phoenix COPPER

ANNUAL REPORT 2013

Corporate directory

Australian Business Number 67 127 446 271

Country of Incorporation Australia

Board of Directors

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

Chief Executive Officer

James Fox

Chief Financial Officer and Company Secretary

Tim Moran

Principal Administrative Office

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Registered Office

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Share Registry

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Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide
SA 5000

Lawyers

Watsons Lawyers
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Adelaide
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ASX

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

Front cover image: Yorke Peninsula (McLeod Drilling).

Contents

Black Hill prospect (Coughlan Drilling).

Chairman's Letter

Dear Shareholder,

On behalf of the Board of Directors it is my pleasure to present the 2013 annual report for Phoenix Copper Limited.

Over the past 12 months we have seen considerable exploration activity across our tenement holdings in South Australia including drilling campaigns on iron-oxide copper gold (IOCG) targets on the Yorke Peninsula and copper targets in the Adelaide Geosyncline.

The Burra copper project, an exciting exploration area with a strong history, has been the focal point of our work to date in the Adelaide Geosyncline. Follow-up drilling in the vicinity of the Eagle prospect at Burra was completed intersecting further copper mineralisation and demonstrating that the system remains open at depth. While further drilling is still required at Eagle, the reprocessing and modelling of historic geophysical data using modern-day technology has identified a number of new, highly compelling targets in the region at relatively shallow depths that remain untested and would complement continued success at Eagle. As the results from Eagle clearly demonstrate the potential of the area to host significant widths of high grade copper mineralisation, these new targets are a priority for drill testing. Statutory approvals have been obtained and required access approvals are expected by the end of 2013.

Regionally, detailed mapping and ground magnetic surveys were undertaken in-conjunction with a data review resulting in 'drill ready' targets at the Black Hill, Kingston and Grove prospects. The Black Hill gold prospect is located in the Mongolata goldfield, an area that is underexplored and underdeveloped, with opportunities for discoveries along a 12km line of old surface workings.

Our Yorke Peninsula project has the potential to host significant copper-gold mineralisation and the work that we have completed to date has confirmed the prospectively of the area. On the whole, the project has received limited attention from previous explorers and if it wasn't for Rex Minerals' discovery of the large tonnage Hillside iron-copper-gold deposit nearby, the area would still likely be on the back burner. The Hillside Deposit clearly demonstrates the potential of this area to host large tonnage deposits and the work completed by Phoenix Copper to date has outlined targets that require drill testing in the year ahead.

At Leigh Creek, our copper operation remains on care and maintenance and the Company has engaged an external advisor to assist with the sale of the project or to secure a joint venture partner to fund the operations. A result of this initiative is expected in the first half of the current financial year.

During the year the Company also took steps to significantly reduce its costs to ensure it maximises in-ground expenditure to test quality targets. The Company is also reviewing advanced acquisition opportunities to drive growth in parallel with its exploration efforts.

Looking at our current share price, the market is giving little value to the quality project assets and intellectual capital of the Company. While we are not alone in this, we are far from pleased with it. I believe that with its strong project portfolio and excellent targets to be tested in the near term, Phoenix Copper is well positioned to capitalise on the growing demand for base metals and improving market conditions. As our programs progress, successful exploration in conjunction with potential acquisitions will lead to solid growth in Phoenix Copper for the benefit of all shareholders.

I would like to thank our management and staff for their exceptional hard work and dedication over the past year, and our shareholders for their loyalty and support. The upcoming year will undoubtedly be busy and challenging again for our team and we look forward to seeing the results of their efforts.

Yours sincerely,

Graham Ascough
CHAIRMAN

15 October 2013

Overview

Figure 1 Phoenix Copper tenements.

1 General

Phoenix Copper Limited (Phoenix Copper or the Company) is a mineral exploration company, with a focus at present on its tenement holdings in South Australia as well as seeking value accretive corporate or asset transactions. Through the Company's wholly owned subsidiary Leigh Creek Copper Mine Pty Ltd (LCCM), Phoenix Copper also holds three South Australian mineral leases and mining and processing facilities at Leigh Creek.

During the 2013 financial year, the Company's priorities lay in advancing exploration projects at the Eagle Prospect north of Burra, the Black Hill gold prospect in the Mongolata Goldfields, and at Balgowan on the Yorke Peninsula.

During the year, the Company appointed a new Chairman, Graham Ascough.

2 Key financial data

	30 June 2013	30 June 2012
Copper sales volumes (tonnes)	-	124
Average realised price (A$/lb)	-	3.13
	$000's	$000's
Revenue – copper sales	-	856
Production loss – copper+	-	1,505
Impairment – LCCM	-	1,496
Corporate/administrative costs	1,189	1,678
Research & Development tax refund	390	644
Loss after tax	1,207	4,111
Loss per share	0.7 cents	3.0 cents
	$000's	$000's
Net operating cash flows	(291)	(2,587)
Funds raised - equity (net of costs)	600	5,039
	$000's	$000's
Cash on hand	1,055	1,820
Net working capital	903	2,240
Capitalised exploration expenditure	8,534	7,164
Borrowings	-	-
Net assets	9,740	10,279
Number of shares on issue*	179,707,749	177,442,543
Number of unlisted options on issue	1,335,000	12,186,102
Indicated contained copper resources (tonnes, 0.4% cut-off grade)	19,600	19,600
Share price (ASX: PNX)	4.4 cents	9.0 cents

+ *excluding impairment charges*

** *187,485,527 as of the date of this report*

The overall loss after tax for Phoenix Copper and its subsidiaries (the 'Group') for the 2013 financial year was $1.2m.

Operations at Mountain of Light (MoL) remained on care and maintenance during the year whilst additional test work was undertaken to identify and develop alternative leaching methods. The Company is currently seeking a third party to assist with the development of the assets or an outright sale.

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

The Research and Development tax concession claim of $0.39m related to research activities conducted at MoL during the 2012 tax year.

Net operating cash outflows of $0.3m reflect corporate/administrative costs net of the R&D refund for 2012 noted above and the R&D refund for 2011 ($0.64m) which was received in 2012-13.

Overall the loss of $1.2m was lower than the loss of $4.1m in 2012, due mainly to the operating loss of $1.5m at MoL in 2012, as well as impairment charges of $1.5m and $0.5m greater corporate/administration costs (mainly wages from more full-time employees) in the prior year.

Yorke Peninsula AC drilling (McLeod drilling).

During the 2013 financial year, the Group raised a total of $0.6 million through the issue of convertible notes. Cash invested in exploration activities was $1.4m, while operating/administrative activities cost $1.3m. Exploration primarily consisted of drilling on the Yorke Peninsula ($0.5m) and at Burra North ($0.6m); these projects are discussed in more detail below under the Exploration Report.

Total issued shares as of the date of this report are 187,485,527; there are also 1.3 million unquoted options and 1.5 million performance rights on issue.

At 30 June 2013, the Group had cash holdings of $1.1m, net working capital of $0.9m, and no borrowings. The Group has sufficient cash holdings to meet its near-term exploration activities and administrative costs, however further funds will need to be raised in 2013-14 to maintain the planned level of commitments, as is the norm with mineral exploration companies.

The most significant planned exploration activity in the 2014 financial year is the continuation of drilling of the geophysical anomalies identified at Burra. Funds will also continue to be spent on the Yorke Peninsula drilling priority iron oxide copper gold targets, and advancing additional copper gold exploration opportunities in the Burra region.

Yorke Peninsula, PCAC032 – high magnetite content.

3 Tenements

The Group currently holds 20 exploration licences (ELs) covering 5,546km^2 and three mineral leases (MLs) covering 572 Ha (6km^2), in the highly prospective Yorke Peninsula (Gawler Craton), Burra and Leigh Creek (Adelaide Geosyncline) regions of South Australia as shown in Table 1 and Figure 1.

Several tenements were renewed during the period:

- EL5196 Coonarie (previously EL3907)
- ELA281/12 Minlaton (previously EL4031)
- EL5136 Anabama (previously EL3971)
- EL4626 Bagot Well North (30% reduction in area)
- EL4370 Washpool (35% reduction in area)
- EL4807 Burra West (previously EL3604)

Two new tenements were granted during the period EL5264 Nantawarrinna and EL5300 Mt Elkington. Two tenements were relinquished during the period, EL4504 The Gums, and EL4503 Australia Plains.

During the year, Phoenix Copper successfully negotiated two Amalgamated Expenditure Agreements with the South Australian government's Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE):

1) the Yorke Peninsula, and
2) the combined Adelaide Geosyncline tenements.

The Agreements give Phoenix Copper the flexibility to focus its exploration on priority targets within each of these major project areas rather than on individual tenements.

Table 1: Phoenix Copper Exploration and Mining Leases

Exploration licence number	Exploration licence name	Area (sq km)	Grant date	Registered holder
Burra Group		**1,990**		
4226	Burra Central	86	24/02/2009	Phoenix Copper 100%
4807	Burra West	69	25/07/2011	Phoenix Copper 100%
4970	Burra North	300	6/03/2012	Phoenix Copper 100%
4233	Mongolata	212	10/03/2009	Phoenix Copper 100%
4809	Princess Royal	314	23/11/2011	Phoenix Copper 100%
4419	Red Banks	396	21/01/2010	Phoenix Copper 100%
4476	Hallett Hill	80	27/04/2010	Phoenix Copper 100%
5136	Anabama	465	5/11/2012	Phoenix Copper 100%
4711	Burra Creek Plain	68	29/03/2011	Phoenix Copper 100%
Yorke Peninsula Group		**1,413**		
4031 ELA 281/12	Minlaton	547	21/01/2008	Wellington Exploration 100%
4312	Koolywurtie	255	30/09/2009	Phoenix Copper 100%
4983	Weaver Hill	357	31/08/2012	Phoenix Copper 100%
5196	Coonarie	254	27/8/2012	Phoenix Copper 100%
Spalding Group		**292**		
4886	Spalding	157	2/01/2012	Phoenix Copper 100%
4370	Washpool	135	10/11/2009	Phoenix Copper 100%
Eudunda Group		**298**		
4291	Bagot Well	71	5/08/2009	Phoenix Copper 100%
4626	Bagot Well North	99	13/12/2010	Phoenix Copper 100%
5169	Tarnma	128	5/11/2012	Phoenix Copper 100%
Leigh Creek		**1,553**		
5264	Nantawarrinna	555	7/6/2013	Phoenix Copper 100%
5300	Mt Elkington	998	9/7/2013	Phoenix Copper 100%
Total ELs		**5,546**		
Mineral lease no	**Mineral lease name**	**Area (ha)**	**Grant date**	**Registered holder**
LEIGH CREEK GROUP		**572**		
ML 5467	Mountain of Light	250	16/10/1987	LCCM 100%
ML 5741	Mount Coffin	200	3/06/1991	LCCM 100%
ML 5498	Lorna Doone	122	18/01/1988	LCCM 100%
Total ALL Tenements		**5,552 (sq km)**		

4 Operations and Exploration Highlights

LEIGH CREEK COPPER MINE – MOUNTAIN OF LIGHT

- Mining and processing operations have been on care and maintenance since January 2012.
- Test work related to further development of the Ion Exchange process was successfully undertaken.
- Due to the Company's primary focus on developing its significant exploration assets, Phoenix Copper has engaged an external advisor to assist with the sale of the project or the obtaining of a joint venture partner to fund the development of the project.

EXPLORATION – EAGLE PROSPECT, NORTH OF BURRA

- Follow up drilling from the early 2012 maiden program was conducted in August and September 2012 with high grade copper sulphides again intercepted during the program.
- Interpretation of the results from the drilling to date and the reprocessed Induced Polarisation (IP) data indicate the high grade copper drill 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 reprocessed IP data has highlighted several additional prospective target areas near the Eagle Prospect with all having the potential for copper sulphide mineralisation similar to that observed at Eagle. Statutory approvals have been granted to drill test all targets, and the Company expects to have all access approvals in place prior to the end of 2013.

Eagle Prospect, north of Burra (Statewide Drilling).

EXPLORATION – YORKE PENINSULA

- The acquisition of an additional tenement EL3907 Coonarie (now EL5196) was completed in November 2012, bringing total Yorke Peninsula land holding to 1,413km^2.
- Following on from the maiden 2012 diamond drill program a 100 hole, 3,000 metre drill program was conducted in February 2013 over four target areas. The results from this program are encouraging and substantiate the prospectivity of the area.
- Further drill testing is planned over IOCG targets at two of the areas (Balgowan and Cross Prospects) drilled in February 2013.
- A large number of untested versatile time domain electromagnetic (VTEM) survey and ground gravity targets remain. When funding permits, Phoenix Copper aims to continue to prioritise and test these targets with the aim of identifying economic IOCG mineralisation.
- Phoenix Copper was also awarded PACE Geochronology funding and technical support by DMITRE to confirm the IOCG potential of its Yorke Peninsula Project.

EXPLORATION – ADELAIDE GEOSYNCLINE

- Detailed structural mapping in conjunction with ground magnetic surveys and data reviews was undertaken, resulting in 'drill ready' targets at the Black Hill, Kingston and Grove prospects.
- RC drill testing of priority gold targets at Black Hill prospect was carried out in August 2013 – full assay results are pending.

Exploration Report

Phoenix Copper is primarily focussed on copper and gold mineral exploration in South Australia in three main project areas (Figure 2).

ADELAIDE GEOSYNCLINE

Eagle Prospect – North of Burra

The Eagle prospect is situated 150km north of Adelaide within the Adelaide Geosyncline, 800m to the north-west of the historic Monster Mine on the northern outskirts of Burra (Figure 3).

A nine hole, 984 metre program of diamond drilling was undertaken in 2012 to identify the sources of three IP anomalies generated by the precursor to DMITRE in the 1960s and aimed to identify whether copper mineralisation exists north along strike of the Monster Mine copper lode. This maiden exploration drill program resulted in the discovery of a zone of copper mineralisation named the "Eagle Prospect", with significant copper mineralisation identified in two adjacent cross sections.

A second phase of drilling comprising eight diamond drillholes was conducted at Eagle from August to November 2012 with the zone of high grade copper mineralisation intercepted earlier in 2012 being further defined (Figures 4–6).

Figure 2 *Phoenix Copper tenure, South Australia.*

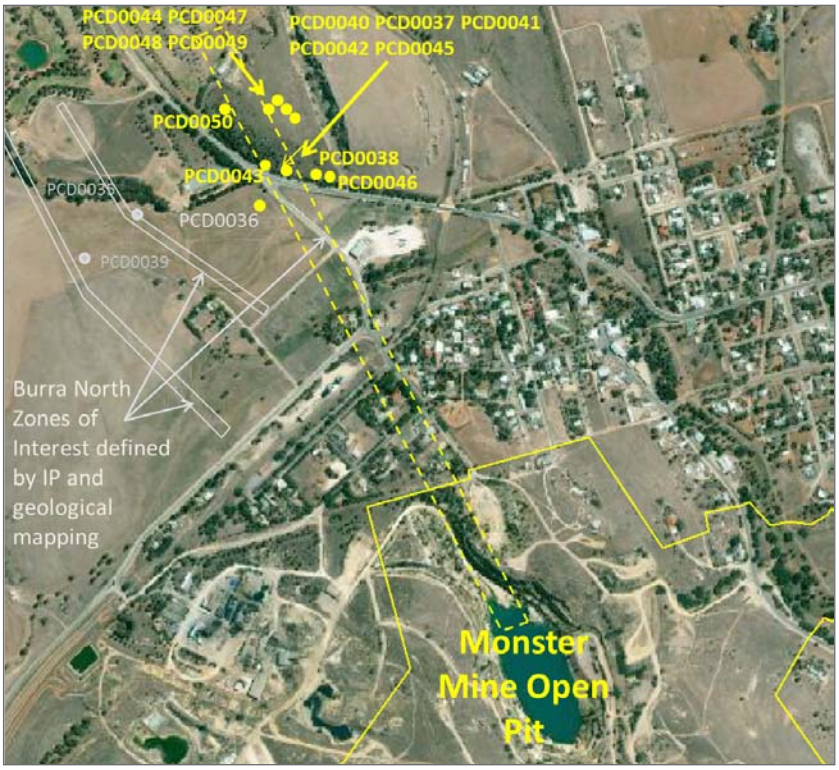

Figure 3 *Aerial view of the Eagle prospect north of Burra, showing drill collar locations in yellow and zones of interest defined by IP.*

Figure 4 Consistent zone of disseminated bornite (a copper sulphide material) in altered silty dolomite from 70.4 to 80.0m in PCD0045.

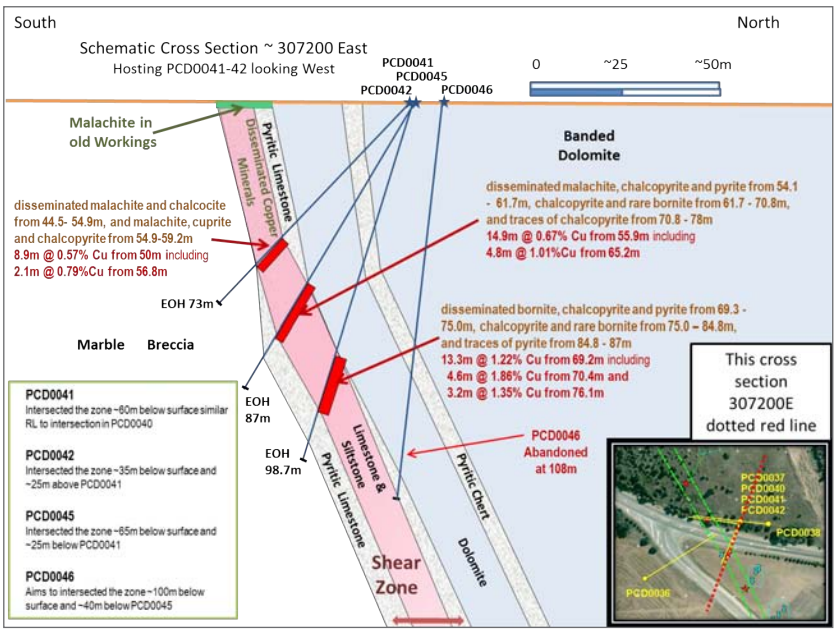

Figure 5 *Schematic cross section at 307200E including drillholes PCD0041, PCD0042, PCD0045 and PCD0046.*

Assaying of a sulphide zone in the hanging wall to the east of mineralisation at Eagle (drilled March 2012) that was previously thought to be barren also returned elevated copper and silver values. These results are significant as they demonstrate that the footprint of the mineralising system at Eagle extends outside the higher grade envelope providing a larger target for exploration purposes, and increasing the Company's understanding of the prospect and the controls on the mineralisation.

The Eagle Prospect mineralisation remains open to the SSE and at depth.

Further drilling is required but the current priority is to test shallower targets along strike that were generated from the reprocessing of the IP results.

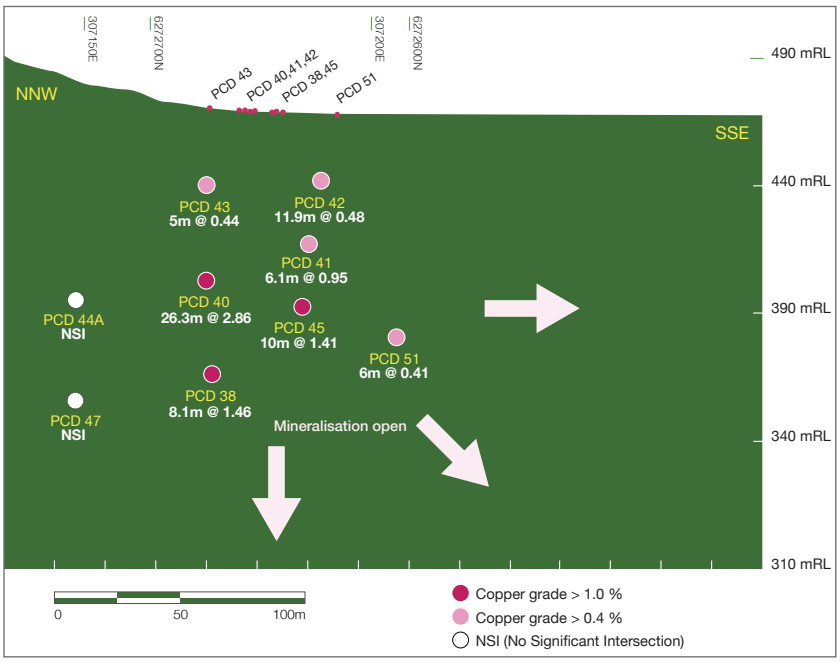

Figure 6 *Schematic long section at the Eagle Prospect showing downhole intercepts with copper grades.*

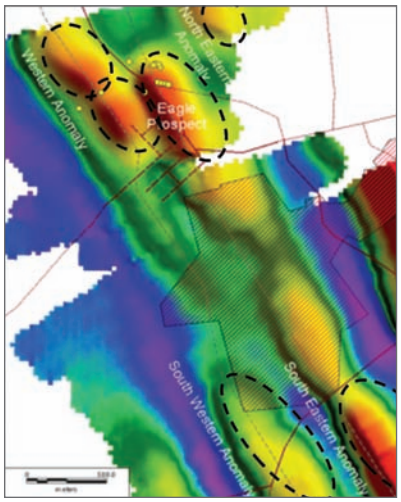

Figure 7 *Reprocessed IP data at Eagle, targets (highs) are highlighted by the black dashed line.*

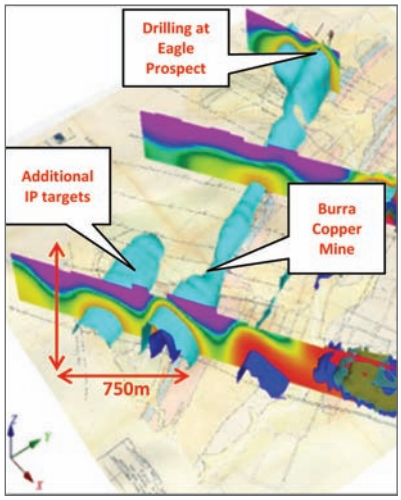

Figure 8 *Reprocessed IP data in 3D at Eagle showing IP highs as light blue shape.*

Induced Polarisation

In the 1960s an IP survey was conducted by the Department of Mines South Australia (DMSA) in the vicinity of the Monster Mine. During the year, Phoenix Copper had this data reprocessed by an independent consultant utilising modern day modelling software. The detailed IP images are consistent with the drilling results and highlighted several new prospective target areas (Figure 7).

Interpretation of the results from the drilling to date and the reprocessed IP data indicate the high grade copper drill 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 (Figure 8).

A number of new, similar sized untested targets have been identified from the IP data with all having potential for mineralisation similar to that intercepted at the Eagle Prospect.

Planned Drilling – 2013/14

In order to test the effectiveness of IP as a method with which to further identify copper sulphides in the area, Phoenix plans to drill test the IP targets highlighted (Figure 7). Statutory approvals have been obtained and drilling is planned to commence once access approvals have been finalised.

The company expects to have these approvals in place prior to the end of 2013.

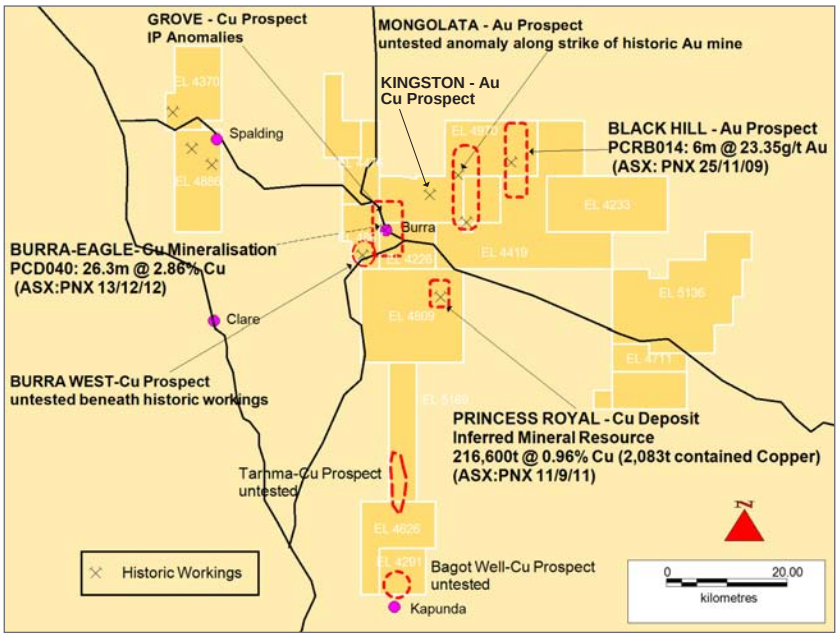

Figure 9 *Adelaide Geosyncline tenement and prospect location plan.*

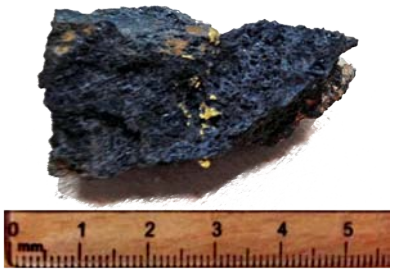

Figure 10 *Gold sample from Byles Historic Mine within the Mongolata Goldfields; gold is with limonitic (Fe and Mn oxide) breccia lode.*

ADDITIONAL EXPLORATION AREAS – ADELAIDE GEOSYNCLINE

Mongolata Goldfields

The Mongolata goldfields are located approximately 15km north-east of the town of Burra and comprise the historic Mongolata workings and the Black Hill Prospect 7km from Mongolata. They are wholly within EL4233 and EL4970 and are defined by several historic mines and a number of small workings extending in a north-south strike orientation for approximately 12km (Figure 9). Gold was discovered at Mongolata (Figure 10) in 1930, and since that time small tonnages of high grade ore have been mined. The Mongolata goldfield is underexplored and underdeveloped, with opportunities for discoveries along the 12km line of old surface workings and at depth into primary mineralisation.

Black Hill

A detailed ground magnetic survey was completed in June 2013 over approximately 3km^2 of the Black Hill Prospect to gain a clearer understanding of the structural and lithological controls on the gold mineralisation identified through drilling by Phoenix Copper in 2009. Re-analysis of rotary air blast (RAB) and diamond drilling samples showed a proximal association of silver, copper and lead to the gold mineralisation.

Drill Program

Subsequent to year end in August 2013, a 14 hole RC drill program was undertaken at Black Hill (Figure 11) The program was designed to identify further high grade gold mineralisation, test the structural and lithological controls, determine the strike extent and further the development of a geological model for exploration in the region.

Full assay results from the program are pending.

Kingston Prospect

The Kingston Prospect, prospective for copper-gold mineralisation lies 10km north east of Burra and 4km west of the Mongolata Goldfields on EL4970 (Figure 9). No previous exploration has been carried out in the area which contains a number of small historic copper workings. A detailed ground magnetic survey was carried out in June 2013 and interpretation of the data highlights features which warrant follow up geochemistry prior to drill testing.

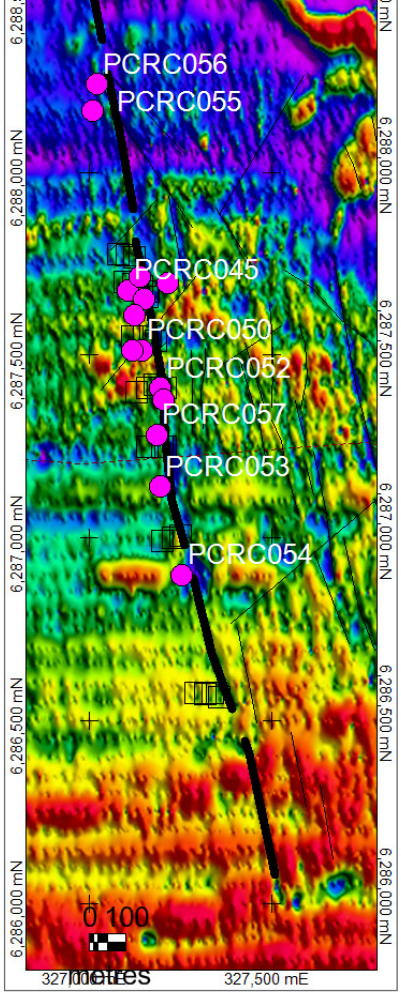

Figure 11 *Black Hill ground magnetics showing drillhole locations.*

YORKE PENINSULA PROJECT

Phoenix Copper's 100% owned highly prospective Yorke Peninsula tenure now consists of four exploration licenses; EL4031, EL4312, EL4983, and EL5196, and covers a significant land area of 1,413km^2 adjacent to Rex Minerals Limited's Hillside Deposit and to the south of the historic Moonta-Wallaroo 'Copper Triangle'. EL5196 (previously EL3907) was acquired during the year.

The Yorke Peninsula tenure lies within the Olympic IOCG Domain, host to a number of large scale copper-gold deposits including the giant Olympic Dam copper-gold-uranium deposit, Prominent Hill, Carrapeteena and Hillside deposits. The proximity of the Hillside deposit highlights the significant potential of the under explored southern portion of the domain (Figure 12).

In 2012, the Company conducted a maiden six hole, 1,331 metre, diamond drill program targeting three coincident VTEM and ground gravity anomalies. During 2012/13, the Company conducted follow-up drilling at four areas via a 3,074m, 100 hole aircore (AC) and slimline reverse circulation (RC) drilling program.

The four areas tested (Balgowan, Cross, SGVT1 and SGVT9) are all characterised by coincident geophysical anomalies consistent with the signature of IOCG mineralisation. Depth of cover above the prospective basement host rock ranged from 10-30m allowing a significant number of holes to be drilled over a large area. This initial phase of drilling aimed to identify shallow secondary geochemical dispersion patterns associated with primary mineralisation, to confirm the source of the coincident geophysical anomalies, and to gain a greater understanding of the geochemistry in this environment.

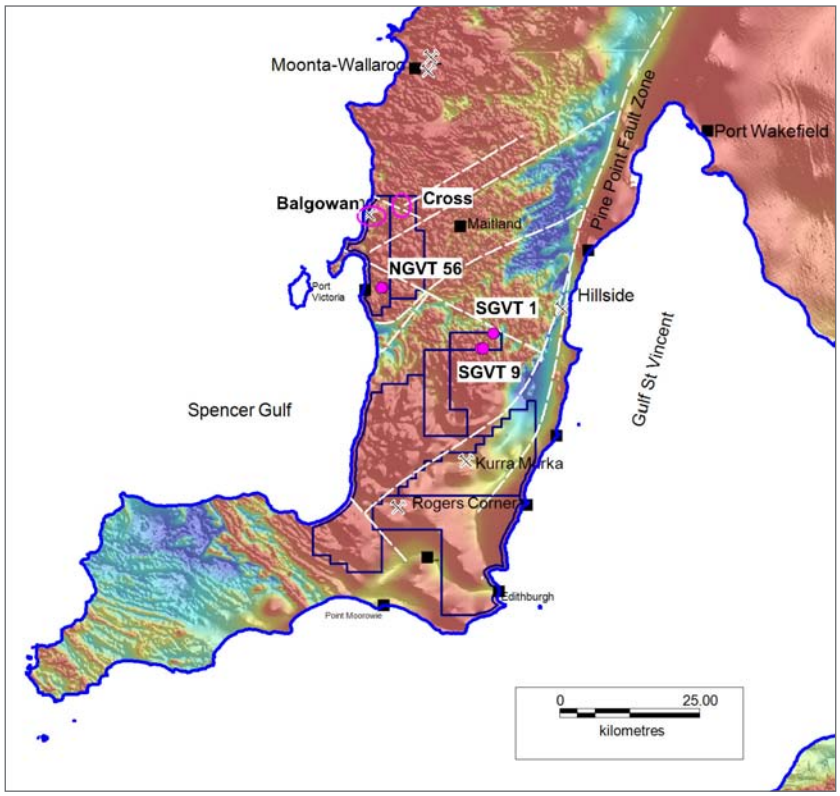

Figure 12 Phoenix Copper's Yorke Peninsula tenements showing main exploration areas and significant structures.

Anomalous copper was observed in all areas tested, with the best results coming from the Cross Prospect. Here, drilling defined elevated copper at the basement interface coincident with gravity and magnetic anomalies that may indicate primary mineralisation at depth (Figure 14). Deeper drill testing of the Cross target is being planned for the post-cropping period from Jan 2014.

The Balgowan prospect was drilled to delineate the lateral extend of the IOCG mineralisation intercepted in historic diamond drill holes DDH1 and DDH2 completed in 1955. Drilling by Phoenix Copper intercepted anomalous geochemistry in prospective rocks, including massively altered magnetite, biotite, calcsilicate metasomatitic rocks (containing high percentages of iron over a large area) which may be associated with a regional mineralising event (Figure 13). The alteration system identified is still untested at depth and to the south as the deepest drillhole was still within massive magnetite mineralisation at 100m downhole depth.

Broad spaced drilling over the SGVT1 and SGVT9 prospects (Figure 12) shows subtle copper highs associated with VTEM anomalies and magnetite-hematite alteration.

Overall, the results from the shallow drilling program during the year were very encouraging. Prospective geology and geochemistry within a significant alteration system has been identified together with a new area that has the potential for mineralisation at depth.

The next stage of exploration will plan to test the depth extents of the surface anomalies at Cross and Balgowan through basement drilling, along with further interpretation and analysis of recent geochemical results. Access for basement drilling will be limited until cropping has been undertaken at the beginning of 2014.

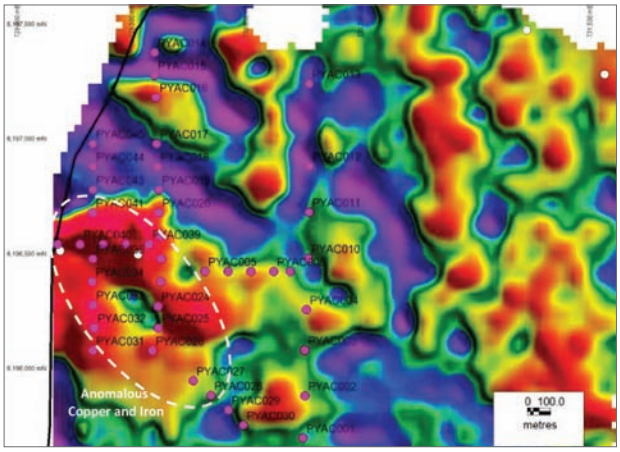

Figure 13 *Balgowan prospect showing drillhole locations over gravity image.*

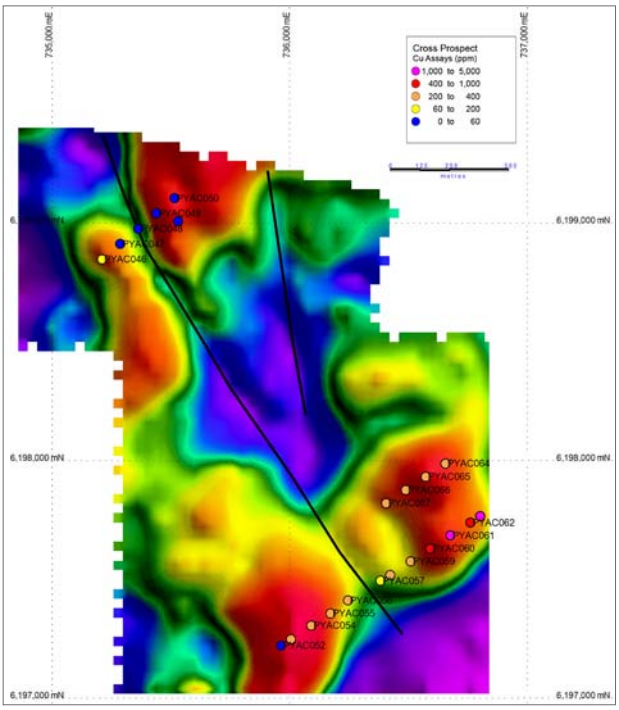

Figure 14 *Cross Prospect showing drillhole locations with geochemical dispersion pattern, over gravity image.*

SGVT1 and SGVT9 targets

During the year, Phoenix Copper also obtained detailed magnetic data over the south eastern portion of EL4312. In this region the Company now has detailed gravity, magnetics, VTEM, geochemical data (historic road side aircore, field-portable X-ray fluorescence (FPXRF), and biochemistry) and four diamond drillholes – PYD001, PYD002, PYD003 and PYD004. Data is currently being reviewed with target vectoring for a follow up field program in early 2014.

Field studies are to continue on newly acquired southern tenements (EL5196 and EL4983). The Rogers Corner prospect is located in the far west of EL4983 (Figure 12). Analysis of water in bores in the area by the State government in 1982 indicated anomalous heavy metal geochemistry – copper, silver, lead, gold and barium. The anomaly is also associated with a deep circular magnetic high which sits on the flanks of a regional gravity high zone. The coincident geophysical anomalies and elevated ground water geochemistry are possibly sourced from a copper gold prospective Mesoproterozic basement intrusive similar to the historic Moonta Wallaroo deposits.

PACE Geochronology Grant

During the year, Phoenix Copper was granted funding and technical support by the DMITRE to help confirm the IOCG potential of its Yorke Peninsula Project. The funding is part of the PACE 2020 Geochronology initiative.

The study will focus on age-dating diamond drill core samples taken from holes from the SGVT1, SGVT9 and NGVT56 prospects on Phoenix Copper's Yorke Peninsula project (Figure 15). The study will determine the age of the rocks and assist in a better understanding of the timing and geological setting in the southern Gawler Craton. The age determination of these samples will confirm if the alteration and mineralisation at the Yorke Peninsula Project is part of the same IOCG event (Hiltaba Event) responsible for the world class Olympic Dam IOCG deposit. The results are expected toward the end of 2013.

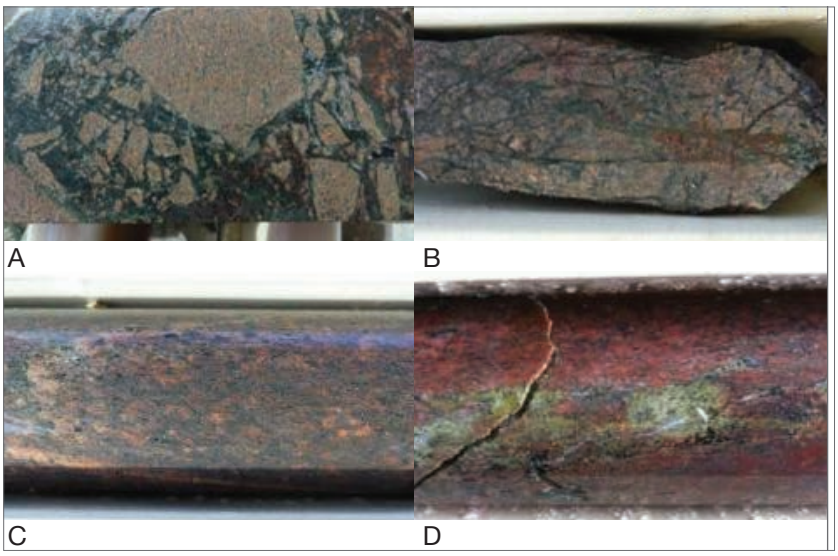

Figure 15 *Drill core samples selected for age dating: A) PYD001 Haematite breccia; B) PYD003 Haematite fractured felsic gneiss; C) PYD005 sulphides bearing rhyodacite; and D) PYD001 sulphide bearing felsic gneiss.*

OTHER EXPLORATION – LEIGH CREEK

EL5264 and EL5300 were granted during June and July 2013 respectively. The two exploration licences are in close proximity to the Company's three mining leases – ML 5741, ML 5498 and ML 5467 (Figure 16).

The tenements lie in the northern part of the Adelaide Geosyncline and contain similar geological lithologies and structural settings to the surrounding copper deposits at Mountain of Light, Mt Coffin and Lynda-Lorna Doone, including the historic Blinman copper mine. These exploration licenses would be included in any LCCM sale or joint venture package.

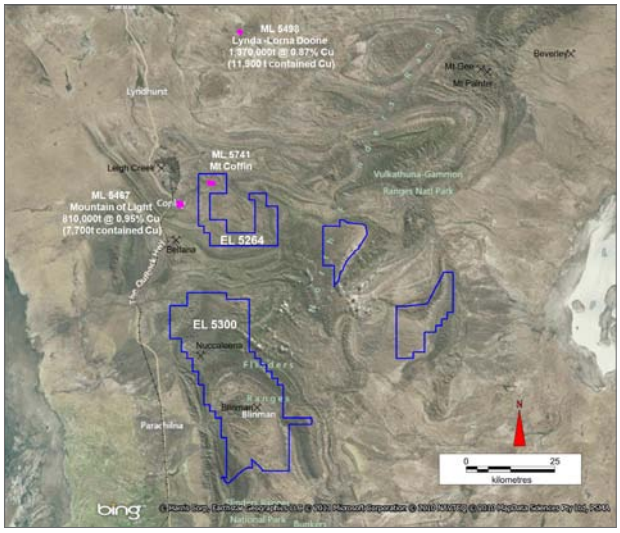

Figure 16 *Location Map of Leigh Creek Project - Exploration Licenses (blue) and Mining Leases (pink).*

SUMMARY OF EXPLORATION ACTIVITIES

2013 FINANCIAL YEAR AND TO DATE OF THIS REPORT

- 907m of Diamond drilling was completed
- 209 Diamond Core samples sent to laboratory for copper & gold analysis
- 907 FPXRF analyses taken on Diamond Drill Core

- 3,074m of AC (and slimline RC) drilling
- 1,500 AC/RC samples sent to laboratory for multi element analysis
- 3,074 FPXRF analyses taken on AC/RC chips

- 1,012m of RC drilling since 30 June 2013
- 210 RC samples sent to laboratory for gold and multi element analysis since 30 June 2013
- 1012 FPXRF analyses taken on RC chips since 30 June 2013

- 60 FPXRF analyses taken of soils since 30 June 2013
- 200 line km of ground magnetics completed since 30 June 2013

LEIGH CREEK COPPER MINE (LCCM)

During the year the Mountain of Light Copper mine (MoL) remained under care and maintenance. In conjunction with InnovEco Australia a mini pilot plant was used to further develop the Ion Exchange process (IX). Parcels of ore from the main orebody and rejected fines and residue from the heap leach process were tested and the results remained encouraging. Ion Exchange is the preferred processing method for processing ore at MoL due to its high overall copper recovery, low residence time, and the ability to process fine highly weathered oxide ore.

Due to the Company's primary focus on developing its significant exploration assets, Phoenix Copper has engaged an external advisor to assist with the sale of the project or the obtaining of a joint venture partner to fund the development of the project.

ENVIRONMENT

The Company's exploration activities have been carried out in accordance with the South Australian government's regulatory laws. Phoenix Copper is committed to reducing its environmental footprint, implementing 'best practices' for assessment, management, mitigation and rehabilitation for all exploration activities (Figure 17).

SOCIAL & COMMUNITY

Phoenix Copper recognises and responds to the growing expectation from community, regulators and industry leaders for more open community engagement and stakeholder consultation. The Company's strategy and policy of information, consultation and active participation now forms an integral part of the exploration process. Key community events the Company participated in this year included the Paskeville Field Days, Burra Show and DMITRE Yorke Peninsula Workshops.

OCCUPATION HEALTH AND SAFETY

Phoenix Copper is committed to the health and safety of its employees, contractors and visitors. No reportable incidents occurred during the year.

The Company reviews its Health & Safety policy on a regular basis to ensure it maintains a high standard. All field staff have been engaged in appropriate ongoing skills training for supervising and implementing the required exploration activities in remote environments.

Figure 17 *Drill site: example of drill site before, during and after (Yorke Peninsula).*

Figure 18 *Landholder consultation.*

Figure 19 *Paskeville Field Days 2013.*

Drill Tables

YORKE PENINSULA

Table 1 Balgowan Prospect – Significant drill intercepts above 400ppm copper (showing additional elements)

Hole ID	Northing	Easting	Azimuth	Dip	From m	To m	Interval m	Cu ppm	Fe %	U ppm	Ni ppm
PYAC003	6196077	730260	360	-90	31	33	2	763	-	-	-
PYAC008	6196420	730125	360	-90	37	38	1	438	10.16	-	-
PYAC022	6196475	729634	360	-90	23	24	1	-	-	401	-
PYAC026	6196075	729595	360	-90	39	70	31	-	16.68	-	-
PYAC026		including			43	45	2	966	13.90	-	433
PYAC026		including			43	44	1	1440	15.23	32	615
PYAC027	6195942	729774	360	-90	24	25	1	445	-	-	-
PYAC031	6196075	729335	360	-90	28	29	1	475	-	-	-
PYAC039	6196540	729580			14	100	86	-	16.84	-	-
PYAC039		Including			99	100	1	-	39.98	-	-
PYAC040	6196540	729279	360	-90	39	40	1	-	-	206	-
PYAC041	6196674	729334	360	-90	46	47	1	478	6.82	19	432
PYAC042	6196540	729180	360	-90	32	34	2	811	3.42	14	-
PYAC042		Including			34	40	6	-	13.37	-	-

Table 2 Cross Prospect – Significant drill intercepts above 400ppm copper

Hole ID	Northing	Easting	Azimuth	Dip	From m	To m	Interval m	Cu ppm
PYAC060	6197632	736592	360	-90	18	19	1	421
PYAC061	6197687	736677	360	-90	28	29	1	3393
PYAC061	6197687	736677	360	-90	31	32	1	413
PYAC062	6197741	736760	360	-90	20	25	5	450
PYAC063	6197768	736801.9	360	-90	19	20	1	633
PYAC063		Including			23	25	2	960
PYAC063		Including			23	24	1	1462

Table 3 SGVT1 Prospect – Significant drill intercepts above 400ppm copper

Hole ID	Northing	Easting	Azimuth	Dip	From m	To m	Interval m	Cu ppm
PYAC086	6169548	748051	360	-90	31	33	2	495

Notes: Co-ordinates are in GDA94 Z53. Intersections are downhole lengths. QAQC procedures as per industry best practice using certified reference standards, duplicates and blanks. Sample preparation by dry pulverisation and multi element analysis by four acid digest and ICP-OES and ICP-MS to acceptable detection limits and Au by AR25/SAA by Intertek Genalysis. Lower cut off 400ppm Cu.

EAGLE - BURRA NORTH PROJECT

Table 4 Burra drill collar locations and copper results.

Hole ID	Northing	Easting	Azimuth	Dip	Total depth m	From m	To m	Interval m	Grade %
PCD0035	6272610	306832	276	-60	205.3	-	-	-	NSI
PCD0036	6272623	307106	61	-50	177.5	-	-	-	did not reach target depth
PCD0037	6272682	307204	0	-90	46.0	-	-	-	NSI
PCD0038	6272680	307234	280	-60	121.0	94.9	117.4	22.5	0.81% Cu
	including					102.6	110.7	8.1	1.46% Cu
PCD0039	6272500	306700	266	-60	144.7	-	-	-	missed target
PCD0040	6272682	307203	281	-60	77.0	50.7	77	26.3	2.86% Cu
	including					61.1	74.8	13.7	5.23% Cu
PCD0041	6272682	307204	200	-60	87.0	54.1	70.8	16.7	0.63% Cu
	including					64.7	70.8	6.1	0.95% Cu
PCD0042	6272682	307204	200	-47	73.0	47	58.9	11.9	0.48% Cu
PCD0043	6272687	307184	201	-60	52.9	31	36	5.0	0.44% Cu
PCD0044A	6272787	307193	215	-60	144.0	-	-	-	NSI
PCD0045	6272683	307203	202	-74	98.7	69.2	82.5	13.3	1.22% Cu
	including					69.3	75.3	6.0	1.61% Cu
PCD0046	6272677	307243	236	-62	108.0	-	-	-	did not reach target depth
PCD0047	6272804	307184	206	-75	199.0	-	-	-	NSI
PCD0048	6272800	307156	215	-74	39.0	-	-	-	RC pre-collar
PCD0049	6272805	307162	257	-60	47.0	-	-	-	RC pre-collar
PCD0050	6272820	307162	220	-52	109.5	-	-	-	NSI
PCD0051	6272678	307426	205	-55	132.5	107.2	113.2	6.0	0.41% Cu

Notes: Co-ordinates are in GDA94 Z54. Copper assays determined by 4A and 4AHBR/OE by Intertek Genalysis, QA/QC samples indicated acceptable analytical quality. Intersections are down hole lengths, true widths will be determined by further drilling. Grade intercepts calculated as a weighted average grade above 0.4% copper. No significant intersection (NSI).

Table 5 Burra, PCD038 sulphide zone – drill collar location, and silver and copper results.

Hole ID	Northing	Easting	Azi	Dip	From	To	Interval	Ag (g/t)
PCD038	6272680	307234	280	-60	56	60.3	4.3	19.46
PCD038	Including				57	59	2	25.7
PCD038	and				60.9	62.9	2	47.27
PCD038	Including				62.2	62.9	0.7	190.6

Notes: Co-ordinates are in GDA94 Z54. Silver and Copper values determined by four acid digest and ICP-OES (4A/OE) by Intertek Genalysis, QA/QC samples indicated acceptable analytical quality. Intersections are down hole lengths, true widths will be determined by further drilling.

Mineral Resources and Ore Reserves

As at 30 September 2013

INDICATED RESOURCES

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

INFERRED RESOURCES

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

TOTALS

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

COMPETENT PERSON'S STATEMENT

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Ms Nicole Galloway Warland (BSc (Hons)), a Competent Person who is a Member of the Australian Institute of Geoscientists and a full-time employee of Phoenix Copper Limited. Ms Galloway Warland has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Galloway Warland consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Directors' Report

The Directors of Phoenix Copper Limited ('Phoenix Copper' or 'Company') present their report for the financial year ended 30 June 2013.

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 23 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 three years immediately prior to 30 June 2013, Graham Ascough held the following directorships of other listed companies for the following periods:

- 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 – since 19 October 2010

GRAHAM G SPURLING

Resigned 21 November 2012

Appointed 27 September 2007

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

In the three years immediately prior to 30 June 2013, Graham Spurling held the following directorships of other listed companies for the following periods:

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

PAUL J DOWD

Non-Executive Director

Appointed 27 September 2007

Paul Dowd has over 45 years' experience in the mining industry in Australia and many overseas countries. In April 2012 he retired as Managing Director of Phoenix Copper, a position he assumed in September 2008, but remains on the Board as a non-executive director.

Mr Dowd's experience includes executive management roles including Vice President of Newmont Mining Corporation's Australian and New Zealand Operations and Managing Director of Newmont Australia Limited, and as a senior public servant – head of the resources and petroleum department in the Kennett Government of Victoria. He is currently Chairman of the SA Mineral Resources & Heavy Engineering Skills Centre and non-executive director of Oz Minerals Limited. Mr Dowd is also a board member of the Sustainable Minerals Institute, the University of Queensland, a member of the Mineral Resources Sector Advisory Council of the CSIRO and a SA Training and Skills Commissioner.

In the three years immediately prior to 30 June 2013, 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. During that time he established, and for four years managed, its Perth office. He also managed its Melbourne office for two years. In 1996 Mr Watson joined Andersen Legal as its first Melbourne partner and in 1999 was recruited by Normandy Mining Limited as its group legal counsel and a group executive. Following the takeover of Normandy by Newmont Mining Corporation, he returned to private legal practice and founded the successful boutique law firm Watsons Lawyers in Adelaide.

Mr Watson is a member of the board of trustees of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation), non-executive director of Felton Grimwade and Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over-the-counter therapeutic products). He was also a non-executive director of Lawson Gold Limited (an ASX listed gold exploration Company).

In the three years immediately prior to 30 June 2013, 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 three years immediately prior to 30 June 2013, 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 over 15 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.

Review of Operations

The net result from operations for the Group for the year was a loss after income tax of $1,206,986 (2012: loss of $4,111,617). Exploration activities during the year were primarily focused at Burra and on the Yorke Peninsula. The Group's Mountain of Light ('MoL') copper mine located north of Leigh Creek in South Australia remained on care and maintenance during the year, as management continue to investigate improved processing methods and alternatives for either sale or development of the asset.

The loss for 2013 of $1.2m was lower than the loss of $4.1m in 2012, as the prior year included impairment charges of $1.5m on MoL assets, a $0.15m exploration asset write-down, $0.4m greater deprecation, and the operating loss at MoL of $1m.

The $1.2 million loss after tax for the 2013 financial year included the following significant items:

- Corporate and administration costs $1.2m
- Depreciation $0.54m
- R&D refund $0.39m

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

The Research and Development ('R&D') tax refund of $0.39m related to the 2012 tax year.

Net operating cash outflows for the year of $0.3m reflect corporate/administrative costs net of the R&D refund noted above, and the R&D refund for 2011 ($0.64m) which was received in 2012-13. During the 2013 financial year, the Group raised a total of $0.6 million through the issue of convertible notes.

Cash invested in exploration activities was $1.4m. Exploration primarily consisted of RC drilling on the Yorke Peninsula ($0.5m) and drilling at Burra North ($0.6m); these projects are discussed in more detail below.

At 30 June 2013, the Group had cash holdings of $1.1m, net working capital of $0.9m, and no borrowings. The Group has sufficient cash holdings to meet its near-term exploration activities and administrative costs, however further funds will need to be raised in 2013-14 to maintain the planned level of commitments, as is the norm with mineral exploration companies similar to Phoenix Copper.

EXPLORATION

Burra

During the first half of the year, exploration activity was focused on Phoenix Copper's Burra North project, and in particular the Eagle Prospect. A further eight holes were drilled in a second phase program at Eagle (August-November 2012), following on from the nine hole program conducted earlier in 2012. The best result from the second phase was returned from hole PCD0045, which intercepted 13 metres at 1.22% copper, including 6 metres at 1.61%.

Also during the first half of the year, the Company engaged an independent geophysical consultant to re-process the historical Induced Polarisation ('IP') data covering a large portion of the Burra exploration licence. The resultant models have identified a number of further targets that warrant drilling.

It is evident from the drilling to date and the reprocessed IP data 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 is currently finalising land access arrangements in preparation for further drilling at Burra. Six drill targets have been identified, all having the potential for copper sulphide mineralisation similar to that observed at Eagle. DMITRE approvals have been granted to drill test all targets, and the Company expects to have all access approvals in place prior to the end of 2013.

Yorke Peninsula

During the second half of the financial year, a 100 hole, 3,074 metre air core/reverse circulation drill program was conducted over four priority targets on the Yorke Peninsula. The program followed up on the maiden diamond drill program, and VTEM and ground gravity geophysical surveys done in 2012. The four areas tested (Cross, Balgowan, SGVT1 and SGVT9) were all characterised by coincident geophysical anomalies consistent with the signature of iron oxide-copper-gold ('IOCG') mineralisation. Depth of cover above the prospective basement host rock ranged from 10m to 30m allowing a significant number of holes to be drilled over a large area.

Anomalous copper was observed in all areas tested with the best results coming from the Cross Prospect. Here drilling defined elevated copper at the basement interface coincident with gravity and magnetic anomalies and may indicate primary mineralisation at depth.

The Balgowan prospect was drilled to delineate the lateral extend of the IOCG mineralisation intercepted in historic diamond drill holes from 1955. Drilling intercepted anomalous geochemistry in prospective rocks, including massively altered magnetite, with best results in hole PYAC0039 - 86.0m grading 16.8% iron, from 14.0m to the end of the hole.

Overall, the results from this shallow drilling program were encouraging. Prospective geology and geochemistry within a significant alteration system has been identified together with a new area that has the potential for mineralisation at depth.

Further drilling is warranted at both Cross and Balgowan. In addition, a large number of untested VTEM and ground gravity drill targets on the Yorke Peninsula remain, pending funding.

During the year, the Company completed the acquisition of the Coonarie tenement on the Yorke Peninsula, bringing the Group's total land holding there to 1413km^2.

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. Selected gold targets in the area were drilled by the Company in 2009. A detailed review of all previous work on the Black Hill Prospect was undertaken during the year to gain a clear understanding of the structural and lithological controls of the gold mineralisation. In addition, detailed mapping in conjunction with ground magnetic surveys and data reviews was undertaken in June 2013.

Drill testing of priority gold targets at the Black Hill prospect was carried out in August 2013 (14 holes, 1012 metres). The program was designed to identify further high grade gold mineralisation, as well as understand the structural and lithological controls on the mineralisation, and determine the strike extent of mineralisation under cover to the north and south. Assay results are pending.

New exploration licences

The Company secured two exploration licences in the Leigh Creek area, to the south and south-east of its current mining leases: EL5264 Nantawarrinna (granted 7 June 2013) and EL5300 Mount Elkington (granted 9 July 2013).

The Group now has 20 exploration licences and three mining leases, all in South Australia, covering an area of 5,546km^2.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In December 2012, the Company appointed a new chairman, Graham Ascough, to replace outgoing Chairman Graham Spurling.

In May 2013, the Company raised $600,000 via the issue of convertible notes to two new shareholders. Under the terms of the notes, repayment will be made by way of the issue of 20 ordinary shares in the Company per note (equivalent to a $0.05 issue price), at the option of either the Company or the Subscribers. Any unconverted notes automatically convert to shares at the 20:1 rate noted above on the maturity date in May 2016.

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In September 2013, the Group raised $0.35 million via the placement of shares to sophisticated investors. Funds will be used primarily for working capital purposes.

There has not been any matter or circumstance otherwise 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 2013-14, the Group plans to conduct drilling of Induced Polarisation anomalies identified at its Burra project. Subject to available funding, the Group may also conduct further drilling on the Yorke Peninsula and at the Mongolata goldfields. The Group also hopes to conclude a sale of its MoL assets.

Management and the Board will continue to seek value-accretive projects for the Group via corporate or asset transactions.

ENVIRONMENT REGULATION AND PERFORMANCE

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

OPTIONS, PERFORMANCE SHARES, AND PERFORMANCE RIGHTS

During or since the end of the financial year:

- 15,264,449 unlisted Options were issued in July 2012 with an exercise price of 15 cents – all of which expired unexercised on 30 June 2013;
- 500,000 Shares were issued on 31 July 2012 on the vesting of 500,000 Performance Rights, and at that time a further 500,000 Performance Rights lapsed;
- 250,000 Performance Rights were issued in December 2012 to incoming Chairman Graham Ascough. These rights expired on 30 June 2013 as the performance conditions were not met; and
- In September 2013, 1,500,000 Performance Rights were issued to Chief Executive Officer James Fox, with performance conditions as set out in the Remuneration Report.

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

- 23,000 exercisable at $0.081 and expiring on 10 June 2014;
- 62,000 exercisable at $0.068 and expiring on 21 June 2014; and
- 1,250,000 exercisable at $0.27 and expiring on 29 July 2015.

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

There are 1,500,000 Performance Rights and no Performance Shares on issue as of the date of this report.

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

Ten Board meetings were held during the financial year. Graham Spurling attended four meetings, being eligible for four, prior to his resignation, Graham Ascough attended five meetings, being eligible for five, subsequent to his appointment, David Hillier attended nine meetings, and Paul Dowd and Peter Watson attended all ten meetings.

Three Audit Committee meetings were held during the financial year. Graham Spurling attended the first and Graham Ascough attended the latter two. David Hillier and Peter Watson attended all three meetings, as did Paul Dowd by invitation.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 31.

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 $6,510.

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

Remuneration Report

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

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

DIRECTORS AND KEY MANAGEMENT PERSONNEL DETAILS

The following persons acted as Directors of the Company and Group for the whole of and since the end of the financial year, except as noted:

- Graham Ascough (Non-executive Chairman – appointed 7 December 2012)
- Graham Spurling (Non-executive Chairman – resigned 21 November 2012)
- Paul Dowd (Non-executive Director)
- Peter Watson (Non-executive Director)
- David Hillier (Non-executive Director)

The Company Secretary is Tim Moran.

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

- James Fox (Chief Executive Officer)
- Tim Moran (Chief Financial Officer & Company Secretary)
- Nicole Galloway Warland (Geology Manager – appointed 28 January 2013)
- Mark Manly Chief Geologist – resigned 25 January 2013)

RELATIONSHIP BETWEEN REMUNERATION POLICY AND GROUP PERFORMANCE

The table above sets out summary information on the Group's earnings and movements in shareholder wealth for the five years to 30 June 2013.

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Revenue	-	$855,681	$2,100,766	-	-
Net loss before tax	$1,597,471	$4,755,247	$7,080,221	$576,256	$578,272
Net loss after tax	$1,206,986	$4,111,617	$6,944,215	$583,795	$785,701
Share price at start of the financial year	$0.09	$0.10	$0.16	$0.07	$0.12
Share price at end of the financial year	$0.04	$0.09	$0.10	$0.16	$0.07
Basic earnings/ (loss) per share	($0.007)	($0.030)	($0.0814)	($0.0105)	($0.0143)
Diluted earnings/ (loss) per share	($0.007)	($0.030)	($0.0814)	($0.0105)	($0.0143)

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

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

REMUNERATION PHILOSOPHY

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

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

The Group does not currently have a policy on trading in derivatives that limit exposure to losses resulting from share price decreases applicable to Directors and employees who receive part of their remuneration in securities of the Company.

REMUNERATION POLICY

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

The remuneration of non-executive Directors and senior management is not dependent on the satisfaction of performance conditions, 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 for non-executive Directors.

As noted in the remuneration table on page 29, during the year non-executive directors elected to forego all or part of their fees for the final quarter of the year to assist the Company to minimise administrative costs.

Performance Rights

In conjunction with his appointment in December 2012, Graham Ascough received 250,000 Performance Rights. The performance conditions attached to the rights required the raising of $2.5 million in capital by 30 June 2013. As this was not achieved, the rights expired at that time.

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

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

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

   i) the 2011/2012 profit being determined, and 2011/12 profit exceeding $4.5 million with an expectation by the Board that a profit of that amount would be sustainable for the following two years; and

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

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

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

Performance Shares

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

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

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

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

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

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

As the conversion events noted above had not occurred by 27 October 2012 (the date six months after the date on which Paul Dowd ceased his employment with Phoenix Copper), the 1,500,000 Performance shares in total converted into one share. Mr Dowd waived his entitlement to the single ordinary share at that time.

Summary details of remuneration for non-executive Directors are given in the table on pages 29 and 30. 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

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

Mr Fox holds 340,000 Shares in the Company. Mr Fox also holds 1,500,000 Performance Rights, which were issued subsequent to year end (September 2013). The performance conditions and weighting of each condition attached to Mr Fox's Performance Rights are summarised as follows, and relate to the 2014 financial year:

- 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 (group to be agreed) (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%).

The achievement of each of the performance conditions is subject to Board approval. The Board also has discretion to amend the weightings assigned to each condition by up to 50%; however, the total number of Performance Rights is fixed at 1,500,000.

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

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

COMPANY SECRETARY/ CHIEF FINANCIAL OFFICER REMUNERATION

Tim Moran was appointed Chief Financial Officer and Company Secretary in January 2012. During the 2013 financial year Mr Moran was paid $193,243 (inclusive of mandated superannuation contributions). 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.

GEOLOGY MANAGER REMUNERATION

Nicole Galloway Warland was appointed Geology Manager of the Company on 28 January 2013. Previously Ms Galloway Warland was a senior geologist with the Company. From the time of her appointment as Geology Manager to the end of the financial year, Ms Galloway Warland was paid $88,752 (inclusive of mandated superannuation contributions). Ms Galloway Warland is entitled to 20 days annual leave and 10 days sick leave each year.

CHIEF GEOLOGIST REMUNERATION

Mark Manly was Chief Geologist of the Company from 10 March 2008 to his resignation on 25 January 2013. During the financial year, Mr Manly was paid $135,364 (inclusive of mandated superannuation contributions). In accordance with their terms, all of Mark Manley's options outlined below expired unexercised 30 days after his resignation:

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

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 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 James Fox's Performance Rights issued subsequent to year end, all other securities issued are not subject to performance conditions. 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.

Directors', Company Secretary and key management personnel remuneration (all amounts are paid or payable) for the year ended 30 June 2012:

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

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

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

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

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

Signed on 23 September 2013 in accordance with a resolution of the Board made pursuant to section 298(2) of the Corporations Act 2001.

Graham Ascough
Chairman

Competent Person's Statement

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Ms Nicole Galloway Warland (BSc (Hons)), a Competent Person who is a Member of the Australian Institute of Geoscientists and a full-time employee of Phoenix Copper Limited. Ms Galloway Warland has sufficient experience relevant to the style of mineralisation and the type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ms Galloway Warland consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Auditors Independence Declaration

Phoenix Copper Limited (ASX: PNX) Annual Report for the year ended 30 June 2013

Deloitte.

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

23 September 2013

Dear Board Members

Re: 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 2013, 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
Deloitte Touche Tohmatsu

Corporate Governance Statement

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

FUNCTIONS OF THE BOARD

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

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

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

The most important responsibilities of the Board include:

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

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

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

Appointment/Removal/ Retirement

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

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

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

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

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

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

Diversity

The Board recognises the benefits of diversity in terms of both the composition of the Board and senior executives of the Company. However, the Board does not have specific objectives in relation to the gender,

age, cultural background or ethnicity of its Board or senior executives. Board members and senior executives are appointed or employed based on their skills and experience and candidates are not discriminated against based on age, gender or background.

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

COMMUNICATION

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

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

PERFORMANCE EVALUATION & REMUNERATION

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

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

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

The performance of Phoenix Copper's Chief Financial Officer/Company Secretary and Geology Manager is monitored by the Chief Executive Officer. A formal evaluation of the Geology Manager has not yet occurred given she has been in the role only eight months. The Chief Financial Officer/Company Secretary works on a contract basis.

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

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

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

AUDIT COMMITTEE

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

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

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

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

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

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

Risk Management

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

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

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

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

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

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

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

DEPARTURES FROM THE PRINCIPLES AND RECOMMENDATIONS

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2013

	Note	Year Ended 30/06/13 $	Year Ended 30/06/12 $
Revenue	4(a)	-	855,681
Other income	4(b)	145,482	72,213
Employee benefits		(612,252)	(1,191,571)
Mining and production		-	(977,143)
Professional fees		(74,744)	(364,400)
Directors' fees		(174,406)	(137,022)
Occupancy	4(d)	(65,335)	(59,530)
Insurance		(35,881)	(98,880)
Share registry and regulatory		(53,629)	(56,254)
Communication		(14,788)	(16,225)
Audit fees		(55,925)	(79,930)
Equity based remuneration		(8,595)	(61,311)
Other expenses		(99,806)	(72,686)
Depreciation and amortisation	4(c)	(544,304)	(922,342)
Impairment	4(e)	-	(1,496,458)
Exploration and evaluation write down		-	(149,389)
Interest charges	17	(3,288)	-
Loss before income tax		(1,597,471)	(4,755,247)
Income tax benefit	5	390,485	643,630
Loss for the year		(1,206,986)	(4,111,617)
Other comprehensive income		-	-
Total comprehensive loss for the year, attributable to equity holders of the parent		(1,206,986)	(4,111,617)
Loss Per Share			
Basic (cents per share)	27	(0.7)	(3.0)
Diluted (cents per share)	27	(0.7)	(3.0)

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 2013

	Note	30/06/13 $	30/06/12 $
CURRENT ASSETS			
Cash and cash equivalents	6	1,055,101	1,819,859
Trade and other receivables	7	18,477	855,864
Prepayments/deposits	8	38,931	40,931
Inventory	9	7,410	7,410
TOTAL CURRENT ASSETS		1,119,919	2,724,064
NON-CURRENT ASSETS			
Environmental deposit	10	150,000	150,000
Exploration and evaluation expenditure	11	8,533,941	7,163,587
Plant and equipment	12	98,009	685,813
Mineral rights	13	631,996	631,996
TOTAL NON-CURRENT ASSETS		9,413,946	8,631,396
TOTAL ASSETS		10,533,865	11,355,460
CURRENT LIABILITIES			
Trade and other payables	14	141,648	368,447
Provisions	15	75,697	115,659
TOTAL CURRENT LIABILITIES		217,345	484,106
NON-CURRENT LIABILITIES			
Provisions	15	576,323	592,834
TOTAL NON-CURRENT LIABILITIES		576,323	592,834
TOTAL LIABILITIES		793,668	1,076,940
NET ASSETS		9,740,197	10,278,520
EQUITY			
Issued capital	16	22,296,472	21,982,917
Other equity	17	600,000	-
Reserves	18	277,111	1,099,538
Accumulated losses	19	(13,433,386)	(12,803,935)
TOTAL EQUITY		9,740,197	10,278,520

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 2013

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

* *Refer Note 18*

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 2013

	Inflows/(Outflows)	
	Year Ended 30/06/13 $	Year Ended 30/06/12 $
Cash flows relating to operating activities		
Receipts from customers	-	1,097,378
Receipt of research and development tax refund	1,034,115	163,895
Payments to suppliers and employees	(1,325,185)	(3,848,608)
Net operating cash flows	(291,070)	(2,587,335)
Cash flows relating to investing activities		
Interest received	58,119	67,551
Receipt of government funding for exploration activities	65,000	57,500
Payments for exploration activities	(1,392,850)	(2,081,178)
Payments for plant and equipment	(6,624)	(14,866)
Proceeds from sale of plant and equipment	107,153	-
Net investing cash flows	(1,169,202)	(1,970,993)
Cash flows relating to financing activities		
Proceeds from borrowings	-	250,000
Proceeds from share issues	113,795	5,371,509
Proceeds from issue of convertibles notes	600,000	-
Payments for capital raising costs	(18,281)	(333,205)
Net financing cash flows	695,514	5,288,304
Net increase/(decrease) in cash	(764,758)	729,976
Cash at beginning of financial year	1,819,859	1,089,883
Cash at end of financial year	1,055,101	1,819,859
Loss for the year	(1,206,986)	(4,111,617)
Interest income	(54,677)	(72,213)
Equity-based remuneration	8,595	61,311
Depreciation and amortisation	544,304	922,342
Other income from asset disposals	(61,029)	-
Exploration and evaluation write down	-	149,389
Impairment charges	-	1,496,458
(Increase)/decrease in operating receivables	655,150	56,989
(Increase)/decrease in other current assets	-	(31,425)
(Increase)/decrease in inventory	-	380,894
Increase/(decrease) in operating payables	(119,954)	(1,466,513)
Increase/(decrease) in employee provisions	(56,473)	27,050
Net operating cash flows	(291,070)	(2,587,335)

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

1. General information and basis of preparation

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

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

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

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

The financial statements were authorised for issue by the Directors on 23rd September 2013.

2. New and revised Accounting Standards

None of the standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any amounts recognised in the current or prior period and are not likely to affect future periods.

A number of Australian Accounting Standards and Interpretations are on issue but are not effective for the 30 June 2013 financial year, as follows:

» AASB 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and financial liabilities and for de-recognition.

» AASB 10 *Consolidated Financial Statements* replaces the parts of AASB 127 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. Under AASB 10, there is only one basis for consolidation, control. In addition, AASB 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

» AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures*. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportionate accounting.

» AASB 12 *Disclosure of Interests in Other Entities* is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards.

» AASB 13 *Fair Value Measurement* establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of AASB 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other Australian Accounting Standards require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in AASB 13 are more extensive than those required in the current standards.

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

These standards are effective for annual periods beginning on or after 1 July 2013, except AASB 2013-3 which is effective 1 July 2015 as noted above. The application of these standards 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(u).

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

a) Going concern basis

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

For the year ended 30 June 2013, the Group and Company made a loss of $1,206,986 (2012: loss of $4,111,617) and recorded a net cash outflow from operating and investing activities of $1,460,272 (2012: net cash outflow of $4,558,328). At 30 June 2013, the Group had cash of $1,055,101 (2012: $1,819,859), net current assets of $902,574 (2012: net current assets of $2,239,958) and net assets of $9,740,197 (2012: $10,278,520).

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

a) The Group plans to raise sufficient capital in the first half of the 2013-14 financial year to allow planned exploration and administrative activities to continue over at least the next 12 months. Historically, the Group has demonstrated the ability to raise capital when needed, albeit uncertainty currently exists in capital markets;

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

c) If required, the Group can further reduce costs in order to meet its minimum legal and contractual obligations. However, in this scenario the Group would be unable to conduct its core business of mineral exploration at normal levels.

The Directors believe that the combined impact of the actions in (a) to (c) 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 initiatives referred to in (a) to (c) above fail, significant uncertainty would arise as to whether the Group and Company could continue as a going concern and therefore, whether they would be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

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 a going concern.

b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when a company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, payables to the vendors, and any equity instruments issued by the Group in exchange for control of the acquired entity. Acquisition-related costs are recognised in profit or loss as incurred.

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

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

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

d) Revenue

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

Sale of goods

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

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

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest

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

e) Government grants

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

f) Cash and cash equivalents

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

g) Financial assets

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

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

Effective interest method

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

Impairment of financial assets

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

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

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

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

h) Inventory

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

i) Exploration and evaluation expenditure and mineral rights

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

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditure is expected to be recouped through successful development of the mineral exploration project, or alternatively, by its sale;

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

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

Exploration and evaluation assets and mineral rights are assessed for impairment when facts and circumstances (as defined in AASB 6 Exploration for and Evaluation of Mineral Resources) suggest that the asset's carrying amount may exceed its recoverable amount. The recoverable amount of exploration and evaluation assets and mineral rights (or the cash-generating unit to which they have been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

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

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

j) Plant and equipment

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

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

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

- Plant and equipment – 3-5 years

k) Impairment of assets (other than exploration and evaluation assets and mineral rights)

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

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

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

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

l) Trade and other payables

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

m) Debt and equity instruments

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

n) Employee benefits

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

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

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

o) Site restoration and rehabilitation provision

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

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

p) Share-based payments

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

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

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

q) Leases

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

r) Income tax

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

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period(s) when the assets or liabilities giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of the related assets and liabilities.

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

Current and deferred tax recognition

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

Tax consolidation

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

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

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

s) Goods and service tax

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

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

ii) for receivables and payables which are recognised inclusive of GST.

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

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

t) Earnings Per Share

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

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

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

u) Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Impairment

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

An impairment loss of $1,496,458 was recognised during the prior financial year. Details of the prior year impairment loss calculation are provided in Note 12.

Restoration and rehabilitation provision

The site restoration and rehabilitation provision require estimates of future cash flows to meet the costs of rehabilitation activities and the application of a discount rate in order to determine the present value of those cash flows. Refer to Note 15 for further detail on the basis for the restoration and rehabilitation provision.

Equity-based payments

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

4 Loss from operations

	Year ended 30/06/13 $	Year ended 30/06/12 $
a) Revenue from continuing operations consisted of the following items		
Copper cement sales	-	855,681
b) Other income		
Interest on bank deposits	54,677	72,213
Asset sales	61,029	-
Other	29,776	-
	145,482	72,213
c) Depreciation and amortisation		
Depreciation of plant and equipment	544,304	911,785
Amortisation of mineral rights	-	10,557
	544,304	922,342
d) Occupancy		
Operating lease rental expenses	65,335	59,530
e) Impairment		
Plant and equipment	-	841,197
Mineral rights	-	614,161
Inventory – copper in circuit	-	41,100
	-	1,496,458

5 Income tax

	Year Ended 30/06/13 $	Year Ended 30/06/12 $
a) Income tax recognised in profit or loss		
Current tax expense/(benefit)	-	-
Deferred tax benefit	(390,485)	(643,630)
Total tax expense/(benefit)	(390,485)	(643,630)
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 before tax	1,597,471	4,755,247
Income tax benefit calculated at 30%	(479,241)	(1,426,574)
Equity-based remuneration	2,579	18,393
Current year tax losses and movements in temporary differences not recognised	476,662	1,408,181
Current year recognition of prior year research and development tax concession	(390,485)	(643,630)
Tax expense (benefit)	(390,485)	(643,630)

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:

	30/06/13 $	30/06/12 $
Trade and other receivables	(2,224)	(4,674)
Exploration and evaluation expenditure	(2,079,447)	(1,689,341)
Plant and equipment	358,383	411,328
Mineral Rights	61,839	341,548
Trade and other payables	9,987	16,500
Employee benefits	27,531	44,473
Restoration and rehabilitation provision	168,075	168,075
Share issue costs	71,642	94,627
Net deferred tax liabilities	(1,384,214)	(617,464)
Tax losses recognised	1,384,214	617,464
Net deferred tax assets / (liabilities)	-	-

c) Unrecognised tax losses

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

	30/06/13 $	30/06/12 $
Tax Losses – operating, at 30% potential benefit	4,708,503	4,600,631
Tax Losses – capital, at 30% potential benefit	115,307	115,307

Of the total operating tax losses in the Group at 30 June 2013 of approximately $20.3 million, $15.7 million are unrecognised as shown above (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 Cash and cash equivalents

	30/06/13 $	30/06/12 $
Cash at bank	555,101	1,519,494
Term deposits	500,000	300,365
	1,055,101	1,819,859

7 Trade and other receivables

	30/06/13 $	30/06/12 $
Interest	1,985	5,427
Goods & Services Tax	1,092	28,012
State government exploration funding	-	65,000
Exercise of options	-	113,795
Research and development tax concession	-	643,630
Other	15,400	-
	18,477	855,864

8 Other current assets

	30/06/13 $	30/06/12 $
Prepayments	6,171	8,171
Deposit – office bond	32,760	32,760
	38,931	40,931

The office bond is invested in a 365 day term deposit maturing February 2014 and earning 4.2% interest.

9 Inventory

	30/06/13 $	30/06/12 $
Raw materials	7,410	7,410
Work in progress	-	-
Finished goods	-	-
	7,410	7,410

10 Other non-current assets

	30/06/13 $	30/06/12 $
Environmental deposit	150,000	150,000

The environmental deposit is held by the South Australian government as a condition of the mining leases held by the Group. The deposit will be returned to the Group upon satisfactory rehabilitation of its mining leases (refer Note 15). Interest on the deposit does not accrue to the Group.

11 Exploration and evaluation expenditure

	30/06/13 $	30/06/12 $
Costs brought forward	7,163,587	5,354,298
Expenditure incurred during the year	1,370,354	2,081,178
Expenditure recovered via State government funding	-	(122,500)
Expenditure written off	-	(149,389)
	8,533,941	7,163,587

The majority of expenditure during the year related to exploration activity at the Group's Burra ($0.6 million) and Yorke Peninsula ($0.5 million) tenements. Expenditure incurred during the year includes shares issued for $70,000 in relation to a tenement acquisition – refer to Note 16(b).

12 Plant and equipment

	Cost $
Balance at 30 June 2011	4,360,487
Additions	14,866
Balance at 30 June 2012	4,375,353
Additions	6,624
Disposals	(184,234)
Balance at 30 June 2013	4,197,743
Accumulated Depreciation	
Balance at 30 June 2011	1,936,557
Depreciation Expense	911,785
Impairment	841,197
Balance at 30 June 2012	3,689,539
Depreciation Expense	544,304
Disposals	(134,109)
Balance at 30 June 2013	4,099,734
Net book value	
Balance at 30 June 2012	685,813
Balance at 30 June 2013	98,009

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

Impairment – Prior Year

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

» Mining operations

» Exploration

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

12 Plant and equipment

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

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

Impairment

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

- Mining operations
- Exploration

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

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

13 Mineral rights

	30/06/13 $	30/06/12 $
Mineral Rights	1,807,068	1,807,068
Accumulated amortisation	(36,578)	(36,578)
Accumulated Impairment	(1,138,494)	(1,138,494)
	631,996	631,996

Mineral rights are amortised as the resource is mined. No mining or production took place in the current financial year. As discussed in Note 12, during the prior year an impairment charge of $614,161 was recorded.

14 Current liabilities – trade and other payables

	30/06/13 $	30/06/12 $
Trade payables	53,168	245,534
Accrued expenses	63,304	79,399
Other payables	25,176	43,514
	141,648	368,447

Average credit period on trade payables is 30 days.

15 Provisions

	30/06/13 $	30/06/12 $
Current		
Employee benefits	75,697	115,659
Non-current		
Employee benefits	16,073	32,584
Site restoration and rehabilitation	560,250	560,250
	576,323	592,834

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

16 Issued capital

	30/06/13 $	30/06/12 $
179,707,749 fully paid ordinary shares (2012: 177,442,543)	22,296,472	21,856,732
Nil Performance shares (2012: 1,500,000)	-	126,185
	22,296,472	21,982,917

Movement in ordinary shares for the year:

Ref		No.	30/06/13 $	No.	30/06/12 $
	Balance at beginning of year	177,442,543	21,856,732	93,116,512	16,101,708
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 6.5 cent pursuant to Rights Issue	-	-	60,905,523	3,958,859
c	Less: amount allocated to 50,754,602 options granted as part of Rights Issue	-	-	-	(2,045,709)
e	Shares issued at 8.9 cents on note conversion	-	-	8,392,693	750,000
d	Shares issued in return for services	-	-	528,572	37,652
c	Shares issued on exercise of 10 cent options	-	-	14,499,243	1,449,924
c	Less: amount allocated to 15,264,449 secondary options	-	-	-	(209,717)
c	Shares allotted July 2012 on exercise of 10 cent options	765,206	-	-	76,521
c	Transfer from reserve on expiry of options	-	209,717	-	2,070,699
	Share issue costs	-	(9,932)	-	(333,205)
	Balance at end of year	179,707,749	22,296,472	177,442,543	21,856,732

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

a) As discussed in Note 20, 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 (refer to Note 11).

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

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

Of the 50,754,602 options, 15,264,449 were exercised by 30 June 2012 with the remainder expiring unexercised. The exercise resulted in the issue of 15,264,449 shares (14,499,243 issued prior to 30 June 2012, and the remaining 765,206 allotted in July 2012) and an equivalent number of secondary options with an exercise price of 15 cents and an expiry date of 30 June 2013. Each of the 15,264,449 secondary options expired unexercised on 30 June 2013.

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

The value of the secondary options, as determined under the Black-Scholes pricing model, was $209,717, which was initially allocated to reserves in equity, and subsequently reclassified to share capital upon the expiry of the secondary options.

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

e) 8,392,693 shares were issued to Talis SA, on conversion of notes held. The conversion price was determined based on the Company's volume weighted average share price over the 30 days preceding conversion.

17 Other equity

	30/06/13 $	30/06/12 $
Convertible notes – equity settled	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 22nd 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 otherwise as noted above), the notes have been accounted for as a separate component of shareholders' equity.

Interest of $3,288 accrued on the notes from the issue date to 30 June 2013.

18 Reserves

	30/06/13 $	30/06/12 $
Equity-settled benefits reserve	277,111	1,099,538

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

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

The decrease in the reserve for the year relates to

» vesting of performance rights, with a corresponding increase to share capital ($169,955)

» expiry of 15,264,449 secondary options (refer to Note 16c) issued under a capital raising, with a corresponding increase to share capital for the fair value of the options at grant date ($209,717)

» expiry of options issued to directors and employees, with a corresponding increase to accumulated losses ($451,350)

These decreases were partly offset by equity-based remuneration expense for the year in relation to performance rights of $8,595.

19 Accumulated losses

	30/06/13 $	30/06/12 $
Accumulated losses	13,433,386	12,803,935
Balance at beginning of year	12,803,935	8,832,065
Loss for the year	1,206,986	4,111,617
Transfer from equity settled benefits reserve regarding options that lapsed unexercised	(451,350)	(139,747)
Transfer from Performance Shares on lapsing of shares	(126,185)	-
Balance at end of year	13,433,386	12,803,935

20 Share options and performance rights

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

Performance Rights Plan

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

250,000 performance rights were issued to Graham Ascough in December 2012 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. No other performance rights were issued during the year; however 1,500,000 performance rights were issued subsequent to year end to CEO James Fox, with performance conditions relevant to the 2014 financial 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.

The net amount recorded as share-based payment expense during the financial year, in relation to Mr Dowd's performance rights prior to vesting, was $8,595 (2012: $61,311).

In the prior year, 100,000 performance rights vested and 100,000 shares were issued (refer Note 16d).

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 (2012: none). 1.5 million options expired during the year (2012: none) following the resignation of an employee.

Other Options

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

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

Employee Share Option Plan	**30/06/13**		**30/06/12**	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	1,585,000	0.164	1,585,000	0.164
Granted	-	-	-	-
Exercised	-	-	-	-
Lapsed	(1,500,000)	(0.17)	-	-
Balance at end of the year	85,000	0.07	1,585,000	0.164

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of 355 days (2012: 542 days).

Directors and Others	**30/06/13**		**30/06/12**	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the year	10,601,102	0.27	14,224,665	0.29
Secondary options granted on exercise of original options	15,264,449	0.15	-	-
Granted as part of Rights Issue	-	-	50,754,602	0.10
Exercised - Rights Issue options	-	-	(15,264,449)	(0.10)
Lapsed – Rights Issue options	-		(35,490,153)	(0.10)
Lapsed – secondary options	(15,264,449)	(0.15)	-	-
Lapsed – Director options	(1,500,000)	(0.245)	-	-
Lapsed – other options	(7,851,102)	(0.27)	(3,623,563)	(0.33)
Balance at end of the year	1,250,000	0.27	10,601,102	0.27

As disclosed in Note 16(c), 15,264,449 secondary options with an exercise price of 15 cents were granted in July 2012, however all expired unexercised on 30 June 2013. The fair value at grant date of these options was determined utilising the Black-Scholes option pricing model to be $209,717 (refer table below for key assumptions).

The share options outstanding at the end of the financial year had a remaining contractual life of 394 days (2012: 280 days weighted average).

Prior year

As disclosed in Note 16(c), in November 2011 50,754,602 ten cent options with an expiry date of 30 June 2012 were issued as part of a Rights Issue. Of these, 15,264,449 were exercised and the remaining 35,490,153 lapsed unexercised. The fair value at grant date of the 50,754,602 ten cent options was determined utilising the Black-Scholes option pricing model to be $2,045,709 (refer table below for key assumptions). The fair value was accounted for initially as an increase to the equity-settled benefits reserve, but was reclassified to share capital at 30 June 2012 upon exercise/expiry of all options.

Inputs into the option pricing models used to calculate the fair value of options granted during the current and previous financial years are as follows:

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

*Options issued in July 2012; however the grant date for valuation and accounting purposes was 30 June 2012

The following options were in existence at 30 June 2013:

Options – Series	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date	Vesting Date
Employee Share Option Plan						
11 June 2009	23,000	11/06/2009	10/06/2014	$0.081	$0.0600	11/06/2009
22 June 2009	62,000	22/06/2009	21/06/2014	$0.068	$0.0800	22/06/2009
Total ESOP	85,000					
Other Options						
LCCM Vendors	1,250,000	30/07/2010	29/07/2015	$0.27	$0.1673	30/07/2010
Total Options	1,335,000					

21 Key management personnel disclosure

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

- Graham Ascough (Chairman – appointed 7 December 2012)
- Graham Spurling (Chairman – resigned 21 November 2012)
- 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 – appointed 28 January 2013)
- Mark Manly (Chief Geologist – resigned 25 January 2013)

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

	Year Ended 30/06/13 $	Year Ended 30/06/12 $
Short-term employee benefits	807,304	966,262
Post employment benefits	59,384	70,885
Share-based payments	8,595	12,753
	875,283	1,049,900

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

Equity holdings of key management personnel

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

2013	Balance 01/07/12	Net Changes	Balance 30/06/13
Directors			
Graham Ascough	-	-	-
Paul Dowd	1,730,000	500,000	2,230,000
Peter Watson	7,998,000	-	7,998,000
David Hillier	340,000	-	340,000
Other Key Management Personnel			
James Fox	340,000	-	340,000
Tim Moran	-	-	-
Nicole Galloway Warland	-	-	-

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

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

2013	Balance 01/07/12	Granted	Lapsed	Balance 30/06/13	Vested and exercisable
Directors					
Graham Ascough	-	-	-	-	-
Paul Dowd	500,000	-	(500,000)	-	-
Peter Watson	500,000	-	(500,000)	-	-
David Hillier	-	-	-	-	-
Other Key Management Personnel					
James Fox	-	-	-	-	-
Tim Moran	-	-	-	-	-
Mark Manly	1,500,000	-	(1,500,000)	-	-
Nicole Galloway Warland	-	-	-	-	-

Mark Manly's options expired 30 days after his resignation in January 2013.

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

iii) Performance shares issued by Phoenix Copper Limited:

2013	Balance 01/07/12	Granted	Lapsed	Balance 30/06/13
Directors				
Paul Dowd	1,500,000	-	(1,500,000)	-

Performance conditions attached to the performance shares were not met, and therefore in accordance with their terms, all shares converted into a single ordinary share in October 2012. Mr Dowd waived his entitlement to the single share.

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

iv) Performance rights issued by Phoenix Copper Limited:

2013	Balance 01/07/12	Granted	Vested	Lapsed	Balance 30/06/13
Directors					
Paul Dowd	1,000,000	-	(500,000)	(500,000)	-
2012	Balance 01/07/11	Granted	Vested	Lapsed	Balance 30/06/12
Paul Dowd	1,000,000	-	-	-	1,000,000

Subsequent to year end, 1,500,000 performance rights were issued to CEO James Fox, with performance conditions relevant to the 2014 financial year.

22 Remuneration of auditor

	30/06/13 $	30/06/12 $
Paid or payable for the following services:		
Audit or Review of the financial report	55,925	63,305
Accounting assistance	-	23,625
Tax return preparation and advice	6,510	15,564
	62,435	102,494

The auditor of Phoenix Copper Limited is Deloitte Touche Tohmatsu.

23 Related party disclosures

a) Subsidiaries

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

b) Transactions within wholly owned group

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

c) Other related party transactions

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

- A relative of a Director (Peter Watson) is the Office Manager. The amount paid as salary inclusive of superannuation to that person was $81,839 (2012: $75,330)
- 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 $16,095 (2012: $99,304).

24 Commitments for expenditure and contingent liabilities

a) Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements in order to retain the tenement lease.

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

Total expenditure commitments at 30 June 2013 in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/13 $	30/06/12 $
Minimum exploration expenditure on tenements	1,900,000	1,420,000

The Group's office lease in Rose Park, South Australia, with annual lease payments exclusive of GST of $52,458, expires August 2014.

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 4226) 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;
- 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; and

c) Joint Venture with Australian Field Services Pty Limited

The Eastern portion of EL 3164 (now EL 4233, acquired by the Company from Marathon Resources Limited (Marathon) on 25 January 2008) is subject to a contractual joint venture with Australian Field Services Pty Ltd (AFS). The joint venture is constituted by a letter agreement dated 8 October 2007 between Marathon and AFS and a Deed of Assignment, Assumption and Variation dated 9 November 2007 between the Company, Marathon and AFS.

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

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

d) Royalty Agreements

The Company has granted the following royalties:

- to Mr Matthew Reilly - 6% of the aggregate net revenue in respect of all metals derived from EL 3161 (now EL 4226).
- 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 807, 4970, and 4886 respectively).
- to Marathon Resources Limited - 2.5% net smelter return on all metals derived from the Western Portion of EL 3164 (now EL4233).
- 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 in respect of copper produced from operations at ML 5467, ML 5498, and ML 5741.

e) Native Title

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

25 Financial instruments & financial risk management

Categories of financial instruments

	30/06/13 $	30/06/12 $
Financial assets		
Cash and cash equivalents	1,055,101	1,819,859
Deposits (current and non-current)	182,760	182,760
Trade and other receivables	18,477	855,864
Financial liabilities		
Trade and other payables	141,648	368,447

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

Market risk

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

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

If interest rates had been 50 basis points higher or lower during the financial year and all other variables were held constant, the Group's net loss would increase/decrease by approximately $7,000 and $7,000 respectively (2012: increase/decrease by approximately $7,000 and $7,000 respectively).

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

Credit risk

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

The Group 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 2013. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Liquidity risk

Ultimate responsibility for managing liquidity risk rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and continuously monitoring forecast and actual cash flows.

Liquidity and interest risk tables

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

	Weighted average effective interest rate	Less than one month	1-3 months	3-12 months	1-5 years
	%	$			
2013					
Non-interest bearing	-	78,345	60,015	3,288	-
Fixed Interest bearing	-	-	-	-	-
2012					
Non-interest bearing	-	289,048	79,399	-	-
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 has been equity based.

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

26 Segment information

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

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

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

» Exploration in Australia

» Mining and production of copper in Australia

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

	Revenue Year ended		Segment loss Year ended	
	30/06/13 $	30/06/12 $	30/06/13 $	30/06/12 $
Exploration	-	-	-	(149,389)
Mining*	-	855,681	(773,267)	(3,001,013)
Unallocated	-	-	(824,204)	(1,604,845)
Loss before tax			(1,597,471)	(4,755,247)
Income tax benefit			390,485	643,630
Consolidated segment revenue and loss for the year	-	855,681	(1,206,986)	(4,111,617)

**segment loss includes depreciation and amortisation of $476,438 (2012: $757,811) and impairment $nil (2012: $1,496,458)*

The revenue reported above for 2012 represents revenue generated from external customers. There were no intersegment sales.

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:

	30/06/13 $	30/06/12 $
Assets		
Exploration	8,533,941	7,228,587
Mining	789,406	1,286,273
Unallocated assets	1,210,518	2,840,600
Total assets	10,533,865	11,355,460
Liabilities		
Exploration	7,826	72,231
Mining	584,648	584,648
Unallocated liabilities	201,194	420,061
Total liabilities	793,668	1,076,940

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

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

27 Earnings per share

	Year Ended 30/06/13 Cents per share	Year Ended 30/06/12 Cents per share
Basic loss per share	(0.7)	(3.0)
Diluted loss per share	(0.7)	(3.0)

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	(1,206,986)	(4,111,617)
Weighted average number of ordinary shares	179,241,102	138,695,757

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

28 Controlled entities

Name of Entity		Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %
Parent Entity				
Phoenix Copper Limited	(i)	Australia		
Subsidiaries				
Wellington Exploration Pty Ltd	(ii)	Australia	100%	100%
Leigh Creek Copper Mine Pty Ltd	(ii)	Australia	100%	100%

i) Head entity in tax consolidated group

ii) Members of tax consolidated group

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

29 Parent entity disclosures

	30/06/13 $	30/06/12 $
Financial Position		
Assets		
Current assets	1,119,919	2,724,068
Non-current assets	8,829,298	7,931,085
Total assets	9,949,217	10,655,153
Liabilities		
Current liabilities	192,947	344,049
Non-current liabilities	16,073	32,584
Total liabilities	209,020	376,633
Net Assets	9,740,197	10,278,520
Equity		
Issued capital	22,296,472	21,982,917
Other equity	600,000	-
Equity-settled benefits reserve	277,111	1,099,538
Accumulated losses	(13,433,386)	(12,803,935)
Total equity	9,740,197	10,278,520

	Year Ended 30/06/13 $	Year Ended 30/06/12 $
Financial Performance		
Loss for the year	(1,206,986)	(4,111,617)
Other comprehensive income/loss	-	-
Total comprehensive loss	(1,206,986)	(4,111,617)

Commitment for expenditure and contingent liabilities of the parent entity

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

30 Subsequent events

In September 2013, the Group raised $0.35 million via the placement of shares to sophisticated investors. Funds will be used primarily for working capital purposes.

There are no matters or circumstances otherwise that have arisen since 30 June 2013 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 2013 and of its performance for the financial year ended on that date;

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

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

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

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

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

Graham Ascough
CHAIRMAN

23rd September 2013

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

We have audited the accompanying financial report of Phoenix Copper Limited, which comprises the statement of financial position as at 30 June 2013, 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 35 to 62.

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.

Independent Audit Report to the Members

of Phoenix Copper Limited

Phoenix Copper Limited (ASX: PNX) Annual Report for the year ended 30 June 2013

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 2013 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 26 to 30 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 3 in the annual financial statements which indicates that for the year ended 30 June 2013 the Group incurred a net loss of $1,206,986 and used net cash in operating and investing activities of $1,460,272 and had net current assets of $902,574 as at 30 June 2013. 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 Group to continue as going concerns and therefore, the Company and the Group 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, 23 September 2013

Additional Shareholder Information

Shares

The total number of shares issued as at 15 October 2013 was 187,485,527 held by 539 registered shareholders.

None of these shares are subject to escrow.

157 shareholders hold less than a marketable parcel, based on the market price of a share as at 15 October 2013.

Each share carries one vote.

Performance Rights

As at 15 October 2013, the Company had on issue 1,500,000 Performance Rights, held by one holder, the Company's Chief Executive Officer. Each Performance Right entitles the holder to one share in the Company, if the performance conditions are met.

Quoted Options

The Company does not have any quoted options on issue.

Unquoted Options

As at 15 October 2013 the Company has on issue:

- 23,000 exercisable at $0.081 and expiring on 10 June 2014, held by one holder;
- 62,000 exercisable at $0.068 and expiring on 21 June 2014, held by one holder; and
- 1,250,000 exercisable at $0.27 and expiring on 29 July 2015, held by nine holders (McMahon Services Australia Pty Limited holds 345,684 of these Options and Texdos Pty Limited in its capacity as trustee of the Bill Buttrose Family Trust holds 292,920 of these Options).

No voting rights are attached to any Options.

Twenty Largest Shareholders

As at 15 October 2013, the twenty largest Shareholders were as shown in the following table and held 76% of the Shares.

RANK	NAME	SHARES	% OF SHARES
1.	LONG FORTUNE LIMITED	27,075,000	14.44
2.	ASIA IMAGE LIMITED	24,571,434	13.11
3.	TALIS SA	21,160,262	11.29
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,856,890	9.52
5.	MR PETER JAMES WATSON + MS JUDITH WATSON <SUPER FUND A/C>	7,000,000	3.73
6.	MR WILLIAM DOUGLAS GOODFELLOW	6,834,247	3.65
7.	FORTY TRADERS LIMITED	5,517,242	2.94
8.	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	4,674,621	2.49
9.	MARILEI INTERNATION LIMITED	3,888,889	2.07
10.	SOCHRASTEM SA	3,888,889	2.07
11.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,073,488	1.64
12.	ROBERT LEON C/O TONY STRASSER	2,665,000	1.42
13.	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,265,000	1.21
14.	I E PROPERTIES PTY LTD	2,150,000	1.15
15.	RETZOS INVESTMENTS PTY LTD <RETZOS ALTONA PROPERTY A/C>	1,750,000	0.93
16.	AVALON FAMILY TRUSTEE (WD TRUST) LIMITED	1,740,000	0.93
17.	PJ & BA DOWD INVESTMENTS PTY LTD <THE DOWD SUPER FUND A/C>	1,730,000	0.92
18.	MR MATHEW REILLY	1,525,000	0.81
19.	WELDBANK PTY LTD	1,501,914	0.80
20.	BT PORTFOLIO SERVICES LIMITED <FAIRFIELD SUPER FUND A/C>	1,463,656	0.78
	Total	142,331,532	75.92

Substantial Shareholders

As at 15 October 2013, the substantial Shareholders as disclosed in substantial holding notices given to the Company are:

	Holding	%
Long Fortune Limited	27,075,000	15.19
Asia Image Limited	32,671,434	18.18
Talis SA	21,160,262	12.58

Distribution Schedules

A distribution schedule of the number of Shareholders, by size of holding, as at 30 September 2013 is set out below:

Size of holdings	Number of Shareholders
1 – 1000	28
1,001 – 10,000	126
10,001 – 100,000	266
100,001 and over	119
Total	539

A distribution schedule of the number of holders of unquoted Options exercisable at $0.27 and expiring on 29 July 2015, by size of holding, as at 15 October 2013 is set out below:

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

All other options groups are held by a single holder.

There is no current on-market buy-back.

Enquiries from Shareholders

Shareholders wishing to record a change of address or other holder details or with queries regarding their Shareholding should contact the Company's share registry, Computershare, as detailed in the Corporate Directory at the front of this Annual Report. Shareholders with any other query are invited to contact the Company's registered office as detailed in the Corporate Directory at the front of this Annual Report.