PHOENIX COPPER LIMITED

ABN 67 127 446 271

FINANCIAL REPORT
For the Half-Year Ended
31 December 2012

Index

DIRECTORS' REPORT

The directors of Phoenix Copper Limited (Phoenix Copper) are pleased to present the financial report for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of Phoenix Copper currently in office are:

Graham Ascough (Chairman – appointed 7 December 2012)
Paul Dowd
Peter Watson
David Hillier

Graham Spurling resigned as director and Chairman on 21 November 2012. Aside from Graham Spurling and Graham Ascough, the above named directors held office for the whole of the half-year.

REVIEW OF OPERATIONS

The net result from operations for the half-year was a loss of $933,932 (2011: loss of $3,235,991). Exploration expenditure was $0.7m, of which $0.34 million was spent at Burra North. Net assets at 31 December 2012 were $9.4m, including $1.2m of cash and term deposits.

REVIEW OF EXPLORATION ACTIVITIES

During the half-year, exploration activity was focused on Phoenix Copper's Burra North project, and in particular at the Eagle Prospect. A further 8 holes were drilled in second phase drilling at Eagle, following on from the 9 hole program earlier in 2012. The best result from the second phase was hole PCD0045, intercepting 13 metres at 1.22% copper, including 6 metres at 1.61%.

During the half year, the Company engaged an independent consultant to re-process the historical Induced Polarisation data covering the area in and around the old Monster Mine. The resultant models support the drilling done to date, and have identified a number of further targets that warrant drilling.

Exploration activity on the Yorke Peninsula was minimal due to seasonal access limitations. A 4000 metre air core/reverse circulation drill program commenced in February 2013 over three priority targets.

During the half-year, the Company completed the acquisition of the Coonarie tenement on the Yorke Peninsula, bringing Phoenix Copper's total land holding there to over 1400km^2. The Company also applied for two exploration licences in the Leigh Creek area, to the south and south-east of its current mining leases.

REVIEW OF MINING AND PRODUCTION OPERATIONS

During the six months ended 31 December 2012, the Company's copper mining and processing operations at Leigh Creek remained on care and maintenance. Studies into alternative processing methods to heap leaching continued, with a particular focus on ion exchange technology. In conjunction with InnovEco Australia, mini-pilot plant test-work was completed which confirmed the high efficiency and low operating cost of the process. The Company is currently evaluating the economics of implementing the process at commercial production levels.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 4 of the half-year financial report.

Signed in accordance with a resolution of the directors made pursuant to Section 306 (3) of the Corporations Act 2001.

On behalf of the directors

Graham Ascough
Chairman

Adelaide, 7 March 2013

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.

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The Board of Directors
Phoenix Copper Limited
135 Fullarton Road
Rose Park SA 5067

7 March 2013

Dear Board Members

Phoenix Copper Limited

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

As lead audit partner for the review of the financial statements of Phoenix Copper Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants

PHOENIX COPPER LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		Consolidated	
	Note	Half-year ended 31 Dec 2012	Half-year ended 31 Dec 2011
Revenue		-	855,681
Interest income		39,824	26,403
Other income		22,466	-
Depreciation and amortisation		(396,214)	(463,261)
Employee benefits expense		(272,372)	(611,578)
Mining and exploration		(56,499)	(961,282)
Share registry and regulatory		(45,784)	(46,796)
Professional fees		(40,746)	(241,773)
Occupancy		(32,350)	(28,705)
Directors fees		(91,906)	(57,500)
Share-based remuneration		(8,595)	(116,413)
Audit fees		(19,808)	(54,311)
Impairment of assets	2	-	(1,455,358)
Other expenses		(31,948)	(81,098)
Loss before income tax expense		(933,932)	(3,235,991)
Income tax expense		-	-
Loss for the period		(933,932)	(3,235,991)
Other comprehensive income		-	-
Total comprehensive loss for the period		(933,932)	(3,235,991)
Total comprehensive loss attributable to:			
Owners of the parent		(933,932)	(3,235,991)
Earnings per share:		*Cents*	*Cents*
Basic earnings cents per share		(0.52)	(2.55)
Diluted earnings cents per share		(0.52)	(2.55)

Condensed notes to the consolidated financial statements are included on pages 9 to 12.

PHOENIX COPPER LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		Consolidated	
	Note	31 December 2012 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents		1,183,203	1,819,859
Trade and other receivables		84,315	855,864
Prepayments/deposits		46,536	40,931
Inventory		7,410	7,410
TOTAL CURRENT ASSETS		1,321,464	2,724,064
NON-CURRENT ASSETS			
Environmental Bond		150,000	150,000
Exploration and evaluation expenditure		7,935,135	7,163,587
Plant and equipment	**2**	269,060	685,813
Mineral rights	**2**	631,996	631,996
TOTAL NON-CURRENT ASSETS		8,986,191	8,631,396
TOTAL ASSETS		10,307,655	11,355,460
CURRENT LIABILITIES			
Trade and other payables		228,882	368,447
Provisions		79,057	115,659
TOTAL CURRENT LIABILITIES		307,939	484,106
NON-CURRENT LIABILITIES			
Provisions		584,505	592,834
TOTAL NON-CURRENT LIABILITIES		584,505	592,834
TOTAL LIABILITIES		892,444	1,076,940
NET ASSETS		9,415,211	10,278,520
EQUITY			
Issued capital	**4**	22,088,714	21,982,917
Reserves	**4**	938,179	1,099,538
Accumulated losses		(13,611,682)	(12,803,935)
TOTAL EQUITY		9,415,211	10,278,520

Condensed notes to the consolidated financial statements are included on pages 9 to 12.

PHOENIX COPPER LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		Consolidated				
	Note	Issued Capital Ordinary $	Performance Shares $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2011		16,101,808	126,185	993,247	(8,832,065)	8,389,175
Loss attributable to members of the parent entity		-	-	-	(3,235,991)	(3,235,991)
Total comprehensive loss for the period		-	-	-	(3,235,991)	(3,235,991)
Shares issued		4,421,705	-	-	-	4,421,705
Options issued under Rights Issue		(2,045,709)		2,045,709		-
Share based payments - employees		-	-	116,413	-	116,413
Transfer from equity settled employee benefit reserve		-	-	-	-	-
Balance at 31 December 2011		18,477,804	126,185	3,155,369	(12,068,056)	9,691,302
Balance at 1 July 2012		21,856,732	126,185	1,099,538	(12,803,935)	10,278,520
Loss attributable to members of the parent entity		-	-	-	(933,932)	(933,932)
Total comprehensive loss for the period		-	-	-	(933,932)	(933,932)
Shares issued		70,000	-	-	-	70,000
Share issue costs		(7,972)	-	-	-	(7,972)
Share based payments - employees		-	-	8,595	-	8,595
Transfer from performance shares		-	(126,185)	-	126,185	-
Transfer from equity settled employee benefit reserve		169,954	-	(169,954)	-	-
Balance at 31 December 2012		22,088,714	-	938,179	(13,611,682)	9,415,211

Condensed notes to the consolidated financial statements are included on pages 9 to 12.

PHOENIX COPPER LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	Half year ended 31 Dec 2012 $	**Half year ended 31 Dec 2011 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	967,193
Receipt of research and development tax refund	643,630	163,895
Payments to suppliers and employees	(713,322)	(2,748,604)
NET CASH USED IN OPERATING ACTIVITIES	(69,692)	(1,617,516)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration activities	(736,241)	(796,890)
Proceeds from sale (purchase) of plant and equipment	40,455	(9,190)
Interest received	30,668	13,278
NET CASH USED IN INVESTING ACTIVITIES	(665,118)	(792,802)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares, net of costs	98,154	3,884,205
NET CASH PROVIDED BY FINANCING ACTIVITIES	98,154	3,884,205
Net increase/(decrease) in cash and cash equivalents	(636,656)	1,473,887
Cash at the beginning of the reporting period	1,819,859	1,089,983
CASH AT THE END OF THE REPORTING PERIOD	1,183,203	2,563,870

Condensed notes to the consolidated financial statements are included on pages 9 to 12.

1 SUMMARY OF ACCOUNTING POLICIES

This half-year financial report of Phoenix Copper Limited ("Company") comprises the Company and its controlled entities ("Group") and is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The condensed 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 accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2012 annual financial report for the year ended 30 June 2012. There are no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) relevant to the Group's operations that are effective for the current reporting period.

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 half-year ended 31 December 2012, the Group made a loss of $933,932 and recorded a net cash outflow from operating and investing activities of $734,810. At 31 December 2012, the Group had cash of $1,183,203 (30 June 2012: $1,819,859), net current assets of $1,013,525 (30 June 2012: $2,239,958) and net assets of $9,415,211 (30 June 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 has commenced a program to raise sufficient capital in the first half of 2013 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; and

(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.

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

In the event that the capital raising program referred to in (a) above fails, the Group would be forced to further reduce costs in order to meet its minimum legal and contractual obligations. In this scenario the Group would have difficulty conducting its core business of mineral exploration at current levels, and significant uncertainty would arise as to whether the Group could continue as a going concern and therefore, whether it would be able to realise its assets and extinguish its 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 not continue as a going concern.

2 IMPAIRMENT OF ASSETS – PRIOR YEAR

Following the results of the first phase of a pre-feasibility study into the copper mining and production operations at Mountain of Light conducted in early 2012, the Company reassessed the recoverable amount of those assets. As a result, an impairment charge of $1.45 million was recorded in the 31 December 2011 Statement of Comprehensive Income, allocated pro-rata (on the basis of written down values) between Plant & Equipment and Mineral Rights. The recoverable amount of the Mountain of Light mining assets was assessed on a fair value basis, and reflects the Company's estimate of net disposal proceeds from an arm's length transaction should the assets be held for sale.

3 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.

Consistent with prior periods, 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		Segment profit	
	Half-year ended		Half-year ended	
	31 Dec 2012 $	31 Dec 2011 $	31 Dec 2012 $	31 Dec 2011 $
Exploration	-	-	-	(93,632)
Mining	-	855,681	(543,045)	(2,224,545)
Unallocated	-	-	(390,887)	(917,814)
Loss before tax	-	-	(933,932)	(3,235,991)
Income tax expense	-	-	-	-
Consolidated segment revenue and loss for the period	**-**	**855,681**	**(933,932)**	**(3,235,991)**

The revenue reported above in 2011 represents revenue generated from external customers. There were no intersegment sales.

Segment loss represents the loss incurred by each segment without allocation of central administration costs and directors' fees, interest income and income tax. The loss for the mining segment in 2011 includes the $1.45 million asset impairment charge referred to in Note 2.

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

	31 Dec 2012 $	30 June 2012 $
Assets		
Exploration	8,000,135	7,228,587
Mining	915,928	1,286,273
Unallocated assets	1,391,592	2,840,600
Total assets	**10,307,655**	**11,355,460**
Liabilities		
Exploration	67,628	72,231
Mining	584,648	584,648
Unallocated liabilities	240,168	420,061
Total liabilities	**892,444**	**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, prepayments/deposits, and corporate office equipment.

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

4 ISSUE OF SECURITIES

During the half-year ended 31 December 2012:

- 765,206 shares were issued in early July, being the final allotment of shares from the exercise by 30 June 2012 of 15,264,449 ten cent options. The ten cent options were originally issued under a Rights Issue in November 2011. All funds from the exercise had been received or accounted for as receivable by 30 June 2012;

- 500,000 shares were issued in August on the vesting of an equivalent number of performance rights held by director and former Managing Director Paul Dowd;

- 1,000,000 shares were issued in November to vendors on completion of the acquisition of a mineral exploration tenement on the Yorke Peninsula;

- In July 2012, 15,264,449 options ('secondary options') were issued, each with an exercise price of 15 cents and expiry date of 30 June 2013. These options were issued following the exercise of an equivalent number of 30 June 2012 ten cent options, as noted above. The secondary options are not quoted on the ASX;

- In December 2012, 250,000 performance rights were issued to incoming director and new Company Chairman Graham Ascough. The performance rights expire 30 June 2013, and each vests for one fully paid ordinary share in the Company:

  - on satisfaction of a successful capital raising by the Company of at least $2.5 million in total, on terms approved by the Board, on or before 30 June 2013; or

  - at the discretion of the Board, if the performance rights have not vested 7 days before they are due to lapse and the Board makes a determination that vesting of the performance rights is justified, having regard to Graham Ascough's performance to date.

As at 31 December 2012, there were 179,707,749 ordinary shares issued and outstanding, 250,000 performance rights and 27,450,551 unlisted options with a weighted average exercise price of 0.20

and expiry dates out to July 2015. In January and February 2013, 8.5 million of the unlisted options expired unexercised.

During the half-year ended 31 December 2011:

- 8,392,653 shares were issued on conversion of a $750,000 convertible note held by Talis SA;

- 60,905,523 shares were issued under a Rights Issue at 6.5c, along with 50,754,602 options (30,452,761 to participants in the Rights Issue, and 20,301,841 to the sub-underwriters of the Rights Issue), generating gross proceeds of $3,958,859. Options were quoted on the ASX, had an exercise price of 10c and expiry date of 30 June 2012. Options exercised entitled the holder to one ordinary share in the Company, as well as one additional option with an exercise price of 15c expiring 30 June 2013.

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

- 100,000 shares were issued to the Company's General Manager after the completion of the six month vesting period of 100,000 performance rights; and

- 428,572 shares were issued to the Company's Chairman in lieu of directors' fees for the period 1 April 2011 to 30 September 2011, as approved by shareholders at the Company's AGM on 25 November 2011.

5 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no changes in contingent liabilities or contingent assets from those disclosed in the annual report for the year ended 30 June 2012.

6 INVESTMENTS IN SUBSIDIARIES

The Company owns 100% of the shares of the following entities

- Leigh Creek Copper Mine Pty Ltd (holds three mining leases)
- Wellington Exploration Pty Ltd (holds one exploration licence)

The remainder of the Company's exploration licences (total of sixteen, plus two licence applications) are held in the name of Phoenix Copper Limited and are all located in South Australia.

7 INCOME TAX

Consistent with prior periods, an income tax benefit on the loss for the half-year has not been recognised in the Statement of Comprehensive Income, as the likelihood of utilising the loss against future taxable income is not considered probable at this time.

The Phoenix Copper Limited tax consolidated group has carried forward losses of approximately $18.7m at 31 December 2012.

The Company will be filing a claim for a refund of research and development costs incurred in the 2012 financial year as part of filing its 2012 income tax return. Any refund will be recognised as a current income tax benefit once the claim is finalised and submitted, expected to be in March 2013.

8 SUBSEQUENT EVENTS

There were no events occurring subsequent to 31 December 2012 requiring adjustment to, or disclosure in, the 31 December 2012 half year financial statements.

DIRECTORS DECLARATION

The Directors declare that:

(a) in the directors opinion, 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

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to Section 303 (5) of the Corporations Act 2001.

On behalf of the Directors

Graham Ascough
Chairman

Adelaide, 7 March 2013

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Independent Auditor's Review Report to the Directors of Phoenix Copper Limited

We have reviewed the accompanying half-year financial report of Phoenix Copper Limited, which comprises the condensed statement of financial position as at 31 December 2012, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 13.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Phoenix Copper Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Phoenix Copper Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that for the half-year ended 31 December 2012 the Group incurred a net loss of $933,932 and used net cash in operating and investing activities of $734,810 and had net current assets of $1,013,525 as at 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern and therefore, the Group may be unable to realise it's assets and extinguish it's liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

P J Woods
Partner
Chartered Accountants
Adelaide, 7 March 2013