ANNUAL REPORT 30 June 2011

Phoenix Copper Limited

ABN 67 127 446 271

DIRECTORS' REPORT

The Directors of Phoenix Copper present their report for the financial year ended 30 June 2011 (the **Financial Year**).

Directors

The names and details of Phoenix Copper's Directors in office during and since the end of the Financial Year are as follows.

Graham G Spurling, Chairman

Appointed 27 September 2007

Graham Spurling has a Bachelor of Technology and Mechanical Engineering from the University of Adelaide and a Masters in Automotive Engineering from the Chrysler Institute in Detroit (USA). He received the Melbourne Business School Award in 1995 for International Business and received the Centenary of Federation Medal Award for Service to Industry. He is a decorated former Major in the Australian Army Reserve. Graham 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 2011 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, Managing Director and Chief Executive Officer

Appointed 27 September 2007

Paul Dowd has over 40 years experience in the mining industry, in Australia and many overseas countries. This 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 Board of the SA Mineral Resources & Heavy Engineering Skills Centre, Council Member of the PB Australia Pacific Advisory Board, non-executive director of Northgate Minerals Corporation, a TSX listed Company, and its two Australian (non-listed) subsidiaries and non-executive director of Oz Minerals Limited. Paul 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 2011 Paul Dowd held the following directorships of other listed companies for the following periods:

- Non-executive director, Buka Gold Limited from 1 June 2006 to 26 August 2009;
- Non-executive chairman, Adelaide Resources Ltd from 14 August 2006 to 30 June 2010;
- Non-executive director, Regis Resources Ltd from 31 July 2006 to 4 May 2009;
- Non-executive director, Northgate Minerals Corporation (TSX Listed) since 4 November 2008; and
- Non-executive director, Oz Minerals Limited since 23 July 2009.

Peter Watson, Non-executive Director

Appointed 7 September 2007

Peter Watson 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 Peter Watson was a partner in the national law firm now known as Norton Rose. During that time he established, and for 4 years managed, its Perth office. He also managed its Melbourne office for 2 years. In 1996 Peter 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 Peter Watson returned to private practice and founded the successful boutique law firm Watsons Lawyers. Peter Watson is a member of the board of trustees of the Bethlehem Griffiths Research Foundation (a medical research charitable foundation) and a non-executive director of Lawson Gold Limited (an ASX listed gold exploration Company) and Felton Grimwade and Bosisto's Pty Ltd (a manufacturer and supplier of eucalyptus products and over the counter therapeutic products). In the three years immediately prior to 30 June 2011 Peter Watson held the following directorships of other listed companies for the following periods:

- Non-executive director, Lawson Gold Limited since it listed on ASX on 5 August 2010.

David Hillier, Non-executive Director

Appointed 17 September 2010

Mr Hillier is a chartered accountant and has more than 30 years experience in commercial aspects of the resources industry. Until recently Mr Hillier was Chairman of Buka Gold Limited which successfully identified a number of gold anomalies in the Maryborough Basin in Queensland, an area not previously considered prospective for gold. In addition, throughout 2008 he worked as Chief Financial Officer and subsequently as an executive director of Buka Gold's major shareholder based in London. Between 1989 and 2002, Mr Hillier held a range of senior executive positions in the Normandy Mining Limited Group of companies and was Chief Financial Officer of Normandy for six of these years. He has served as Chairman and as a director of a number of public companies in the mining and exploration field. He is currently non-executive Chairman of Lawson Gold Limited. In the three years immediately prior to 30 June 2011 David Hillier held the following directorships of other listed companies for the following periods:

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

Company Secretary

Peta Marshman

Peta Marshman is a qualified lawyer and also has a Bachelor of Economics.

Interests in the Shares and Options of the Company

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

Graham Spurling, Chairman

Graham Spurling has a direct interest in 500,000 unlisted Options exercisable at $0.25 any time on or before 11 February 2013 and an indirect interest in 710,084 Shares.

Paul Dowd, Managing Director and Chief Executive Officer

Paul Dowd has a direct interest in 1 million Performance Rights under Phoenix Copper's Employee Performance Rights Plan. Subject to the satisfaction of certain vesting conditions these Performance Rights will result in the issue to Paul Dowd (or his nominee), for no consideration, of 1 million Shares. Paul Dowd also has an indirect interest in:

- 543,750 Shares;
- 500,000 unlisted Options exercisable at $0.25 any time on or before 11 February 2013; and
- 1,500,000 Performance Shares, the terms of which are set out in the Remuneration Report.

Peter Watson, Non-Executive Director

Peter Watson has a direct interest in:

- 623,750 Shares; and
- 500,000 unlisted Options exercisable at $0.25 any time on or before 11 February 2013

and an indirect interest in 4,000,000 Shares.

David Hillier, Non-executive Director

David Hillier has an indirect interest in 150,000 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 activities of the Group during the Financial Year comprised mineral exploration and copper cement production.

Review of Operations

The net result of operations for the group for the year was a loss after income tax of $6,944,215 (2010: $583,795).

The Company completed the acquisition of Leigh Creek Copper Mine Pty Ltd (LCCM) on 23 July 2010 with ownership and control of LCCM, along with the associated Mountain of Light copper heap leaching operations and 3 Mining Leases transferring to Phoenix Copper Limited (PNX). After purchase completion, the operation was released from care and maintenance with PNX undertaking refurbishment of the existing leach pads and plant. Mining operations were recommenced at the Rosmann East pit, with newly mined material being crushed and screened to present the resultant classified course ore for stacking onto leach pads and placement under irrigation for leaching of copper product. In addition to mining of the Rosmann East pit, additional ore was sourced from the Paltridge South pit which was developed and mined during the year. To support the recommenced operations, a new leach pad was constructed during the year.

All mining, crushing and stacking operations at Mountain of Light were completed prior to the end of the year with the leaching of stacked ore continuing through the first half of 2011/12.

Total sales of copper cement product for the year under an off-take agreement with Adchem (Australia) Pty Ltd was approximately 294t contained copper, generating revenues of $2.1M.

With the acquisition of LCCM, the Company now has exploration activities directed to six projects:

- the **Yorke Peninsula project**; where exploration for a significant primary copper or copper/gold resource similar to Moonta or Hillside is the main focus of activity,
- the **Burra, Spalding and Eudunda projects**; where work is concentrated on exploring for and proving up near surface copper carbonate and oxide resources to feed a potential second treatment facility at Burra,
- the **Mongolata project**; where work is concentrated on exploring for and proving up gold and uranium resources,
- the **Leigh Creek project**; where work is concentrated on two areas, exploring for and proving up near surface copper carbonate and oxide resources to feed the Mountain of Light treatment facility and exploring for deep large tonnage copper resources.

During the year a 3D unconstrained inversion model of the regional aeromagnetic data for the Yorke Peninsula project was completed with exploration targets subsequently defined. Deep seated anomalies that were seen to persist at depth are the highest priority targets. A planned "VTEM" (Versatile Time-Domain Electro-Magnetics) airborne electromagnetic survey using a helicopter platform to map possible mineralisation associated with inferred geological structures, which is the subject of a PACE funding application, is scheduled to occur during 2011/12.

At Burra, a program of Reverse Circulation (RC) drilling was undertaken at Princess Royal EL3459 to assist in producing a Resource Statement by infilling existing Rotary Air Blast (RAB) and diamond drilling near the surface. Forty four holes for 969m were completed with significant copper and gold mineralisation encountered including 6.8m @ 3.7% Cu from 0.84m, and 7.0m @ 2.5g/t Au from 4.0m.

Zones of high copper anomalism were found in Field Portable X-Ray Fluorescence Analysis (FPXRF) around the rim of a strong magnetic high in central EL3971 at the Mongolata project.

At the Spalding project a RAB drilling program around the old Wheal Sarah copper mine 10km north west of Spalding was undertaken with encouraging acid soluble results including 5m @ 0.61% Cu.

FPXRF analysis continued during the year at the Eudunda project with zones of most interest found in sampling performed at Tarnma in the south west of EL3972, in the north west of EL4626 and at Bagot Well in central EL4291.

At the Leigh Creek project, a program of close spaced FPXRF analysis was conducted with significant anomalism detected away from the current planned pits at Lorna Doone ML5498, and the confirmation of the presence of copper around the historic workings at Mount Coffin ML5741 which extended into areas along strike along with the identification of new areas of interest.

On 9 June 2011, PNX provided a market update to the Australian Securities Exchange in respect of issues encountered in ramping up production activities at the Mountain of Light operation. These included:

- at least three significant rain events causing major operating disruption,
- the mining contractors' basis of pricing proving to be uneconomic,
- a lack of reliable historical process data to assist with process diagnostics and improvements,
- a leach cycle of nearer to 120 days than the previously estimated 90 days,
- delays in the receipt of laboratory assays resulting in more recently stacked material generally proving to be low grade in comparison with the grade estimated from historical drill data and visual ore spotting,
- high acid conditioning of newly stacked material failing to produce sustained increases in the pregnant liquor grade as a result of the low copper grade stacked.

As a consequence, the Company has recorded a net operating loss from its Mountain of Light operations of $2.85M for the financial year, which when aggregated with normal corporate expenditures to support the business has resulted in an operating loss of $4.67M for the Group. Directors also took the decision to raise a charge for impairment against the Mountain of Light assets of $1.63M and to write-down the carrying value of exploration expenditure on a number of tenements by $0.65M, thereby resulting in an overall recorded loss for the financial year of $6.944M.

Significant Changes in the State Of Affairs

The significant changes in the state of affairs of the Group during the Financial Year were as follows:

- the raising of $704,000, and issue of 4,400,000 Shares, under a non-renounceable share purchase plan and additional share subscriptions from three investors;
- the acquisition of all of the shares in the capital of Leigh Creek Copper Mine Pty Ltd (LCCM), the holder of Mining Leases ML5467, ML5741 and ML5498;
- the placement of 11,875,000 Shares to Long Fortune Limited for $1,900,000 to fund recommencement of the mining and production operations at Leigh Creek;

- the issue of 6,250,002 Shares and 1,250,000 unlisted Options to creditors of LCCM to settle and discharge the debt owed by LCCM to those creditors (in connection with Phoenix Copper's acquisition of all of the issued shares in the capital of LCCM);
- the acquisition of EL3451, EL3971 and EL3972;
- the commencement of copper cement production on 31 August 2010;
- the appointment of Nick Harding as chief financial officer on 1 September 2010 and of David Hillier as non-executive Director on 17 September 2010;
- Paul Dowd's employment (as Managing Director and chief executive officer) becoming full time as from 1 September 2010;
- the adoption by the Board of an Employee Performance Rights Plan (in place of the Employee Share Option Plan) on 17 September 2010;
- the placement of a total of 8,620,690 Shares and 2,873,563 unlisted Options in two tranches (on 15 October 2010 and 1 December 2010 respectively) to strategic New Zealand investors to raise a total of $2,500,000 (before issue costs);
- the issue and allotment of 750,000 unlisted options exercisable at $0.28 and expiring on 31 October 2011 to a contractor of the Company as part consideration for their services
- the placement of 7,053,320 Shares and 2,351,102 unlisted Options on 11 March 2011, to raise up to $1,974,930 before expenses;
- the issue of 500,000 unsecured Convertible Notes to Talis SA, a Company registered with the Registry of Commerce and Companies of Paris under No. 404 387 748 on 23 June 2011, for $500,000 in subscription monies;
- the issue of 202,000 Shares on exercise of 202,000 employee Options; and
- the release from voluntary escrow of 500,000 Shares.

Other than the above, there was no significant change in the state of affairs of the consolidated entity during the financial year.

Significant Events Subsequent to Balance Date

The matters or circumstances that have arisen since 30 June 2011 which have significantly affected or may significantly affect:

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

are as follows:

- the cessation on 13 June 2011 of mining activities and on 24 June 2011 of crushing, screening and ore stacking activities at the Mountain of Light (MoL) project and the commencement of a financial and technical review in connection with the future mining of the Paltridge North orebody;
- the issue of a further 250,000 unsecured Convertible Notes to Talis SA on 7 September 2011, for $250,000 in subscription monies;
- the release from voluntary escrow of 15,000,001 Shares; and
- the conversion of 750,000 unsecured Convertible Notes by Talis SA resulting in the issue of 8,392,693 Shares on 23 September 2011.

Other than the above, there has not been any matter or circumstance that has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments

The Group expects to continue to produce copper cement from its Mountain of Light project and to deliver that project into its Supply Agreement with Adchem (Australia) Pty Ltd from the existing stockpiled ore in heap leach pads, although this source of copper will be exhausted some time toward the end of 2011.

Mining activities were suspended from 13 June 2011 and crushing, screening and stacking of ore onto heap leach pads was suspended 24 June 2011. Resumption of mining, crushing, screening and stacking of ores is dependent upon the satisfactory results of an internal financial and technical review of the Paltridge North orebody. Independent laboratories will also be utilised for some of the test work.

Two other mining leases are owned by LCCM and ML5498 is the subject of a previously advised Indicated Resource. A Mining and Rehabilitation Plan (**MARP**) is required before development work can commence at the Lorna Doone and Lynda deposits within ML5498. Work has commenced on the preparation of this draft MARP to allow development of these deposits, once the studies regarding Paltridge North at MoL are concluded and the results are proven to be satisfactory. All deposits within the Leigh Creek/Lyndhurst area are planned to be developed as satellite deposits and will be subject to beneficiation at the "pit rim" to produce a higher grade ore for campaigned trucking to the central "hub" of processing at MoL.

The Group also expects to continue a comprehensive and systematic exploration programme within its existing tenements. All the tenements are in South Australia and it is not contemplated at this time to consider opportunities elsewhere.

Environment Regulation and Performance

The Group continues to meet all environmental obligations across its tenements. Despite a number of significant rain events, no reportable incidents occurred during the Financial Year.

Options, Performance Shares, Performance Rights and Convertible Notes

During the Financial Year and to the date of this Directors' Report, the Company issued and allotted the following Options:

- 1,250,000 unlisted Options exercisable at $0.275 and expiring on 29 July 2015;
- 2,873,563 unlisted Options exercisable at $0.35 and expiring on 15 April 2012;
- 750,000 unlisted Options exercisable at $0.28 and expiring on 31 October 2011; and
- 2,351,102 unlisted Options exercisable at $0.35 and expiring on 11 March 2013.

As at the date of this Report, the Company has the following Options on issue:

- 1,500,000 unlisted Options exercisable at $0.25 and expiring on 11 February 2013;
- 5,500,000 unlisted Options exercisable at $0.25 and expiring on 25 January 2013;
- 250,000 unlisted Options exercisable at $0.25 and expiring on 18 June 2013;
- 500,000 unlisted Options exercisable at $0.25 and expiring on 11 September 2013;
- 750,000 unlisted Options exercisable at $0.10 and expiring on 15 March 2014;
- 23,000 unlisted Options exercisable at $0.086 and expiring on 10 June 2014;
- 62,000 unlisted Options exercisable at $0.073 and expiring on 21 June 2014;
- 1,250,000 unlisted Options exercisable at $0.275 and expiring on 29 July 2015;
- 2,873,563 unlisted Options exercisable at $0.35 and expiring on 15 April 2012;
- 750,000 unlisted Options exercisable at $0.28 and expiring on 31 October 2011; and
- 2,351,102 unlisted Options exercisable at $0.35 and expiring on 11 March 2013.

202,000 Shares were issued during the Financial Year as a result of the exercise of 202,000 Options.

As at the date of this Report, the Company also has on issue:

- 1,500,000 unlisted Performance Shares which automatically convert (in tranches of 500,000 shares each) to ordinary shares, when Shares trade for 5 consecutive ASX trading days at or above 40 cents, 60 cents and 80 cents respectively;
- 1,100,000 Performance Rights under Phoenix Copper's Employee Performance Rights Plan which, subject to the satisfaction of certain vesting conditions, will result in the issue for no consideration 1,100,000 Shares; and
- 500,000 unsecured Convertible Notes, each of which:
    - has a face value of $1.00;
    - accrues interest at a rate of 7% per annum (payable quarterly in arrears, by either cash or the number of Shares equal to the accrued but unpaid interest divided by 80% of the volume weighted average closing price on ASX over the preceding 30 trading days, at the option of the Company);
    - is not transferable;
    - is unsecured;
    - is not quoted on ASX or any other securities exchange;
    - does not confer any voting rights, or any entitlement to participate in the future issues of securities or the distribution of dividends by the Company to its Shareholders prior to conversion;
    - is redeemable on the maturity date of 23 June 2012 (unless redeemed or converted earlier in accordance with the terms of issue);
    - is convertible at any time by the holder for the number of Shares equal to the face value of the Convertible Note divided by 80% of the volume weighted average closing price on ASX over the 30 trading days immediately preceding (but not including) the conversion date; and
    - is redeemable at the election of the Company at the end of each calendar quarter at the face value of the Convertible Note, subject to the following interest premiums for early redemption:
        - if redeemed on 30 September 2011, additional interest calculated on the face value of the Convertible Note at 4.0% per annum, accrued daily from the issue date to the redemption date;
        - if redeemed on 31 December 2011, additional interest calculated on the face value of the Convertible Note at 3.0% per annum, accrued daily from the issue date to the redemption date; and
        - if redeemed on 31 March 2012, additional interest calculated on the face value of the Convertible Note at 2.0% per annum, accrued daily from the issue date to the redemption date.

Option holders, Performance Share holders, Performance Rights holders and convertible note holders do not have any right, by virtue of Options, Performance Shares, Performance Rights or Convertible Notes, to participate in new issues of Shares offered to Shareholders.

Indemnification and Insurance of Directors and Officers

Phoenix Copper entered into a Deed of Access, Insurance and Indemnity with each of the Directors on 12 November 2007 or, in the case of David Hillier, 22 September 2010. Under the terms of these Deeds, the Company has undertaken, subject to restrictions in the Corporations Act, 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 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

Thirteen Board meetings were held during the Financial Year. Graham Spurling and Peter Watson attended all of those meetings. David Hillier was appointed a Director on 17 September 2010 and attended all Board meetings held on and from that date. Paul Dowd attended twelve of the thirteen Board meetings.

Two Audit Committee meetings were held during the Financial Year. All of the Directors attended both of these meetings, Paul Dowd attending by invitation.

Auditors' Independence Declaration

The auditor's independence declaration is included on page 18.

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 of $14,576.

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.

REMUNERATION REPORT

This Report outlines the remuneration arrangements in place for the Directors, Company Secretary and senior management 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 (eg subscription or exercise price) were determined.

Director and senior management details

The following persons acted as Directors of the Company during or since the end of the Financial Year:

- Graham Spurling (Chairman)
- Paul Dowd (Managing Director and Chief Executive Officer)
- Peter Watson (Non-executive Director)
- David Hillier (Non-executive Director)

The person acting as Company Secretary is Peta Marshman.

The following persons acted as "senior management" of the Company during or since the end of the Financial Year:

- Mark Manly (Chief Geologist)
- Nick Harding (Chief Financial Officer)
- James Fox (General Manager – Mountain of Light Copper Mine)

Relationship between the remuneration policy and Company performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the four years to 30 June 2011.

	30 June 2011	30 June 2010	30 June 2009	30 June 2008
Revenue	$2,100,766	-	-	-
Net loss before tax	$6,916,327	$576,256	$578,272	$406,350
Net loss after tax	$6,944,215	$583,795	$785,701	$518,354
Share price on listing on ASX	-	-	-	$0.20
Share price at start of the Financial Year	$0.16	$0.07	$0.12	-
Share price at end of the Financial Year	$0.10	$0.16	$0.07	$0.12
Basic earnings per share	($0.0814)	($0.0105)	$(0.0143)	$(0.017)
Diluted earnings per share	($0.0814)	($0.0105)	$(0.0143)	$(0.017)

No dividends have been declared during the Financial Year and the Directors do not recommend the payment of a dividend in respect of the Financial Year.

There is no link between the Company's performance and the setting of remuneration except as discussed below in relation to the Managing Director's Performance Shares and Performance Rights and Options for Directors and certain employees.

Remuneration Philosophy

The performance of the Group depends on the quality of its Directors and employees 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 Shareholder value (by the granting of Performance Shares or Options);
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

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

The remuneration of the non-executive Directors and Company Secretary is not dependent on the satisfaction of a performance condition. The Managing Director has a direct or indirect interest in Performance Shares, Options and Performance Rights, the terms of which are set out below. The non-executive Directors and the Chief Geologist have interests in Options and Shares, the terms of which are set out below. The General Manager – Mountain of Light Copper Mine has a direct interest in Performance Rights.

Non-Executive Director Remuneration

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

As Chairman, Graham Spurling is entitled to receive $75,000 per annum inclusive of superannuation and Peter Watson and David Hillier are each entitled to receive $30,000 and $40,000 per annum respectively 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 superannuation for non-executive Directors.

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

Managing Director Remuneration

The Company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the Company to:

- align the interests of the Managing Director with those of Shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Paul Dowd joined Phoenix Copper in 2007 as its inaugural Managing Director. He was originally employed on a part-time basis. Until 1 June 2010 Paul Dowd was contracted to devote 2.5 days per week on average to his role as Managing Director of Phoenix Copper. This was increased to 3.5 days per week on average on 1 June 2010. With Phoenix Copper's transition to producer and explorer resulting from the acquisition of LCCM, Paul Dowd was engaged as Managing Director and Chief Executive Officer on a full time basis with effect from 1 September 2010. Paul Dowd is now employed on a part-time basis at 4 days per week from 1 July 2011.

Until 1 September 2010, Paul Dowd was entitled to be paid $2,000 per day worked (exclusive of GST but inclusive of superannuation), pro-rata for part days of less than 8 hours. He was also entitled to reimbursement of expenses and additional remuneration for extra services or special exertions, in accordance with the Company's Constitution. Paul Dowd was entitled to 20 days unpaid annual leave and 10 days unpaid sick leave per annum.

The term of Paul Dowd's employment as Managing Director and Chief Executive Officer is from 1 September 2010 until 30 June 2012 (**Initial Term**). During the Initial Term Paul Dowd must find, appoint and develop a person, satisfactory to the Board, as his replacement. This person must have commenced employment by 31 March 2012 to ensure an efficient handover. If Paul Dowd's replacement is not appointment before 30 June 2012 he and the Board will discuss alternative arrangements regarding shortening or extending the Initial Term (as appropriate in the circumstances).

Paul Dowd's employment with the Company may be terminated on 3 months written notice, or on summary notice if he:

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

From 1 September 2010 Paul Dowd was paid a monthly cash salary inclusive of Government mandated superannuation contributions of $550,000 per annum.

From 1 July 2011, Paul Dowd's salary has reduced to $275,000 per annum inclusive of Government mandated superannuation contributions with a reduction to 4 days per week as agreed with the Board. He continues to be entitled to reimbursement of expenses and additional remuneration for extra services or special exertions, in accordance with Phoenix Copper's Constitution.

The Board agreed, on 17 September 2010, to grant Paul Dowd 1 million Performance Rights. The issue of 1 million Shares, for no consideration, on the vesting of those Performance Rights was approved by shareholders at the 2010 annual general meeting. The Performance Rights will vest as follows:

a) 500,000 of the Performance Rights (**T1 Rights**) on 31 July 2012; and
b) the remaining 500,000 Performance Rights (**T2 Rights**) within 30 days the earlier of:
   i. the 2011/2012 Profit (as defined below) being determined; and
   ii. Phoenix Copper having made a discovery or discoveries of mineralisation internally estimated, to the satisfaction of the Board, to contain, or to contain in the aggregate, 125,000 tonnes of contained copper or equivalent in other metals determined in the usual way (in addition to the resources announced by Phoenix Copper prior to 1 September 2010).

The T1 Rights will lapse if Mr Dowd ceases to be the Managing Director of Phoenix Copper before 30 June 2012 (unless the Board agrees otherwise as a result of Mr Dowd's replacement being appointed before 31 March 2012).

The T2 Rights will lapse if the 2011/2012 profit is not more than $4.5 million or the Board (acting reasonably) believes that a profit of at least that amount is not sustainable for at least the following 2 years; unless in the meantime Phoenix Copper has made a discovery or discoveries of mineralisation internally estimated, to the satisfaction of the Board, to contain, or contain in the aggregate, 125,000 tonnes of contained copper or equivalent in other metals determined in the usual way (in addition to the resources announced by Phoenix Copper prior to 1 September 2010).

The 2011/2012 profit and profit for the following two years refer to:

a) the actual consolidated net profit before interest and tax of Phoenix Copper for the financial year commencing 1 July 2011 determined after adding back all exploration expenditure (other than in mine geology for grade control purposes) and 40% of all administration expenses taken into account in determining that consolidated net profit; and
b) the Board's reasonable estimate of that net profit for the two following financial years.

The Performance Rights issued to Paul Dowd have been issued under Phoenix Copper's Employee Performance Rights Plan adopted by the Board on 17 September 2010. Details of that Plan are set out in note 19 to the financial statements.

From 1 September 2010 Paul Dowd is entitled to 20 days paid annual leave and 10 days paid sick leave per annum. Only annual leave is cumulative.

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 5 consecutive ASX trading days at $0.40 or greater;
- Shares trading for 5 consecutive ASX trading days at $0.60 or greater;
- Shares trading for 5 consecutive ASX trading days at $0.80 or greater.

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

As at the date of this Report none of the Performance Shares have converted. Any Performance Shares which have not otherwise converted to Shares by 11 February 2013, or the date which is 6 months after the date on which Paul Dowd ceases to be employed by Phoenix Copper, shall automatically convert in total to one Share.

Company Secretary Remuneration

During the year Peta Marshman provided Company Secretary services to the Company and its subsidiaries as a contractor. The Company paid Peta Marshman $62,046 (2010: $40,975) (exclusive of GST) for her services during the Financial Year. The Company Secretary has a direct interest in 112,500 Shares.

Chief Financial Officer Remuneration

Nick Harding was appointed Chief Financial Officer on 1 September 2010 on a part time contractor (2 days per week) basis. The contract under which his services are provided includes a fee equivalent salary of $110,000.

Chief Geologist Remuneration

Mark Manly was appointed Chief Geologist of Phoenix Copper on 10 March 2008, on a full time basis. Mark Manly's current salary is $210,000 per annum inclusive of the government mandated superannuation contributions. He is entitled to 20 days paid annual leave and 10 days paid sick leave per annum.

As part of Mark Manly's employment package, he has been issued with the following Options:

- 250,000 Options issued on 19 June 2008, exercisable at $0.25 and expiring on 18 June 2013;
- 500,000 Options issued on 12 September 2008 exercisable at $0.25 and expiring on 11 September 2013; and
- 750,000 Options issued on 16 March 2009 exercisable at $0.10 and expiring on 15 March 2014.

Mark Manly's employment with the Company may be terminated upon 1 month's written notice or on summary notice if he:

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

General Manager – Mountain of Light Copper Mine Remuneration

James Fox was appointed General Manager of Phoenix Copper's Mountain of Light Copper Mine on 1 May 2011 on a salary of $235,440 per annum inclusive of government mandated superannuation contributions. He is entitled to 20 days paid annual leave and 10 days paid sick leave per annum.

As part of James Fox's employment package he has been issued 100,000 Performance Rights under the Company's Performance Rights Plan that vest after six months of continuous employment with the Company.

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

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

- materially contravenes any share dealing code relating to Shares; or
- is the subject of, or causes the Company to be the subject of, a material penalty or serious reprimand imposed by any regulatory authority.

Remuneration of Directors and Senior Management

Directors', Company Secretary and Senior Management remuneration (all amounts are paid or payable) at 30 June 2011

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

Directors', Company Secretary and Senior Management remuneration (all amounts are paid or payable) at 30 June 2010

	Short term employment benefits	Post Employment		Equity		
	Salary & Fees	Superannuation	Options	Performance Rights	Total	% total remuneration consisting of equity
Directors						
Graham Spurling	$68,807	$6,193	-	-	$75,000	-
Paul Dowd	$254,409	-	-	-	$254,409	-
Peter Watson	$40,000	-	-	-	$40,000	-

Company Secretary						
Peta Marshman	$40,975	-	-	-	$40,975	-
Senior Management						
Mark Manly	$192,661	$17,339	-	-	$210,000	-
TOTALS	**$596,852**	**$23,532**	**-**	**-**	**$620,384**	**-**

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

Other than the Performance Shares and Performance Rights, all other securities issued are not subject to performance conditions. The Directors have decided that the exclusion of performance conditions on Options issued to Directors and Mark Manly is appropriate after consideration of industry practice. In relation to the Performance Shares the performance condition attached were chosen at the time (February 2008) as the then key measure as the Directors then considered it to be the most reflective key performance for the Group.

In relation to the Performance Rights the Directors considered that with the acquisition of LCCM the interests of Phoenix Copper would best be served by retaining the services of Paul Dowd until the HUB and SPOKE business plan had been well established based on the MoL processing facilities, a suitable replacement Managing Director had been recruited, appointed and effectively installed and Phoenix Copper had achieved a level of profitability that would enable it to self fund exploration for several years. The vesting conditions for the Performance Rights granted to Paul Dowd were chosen to support those key objectives.

Share-based payments granted as compensation during the financial year ended 30 June 2011

Employee Share Option Plan and Performance Rights Plan

Phoenix Copper has operated an ownership-based scheme for employees. In accordance with the Employee Share Option Plan, the Directors could, at their discretion, grant Options to eligible participants. Each Option granted in accordance with the Company's Employee Share Option Plan converts into one ordinary share of Phoenix Copper on exercise. No amounts are paid or payable by the recipient on receipt of the Option. The Options carry neither rights to dividends nor voting rights. Options may be exercised at any time up to the date that is five years from and including the date they were or are issued.

On 17 September 2010 Phoenix Copper replaced the Employee Share Option Plan with a Performance Rights Plan. The Plan operates similarly to the Share Option Plan; the notable exceptions being that on vesting Performance Rights will convert to Shares without the employee having to pay an exercise price or any other consideration. In addition in relation to each grant of Performance Rights the Board may set vesting conditions, determined in the Board's discretion, which if not satisfied will result in the lapse of the Performance Rights granted to the particular employee. The Performance Rights Plan has been chosen as it offers employees the possibility of reward without monetary cost and is less dilutive than a 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.

Summary of Options, Performance Shares and Performance Rights at 30 June 2011

At 30 June 2011, the following Options were on issue to Directors, Company Secretary and senior management:

Options series Issued	Grant Date	Expiry date	Grant Date fair value	Vesting date
29 October 2007	4 October 2007	11 February 2013	$0.0648	11 February 2008
19 June 2008	10 March 2008	18 June 2013	$0.0336	18 June 2008
12 September 2008	10 March 2008	11 September 2013	$0.0411	12 September 2008
16 March 2009	10 March 2008	15 March 2014	$0.0436	16 March 2009

At 30 June 2011, the following Performance Shares were in existence:

	Grant Date	Expiry date	Grant Date fair value	Vesting date
Managing Director Performance Shares	4 October 2007	11 February 2013	$0.084	11 February 2008

At 30 June 2011, the following Performance Rights were in existence:

	Grant Date	Expiry date	Grant Date fair value	Vesting date
Managing Director Performance Rights – T1	26 November 2010	31 July 2012	$0.34	31 July 2012
Managing Director Performance Rights – T2	26 November 2010	31 August 2012	$0.34	31 August 2012
GM – Mountain of Light Performance Rights	1 May 2011	1 November 2011	$0.25	1 November 2011

No Options were issued as share-based payment compensation to Directors, Company Secretary and senior management during the Financial Year.

No Options have been exercised by Directors or senior management during the Financial Year.

No Options relating to Directors and senior management were granted, exercised or lapsed during the Financial Year.

No options were granted, exercised or lapsed during the year ended 30 June 2011 that relates to Directors, Company Secretary and senior management.

Value of options – basis of calculation

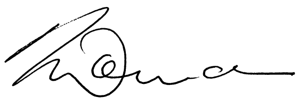
- Value of Options granted at Grant Date is calculated by multiplying the fair value of Options at Grant Date by the number of options granted during the Financial Year;

- Value of Options exercised at exercise date is calculated by multiplying the fair value of Options at the time they are exercised (calculated as the difference between exercise price and the Australian Stock Exchange last sale price on the day that the options were exercised) by the number of Options exercised during the Financial Year; and
- Value of Options lapsed at the lapsed date is calculated by multiplying the fair value of Options at the time they lapsed multiplied by the number of Options lapsed during the Financial Year.

Value of Performance Shares – basis of calculation

- Value of Performance Shares granted at Grant Date is calculated by multiplying the fair value of Performance Shares at Grant Date by the number of Performance Shares granted during the Financial Year;
- Value of Performance Shares converted is calculated by multiplying the fair value of Performance Shares at the time they are converted (calculated as the ASX last sale price on the day that the Performance Shares were converted) by the number of Performance Shares converted during the Financial Year; and
- Value of Performance Shares lapsed at the lapsed date is calculated at one Share at that date (calculated at the ASX last sale price on the lapse date).

Signed on 30 September 2011 in accordance with a resolution of the Board made pursuant to section 298(2) of the Corporations Act.



Paul J Dowd

Managing Director

Deloitte.

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

30 September 2011

Dear Board Members

Phoenix Copper Limited

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

As lead audit partner for the audit of the financial statements of Phoenix Copper Limited for the financial year ended 30 June 2011, 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

Julian Handel
J J Handel
Partner
Chartered Accountants

Consolidated Statement of Comprehensive Income for the Year ended 30 June 2011

	Note	Year Ended 30/06/11 $	Year Ended 30/06/10 $
Revenue	**4(a)**	2,100,766	-
Other income	**4(b)**	251,671	501,706
Employee benefits expense	**4(c)**	(2,981,838)	(302,486)
Other expenses		(941,438)	(53,424)
Mining		(1,571,782)	-
Secretarial, professional and consultancy		(487,369)	(426,435)
Occupancy costs		(56,864)	(55,428)
Insurance costs		(110,053)	(40,237)
Share register maintenance		(39,187)	(34,416)
Communication costs		(45,852)	(28,868)
Promotion and advertising		(14,067)	(12,008)
Audit fees		(64,404)	(30,198)
Impairment		(1,629,931)	-
Exploration and evaluation write down		(650,000)	-
Depreciation expense		(675,978)	(94,462)
Loss before income tax		**(6,916,326)**	**(576,256)**
Tax expense	**5**	(27,889)	(7,539)
Loss for the Financial Year		**(6,944,215)**	**(583,795)**
Other comprehensive income		-	-
Total comprehensive income for the Financial Year		**(6,944,215)**	**(583,795)**
Earnings Per Share			
Basic (cents per share) – (Loss)/profit	**26**	(8.14)	(1.05)
Diluted (cents per share) – (Loss)/profit	**26**	(8.14)	(1.05)

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

Consolidated Statement of Financial Position as at 30 June 2011

	Note	30/06/11 $	30/06/10 $
CURRENT ASSETS			
Cash and cash equivalents		1,089,883	1,871,127
Trade and other receivables	**6**	730,226	108,892
Other current assets	**7**	164,168	22,229
Inventory	**8**	429,404	-
TOTAL CURRENT ASSETS		**2,413,680**	**2,002,248**
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	**9**	5,354,298	4,861,838
Plant and equipment	**10**	2,423,930	292,968
Mineral rights	**11**	1,256,714	-
TOTAL NON-CURRENT ASSETS		**9,034,942**	**5,154,806**
TOTAL ASSETS		**11,448,622**	**7,157,054**
CURRENT LIABILITIES			
Trade and other payables	**12**	1,878,104	494,086
Provisions	**13**	663,081	58,487
Other financial liabilities	**14**	500,000	-
TOTAL CURRENT LIABILITIES		**3,041,186**	**552,573**
NON-CURRENT LIABILITIES			
Provisions	**15**	18,361	7,063
TOTAL NON-CURRENT LIABILITIES		**18,361**	**7,063**
TOTAL LIABILITIES		**3,059,547**	**559,636**
NET ASSETS		**8,389,075**	**6,597,418**
EQUITY			
Issued capital	**16**	16,227,893	7,941,788
Reserves	**17**	993,247	543,480
Accumulated losses	**18**	(8,832,065)	(1,887,850)
TOTAL EQUITY		**8,389,075**	**6,597,418**

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 2011

	Issued capital	Performance Shares	Equity-Settled Benefits	Accumulated losses	Total
	$	$	$	$	$
Balance at 1 July 2009	**7,731,555**	**126,185**	**519,350**	**(1,304,055)**	**7,073,035**
Loss attributable to the Financial Year	-	-	-	(583,795)	(583,795)
Total comprehensive income for the Financial Year	-	-	-	(583,795)	(583,795)
Shares issued pursuant to sale and purchase agreements in relation to tenements	95,000	-	-	-	95,000
Fair value of equity settled benefits	-	-	27,730	-	27,730
Conversion of employee options at 6.1 cents	2,440	-	-	-	2,440
Transfer to issued capital of equity settled benefits from reserve on conversion of employee share options	3,600	-	(3,600)	-	-
Costs associated with the issue of shares	(24,532)	-	-	-	(24,532)
Applicable income tax relating to share issue costs	7,540	-	-	-	7,540
Balance at 30 June 2010	**7,815,603**	**126,185**	**543,480**	**(1,887,850)**	**6,597,418**
Loss attributable to the Financial Year	-	-	-	(6,944,215)	(6,944,215)
Total comprehensive income for the Financial Year	-	-		(6,944,215)	(6,944,215)
Shares issued pursuant to sale and purchase agreements in relation to tenements	8,328,430	-	-	-	8,328,430
Fair value of equity settled benefits	-	-	472,616	-	472,616
Transfer to issued capital of employee options from share option reserve on conversion of employee share options	22,849	-	(22,849)	-	-
Costs associated with the issue of shares	(65,174)	-	-	-	(65,174)
Applicable income tax relating to share issue costs	-	-	-	-	-
Balance at 30 June 2011	**16,101,708**	**126,185**	**993,247**	**(8,832,065)**	**8,389,075**

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 2011

	Inflows/(Outflows)	
	Year Ended 30/06/11 $	**Year Ended 30/06/10 $**
Cash flows relating to operating activities		
Receipts from customers	1,664,475	40,834
Payments to suppliers and employees	(4,471,785)	(551,525)
Net operating cash flows (Note (a))	(2,807,310)	(510,691)
Cash flows relating to investing activities		
Interest received	76,005	135,208
Payment on acquisition of subsidiary (Note 28)	(1,762,086)	-
Payments for exploration and evaluation expenditure	(1,142,460)	(1,795,499)
Payments for plant and equipment	(3,931,498)	(64,358)
Net investing cash flows	(6,760,039)	(1,724,649)
Cash flows relating to financing activities		
Proceeds from borrowings	500,000	-
Proceeds from share issues	8,351,279	2,440
Payments for capital raising costs	(65,174)	(24,532)
Net financing cash flows	8,786,105	(22,092)
Net (decrease) / increase in cash	(781,244)	(2,257,432)
Cash at beginning of financial year	1,871,127	4,128,559
Cash at end of financial year	1,089,983	1,871,127
Note (a): Reconciliation of loss for the Financial Year to net cash flow from ordinary activities.		
Profit / (Loss) for the Financial Year	(6,944,215)	(583,795)
Interest revenue and receivable	(76,005)	(118,811)
Share options expensed	449,767	27,730
Depreciation	675,978	-
Inventory right off	650,000	-
Impairment	1,629,931	-
Profit on sale of plant and equipment	-	94,462
(Increase) decrease in prepayments	8,061	(2,702)
(Increase) decrease in interest receivable	4,776	(16,397)
(Increase) decrease in receivables	(626,110)	(45,563)
(Increase) decrease in other current assets	(150,000)	-
(Increase) decrease in inventory	(429,404)	-
(Increase) decrease in deferred tax	-	7,540
Increase/(decrease) in payables	1,384,019	95,792
Increase/(decrease) in employee provisions	615,892	31,053
Net operating cash flows	**(2,807,310)**	**(510,691)**

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

Notes to the Financial Statements for the Financial Year Ended 30 June 2011

1. General information

Phoenix Copper Limited (the Company) is a listed public Company, incorporated in Australia and operating in Australia.

Phoenix Copper's registered office and its principal place of business are as follows:

Registered office	Principal place of business
Level 1, 135 Fullarton Road	Level 1, 135 Fullarton Road
Rose Park	Rose Park
South Australia 5067	South Australia 5067

2. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Various other Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations does not affect the Group's present policies and operations. The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially effect the amounts recognised in the financial statements of the Company or the Group but may change the disclosure presently made in the financial statements of the Company and the Group.

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 30th September 2011.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

3. Significant accounting policies (continued)

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

a) Going Concern

The financial report has been prepared on a going concern basis which contemplates 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 2011 the Group made a loss of $6,944,215 (2010: $583,795) and recorded a net cash outflow from operating activities of $2,807,310 (2010: $510,691). The Group also has a net current liabilities of $627,506 as at 30 June 2011 (2010: Net current assets $1,449,675). Further for the year ended 30 June 2011, the parent entity made a loss of $7,005,386 (2010: $583,795) and had net current liabilities of $496,459 as at 30 June 2011 (2010: net current assets $1,454,106).

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

(a) The entity undertakes a rights issue during October 2011 with a view to raising approximately $3.6m of capital by 10 November 2011(after capital raising costs). The underwriting agreement in relation to the rights issue is expected to be executed on or about 4 October 2011;

(b) The directors have undertaken measures to reduce expenditure including the cessation of mining activities at the Leigh Creek Copper Mine ("LCCM") and the reduction in exploration expenditure at other sites except for the exploration earmarked to be undertaken through the rights issue;

(c) Combined with the expenditure measures in (b) above, the entity has drawn down the convertible note facility of $250,000 on 2 September 2011 to assist the company meeting its short term funding needs prior to the rights issue. On 23 September 2011 the Company issued ordinary shares to Talis SA upon the conversion of the convertible notes totalling $750,000 at that date; and

(d) In order for the company to recommence full operations at LCCM within the first half of calendar year 2012, the Company will need to obtain additional funding. As part of the rights issue to be undertaken as discussed in (a) above, "piggy back" options are attached to the rights issue which contemplates the raising of approximately $5m on or about the time of their expiry on 30 June 2012. The exercise of the piggy back options is at the discretion of the option holders and is subject to the Company's share price up to the expiry date on 30 June 2012.

The Directors believe that the combined impacts of the actions in (a), (b) and (d) above will enable the Company and the Consolidated Entity to generate sufficient cash flows to meet their debts as and when they fall due.

In the event that the actions in (a), (b) and (d) are not undertaken either by the time anticipated or in the quantum outlined and the Company and the Consolidated Entity are unable to obtain alternative financing or undertake equity raisings, then there is significant uncertainty as to whether the Company and the Consolidated Entity will be able to continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does 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 Company and the Consolidated Entity not continue as going concerns.

3. Significant accounting policies (continued)

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

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

c) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they 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 consolidated entity in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation plans are expensed when incurred.

d) Mineral rights and Exploration and Evaluation Expenditure

Mineral rights and Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

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

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

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, 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 or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Mineral rights and Exploration and evaluation assets are initially measured at cost and include acquisition 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 costs where they relate directly to operational activities in a particular area of interest.

Mineral rights and Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed their recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) 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 that would have been determined 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.

3. Significant accounting policies (continued)

e) 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.

f) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

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

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.

Income is recognised on an effective interest rate basis for debt instruments.

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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. 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 financial asset the estimated future cash flows of the investment 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 with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

3. Significant accounting policies (continued)

g) Goods and service tax

Revenues, expenses and assets 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, 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.

h) Impairment of assets (other than exploration and evaluation)

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 consolidated entity 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, the 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 for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 that would have been determined had no impairment loss been recognised for the asset (cash- generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Research and development

Research and development grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. Significant accounting policies (continued)

j) Income tax

Current tax

Current tax is calculated by references to the amount of income taxes 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 by 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 using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements 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 to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacting by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the Financial Year

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

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. 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 head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 5 to the financial statements.

3. Significant accounting policies (continued)

i) Income tax (continued)

Where the tax contribution amount recognised by each 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) equity participants.

k) Financial instruments issued by the Company

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. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

l) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and 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 net 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 – at cost 3-10 years

m) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the 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 during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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.

3. Significant accounting policies (continued)

n) Revenue

Revenue is measured at the fair value of the 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding 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 that asset's net carrying amount.

o) Share-based payments

Equity-settled share-based payments are measured at fair value at the grant date (where this report refers to the 'grant date' of Shares or Options, the date mentioned is the date on which those Shares or Options were agreed to be issued (whether conditionally or otherwise) or, if later, the date on which key terms of the Shares or Options (e.g. subscription or exercise price) were determined). Fair value is measured by use of the Black-Scholes model, Monte Carlo model or the use of another binomial model, depending on the type of Share or Option issued.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of Shares that will eventually vest.

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 they 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.

p) 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, liabilities incurred by the Group to the former owners of the acquire and the equity instruments issued by the Group in exchange for control of the acquiree. 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 at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accrodance with AASB 112 'Income taxes' and AASB 119 'Employee Benefits' respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group are entered into to replace

share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and

3.Significant accounting policies (continued)

o) Business combinations (continued)

- assets (or disposals groups) that are 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 measurement period, or 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.

q) Leasing

The Group as lessee

Operating lease payments 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) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

s) 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 carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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.

The 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 of the 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 cash-generating unit and a suitable discount rate in order to calculate present value.

An impairment loss of $1,629,931 (2010: Nil) was recognised during the current financial year. Details of the impairment loss calculation are provided in note 11.

t)

4.	LOSS FROM OPERATIONS		
		Year Ended 30/06/11 $	Year Ended 30/06/10 $
	a) Revenue from continuing operations consisted of the following items		
	Copper Cement Sales	2,100,766	-
		2,100,766	**-**
	b) Other income		
	Interest revenue on bank deposits	76,005	118,811
	Rental revenue	6,313	37,387
	Research and development refund receivable	163,895	342,142
	Other	5,458	3,366
		251,671	**501,706**
	c) Employee benefits expense		
	Wages, salaries, director's fees and other remuneration expenses	2,623,539	243,619
	Leave expense	55,644	31,052
	Share-based payments expense	302,655	27,815
		2,981,838	**302,486**
	Other expenses		
	Depreciation of plant and equipment	675,978	94,462
	Operating lease rental expenses	56,864	55,428
	Impairment expense	1,629,931	-
	Exploration and evaluation expenditure write down	650,000	-
	Amortisation of mineral rights	26,021	-

5.	INCOME TAX		
		Year Ended 30/06/11 $	**Year Ended 30/06/10 $**
	(a) Income tax recognised in profit or loss		
	Current tax expense	27,889	7,539
	Deferred tax expense/(income) relating to the origination and reversal of temporary differences and tax losses	-	-
	Total tax expense/(income)	**27,889**	**7,539**
	The prima facie income tax expense on the loss before income tax reconciles to the tax expense/(income) in the financial statements as follows:		
	Profit / (Loss) from continuing operations	(6,944,246)	(576,256)
	Income tax income calculated at 30%	(2,083,274)	(172,877)
	Share based payments	90,797	15,884
	Other permanent tax differences	102,933	(86,064)
	Temporary difference movement	52,155)	(15,149)
	Adjustment recognised in the current year in relation to the prior year	15,809	(11,252)
	Current year tax losses not recognised	1,849,469	276,997
	Tax expense (income)	**27,889**	**7,539**
	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:		
		30/06/11 $	**30/06/10 $**
	Trade and other receivables	(230)	(1,662)
	Exploration and evaluation expenditure	(1,145,354)	(998,816)
	Trade and other payables	87,577	31,232
	Employee benefits	204,433	19,665
	Share issue costs	83,921	127,773
		(769,653)	**(821,808)**
	Temporary difference not recognised	769,653	821,808

Net deferred tax assets / (liabilities)	-	-

Unrecognised deferred tax assets:

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

	30/06/11	30/06/10
	$	$
Temporary differences	(769,653)	(821,808)
Tax Losses-revenue	2,312,602	787,941
	1,542,949	**(33,867)**

A deferred tax asset has not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefit.

(d) Movement in recognised temporary differences and tax losses

	30/06/11	30/06/10
	$	$
Opening balance	-	-
Recognised in equity	27,889	7,539
Recognised in income	(27,889)	(7,539)
Closing balance	**-**	**-**

Tax consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities are in a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Phoenix Copper Limited.

Nature of tax funding arrangement

Entities within the tax-consolidated group have entered into a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Phoenix Copper Limited and its wholly owned Australian resident entities have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the-consolidated group.

6.	CURRENT TRADE AND OTHER RECEIVABLES		
		30/06/11 $	30/06/10 $
	Trade receivables	241,697	6,837
	Accrued interest	765	5,541
	Goods & Services Tax receivable	323,869	96,514
	Research and development refund	163,895	-
		730,226	**108,892**

The average credit period on sales of goods is 7 days. No interest is charged on trade receivables. The groups only customer for sales of Copper cement is Adchem (Australia) Pty Ltd.

7.	OTHER CURRENT ASSETS		
		30/06/11 $	30/06/10 $
	Prepayments	14,168	22,229
	Bank Guarantee	150,000	-
		164,168	**22,229**

8.	INVENTORY		
		30/06/11 $	30/06/10 $
	Raw materials	41,823	-
	Work in progress	341,378	-
	Finished goods	46,203	-
		429,404	**-**

9.	EXPLORATION AND EVALUATION EXPENDITURE		
		30/06/11 $	30/06/10 $
	Costs brought forward	4,861,838	2,777,090
	Expenditure incurred during the year	1,142,460	2,087,293
		6,004,298	**4,864,383**
	Expenditure written off	(650,000)	(2,545)
		5,354,298	**4,861,838**
	The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.		

10.	**PLANT AND EQUIPMENT**	
	Gross carrying amount	**$**
	Balance at 30 June 2009	409,612
	Additions	64,358
	Balance at 30 June 2010	473,970
	Additions LCCM Acquisition	1,678,500
	Additions Other	2,208,017
	Balance at 30 June 2011	**4,360,487**
	Accumulated Depreciation	
	Balance at 30 June 2009	86,540
	Depreciation Expense	94,462
	Balance at 30 June 2010	181,002
	Depreciation Expense	649,957
	Impairment Expense (i)	1,105,598
	Balance at 30 June 2011	**1,936,557**
	Net book value	
	Balance at 30 June 2010	292,968
	Balance at 30 June 2011	2,423,930

(i) Refer to Note 11 for impairment losses recognised during the year

The following useful lives are used in the calculation of depreciation.

Plant and equipment at cost - 3 – 10 years

11.	MINERAL RIGHTS		
		30/06/11 $	**30/06/10 $**
	Mineral Rights	1,807,068	-
	Accumulated Amortisation Mineral Rights	(26,021)	-
	Impairment expense	(524,333)	-
	Total	**1,256,714**	**-**

Impairment losses recognised during the year

Property, plant and equipment and Mineral Rights have been allocated to the following cash generating units:

- Mining operations (LCCM)

- Exploration

During the year, as the result of the unexpected halt of production and higher than expected costs at Leigh Creek Copper Mine Pty Ltd (LCCM), the Group carried out a review of the recoverable amount of that mining plant and equipment and mineral rights.These assets are used in the Group's mining reportable segments. The review led to the recognition of an impairment loss of $1,629,931, which has been recognised in profit or loss. The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 30% per annum. No impairment assessment was performed in 2010 as LCCM was acquired on 23 July 2010.

Mineral rights are amortised as the resource is mined.

12.	CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
		30/06/11 $	**30/06/10 $**
	Trade payables	1,482,161	317,481
	Accrued expenses	291,925	104,107
	Other payables	104,018	72,498
	Total	**1,878,104**	**494,086**

13.	CURRENT LIABILITIES – PROVISIONS		
		30/06/11 $	**30/06/10 $**
	Employee benefits	102,831	58,487
	Rehabilitation	560,250	-
	Total	**663,081**	**58,487**

14.	CONVERTIBLE NOTES		
		30/06/11 $	30/06/10 $
	Convertible notes	500,000	-

500,000 7% AUD denominated convertible notes were issued by the Company on 23 June 2011 at an issue price of $1 per note. The Company may, from time to time after the Completion Date until the Maturity Date, request the subscriber to subscribe for Notes under the Optional Note Facility by issuing a written notice to the subscriber. Subsequent to year end (7 September 2011) Phoenix issued a further 250,000 in notes to the subscriber (refer Note 30).

Each note entitles the holder to convert to one ordinary share at cost of $1 per share. Conversion may occur at any time between 23 June 2011 and 23 June 2012. If the notes have not been converted, they will be redeemed on 23 June 2012 at $1. Interest of 7% will be paid quarterly up until that settlement date. Subsequent to year end (23 September 2011) the 750,000 of convertible notes have been converted (refer Note 30).

The net proceeds received from the issue of the convertible notes have been classifed as a liability.

The convertible notes component is measured at amortised cost. The interest expense for the year ($300) is calculated by applying an effective interest rate of 7% to the liability component for the period since the loans were issued. Interest paid in the period since issue is nil. There is no difference between the carrying amount of the liability component at the date of issue 23 June 2011 and the amount reported in the statement of financial position at 30 June 2011 ($500,000) represents the effective interest rate less interest paid to that date.

15.	NON-CURRENT LIABILITIES - PROVISIONS		
		30/06/11 $	30/06/10 $
	Employee benefits	18,361	7,063

16.	ISSUED CAPITAL		
		30/06/11 $	30/06/10 $
	93,116,512 fully paid ordinary shares (2010: 54,515,500)	16,101,708	7,815,603
	1,500,000 Performance shares (2010: 1,500,000)	126,185	126,185
		16,227,993	**7,941,788**

16. ISSUED CAPITAL (Continued)

Movement in issued shares for the year:

	No.	30/06/11 $	No.	30/06/10 $
Balance at beginning of financial year	54,515,500	7,815,603	53,975,500	7,857,740
Shares issued pursuant to sale and purchase agreements in relation to tenements	38,399,012	8,328,430	500,000	95,000
Conversion of employee options at 6.1 cents	-	-	40,000	2,440
Conversion of employee options at 14.6 cents	111,000	16,206	-	-
Conversion of employee options at 7 cents	91,000	6,643	-	-
Transfer from share option reserve	-	-	-	3,600
Share issue costs	-	(65,174)	-	(24,532)
Applicable income tax relating to share issue costs	-	-	-	7,540
Balance at end of financial year	**93,116,512**	**16,101,708**	**54,515,500**	**7,815,603**

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

17.	RESERVES		
		30/06/11 $	**30/06/10 $**
	Equity-settled benefits reserve	993,247	543,480
		993,247	**543,480**

The employee equity-settled benefits reserve arises on the grant of share options to employees, consultants and executives under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments made under the plan is shown in note 19 to the financial statements.

18.	ACCUMULATED LOSSES		
		30/06/11 $	**30/06/10 $**
	Accumulated losses	8,832,065	1,887,850

	Balance at beginning of year	1,887,850	1,304,055
	Loss for the year	6,944,215	583,795
	Balance at end of year	8,832,065	1,887,850

19. SHARE OPTION AND PERFORMANCE RIGHTS PLAN

During the current year, the Group replaced the Employee Share Option Plan with the Phoenix Copper Limited Performance Rights Plan. Details about these plans are set out below:

Share Option Plan

The Group had an ownership-based compensation plan for executives, employees and consultants. In accordance with the provisions of the Employee Share Option Plan, which was approved by shareholders at an annual general meeting, Directors issued options to purchase shares in the Company to executives, employees, and consultants, at an issue price determined by the market price of ordinary shares at the time the option was granted. No Directors participated in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the financial year.

Options – Series	Number	Grant Date	Expiry Date	Exercise Price	Fair value at grant date	Vesting Date
Employee Share Option Plan						
19 June 2008	250,000	28/04/2008	18/06/2013	$0.25	$0.0336	18/06/2008
12 September 2008	500,000	12/09/2008	11/09/2013	$0.25	$0.0411	12/09/2009
16 March 2009	750,000	16/03/2009	05/03/2014	$0.10	$0.0436	16/03/2009
11 June 2009	23,000	11/06/2009	10/06/2014	$0.086	$0.0600	11/06/2009
22 June 2009	62,000	22/06/2009	21/06/2014	$0.073	$0.0800	22/06/2009
18 August 2009	91,000	18/08/2009	17/08/2014	$0.073	$0.0700	18/08/2009
22 October 2009	111,000	22/10/2009	21/10/2014	$0.146	$0.1600	22/10/2009
Director Options	1,500,000	04/10/2007	11/02/2013	$0.25	$0.0648	11/02/2008
Other Options						
Reilly Options	2,000,000	19/10/2007	25/01/2013	$0.25	$0.0642	25/01/2008
Avanti Options	1,750,000	16/10/2007	25/01/2013	$0.25	$0.0648	25/01/2008
Marathon Options	750,000	09/11/2007	25/01/2013	$0.25	$0.0642	25/01/2008
Taylor Collison Options	1,000,000	09/11/2007	25/01/2013	$0.25	$0.0642	25/01/2008
LCCM Vendors	1,250,000	30/07/2010	29/07/2015	$0.275	$0.1673	30/07/2010
15 October 2010	2,298,850	15/10/2010	15/04/2012	$0.35	-	15/10/2010
30 November 2010	750,000	30/11/2010	31/10/2011	$0.28	$0.1542	30/11/2010
1 December 2010	574,713	01/12/2010	15/04/2012	$0.35	-	01/12/2010
11 March 2011	2,351,102	11/03/2011	11/03/2013	$0.35	-	11/03/2011

7,224,665 options were granted during the year (2010: 242,000).

19. SHARE OPTION AND PERFORMANCE RIGHTS PLAN (Continued)

Employee Share Option Plan

The following reconciles the outstanding share options granted under the Employee Share Option Plan at the beginning and end of the financial year:

Share Option Plan	30/06/11		30/06/10	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	1,787,000	0.2262	1,585,000	0.2407
Granted during the financial year	-	-	242,000	0.1045
Exercised during the financial year	(202,000)	(0.1131)	(40,000)	-
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year	1,585,000	0.2407	1,787,000	0.2262

The share options outstanding at the end of the financial year had an average exercise price of $0.2407 (2010: $0.2262) and a weighted average remaining contractual life of 891 days (2010: 1,291 days).

Directors and Other Options

Directors and Others	30/06/11		30/06/10	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	7,000,000	0.25	7,000,000	0.25
Granted during the financial year	7,224,665	0.3298	-	-
Exercised during the financial year	-	-	-	-
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year	14,224,665	0.2905	7,000,000	0.25

The share options outstanding at the end of the financial year had an average exercise price of $0.2905 (2010: $0.25) and a weighted average remaining contractual life of 583 days (2010: 1,309 days).

Inputs into the 2011 option pricing model:

	LCCM Vendors	30 November 2010
Grant date share price	$0.19	$0.34
Exercise price	$0.275	$0.28
Expected volatility	142%	103%
Term	5 years	11 months
Risk-free interest rate	4.50%	4.75%

19. SHARE OPTION AND PERFORMANCE RIGHTS PLAN (Continued)

Performance Rights Plan

The Group has an ownership-based compensation plan for executives, employees and consultants. In accordance with the provisions of the Phoenix Copper Limited Performance Rights Plan (PRP), Directors may issue performance rights to the Company executives, employees and consultants. The performance rights are granted for no consideration and entitle the holder to be issued one fully paid ordinary share per performance right upon vesting.

At the Annual General Meeting held on the 26 November 2010, shareholder's approved the issue of 1,000,000 share upon the vesting of 1,000,000 performance rights granted to the Managing Director under the Phoenix Copper Limited Performance Rights Plan. The performance rights vest as follows as long as the holder remains as the Managing Director of the Company at the relevant vesting dates:

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

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

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

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

The Board approved the issue of 100,000 performance rights to the new mine manager for the Mountain of Light Copper Mine that vest on the mine manager completing 6 months continuous employment with Phoenix Copper Limited.

The following PRP awards were in existence during the financial year:

Rights - Series	Number	Grant Date	Vesting Date	Fair value at grant date
September 2010	1,000,000	24/09/2010	As described above	$0.34
May 2011	100,000	1/05/2011	1/11/2011	$0.25

The weighted average fair value of the performance rights granted during the financial year is $0.3318.

Performance rights granted during 2011 were fair valued using a Black-Scholes pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the right), and behavioural considerations.

19. SHARE OPTION AND PERFORMANCE RIGHTS PLAN (Continued)

Inputs into the 2011 performance right pricing model:

	24 September 2010 (T1)	24 September 2010 (T1)	11 May 2011
Grant date share price	$0.34	$0.34	$0.25
Exercise price	$0.00	$0.00	$0.00
Expected volatility	110%	110%	87%
Term	1.68 years	1.68 years	6 months
Risk-free interest rate	4.75%	4.75%	4.75%

The following reconciles the performance rights granted under the PRP at the beginning and end of the financial year:

Performance Rights Plan	Number of Performance Rights 2011
Balance at the beginning of financial year	-
Granted during the financial year	1,100,000
Balance at the end of the financial year	1,100,000

20. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Phoenix Copper Limited during the year were:

- Graham Spurling (Chairman)
- Paul Dowd (Managing Director)
- Peter Watson (Non-Executive Director)
- David Hillier (Non-Executive Director since 17 September 2010)
- Peta Marshman (Company Secretary)
- Nick Harding (Chief Financial Officer since 1 September 2010)
- Mark Manly (Chief Geologist)
- James Fox (General Manager – Mountain of Light Copper Mine since 1 May 2011)

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

	Year Ended 30/06/11 $	Year Ended 30/06/10 $
Short-term employee benefits	1,033,415	596,852
Post employment benefits	53,263	23,532
Share-based payments (i)	125,038	-
	1,211,716	**620,384**

(i) Share based payments relate to performance rights granted during the year to key management personnel. Performance rights do not represent cash payments to key management personnel.

21.	REMUNERATION OF AUDITORS		
		30/06/11 $	30/06/10 $
	Audit or Review of the financial report	55,325	30,198
	Tax return preparation and advice	14,576	9,481
		69,901	**39,679**

The auditor of Phoenix Copper Ltd is Deloitte Touche Tohmatsu.

22. RELATED PARTY DISCLOSURES

a) Equity interests in related parties

Equity interests in subsidiaries

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

b) Transactions with Key Management Personnel

Key Management Personnel compensation

Details of key management personnel compensation are disclosed in Note 20 and the Remuneration Report of the Directors' Report.

Equity holdings of key management personnel

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

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

22. RELATED PARTY DISCLOSURES (Continued)

2010	Balance 01/07/09	Net Changes	Balance 30/06/10	Balance held Nominally
Directors				
Graham Spurling	591,334	25,000	616,334	-
Paul Dowd	350,000	100,000	450,000	-
Peter Watson	4,530,000	-	4,530,000	530,000
Other Key Management Personnel				
Mark Manly	-	-	-	-
Peta Marshman	100,000	-	100,000	-

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

2011	Balance 01/07/10	Granted	Lapsed	Balance 30/06/11	Balance held Nominally	Vested and exercisable
Directors						
Graham Spurling	500,000	-	-	500,000	-	500,000
Paul Dowd	500,000	-	-	500,000	-	500,000
Peter Watson	500,000	-	-	500,000	-	500,000
David Hillier	-	-	-	-	-	-
Other Key Management Personnel						
Mark Manly	1,500,000	-	-	1,500,000	-	1,500,000

2010	Balance 01/07/09	Granted	Lapsed	Balance 30/06/10	Balance held Nominally	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
Other Key Management Personnel						
Mark Manly	1,500,000	-	-	1,500,000	-	1,500,000

22. RELATED PARTY DISCLOSURES (Continued)

(iii) Performance shares issued by Phoenix Copper Limited

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

2010	Balance 01/07/09	Granted	Lapsed	Balance 30/06/10
Directors				
Paul Dowd	1,500,000	-	-	1,500,000

(iv) Performance rights issued by Phoenix Copper Limited

2011	Balance 01/07/10	Granted	Lapsed	Balance 30/06/11
Directors				
Paul Dowd	-	1,000,000	-	1,000,000
Other Key Management Personnel				
James Fox	-	100,000	-	100,000

Other transactions

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

- A relative of a Director (Peter Watson) is the Assistant to the Managing Director. The amount paid as salary was $70,000 (2010: $70,000) for the financial year.
- The Company engaged Watson's 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 was $84,588 (2010: $87,113). A balance of $18,835 is outstanding for payment to Watsons at year end.
- Accrued salaries to related parties at year end include: P Dowd $143,016 and G Spurling $18,750.

c) 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 for no consideration.

23. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

(a) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will 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 balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	30/06/11 $	30/06/10 $
Not later than one year:	1,274,667	1,055,000
Later than one year but not later than two years:	1,457,167	1,235,000
Later than two years but not later than five years:	6,028,667	3,675,000
	8,760,501	**5,965,000**

(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 from Mr Reilly.

The outstanding commitments pursuant to this agreement are:

- the issue and allotment to Mr Reilly of 800,000 Shares and 800,000 Options upon grant of an Exploration Licence over some or all of the area within 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
- the payment of a retainer of $20,000 per year, payable on the anniversary of completion of the sale and purchase of EL 3161, for a period of four years (to an aggregate total value of $80,000), for the provision of services by Mr Reilly to the Company.

(c) Joint Venture with Australian Field Services Pty Limited

The Eastern portion of EL 3164 (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 has now earned a 90% interest in the joint venture by spending $180,000 within 3 years. The Company now has 10% free carried interest up to a decision to mine following a feasibility study. AFS have fulfilled their commitment under the Joint Venture.

23. COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (Continued)

AFS is the manager of the Joint Venture and is responsible for the design and execution of exploration programmes while it is the sole contributor to joint venture expenditure and thereafter, if and for so 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 a royalty calculated at 6% of the aggregate net revenue in respect of all metals derived from EL 3161.
- to Avanti Resources Pty Ltd a royalty calculated as 2.5% of the net smelter return on all metals derived from EL 3604, EL 3716 and EL 3686.
- to Marathon Resources Limited a royalty calculated as a 2.5% net smelter return on all metals derived from the Western Portion of EL 3164.
- to Copper Range (SA) Pty Limited a royalty calculated as a 1.5% net smelter return on all metals derived from EL 3459.
- to Copper Range (SA) Pty Limited a royalty calculated as a 2.0% net smelter return on all metals derived from EL 3971, EL 3972 and EL 3451.
- to Copper Range (SA) Pty Limited 50% of a royalty calculated as a 1.5% net smelter return on all metals derived from EL 4370.
- to Flinders Mines Limited 50% of a royalty calculated as a 1.5% net smelter return on all metals derived from EL 4370.

Leigh Creek Copper Mine Pty Ltd (LCCM) has granted to Adchem (Australia) Pty Ltd a 1% royalty in respect of copper produced from operations at ML 5467, ML 5498, and ML 5741. The Company purchased all of the shares in the capital of LCCM on 23 July 2010.

(e) Native Title

Native title claims exist over some tenements in South Australia in which the Group has interests. The Group is unable to determine the prospects of success or otherwise of the claims and, in any event, whether or not and to what extent the claims or future claims may significantly affect the Group or its projects.

(f) Operating Lease

The Company leases office space with a lease term of two years, with an option to extend for a further two years.

	Non-cancellable operating lease commitments	**30/06/11** **$**	**30/06/10** **$**
	Not longer than 1 year	29,723	52,127
	Longer than 1 year and not longer than 5 years	-	35,666
	Longer than 5 years	-	-
		29,723	**87,793**

(g) Contingent liabilities

Employment contracts

The Company has entered into employment contracts with Key Management Personnel, Paul Dowd (Managing Director), James Fox (General Manager – Mountain of Light Copper Mine) and Mark Manly (Chief Geologist). The Company can terminate these employment contracts with three months for Mr Dowd and Mr Fox and one month for Mr Manly. As at 30 June 2011, the Group had a contingent liability in relation to these employment contracts of $142,111 (2010: $107, 054).

24. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 16 and 17 respectively.

Due to the nature of the Group's activities (early stage production and exploration) the Directors believe that the most advantageous way to fund activities is through equity and convertible notes. The Group's exploration activities and copper mining and production are monitored to ensure that adequate funds are available.

Categories of financial instruments

	30/06/11 $	30/06/10 $
Financial assets		
Cash and cash equivalents	1,089,183	1,871,127
Trade and other receivables	880,226	108,892
Financial liabilities		
Trade and other payables	1,878,104	494,085
Convertible Note	500,000	-

Interest rate risk management

The Company and the Group's exposures to interest rates on financial assets and financial liabilities are covered by the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and Company's net profit would increase/decrease by $5,448 and $5,448 respectively (2010: increase/decrease by $15,000 and $15,000 respectively). This is mainly attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has significantly decreased due to the decrease in the current holding in cash compared to the prior year.

24. FINANCIAL INSTRUMENTS (Continued)

Credit risk management

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 does have a credit risk exposure to AdChem being the sole customer for Copper cement sales. 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 management

Ultimate responsibility for liquidity risk management 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 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.

	Consolidated and Company				
	Weighted average effective interest rate	Less than one month	1-3 months	3-12 months	1-5 years
	%	$			
2011					
Non-interest bearing	-	676,672	1,201,432	-	-
Fixed Interest bearing	7%	-	-	500,300	-
2010					
Non-interest bearing	-	494,085	-	-	-

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

24. FINANCIAL INSTRUMENTS (Continued)

Convertible notes

The fair value of the liability component of convertible notes is determined assuming redemption on 23 June 2012 and using a 7.% pa payable on a quarterly basis and holding the credit risk margin constant.

Market risk

Group's activities expose it primarily to the financial risks of changes in US dollar exchange rates and Copper prices. As these risks are not managed there is exposure to the movement in the market.

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

25. 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 more specifically focused on the category of customer for each type of good. The principal categories are exploration as well as mining of Copper. The Group's reportable segments under AASB 8 are therefore as follows:

- Exploration in Australia
- Mining and production of copper

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future metal prices.

The Group acquired the Leigh Creek Copper Mine Pty Ltd during the Financial Year. Copper is produced from this mine.

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

The following is an analysis of the Group's revenue and results by reportable operating segment for the Financial Year under review:

	Revenue			Segment profit	
	Year ended			Year ended	
	30/06/11 $	30/06/10 $		30/06/11 $	30/06/10 $
Exploration & continuing operations	6,313	37,387		(2,434,474)	(576,256)
Mining	2,100,766	-		(4,481,883)	-
Unallocated	245,358	538,869		-	-
Loss before tax				(6,916,357)	(576,256)
Income tax expense				(27,889)	(7,539)
Consolidated segment revenue and loss for the Financial Year	**2,352,437**	**576,256**		**(6,944,246)**	**(583,795)**

25. SEGMENT INFORMATION (Continued)

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the Financial Year.

Segment loss represents the loss earned by each segment without allocation of central administration costs and Directors' salaries, investment revenue and finance costs, income tax expense. 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:

	30/06/11 $		30/06/10 $
Exploration & Continuing operations	7,829,054		5,285,927
Mining	4,079,668		-
Total segment assets	11,448,622		5,285,927
Unallocated assets	288,425		1,871,127
Total assets	**11,448,622**		**7,157,054**

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments, 'other financial assets' and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all liabilities are allocated to reportable segments other than borrowings, 'other financial liabilities', current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.
- Geographically all segments are located in Australia.

26. EARNINGS PER SHARE

	Year Ended 30/06/11 Cents per share	Year Ended 30/06/10 Cents per share
Basic earnings per share – Profit / (loss)	(8.14)	(1.05)
Diluted earnings per share – Profit / (loss)	(8.14)	(1.05)
Basic earnings per share	(8.14)	(1.05)
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	$	**$**
- Earnings	(6,944,246)	(583,795)
	Number	**Number**
- Weighted average number of ordinary shares	85,267,990	55,748,651
Diluted earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:	(8.14)	(1.05)
	$	**$**
- Earnings	(6,944,246)	(583,795)
	Number	**Number**
- Weighted average number of ordinary shares	85,267,990	55,748,651

27. CONTROLLED ENTITIES

Name of Entity		Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
Parent Entity				
Phoenix Copper Limited	(i)	Australia	100%	100%
Subsidiaries				
Wellington Exploration Pty Ltd	(ii)	Australia	100%	100%
Leigh Creek Copper Mine Pty Ltd	(ii)	Australia	100%	0%

(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 two of its wholly-owned subsidiaries, Leigh Creek Copper Mine Pty Ltd and Wellington Exploration Pty Ltd. The consolidated statement of financial performance and statement of financial position of the entities party to the deed of cross guarantee are the same as those of the consolidated entity.

28. ACQUISITION OF SUBSIDIARY

On 23 July 2010 the Group acquired a 100% interest in Leigh Creek Copper Mine Pty Ltd (LCCM). LCCM is engaged in the mining of copper.

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

Assets acquired and liabilities assumed at the date of acquisition	
	$
Non-current assets	
Plant & Equipment	1,678,500
Mineral rights	1,807,068
Cash backed guarantees	150,000
Current liabilities	
Rehabilitation provision	(476,870)
	3,158,698

Net cash outflow arising on acquisition

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

29. PARENT ENTITY DISCLOSURES

	30/06/11 $	30/06/10 $
Financial Position		
Assets		
Current assets	1,660,607	2,006,248
Non-current assets	8,903,995	5,211,447
Total assets	**10,564,602**	**7,217,695**
Liabilities		
Current liabilities	2,157,066	552,142
Non-current liabilities	18,361	7,063
Total liabilities	**2,175,427**	**559,205**
Equity		
Issued capital	16,227,993	7,941,788
Accumulated losses	(8,832,165)	(1,827,210)
Reserves:		
Employee equity-settled benefits reserve	993,247	543,480
Total equity	**8,389,075**	**6,658,058**
	Year Ended 30/06/11 $	**Year Ended 30/06/10 $**
Financial Performance		
Loss for the year	(7,005,386)	(583,795)
Other comprehensive income	-	-
Total comprehensive income	**(7,005,386)**	**(583,795)**

Commitment for expenditure and contingent liabilities of the parent entity

Note 23 to the financial statements discloses the Group's commitments for expenditure and contingent liabilities. Of the items disclosed in that note the following relate to the parent entity:

- service agreements
- bank guarantees
- operating leases

30. SUBSEQUENT EVENTS

The matters or circumstances that have arisen since 30 June 2011 and have significantly affected or may significantly affect:

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

are as follows:

- the cessation on 13 June 2011 of mining activities and on 24 June 2011 of crushing, screening and ore stacking activities at LCCM's Mountain of Light (MoL) project and the commencement of a financial and technical review in connection with the future mining of the Paltridge North orebody;
- the issue of a further 250,000 unsecured Convertible Notes to Talis SA on 7 September 2011, for $250,000 in subscription monies;
- the release from voluntary escrow of 15,000,001 Shares; and
- the conversion of 750,000 unsecured Convertible Notes by Talis SA resulting in the issue of 8,392,693 Shares on 23 September 2011.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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;

(b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 to the financial statements.

(c) In the Directors' opinion, the 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 Company and consolidated entity; and

(d) The Directors have been given the declaration required by Section 295A of the Corporation Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each Company which is a party of the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order apples, as detailed in note 27 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Paul J Dowd
Managing Director

30th September 2011

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

Report on the Financial Report

We have audited the accompanying financial report of Phoenix Copper Limited, which comprises the statement of financial position as at 30 June 2011, 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 19 to 57.

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 is free from material misstatement, whether due to fraud or error. In Note 3, 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 entity'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 entity'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.

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 2011 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 3.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that for the year ended 30 June 2011 the Group incurred a net loss of $6,944,215 and used net cash in operating activities of $2,807,310 and had net current liabilities of $627,506 as at 30 June 2011. Further, the parent entity incurred a net loss of $7,005,386 and had net current liabilities of $496,459 as at 30 June 2011. 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 Parent entity and the Group to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 17 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Jason Handel.

J J Handel
Partner
Chartered Accountants
Adelaide, 30 September 2011