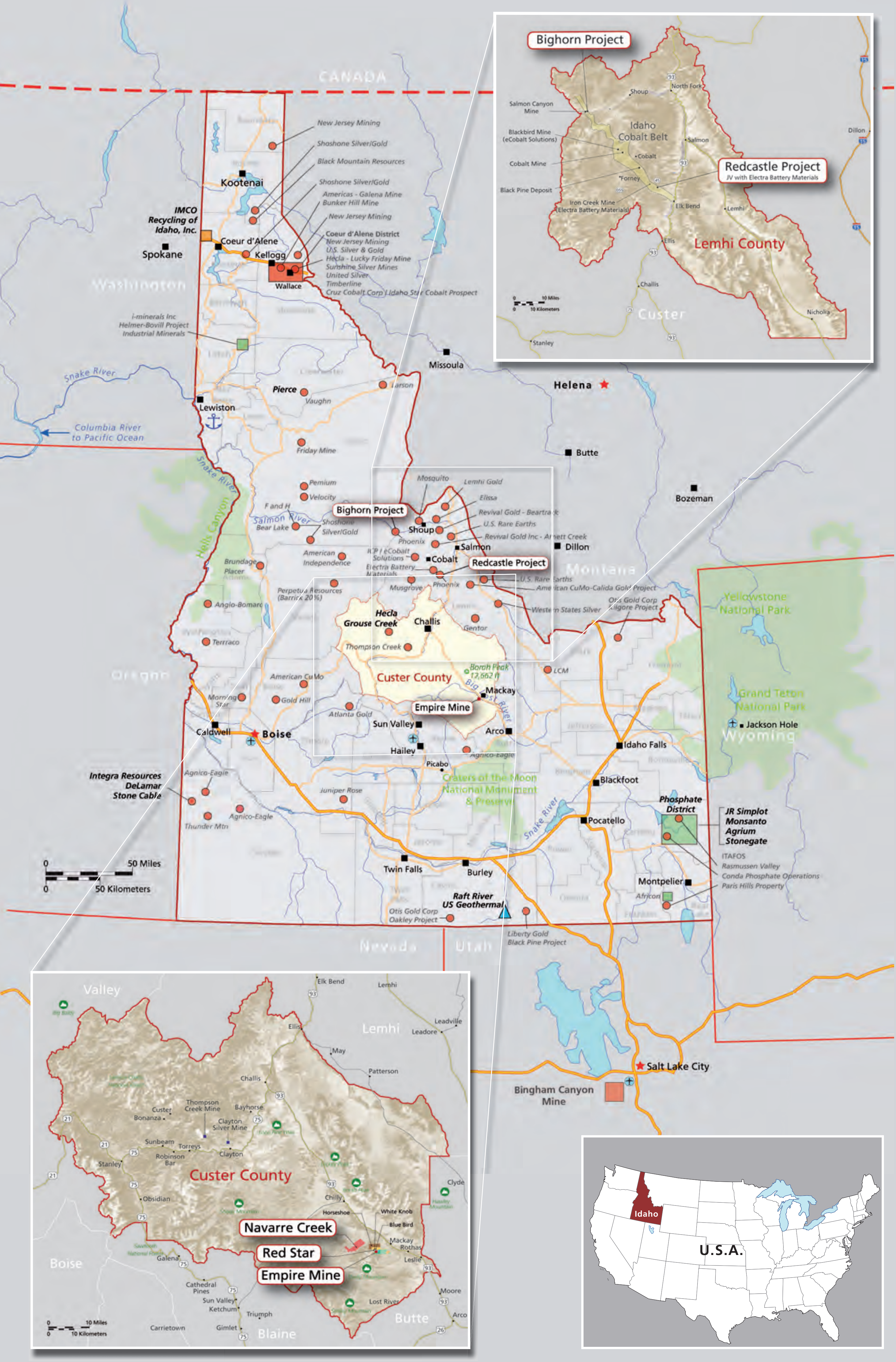
PHOENIX COPPER LIMITED

AIM: PXC
OTCQX ADR: PXCLY

Photo: Core from Empire Open Pit metallurgical drilling

2022

ANNUAL REPORT AND ACCOUNTS



Bighorn Project
Salmon Canyon Mine
Blackbird Mine (eCobalt Solutions)
Cobalt Mine
Black Pine Deposit
Iron Creek Mine (Electra Battery Materials)
Idaho Cobalt Belt
Shoup
North Fork
Salmon
Cobalt
Forney
Elk Bend
Lemhi
Ellis
Redcastle Project
JV with Electra Battery Materials
Lemhi County
Challis
Custer
Nicholia
Stanley
Dillon
10 Miles
10 Kilometers
CANADA
New Jersey Mining
Shoshone Silver/Gold
Black Mountain Resources
Shoshone Silver/Gold
Americas - Galena Mine
Bunker Hill Mine
New Jersey Mining
Coeur d'Alene District
New Jersey Mining
U.S. Silver & Gold
Hecla - Lucky Friday Mine
Sunshine Silver Mines
United Silver
Timberline
Cruz Cobalt Corp Idaho Star Cobalt Prospect
Kootenai
IMCO Recycling of Idaho, Inc.
Coeur d'Alene
Kellogg
Wallace
Spokane
Washington
i-minerals Inc
Helmer-Bovill Project
Industrial Minerals
Snake River
Pierce
Vaughn
Larson
Missoula
Helena
Lewiston
Columbia River to Pacific Ocean
Friday Mine
Butte
Snake River
Hells Canyon
Pemium
Velocity
F and H
Salmon River
Bear Lake
Shoshone Silver/Gold
Mosquito
Lemhi Gold
Elissa
Revival Gold - Beartrack
U.S. Rare Earths
Revival Gold Inc - Arnett Creek
Bozeman
Dillon
Phoenix
ICP / eCobalt Solutions
Electra Battery Materials
American Independence
Brundage Placer
Perpetua Resources (Barrick 20%)
Musgrove
U.S. Rare Earths
American CuMo-Calida Gold Project
Otis Gold Corp Kilgore Project
Western States Silver
Montana
Anglo-Bomarc
Hecla Grouse Creek
Gentor
Thompson Creek
Terraco
Oregon
Borah Peak 12,662 ft
Custer County
LCM
Mackay
Big Lost River
American CuMo
Morning Star
Gold Hill
Atlanta Gold
Empire Mine
Sun Valley
Arco
Caldwell
Boise
Hailey
Agnico-Eagle
Idaho Falls
Yellowstone National Park
Grand Teton National Park
Jackson Hole
Wyoming
Picabo
Craters of the Moon National Monument & Preserve
Blackfoot
Integra Resources DeLamar Stone Cabin
Agnico-Eagle
Juniper Rose
Thunder Mtn
Agnico-Eagle
Pocatello
Phosphate District
JR Simplot
Monsanto
Agrium
Stonegate
ITAFOS
Rasmussen Valley
Conda Phosphate Operations
Paris Hills Property
50 Miles
50 Kilometers
Twin Falls
Burley
Montpelier
African
Raft River US Geothermal
Otis Gold Corp Oakley Project
Liberty Gold Black Pine Project
Nevada
Utah
Salt Lake City
Bingham Canyon Mine
Valley
Elk Bend
Lemhi
Ellis
Leadville
Leadore
May
Patterson
Challis
Thompson Creek Mine
Custer
Bonanza
Bayhorse
Clayton Silver Mine
Sunbeam
Torreys
Robinson Bar
Clayton
Stanley
Custer County
Clyde
Obsidian
Chilly
Horseshoe
White Knob
Navarre Creek
Blue Bird
Mackay
Rothas
Red Star
Leslie
Empire Mine
Boise
Galena
Cathedral Pines
Sun Valley
Ketchum
Triumph
Moore
Lost River
Butte
Arco
Carrietown
Gimlet
Blaine
U.S.A.
Idaho

Emerging producer of copper, gold, silver and zinc in Idaho, USA

Phoenix Copper Limited is an AIM listed and OTCQX traded USA focused base and precious metals emerging producer, with significant exploration upside within a prolific mineralised district.

- Developing the previously producing Empire Mine in Idaho
- Initial production from an open pit mine
- Supporting a clean economy, delivering copper into the electric vehicle revolution and the US infrastructure programme

Production. Near-term open pit copper production; permitting and financing underway

2023 Exploration. Further drilling and exploration at Red Star silver, Navarre Creek gold and historic Empire underground copper

Upside Potential. 37 sq km of mineralised claim blocks, including Idaho Cobalt Belt

Sustainable Operations. Sustainability Report published; Digbee ESG 'A' rating

Corporate & Financial:

- Investment in Empire Mine increased to $33.10 million (2021: $26.12 million)
- Net assets increased to $37.84 million (2021: $37.78 million)
- Group reports loss of $1.57 million (2021: $969,250), after charging a non-cash related foreign exchange loss on sterling denominated assets of $564,353 (2021: foreign exchange gain of $173,358)
- Year-end cash balance of $4.66 million (2021: $13.05 million)
- Company loans to Idaho operating subsidiaries increased to $30.61 million (2021: $21.41 million)
- Group acquisition of third party royalties payable by Empire Mine
- $80 million issue of floating rate, listed, secured, non-convertible, minimum 8.5% copper bonds due 2028-2032 nearing completion
- Inaugural Sustainability Report published and 'A' rating scored on Digbee ESG Platform

Operational:

- Completed core drilling at Empire open pit copper mine to support metallurgical recovery and process design using non-toxic ammonium thiosulphate ("ATS")
- Continuity of open pit mineralisation further confirmed, including intercepts of up to 12.8% copper, 269.10 grammes per tonne ("g/t") silver and 0.75 g/t gold
- ATS metallurgical testing underway to support recovery and processing of copper, gold and silver in one process
- Ongoing drilling encounters further mineralisation at Red Star silver-lead deposit
- 60 hole 2023 Navarre Creek gold drilling programme approved by US Forest Service
- Local Community Advisory Team created as part of the Company's ESG Programme

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Chairman's statement

Dear Shareholders

Reading through my statement in last year's annual report and comparing it with my interim statement, I am struck by the favourable niche that we find ourselves in within the mining sector globally. Although the second half of 2022 brought many challenging head winds, we remain poised to produce metals vital for the global transition to clean energy and we operate in a geopolitically stable and mining friendly jurisdiction. Nevertheless, despite metal prices now recovering nicely, steel, diesel and reagent costs remain elevated, making many mining projects uneconomic. The current copper price is in the region of $8,500 a tonne. Many analysts estimate that a copper price comfortably over $10,000 a tonne will be required for some junior developers to be able to fund new copper mines, particularly with the recent rises in interest rates. I am convinced that this will not be the case with Phoenix at Empire.

I mentioned in my last two statements that we intend to fund first production at the Empire open pit with minimum additional dilution to shareholders. With that in mind, we are in the process of completing an $80 million corporate copper bond issue, which will pay a floating rate linked to the higher of a copper price coupon or an interest rate coupon, but subject to a minimum coupon of 8.5% per annum. The bond will be listed on The International Stock Exchange ("TISE") in the Channel Islands. Although there can be no certainty until the final paperwork is received, we believe that the issue will be fully subscribed, and we hope to update you shortly in this regard.

Necessity being the mother of invention, the technical team spent much of the year examining ways of reducing dependence on reagents, which represent over 60% of costs in many mines, and diesel. I draw your attention to the CEO's report in which he describes how we have managed to extract copper, as well as gold and silver, using environmentally friendly ammonium thiosulphate ("ATS"), from bulk samples in the laboratory. If we are able to do this on an industrial basis, our operating costs could be significantly reduced. We hope to submit these adjustments to the Plan of Operations in Q3 this year, to keep the permitting process for the Empire open pit mine on track.

While on the subject of the environment, we also significantly boosted our ESG credentials, producing our first Sustainability Report, which includes much of the material we submitted to the Digbee ESG rating platform. A growing number of miners are signing up to Digbee, which, after detailed specialist questioning, generates an ESG rating; this is then used by an increasing number of investors in their decision making. I am delighted to report that we scored an "A" which, I understand, is the highest score awarded so far. I would like to thank especially Catherine Evans, Chair of our ESG & Sustainability Committee, and Lenie Wilkie, our ESG Programme Co-ordinator in Mackay, Idaho, for all their hard work in this field.

Although around 65% of our revenues from the Empire open pit project will come from copper, we also have significant precious metals potential, including our gold and silver projects at Navarre Creek (gold) and Red Star (silver). Although there has been an industry wide shortage of drilling crews and equipment, we have conducted successful drilling programmes at both Red Star and at Empire, which are covered in more detail in the CEO's report, and we are looking forward to a 60 hole drilling programme at Navarre Creek, starting in June, focusing on areas which showed promise in our magnetic survey. Navarre Creek is several times larger than the Empire open pit and surrounding area, and the early geological indications are that it compares favourably with deposits on the Carlin trend in neighbouring Nevada, which went on to become multi-million ounce producing gold mines.

However, in the short-term, copper remains the driving force and creator of initial cash flow for Phoenix. Although the copper price continues to fluctuate, the long-term fundamentals remain strong. Grades of contained metal have been declining steadily over the last 30 years and the new discoveries being put into production are needed to replace existing reserves rather than creating surpluses. The latest giant mine to go into production is Rio Tinto's Oyu Tolgoi or Turquoise Hill in Mongolia, which is forecast to produce 400,000-500,000 tonnes of copper per annum in 2027 (2.5% of current annual global mined copper), and has taken 20 years to develop. Research think-tank Wood Mackenzie estimates that the move to renewable energy will create demand for an additional six million tonnes of copper per annum, or 12 new Oyu Tolgois. Much of the new production expected over the next decade is from existing mines, mainly in the DRC, Chile, Peru, Indonesia, Argentina, and Panama, which will come nowhere near to achieving this target. Accordingly, we are happy to be based in the comparatively safe and stable USA, which is a net importer of copper despite its substantial production, and our strategy of predominantly using our own cashflow from the Empire open pit to prove up a world class copper sulphide deposit underneath remains the same.

Another harbinger of stronger copper prices is the recent uptick in M & A activity: Glencore/Teck Resources, BHP/Oz Minerals, Lundin Mining/Caserones and Newmont/Newcrest. Electric car makers are also showing interest in securing supplies of critical metals such as lithium, cobalt, and copper.

As we edge closer to production as well as adding value to our gold, silver and cobalt properties, I would like to thank the technical team for some outstanding ideas in a challenging environment, our Finance Director for our innovative copper bond, and most importantly, you, the shareholders, for your continued support and patience.

Marcus Edwards-Jones
Executive Chairman
24 May 2023

Chief executive officer's report

Principal activities and review of the business

Driven by a $5.00 per pound ("/lb") copper price and ample cash reserves resulting from an oversubscribed financing in 2021, 2022 was a busy year as the Company executed a well-developed and robust work plan at our Idaho projects. Accomplishments included core and reverse-circulation drilling, geophysics, metallurgical testing, and feasibility engineering. We completed construction of the mine office, operations warehouse and core logging facilities, and the construction of a long-term monitoring well network. In addition to field operations, the Company invested in new employees, including a new General Manager as well as USA and UK PR/IR professionals. We also executed a plan for acquiring a large tract of the Empire Mine mining claims and production royalties, and we continued to advance the Company's ESG program. The work plan dovetailed nicely with the recently announced US Infrastructure Bill and the US Defense Production Act, both of which drive future domestic metal production and provide a domestic market consisting of national defense products, electric vehicles, and the means to transmit and store power generated by renewable energy sources.

The 2022 core drilling program at the Empire copper deposit was initiated in June for the purpose of collecting samples three-dimensionally representative of the oxide portion of the deposit for copper, gold and silver recovery testing using the non-toxic cyanide alternative, ammonium thiosulfate ("ATS"). The Company completed 3,502 feet (1,067 metres) of drilling through early October. The drilling program was successful and provided the necessary volume of core at the desired copper-gold-silver grade to generate high quality samples for the metallurgical test work.

An abbreviated, late season reverse-circulation ("RC") drilling program was initiated and completed in November. The program consisted of 875 feet (268 metres) of drilling at North Pit/Red Star and targeted magnetic anomalies identified during the 2021 ground magnetics survey. Assay values for copper, silver, lead, and zinc were consistent with previous drilling programs in the area and added significantly to our understanding of the mineralogy and structural regime of the area.

At the Company's Navarre Creek gold project, the proposed drilling plan was approved by the US Forest Service in August. This cleared the way for a 2023 drilling program comprised of up to 60 RC drill holes on 30 drill pads that will target geochemical anomalies identified from previous surface sampling programs, and geophysical anomalies identified in a total field magnetics survey and hyperspectral mineral survey conducted in 2021. The surveys are comprised of 169-line kilometres of ground-based and airborne imaging that identified two distinct intrusive bodies concealed by glacial till, and a 2.3-mile-long by 1-mile-wide zone of strong hydrothermal mineralization typical of large-scale gold and silver deposits found in northern Nevada, USA. It is my opinion that the Navarre Creek project is as fine a grassroots exploration project as any that exists in the western US today. While there is no guarantee that any exploratory drilling program 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.

The long-term monitoring well network constructed both cross- and downgradient of the proposed Empire Mine operations was completed and will provide sampling points sufficient for tracking groundwater characteristics throughout the life of mine. Data from these wells will augment data collected in a Controlled Source Audio-frequency Magnetotellurics (CSMAT) survey conducted in late summer and designed to identify geologic structures and rock characteristics that control groundwater movement, providing vital hydrological information for future operations.

A new office building, operations warehouse, and core logging facility were constructed in Mackay, Idaho and will serve all future operations in and around the Empire Mine. The new facilities were constructed with adequate space for future expansion.

The Company also took the opportunity to finalise the acquisition of the Empire Mine patented and unpatented claims formerly owned by Honolulu Copper Company and the associated 2.5% production royalty, as well as acquiring an additional 1.0% production royalty from Mackay LLC. The former Honolulu claim blocks form the northern half of the Empire Mine holdings, including North Pit/Red Star and the deep sulphides, while the Mackay LLC royalty applies to production from the southern portion of the proposed Empire open pit and sulphides underlying the oxide resource.

The engineering design and environmental permitting process for the Empire open pit mine began in late 2017 with the initiation of environmental baseline studies and the submission of an initial Plan of Operations in 2021. The process design engineering necessary for completing a feasibility study, and ultimately completing the Plan of Operations for approval by the regulatory authority, is in progress and is centered around the current ATS metallurgical test work. The results of that work will provide a final process design for the recovery of copper, gold, silver, and possibly zinc, and will be incorporated with all the drilling, analytical, engineering, and baseline environmental data collected on the project to date. The feasibility study will use the updated polymetallic recovery process to assign mineral reserves based on the calculated capital and operating costs required for the designed process and will hopefully further enhance the project economics through reduced operating costs and the ability to recover copper, gold and silver from the outset, rather than through a phased approach.

The Company's cobalt holdings at the Redcastle Idaho Cobalt Belt property in Lemhi County were signed to an earn-in agreement with Electra Battery Materials (formerly First Cobalt Corporation), the Toronto-based owner of the Iron Creek cobalt mine, which shares a common border with the Redcastle property, in 2021. The earn-in agreement included an initial payment of cash and Electra shares to Phoenix, followed by two work commitments of $1,500,000 each over a five-year period, thereby earning Electra a 75% interest in the property. Electra's most recent drilling results from the Iron Creek property are encouraging. Our Redcastle property borders Iron Creek on the east and I particularly look forward to the drilling results from the eastern side of Iron Creek, nearest Redcastle.

Empire Mine – Polymetallic Open Pit Oxide Deposit

An updated NI 43-101 compliant resource was completed by Hardrock Consulting in October 2020 and reported for the polymetallic Empire Mine open pit oxide deposit. The updated resource showed a 51% increase in the Measured and Indicated category from the previous year's resource. Including the Inferred resources, the Empire open-pit oxide deposit now contains 129,641 tonnes of copper, 58,440 tonnes of zinc, 10,133,772 ounces of silver and 355,523 ounces of gold.

Mineral Resource Statement for Empire Mine, after Hard Rock Consulting October 2020

			Average Grade				Metal Content				
Class	Tonnes	Cu Equiv %	Cu %	Zn %	Ag g/t	Au g/t	Cu tonnes	Zn tonnes	Ag ozs	Au ozs	Cu Equiv Tonnes
Measured	8,289,719	0.81	0.42	0.22	11.4	0.327	34,655	18,160	3,031,791	87,036	67,013
Indicated	14,619,340	0.72	0.36	0.18	9.7	0.322	52,888	25,711	4,563,407	151,370	105,899
M+I	**22,909,059**	**0.75**	**0.38**	**0.19**	**10.3**	**0.324**	**87,543**	**43,871**	**7,595,198**	**238,406**	**172,912**
Inferred	10,612,556	0.75	0.4	0.14	7.4	0.343	42,098	14,569	2,538,574	117,117	79,296

Empire Underground Sulphides

In July 2021, a core drilling program designed to target the historically mined high grade sulphide vein system below the open-pit copper oxide resource was initiated. The first drill hole of the program that reached the design depth intercepted a 12.6-metre zone of strong to intense sulphide mineralization. Some of the sulphide minerals identified by our geologists included bornite, chalcocite, chalcopyrite, pyrite, galena, and pyrrhotite. Further drilling continued to intercept high grade mineralization across a suite of metals, including 8.38% copper, significant intercepts of gold, silver and zinc, as well as anomalous molybdenum and tungsten mineralization.

Red Star – High-grade Silver

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. Surface mineralization is a mix of copper, iron oxides and sulphides, with strong chrysocolla and bornite showings, exposed in a heavily timbered canyon. In 2018, three RC drill holes were drilled on the target and assay results reported the presence of high-grade lead and silver sulphides including intercepts of 20% lead and 1,111 grammes per tonne ("g/t") silver. 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.

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

Following the estimation of the Inferred resource, a second ten-hole diamond drilling programme was completed in 2020. The assay results from that program confirmed the presence of the high-grade silver and lead veins drilled in 2018, but also confirmed the need for greater understanding of the structural geology in order to direct further exploration. As a result, in 2021 the Company commissioned a ground-based magnetics geophysical survey which identified four high-amplitude areas of interest, including the original discovery outcrop. The size and amplitude of the three new areas of interest appear to be significantly greater than that of the discovery outcrop, whilst further north-northeast magnetic anomalies trending from the outcrop were also identified. In a program designed to test and help delineate the boundaries of the magnetic zones, further exploratory RC holes have been drilled, all of which encountered further mineralization.

In 2022, 875 feet of RC drilling was completed that tested the magnetic anomalies identified during the ground magnetics survey. 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, assayed 7.62 metres of 142.7 g/t silver, 2.94% lead, and 1.54% zinc. Additionally, drill hole RS22-04 assayed 9.15 meters of 1.56 g/t gold and 0.32% copper, including 1.52 metres averaging 7.59 g/t gold and 0.58% copper.

Navarre Creek – Volcanic-Hosted Gold Project

The Navarre Creek claim block is located approximately eight kilometres west-northwest of the Empire open pit mine, and was acquired in 2019 as a gold exploration project with surface mineralization similar to volcanic-hosted gold mineralization in northern Nevada, which is home to several multimillion-ounce gold deposits.

During the summer of 2020, the Phoenix exploration team mapped and sampled the Company's Navarre Creek property. 90 rock chip and grab samples were collected in the hydrothermally altered volcanic rocks that make up the Navarre Creek claims and sent to ALS Laboratories in Reno, Nevada for geochemical analysis.

Of the 90 samples, 53 were above the detection limit for gold with a high of 0.569 g/t, and 25 above the detection limit for silver. There was also a strong correlation between elevated gold values and elevated antimony values, typical in Carlin-type epithermal gold systems. With the exception of one sample, all samples with a gold value greater than 0.1 g/t occur within the same alteration type, that being predominantly a jasperoid-hosted quartz stockwork and micro-veining system. During 2021, a total of 169-line kilometres of ground-based field magnetics and airborne hyperspectral imaging were completed for the entirety of the Navarre Creek claim block. Two distinct intrusive bodies were identified, partially concealed below glacial till, showing strong magnetic signatures which complement the existing jasperoid outcrops. A northeast trending corridor of hydrothermal alteration, approximately 2.3 miles long and one mile wide, was also identified, consistent with the gold and silver bearing volcanic systems associated with Carlin-style epithermal deposits.

Markers for Carlin-style gold deposits are the presence of jasperoids, and the association of gold, antimony, silver and zinc. These markers are found at Navarre Creek. The results of these surveys, together with the results of previous exploration, highlight the prospectivity of the claim block. An initial drilling program is planned to commence in summer 2023.

Empire Mine Expansion – Horseshoe, Whiteknob, and Windy Devil

We have made a point of focusing our efforts on our flagship Empire Mine projects. However, we have also increased our land position from time-to-time as our geologists recognize prospective and strategic opportunities. At the time of the Company's IPO in mid-2017, our Empire Mine property consisted of 818 acres. Since then, including the Navarre Creek claim block, we have increased the core Empire claim group to 8,034 acres (32.51 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. 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 earn-in agreement included an initial payment of cash and Electra shares to Phoenix, followed by two work commitments of $1,500,000 each over a five-year period, enabling Electra to earn a 75% interest in the Redcastle property. Redcastle is held by Borah Resources Inc, the Company's 100% owned, Idaho registered subsidiary.

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 Koba 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 stable 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 two parts per million to 0.31% cobalt.

Outlook

2022 was a year of extremes. Copper rose to a high of $5.02/lb, dropped 35% to $3.23/lb, and rebounded to close the year at $3.81/lb, still above the three-year average of $3.67/lb. Gold traded at $2,033 per ounce ("/oz") in Q1, retreated to $1,659/oz, and finished the year at $1,824/oz. As of Q2 2023, gold is back to $2,033/oz, a mere 1.5% from its all-time record high. Similar to the year's metal pricing, the pricing of the goods that we require for construction of the Empire Mine also faced extreme fluctuations. While we will be a primary producer of copper and precious metals, we will also be a primary consumer of diesel fuel, structural and fabricated steel, concrete, and chemical reagents. Metal prices are our primary concern, but those materials and consumables required for construction and operations are of prime importance as they ultimately drive the cost of production and have the greatest impact on our bottom line. Diesel fuel hit an all-time high in 2022, as did structural steel, concrete, lumber, and reagents. The good news is that consumables pricing appears to have peaked mid-year and the metals markets trended the opposite direction. While the costs for structural steel and some fabricated goods remain elevated, they are slowly returning to levels not seen since early 2021. The labor shortages for drilling and laboratory services also remain a concern but seem to be relaxing as government subsidized Covid programs wind down.

I believe that some market volatility will remain until the war in Ukraine reaches a conclusion and fears of economic recession wane, but we are seeing indications of normalization in the mining sector markets and fewer labor shortages in the manufacturing and fabrication sectors. I look forward to the day when Covid is no longer an excuse for market volatility. It appears that may now be the case sooner rather than later.

Despite all of this, the fact remains that copper is in the top three of the most consumed metals in the world, trailing only behind iron and aluminum. The heavy focus on green energy metals for power generation, transmission, and transportation will increase demand, as we are already beginning to realize. Clean energy initiatives in the United States, Canada, and Europe have already begun to drive demand for copper, cobalt, and lithium. As other countries develop similar initiatives, demand will outweigh global supply. Some analysts are estimating copper demand to exceed supply beginning as early as 2024. Should the war in Ukraine begin to resolve, the reconstruction of the country will place an additional demand on metal resources.

Although the copper price has decreased on the year, it remains significantly higher than in the few years preceding Covid, during which the average price was below $3.00/lb. Compared to those years, the copper market continues to perform well, with prices holding above $3.50/lb and cobalt above $55,000/tonne. I expect to see the metals markets, particularly copper and cobalt, continue to perform well as the EV and "green energy" initiatives continue to grow globally. I also expect that the spending on the 10-year, $1.2 trillion US Infrastructure Bill and the recently introduced U.S. Defense Production Act will increase metal demand and boost pricing in the short term. The roughly $550 billion earmarked for the construction of roads, bridges, ports, power transmission, and large water projects, as well as advancing EV initiatives, will require significant quantities of metal.

Our Idaho projects host both EV metals and precious metals. Our current metallurgical test work, which is focused on the economic recovery of copper, gold, and silver in a single processing circuit, will be designed to deliver crucial metals to the numerous infrastructure and green energy projects in the global pipeline at the lowest cost possible. Our story becomes even stronger with the realization that these resources are all located in known mining districts in the geopolitically stable, pro-mining jurisdiction of Idaho, USA.

I fully anticipate that market conditions and pricing will continue to fluctuate to some extent over the next year. However, the timing of stabilizing trends in the manufacturing and supply sectors, as well as elevated copper and gold prices, should complement our projects as we complete the engineering and environmental permitting processes.

Key Performance Indicators (“KPIs”)

To date, the Group has focused on the delivery of the project evaluation work programs to assess the available mineral 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

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 poised to move the Empire Mine into production and to properly explore the Navarre Creek, Red Star, and the Empire sulphides projects.

I would like to thank all our professional 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 2023.

Ryan McDermott
Chief Executive Officer
24 May 2023

ESG & sustainability committee chairman's report

I am delighted to report on the significant progress of our Environmental, Social & Governance ("ESG") & Sustainability activities in the past year, encapsulated in detail in our inaugural Sustainability Report. The report sets out our future goals up to and following the production of copper and other metals from the Empire Mine and clearly identifies where meaningful additions and improvements to our current programme can be made, and how best to implement these.

Our raison d'etre is to produce copper, essential to the world's clean energy revolution. In this respect, our existence as a company may therefore be regarded as an inherent good, but we do not take this for granted, constantly ensuring that ESG considerations are inextricably linked to our core values and corporate goals.

2022/2023 Highlights include:

- Forming the KCAT (Konnex Community Advisory Team) made up of three Phoenix/Konnex employees and eleven independent residents of Custer and Butte counties with diverse experience in the municipal sector, in business and entrepreneurship and in land use. The KCAT facilitates communication between the Company and local residents in order to benefit the community as a whole.
- Undertaking an extensive materiality assessment, assisted by the KCAT.
- Engaging with Digbee ESG, a disclosure platform for the mining industry that simplifies reporting and rewards management action. Based on the detailed corporate and project-specific information we provided, the Company achieved an overarching score of A with a range of CC to AAA as of October 2022. Our corporate score was BB with a range of CC to A, and the Empire Mine [Exploration] Project achieved a score of A with a range of B to AAA. The Digbee report is available to view on our website.
- Working with Warm Springs Consulting to gauge our greenhouse gas emissions, our water consumption and our office waste, thus establishing a baseline for future monitoring and identifying possible improvements.
- Compiling two Corporate Governance documents: a detailed Code of Business Conduct & Ethics plus an associated Summary, and a Whistleblower Policy. These are also available to view on our website.

We have reported in accordance with the Sustainability Accounting Standards Board (SASB), the Task Force for Climate-Related Disclosure (TCFD) and we have also made reference to the UN's Sustainable Development Goals. Global guidelines are necessarily generic, and often ignore factors which are specific to entities and regions. Comparisons between public and private sector companies remain difficult, as do those between policy-based entities versus those delivering goods and services. Our response in the current voluntary reporting environment is to be as transparent on all factors as possible and to draw attention to the extensive materiality analysis we have undertaken following active engagement with our stakeholders. We have also identified risks to our project, including those associated with climate change, global supply shortages and the increased costs of resources and materials.

We fully accept our obligation to verify any claims we make in respect of our ESG & Sustainability credentials, but we are predominantly focused on productivity, wishing to contribute to value creation rather than to the illusion of it. We wish to fully engage with our stakeholders on all metrics which are materially affected by our activities, while always being aware that we are a publicly listed mining company with a responsibility to deliver maximum value to our shareholders. These goals are not mutually exclusive: the establishment and maintenance of high ESG standards is not only a moral imperative, it is also rooted in pragmatism: companies that act in accordance with these goals are more likely to attract and retain quality employees who take pleasure and pride in their work and are less likely to become embroiled in costly and time-consuming litigation, as well as having access to more sources of potential finance.

Companies and individuals are constantly learning and evolving, and we recognize how important it is to be open-minded and receptive to ideas and suggestions. We are continuously looking for ways in which to improve outcomes for stakeholders, by improving our methods and our communication. ESG & Sustainability is as much an attitude and a state of mind as a set of criteria, and our overriding aim is to be thoughtful and pragmatic in our decision-making processes while being guided by common sense and decency.

Catherine Evans
Non-Executive Director
ESG & Sustainability Committee Chairman
24 May 2023

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Future developments

The performance of the Group and its future development are set out in the Chief Executive Officer's report on page 4. The Group's principal area of operation is North America.

Results and dividend

For the year ended 31 December 2022 the Group reports a loss of $1.57 million (2021: $0.97 million), after charging an unrealised foreign exchange loss on sterling denominated assets of $0.56 million (2021: $0.17 million gain), and $0.07 million (2021: $0.19 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 $37.84 million (2021: $37.78 million), including $33.10 million (2021: $26.12 million) relating to the Empire mine, and $4.67 million (2021: $13.05 million) in cash. Further details are shown in the consolidated financial statements and related notes.

The Company reports a loss for the year ended 31 December 2022 of $0.07 million (2021: a profit of $0.05 million), and net assets of $41.32 million (2021: $39.76 million). During the year the Company charged its subsidiary entities $0.93 million (2021: $0.88 million) in respect of management services provided, and $1.34 million (2021: $0.88 million) in respect of interest at 6% per annum on the Company's inter-company loan to Konnex Resources Inc, owner of the Empire Mine, the latter eliminating on consolidation. At 31 December 2022 the Company's loan to Konnex Resources stood at $26.19 million (2021: $19.16 million). This loan will be repaid from Konnex's operating cash flow in due course and is 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 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 depositary, 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 5,212,942 ordinary shares in respect of the issue of warrants to subscribe in the Company's shares at an average of $0.27 per share to raise $1.42 million (2021: 54,108,933 ordinary shares at an average of $0.48 per share to raise $26.0 million before share issue expenses). All issued shares were fully paid.

Since the year end the Company has issued a further 50,000 ordinary shares at $0.22 per share from the exercise of warrants. The Company currently has 122,678,622 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 2022 Number	31 December 2021 Number
Marcus Edwards-Jones	1,220,882	1,042,857
Ryan McDermott	465,847	442,160
Richard Wilkins	854,343	830,656
Andre Cohen	592,452	567,452
Catherine Evans	401,094	401,094
Jason Riley	40,298	37,619
	3,574,916	3,321,838

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

	31 December 2022 Number	31 December 2021 Number
Marcus Edwards-Jones	-	178,025
Ryan McDermott	-	23,687
Richard Wilkins	-	23,687
Andre Cohen	-	25,000
Catherine Evans	-	-
Jason Riley	-	2,679
	-	253,078

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

	31 December 2022 Number	31 December 2021 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

The Company has launched an $80 million corporate copper bond issue which is in the process of being placed. The bonds will pay a floating rate coupon subject to a minimum of 8.5% per annum and a maximum of 20%. The floating rate coupon will be 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 bonds will be secured on the Group's patented mining claims, listed on The International Stock Exchange in the Channel Islands, and will have a ten year life with bondholder option to request redemption at nominal value after six years and the Company's option to offer redemption at a 10% premium to nominal value after five years. M&G Trustee Company will act as Security Trustee and Escrow Agent, and The Bank of New York Mellon will act as Custodian and Transfer, Paying and Settlement Agent.

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.

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 will require additional funds and/or funding facilities in order to fully develop its business plan. The Group will also require funds to construct its first operating mine. The directors believe that such funds are likely to come from the arrangement of appropriate debt and/or offtake finance arrangements, including the issue of corporate copper bonds currently underway. Further equity issues will be minimised as far as possible. Ultimately the viability of the Group is dependent on future liquidity in the development period and this, in turn, depends on the availability of funds.

The results of the Group are set out above and in the accompanying financial statements. During the year the Company raised $1.42 million through the exercise of warrants.

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 three times during the year, for audit planning purposes and to review the 2021 annual accounts and the interim accounts to 30 June 2022. 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 2022 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.

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 9.

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 16 to 19.

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 2022. 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 8 June 2023 at 11.00 a.m. BST.

On behalf of the Board

Richard V L Wilkins
Director & Company Secretary
24 May 2023

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 pro-mining 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 quarterly lunch 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 created 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 2022. In February 2022 the Group 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 met four times during 2022. In addition, the local community is engaged on a regular basis via meetings with the local mayor and other officials, including 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 can be viewed on the Company's website.

Furthermore, the Group's overall ESG activities are summarised in the Group's recently published inaugural Sustainability Report, 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. Catherine Evans chairs the ESG & Sustainability Committee. 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 2022 the Company held a total of 8 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 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 on 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.

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
24 May 2023

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 2022, which comprise:

- the consolidated income statement for the year ended 31 December 2022;
- the consolidated statement of comprehensive income for the year ended 31 December 2022;
- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statements of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant 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 2022 and of the Group's loss for the period 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 Group will require additional funds and/or funding facilities in order to fully develop its business plan. As stated in note 2, these events or conditions indicate that a material uncertainty exists 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.

The Board is responsible for ensuring that it is appropriate to prepare the financial statements using the going concern basis and that it has sufficient resources to remain in operational existence for a period of at least 12 months from the date of approving these financial statements.

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 paper setting out the going concern assessment and examined supporting working capital forecasts. Our audit procedures were as follows:

- 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; and
- We reviewed and considered potential downside scenarios and the resultant impact on available funds, to assess the reasonableness of economic assumptions on the Group's liquidity requirements.

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$390,000, (2021: US$420,000) based on approximately 1% (2021: 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$273,000 (2021: US$315,000).

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$11,700 (2021: US$12,000). 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 which are accounted for in Idaho, USA. The audit of the significant components located in USA was 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 the audit teams 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.

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.

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of mining property assets. At the reporting date the carrying value of the Group's mining property assets was $33.1 million (2021: $26.1 million), as disclosed in note 13 to the financial statements. Management is required to assess whether there is any indication that the mining property assets may be impaired. If any such indication exists, then impairment testing would be required.	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'. In considering this assessment we reviewed the following sources of evidence: • 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; • current plans and intentions for the asset with management. Based on our work, we agree that no impairment indicators exist at 31 December 2022. We consider management's impairment trigger analysis, as well as the associated disclosure, to be reasonable.

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 14, 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 the 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 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
24 May 2023

Consolidated income statement

	Note	Year Ended 31 December 2022 $	Year Ended 31 December 2021 $
Continuing operations			
Revenue	6	-	-
Exploration & evaluation expenditure		-	-
Gross loss		-	-
Administrative expenses	7	(1,568,475)	(1,065,950)
Other operating (expense)/income	16	(37,777)	106,340
Loss from operations		(1,606,252)	(959,610)
Finance income		32,104	3,708
Finance costs		-	(13,348)
Loss before taxation		(1,574,148)	(969,250)
Tax on loss on ordinary activities	11	-	-
Loss for the year		(1,574,148)	(969,250)
Loss attributable to:			
Owners of the parent		(1,546,827)	(942,850)
Non-controlling interests		(27,321)	(26,400)
		(1,574,148)	(969,250)
Loss per share attributable to owners of the parent:			
Basic and diluted EPS expressed in US cents per share	12	(1.27)	(0.90)

The notes on pages 30 to 45 form part of these financial statements.

Consolidated statement of comprehensive income

	Year Ended 31 December 2022 $	Year Ended 31 December 2021 $
Loss for the year	(1,574,148)	(969,250)
Total comprehensive income attributable to:		
Owners of the parent	(1,546,827)	(942,850)
Non-controlling interests	(27,321)	(26,400)
	(1,574,148)	(969,250)

The notes on pages 30 to 45 form part of these financial statements.

Consolidated statement of financial position

	Note	31 December 2022 $	31 December 2021 $
Non-current assets			
Property, plant and equipment – mining property	13	33,104,230	26,124,030
Intangible assets	14	347,000	330,844
		33,451,230	26,454,874
Current assets			
Trade and other receivables	15	1,534,507	365,778
Financial assets	16	18,563	56,340
Cash and cash equivalents	17	4,664,233	13,046,529
		6,217,303	13,468,647
Total assets		39,668,533	39,923,521
Current liabilities			
Trade and other payables	18	572,470	883,196
Other liabilities	19	500,000	250,000
		1,072,470	1,133,196
Non-current liabilities			
Other liabilities	19	-	250,000
Provisions for other liabilities	20	757,702	757,702
		757,702	1,007,702
Total liabilities		1,830,172	2,140,898
Net assets		37,838,361	37,782,623
Equity			
Ordinary shares	21	-	-
Share Premium		44,878,927	43,460,747
Retained loss		(7,086,480)	(5,751,359)
Foreign exchange translation reserve		(18,588)	(18,588)
Equity attributable to owners of the parent		37,773,859	37,690,800
Non-controlling interests		64,502	91,823
Total equity		37,838,361	37,782,623

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2023.

On behalf of the Board

Richard V L Wilkins
Director

The notes on pages 30 to 45 form part of these financial statements.

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 2021	-	19,251,964	(5,517,549)	(18,588)	13,715,827	118,223	13,834,050
Loss for the year	-	-	(942,850)	-	(942,850)	(26,400)	(969,250)
Total comprehensive income for the year	-	-	(942,850)	-	(942,850)	(26,400)	(969,250)
Shares issued in the period	-	26,018,553	-	-	26,018,553	-	26,018,553
Share issue expenses	-	(1,809,770)	-	-	(1,809,770)	-	(1,809,770)
Share-based payments	-	-	709,040	-	709,040	-	709,040
Total transactions with owners	-	24,208,783	709,040	-	24,917,823	-	24,917,823
At 31 December 2021	-	43,460,747	(5,751,359)	(18,588)	37,690,800	91,823	37,782,623
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

The notes on pages 30 to 45 form part of these financial statements.

Consolidated statement of cash flows

	31 December 2022 $	31 December 2021 $
Cash flows from operating activities		
Loss before tax	(1,574,148)	(969,250)
Adjustments for:		
Share-based payments	67,818	191,856
Fair value adjustment to financial asset	37,777	-
	(1,468,553)	(777,394)
Decrease in trade and other receivables	(58,563)	(299,818)
(Decrease)/increase in trade and other payables	(310,726)	689,259
Net cash generated used in operating activities	(1,837,842)	(387,953)
Cash flows from investing activities		
Purchase of intangible assets	(16,156)	(53,949)
Purchase of property, plant and equipment	(6,836,312)	(10,238,492)
	(6,852,468)	(10,292,441)
Cash flows from financing activities		
Proceeds from the issuance of ordinary shares	1,418,180	25,939,203
Share-issue expenses	-	(1,809,770)
Preliminary bond-issue expenses	(1,110,166)	-
Repayment of loan notes	-	(1,549,000)
Net cash generated from financing activities	308,014	22,580,433
Net (decrease)/increase in cash and cash equivalents	(8,382,296)	11,900,039
Cash and cash equivalents at the beginning of the year	13,046,529	1,146,490
Cash and cash equivalents at the end of the year	4,664,233	13,046,529

Significant non-cash transactions:

During the year the Directors capitalised $nil (2021: $79,350) of fees into shares. $143,888 (2021: $517,184) in respect of the charge for share-based payments and $nil (2021: $500,000) in respect of deferred consideration have been capitalised into mining property. Loss before tax includes a foreign exchange loss of $564,353 (2021: gain of $173,358).

The notes on pages 30 to 45 form part of these financial statements.

Notes to the consolidated financial statements

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 was incorporated on 19 September 2013 and is domiciled in the British Virgin Islands (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 Resources 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 will require additional funds and/or funding facilities in order to fully develop its business plan. The Group will also require funds to construct its first operating mine. The directors believe that such funds are likely to come from the arrangement of appropriate debt and/or offtake finance arrangements, including the issue of corporate copper bonds currently underway (as disclosed in note 25). Further equity issues will be minimised as far as possible. Ultimately the viability of the Group is dependent on future liquidity in the development period and this, in turn, depends on the availability of funds which have not yet been finalised. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

During the year the Company raised $1.42 million by way of the exercise of warrants.

The directors prepare annual budgets and forecasts 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 with the intention to raise project funding through the issue of corporate copper bonds and with funds continuing to be received from the exercise of warrants, as well as their latest assessment of the budgets and forecasts for the business of the Group for at least 12 months from the date of approval of these financial statements, the directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

3 Basis of preparation

Summary of significant 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 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 2023:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Annual Improvements 2018–202
- Amendments to IAS 1 Classification of Liabilities as Current and Amendments to IAS 1 Disclosure of Accounting policies
- Amendments to IAS 8 Definition of Accounting Estimates

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.

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, consolidated 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.

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 recognising provisions for future restoration and decommissioning in the reporting period.

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.

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. The Group has 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 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 cash in hand and bank balances.

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.

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 the 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.

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.

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, 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 expense 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 profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense 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 expense recognised is the expense as if the terms had not been modified. An additional expense 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 expense 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.

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 estimates or judgments made by the Group include the value of its exploration and evaluation expenditure and its mining property including a review of any related impairment charges relating to the mining property, the provision for future site restoration and remedial works in respect of the Group's mining sites and the valuation of the fair-value of its share-based payments.

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 4. These key assumptions are also the primary source of estimation uncertainty within the Group.

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 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 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 2022 the Group held the following significant assets and liabilities in Sterling:

Cash £2,373,436 (2021: £2,963,263).
Trade and other receivables £349,013 (2021: £268,958).
Trade and other payables £100,041 (2021: £57,964).

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 $37.84 million at 31 December 2022 (31 December 2021: $37.78 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 $930,000 (2021: $885,000) in respect of management services provided.

7 Administrative expenses

	31 December 2022 $	31 December 2021 $
Administrative expenses include:		
Employee costs (note 9)	880,131	644,223
Share-based payments	67,818	191,856
Foreign currency losses/(gains)	564,353	(173,358)
Audit fees (note 10)	45,852	46,700

8 Average number of people, including executive directors, employed:

	31 December 2022 Number	31 December 2021 Number
Administration	6	6
Operations	12	10
	18	16

9 Employee costs including directors

	31 December 2022 $	31 December 2021 $
Salaries and fees payable	1,890,397	1,452,597
Transferred to property, plant and equipment - mining property	(1,010,266)	(808,374)
	880,131	644,223

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 12.

10 Auditor's remuneration

	31 December 2022 $	31 December 2021 $
Fees payable for the audit of the Company's consolidated financial statements	45,852	46,700
Fees payable for taxation compliance services	4,840	5,482
	50,692	52,182

11 Taxation

	31 December 2022 $	31 December 2021 $
Current tax		
Income and corporation taxes	-	-
Total current tax	-	-
Deferred tax		
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 2022 $	31 December 2021 $
Tax on loss from ordinary activities		
Loss before tax	(1,574,148)	(969,250)
Tax calculated at domestic tax rates applicable to profits and losses in the respective countries of 19.97% (2021: 20.21%)	314,321	195,891
Tax losses not recognised	(299,088)	(205,285)
Other differences	(15,233)	9,394
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 2022 available tax losses amounted to $2,136,540 (2021: $2,414,009). No deferred tax asset has been recognised in respect of the Group's share option scheme.

12 Loss per share

	31 December 2022 $	31 December 2021 $
Loss attributable to the parent used in calculating basic and diluted loss per Share	(1,546,827)	(942,850)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	121,794,101	104,213,499
Weighted average number of shares for the purpose of diluted earnings per share	121,794,101	104,213,499
Basic loss per share (US cents per share)	(1.27)	(0.90)
Diluted loss per share (US cents per share)	(1.27)	(0.90)

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 13,746,457 (2021: 18,602,920) all of which relate to the potential dilution in respect of warrants and share options issued by the Company. See also notes 21 and 23.

13 Non-current assets

	Mining Property $
At 1 January 2021	14,789,004
Additions	11,335,026
At 31 December 2021	26,124,030
At 1 January 2022	26,124,030
Additions	6,980,200
At 31 December 2022	33,104,230
Net book value	
At 1 January 2021	14,789,004
At 31 December 2021	26,124,030
At 31 December 2022	33,104,230

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.

14 Intangible assets

	Exploration and evaluation expenditure $
At 1 January 2021	276,895
Additions	53,949
At 31 December 2021	330,844
At 1 January 2022	330,844
Additions	16,156
At 31 December 2022	347,000

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).

15 Trade and other receivables

	31 December 2022 $	31 December 2021 $
Other receivables	181,072	207,949
Preliminary bond issue expenses	1,110,166	-
Prepaid expenses	243,269	157,829
	1,534,507	365,778

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 issue currently underway, and will be deducted from the proceeds of the bonds and amortised over the expected life of the bonds (see also note 25).

16 Financial assets

	31 December 2022 $	31 December 2021 $
Quoted investments	18,563	56,340

In May 2021 the Group entered into an earn-in agreement with First Cobalt Idaho, a wholly-owned subsidiary of Toronto-based Electra Battery Materials Corporation (“Electra”), in respect of the Group’s Redcastle cobalt property on the Idaho Cobalt Belt. The Group received consideration of $50,000 and 11,111 shares (as consolidated) in Electra valued at $56,340, a total initial consideration of $106,340.

The shares have been valued at market price as at 31 December 2022. A fair value adjustment of $37,777 has been charged to other operating expenses.

17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

18 Trade and other payables

	31 December 2022 $	31 December 2021 $
Trade payables	569,864	862,907
Other payables	2,606	20,289
Accrued interest	-	-
	572,470	883,196

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.

19 Other liabilities

	31 December 2022 $	31 December 2021 $
Current liabilities		
Deferred consideration	500,000	250,000
	500,000	250,000
Non-current liabilities		
Deferred consideration	-	250,000

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 $300,000 has been paid. $250,000 was paid in January 2023 and one further payment of $250,000 is due on 31 December 2023.

20 Provisions

	31 December 2022 $	31 December 2021 $
Decommissioning provision	100,000	100,000
Royalties payable	657,702	657,702
	757,702	757,702

There has been no change to provisions in the year ended 31 December 2022.

The provision of $100,000 for decommissioning the Empire Mine is based on the directors' estimate after taking into account appropriate professional advice.

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 2022	Group and Company Number 2021
Number of ordinary shares of no par value		
At the beginning of the year	117,415,680	63,306,747
Issued in the year	5,212,942	54,108,933
At the end of the year	122,628,622	117,415,680

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 5,212,942 ordinary shares at an average issue price of $0.27 per share to raise $1.4 million in respect of warrants exercised. All issued shares were fully paid.

Since the year end the Company has issued a further 50,000 ordinary shares at $0.22 per share from the exercise of warrants. The Company currently has 122,678,622 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 £0.16 to £0.50. At 31 December 2022 the number of warrants in issue was 7,521,457 (2021: 12,577,920). See also note 23.

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. At 31 December 2022 the number of options in issue was 6,225,000 (2021: 6,025,000).

The beneficial holdings in shares, warrants and options of each director are disclosed in the Directors' Report on page 12. These shareholdings include those shares held by connected persons of the individual director.

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 7,521,457 (2021: 12,557,920) 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 (2021: 6,025,000) 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.

In the periods presented the Company has settled remuneration liabilities by the issue of equity in lieu of cash payments for services and has also operated 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 2022 Number	31 December 2021 Number
At the beginning of the year	£0.29	12,577,920	7,589,978
Issued in prior year – average issue price	£0.42	-	6,812,396
Issued in the year	£0.35	707,500	-
Issued in the year	£0.50	1,570,455	-
Exercised prior year – average exercise price	£0.30	-	(1,541,416)
Exercised in the year – average exercise price	£0.30	(5,212,942)	-
Lapsed in prior year – average exercise price	£0.60	-	(283,038)
Lapsed in the year – average exercise price	£0.42	(2,121,476)	-
At the end of the year	£0.40	7,521,457	12,577,920

Share options issued

	Weighted Average Exercise price	31 December 2022 Number	31 December 2021 Number
At the beginning of the year	£0.34	6,025,000	3,675,000
Issued in the prior year	£0.50	-	2,350,000
Issued in the year	£0.30	200,000	-
At the end of the year	£0.34	6,225,000	6,025,000

The total share-based payment charge for all warrants and options in the year was $211,706 of which $67,818 has been charged to profit and loss and $143,888 allocated to Mining Property (2021: $709,040, $191,856 and $517,185 respectively). The share-based payment charge was calculated using the Black-Scholes model. All warrants issued vest 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 2022 Warrants issued	31 December 2022 Share options issued
Weighted average share price at grant date	£0.23	£0.23
Weighted average exercise prices	£0.45	£0.30
Expected volatility	60.9%	60.9%
Expected life in years	1.00	2.00
Weighted average contractual life in years	1.00	2.00
Risk-free interest rate	2.5%	2.5%
Expected dividend yield	-	-
Fair-value of warrants and options granted (pence)	£0.014	£0.055

The warrants were all issued on 1 September 2022. The share price at the date of grant was £0.23. The warrant exercise prices at the date of grant were between £0.35 to £0.50. The share options were issued in one placement on 1 September 2022 with weighted average expected lives of 2.0 years. The share price at the date of grant was £0.23 and the exercise price was £0.30. The warrants issued are all exercisable from the date of issue. The number of outstanding share options are exercisable between £0.30 to £0.50.

The volatility for the warrants issued was 60.9%. The fair-values of warrants issued or amended in the year ranged from £0.009 to £0.226. The volatility for the share options was 60.9% and the fair-values of the options issued or amended ranged from £0.055 to £0.092. The expected life of the outstanding warrants and options ranged from 1.00 to 2.00 years.

Share-based payments allocation of charge

	31 December 2022 $	31 December 2021 $
Arising on the issue and modification of share options	169,843	262,739
On issue of warrants	41,863	446,301
Total charge	211,706	709,040
Allocation:		
Mining property	143,888	517,184
Administrative expenses	67,818	191,856
	211,706	709,040

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

24 Capital commitments

There were no outstanding capital commitments at 31 December 2022 (2021: $nil).

25 Events after the reporting date

The Company has launched an $80 million corporate copper bond issue which is in the process of being placed. The bonds will pay a floating rate coupon subject to a minimum of 8.5% per annum and a maximum of 20%. The floating rate coupon will be 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 bonds will be secured on the Group's patented mining claims, listed on The International Stock Exchange in the Channel Islands, and will have a ten year life with bondholder option to request redemption at nominal value after six years and the Company's option to offer redemption at a 10% premium to nominal value after five years. M&G Trustee Company will act as Security Trustee and Escrow Agent, and The Bank of New York Mellon will act as Custodian and Transfer, Paying and Settlement Agent.

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 12. 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 2022 $	31 December 2021 $
Marcus Edwards-Jones	187,487	263,744
Ryan McDermott	239,925	279,000
Dennis Thomas	-	9,423
Richard Wilkins	187,487	263,744
Roger Turner	-	38,420
Andre Cohen	44,340	71,020
Jason Riley	29,560	43,200
Catherine Evans	75,647	29,731
	764,446	998,282

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.

Directors' remuneration includes $nil (2021: $79,350) capitalised and paid in shares.

Roger Turner received $90,606 (2021: $160,064) in respect of consultancy fees and Dennis Thomas received $139,792 (2021: $188,578) in respect of advisory board fees and consultancy fees for services provided to the Group.

The Company has advanced $26,192,285 to Konnex Resources Inc (2021: $19,160,079), $nil to Borah Resources Inc (2021: $107,293), $nil to Lost River Resources Inc (2021: $1,959,900) and $nil to Salmon Canyon Resources Inc (2021: $184,692). The amounts advanced are in support of the mining and exploration operations at each of these subsidiaries and are classified as other receivables. During the year the Company charged interest on borrowings by Konnex Resources Inc of $1,343,206 (2021: $880,642).

On 31 December 2022 the Company transferred its investments in Konnex Resources Inc, 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.

Included in trade and other receivables are amounts of $64,627 (2021: $110,183) owed by the directors of the Company.

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.

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

Solicitors to the Company (England and Wales)
Gowling WLG (UK) LLP
4 More London Riverside
London SE1 2AU

Solicitors to the Company (USA)
Sawtooth Law Offices, PLLC
Golden Eagle Building
1101 W. River Street, Suite 110
Boise, Idaho 83702

Mintz Levin Cohn Ferris Glovsky & Popeo, PC
Chrysler Center
666 Third Avenue
New York, NY 10017

Bankers
Barclays Bank PLC
One Churchill Place
London E14 5HP

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perivan.com

Red Star exploratory drilling programme

Empire Open Pit metallurgical core drilling programme

Core collected from Empire Open Pit metallurgical core drilling programme

Konnex Community Advisory Team (KCAT) Empire site tour

Photo: Konnex Site Office, Mackay

London Office
8 Shepherd Market
Suite 113
London W1J 7JY

Boise Office
2170 Sunrise Rim Rd.
Suite 120
Boise, ID 83705

Konnex Site Office
1009 W. Custer St.
PO Box 329
Mackay, ID 83251

Hello@PhoenixCopper.com

PhoenixCopperLimited.com