

Phoenix Copper Limited
Annual Report and Consolidated Financial Statements
31 December 2023

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Contents	Page
Company information	1
Chairman's statement	3
Chief Executive Officer's report	5
ESG & Sustainability Committee Chairman's report	12
Directors' report	13
Corporate governance statement	18
Independent auditor's report to the members of Phoenix Copper Limited	22
Consolidated income statement	27
Consolidated statement of comprehensive income	27
Consolidated statement of financial position	28
Consolidated statement of changes in equity	29
Consolidated statement of cash flows	30
Notes to the consolidated financial statements	31

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

COMPANY INFORMATION:

Directors	Marcus Edwards-Jones Ryan McDermott Richard Wilkins Andre Cohen Catherine Evans Jason Riley
Company Secretary	Richard Wilkins
Registered Office of the Company	OMC Chambers Wickhams Cay 1 Road Town, Tortola VG1110 British Virgin Islands
Registered in the British Virgin Islands number:	1791533
Auditors to the Company	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW
Nominated Adviser	SP Angel Corporate Finance LLP Prince Frederick House 35-39 Maddox Street London W1S 2PP
New York corporate advisers	EAS Advisors LLC 750 Lexington Avenue, 23rd Fl New York, NY 10022
Joint Brokers	Tavira Securities Limited 88 Wood Street London EC2V 7DA W H Ireland Limited 24 Martin Lane London EC4R 0DR Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Registrars	Computershare Investor Services (BVI) Limited Woodbourne Hall PO Box 3162 Road Town, Tortola VG1110 British Virgin Islands
American Depositary Receipts Program Sponsor	The Bank of New York Mellon 160 Queen Victoria Street London EC4V 4LA

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

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CHAIRMAN'S STATEMENT

Dear Shareholders

As I write copper is trading close to the symbolic \$10,000 per tonne, having rallied strongly in recent weeks. Despite several delays and disappointments, we are hopeful that our stars are finally aligning. Uncertainties over the Chinese and US economies meant that it took longer for the drivers of electrification and supply issues to reassert their influences on the copper price. It now looks as if the penny has finally dropped. Several new catalysts have appeared since my last statement, including the astonishing “own goal” closure of First Quantum’s Cobre Panama mine, which has removed approximately 350,000 tonnes per annum or 1.5% of global mined copper production from the market; and the rapid rise of the AI sector. Commodity leviathan Trafigura estimates that AI and data centre demand alone could add a further 1 million tonnes per annum to overall copper demand by 2030 and forecast a 35% supply gap by the end of the decade.

This is against a background of the long-term decline in copper grades at existing mines, and several disappointments on the supply side. Previous misdemeanours by the mining sector have ushered in an era in which the ESG lobbies and NGOs have so lengthened the time it takes to put a new mine into production that many companies and investors have given up funding new projects. Antofagasta and Twin Metals invested several hundred million dollars in the Maturi project in Minnesota, which did not receive a mining permit. Similarly, the Pebble deposit in Alaska, one of the largest polymetallic deposits on the planet, on which exploration work commenced in 1987, containing over 30 million tonnes of copper, is unlikely ever to receive permission to mine. As the BHP Group bid for Anglo American Plc shows, it is more expedient to expand your copper reserves by buying somebody else’s, rather than developing your own. As in politics, investment decisions, however beneficial in the long term, are seldom taken by people who may not be around to see the rewards, yet suffer if there are any delays in execution. This all points to a “higher for longer” scenario for the copper price which the Board anticipates will be responsible for some 70% of the Company’s predicted revenues from the Empire open pit mine in Idaho, USA, a State with a proven and ongoing reputation for permitting mining projects.

Although the UK stock market, and AIM in particular, was shunned by investors for much of the year, I am delighted to report that our floating rate corporate copper bond issue has been fully subscribed at a minimum of \$80 million. Recently Blackrock estimated that a copper price of \$12,000 per tonne would be necessary to justify spending on new mines – this would equate to a coupon of 11.3% on our bonds. I am glad to say that the bond finance, once received, is expected to fully fund the Company into production and allow the Company to substantially reduce both estimated capital expenditure and lead times through the purchase of pre-owned equipment. As an example, our recent purchase of two ball mills which we acquired at a significant discount to the price of the same equipment when new, saved circa \$6-7 million in capital and sustaining costs. I would like to thank all of you who joined us in the recent small equity raise which enabled the Company to buy this equipment while awaiting the completion of the bond issue.

On the operational front I am grateful to Ryan and his team for producing a mine plan and reserve which is both profitable and economic to mine at trailing copper, gold and silver prices, as opposed to the \$12,000 per tonne copper price cited earlier as needed to stimulate spending on new mines. Our consultants analyzed and tested several different processes and in the one we have chosen they have managed to keep overall costs to pre-Covid / Ukraine war levels. The new designs enable us to produce copper, gold and silver simultaneously, largely on patented (owned by the Phoenix Group) land. This should simplify the permitting process. In addition, the plant we propose to use for the open-pit oxide ore will also be capable of processing the underground sulphide

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

ores. This will assist the Company as we embark upon our next quest – proving up the existence of mineable sulphides below the open pit oxide mine.

Gold and silver prices have also risen considerably since my last statement. Precious metals are currently estimated to contribute 30% of the revenue stream from the Empire open-pit mine. The bond funding will also enable us to conduct further exploration within our mineralized district at Empire, including our Navarre Creek gold exploration project and our high-grade lead-silver deposit at Red Star.

The ESG team has had a busy year, with several meetings of the Mackay, Idaho-based KCAT committee of representatives of local interests have taken place. This is a valuable sounding board and has enabled our local operating company to deal with potential issues, such as access roads, before they arise. We have taken on board many of their suggestions. We believe the citizens of Mackay are very largely in favour of the development of the Empire mine and we thank them for their support, particularly as the currently proposed mine plan will reduce further the environmental impact of our operations on the local area and community.

In this respect, we have recently retained our overall rating of “A” in the annual Digbee ESG survey of mining companies, including a score of “AA” for the Empire mine project operations, as reported in the Company’s 2023 Sustainability Report being published alongside these annual accounts.

Regarding board matters, Andre Cohen, our senior independent non-executive director since our IPO in 2017, will retire from the board at the end of our forthcoming Annual General Meeting in order to spend more time pursuing opportunities in the transportation finance sector whilst scaling down on other professional activities. The Company and the Board have all benefitted from his considerable knowledge of financial and legal matters, and his attention to detail, and we are pleased that he will remain with us on Phoenix’s advisory board. We wish him well and thank him for his contribution to date.

Finally, I thank all of you shareholders who have continued to support the Company, in often challenging circumstances. Now that we have our bond financing being finalised, an economic and profitable project in a mining-friendly jurisdiction, and a path to production, we look forward to sharing with you the benefits of a rerating of the Company’s shares as Phoenix makes the move from a junior mining development company to a mining producer.

Marcus Edwards-Jones
Executive Chairman
14 May 2024

CHIEF EXECUTIVE OFFICER'S REPORT

2023 was an exceptionally busy year as the Company focused on the technical aspects required to move the Empire open pit mine closer to production. We achieved a major milestone in this complex process with the estimation of the Company's first Proven and Probable mineral reserves, which include copper, gold, and silver. Mineral reserves meet the requirements of geologic certainty, accessibility, and economic viability, and are estimated after allowing for mining dilution, and thus represent the recoverable contained metal that will be delivered to the processing plant. I am pleased to report that the Company's mineral reserves within the open pit project amount to 66,467 tonnes of copper equivalent.

I appreciate that some of the shareholders have been frustrated with a perceived lack of news, but I can assure them that this did not reflect a lack of complex engineering or solid progress. Developing a plan to bring a mine into production is a lengthy and complex engineering process involving numerous consultants and contractors gathering and synthesizing large volumes of data and exploring numerous optimization scenarios. Each optimization step is iterative, with the results of one building on another, and on another, and so on. Once a preferred option is identified, the emphasis then moves to finding as many incremental improvements as possible, then testing and assessing them before finally settling on a final plan.

Over the past year the prices of all three of our contained metals have been volatile but generally moving on an upwards trajectory. Many commentators believe that copper in particular is at the beginning of a long-term bull market and are predicting prices to rise over the coming years which would improve the economics of the Empire Mine project significantly. However, our aim has been to design a project that will be as robust and profitable as possible, and economically attractive using prices below current levels and in order to report a NI 43-101 compliant economic model.

Empire Proven and Probable Mineral Reserves

A proven and probable reserve estimate was completed by Hardrock Consulting in April 2024 and reported for the polymetallic Empire Mine open pit oxide deposit. The estimate reports Proven and Probable reserves in the Empire open-pit oxide deposit of 10,097,000 tonnes containing 49,677 tonnes of copper, 104,000 ounces of gold, and 4,654,400 ounces of silver, for a combined 66,467 tonnes of copper equivalent metal. It was estimated using assay data from 485 drill holes, extensive geological modelling, metallurgical recovery test work, geotechnical evaluation, and mine design.

Mineral Reserve Statement for Empire Mine, after Hard Rock Consulting April 2024

Fully diluted tonnes at a Net Smelter Return cut-off of \$22.59 / tonne

Classification	Tonnes	Copper		Gold		Silver		Copper Equiv.	
	(x1000)	%	lb (x1000)	gpt	oz (x1000)	gpt	oz (x1000)	%	lb (x1000)
Proven	7,515	0.49	81,070.56	0.38	90.9	14.42	3,483.7	0.68	111,995.19
Probable	2,582	0.50	28,417.41	0.16	13.2	14.10	1,170.7	0.61	34,498.69
Proven + Probable	10,097	0.49	109,487.97	0.32	104.0	14.34	4,654.4	0.66	146,493.89

Metallurgy and Process Design

In 2022, 3,502 feet (1,067 metres) of core was drilled in the oxide portion of the Empire copper deposit for the purpose of collecting representative samples of the copper, gold, and silver mineralization within the boundaries of the resource pit. Initially, the metallurgical work was intended to further develop a commercial leaching design using only ammonium thiosulfate (“ATS”) as the primary reagent for recovering copper, gold and silver. Following the initial test work, our metallurgists determined that adding a flotation step upstream of the leaching circuit and generating a saleable concentrate stream containing all three of the metals would provide an immediate revenue stream, reduce the quantity of ore feeding the downstream leaching circuit, and therefore reduce the total quantity of leaching reagent used. The reduction in reagent usage equates to lower overall processing costs. The flotation-leaching circuit has a much smaller footprint than a classic heap leach, allowing for the processing plant to be sited on the Group’s patented (private) mining claims nearer the open pit. The proximity of the plant to the open pit will reduce overall operating costs by reducing the ore haulage distance. The improved haulage cycle-time gained from the shortened haulage distance also allows for the use of smaller, less expensive haul trucks.

In addition to the cost benefits of a smaller footprint plant sited on private land, the flotation-leaching circuit will be capable of processing sulphide material currently being explored elsewhere on the Empire property. From an environmental permitting standpoint, siting the processing plant on private land should help to simplify the overall permitting process.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

The flotation + leaching metallurgical recovery results and reserve pit optimization parameters are shown in the table below. Optimization of the processing circuit is ongoing.

Reserve Pit Optimization Parameters (Metric tons)	Units	Cu	Au	Ag
Commodity Prices	\$/oz or \$/lb	\$4.00	\$1,788	\$24.00
Flotation Process Recoveries				
Flotation _ Cu Concentrate	%	33.0%	50.0%	36.0%
Concentrate (Payables)				
Flotation_ Cu Concentrate (Au Payable based on grade)	%	95.0%	90-97%	95.0%
Cementation Process Recoveries				
Cementation (Total Copper Recovery after Flotation)	%	90.0%	0.0%	0.0%
Treatment/Refining Charges				
Copper Con. Refining	Ag \$/oz	0.40		
Copper Con. Refining	Au \$/oz	4.00		
Copper Con. Trucking & Shipping \$/t conc	wet	\$80.00		
Copper Con. Treatment \$/t conc	wet	\$90.00		
Copper Cementation Shipping \$/lb	Cu \$/lb	\$0.04		
Copper Cementation Shipping \$/lb	Cu \$/lb	\$0.02		
Operating Costs				
Mining Cost – Surface	\$/t mined	\$2.56		
Mining Cost - Incremental Increase for each 20ft depth	\$/t mined	\$0.018		
Processing Cost	\$/t milled	\$18.74		
G&A	\$/t milled	\$2.20		
Total Ore cost \$/t milled	\$/t milled	\$20.94		
Pit Slope Assumptions	Five sectors were modelled based on core logging with inter-ramp angles ranging from 42° to 45°			

Red Star – Exploration

Red Star is a high-angle silver-lead vein system hosted in andradite-magnetite and located 330-metres north-northwest of the Empire oxide pit. Red Star was identified from a 20-metre wide surface outcrop across a skarn structure.

The year began with the receipt of assay results from our 2022 drilling season at Red Star. That drilling campaign had been shorter than initially anticipated due to limited drill rig availability, the third consecutive year of disruption. The shortages of equipment, supply chain weaknesses and delays that resulted from Covid appear now to have thankfully passed.

875 feet of reverse-circulation drilling was completed that tested the magnetic anomalies identified during the ground magnetics survey. Assay results from the 2022 drilling program were received in Q2 2023. The assay values for copper, silver, lead, and zinc were consistent with previous drilling programs. Of particular interest are the results from drill hole RS22-02, which tested the western margin of a strong magnetic anomaly, assaying 7.62 metres of 142.7 grammes/tonne (“g/t”) silver, 2.94% lead, and 1.54% zinc. Additionally, drill hole RS22-04 assayed 9.15 metres of 1.56 g/t gold and 0.62% copper, including 1.52 metres averaging 7.59 g/t gold and 0.58% copper. While our primary focus is on the engineering and development of the Empire Open-Pit Mine, further exploration and the delineation of additional drilling targets will continue at Red Star in 2024.

Red Star – High-grade Silver Inferred Resource

In early May 2019, the Company announced a small maiden Inferred sulphide resource of 103,500 tonnes, containing 577,000 ounces of silver, 3,988 tonnes of lead, 957 tonnes of zinc, 338 tonnes of copper, and 2,800 ounces of gold, as summarized in the table below.

<i>Class</i>	<i>Tons</i>	<i>Ag</i>	<i>Ag</i>	<i>Au</i>	<i>Au</i>	<i>Pb</i>	<i>Pb</i>	<i>Zn</i>	<i>Zn</i>	<i>Cu</i>	<i>Cu</i>
	<i>(x1000)</i>	<i>g/t</i>	<i>oz</i>	<i>g/t</i>	<i>oz</i>	<i>%</i>	<i>lb</i>	<i>%</i>	<i>lb</i>	<i>%</i>	<i>lb</i>
	<i>(x1000)</i>		<i>(x1000)</i>		<i>(x1000)</i>		<i>(x1000)</i>		<i>(x1000)</i>	<i>%</i>	<i>(x1000)</i>
<i>Inferred</i>	114.13	173.4	577.3	0.851	2.8	3.85	8,791.20	0.92	2,108.80	0.33	745

2023 Navarre Creek Drilling Program

During the summer of 2023, we completed a short drilling campaign on the Navarre Creek gold property. Similar to the results from Red Star that were received in April 2023, the initial assays from Navarre Creek showed low-grade mineralization worthy of further investigation. As a result, we staked a further 400 acres to the south-west of the Lehman Creek fault target, expanding our Navarre Creek claim block to 197 unpatented claims covering 4,070 acres. While our attention remains firmly focused on engineering and design of the Empire open-pit reserves, we will continue exploration and drill target development at Navarre Creek in 2024.

While there is no guarantee that future Navarre Creek exploratory programs will result in the discovery of a viable ore deposit, the geology, mineralogy, and geochemistry of Navarre Creek fits all the criteria necessary for a potentially significant gold bearing system.

Empire Mine Expansion – Horseshoe, Whiteknob, and Windy Devil

The Horseshoe, Whiteknob, and Windy Devil claim blocks, located immediately north of the Empire Mine project, are situated within the core of the Empire mineralization and remain attractive exploration targets. The core Empire claim group has grown to 8,434 acres (34.13 sq kms) by expanding north to the former Horseshoe and Whiteknob Mines and onto Windy Devil. This expansion covers approximately 30 historic adits, shafts and prospects, which exhibit geology and mineralogy similar to Red Star, and which will be the subject of further exploration going forward.

Idaho Cobalt Belt – Redcastle and Bighorn Projects

The Company owns two strategically located properties on the Idaho Cobalt Belt in Lemhi County, Idaho - Redcastle and Bighorn. The Redcastle property is held by Borah Resources, our 100% owned, Idaho registered subsidiary. In May 2021, the Redcastle holding was signed to an earn-in agreement with Electra Battery Materials Corporation (formerly First Cobalt Corporation), the Toronto-based owner of the Iron Creek Cobalt Mine, which shares a common border with the Redcastle property.

The Bighorn property, located on the northern end of the Idaho Cobalt Belt, is held by Salmon Canyon Resources, another 100% owned, Idaho registered subsidiary. Bighorn is situated east of the historic Salmon Canyon copper cobalt underground mine and shares a common border with New World Resources' Colson cobalt-copper project.

In addition to copper, cobalt is a critical metal for electric vehicles and global electrification projects. Cobalt deposits are rare, particularly in first world jurisdictions. The Company's cobalt projects are located in the USA's only prospective cobalt region, the Idaho Cobalt Belt, approximately 100 miles north of the Empire Mine. In 2018 we announced the results of our 2017 reconnaissance program of 46 surface grab samples which gave cobalt values ranging from 2 ppm to 0.31% cobalt.

Other Business

The Company spent significant time and resources in 2023 and early-2024 locating and procuring pre-owned capital equipment in advance of mine construction. Included in the purchases to date are all of the laboratory assets from the former AuRIC Metallurgical Laboratories which include the analytical equipment and supplies necessary for the onsite laboratory that will service the Empire Mine once it is in operation, two grinding mills (ball mills), and a disk filtration circuit for filtration and dewatering of process tails. The Company believes that the purchase of this equipment at a significant discount to the price of the same equipment when new, should have a material positive impact on the Empire mine project economics, as well as reducing the time required to purchase these long lead-time items.

Outlook

The commodities market has started 2024 strongly, and there appears to be growing consensus that the long-term lack of investment in new mining projects has caused a shortfall at precisely the time that the world requires more copper than ever to meet the electrification targets that have been adopted globally. With its location in one of the most stable, mining friendly locations in the world, the Empire Mine is well placed to take advantage of this supportive environment.

Now that we have developed proven and probable mineral reserves, our focus is on completing all of the necessary feasibility level engineering required to successfully permit and construct the open pit mine. As our process design includes the siting of the plant on private, patented mining claims, we will reduce the operational footprint on public lands and place ESG considerations at the heart of our operation. As the regulatory authorities looked closely at our operating plan application two years ago, I am confident that in due course the plan will be approved.

In the meantime, we will complete the necessary engineering and continue to source the plant and equipment required to bring the mine into production. As with the ball mills we recently acquired, we believe there are many additional opportunities to reduce the cost of capital significantly through the sourcing of quality, pre-owned equipment.

We will also continue exploration activities on the Empire sulphide vein system, Red Star, and Navarre Creek. It is important to remember that these projects provide an attractive and varied pipeline of opportunities to the Company.

It is an exciting time to be involved in this project, and I look forward with confidence and optimism to the rest of the year.

Key Performance Indicators (“KPIs”)

To date, the Group has focused on the delivery of the project evaluation work programs to assess the available mineral reserves and resources and the extraction methods to apply, each within the available financial budgets. This work will continue until the relevant feasibility studies are completed, and construction commences.

At that stage, the Group will consider and implement appropriate operational performance measures and related KPIs as the objective of recommencing commercial production at the Empire Mine nears fruition.

Conclusion

As metal prices continue to rise, so does the demand for global electrification and the raw materials needed to meet that demand. We continue to perform the steps necessary for Phoenix to become one of the next domestic US producers of metals vital to the transportation, manufacturing and energy sectors in the US and abroad. Our team of engineers, geoscientists, and industry consultants are completing the engineering necessary to develop the Empire Mine into a producer of copper, gold, and silver in a stable, mining friendly jurisdiction.

The Company endeavors to meet the timelines it develops for itself and shareholders. It is of particular importance to me that everyone understands that the nature of the studies we undertake to generate the best mining and production outcomes can be time-consuming and not always predictable. I appreciate everyone's patience as we complete each step of the engineering required to ensure that we build the most robust

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

operation possible. Mining is a long-term, capital-intensive business, and we believe the time spent on optimizing the mine plan and processing design at this stage can bring significant financial benefits to the project over the life of the mine.

As always, I want to thank all of our staff, consultants and advisors, all of whom work tirelessly to accomplish our common goal of metal production. And I would like to thank our community liaisons, shareholders, and directors for their considerable support. I look forward to reporting further positive news as we continue our exploration and development programs during 2024.

Ryan McDermott
Chief Executive Officer
14 May 2024

ESG & SUSTAINABILITY COMMITTEE CHAIRMAN'S REPORT

It is a pleasure to report on the work of our Environmental, Social & Governance (“ESG”) & Sustainability activities since our Interim Results of September 2023, further details of which are included in our recently published 2023 Sustainability Report.

We continue to hold regular meetings with the Konnex Community Advisory Team (KCAT) who act as liaison between the Company and our local stakeholders, a particularly important role as we progress through the Empire Mine permitting process. Community support is critical to our success, and the KCAT has been greatly instrumental in maintaining positive community relations and feedback.

I am pleased to confirm that we have recently received an updated ESG score from Digbee ESG, a disclosure platform for the mining industry that simplifies reporting and rewards management action. As of March 2024, our overarching score was ‘A’ within a range of ‘CC’ to ‘AAA’, our corporate score was ‘BB’ within a range of ‘CC’ to ‘A’, and the Empire Mine [Exploration] Project achieved a score of ‘AA’ within a range of ‘B’ to ‘AAA’. This latest Digbee summary report is available to view on our website.

We have produced a Konnex Employee Handbook in advance of hiring a large workforce, which sets out guidance and expectations for employee behaviour. We are also working on a Vendor Handbook, which provides our vendors with guidance on the corporate values we require them to comply with as a condition of doing business with us. In 2023 we finalised two Corporate Governance policy documents, available to view on our website: a Whistleblower Policy and a Code of Business Conduct & Ethics Policy. We have also drafted a Dispute Resolution Process which will shortly be submitted to the Board for approval.

Our ESG & Sustainability team concentrates on metrics which are materially affected by our activities and which are of importance to our stakeholders. We never forget that we are a publicly listed company with a responsibility to deliver maximum value to our shareholders, but we do not regard this duty as being incompatible with maintaining high ESG standards. This is both a moral imperative and a necessity, as we operate in an area with some of the strictest mining laws in the world. We do not regard our obligations as being particularly complicated: ultimately, we are aiming to mine copper, a mineral vital to energy technology, construction and defence and will charge a fair price for it. We will continue to pay all required taxes and treat our employees and suppliers well, all while being a good neighbour and operating in as sustainable a manner as possible. By doing all of the above, we are fulfilling both the letter and the spirit of all ESG requirements.

We believe that this pragmatic stance will stand us in good stead in the face of an increasingly hostile reaction to ESG. Of course, sustainability should be a long-term goal of every organisation, but a part of this backlash is long overdue: sacrificing returns and performance for the sake of ESG flag-waving is detrimental to investors and has forced an abundance of capital into certain sectors, such as technology, and a flight from other areas like defence and fossil fuels. The rise in renewables is highly welcome, but we still need fossil fuels, and will need them for the foreseeable future. Plus, it is essential that we reduce our reliance on hostile regimes. Protecting our fundamental freedoms should be the highest objective of the ‘S’ in ESG, as without them, other social goals fade into insignificance. In the grand scheme of things, copper production has a meaningful and important role in achieving this objective.

We welcome all feedback and suggestions: esg@phoenixcopper.com

Catherine Evans
Non-Executive Director
ESG & Sustainability Committee Chairman
14 May 2024

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Future developments

The performance of the Group and its future development are set out in the Chief Executive Officer's report on page 5. The Group's principal area of operation is North America.

Results and dividend

For the year ended 31 December 2023 the Group reports a loss of \$1.57 million (2022: a loss of \$1.57 million), after crediting an unrealised gain on sterling denominated assets of \$0.08 million (2022: a loss of \$0.56 million), and \$0.02 million (2022: \$0.07 million) in share-based payments relating to options and warrants granted or amended during the year, which latter amount is simultaneously credited to retained reserves.

Net assets totalled \$37.19 million (2022: \$37.84 million), including \$38.43 million (2022: \$33.10 million) relating to the Empire mine, and \$0.28 million (2022: \$4.67 million) in cash. Further details are shown in the consolidated financial statements and related notes.

The Company reports a profit for the year ended 31 December 2023 of \$0.51 million (2022: a loss of \$0.07 million), and net assets of \$42.75 million (2022: \$41.32 million). During the year the Company charged its subsidiary entities \$0.90 million (2022: \$0.93 million) in respect of management services provided, and \$1.76 million (2022: \$1.34 million) in respect of interest at 6% per annum on inter-company loans, the latter eliminating on consolidation. At 31 December 2023, the Company's loans to Konnex Resources and KPX Holdings stood at \$29.78 million (2022: \$26.19 million) and \$2.76 million (2022: \$nil) respectively. These loans will be repaid from operating cash flow in due course and are intended, together with royalties receivable from Konnex, to form a platform for a future proposed dividend policy to return money to shareholders.

The directors intend to adopt a dividend policy that takes into account the Group's expected future profitability, underlying growth prospects, availability of cash and distributable reserves, and the need for funding to support the development of the business.

The Company's shares are quoted on London's AIM Market under the ticker PXC, and are also admitted to trading on New York's OTCQX Market in the form of American Depositary Receipts ("ADRs") under the ticker PXCLY, with each ADR comprising 10 ordinary shares. The Bank of New York Mellon sponsored the ADR Program and acts as ADR depository, custodian and registrar.

The financial statements are presented in US dollars, which is also the functional currency of each company within the Group. The principal operating activities of the Group are in the USA.

Capital structure

Details of the Company's share capital are disclosed in note 21 to the financial statements. The Company's shares have no nominal value.

In the year the Company issued 2,300,000 ordinary shares in respect of the exercise of warrants to subscribe in the Company's shares at an average of \$0.22 per share to raise \$0.51 million before share issue expenses (2022: 5,212,942 ordinary shares at an average of \$0.27 per share to raise \$1.42 million). All shares are issued fully paid.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Since the year end the Company has issued a further 24,141,373 ordinary shares at \$0.15 per share to raise \$3.52 million from a placing, subscription and retail offer. The Company currently has 149,069,995 ordinary shares in issue.

Directors

The directors of the Company are:

Marcus Edwards-Jones
 Ryan McDermott
 Richard Wilkins
 Andre Cohen
 Catherine Evans
 Jason Riley

The remuneration of the directors is disclosed in note 26.

Directors' interests

The beneficial interests of the directors in the share capital of the Company are as follows:

	31 December 2023 Number	31 December 2022 Number
Marcus Edwards-Jones	1,220,882	1,220,882
Ryan McDermott	465,847	465,847
Richard Wilkins	854,343	854,343
Andre Cohen	592,452	592,452
Catherine Evans	401,094	401,094
Jason Riley	40,298	40,298
	3,574,916	3,574,916

Since the year-end Marcus Edwards-Jones, Ryan McDermott and Richard Wilkins have acquired a further 140,582 shares each, and Andre Cohen a further 50,000 shares.

The beneficial interests of the directors in share options to subscribe for the share capital of the Company are as follows:

	31 December 2023 Number	31 December 2022 Number
Marcus Edwards-Jones	925,000	925,000
Ryan McDermott	1,025,000	1,025,000
Richard Wilkins	925,000	925,000
Andre Cohen	525,000	525,000
Catherine Evans	150,000	150,000
Jason Riley	325,000	325,000
	3,875,000	3,875,000

Events after the reporting date

On 31 January 2024 the Company completed a placing, subscription and retail offer to raise \$3.52 million before issue expenses.

On 2 March 2024 the Company refinanced its short-term loan facility into an 18 month term loan, repayable over 15 months following an initial 90 day repayment holiday, unless the Company redeems the loan earlier. The loan is unsecured and attracts interest at 15% per annum. The loan is potentially convertible into approximately 8.7 million new ordinary shares in the Company.

On 27 December 2023 the Company created a class of corporate copper bonds (“Bonds”) in an authorised amount of \$300 million, in anticipation of closing an initial tranche of \$80 million. \$110 million in principal value of Bonds were issued and deposited with The Bank of New York Mellon as Settlement Agent, pending onward transfer to bond investors.

Since the year-end the Company has received subscription agreements to complete a fully subscribed initial Bond issue for a principal value of a minimum \$80 million before issue expenses. The Bonds will pay a floating rate coupon subject to a minimum of 8.5% per annum and a maximum of 20%. The coupon is calculated as to the higher of a copper price coupon linked to the copper price on the London Metal Exchange, or an interest rate coupon linked to the US Federal Discount Rate. The coupon will only be payable on the principal value of Bonds drawn down.

The Bonds are not convertible, are secured on the Group’s interests in the Empire open pit mine, will be listed on a recognised European stock exchange, and have a final maturity of ten years with Bond investor option to request redemption at principal value after six years, and the Company’s option to offer early redemption at a 10% premium to principal value after five years. M&G Trustee Company are acting as Security Trustee and Escrow Agent, and The Bank of New York Mellon as Custodian and Transfer, Paying and Settlement Agent.

The Company has agreed to pay the Bond investors fees which will be satisfied by the grant of certain securities relating to the Company’s shares. Shareholder approval will be required for the issue and exercise of such securities.

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The Group also operates an employee share option scheme.

The Group is committed to providing equal opportunity for individuals in all aspects of employment. The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Group’s policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Financial Review

The Group currently has no income and meets its working capital requirements through raising development finance. In common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals the Group requires funding in order to fully develop its business plan. The directors believe that the proceeds of the Bond issue now fully subscribed will be sufficient to pay the construction costs for the Empire open pit mine, which will enable the Group to commence production and generation of income.

The results of the Group are set out above and in the accompanying financial statements.

During the year the Company raised \$0.51 million through the exercise of warrants and \$2.00 million from a short-term loan facility.

The directors' assessment of going concern is set out in note 2 to the financial statements.

Corporate governance

The directors recognise the importance of sound corporate governance, and apply the Quoted Companies Alliance's Corporate Governance Code 2018 (the "QCA Code").

The board is assisted by an Audit and Compliance Committee comprising Andre Cohen, who chairs it, and Catherine Evans; a Remuneration Committee comprising Andre Cohen, who chairs it, and Dennis Thomas; and an ESG & Sustainability Committee comprising Catherine Evans, who chairs it, Dennis Thomas and Harry Kenyon-Slaney.

During the year the Audit and Compliance Committee received and reviewed reports from the executive directors and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The objectivity and independence of the external auditors was safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of non-audit fees payable to the auditors.

The Audit and Compliance Committee met two times during the year, for audit planning purposes and to review the 2022 annual financial statements and the interim financial statements to 30 June 2023. The Committee reviewed with the independent auditor its judgments as to the acceptability of the Company's accounting principles.

Since the year end the Audit and Compliance Committee has met further with the auditors to consider the 2023 financial statements. In particular, the Committee discussed the significant audit risks, and the application of new accounting standards. In addition, the Audit and Compliance Committee monitors the auditor firm's independence from Company management and the Company.

As in 2022, the Remuneration Committee did not meet during the year as no changes to directors' remuneration were proposed from that adopted in 2021.

The Group's Environmental, Social and Governance (ESG) & Sustainability Committee, whose role is to oversee all aspects of the Group's ESG Programme, works closely with the Group's ESG Programme Coordinator based in Idaho, USA. The ESG & Sustainability Committee met three times during the year and the Committee Chairman's report is set out on page 12.

The directors' report in respect of corporate governance compliance and issues arising is set out above. The Company's Corporate Governance Statement is set out on pages 18 to 21.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

The directors are required to prepare financial statements for each financial year. The directors have elected to prepare the Group financial statements in compliance with UK adopted International Accounting Standards as it applies to the financial statements of the Group for the year ended 31 December 2023. The directors have also elected to prepare the parent company financial statements in accordance with those standards.

The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with UK adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Crowe U.K. LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at The Washington Mayfair Hotel, 5 Curzon Street, London W1J 5HE on 29 May 2024 at 11.00 a.m. BST.

On behalf of the board

Richard V L Wilkins
Director & Company Secretary
14 May 2024

Corporate Governance Statement

The Corporate Governance arrangements that the board has adopted are designed to ensure that the Company delivers medium and long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the board.

It should be noted that all the directors and members of the Advisory Board are shareholders in the Company and in some cases are founder shareholders. The directors therefore view their own medium and long-term value to be integrally linked to the medium and long-term value of the Company, and as such the interests of the directors and members of the Advisory Board are directly aligned with those of the shareholders.

The QCA Code sets out 10 principles that should be applied. These are listed below with a short explanation of how the Company applies each of the principles together with an explanation of any divergence from these principles should there be any. Save as set out below there are no exceptions to report for the current or previous financial years.

Principle 1 – Business Model and Strategy

The Company is focused on North America and, in particular, Idaho in the USA, which is recognised as a promising geopolitically stable jurisdiction. The directors intend to develop the flagship Empire copper mine in Idaho in stages, thereby enabling sound management of the development of the mine in a manner that is professional and efficient, and does not burden the Company with excessive fundraisings and unnecessary dilution to shareholders. In addition, the Company's gold, silver and cobalt properties will be developed in a timely manner that does not distract from the main focus on the Empire mine, but will consistently add incremental value to the Company. The Company is assisted in its work by internationally recognised mineral consultants, where appropriate.

Principle 2 – Understanding Shareholder Needs and Expectations

The directors are themselves shareholders and therefore have aligned interests with the shareholder base as a whole. The Company has a close relationship with most of its shareholders. The Company is in regular dialogue with its strategic shareholder, ExGen Resources Inc, holds regular meetings with larger shareholders and brokers representing private shareholders, and also holds frequent in-person meetings and / or webinar meetings with smaller private shareholders. The Company regularly updates its website, participates in podcasts and investor presentations, attends mining conferences, and releases news flow and operational updates in accordance with the AIM rules. Shareholders are also encouraged to attend the Annual General Meeting. The executive directors are also available by telephone and regularly receive calls from individual shareholders.

Principle 3 – Consider Wider Stakeholder and Social Responsibilities

The board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Group and its contractors, consultants, advisers, suppliers, regulators and other stakeholders, including the local communities where the projects are located. The board of the Company and the senior management of its operating subsidiaries make every effort to ensure that all stakeholders are communicated with effectively, that contractual terms are complied with, and that employees, in particular, are afforded a safe and enjoyable working environment, and are remunerated and incentivised appropriately.

The Group has an Environmental, Social and Governance ("ESG") & Sustainability Committee, whose role is to oversee all aspects of the Group's ESG Programme, working closely with the Group's ESG Programme Coordinator, who is based at the Empire Mine project site in Mackay, Idaho. The Committee met three times during 2023. The Group has also established the Konnex Community Advisory Team (KCAT), composed of three representatives from the Company and Konnex Resources, plus eleven independent residents of Custer and Butte Counties with diverse experience in the municipal sector, local business, entrepreneurship, and land use. The members act as an advisory group to facilitate communication between the Company and local residents and to identify ways to best benefit the local community. The KCAT meets on a quarterly basis. In addition, the local community is engaged on a regular basis via meetings with the local mayor and other officials, including

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

project site visits, and at the State level, ongoing communication is maintained with the relevant regulatory authorities. Konnex Resources Inc, the Group's Idaho registered operating company, is also a member of the Idaho Mining Association.

In the interests of transparency and accountability, the Company has engaged with Digbee ESG, an independent ESG disclosure platform for the mining industry. Digbee has produced a detailed report which focuses on both the corporate level as well as specific project-level information pertaining to the Empire Mine. This report is updated annually and can be viewed on the Company's website.

Furthermore, the Group's overall ESG activities are summarised in the Group's Sustainability Report, published annually and also available on the Company's website. This Report has been prepared in accordance with the Sustainability Accounting Standards Board (SASB), the Task Force for Climate-Related Disclosure (TCFD), and also makes reference to the UN's Sustainable Development Goals.

Principle 4 – Risk Management

The board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The board is assisted in this matter by an Audit and Compliance Committee. After consultation with the Company's external auditors, an internal audit function is not considered necessary or practical due to the size of the Company, and the close day to day control is exercised instead by the executive directors. This position will be reviewed on an annual basis by the board, in consultation with the Audit and Compliance Committee and the external auditors.

The Group also takes out relevant insurance as appropriate.

Principle 5 – A Well-functioning Board of Directors

The board consists of three executive directors, including an executive chairman, chief executive officer and chief financial officer, and three non-executive directors. Marcus Edwards-Jones chairs the board. The directors comprise a combination of technical (Ryan McDermott), financial (Richard Wilkins) and corporate (Marcus Edwards-Jones, Andre Cohen, Catherine Evans and Jason Riley) experience, specifically within the minerals sector worldwide. Ryan McDermott is also the chief executive officer of the Company's operating subsidiaries in Idaho. When possible, the board meets quarterly in person and regularly by telephone. The board has also established an Audit and Compliance Committee, a Remuneration Committee and an ESG & Sustainability Committee. The Company considers that, at this stage of its development, and given the current size of its board, it is not necessary to establish a formal Nominations Committee. This position will also be reviewed annually by the board.

Andre Cohen and Catherine Evans are considered to be independent directors. Andre Cohen chairs both the Audit and Compliance Committee and the Remuneration Committee. The Audit and Compliance Committee met twice during 2023. The Remuneration Committee did not meet as no changes to directors' remuneration were proposed. Catherine Evans chairs the ESG & Sustainability Committee, which met three times during 2023. Jason Riley represents the Company's strategic shareholder, ExGen Resources Inc, and is therefore not considered to be an independent director. The QCA Code recommends that there be two independent directors, which the board complies with.

The board is also assisted by an Advisory Board, currently comprising Dennis Thomas and Harry Kenyon-Slaney, both of whom have significant technical and corporate experience within the mining sector worldwide.

The Company reports annually on the number of board and Committee meetings that have been held and the attendance record of individual directors. During 2023 the Company held a total of 12 board meetings, and an Annual General Meeting, at which all directors were present in person, or by telephone, or by proxy.

Principle 6 – Appropriate Skills and Experience of the directors

The board consists of six directors, including Richard Wilkins, a qualified chartered accountant, who also acts as company secretary. The Company believes that the current balance of skills within the board as a whole reflects a broad and appropriate range of commercial, technical and professional skills relevant to the mining sector and to the successful development of the Company within that sector. Each of the directors has direct experience in public markets.

Brief CVs of each of the directors and officers are set out on the Company's website.

Principle 7 – Evaluation of Board Performance

Internal evaluation of the board, its Committees and individual directors and officers is to be undertaken on an annual basis by reference to how the director or officer has performed in fulfilling his/her specific functions, attendance at board and Committee meetings as appropriate, and overall contribution to the Group as a whole. The executive chairman also consults periodically with key shareholders to obtain their feedback on the board's performance. All directors seek re-election as appropriate at the Annual General Meeting in accordance with the Company's Articles and the Companies Act. Although the Company is BVI registered, the Memorandum and Articles of Association were amended at the time of the AIM IPO in 2017 to be compliant with the UK Companies Act, and have since been further amended to ensure ongoing compliance.

The directors acknowledge that succession planning is also a vital task for boards, and the management of succession planning will represent an ongoing key responsibility of the board.

Principle 8 – Corporate Culture

The Company recognises the importance of promoting an ethical corporate culture, interacting responsibly with all stakeholders and the communities and environments in which the Group operates. The board considers this to be essential if medium and long-term value is to be delivered. Accordingly, the board has approved two Corporate Governance policies; a Code of Business Conduct & Ethics, and a Whistleblower Policy, both of which can be viewed on the Company's website. The directors consider that at present the Group has an open culture facilitating comprehensive dialogue and feedback, particularly with regard to environmental, sustainability and related issues, and relevant to the ongoing successful development of the Company. The Group also participates in local community projects in Idaho and seeks to be regarded as a good corporate citizen within its spheres of operation, and in accordance with the Group's ESG Programme.

Principle 9 – Maintenance of Governance Structures and Processes

The board will review annually the effectiveness of its Corporate Governance structures and processes. The board currently considers that the balance between executive and non-executive directors, including the independent directors, and the roles of the Audit and Compliance Committee, the Remuneration Committee and the ESG & Sustainability Committee are appropriate for the Company's size and stage of development. The members and responsibilities of each Committee are set out on the Company's website. The Company has also created an Advisory Board to provide further expertise to the Company.

The board seeks to comply with a duty to act within its powers, a duty to promote the success of the Company, a duty to exercise independent judgment, a duty to exercise reasonable care, skill and diligence, a duty to avoid conflicts of interest, a duty not to accept benefits from third parties, and a duty to declare any interest in a proposed transaction or arrangement.

The Company has also implemented a code for directors' and employees' dealings in shares which is appropriate for a company whose shares are traded on AIM and is in accordance with the requirements of the Market Abuse Regulations which came into effect in 2016.

Phoenix Copper Limited

Annual report and consolidated financial statements 31 December 2023

Principle 10 – Shareholder Communication

The board is committed to maintaining good communication and having constructive dialogue with its shareholders. The directors will continue to meet with and receive calls from shareholders, large and small, institutional and private, as appropriate. The Company will continue to keep its website up to date, participate in podcasts and investor presentations, attend mining conferences, and to release news flow and operational updates as appropriate.

Results of shareholder meetings and details of votes cast will be publicly announced through the Regulatory News Service, and also published on the Company's website with suitable explanations of any actions undertaken as a result of any significant votes against the proposed resolutions.

On behalf of the board

Richard V L Wilkins
Director & Company Secretary
14 May 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX COPPER LIMITED

Opinion

We have audited the financial statements of Phoenix Copper Limited (the "Company") and its subsidiary undertakings (the Group) for the year ended 31 December 2023, which comprise:

- the consolidated income statement for the year ended 31 December 2023;
- the consolidated statement of comprehensive income for the year ended 31 December 2023;
- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of changes in equity for the year ended 31 December 2023;
- the consolidated statement of cash flows for the year ended 31 December 2023; and
- the notes to the financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that the ability of the Group to continue as a going concern is subject to a material uncertainty to the bond financing, which is conditional on shareholder approval. As stated in note 2, this represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included the following:

- We have obtained and reviewed the Board's going concern assessment and examined supporting working capital forecasts;
- We assessed the appropriateness of the approach, assumptions and arithmetic accuracy of the model used by management when performing their going concern assessment;
- We tested the integrity of the going concern model, reviewed and challenged the underlying data and key assumptions used to make the assessment;
- We discussed with management the prospect of the bond financing, reviewed the draft copies of the agreement, and agreed the quantum and timing to the cashflow forecast;

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

- We assessed the consistency of the cashflow forecast used for going concern purposes to those used for the impairment assessment of the mining property; and
- We assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements.

We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be US\$400,000, (2022: US\$390,000) based on approximately 1% (2022: 1%) of the Group's total assets. We consider an asset-based measure to be appropriate because of the stage of development of the assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. We determined performance materiality to be US\$280,000 (2022: US\$273,000).

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit and Compliance Committee to report to it all identified errors in excess of US\$20,000 (2022: US\$11,700). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our group audit strategy focused on the Company and its significant components, which were subject to full scope audits. We identified two significant components that are accounted for in Idaho, USA. The audits of the significant components located in USA were performed by a local sub-contractor under the direction and supervision of the Group audit team. We reviewed the work of the sub-contractor remotely and communicated with them and local management on a regular basis. The audit of the Company was conducted from the UK. All Group companies were within the scope of our audit testing.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX COPPER LIMITED (CONTINUED)

In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matter described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
<p>Carrying value of mining property assets.</p> <p>At the reporting date the carrying value of the Group's mining property assets was \$38.4 million (2022: \$33.1 million), as disclosed in note 13 to the financial statements.</p> <p>Management is required to assess whether there are any indicators that the mining property assets may be impaired. If any such indicators exists, then an impairment assessment is required.</p> <p>As part of our risk assessment, we determined that the carrying value of the asset is the core asset for the valuation of the Group and on the basis an impairment assessment requires the use of judgment and estimates we consider there is significant risk to material misstatement.</p>	<p>We obtained management's impairment indicator analysis and we discussed the key assumptions made in the assessment with management having regard to the impairment indicators in IAS 36 'Impairment of Assets'.</p> <p>In considering this assessment we reviewed the following sources of evidence:</p> <ul style="list-style-type: none"> • board minutes, budgets and other operational plans setting out the Group's current plans for the continued commercial appraisal of the mining development assets; • current year development of the site and whether any developments gave rise to new information that could indicate impairment; • available copper and other ore reserve appraisals; • considering reserve appraisals having regard to current and future copper and other ore prices; and • current plans and intentions for the asset with management. <p>We challenged Management on the carrying value of the mining asset, as the group net asset value is more than the Company's market capitalisation, which is an indication of impairment. In assessing this, management considered the recoverable value of the mining asset, which is determined by the economic NPV model and supported by both current and the long term forecast metal pricing. We also sensitised the economic NPV model with varying long term forecast metal pricing, and concluded there is no impairment.</p> <p>Based on the work performed, we concurred with management's assessment that the asset is not impaired and considered the adequacy and appropriateness of the disclosure made in these financial statements.</p>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information contained in the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company and taxation legislation in the jurisdictions in which the Group operates and relevant technical and environmental regulations relating to mining activities in the state of Idaho, USA, which are mitigated and

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

managed by management in conjunction with expert technical and regulatory consultants in order to monitor the latest regulations and planned changes to the regulatory environment.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with our engagement letter dated 7 December 2021. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Charlton
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

14 May 2024

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Consolidated income statement

		Year Ended 31 December 2023	Year Ended 31 December 2022
Continuing operations	Note	\$	\$
Revenue	6	-	-
Exploration & evaluation expenditure		(28,839)	-
Gross loss		(28,839)	-
Administrative expenses	7	(1,564,759)	(1,568,475)
Other operating expenses	16	(14,372)	(37,777)
Loss from operations		(1,607,970)	(1,606,252)
Finance income		34,196	32,104
Finance costs		-	-
Loss before taxation		(1,573,774)	(1,574,148)
Tax on loss on ordinary activities	11	-	-
Loss for the year		(1,573,774)	(1,574,148)
Loss attributable to:			
Owners of the parent		(1,535,494)	(1,546,827)
Non-controlling interests		(38,280)	(27,321)
		(1,573,774)	(1,574,148)
Loss per share attributable to owners of the parent:			
Basic and diluted EPS expressed in US cents per share	12	(1.24)	(1.27)

Consolidated statement of comprehensive income

		Year Ended 31 December 2023	Year Ended 31 December 2022
		\$	\$
Loss for the year		(1,573,774)	(1,574,148)
Total comprehensive income attributable to:			
Owners of the parent		(1,535,494)	(1,546,827)
Non-controlling interests		(38,280)	(27,321)
		(1,573,774)	(1,574,148)

The notes on pages 31 to 54 form part of these financial statements.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Consolidated statement of financial position

	Note	31 December 2023 \$	31 December 2022 \$
Non-current assets			
Property, plant and equipment – mining property	13	38,432,522	33,104,230
Intangible assets	14	356,805	347,000
		38,789,327	33,451,230
Current assets			
Trade and other receivables	15	1,434,280	1,534,507
Financial assets	16	4,191	18,563
Cash and cash equivalents	17	283,721	4,664,233
		1,722,192	6,217,303
Total assets		40,511,519	39,668,533
Current liabilities			
Trade and other payables	18	426,723	572,470
Borrowings and other liabilities	19	2,238,501	500,000
		2,665,224	1,072,470
Non-current liabilities			
Provisions for other liabilities	20	657,702	757,702
		657,702	757,702
Total liabilities		3,322,926	1,830,172
Net assets		37,188,593	37,838,361
Equity			
Ordinary shares	21	-	-
Share Premium		45,390,217	44,878,927
Retained loss		(8,209,258)	(7,086,480)
Foreign exchange translation reserve		(18,588)	(18,588)
Equity attributable to owners of the parent		37,162,371	37,773,859
Non-controlling interests		26,222	64,502
Total equity		37,188,593	37,838,361

The financial statements were approved by the Board of Directors and authorized for issue on 14 May 2024.

On behalf of the Board

Richard V L Wilkins
 Director

The notes on pages 31 to 54 form part of these financial statements.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Consolidated statement of changes in equity

	Ordinary shares	Share premium	Retained loss	Foreign exchange translation reserve	Total	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
At 1 January 2022	-	43,460,747	(5,751,359)	(18,588)	37,690,800	91,823	37,782,623
Loss for the year	-	-	(1,546,827)	-	(1,546,827)	(27,321)	(1,574,148)
Total comprehensive income for the year	-	-	(1,546,827)	-	(1,546,827)	(27,321)	(1,574,148)
Shares issued in the period	-	1,418,180	-	-	1,418,180	-	1,418,180
Share issue expenses	-	-	-	-	-	-	-
Share-based payments	-	-	211,706	-	211,706	-	211,706
Total transactions with owners	-	1,418,180	211,706	-	1,629,886	-	1,629,886
At 31 December 2022	-	44,878,927	(7,086,480)	(18,588)	37,773,859	64,502	37,838,361
At 1 January 2023	-	44,878,927	(7,086,480)	(18,588)	37,773,859	64,502	37,838,361
Loss for the year	-	-	(1,535,494)	-	(1,535,494)	(38,280)	(1,573,774)
Total comprehensive income for the year	-	-	(1,535,494)	-	(1,535,494)	(38,280)	(1,573,774)
Shares issued in the period	-	511,290	-	-	511,290	-	511,290
Share issue expenses	-	-	-	-	-	-	-
Share-based payments	-	-	412,716	-	412,716	-	412,716
Total transactions with owners	-	511,290	412,716	-	924,006	-	924,006
At 31 December 2023	-	45,390,217	(8,209,258)	(18,588)	37,162,371	26,222	37,188,593

The notes on pages 31 to 54 form part of these financial statements.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Consolidated statement of cash flows	31 December 2023	31 December 2022
	\$	\$
Cash flows from operating activities		
Loss before tax	(1,573,774)	(1,574,148)
<i>Adjustments for:</i>		
Share-based payments	18,991	67,818
Fair value adjustment to financial asset	14,372	37,777
	<u>(1,540,411)</u>	(1,468,553)
Decrease/(increase) in trade and other receivables	100,226	(58,563)
Decrease in trade and other payables	(97,245)	(310,726)
Net cash used in operating activities	<u>(1,537,430)</u>	(1,837,842)
Cash flows from investing activities		
Purchase of intangible assets	(9,805)	(16,156)
Purchase of property, plant and equipment	(5,034,567)	(6,836,312)
Net cash used in investing activities	<u>(5,044,372)</u>	(6,852,468)
Cash flows from financing activities		
Proceeds from the issuance of ordinary shares	511,290	1,418,180
Preliminary bond-issue expenses	-	(1,110,166)
Proceeds from borrowings	2,000,000	-
Repayment of deferred liability	(310,000)	-
Net cash generated from financing activities	<u>2,201,290</u>	308,014
Net decrease in cash and cash equivalents	(4,380,512)	(8,382,296)
Cash and cash equivalents at the beginning of the year	4,664,233	13,046,529
Cash and cash equivalents at the end of the year	<u>283,721</u>	4,664,233

Significant non-cash transactions:

During the year an amount of \$412,716 (2022: \$143,888) was credited to the retained loss in respect of the charge for share-based payments, of which \$393,725 has been capitalised into mining property. Additionally, the provision for site restoration of \$100,000 has been released and mining property has been credited with this amount.

The loss before taxation includes a foreign exchange gain of \$82,634 (2022 loss of: \$564,353), of which \$73,216 (2022: loss of \$547,374) related to sterling denominated cash balances.

The notes on pages 31 to 54 form part of these financial statements.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

1 General information

Phoenix Copper Limited (the “Company”) and its subsidiary undertakings (the “Group”) are engaged in exploration and mining activities, primarily precious and base metals, primarily in North America. The Company is domiciled and incorporated in the British Virgin Islands on 19 September 2013 (registered number 1791533). The address of its registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola VG1110, British Virgin Islands. The Company is quoted on London’s AIM (ticker: PXC) and trades on New York’s OTCQX Market (ticker: PXCLF; ADR ticker PXCLY).

The subsidiaries of the Company are:

Incorporated in the United States of America

KPX Holdings Inc (100% equity holding)

Subsidiaries of KPX Holdings Inc:

Konnex Recourses Inc (80% equity holding)

Borah Resources Inc (100% equity holding)

Lost River Resources Inc (100% equity holding)

Salmon Canyon Resources Inc (100% equity holding)

2 Going concern

The Group currently has no income and meets its working capital requirements through raising development finance. In common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals the Group requires funding in order to fully develop its business plan. The directors believe that the proceeds of the Bond issue now fully subscribed will be sufficient to pay the construction costs for the Empire open pit mine, which will enable the Group to commence production and generation of income. The Company is required to issue certain securities that the Company has agreed to grant the Bond investors by way of fees, which is conditional on shareholder approval. As there is no certainty the shareholders will approve, this condition indicates the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

During the year the Company raised \$0.51 million by way of the exercise of warrants. Subsequent to the year end, the Company raised \$3.52 million from the placement of new shares and refinanced the short-term loan facility into an 18 month term loan.

The directors have prepared annual budgets and forecasts for the period through to 30 June 2025 in order to ensure that they have sufficient liquidity in place and that they comply with the terms and conditions of their obligations in relation to the ongoing development of the mining assets and the Group’s environmental and other commitments.

At the date of approval of these financial statements, the directors are confident that shareholder approval will be obtained and therefore have a reasonable expectation that the Group will have adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

3 Basis of preparation

Summary of material accounting policies

The consolidated financial statements of Phoenix Copper Limited have been prepared in accordance with UK adopted International Accounting Standards.

The principal accounting policies applied by the Company in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented. The financial statements have been prepared on a historic cost basis except for certain financial assets which are measured at fair value.

New standards effective this year have not affected have the recognition, measurement or disclosures.

New standards, interpretations and amendments not yet effective

At the date of authorisation of the Group's financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective in the UK and have not been adopted early by the Group. The most significant of these are as follows, which are effective for the periods beginning after 1 January 2024:

Lack of Exchangeability —Amendments to IAS 21

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

Amendments to IAS 1 Presentation of Financial Statements

- Non-current Liabilities with Covenants
- Deferral of Effective Date Amendment (published 15 July 2020)

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) (published 23 January 2020)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

All relevant standards, amendments and interpretations to existing standards will be adopted in the Group's accounting policies in the first period beginning on or after the effective date of the relevant pronouncement of adoption by the UK Accounting Standards Endorsement Board.

The directors do not anticipate that the adoption of these standards, amendments and interpretations will have a material impact on the Group's financial statements in the periods of initial application.

Revenue Recognition

The Group is not currently producing revenues from its mineral exploration and mining activities.

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated on the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains of transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment to the transferred asset.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of financial position respectively.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets were acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- fair-value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair-value of any asset or liability resulting from a contingent consideration arrangement, and fair-value of any pre-existing equity interest in the subsidiary.

Included in mining development assets of the Group at 29 June 2017 were costs of £1,103,357 (\$1,434,364) related to the business combination. On that date the Company achieved control of Konnex Resources Inc and those costs were transferred to the cost of investment in the Company's financial statements and reclassified on consolidation as the fair-value of consideration paid in respect of the 80% holding in Konnex Resources Inc acquired.

Identifiable assets and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair-values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the fair-value of the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair-value of any previous equity-interest over the fair-value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair-value of the net identifiable assets of the business acquired, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of acquisition transaction. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Mineral rights acquired and exploration and evaluation expenditure capitalised

Mineral rights and exploration and evaluation costs arise from expenditure incurred prior to development activities and include the cost of acquiring and maintaining the rights to explore, investigate, examine and evaluate an area for mineralisation.

Exploration and evaluation expenditure is classified as an intangible asset and in the relevant area of interest comprises costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- compiling pre-feasibility and feasibility studies.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalised costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest, and where the existence of a commercially viable mineral deposit has been established. Costs so capitalised are classified as an intangible asset until a decision to develop the mining site is made. On this decision being made the accumulated expenditure is tested for impairment and the expected recoverable amount is reclassified as a mining property within property, plant and equipment.

No amortisation charge is recognised in respect of these intangible assets. Mineral rights and exploration and evaluation expenditure are capitalised within non-current intangible assets until such time that the activities have reached a stage which permits a reasonable assessment of the existence of commercially exploitable reserves. Once this has occurred, the respective costs previously held as intangible assets are transferred to mining property within property, plant and equipment. Amortisation of mining properties commences on the commencement of commercial production.

Where the projects have not yet been granted a licence or are determined not to be commercially viable, the related costs are written off to the income statement.

Capitalised exploration and evaluation expenditure is assessed for impairment in accordance with the indicators set out in IFRS 6 Exploration for and Evaluation of Mineral Reserves. In circumstances where a property is abandoned, the cumulative costs relating to the property are written off.

Mining development assets

Development expenditures are costs incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing. The development assets are outside the scope of IFRS 6 and IAS 38, but this policy is based on the guidance in IAS 16 and IAS 38 which have been used as a framework.

Development assets are accumulated generally on an asset-by-asset basis and represent the cost of developing the commercial resource discovered and bringing it into production, together with any exploration expenditures incurred in finding commercial resource.

The cost of development assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of insuring or providing for future restoration and decommissioning of mining sites.

Property, plant and equipment

On initial recognition, land, property, plant and equipment are valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Company.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use and transferred to the appropriate category of property, plant and equipment.

Mining assets including any capitalised stripping costs and except for certain mining equipment and buildings, where economic benefits from the asset are not consumed in a pattern which is linked to the production level, are depreciated using a units of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. In applying the units of production method, depreciation is normally calculated using the quantity of material processed at the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Depreciation on all other assets is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Mining machinery and equipment	5 - 20 years
Office furniture	5 years
Computer equipment	5 years

Expenses incurred in respect of the maintenance and repair of property, plant and equipment are charged against income when incurred. Refurbishment and improvement expenditure, where the benefit is expected to be long lasting, is capitalised as part of the appropriate asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the income statement. The expected useful economic life and residual values of property, plant and equipment are reviewed annually.

Impairment of tangible and intangible assets

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) in prior years.

Any impairment loss arising from goodwill is not reversed.

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. At 31 December 2023 the Group had no financial assets in a qualifying hedging relationship and has not entered into any derivative-based transactions. The Group is not yet income producing and has no trade receivables.

Amortised cost

These assets arise principally from calls for share capital. They are carried at the value of the share capital applied for. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 and the probability of the non-payment of the receivables is assessed. On confirmation

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

that the amount of the called share capital will not be collectible the related share capital is cancelled.

Other financial assets comprise security deposits paid by the Group. These are stated at fair-value less any amounts expected to be forfeit.

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and short-term bank deposits with a maturity of less than 90 days.

Financial liabilities

Financial liabilities comprise trade and other payables and have all been classified as financial liabilities measured at amortised cost.

Borrowings

Borrowings are initially recognised at fair-value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised over profit and loss over the period of the borrowings using the effective interest rate method. Borrowing costs attributable to the development of mining properties are capitalised.

Borrowings are removed from the Statement of Financial Position when the obligation in respect of that borrowing has been discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Other borrowing costs are expensed in the period in which they are incurred.

Share Capital

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares are classified as equity instruments.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered. Deferred tax balances are not discounted.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Company; or
- different company entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be settled or recovered.

Rehabilitation provision

The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closing plant and waste sites and restoring, reclaiming and revegetating affected areas.

The obligation generally arises when the asset is installed or the ground is disturbed at the mine's location.

Where the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that such costs were incurred as a result of the mining operations, mine development and mine construction. If further similar obligations arise as mining operations continue these costs are also capitalised. Costs related to the obligation arising after mine operations have commenced are expensed as incurred unless related to a new mine area, whereupon they are capitalised as described above.

Changes to the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising adjustments to the rehabilitation liability together with a corresponding adjustment to the asset to which it relates.

Any reduction in the obligation and therefore from the corresponding asset may not exceed the carrying value of the asset to which it relates. If a change to value of the estimate results in a corresponding increase in the value of the corresponding asset the asset is tested for potential impairment. Any irrecoverable amount is expensed directly in profit and loss. Over time the discounted liability is increased for the change in present value based on discount rates that reflect current market assessment of the risks specific to the liability. Periodic unwinding of the discount is recognised in profit and loss as part of finance costs.

For closed sites changes to the estimated liability are recognised immediately in profit and loss.

The Group neither recognises the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the potential deferred tax liability in respect of the decommissioning asset.

Costs incurred in respect of mining site restoration and other environmental responsibilities are capitalised into mining property while the mine is under development. On commencement of production these capitalised expenses are amortised to profit and loss over the operating life of the mine and future operating expenditures in respect of the producing property are expensed as incurred.

Other provisions for liabilities

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in profit or loss in the period it arises.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

Share-based payments

Certain employees (including directors and senior executives) of the Group have received a proportion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised in the income statement or capitalised in the statement of financial position, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative charge recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No charge is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum charge recognised is the cost as if the terms had not been modified. An additional charge is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any charge not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement and other employee benefits

The Group does not currently provide pension or other employee benefits. This will be reviewed by the Board as the Group develops its activities.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

Foreign currencies

The financial statements of the Group are presented in the currency of the primary economic environment in which it operates which is US Dollars. The US Dollar is also the functional currency of each company within the Group.

In preparing the consolidated financial statements of the Company, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

Operating Segments

The Board considers that the Group's project activity constitutes one operating and one reporting segment, as defined under IFRS 8.

The total profit measures are operating profit and profit for the year, both disclosed on the face of the income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information. Current exploration and evaluation activities are undertaken in the United States of America.

4 Critical accounting estimates and judgments, key assumptions made and sources of estimation uncertainty.

The Group makes certain estimates and assumptions regarding the future. The significant judgments made by the Group are:

- The capitalisation of exploration and development mining property costs and the future recovery of the amounts capitalised amounting to \$38.79 million (2022: \$33.45 million).
- The allocation of the fees paid as a result of entering into short term loan facilities, with a maturity of less than one year, including those arising through the issuance of warrants forming part of the consideration for loan expenses due to the originator (see also note 23), to loan issuance expenses. For the financial year ended 31 December 2023 all such issuance costs (\$148,289: 2022 \$nil) are allocated to mine development expenditure.

The principle estimates made by the Group include the projected value of net revenues expected to arise from the extraction and sale of minerals potentially contained within both of the Group's exploration and evaluation sites and its mining property. Projected net revenues include projected extraction expenses, projected sale and delivery expenses, the effect, if any, of a review of any potential impairment charges relating to the mining property and the expected provision for future site restoration and remedial works in respect of the Group's mining sites. These key assumptions are the primary source of estimation uncertainty within the Group.

Estimates and judgments are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The key assumptions made relate to the recovery of mineral resources from the Group's mining operations in the quantity and quality of grade projected within the Group's projections for these sites.

For a discussion of these refer to the Chief Executive Officer's Report on page 5 and also notes 13 (Non-current assets - Mining property) and 14 (Intangible assets: Exploration and evaluation expenditure).

5 Financial instruments – Risk management

The board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the board is to set policies that seek to reduce risk as far as possible without

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

unduly affecting the Group's competitiveness and flexibility. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

Cash and cash equivalents are held in Sterling and US dollars and are placed on deposit in UK and US banks.

The Group is exposed to the following financial risks:

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances and borrowing facilities to meet its expected cash requirements.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks. Credit risk is managed on a Group basis. Only major banks with a good credit rating are used.

Foreign currency risk

Foreign currency risk arises from the incurring of operating expenses in Sterling and in US dollars. Share capital is raised in both Sterling and US dollars. Foreign currency risk is managed on a Group basis. The Group does not presently use any currency hedging contracts.

At 31 December 2023 the Group held the following significant assets and liabilities in Sterling:

Cash £20,364 (2022: £2,373,436).

Trade and other receivables £395,360 (2022: £349,013).

Trade and other payables £97,210 (2022: £100,041).

Foreign currency risk

Foreign currency risk arises from the incurring of operating expenses in Sterling and in US dollars. Share capital is raised in both Sterling and US dollars. Foreign currency risk is managed on a Group basis. The Group does not presently use any currency hedging contracts.

Capital Management

The Group's capital is made up of share capital, share premium, retained earnings, foreign currency translation reserve and the value of non-controlling interests. These amounts totalled \$37.19 million at 31 December 2023 (31 December 2022: \$37.84 million).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders' equity as set out in the statement of changes in equity. All working capital requirements are financed from existing cash resources.

6 Revenue

The Group is not yet producing revenues from its mineral exploration and mining activities. The Company charged its subsidiary entities \$900,000 (2022: \$930,000) in respect of management services provided.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

7 Administrative expenses	31 December 2023	31 December 2022
<i>Administrative expenses include:</i>	\$	\$
Employee costs (note 9)	880,352	880,131
Share-based payments	18,991	67,818
Foreign currency (gains)/losses	(82,634)	564,353
Audit fees (note 10)	59,541	45,852

8 Average number of people, including executive directors, employed:	31 December 2023 Number	31 December 2022 Number
Administration	6	6
Operations	11	12
	17	18

9 Employee costs including directors	31 December 2023	31 December 2022
	\$	\$
Salaries and fees payable	1,747,902	1,890,397
Transferred to property, plant and equipment - mining property	(867,550)	(1,010,266)
	880,352	880,131

The remuneration of the directors and key management personnel is disclosed in note 26.

The Group's employees include the directors, management and other staff working in the subsidiaries. Share options have also been issued to the directors and senior management. These are disclosed in the Directors' Report on page 14.

10 Auditor's remuneration	31 December 2023	31 December 2022
	\$	\$
Fees payable for the audit of the Company's consolidated financial statements	59,541	45,852
Fees payable for taxation compliance services	-	4,840
	59,541	50,692

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

11 Taxation	31 December 2023	31 December 2022
	\$	\$
<i>Current tax</i>		
Income and corporation taxes	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of other differences	-	-
Total deferred tax	-	-
Income tax expense	-	-

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the losses in the consolidated entities as follows:

	31 December 2023	31 December 2022
	\$	\$
Tax on loss from ordinary activities		
Loss before tax	(1,573,774)	(1,574,148)
Tax calculated at domestic tax rates applicable to profits and losses in the respective countries of 25.14% (2022: 19.97%)	396,968	314,321
Tax losses not recognised	(393,443)	(299,088)
Other differences	(3,525)	(15,233)
Current tax	-	-

The Company is resident in the United Kingdom for corporate taxation purposes. The Group also has taxable operating activities in the USA. The Group has not recognised the benefit of tax losses potentially available. At 31 December 2023 the Company had available tax losses amounting to \$2,095,724 (2022: \$2,136,540). No deferred tax asset has been recognised in respect of the Group's share option scheme.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

12 Loss per share	31 December 2023	31 December 2022
	\$	\$
Loss attributable to the parent used in calculating basic and diluted loss per Share	<u>(1,535,494)</u>	<u>(1,546,827)</u>
<i>Number of shares</i>		
Weighted average number of shares for the purpose of basic earnings per share	<u>123,483,143</u>	121,794,101
Weighted average number of shares for the purpose of diluted earnings per share	<u>123,483,143</u>	121,794,101
Basic loss per share (US cents per share)	<u>(1.24)</u>	(1.27)
Diluted loss per share (US cents per share)	<u>(1.24)</u>	(1.27)

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Where the Group has incurred a loss in a year the diluted earnings per share is the same as the basic earnings per share.

The Company has potentially issuable shares of 20,350,158 (2022: 13,746,457) all of which relate to the potential dilution in respect of warrants and share options issued by the Company. See also notes 21, 23 and 25.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

13 Non-current assets	Mining property \$
<i>At 1 January 2022</i>	26,124,030
Additions	6,980,200
<i>At 31 December 2022</i>	<u>33,104,230</u>
<i>At 1 January 2023</i>	33,104,230
Additions	5,328,292
<i>At 31 December 2023</i>	<u>38,432,522</u>
Net book value	
At 1 January 2022	<u>26,124,030</u>
At 31 December 2022	<u>33,104,230</u>
At 31 December 2023	<u>38,432,522</u>

Mining property assets relate to the past producing Empire Mine copper – gold – silver – zinc project in Idaho, USA. The Empire Mine has not yet recommenced production and no depreciation has been charged in the statement of comprehensive income. There has been no impairment charged in any period due to the early stage in the Group's project to reactivate the mine.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

14 Intangible assets

	Exploration and evaluation expenditure \$
<i>At 1 January 2022</i>	330,844
Additions	16,156
<i>At 31 December 2022</i>	347,000
<i>At 1 January 2023</i>	347,000
Additions	9,805
<i>At 31 December 2023</i>	356,805
Net book value	
At 1 January 2022	330,844
At 31 December 2022	347,000
At 31 December 2023	356,805

Exploration and evaluation expenditure relates to the Bighorn and Redcastle properties on the Idaho Cobalt Belt in Idaho, USA. The Bighorn property is owned by Salmon Canyon Resources Inc. The Redcastle property is owned by Borah Resources Inc. Both companies are wholly owned subsidiaries of KPX Holdings Inc, a wholly owned subsidiary of the parent entity, and each of which are registered and domiciled in Idaho. The Redcastle property is subject to an Earn-In Agreement with First Cobalt Idaho, a wholly owned subsidiary of Electra Battery Materials Corporation of Toronto, Canada (see also note 16).

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

15 Trade and other receivables

	31 December 2023	31 December 2022
	\$	\$
Other receivables	382,179	181,072
Preliminary bond issue expenses	882,814	1,110,166
Prepaid expenses	169,287	243,269
	<u>1,434,280</u>	<u>1,534,507</u>

There were no receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above. The preliminary bond issue expenses relate to the corporate copper bonds, and will be deducted from the proceeds of the bonds and amortised to finance expenses over the expected life of the bonds.

16 Financial assets

	31 December 2023	31 December 2022
	\$	\$
Quoted investments	<u>4,191</u>	<u>18,563</u>

Quoted investments represent 11,111 shares in Toronto-based Electra Battery Materials Corporation. The shares have been valued at market price as at 31 December 2023. A fair value adjustment of \$14,372 (2022: \$37,777) has been charged to other operating expenses.

17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term bank deposits.

18 Trade and other payables

	31 December 2023	31 December 2022
	\$	\$
Trade payables	410,448	569,864
Other payables	16,275	2,606
	<u>426,723</u>	<u>572,470</u>

All trade and other payables are payable on demand or have payment terms of less than 90 days. The Group is not exposed to any significant currency risk in respect of its payables.

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

19 Borrowings and other liabilities

	31 December 2023	31 December 2022
	\$	\$
Current liabilities		
Short-term borrowings	2,048,501	-
Deferred consideration	190,000	500,000
	2,238,501	500,000

During the year the Group entered a short-term unsecured funding arrangement of \$2,000,000, with an initial fixed 4% coupon, which was subsequently modified on several occasions in the year under review. Under the terms of the agreement the term of the loan was extended to 23 March 2024, at an interest rate of 1% per month. On 2 March 2024 the Company refinanced the facility into an 18 month term loan, repayable over 15 months following an initial 90 day repayment holiday, unless the Company redeems the loan earlier. The loan remains unsecured and attracts interest at 15% per annum. The loan is potentially convertible into approximately 8.7 million new ordinary shares in the Company.

The quantum of any possible adjustment relating to the modification of the short-term borrowing is immaterial. Accordingly, no adjustment is recognised in these financial statements.

In April 2021 the Group entered into an agreement with Mackay LLC to acquire 1% of the 2.5% net smelter royalty payable on mining leases on the Empire Mine in Idaho, USA. Total consideration payable to Mackay LLC was \$800,000, of which \$610,000 has been paid.

20 Provisions

	31 December 2023	31 December 2022
	\$	\$
Rehabilitation provision	-	100,000
Royalties payable	657,702	657,702
	657,702	757,702

The provision of \$100,000 for decommissioning the Empire Mine was released in the year. All current environmental reclamation and rehabilitation costs are now covered by insurance bonds and other deposits contracted in the United States by Konnex Resources as and when required. During the year \$140,100 (2022: \$38,970) of such costs have been capitalised into mining property.

The other provision of \$657,702 arises from a business combination in 2017 and comprises potential royalties payable in respect of future production at the Empire Mine. This liability will only be payable if the Empire Mine is successfully restored to production and will be deducted from the royalties payable. The amount of the provision will be reassessed as exploration work continues and also on commencement of commercial production.

21 Share capital

	Group and Company Number 2023	Group and Company Number 2022
Number of ordinary shares of no par value		
At the beginning of the year	122,628,622	117,415,680
Issued in the year	2,300,000	5,212,942
At the end of the year	124,928,622	122,628,622

The Company does not have an authorised capital and is authorised to issue an unlimited number of no-par value shares of a single class.

In the year the Company issued 2,300,000 ordinary shares at an average issue price of \$0.22 per share to raise \$0.51 million in respect of warrants exercised. All shares are issued fully paid. See also notes 15 and 25.

Since the year-end the Company has issued a further 24,141,373 ordinary shares at \$0.15 per share from a placing, subscription and retail offer. The Company currently has 149,069,995 ordinary shares in issue.

The ordinary shares in the Company have no par value. All ordinary shares have equal voting rights in respect of shareholder meetings. All ordinary shares have equal rights to dividends and the assets of the Company.

The Company has issued warrants to subscribe for additional shares. Each warrant provides the right to the holder to convert one warrant into one ordinary share of no-par value at exercise prices ranging from £0.18 to £0.50. At 31 December 2023 the number of warrants in issue was 9,221,457 (2022: 7,521,457).

The Company has issued options to subscribe for additional shares to the directors and senior employees of the Group. Each option provides the right to the holder to subscribe for one ordinary share of no par-value, subject to the vesting conditions, at exercise prices ranging from £0.17 to £0.50. On 31 December 2023 the number of options in issue was 6,225,000 (2022: 6,225,000).

Since the year end a further 4,903,701 warrants have been issued at exercise prices ranging from £0.115 to £0.20.

22 Capital and reserves

The Company's ordinary shares have no par value.

Share premium is the amount subscribed for share capital in excess of nominal value less attributable share-issue expenses.

The foreign exchange translation reserve is the difference arising in 2017 on the translation of the financial statements of the Company from Pounds Sterling into US Dollars, the Group's presentational currency. On 1 January 2018 the Group determined that its functional currency was US Dollars.

Retained deficit is the cumulative loss of the Group attributable to equity shareholders.

Non-controlling interests is the value of equity in subsidiary companies owned by third parties.

23 Share-based payments

The Company has issued 9,221,457 (2022: 7,521,457) warrants to subscribe for additional share capital of the Company. Each warrant entitles the holder to subscribe for one ordinary equity share in the Company. The right to convert each warrant is unconditional.

Additionally, the Company has issued 6,225,000 (2022: 6,225,000) share options to directors and senior employees of the Group. Each share option entitles the holder to subscribe for one ordinary equity share in the Company once the vesting conditions have been satisfied. No new share options were issued or amended in the year ended 31 December 2023.

In the periods presented the Company has operated an equity-settled share based incentivisation schemes for employees.

Equity-settled share-based payments are measured at fair-value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of issue. The warrants were issued as exercisable from the date they were issued and there are no further vesting conditions applicable.

Warrants issued	Weighted Average Exercise price	31 December 2023 Number	31 December 2022 Number
At the beginning of the year	£0.40	7,521,457	12,577,920
Issued in the year	£0.35	-	707,500
Issued in the year	£0.50	-	1,570,455
Issued in the year	£0.42	2,000,000	-
Issued in the year	£0.18	2,000,000	-
Exercised prior year – average exercise price	£0.30		(5,212,942)
Exercised in the year – average exercise price	£0.18	(2,300,000)	-
Lapsed	£0.42	-	(2,121,476)
Modification of warrant exercise price	£0.12	-	-
At the end of the year	£0.38	9,221,457	7,521,457

Share options issued	Weighted average Exercise price	31 December 2023 Number	31 December 2022 Number
At the beginning of the year	£0.34	6,225,000	6,025,000
Issued in the year	£0.30	-	200,000
At the end of the year	£0.34	6,225,000	6,225,000

The total share-based payment charge for all warrants and options in the year was \$412,716 of which \$18,191 has been charged to profit and loss and \$393,725 allocated to Mining Property (2022: \$211,706, \$67,818 and \$143,888 respectively). The share-based payment charge was calculated using the Black-Scholes model. All warrants issued vest

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

immediately on issue. Share options vest up to a 36-month period from the date of issue, or on the achievement of certain vesting milestones.

Volatility for the calculation of the share-based payment charge in respect of both the warrants and the share options issued was determined by reference to movements in the Company's quoted share price on AIM.

The inputs into the Black-Scholes model for the warrants and share options issued were as follows:

	31 December 2023	31 December 2023
	Warrants issued	Share options issued
Weighted average share price at grant date	£0.30	-
Weighted average exercise prices	£0.33	-
Weighted average expected volatility	116.5%	-
Expected life in years	1.00	-
Weighted average contractual life in years	1.00	-
Risk-free interest rate	3.5%	-
Expected dividend yield	-	-
Fair-value of warrants granted (pence)	£0.065	-

On 23 March 2023 the Company issued 2,000,000 warrants with an exercise price of £0.42, the share price on the date of issue was £0.23 and the fair-value of each warrant was £0.05. On 25 September 2023 the exercise price of these warrants was amended to £0.30. This amendment has been valued as a modified instrument with a fair-value of £0.01.

On 14 September 2023 the Company issued 2,000,000 warrants with an exercise price of £0.18, the share price at the date of issue was £0.20 and the fair-value of each warrant was £0.08.

The warrants issued are all exercisable from the date of issue. The average volatility for the warrants issued was 116.5%.

No share options were issued or amended in the year. The number of outstanding share options are exercisable between £0.30 to £0.34.

The expected life of the outstanding warrants and options is up to 1 year.

Share-based payments allocation of charge	31 December 2023	31 December 2022
	\$	\$
Share options	54,262	169,843
Warrants including modification	358,454	41,863
Total charge	412,716	211,706
Allocation:		
Mining property	393,725	143,888
Administrative expenses	18,991	67,818
	412,716	211,706

Phoenix Copper Limited
Annual report and consolidated financial statements 31 December 2023

The share-based payment charge has been simultaneously credited to retained deficit.

24 Capital commitments

There were no outstanding capital commitments at 31 December 2023 (2022: \$nil).

25 Events after the reporting date

On 31 January 2024 the Company completed a placing, subscription and retail offer to raise \$3.52 million before issue expenses.

On 2 March 2024 the Company refinanced its short-term loan facility (see also note 19) into an 18 month term loan, repayable over 15 months following an initial 90 day repayment holiday, unless the Company redeems the loan earlier. The loan is unsecured and attracts interest at 15% per annum. The loan is potentially convertible into approximately 8.7 million new ordinary shares in the Company. It is the intention of the Company to repay this loan from the proceeds of its corporate copper bond issue (see below).

On 27 December 2023 the Company created a class of corporate copper bonds ("Bonds") in an authorised amount of \$300 million, in anticipation of closing an initial tranche of \$80 million. \$110 million in principal value of Bonds were issued and deposited with The Bank of New York Mellon as Settlement Agent, pending onward transfer to bond investors.

Since the year-end the Company has received subscription agreements to complete a fully subscribed initial Bond issue for a principal value of a minimum \$80 million before issue expenses. The Bonds will pay a floating rate coupon subject to a minimum of 8.5% per annum and a maximum of 20%. The coupon is calculated as to the higher of a copper price coupon linked to the copper price on the London Metal Exchange, or an interest rate coupon linked to the US Federal Discount Rate. The coupon will only be payable on the principal value of Bonds drawn down.

The Bonds are not convertible, are secured on the Group's interests in the Empire open pit mine, will be listed on a recognised European stock exchange, and have a final maturity of ten years with Bond investor option to request redemption at principal value after six years, and the Company's option to offer early redemption at a 10% premium to principal value after five years. M&G Trustee Company are acting as Security Trustee and Escrow Agent, and The Bank of New York Mellon as Custodian and Transfer, Paying and Settlement Agent.

The Company has agreed to pay the Bond investors fees which will be satisfied by the grant of certain securities relating to the Company's shares. Shareholder approval will be required for the issue and exercise of such securities.

26 Related party transactions

The interests of the directors in the share capital, warrants and share options of the Company are disclosed in the Directors' Report on page 14. The amount charged within the income statement for the year in respect of share options, all of which are held by the directors, officers and employees, is set out in note 7.

The remuneration of the directors is included in note 9.

The remuneration of the directors was as follows:

	31 December 2023	31 December 2022
	\$	\$
Marcus Edwards-Jones	187,308	187,487
Ryan McDermott	241,500	239,925
Richard Wilkins	187,308	187,487
Andre Cohen	44,550	44,340
Jason Riley	29,700	29,560
Catherine Evans	79,447	75,647
	<u>769,813</u>	<u>764,446</u>

Directors' remuneration comprises fees payable. Fees payable to executive directors and officers include an annual discretionary bonus equal to 15% of fees paid in lieu of benefits. The directors received no other benefits in the year.

In addition, Dennis Thomas received \$77,517 (2022: \$139,792) and Harry Kenyon-Slaney received \$34,897 (2022: \$34,731) in respect of advisory board and consultancy fees for services provided to the Group.

The Company has advanced \$29,776,142 to Konnex Resources Inc (2022: \$26,192,285) and \$2,763,846 to KPX Holdings Inc (2022: \$nil). The amounts advanced are in support of the mining and exploration operations at each of these subsidiaries, are classified as other receivables and eliminate on consolidation. During the year the Company charged interest to Konnex Resources Inc of \$1,641,850 (2022: \$1,343,206) and to KPX Holdings Inc of \$118,236 (2022: \$nil).

On 31 December 2022 the Company transferred its investments in Konnex Resources Inc ("Konnex"), Borah Resources Inc, Lost River Resources Inc and Salmon Canyon Resources Inc, together with amounts advanced to Borah Resources Inc, Lost River Resources Inc and Salmon Canyon Resources Inc, totalling \$4,419,273, to KPX Holdings Inc, its Idaho registered intermediate holding company, in return for 100% of the equity of KPX Holdings Inc.

During the year the Company paid \$100,000 (2022: \$100,000) to ExGen Resources Inc ("ExGen"), a company in which Jason Riley is a director, relating to a contractual annual payment on the Empire Mine.

ExGen owns a 20 per cent holding in Konnex. Royalties based upon future production will be payable to ExGen and a provision of \$657,702 is included within these financial statements (see note 20). No royalties have become payable in the year (2022 \$nil).

There are no other related party transactions.

27 Control

The Company has a diverse shareholding and is not under the control of any one person or entity.