

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

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

Other Options	30/06/14		30/06/13	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	1,250,000	0.27	10,601,102	0.27
Secondary options granted on exercise of original options	-	-	15,264,449	0.15
Lapsed – secondary options	-	-	(15,264,449)	(0.15)
Lapsed – Director options	-	-	(1,500,000)	(0.245)
Lapsed – other options	-	-	(7,851,102)	(0.27)
Balance at end of the year	1,250,000	0.27	1,250,000	0.27

The share options outstanding at the end of the financial year had a remaining contractual life of 394 days (2013: 759 days).

The following options were in existence at 30 June 2014:

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

24. KEY MANAGEMENT PERSONNEL DISCLOSURE

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

- Graham Ascough (Non-Executive Chairman)
- Paul Dowd (Non-Executive Director)
- Peter Watson (Non-Executive Director)
- David Hillier (Non-Executive Director)
- James Fox (Chief Executive Officer)
- Tim Moran (Chief Financial Officer and Company Secretary)
- Nicole Galloway Warland (Geology Manager)

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

	Year Ended 30/06/14 $	Year Ended 30/06/13 $
Short-term employee benefits	745,550	807,304
Post-employment benefits	40,527	59,384
Share-based payments	26,341	8,595
	812,418	**875,283**

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

25.	REMUNERATION OF AUDITOR		
		30/06/14	30/06/13
	Paid or payable for the following services:	$	$
	Audit or Review of the financial report	55,304	55,925
	Tax return preparation and advice	7,481	6,510
		62,785	**62,435**

The auditor of Phoenix Copper Limited is Deloitte Touche Tohmatsu.

26. RELATED PARTY DISCLOSURES

a) Subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 31 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 close family member of a Director (Peter Watson) is the Office Manager. The amount paid as salary inclusive of superannuation to that person was $59,941 (2013: $81,839)
- 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 $60,032 (2013: $16,095), and a further $2,221 including GST was owing at year end.

27. 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 2014 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/14	30/06/13
	$	$
Minimum exploration expenditure on tenements	1,400,000	1,900,000

The Group's office lease in Rose Park, South Australia, with annual lease payments exclusive of GST of $61,860, has been renewed for one year to August 2015.

(b) Reilly Tenement Acquisition Agreement

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

Contingent consideration pursuant to this agreement:

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

(c) Joint Venture with Australian Field Services Pty Limited

In March 2014 by mutual agreement, the Joint Venture with Australian Field Services Pty Limited was terminated, and the Company was released from any/all future obligations.

(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 EL 3161 (now EL 5382).
- to Avanti Resources Pty Ltd - 2.5% of the net smelter return on all metals derived from EL 3604, EL 3716 and EL 3686 (now ELs 4807, 4970, and 4886 respectively).
- to Marathon Resources Limited - 2.5% net smelter return on all metals derived from EL 3164 (now EL 5411).
- to Copper Range (SA) Pty Limited - 1.5% net smelter return on all metals derived from EL 3459 (now EL 4809).
- to Copper Range (SA) Pty Limited - 2.0% net smelter return on all metals derived from EL 3971, EL 3972 and EL 3451 (now ELs 5136, 5169, and 4626 respectively).
- to Copper Range (SA) Pty Limited - 50% of a 1.5% net smelter return on all metals derived from EL 4370.
- to Flinders Mines Limited - 50% of a 1.5% net smelter return on all metals derived from EL 4370.

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

(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.

28. FINANCIAL INSTRUMENTS & FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	30/06/14 $	30/06/13 $
Financial assets		
Cash and cash equivalents	447,663	1,055,101
Deposits	32,760	182,760
Trade and other receivables	21,655	18,477
Other financial assets	1,160,281	-
Financial liabilities		
Trade and other payables	187,134	141,648
Loan	1,200,000	-

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

Market risk

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

The Group'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 $3,500 and $3,500 respectively (2013: increase/decrease by approximately $7,000 and $7,000 respectively).

As the Group's exposure to market risks is not significant, management of these risks is limited to monitoring movements in commodity prices, foreign exchange rates, 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 had credit risk exposure to the sole customer for copper cement sales prior to placing the mine on care and maintenance. As mining and production is currently on hold, this exposure is zero at 30 June 2014. 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 Board manages liquidity risk by continuously monitoring forecast and actual cash flows, and raising capital as needed, primarily through new equity issuances, in order to meet the Group's exploration expenditure commitments and corporate and administrative costs.

Liquidity and interest risk tables

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

The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than one month	1-3 months	3-12 months	1-5 years
	%	$			
2014					
Non-interest bearing	-	115,886	54,398	-	-
Fixed Interest bearing	7.5	-	-	90,000	1,335,000
2013					
Non-interest bearing	-	78,345	60,015	3,288	-
Fixed Interest bearing	-	-	-	-	-

Fair value of financial instruments

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

Capital risk management

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

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

29. SEGMENT INFORMATION

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

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is both activity and project based. The principal activity is exploration. 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 (now discontinued)

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

	Revenue			Segment loss	
	Year ended			Year ended	
	30/06/14 $	30/06/13 $		30/06/14 $	30/06/13 $
Exploration	-	-		(5,083,980)	-
Mining - discontinued operation	-	-		(653,139)	(773,267)
Unallocated	-	-		(970,541)	(824,204)
Loss before tax				**(6,707,660)**	(1,597,471)
Income tax benefit				77,404	390,485
Consolidated segment loss for the year	**-**	**-**		**(6,630,256)**	**(1,206,986)**

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:

		30/06/14 $	30/06/13 $
Assets			
Exploration		3,633,957	8,533,941
Mining (2014: Held for Sale)		150,000	789,406
Unallocated assets		1,729,114	1,210,518
Total assets		**5,513,071**	**10,533,865**
Liabilities			
Exploration		13,104	7,826
Mining (2014: Held for Sale)		-	584,648
Unallocated liabilities		1,429,419	201,194
Total liabilities		**1,442,523**	**793,668**

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

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

30. EARNINGS PER SHARE

	Year Ended 30/06/14 Cents per share	Year Ended 30/06/13 Cents per share
Basic loss per share- continuing operations	(3.0)	(0.3)
Diluted loss per share – continuing operations	(3.0)	(0.3)
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
	$	$
Loss after tax – continuing operations	(5,977,117)	(507,655)
Weighted average number of ordinary shares	198,465,806	179,241,102

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.

31. CONTROLLED ENTITIES

			Ownership Interest	
Name of Entity		Country of Incorporation	2014 %	2013 %
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.

32. PARENT ENTITY DISCLOSURES

	30/06/14 $	30/06/13 $
Financial Position		
Assets		
Current assets	1,840,141	1,119,919
Non-current assets	3,672,930	8,829,298
Total assets	**5,531,071**	**9,949,217**
Liabilities		

Current liabilities	235,005	192,947
Non-current liabilities	1,207,518	16,073
Total liabilities	**1,442,523**	**209,020**
Net Assets	**4,070,548**	**9,740,197**
Equity		
Issued capital	23,557,745	22,296,472
Other equity	600,000	600,000
Reserves	(91,555)	277,111
Accumulated losses	(19,995,642)	(13,433,386)
Total equity	**4,070,548**	**9,740,197**
	Year Ended 30/06/14 $	**Year Ended 30/06/13 $**
Financial Performance		
Loss for the year	(6,630,256)	(1,206,986)
Other comprehensive income/loss	(327,007)	-
Total comprehensive loss	**(6,957,263)**	**(1,206,986)**

Commitment for expenditure and contingent liabilities of the parent entity

Note 27 discloses the Group's commitments for expenditure and contingent liabilities, all of which are applicable to the parent entity also.

33. SUBSEQUENT EVENTS

In August 2014, the Group executed a conditional agreement with a subsidiary of Canadian listed Crocodile Gold Corp for the acquisition of 15 mining leases and a farm-in to earn up to 90% of a further 21 exploration licences and 4 mining leases, all in the Northern Territory. The transaction is subject to a number of conditions precedent which must be satisfied or waived by 15 November 2014.

Consideration for the purchase of the mining leases is $1 plus a 2% royalty on the market value of any future production of gold and silver from the leases. Under the terms of the farm-in, Phoenix Copper can earn a 51% interest in the farm-in tenements with expenditure of $2 million over 2 years, and can then elect to increase its interest to 90% with expenditure of an additional $2 million over a further 2 year period. A further $500,000, either in cash or shares at the Company's election, is payable if a bankable feasibility study is completed on any of the acquired or farm-in tenements.

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

The transaction, as an asset acquisition, will be accounted for in the 2014-15 financial year at cost.

The Group also raised $300,000 after costs via the placement of shares to sophisticated and professional investors in August.

On 25 September 2014 the Group announced a partially underwritten Rights Issue capital raising. The Rights Issue is a 1 for 2 non-renounceable pro rata offer at an issue price of $0.023 per share to raise up to approximately $2.7 million before costs and expenses. The Rights Issue is scheduled to close on 16 October 2014 with proceeds to be received by the Company and new shares allotted on 23 October 2014.

There are no other matters or circumstances that have arisen since 30 June 2014 and have significantly affected or may significantly affect:

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

Directors' Declaration

In the Directors' opinion:

(a) the 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 2014 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 31.

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

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

Graham Ascough

Chairman

30th September 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

11 Waymouth Street
Adelaide SA 5000
GPO Box 1969
Adelaide SA 5001 Australia

Tel: +61 8 8407 7000
Fax: +61 8 8407 7001
www.deloitte.com.au

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 2014, 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 14 to 46.

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 2014 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 7 to 12 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to Note 3 in the financial report which indicates that for the year ended 30 June 2014 the consolidated entity incurred a net comprehensive loss of $6,957,263 and used net cash in operating and investing activities of $1,546,462, excluding the consolidated entity's investment in Avalon Minerals Ltd. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and therefore, the company and the consolidated entity may be unable to realise their assets and extinguish their liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants
Adelaide, 30 September 2014