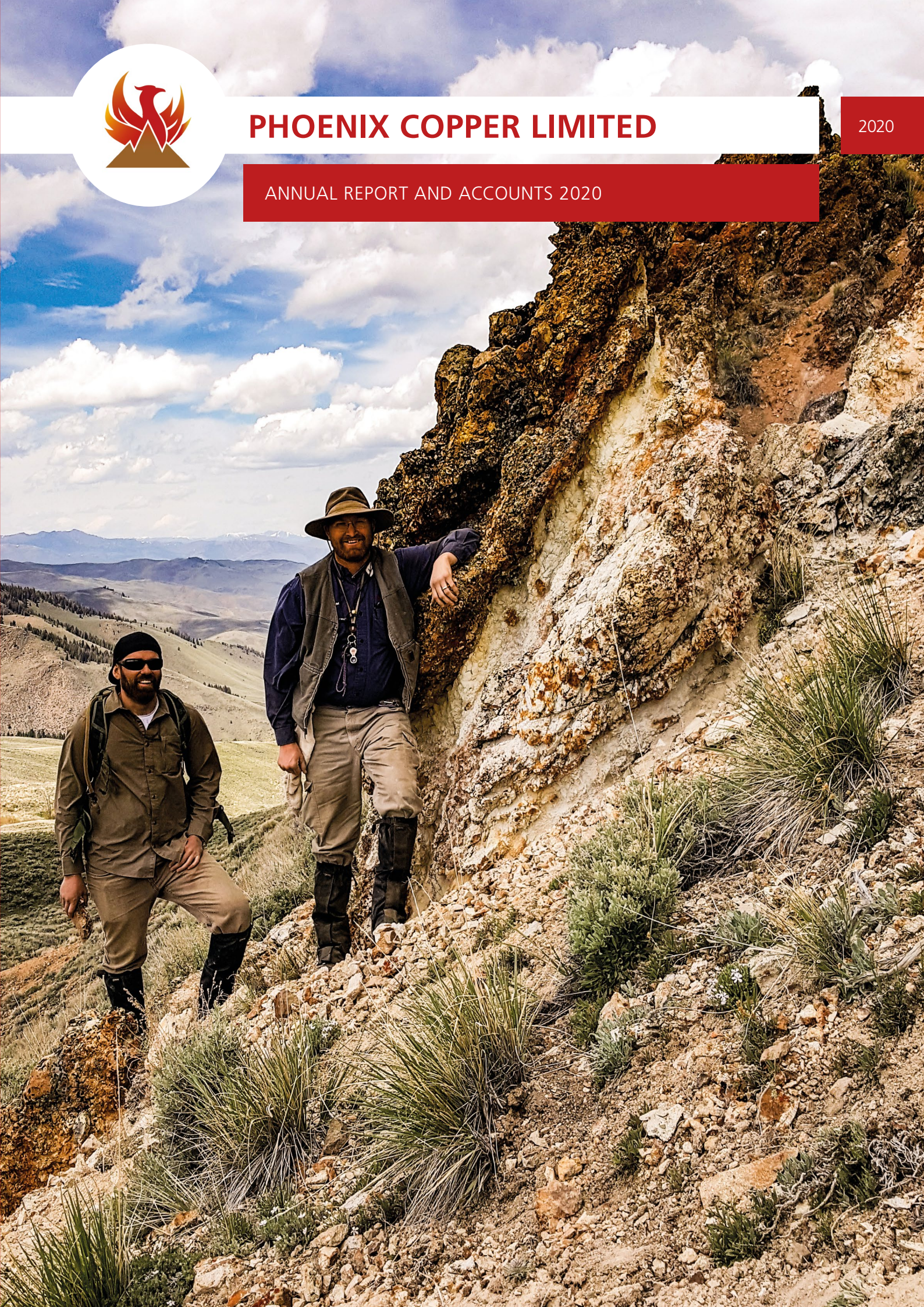


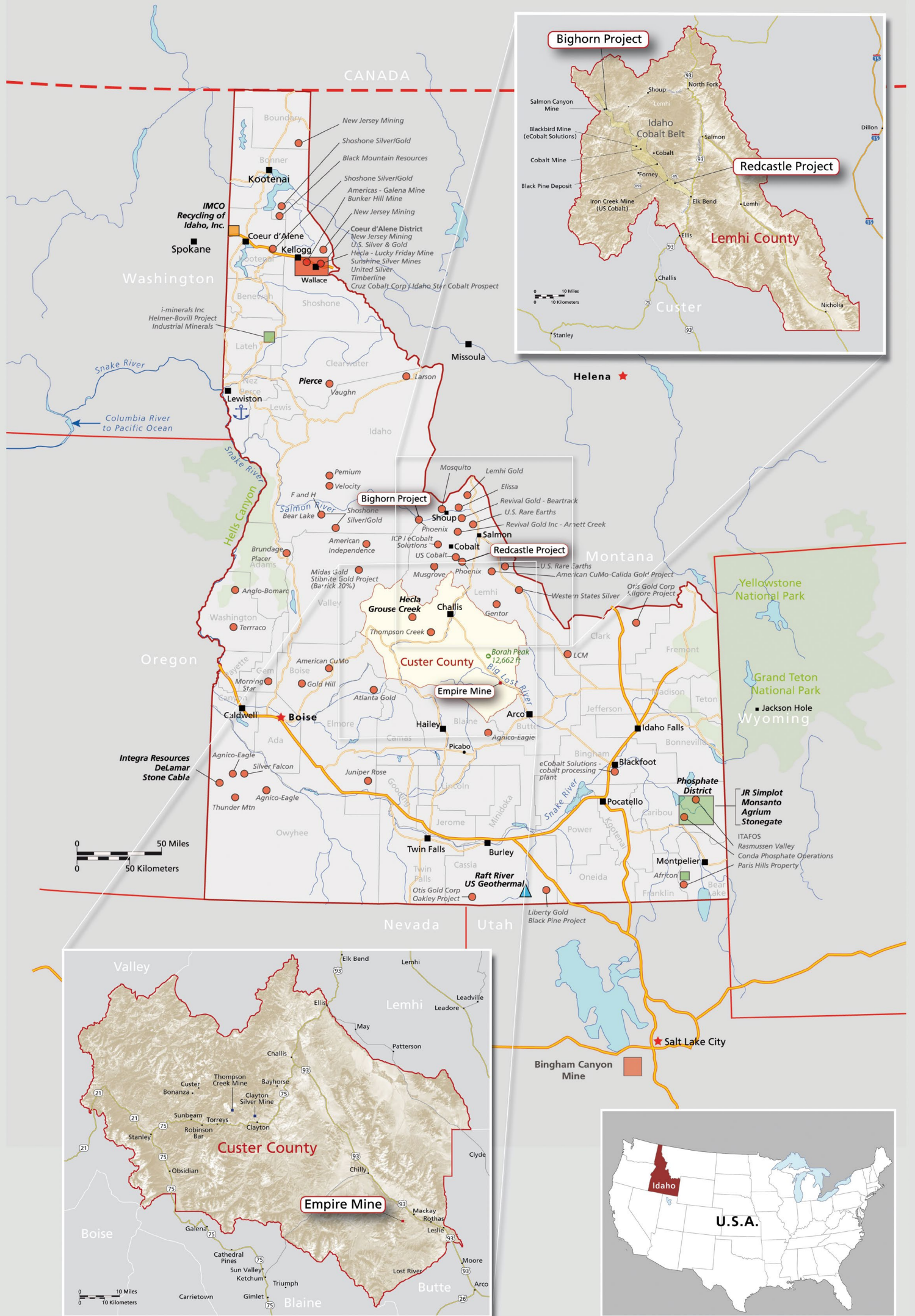


PHOENIX COPPER LIMITED

2020

ANNUAL REPORT AND ACCOUNTS 2020







Emerging producer of copper, gold and silver 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

- Developing the previously producing Empire mine in Idaho
- Supporting a green economy; delivering copper into the electric vehicle revolution and the US infrastructure programme

Production.

Empire Mine open-pit development underway; production targeted for late 2022

2021 Exploration.

Drilling at Red Star silver, Navarre Creek gold and historic Empire underground copper

Upside Potential.

23 sq km of mineralised claim blocks, including Idaho Cobalt Belt

Corporate & Financial:

- \$4.65 million raised during the year
- \$26.75 million raised since the year-end
- Investment in Empire Mine increased to \$14.79 million (2019: \$11.67 million)
- Net assets increased to \$13.83 million (2019: \$10.56 million)
- 14% decrease in net loss to \$0.97 million (2019: \$1.13 million)
- Phoenix loan to operating subsidiary increased to \$11.28 million (2019: \$8.29 million)
- Ryan McDermott appointed as Chief Executive Officer
- In 2021, Catherine Evans appointed as an Independent Non-Executive Director, and Harry Kenyon-Slaney appointed to the Advisory Board

Empire Mine, Idaho, USA:

- Updated Measured & Indicated open pit resource increased by 51% over the 2019 resource, containing 87,543 tonnes of copper (+19% over 2019 resource), 43,871 tonnes of zinc (+47%), 238,406 ounces of gold (+72%) and 7.6 million ounces of silver (+26%)
- Open pit Measured & Indicated resource in situ value of \$1.4 billion, plus \$0.6 billion of Inferred resource
- Open pit mine pre-production capital expenditure of \$52 million, payback less than 2 years; gross revenue of \$836 million over 10 years, \$43 million post-tax cash flow in year 1 (at \$3.60 copper price)
- Completion of environmental base line studies for both the open pit and Red Star silver-lead deposit, with no critical issues identified
- Environmentally friendly non-toxic processing technology to recover precious metals
- 2021 drilling programmes at Red Star silver-lead deposit, Navarre Creek gold zone, and historically mined high grade Empire underground sulphide copper deposit
- ESG Programme Coordinator appointed

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Chairman's statement

Dear Shareholders

It is with a mixture of pleasure, and relief, not to mention a large quantity of gratitude, that I present our fourth annual report as a public company. Reading through last year's statement I see copper was trading at \$4,716/tonne (\$2.14/lb.) in April 2020, compared with its recent peak at over \$9,300 (\$4.22/lb.). On an annualized basis, this is tantamount to an \$82 billion swing in the aggregated revenues of copper miners. Similarly, silver is now trading at \$25/oz compared with \$11, as the Covid-19 panic set in over a year ago – a \$12 billion swing in global silver mining income. Although it has been a year of unprecedented volatility, our Company has nonetheless survived and strengthened its position.

Thanks to your support, and the skills and efforts of our technical team, we were able to make substantial increases in the values of contained metal across all categories. Our October 2020 resource update shows a 51% increase on 2019 in the Measured and Indicated category at the Empire open pit project, with the value of contained metals rising by \$350 million, in what has been a transformational year for Phoenix. With the new resource, as announced in February 2021, which utilizes copper, gold and silver, we have a robust economic model showing a pre-tax 7.5% NPV of \$105 million and an IRR of 57%, using a \$7,934/tonne (\$3.60/lb.) copper price. This gives us a clear path to go into production at the Empire open-pit project at the end of next year.

We expect to be going into production just as the surge in demand for copper, created by incremental demand from the transition to green energy, builds momentum. The Goldman Sachs Commodities Research team in their excellent recent note, "Copper is the new oil," see incremental annual demand for copper, generated by the construction of wind and solar energy power plants, electric vehicles, charging stations and such like, rising to between 5.4 million and 8.7 million tonnes per annum by 2030, compared with total global annually-mined production of some 22 million tonnes, and total consumption, including scrap, of 30 million tonnes in 2020, ushering in the strongest phase of growth in copper demand ever seen. If they are correct, and copper rises to \$15,000/tonne (\$6.80/lb.), our economic model would show life-of-mine, post-tax cashflow of \$548 million, generating a post-tax 7.5% NPV of \$370 million and an IRR of 198%. Reducing the discount rate to 5%, a number now widely used by North American miners, increases the NPV to \$419 million. This is at the Empire starter pit alone. The \$50 million capital required for construction would be repaid in less than one year in such a scenario, and we are already in discussions with several project finance funders with a view to providing this, with no further recourse to the equity markets.

Recent valuable work by Jefferies and Deutsche Bank analysts on copper supply points out that much of the future supply will come from projects located in countries not noted for the ease of their operating conditions or stable tax regimes. The increasing importance of ESG also means that permitting takes longer, and is more difficult. The concerns being aired regarding the outcome of the current elections in Peru, which supplies 11% of the world's copper, are a case in point.

Astute planning by our technical team meant that Covid-19 did not affect us as badly as initially feared, in that we were able to practice social distancing without reducing the numbers of drillers and geologists, who usually work in small teams. However, later in the year, we began to experience severe delays at the assay laboratories and the metallurgical test work facilities, which we estimate delayed operations by some three to six months. Nonetheless, we managed to demonstrate successful use of ammonium thiosulphate ("ATS") - the environmentally-friendly alternative to cyanide, to recover the gold and silver at Empire, with gold recoveries exceeding 97% in the laboratory. This is a major positive for us in terms of permitting and keeping capital spending down. We also managed to process 90 surface samples at our gold exploration project at nearby Navarre Creek. Over 50% of these showed detectable gold grades of up to 0.569 g/t, and we look forward to an exciting exploration campaign there, as well as at the adjacent Red Star deposit for silver, starting next month. Successful aero-magnetic surveys, followed up by drilling campaigns on these two properties, will increase further our "optionality" in terms of near-term production decisions and strategy.

Since our year-end, we have completed an £18.4 million (\$25.4 million) over-subscribed share placing and open offer at 35p, which we hope will be our last equity raise for quite some time. I would like to thank all of you who participated and welcome several new institutional and individual shareholders from both sides of the ocean. These funds will enable us to make significant progress on all our projects – the Empire open pit, Red Star high-grade silver/lead, Navarre Creek gold, the cobalt projects, and - the ultimate prize, our high-grade copper sulphides underneath the open pit. With production at Empire and Red Star planned to be funded for the most part with debt-related instruments and/or metal offtake finance, we are now several steps closer to our goal of proving up a world-class deposit of metals essential to the green, carbon-emission free economy, in a friendly, first world jurisdiction.

Your support in the recent financing has enabled us to expand the operations team in Mackay, Idaho as we prepare to submit the Plan of Operations for the final stages of mine-permitting. In particular, we welcome Zach Black as General Manager of Konnex Resources, our Idaho registered operating subsidiary.

I would also like to welcome Ms. Catherine Evans as an independent non-executive director. Catherine has over twenty years of experience in institutional investment sales in the UK, Europe, Hong Kong and South Africa. She started her career with a US brokerage firm, before joining Pictet Asset Management. She then spent ten years working in alternatives, specifically hedge funds, before joining the founding team of Fundsmith as Institutional Sales Director prior to the launch of the highly successful Fundsmith Equity Fund.

As we expand and look to develop several of our projects simultaneously, the necessity of having high quality advice becomes increasingly important. To this end we have formed an advisory board, to which we can appoint persons whose input we would value. Our founder, former CEO and Head of Investor Relations, Dennis Thomas, has kindly agreed to be one of the first members, while continuing his executive role as head of IR.

We are also delighted that Harry Kenyon-Slaney has joined our newly formed advisory board. He is Chairman of Gem Diamonds Limited, a non-executive director of Sibanye-Stillwater Ltd, a member of the advisory board of Schenck Process AG and a senior advisor to McKinsey & Co. Harry, who is a geologist by training, has more than 37 years of experience in the mining industry, principally with Rio Tinto PLC. As a member of Rio Tinto's Group Executive committee, he held the roles of Chief Executive – Energy, and before that, Chief Executive – Diamonds and Minerals.

Finally, I would like to thank the citizens of Mackay, Idaho for their continued support and enthusiasm as we move into the development phase at Empire.

I look forward to updating you all as another exciting year unfolds for our Company.

Marcus Edwards-Jones
Executive Chairman
4 May 2021

Chief executive officer's report

Principal activities and review of the business

The Company entered 2020 with a renewed enthusiasm for the suite of metals at the Empire Mine and surrounding properties. The decline in copper price throughout 2019 and early 2020 focused our attention on the gold, silver, lead, and zinc resources that had been significantly increased in the 2019 resource update and were the subject of our consulting geologist Nigel Maund's in-depth study and subsequent report. Our increased focus on the polymetallics at Red Star and Empire led to successful drilling programmes at both projects. The Empire drilling programme resulted in the October 2020 open pit resource update adding over \$350 million in gross metal value from the May 2019 resource, and the Red Star drilling programme confirming the orientation and continuation of the high-grade silver and lead system discovered by Phoenix geologists in 2018.

This focus on the upgraded gold and silver resources, and the need to develop a process design for their recovery, ultimately led to successful recovery testing using the non-toxic and environmentally friendly cyanide alternative ammonium thiosulfate ("ATS"). Initial ATS gold recoveries exceeded 97% in the laboratory. These positive results have advanced the testing programme to include larger sample volumes and sample frequencies and this continues as we move toward feasibility and development. An updated open pit economic model was developed using the 2020 drilling and metallurgical data. The model shows an impressive "starter" operation containing 14.3 million tonnes of Measured & Indicated ore processed in an initial copper and zinc phase followed by a gold and silver processing phase over a 10-year operating life that delivers net revenue of \$784 million with a pre-tax 7.5% NPV of \$105 million and an IRR of 57%, using a \$3.60 copper price. This is a significant increase in the NPV from the previous August 2019 model and is a testament to the efforts of the Phoenix team to understand and develop the polymetallic system from the exploration stage to the pre-development stage.

In order to transition the Empire Mine oxide open pit from the exploration stage to the pre-development stage, the Company filled a key position by appointing Zach Black as General Manager of Operations, to help build and direct the team on the ground in Idaho as we prepare to submit the Plan of Operations for mine permitting, and also continue with substantial exploration efforts at Red Star, Horseshoe, and in particular at the Company's latest significant accomplishment, the recently mapped and sampled Navarre Creek gold project. Assay results from surface samples collected at Navarre Creek in 2020 showed gold values above detection limits in 53 of 90 samples collected and a high of 0.569 grams/tonne ("g/t") gold in a volcanic-hosted geological terrane similar to the volcanic terranes of the Carlin Trend in Nevada, USA.

The variety and grade of mineralization encountered thus far on the many claim blocks that make up the Empire group is providing Phoenix with the unique opportunity to exploit metals other than just copper, allowing us some flexibility as metals markets fluctuate. 2020 was witness to copper prices ranging from near \$2.00/lb to the current \$4.00/lb, gold swinging from \$1,600/oz to above \$2,000/oz, and silver climbing from \$14.00/oz to over \$26.00/oz. Even zinc had a bull run from \$0.85/lb to nearly \$1.30/lb. We believe the mix of metals at Empire puts us in a good position to weather any fluctuating market. With that in mind, the Company continues to optimise and refine the engineering and design aspects of the project in preparation for submitting the Plan of Operations this year and moving into development and then production, targeted for late next year.

The Company is well positioned, with a variety of metallic resources with early production and exploration potential. Careful logistical planning and the team's strict adherence to the Company's Covid-19 protocols were successful in keeping the projects running smoothly and minimizing interruptions, allowing the team to accomplish the goals outlined for the year. In March 2021 the Company completed an over-subscribed \$25.4 million financing and is now poised to join the ranks of global metal producers at a time when U.S. Administration backed initiatives in electrification and manufacturing, and the desire for non-toxic manufacturing methods, are at the forefront.

Empire Mine – Polymetallic Open Pit Oxide Deposit

In October 2020, an updated NI43-101 compliant resource was completed by Hardrock Consulting (HRC) 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

Class	Tonnes	Cu Equiv %	Average Grade				Metal Content				
			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

Phoenix is continuing down the feasibility and permitting pathways with the polymetallic resource, most recently completing two years of environmental studies directly applicable to the permitting and mine planning. Discussions are underway with potential debt financiers to construct the project, and production is targeted for late 2022.

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 mineralisation is a mix of copper and iron oxides and sulphides, with strong chrysocolla and bornite showings, exposed in a heavily timbered canyon. In 2018, three reverse circulation ("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 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 programme 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. An extensive review of the structural geology of Red Star was conducted in 2020 and a ground-based magnetism survey will be performed in Q2 2021 prior to a 2021 diamond drilling programme.

Navarre Creek – Volcanic-Hosted Gold Project

The Navarre Creek claim block is located to the north west of the Empire Mine and was acquired in 2019 as a gold exploration project with geology similar to the volcanic-hosted gold fields on the Carlin Trend in Nevada, home to several multi-million ounce gold deposits.

During the summer of 2020, the Phoenix exploration team mapped and sampled the Company's Navarre Creek property, which is comprised of 9.79 square kilometres (2,420 acres) of unpatented mining claims and is located approximately five kilometres north-northwest of the Empire Mine. 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. This provides valuable information for future sampling and drill targeting. The quartz stockworking and micro-veining appear to occur predominantly in felsic volcanic tuff units in the Navarre Creek area. One anomalous sample, 32519, registered a gold value of 0.387 g/t, in a magnetite skarn sample located on the southern end of the Navarre Creek claim block where the skarn body occurs as subcrop through the surface volcanics tuffs. Additionally, the presence of limestone in surface float near the skarn sample location is evidence that the Paleozoic sedimentary rocks that occur at the Empire Mine may be near

the surface. The Empire orebody is partly comprised of a magnetite skarn body hosted in Paleozoic limestone. Additional sampling is planned to be conducted in the area around sample 32519, as well as a ground magnetics survey. It was also noted that volcanic outcropping across the Navarre Creek area is strongly weathered and highly leached to depths of two to four metres.

A sampling of the assay results from rock chip and channels from the 2020 exploration season is presented in the table below:

SAMPLE ID	Gold g/t	Silver g/t	Antimony g/t
32452	0.31	4.2	119
32453	0.1	3.9	3160
32477	0.139	2.6	45
32482	0.256	7	36
32483	0.181	4.4	39
32485	0.569	7.3	85
32499	0.049	10.9	9
32510	0.047	2.8	101
32511	0.09	2.6	933
32519	0.387	ND	87
32532	0.21	ND	11
32539	0.077	ND	15
32540	0.115	3.2	70

An initial RC drilling programme at Navarre Creek is planned for Q3 2021.

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, we have increased the core Empire claim group to 3,297 acres 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.

Empire Mine – Polymetallic Sulphide Potential

The Red Star vein system appears to be a distal, near-surface expression of a deeper, copper rich sulphide vein system that lies below the oxide-copper open pit and was mined extensively underground until the 1940s. Two deep diamond drill holes drilled in late 2017 confirmed the presence of higher-grade sulphide mineralisation in the skarn structures at depth. Both of the core holes intersected mineralised skarn over much of their length and the analytical data from both drill holes intersected numerous significant intervals of copper, gold, silver, zinc, lead, and tungsten throughout their depths. The tungsten values were particularly interesting as they positively reinforced the Company's consulting geologist's predictions of the Empire system being the uppermost horizon of a larger molybdenum-tungsten porphyry. In 2018 five drill holes intercepted copper sulphide mineralisation. One hole returned 5.53% copper, 7.67 g/t gold, and 120 g/t silver, and was further north of any historical underground mining, whilst another returned 5.19% copper adjacent to historical underground workings. The gold and silver grades generally are major considerations, ranging to 7.93 g/t gold and 256 g/t silver. Further drilling into the underground sulphides is planned for Q3 2021.

Borah Resources – Idaho Cobalt Belt

Borah Resources is a 100% Idaho registered subsidiary of the Company. Comprised of two strategically located properties, Redcastle and Bighorn, the Company believes that they are an important asset in a time of global electrification and the rarity of cobalt resources from first world jurisdictions, as well as being strategically 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 programme of 46 surface grab samples which gave cobalt values ranging from 2 ppm to 0.31% cobalt.

The Company continues to keep the claim blocks in good standing whilst we consider the optimal way forward to develop these properties, including perhaps cooperation with a third party.

Outlook

Despite the challenges that we have all faced this year, my outlook on the Company has never been brighter or more positive. The Phoenix team embraced these challenges and managed to accomplish everything in the year's operational plan. The updated economic model for the Empire open pit is coinciding with elevated copper and silver markets, a stable zinc market, and a respectable gold price. The new administration in Washington D.C. is actively encouraging the clean energy revolution which would include the development of metals essential for electrification projects. Our Empire copper resources are ideal for that initiative, and our use of environmentally friendly ATS for the processing of precious metals shows our desire to align with safe and responsible processing practices.

I expect to see these positive trends continue as we move further away from the challenges of 2020. The completion of our latest economic model provides us with a clear path through feasibility and development, and the variety of metals in our Empire resource provides some optionality as we move forward. The exploration potential of our other projects, including the Red Star high-grade silver vein system, the Empire polymetallic sulphide vein system, the very prospective volcanic-hosted gold system at Navarre Creek, and two strategically located cobalt properties, all within the same geopolitically stable, pro-mining jurisdiction, add significant future value beyond our flagship Empire Mine.

It is also important to mention as we move into the Plan of Operations permitting stage at Empire, that we have collected three years of extensive baseline environmental data, including the research of flora, wildlife, hydrological, and archaeological studies, which indicate that we have no critical habitat for threatened or endangered plant and wildlife species, including Sage Grouse. The studies also concluded that no legacy impacts to surface or groundwater occurred as a result of any historical mining operations on the Empire Mine properties. Archaeological studies were also unable to identify any significant cultural artefacts on the Empire property. These findings are important as they clear the path to permitting of Red Star, the Empire oxide-copper deposit, and the deeper sulphide system. That is three metal-rich systems with favourable environmental conditions.

Our successes thus far are related directly to the local community support we receive from the citizens of Custer County, Idaho. We are fortunate to work in an area rooted so deeply in mining and with a population understanding of the economic benefits of the industry and so incredibly supportive of our efforts.

Key performance indicators ('KPIs')

To date the Group has been focused on the delivery of the project evaluation work programmes 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 are especially motivated by the upward trend in the copper price, and the positive effect it has had on our project. With the successful rollout of vaccination programs, the global interest in electrification and green metals, and what appears to be the signs of a return to "normal", Phoenix is well positioned in terms of timing to transition seamlessly into development. We are also well financed as a result of the recent equity fund raising.

In conclusion I would like to thank the dedicated and highly motivated team of professional staff, consultants and advisers, community liaisons, shareholders, and directors who continue to put forth a significant amount of effort, often away from home and family, in order to ensure the Company's success. I look forward to providing further updates as we continue our exploration and development programmes during 2021.

On behalf of the Board

Ryan McDermott
Chief Executive Officer
4 May 2021

Environmental, social & governance programme coordinator's report

Corporations are so often measured by financial matrices alone. While financial success is an important component of business, Phoenix believes that the success of a Company should also be measured by the steps taken to ensure the highest standards of employee and contractor safety, community involvement, environmental stewardship, and corporate ethics. Phoenix is committed to meeting or exceeding the environmental, worker safety, and business ethics standards required by law as a core value of the Company. We used the multi-year, baseline environmental data collection programme as the foundation of our ESG programme and built our safety and community relations programmes from that beginning.

The successes that Phoenix has achieved to date are directly related to the time and effort we place in maintaining those standards. Our extensive testing of ammonium thiosulfate as a safe and environmentally friendly alternative to cyanide for recovering precious metals, our support of local school and community projects, our 4-year record of “zero” lost time incidents, and our open and transparent communication with the community, are all examples of Phoenix’s commitment to doing what is right.

As a Company, we have an obligation to our shareholders, our employees, our neighbours, and to the environment. We take this obligation seriously and strive to set a positive example for everyone. Phoenix aims to achieve the highest standards of Environmental, Social, and Corporate Governance in the industry. We are proud of this objective and will continue to operate responsibly, to act with integrity, and to promote a trustworthy corporate culture.

Lenie Wilkie
ESG Programme Coordinator
4 May 2021

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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 2020 the Group reports a loss of \$0.97 million (2019: (\$1.13 million), after charging \$0.23 million (2019: \$0.27 million) in share-based payments relating to options and warrants granted or extended during the year, which amount is simultaneously credited to retained reserves. Net assets totalled \$13.83 million (2019: \$10.56 million), including \$14.79 million (2019: \$11.67 million) relating to the Empire mine, and \$1.15 million (2019: \$0.21 million) in cash. Further details are shown in the consolidated financial statements and related notes.

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.

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 Board will not declare a final dividend for the current year (2019: nil).

Capital structure

Details of the Company's share capital are disclosed in note 20 to the financial statements. The Company's shares have no nominal value.

In the year the Company issued 18,521,866 ordinary shares at an average of \$0.21 per share to raise \$3.9 million before share-issue expenses (2019: 11,705,882 ordinary shares to raise \$2.5 million). All issued shares were fully paid.

Since the year end the Company has issued a further 52,567,518 ordinary shares at \$0.49 (£0.35) as part of a \$25.4 million (£18.4 million) fundraise by way of a subscription, placing and open offer to new and existing shareholders. The Company currently has 116,313,396 ordinary shares in issue.

Directors

The directors of the Company are:

Marcus Edwards-Jones
Ryan McDermott
Richard Wilkins
Dennis Thomas (resigned 1 May 2021)
Roger Turner
Andre Cohen
Catherine Evans (appointed 1 May 2021)
Jason Riley

The remuneration of the directors is disclosed in note 25.

Directors' interests

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

	31 December 2020 Number	31 December 2019 Number
Marcus Edwards-Jones	1,000,000	589,407
Ryan McDermott	399,303	293,747
Dennis Thomas	1,377,095	1,254,872
Richard Wilkins	780,799	725,243
Roger Turner	1,419,365	1,297,142
Andre Cohen	442,809	292,809
Jason Riley	23,333	15,000
	5,442,704	4,468,220

Since the year end, Marcus Edwards-Jones, Ryan McDermott, Dennis Thomas, Richard Wilkins and Roger Turner have each acquired a further 42,857 shares, Andre Cohen a further 62,857 shares, and Jason Riley a further 14,286 shares.

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

	31 December 2020 Number	31 December 2019 Number
Marcus Edwards-Jones	178,025	178,025
Ryan McDermott	23,687	23,687
Dennis Thomas	38,351	38,351
Richard Wilkins	30,687	30,687
Roger Turner	44,965	44,965
Andre Cohen	86,786	61,786
Jason Riley	2,679	2,679
	405,180	380,180

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

	31 December 2020 Number	31 December 2019 Number
Marcus Edwards-Jones	625,000	400,000
Ryan McDermott	725,000	475,000
Dennis Thomas	550,000	600,000
Richard Wilkins	625,000	600,000
Roger Turner	550,000	600,000
Andre Cohen	375,000	300,000
Jason Riley	225,000	175,000
	3,675,000	3,150,000

Events after the reporting date

Since the year end the Company has raised a further \$25.39 million before expenses by way of a subscription, placing and open offer to new and existing shareholders, and a further \$2.72 million from the issue of unsecured loan notes. The Company has also repaid \$1.36 million of existing unsecured loan notes.

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 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 directors believe that such funds are likely to come from a combination of further equity issues and the arrangement of appropriate debt and/or offtake finance arrangements. 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 \$3.9 million gross by way of further share issues and \$0.9 million through loan-notes and related debt. Since the year end the Company has raised a further \$25.39 million gross by way of a subscription, placing and open offer to new and existing shareholders, and a further \$2.72 million from the issue of unsecured loan notes. The Company has also repaid \$1.36 million of existing unsecured loan notes.

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, and a Remuneration Committee comprising Andre Cohen, who chairs it, Roger Turner and Dennis Thomas.

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 twice during the year, to review the 2019 annual accounts and the interim accounts to 30 June 2020 and audit planning for the year ended 31 December 2020. 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 2020 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 met independently of the executive directors three times in the year.

During the year the Group appointed an Environmental, Social and Governance (ESG) Programme Coordinator, whose role will be to oversee all aspects of the Group's ESG Programme. The ESG Programme Coordinator's report is set out on page 9.

The directors' report in respect of corporate governance compliance and issues arising is set out above.

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 IFRSs as adopted by the UK Accounting Standards Endorsement Board as it applies to the financial statements of the Group for the year ended 31 December 2020. The directors have also elected to prepare the parent company financial statements in accordance with those standards. At 31 December 2020 IFRSs adopted by the UK Accounting Standards Endorsement Board are identical to IFRSs adopted by the European Union.

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 IFRS; 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 director has taken all the steps that he ought to have taken as a director in order to make himself 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 by webinar at 16.00 BST on 24 May 2021.

On behalf of the Board

Richard V L Wilkins
Director & Company Secretary
4 May 2021

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 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 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. At the Empire Mine project site in Mackay, Idaho, 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. The Group has also appointed an Environmental, Social and Governance (ESG) Programme Coordinator, based in Mackay, whose role is to oversee all aspects of the Group's ESG Programme. Konnex Resources Inc, the Group's Idaho registered operating company, is also a member of the Idaho Mining Association.

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 four non-executive directors. Marcus Edwards-Jones chairs the board. The directors comprise a combination of technical (Ryan McDermott and Roger Turner), 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 and a Remuneration 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. Jason Riley represents the Company's strategic shareholder, ExGen Resources Inc, and is therefore not considered to be an independent director. Roger Turner is also not deemed to be an independent director given his previous executive role on the Phoenix board and ongoing role as an executive officer of the Company. The QCA Code recommends that there be two independent directors, which following the recent appointment of Catherine Evans, the board now complies with.

The Company reports annually on the number of board and Committee meetings that have been held and the attendance record of individual directors. During 2020 the Company held a total of 16 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 seven 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.

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

Principle 8 – Corporate Culture

The Company recognises the importance of promoting an ethical corporate culture, interacting responsibly with all stakeholders and the communities and environments in which the Group operates. The board considers this to be essential if medium and long-term value is to be delivered. The directors consider that at present the Group has an open culture facilitating comprehensive dialogue and feedback, particularly with regard to environmental 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 and the Remuneration 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.

In accordance with the Companies Act, 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
4 May 2021

Independent auditor's report to the members of Phoenix Copper Limited

Opinion

We have audited the financial statements of Phoenix Copper Limited and its subsidiary undertakings (the Group) for the year ended 31 December 2020, which comprise:

- the consolidated income statement for the year ended 31 December 2020;
- the consolidated statement of comprehensive income for the year ended 31 December 2020;
- the consolidated statement of financial position as at 31 December 2020;
- 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 International Financial Reporting Standards (IFRSs) as adopted by the UK Accounting Standards Endorsement Board.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2020 and of the Group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom.

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, 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.

Conclusions relating to going concern

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 procedures:

The going concern assessment period used by the directors was at least 12 months from the date of the approval of the financial statements. We assessed the appropriateness of the approach, assumptions and arithmetic accuracy of the model used by management when performing their going concern assessment.

We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and challenged the results of management's stress testing, to assess the reasonableness of economic assumptions in light of the impact of Covid-19 on the Group's solvency and liquidity position.

Further details of the directors' assessment of going concern is provided in Note 2.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 \$320,000, (2019: \$230,000) based on approximately 2% (2019: 2%) 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.

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 Committee to report to it all identified errors in excess of \$15,000 (2019: \$11,500). 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

The Company and its subsidiaries are principally accounted for from one central operating location in Idaho, USA. Our audit was conducted from the UK and the USA using a local sub-contractor as part of our audit team. We did not visit the mine site this year due to Covid-19 travel restrictions. 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.

This is not a complete list of all risks identified by our audit.

Key audit matter

Carrying value of mining development assets.

At the reporting date the carrying value of the Group's mining assets were \$14.8 million (2019: \$11.7 million). There may be evidence of impairment to the carrying value of the mining development assets.

How the scope of our audit addressed the key audit matter

We reviewed management's assessment which concluded that there are no facts or circumstances that suggest the recoverable amount of the assets exceeds the carrying amount.

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 mining development assets; and
- current copper and other ore and licence reserves appraisals.

We also discussed current plans and intentions for the assets with management.

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, except to the extent otherwise explicitly stated in our report, 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 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were relevant company and taxation legislation in the jurisdictions in which the Group operates and relevant technical and environmental regulations relating to mining activities in the State of Idaho, USA, which are mitigated and 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. 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Bullock (Senior Statutory Auditor)
for and on behalf of Crowe U.K. LLP
Statutory Auditor
London
4 May 2021

Consolidated income statement

	Note	Year Ended 31 December 2020 \$	Year Ended 31 December 2019 \$
Continuing operations			
Revenue	6	-	-
Exploration & evaluation expenditure		-	(3,429)
Gross loss		-	(3,429)
Administrative expenses		(922,647)	(1,101,811)
Loss from operations		(922,647)	(1,105,240)
Finance income		-	-
Finance costs		(49,203)	(22,911)
Loss before taxation		(971,850)	(1,128,151)
Tax on loss on ordinary activities	11	-	-
Loss for the year	7	(971,850)	(1,128,151)
Loss attributable to:			
Owners of the parent		(956,656)	(1,116,563)
Non-controlling interests		(15,194)	(11,588)
		(971,850)	(1,128,151)
Loss per share attributable to owners of the parent:			
Basic and diluted EPS expressed in cents per share	12	(1.66)	(2.76)

The notes on pages 26 to 41 form part of these financial statements.

Consolidated statement of comprehensive income

	Year Ended 31 December 2020 \$	Year Ended 31 December 2019 \$
Loss for the year	(971,850)	(1,128,151)
Total comprehensive income attributable to:		
Owners of the parent	(956,656)	(1,116,563)
Non-controlling interests	(15,194)	(11,588)
	(971,850)	(1,128,151)

The notes on pages 26 to 41 form part of these financial statements.

Consolidated statement of financial position

	Note	31 December 2020 \$	31 December 2019 \$
Non-current assets			
Property, plant and equipment – mining property	13	14,789,004	11,671,660
Intangible assets	14	276,895	246,895
		15,065,899	11,918,555
Current assets			
Trade and other receivables	15	122,300	267,932
Cash and cash equivalents	16	1,146,490	210,591
		1,268,790	478,523
Total assets		16,334,689	12,397,078
Current liabilities			
Trade and other payables	17	193,937	282,900
Borrowings	18	1,549,000	-
		1,742,937	289,900
Non-current liabilities			
Borrowings	18	-	800,000
Provisions for other liabilities	19	757,702	757,702
		752,702	1,557,702
Total liabilities		2,500,639	1,840,602
Net assets		13,834,050	10,556,476
Equity			
Ordinary shares	20	-	-
Share Premium		19,251,964	15,627,730
Retained loss		(5,517,549)	(5,186,083)
Foreign exchange translation reserve		(18,588)	(18,588)
Equity attributable to owners of the parent		13,715,827	10,423,059
Non-controlling interests		118,223	133,417
Total equity		13,834,050	10,556,476

The financial statements were approved by the Board of Directors and authorised for issue on 4 May 2021.

On behalf of the Board

Richard V L Wilkins
Director

The notes on pages 26 to 41 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 2019	-	13,362,353	(4,338,436)	(18,588)	9,005,329	145,005	9,150,334
Loss for the year	-	-	(1,116,563)	-	(1,116,563)	(11,588)	(1,128,151)
Total comprehensive income for the year	-	-	(1,116,563)	-	(1,116,563)	(11,588)	(1,128,151)
Shares issued in the period	-	2,540,200	-	-	2,540,200	-	2,540,200
Share issue expenses	-	(274,823)	-	-	(274,823)	-	(274,823)
Share-based payments	-	-	268,916	-	268,916	-	268,916
Total transactions with owners	-	2,265,377	268,916	-	2,534,293	-	2,534,293
At 31 December 2019	-	15,627,730	(5,186,083)	(18,588)	10,423,059	133,417	10,556,476
At 1 January 2020	-	15,627,730	(5,186,083)	(18,588)	10,423,059	133,417	10,556,476
Loss for the year	-	-	(956,656)	-	(956,656)	(15,194)	(971,850)
Total comprehensive income for the year	-	-	(956,656)	-	(956,656)	(15,194)	(971,850)
Shares issued in the period	-	3,908,477	-	-	3,908,477	-	3,908,477
Share issue expenses	-	(284,243)	-	-	(284,243)	-	(284,243)
Share-based payments	-	-	625,190	-	625,190	-	625,190
Total transactions with owners	-	3,624,234	625,190	-	4,249,424	-	4,249,424
At 31 December 2020	-	19,251,964	(5,517,549)	(18,588)	13,715,827	118,223	13,834,050

The notes on pages 26 to 41 form part of these financial statements.

Consolidated statement of cash flows

	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities		
Loss before tax	(971,850)	(1,128,151)
<i>Adjustments for:</i>		
Share-based payments	229,904	268,916
	(741,946)	(859,235)
Decrease/(increase) in trade and other receivables	145,632	(55,416)
Decrease in trade and other payables	(88,963)	(218,402)
Net cash (used)/generated from operating activities	(685,277)	(1,133,053)
Cash flows from investing activities		
Purchase of intangible assets	(30,000)	(39,735)
Purchase of property, plant and equipment	(2,722,058)	(1,794,962)
	(2,752,058)	(1,834,697)
Cash flows from financing activities		
Proceeds from the issuance of ordinary shares	3,908,477	2,540,200
Share-issue expenses	(284,243)	(274,823)
Proceeds from the issue of loan notes	879,000	800,000
Repayment of loan notes	(130,000)	-
Net cash generated from financing activities	4,373,234	3,065,377
Net increase in cash and cash equivalents	935,899	97,627
Cash and cash equivalents at the beginning of the year	210,591	112,964
Cash and cash equivalents at the end of the year	1,146,490	210,591

Significant non-cash transactions:

During the year the directors capitalised \$109,770 of fees into shares (2019: \$180,960), and an amount of \$395,286 (2019: \$nil) in respect of the charge for share-based payments was capitalised into mining property.

The notes on pages 26 to 41 form part of these financial statements.

Notes to the consolidated financial statements

1 General information

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

2 Going concern

The Group 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 directors believe that such funds are likely to come from a combination of further equity issues and the arrangement of appropriate debt and/or offtake finance arrangements. 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. Discussions are ongoing to secure appropriate structured finance for the development of the Empire Mine and, as set out in note 24, since the year end the Company has raised a further \$25.39 million before expenses by way of a subscription, placing and open offer to new and existing shareholders, and a further \$2.72 million from the issue of unsecured loan notes.

The Covid-19 pandemic has had a significant, immediate impact on the operations and funding of many businesses both in the USA and globally. However, the Group has recently raised funds, has very few operational employees in Idaho, and the Empire Mine is geographically remote from areas significantly currently impacted by the pandemic.

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.

In addition, in response to the rapidly evolving Covid-19 situation, the directors, in formulating the plan and strategy for the future development of the business, have considered a period beyond that for which formal budgets and forecasts are prepared.

At the date of approval of these financial statements it is not clear how long the current circumstances are likely to last and what the long-term impact will be. However, having regard to the above, and based on funds recently raised and their latest assessment of the budgets and forecasts for the business of the Group, 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 International Financial Reporting Standards and IFRIC Interpretations issued by the International Accounting Standards Board (together "IFRSs") as adopted by the UK Accounting Standards Endorsement Board. At 31 December 2020 IFRSs adopted by the United Kingdom are identical to IFRSs adopted by the European Union.

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.

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2020, and which have given rise to changes in the Group's accounting policies, are:

Amendments to References to the Conceptual Framework in IFRS Standards.

Amendments to IAS 1 and IAS 8: Definition of Material.

Management has concluded that to date there has been no impact on the results or net assets of the Company as a result of adopting these new standards.

New standards, interpretations and amendments not yet effective

At the date of authorisation of the Company'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 and have not been adopted early by the Company. The most significant of these are as follows, which are effective for the periods beginning after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to IFRS 3: Business Combinations

Amendments to IAS 16: Property, Plant and Equipment

Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

Annual improvements 2018-2020

Amendments to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current – Deferral of Effective Date
IAS 17: Insurance Contracts; including amendments to IFRS 17

All relevant standards, amendments and interpretations to existing standards will be adopted in the Company'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 Company'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, 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 Company 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.

Contingent consideration is defined as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair-value with changes in fair-value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair-value at the acquisition date. Any gains and losses arising from such remeasurement are recognised in profit and loss.

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 with 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 IFRS6 and IAS38, but this policy is based on the guidance in IAS16 and IAS38 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 Company'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 statement of comprehensive income. 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. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. 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.

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

Exceptional items of expense

Exceptional items of expense are administrative costs which are large or unusual in nature and are not expected to recur on a regular basis.

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.

The functional currency of the Company was determined to be US Dollars from 1 January 2018. The Company's financial statements were presented in US dollars in 2017, consistent with the Group's major activities. The change of functional currency has been applied prospectively from 1 January 2018.

In preparing the financial statements of the Company, transactions in currencies other than the Company's or 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.

For 2017 and prior years the statements of comprehensive income for the Group and Company were translated at the exchange rates applicable at the date of the relevant transactions for the period. At the date of the financial statements the retained profit and loss was restated at the closing rate and the difference was recognised in other comprehensive income and transferred to the translation reserve. From 1 January 2018 the financial statements for the Company have been prepared using the US Dollar at its functional currency prospectively from this date.

Operating Segments

The Board considers that the Company'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 Company 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 Company makes certain estimates and assumptions regarding the future. The significant estimates or judgments made by the Company 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 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 Company does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Company does not issue or use financial instruments of a speculative nature.

Trade and other receivables are measured at book value and amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the statement of comprehensive income in the relevant period.

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

Trade and other payables are measured at book value and amortised cost.

The Company is exposed to the following financial risks:

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. The Company'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.

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 \$13,834,050 at 31 December 2020 (31 December 2019: \$10,556,476).

The Company'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 Company 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 \$535,000 (2019: \$563,476) in respect of management services provided.

7 Loss before taxation

	31 December 2020 \$	31 December 2019 \$
<i>Loss on ordinary activities before taxation is after charging:</i>		
Employee costs (note 9)	410,995	641,103
Share-based payments	229,904	268,916
Foreign currency (gains)/losses	(114,139)	1,299
Audit fees (Note 10)	49,126	39,000

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

	31 December 2020 Number	31 December 2019 Number
Administration	5	5
Operations	6	5
	11	10

9 Employee costs including directors

	31 December 2020 \$	31 December 2019 \$
Fees payable	830,792	863,823
Transferred to property, plant and equipment - mining property	(419,797)	(222,720)
	410,995	641,103

The remuneration of the directors and key management personnel is disclosed in note 25.

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 11.

10 Auditor's remuneration

	31 December 2020 \$	31 December 2019 \$
Fees payable for the audit of the Company's consolidated financial statements	49,126	39,000
Fees payable for taxation compliance services	5,441	5,304
	54,567	44,304

11 Taxation

	31 December 2020 \$	31 December 2019 \$
<i>Current tax</i>		
Income and corporation taxes	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of other differences	-	-
Total deferred tax	-	-
Income tax expense	-	-

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

	31 December 2020 \$	31 December 2019 \$
Tax on loss from ordinary activities		
Loss before tax	(971,850)	(1,128,151)
Tax calculated at domestic tax rates applicable to profits and losses in the respective countries of 19.68% (2019: 19.47%)	191,267	219,608
Tax losses not recognised	(184,652)	(214,319)
Other differences	(6,615)	(5,259)
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 2020 available tax losses amounted to \$2,339,583 (2019: \$1,780,908).

12 Loss per share

	31 December 2020 \$	31 December 2019 \$
Loss attributable to the parent used in calculating basic and diluted loss per Share	(956,656)	(1,116,563)
<i>Number of shares</i>		
Weighted average number of shares for the purpose of basic earnings per share	57,527,529	40,862,399
Weighted average number of shares for the purpose of diluted earnings per share	57,527,529	40,862,399
Basic loss per share (US cents per share)	(1.66)	(2.76)
Diluted loss per share (US cents per share)	(1.66)	(2.76)

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 or period the diluted earnings per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

The Company has potentially issuable shares of 11,264,978 (2019: 10,265,195) all of which relate to the potential dilution in respect of warrants and share options issued by the Company. See also note 22.

13 Non-current assets

	Mining Property \$	Total \$
<i>At 1 January 2019</i>	9,876,697	9,876,697
Additions	1,794,963	1,794,963
<i>At 31 December 2019</i>	11,671,660	11,671,660
<i>At 1 January 2020</i>	11,671,660	11,671,660
Additions	3,117,344	2,952,009
<i>At 31 December 2020</i>	14,789,004	14,623,669
Net book value		
<i>At 1 January 2019</i>	9,876,697	9,876,697
<i>At 31 December 2019</i>	11,671,660	11,671,660
<i>At 31 December 2020</i>	14,789,004	14,789,004

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 \$
<i>At 1 January 2019</i>	207,160
Additions	39,735
<i>At 31 December 2019</i>	246,895
<i>At 1 January 2020</i>	246,895
Additions	30,000
<i>At 31 December 2020</i>	276,895

Exploration and evaluation expenditure relates to the Bighorn and Redcastle properties on the Idaho Cobalt Belt in Idaho, USA. The properties are owned by Borah Resources Inc, a wholly owned subsidiary of the parent entity, registered and domiciled in Idaho.

15 Trade and other receivables

	31 December 2020 \$	31 December 2019 \$
Other receivables	68,847	243,928
Prepaid expenses	53,453	24,004
	122,300	267,932

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.

16 Cash and cash equivalents

Cash and cash equivalents comprise cash.

17 Trade and other payables

	31 December 2020 \$	31 December 2019 \$
Trade creditors	156,116	178,093
Other creditors	8,355	100,270
Accrued interest	29,466	4,537
	193,937	282,900

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

18 Borrowings

	31 December 2020 \$	31 December 2019 \$
Current liabilities		
Loan notes	1,549,000	-
	1,549,000	-
Non-current liabilities		
Loan notes	-	800,000

The Company has outstanding loan notes with a total redemption value of \$1,549,000 (2019: \$800,000).

\$929,000 relates to 12% unsecured loan notes, with a final redemption date of 30 September 2021. Andre Cohen, a director of the Company, is the beneficial owner of \$75,000 of these loan notes. Since the year end \$741,500 of loan notes have been repaid, including \$50,000 due to Andre Cohen.

The Company has also issued an unsecured loan note in the amount of \$620,000 (£500,000), repayable on 31 March 2021 plus a fixed rate coupon equivalent to 6.5% of principal value. Since the year end this amount has been repaid, and the Company has issued a new unsecured loan note in the amount of \$2.72 million (£2 million), repayable on 9 November 2021 plus a fixed rate coupon equivalent to 6.0% of principal value.

19 Provisions

	31 December 2020 \$	31 December 2019 \$
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 2020.

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.

20 Share capital

	Group and Company Number 2020	Group and Company Number 2019
Number of ordinary shares of no par value		
At the beginning of the year	44,784,881	33,078,999
Issued in the year	18,521,866	11,705,882
At the end of the year	63,306,747	44,784,881

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 18,521,866 ordinary shares at an average issue price of \$0.21 per share to raise \$3.9 million before expenses of issue. All issued shares were fully paid.

Since the year end the Company has issued a further 52,567,518 shares at \$0.49 (£0.35) per share by way of a subscription, placing and open offer to new and existing shareholders. The Company currently has 116,313,396 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 to existing shareholders and loan note holders. 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 £0.60. At 31 December 2020 the number of warrants in issue was 7,589,978 (2019: 7,115,195). See also note 22.

Since the year end a further 4,812,396 warrants have been issued with an exercise price of £0.385, and 439,132 warrants have been exercised.

The Company has issued options to subscribe for additional shares to the directors and senior management 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 of £0.17 and £0.30. At 31 December 2020 the number of options in issue was 3,675,000 (2019: 3,150,000).

The beneficial holdings in shares, warrants and options of each director are disclosed in the Directors' Report on page 11. These shareholdings include those shares held by connected persons of the individual director.

21 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.

22 Share-based payments

The Company has issued 7,589,978 (2019: 7,115,195) 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 3,675,000 (2019: 3,150,000) share options to directors and senior employees of the Company. Each share option entitles the holder to subscribe for one ordinary equity share in the Company once the vesting conditions have been satisfied. The right to subscribe for ordinary shares in the Company is subject to a minimum 6 month holding period for 50% of the share options and up to 24 months holding period for the balance of 50% of the share options.

In the periods presented the Company has settled remuneration liabilities by the issue of equity in lieu of cash payments for services but has not operated any 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 2020 Number	31 December 2019 Number
At the beginning of the year	£0.30	7,115,195	1,896,206
Issued in the year	£0.16	386,000	-
Issued in the year	£0.18	905,467	-
Issued in the year	£0.20	-	800,000
Issued in the year	£0.28	159,541	4,418,989
Exercised in the year	£0.18	(375,000)	-
Exercised in the year	£0.20	(100,000)	-
Exercised in the year	£0.28	(369,225)	-
Lapsed	£0.20	(132,000)	-
At the end of the year	£0.29	7,589,978	7,115,195

Share options issued

	Weighted Average Exercise price	31 December 2020 Number	31 December 2019 Number
At the beginning of the year	£0.28	3,150,000	1,225,000
Issued in the year	£0.30	1,750,000	1,925,000
Lapsed in the year	£0.45	(1,225,000)	-
At the end of the year	£0.23	3,675,000	3,150,000

The total share-based payment charge for all warrants and options in the year was \$625,190 of which \$229,904 has been charged to profit and loss and \$395,286 allocated to Mining Property (2019: \$268,916 and \$nil 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 24-month period from the date of issue.

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 and warrants modified in 2020 were as follows:

	31 December 2020 Warrants issued	31 December 2020 Share options issued
Weighted average share price at grant date	£0.26	£0.28
Weighted average exercise prices	£0.19	£0.30
Expected volatility	133.99%	140.97%
Expected life in years	2.65	0.46 to 0.96
Weighted average contractual life in years	2.65	0.71
Risk-free interest rate	1.5%	1.5%
Expected dividend yield	0%	0%
Fair-value of warrants and options granted (pence)	£0.18	£0.11

The warrants were issued in eight placements. The share prices at the date of grant were between £0.11 to £0.32. The warrant exercise prices at the date of grant were between £0.16 to £0.28. Additionally, the exercise dates for 1,196,462 existing warrants with exercise prices between £0.21 to £0.40, and expiring during the year, were extended to 30 June 2022. These extensions have been valued as new instruments as at 24 June 2020 and the fair-values included in the charge for the year. The share options were issued on the same date in two equal tranches with lives of 0.46 and 0.96 years respectively, the share price at the date of grant was £0.28 and the exercise price for both tranches was £0.30.

The expected volatility ranged from 53.37% to 144.93%. The fair-values of warrants issued in the year were from £0.02 to £0.29. The expected life of the outstanding warrants and options ranged from 0.46 to 3.09 years.

Share-based payments allocation of charge

	31 December 2020 \$	31 December 2019 \$
On issue of share options	210,924	38,622
On issue of warrants	331,701	229,736
On modification of warrants	82,565	558
Total charge	625,190	268,916
Allocation:		
Mining property	395,286	-
Administrative expenses	229,904	268,916
	625,190	268,916

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

23 Capital commitments

There were no outstanding capital commitments at 31 December 2020 (2019: \$nil).

24 Events after the reporting date

Since the year end the Company has raised a further \$25.39 million before expenses by way of a subscription, placing and open offer to new and existing shareholders, and a further \$2.72 million from the issue of unsecured loan notes. The Company has also repaid \$1.36 million of existing unsecured loan notes.

25 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 11. The amount charged within the income statement for the year in respect of share options, all of which are held by the directors, is set out in note 22.

The remuneration of the directors is included in note 9.

The remuneration of the directors was as follows:

	31 December 2020 Paid \$	31 December 2020 Capitalised \$	31 December 2020 Total \$	31 December 2019 Total \$
Marcus Edwards-Jones	119,672	29,270	148,942	160,166
Ryan McDermott	180,560	12,200	192,760	157,080
Dennis Thomas	6,905	25,000	31,905	160,416
Richard Wilkins	136,742	12,200	148,942	160,196
Roger Turner	6,905	25,000	31,905	160,416
Andre Cohen	26,546	4,270	30,816	38,519
Jason Riley	22,755	1,830	24,585	27,030
	500,085	109,770	609,855	863,823

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 \$109,770 (2019: \$189,960) capitalised and paid in shares.

The Group has no key management personnel other than the directors.

Roger Turner and Dennis Thomas each received \$117,037 (2019: \$nil) in respect of consultancy fees for services provided to the Company.

The Company has advanced \$11,281,834 to Konnex Resources Inc (2019: \$8,295,601) and \$222,085 to Borah Resources Inc (2019: \$192,085). The amounts advanced are in support of the mining 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 \$578,788 (2019: 231,217).

There are no other related party transactions.

26 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
Dennis Thomas (resigned 1 May 2021)
Roger Turner
Andre Cohen
Catherine Evans (appointed 1 May 2021)
Jason Riley

Company Secretary

Richard Wilkins

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Solicitors to the Company (England and Wales)

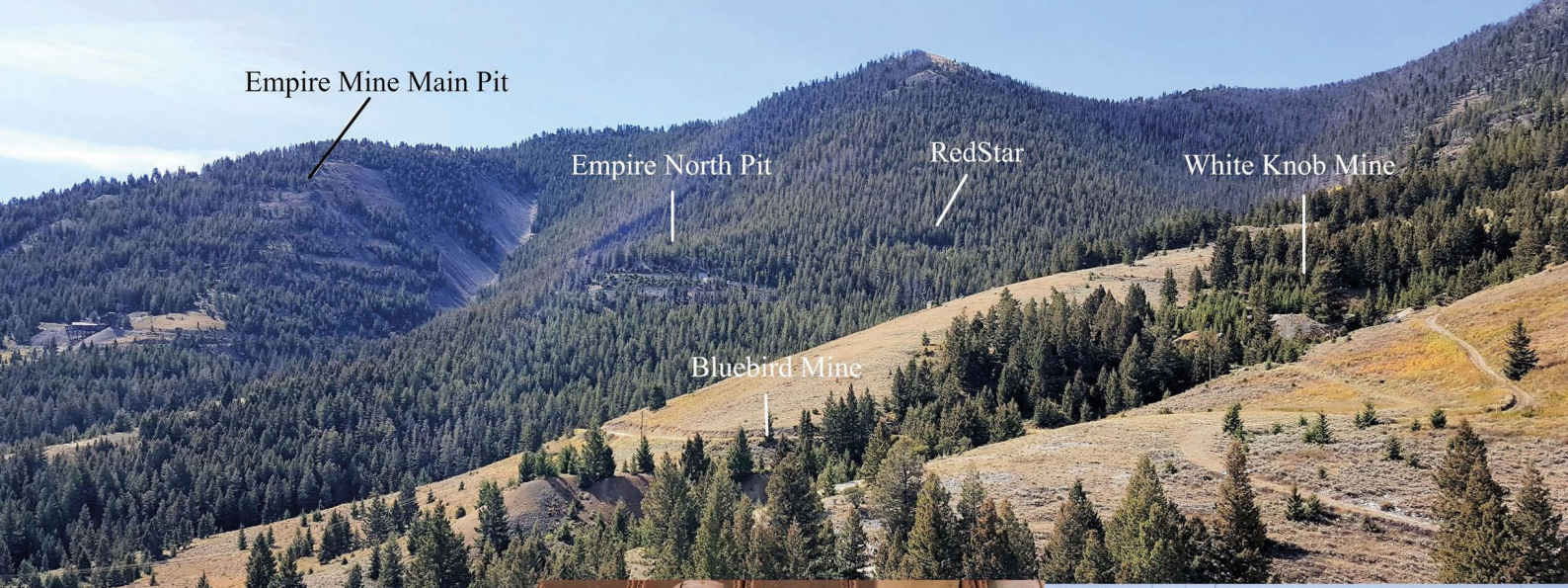
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