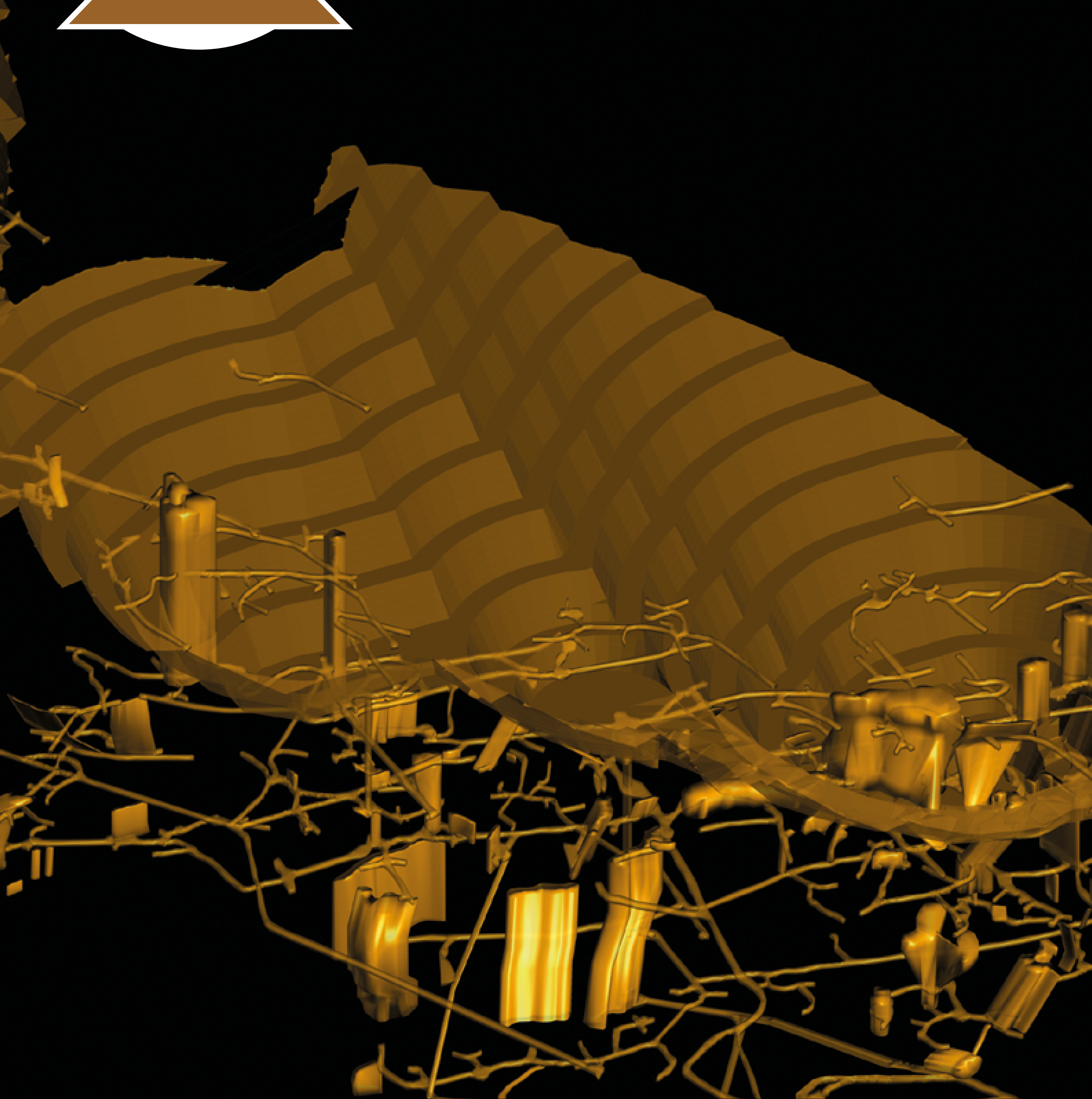
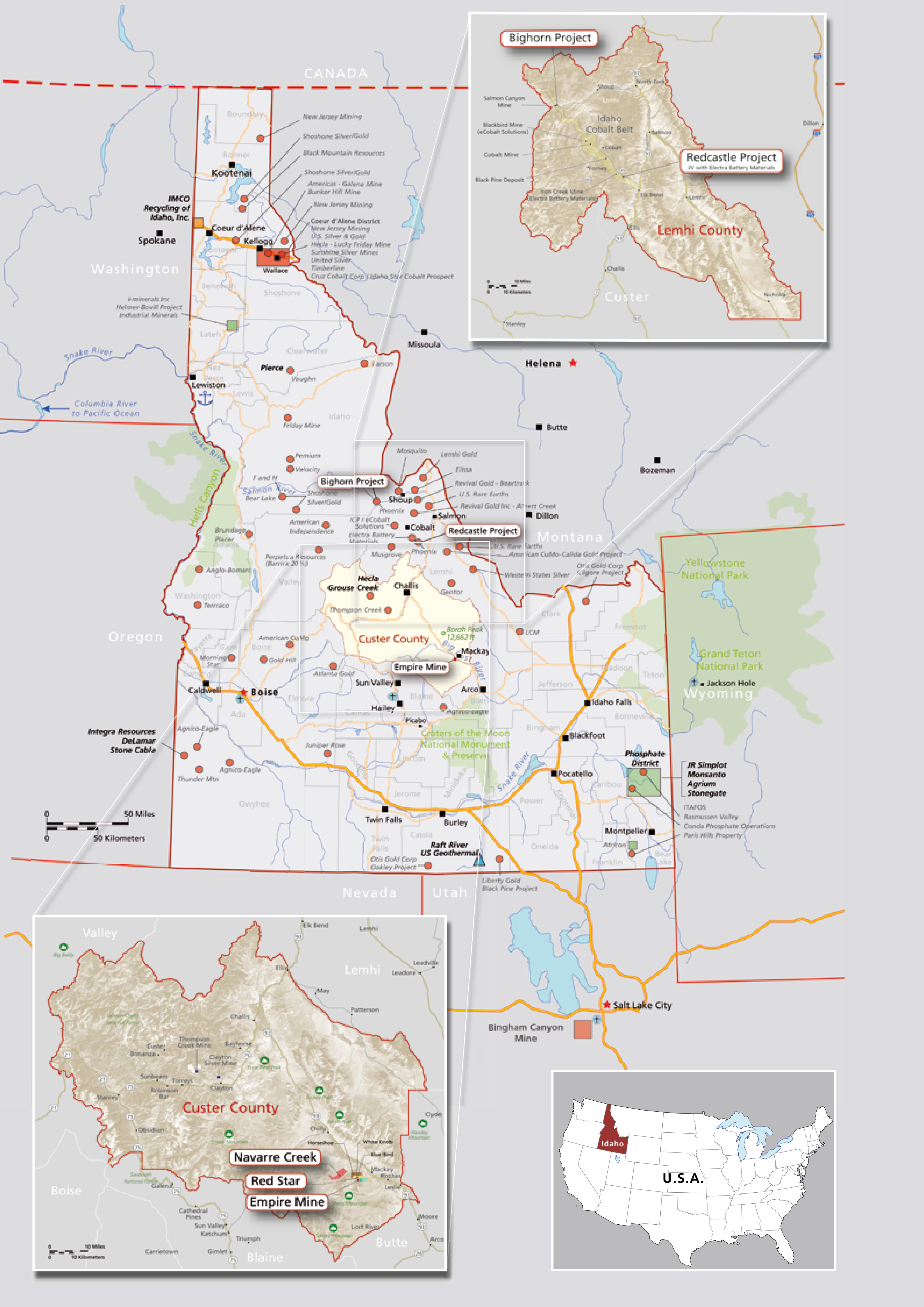
PHOENIX COPPER LIMITED

ANNUAL REPORT AND ACCOUNTS 2021



Empire Open Pit and Underground



CANADA
Bighorn Project
Idaho Cobalt Belt
Redcastle Project
Lemhi County
Custer
Salmon Canyon Mine
Blackbird Mine (eCobalt Solutions)
Cobalt Mine
Black Pine Deposit
Iron Creek Mine (Electra Battery Materials)
Shoup
North Fork
Salmon
Cobalt
Elk Bend
Lemhi
Ellis
Challis
Nicholia
Stanley
Dillon
Boundary
Bonner
Kootenai
Coeur d'Alene
Kellogg
Wallace
Spokane
Washington
IMCO Recycling of Idaho, Inc.
New Jersey Mining
Shoshone Silver/Gold
Black Mountain Resources
Americas - Galena Mine
Bunker Hill Mine
Coeur d'Alene District
U.S. Silver & Gold
Hecla - Lucky Friday Mine
Sunshine Silver Mines
United Silver
Timberline
Cruz Cobalt Corp / Idaho Star Cobalt Prospect
I-minerals Inc
Helmer-Bovill Project
Industrial Minerals
Benewah
Shoshone
Latah
Clearwater
Missoula
Helena
Snake River
Nez Perce
Pierce
Vaughn
Larson
Lewiston
Lewis
Columbia River to Pacific Ocean
Idaho
Friday Mine
Butte
Bozeman
Hells Canyon
Snake River
Premium
Velocity
F and H
Salmon River
Bear Lake
Mosquito
Lemhi Gold
Elissa
Revival Gold - Beartrack
U.S. Rare Earths
Revival Gold Inc - Arnett Creek
Phoenix
ICP / eCobalt Solutions
Electra Battery Materials
American Independence
Brundage Placer
Adams
Perpetua Resources (Barrick 20%)
Musgrove
U.S. Rare Earths
American CuMo-Calida Gold Project
Otis Gold Corp Kilgore Project
Western States Silver
Montana
Anglo-Bomarc
Valley
Hecla Grouse Creek
Thompson Creek
Gentor
Washington
Terrraco
Oregon
Custer County
Borah Peak 12,662 ft
Big Lost River
Mackay
Empire Mine
LCM
Clark
Fremont
Yellowstone National Park
Grand Teton National Park
Jackson Hole
Wyoming
American CuMo
Boise
Gem
Morning Star
Gold Hill
Atlanta Gold
Sun Valley
Arco
Hailey
Blaine
Butte
Agnico-Eagle
Madison
Teton
Jefferson
Idaho Falls
Bonneville
Caldwell
Boise
Elmore
Canyon
Ada
Camas
Picabo
Integra Resources DeLamar Stone Cable
Agnico-Eagle
Thunder Mtn
Juniper Rose
Craters of the Moon National Monument & Preserve
Bingham
Blackfoot
Snake River
Phosphate District
JR Simplot
Monsanto
Agrium
Stonegate
Pocatello
Caribou
Lincoln
Minidoka
Gooding
Jerome
Power
Owyhee
0 50 Miles
0 50 Kilometers
Twin Falls
Burley
ITAFOS
Rasmussen Valley
Conda Phosphate Operations
Paris Hills Property
Montpelier
Cassia
Oneida
Raft River US Geothermal
Otis Gold Corp Oakley Project
Franklin
Bear Lake
Liberty Gold Black Pine Project
Nevada
Utah
Valley
Elk Bend
Lemhi
Leadore
Ellis
May
Patterson
Challis
Thompson Creek Mine
Custer
Bonanza
Clayton Silver Mine
Sunbeam
Torreys
Robinson Bar
Clayton
Stanley
Custer County
Obsidian
Chilly
Clyde
Navarre Creek
Red Star
Empire Mine
Horseshoe
White Knob
Blue Bird
Mackay
Leslie
Boise
Galena
Cathedral Pines
Sun Valley
Ketchum
Triumph
Lost River
Moore
Arco
Butte
Carrietown
Gimlet
Blaine
Salt Lake City
Bingham Canyon Mine
Idaho
U.S.A.

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

2022 Exploration.
Further drilling and exploration at Red Star silver, Navarre Creek gold and historic Empire underground copper

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

Sustainable Operations.
ESG Program initiated and Community Advisory Team appointed

Emerging producer of copper, zinc, 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 within a prolific mineralised district

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

Corporate & Financial:

- $26.0 million raised by way of subscription, placing and open offer
- Investment in Empire Mine increased to $26.12 million (2020: $14.79 million)
- Net assets increased to $37.78 million (2020: $13.83 million)
- Group reports unchanged net loss of $0.97 million (2020: $0.97 million)
- Year-end cash balance of $13.05 million (2020: $1.15 million); no debt
- Company loan to operating subsidiary increased to $19.16 million (2020: $11.28 million)
- Company's shares commenced trading on OTXQX as American Depositary Receipts with The Bank of New York Mellon sponsoring and managing the Program
- Company acquisition of third party royalties payable by Empire Mine
- Catherine Evans appointed as an Independent Non-Executive Director and as Chairman of newly created ESG & Sustainability Committee, and
- Harry Kenyon-Slaney appointed to the Company's Advisory Board

Operational:

- Empire Mine open pit feasibility model completed: pre-production capital expenditure payback less than two years, gross revenue of $836 million over 10 years, $43 million post-tax cash flow in year 1 (at $3.60 / lb copper price)
- Plan of Operations filed with the regulatory authorities to commence final permitting stage of Empire open pit mine
- Empire land holdings increased by 2,317 acres to 8,034 acres (32.51 square kilometres), including an additional 1,157 acres at the Navarre Creek gold zone
- Ground magnetics and hyperspectral mineral geophysical surveys completed at Red Star silver, Horseshoe silver and Navarre Creek gold; new mineralised areas of interest identified
- Ongoing exploration and drilling programmes at Red Star, Navarre Creek and the historically mined high grade Empire underground sulphide copper deposit; 8.38% copper intercepted
- ESG Program initiated and local Community Advisory Team appointed
- Earn-In Agreement signed with Electra Battery Materials Corporation on Redcastle Idaho Cobalt Belt project

Contents

Chairman's statement

Dear Shareholders

It is with great pleasure that we present our 2021 Report & Accounts for what has been an exciting and transformative year for our Company. In particular we are now in the permitting and development phase of the Empire open-pit mine, as well as making progress in revealing the potentially world-class porphyry system we believe to be the source of the mineral resources we have already identified. We are grateful to all of you who supported our over-subscribed $26 million fund raise last March.

As I write, the chaos and savagery in Eastern Europe threaten to drag us all back to the dark decades of the 1930s and 40s. Our thoughts and prayers are with the Ukrainians. We face a new world order in which we need to re-establish self-sufficiency in essential items, including metals. The Russian invasion of Ukraine, with the resultant bans on trade, has driven commodity prices to record levels. Russia's copper exports of some 750,000 tonnes per annum account for approximately 3.5% of global annual consumption of mined copper - a market where a supply swing of 200,000 tonnes has a major impact on pricing.

It remains to be seen if the conflict will precipitate a global slump and associated fall in metal prices. However, the recent spikes in metal prices were evidence of trends which have been weighing on supplies of copper, silver, cobalt and zinc for some time. It is likely that some of the more vociferous demands for instant and total electrification to stave off global warming may not be immediately satisfied while we reduce our dependence upon Russian hydrocarbons, and some of the more optimistic forecasts on renewables and electric vehicles may prove to be just that, but the move towards clean energy and the infrastructure required will continue to ensure shortages of the metals we are on the point of producing at Empire, and, in due course, on the Idaho Cobalt Belt. To put matters into further perspective, our Nominated Adviser, SP Angel, estimated that the US Administration's target for 30GW of offshore wind farms would potentially require an additional 240 million tonnes of copper, or around 10 years of global mined production.

In previous reports I have mentioned how fortunate we are to be operating in the State of Idaho, USA. Recent developments, in the Ukraine and elsewhere, underline how vital it is for us to be there. A majority of the top ten copper projects under development are funded by Asian companies, who will absorb most, if not all, of the incremental increase in production, whilst in Chile, the world's largest producer with approximately 28% of production, there are more strident calls for nationalising or imposing heavy tax increases on companies producing over 50,000 tonnes per annum. The potentially unsustainable dependency on China for a long list of metals crucial to Western defence requirements, including cobalt, tungsten (also in evidence at Empire), and rare earths also exposes the importance of jurisdictional location.

Fortunately, the current US Administration is reacting to this emergency. ESG issues have grown from being an area to which many miners paid lip service, to being the most important consideration for many investors, and NGOs and environmentalists have, quite rightly in many cases, castigated an industry notorious for accidents, environmental disasters, and lack of engagement with local communities. However, many Americans are waking up to the possibility that it might be a good idea to have their own sources of critical metals, as long as they are responsibly mined. Investors are also beginning to differentiate between "good" and "bad" mining, rather than banning the sector completely from portfolios. We hope to form a part of this process, differentiating ourselves from mining companies which use cyanide, source cobalt, tin and coltan mined by children in the Congo, which is then smelted in China, or use acid and steam to process tar sands, or generate a percentage of their profits from coal, or pump large quantities of desalinated water up to high altitudes where their operations then use diesel-generated electricity.

As we near the completion of the permitting process for the Empire open-pit mine, we will continue to emphasise our compliance with the best levels of industry practice. Already, the state of Idaho has the 3rd highest percentage of electricity generated from renewables in the United States, at 76%. This is behind Vermont and Maine, neither of which is noted for its mining industry. In addition, our proposed aerial tramway would generate more electricity than it uses, as the loaded ore buckets descending from the open-pit to the processing plant pull the empty ones back up the hill, dispensing with the need for haulage trucks, with the associated noise, dust and water consumption, diesel, and a 3.5-mile haul road. Our carbon emissions per tonne of copper produced will be among the industry's lowest. Moreover, our gold and silver can be extracted using ammonium thiosulphate, rather than cyanide, which will make the precious metals permitting process much simpler.

As part of the Empire mine permitting process we gave a presentation and held a well-attended Q & A session with the citizens of Mackay, in December last year, and have created a 13 strong consultative committee which will meet at least four times a year to keep us abreast of any issues worrying local interests and keep them appraised of developments and any potential impacts. I draw your attention to the report by the Chairman of our ESG & Sustainability Committee, Catherine Evans, and would like to thank her and Lenie Wilkie, our ESG Program Coordinator based in Mackay, for all their hard work in this area.

Regarding the timetable and funding, I am happy to report that several US, as well as other investors, have expressed interest in participating in a debt instrument to fund the entire capital expenditure needed to put the Empire open-pit mine into production. At $4/lb copper (the price has recently been as high as $5/lb), our current preliminary economic assessment model shows revenues in the first 12 months of production of over $100 million, significantly higher than our estimates for pre-production capital expenditure. This should enable us to keep our promise of getting into production without issuing further equity. Further announcements on this will be made in due course.

As ever, I thank you all for your continued support and for the expanded team's hard work in the face of Covid-induced adversity. I look forward to keeping you abreast of developments in what should be another transformational year for Phoenix Copper Ltd.

Marcus Edwards-Jones
Executive Chairman
25 March 2022

Chief executive officer's report

Principal activities and review of the business

Firstly, I would like to echo our Chairman's sentiments regarding the current situation in Ukraine. It is sometimes all too easy to forget how fortunate we are to live and operate in a stable geopolitical jurisdiction. Let us not take that for granted.

The Company started 2021 on a positive tone, with the February release of the Fraser Institute Mining Report's Policy Perception Index, which placed Idaho as the world's top mining jurisdiction as it relates to environmental regulations, the legal system and taxation regime, and socioeconomic and community development conditions, just to name a few of the factors used in the Index. The Company continued a string of positive achievements, with the completion of an over-subscribed $26 million financing, which allowed us to continue apace with the important tasks of the feasibility study and environmental permitting for the Empire open-pit copper mine, and the continued exploration of the Empire underground sulphides, the Red Star silver-lead deposit, the Navarre Creek gold project, and the Horseshoe-White Knob prospects.

Although the environmental permitting of the Empire open-pit mine began in late 2017 with the initiation of environmental baseline studies, in June the Company completed an initial Plan of Operations that officially commenced the final permitting stage of the Empire mine. A Bankable Feasibility Study on the open-pit resource was also initiated in 2021 and combines all the drilling, analytical, and engineering data collected on the project to date. The Feasibility Study will convert the existing Empire resource into a reserve category, and perfect a final cash flow model with detailed capital and operating costs. The current preliminary economic assessment level cash flow model shows gross revenue of $836 million over ten years of mine life, and $43 million post-tax cash flow in year 1 at a $3.60/lb copper price. These project economics improve significantly at current metal prices.

The Company completed a core drilling program in the Empire underground sulphides during the year and encountered the first notable copper sulphide intercept of 8.3%. In addition to the elevated copper value, the intercept was important in that it was our first view of the sulphide material mined prior to World War II. That intercept provided us with valuable information regarding the "roots" of the sulphide system and will anchor future drilling programs targeting the deeper sulphides. The Company also commissioned ground magnetics and hyperspectral mineral geophysical surveys at Red Star, Horseshoe, and Navarre Creek. The results of those surveys were positive and have provided critical targeting information for future drilling programs.

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

2021 also saw the creation of the Company's ESG program, due in large part to the efforts of Director Catherine Evans and our ESG Program Coordinator Lenie Wilkie. Cathy and Lenie spearheaded the development of the program, oversaw the Company's first local Town Hall public meeting in December, and have recently organized a Community Advisory Team comprised of local citizens and business owners. The local Mackay community has been very supportive of our projects since we first began field work in 2017. The outreach programs developed by our ESG team have further strengthened our relationships and provided a communication network between the Company and local stakeholders. In addition to the rollout of our ESG program, I am also pleased to announce the hiring of a US-based Public Relations Manager, Ms. Brittany Lock. Brittany's previous experience in mining industry PR and her knowledge of media and media production will prove invaluable as we continue to develop stakeholder relationships.

It is also important to note that nearly all of the Company's engineers and geologists in Idaho have moved themselves and their families to the project site in Mackay, Idaho, rather than traveling to home bases elsewhere for days off. The significance of this should not be understated. It requires a great deal of confidence in the project to pack up and move spouses and children to a new home. The Phoenix team has always had a great deal of confidence in our Idaho projects and the migration of our professional staff and their families to new home bases in Mackay exemplifies that confidence.

I have said this many times before because it is so vitally important. Phoenix has been provided a unique opportunity with the variety and grade of mineralisation located on our Idaho properties. The mix of "green metals" like copper and cobalt, and the prospective gold and silver targets, all residing within the Company's current claim holdings, puts us in an enviable position for near term production and years of exploration potential.

2021 was not without its challenges. The supply issues resulting from the global pandemic, coupled with contractor staffing shortages, did cause some delays, but the Phoenix team managed to accomplish the goals outlined for 2021. Such delays were not unique to Phoenix and were shared by the industry as a whole. I fully expect that we will encounter many of the same supply chain and staff shortages in 2022, although we expect such disruptions to be minimalised due to the solid working relationships the Company has built with our contractors, consultants, and the local community.

Empire Mine – Polymetallic Open-Pit Oxide Deposit

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

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

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, having completed all the environmental studies directly applicable to the permitting and mine planning. Discussions are underway with potential debt financiers to construct the project, to enable production to commence as soon as possible during 2023.

Empire Underground Sulphides

In July 2021, a core drilling program designed to target the historically mined high grade sulphide vein system below the open-pit copper oxide resource was initiated. The first drill hole of the program that reached the design depth intercepted a 12.6-metre zone of strong to intense sulphide mineralization. Some of the sulphide minerals identified by our geologists included bornite, chalcocite, chalcopyrite, pyrite, galena, and pyrrhotite. Further drilling continued to intercept high grade mineralisation across a suite of metals, including 8.38% copper, significant intercepts of gold, silver and zinc, as well as anomalous molybdenum and tungsten mineralization. A total of 967 metres of a 4,500-metre planned program has been drilled to date, and further drilling will continue during 2022.

Red Star – High-grade Silver and Lead

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 program was completed in 2020. The assay results from that program confirmed the presence of the high-grade silver and lead veins drilled in 2018, but also confirmed the need for greater understanding of the structural geology in order to direct further exploration. As a result, in 2021 the Company commissioned a ground-based magnetics geophysical survey which identified four high-amplitude areas of interest, including the original discovery outcrop. The size and amplitude of the three new areas of interest appear to be significantly greater than that of the discovery outcrop, whilst further north-northeast magnetic anomalies trending from the outcrop were also identified. In a program designed to test and help delineate the boundaries of the magnetic zones, seven further exploratory RC holes were drilled, all of which encountered further mineralisation. A 3,000-metre diamond core drilling program is now planned for 2022.

Navarre Creek – Volcanic-Hosted Gold Project

The Navarre Creek claim block is located approximately 8 kilometers west-northwest of the Empire open-pit 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 multimillion-ounce gold deposits.

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

Of the 90 samples, 53 were above the detection limit for gold with a high of 0.569 g/t, and 25 above the detection limit for silver. There was also a strong correlation between elevated gold values and elevated antimony values, typical in Carlin-type epithermal gold systems. With the exception of one sample, all samples with a gold value greater than 0.1 g/t occur within the same alteration type, that being predominantly a jasperoid-hosted quartz stockwork and micro-veining system. During 2021 a total of 169-line kilometres of ground-based field magnetics and airborne hyperspectral imaging were completed for the entirety of the Navarre Creek claim block. Two distinct intrusive bodies were identified, partially concealed below glacial till showing strong magnetic signatures which complement the existing jasperoid outcrops. A northeast trending corridor of hydrothermal alteration, approximately 2.3 miles long and 1 mile wide, was also identified, consistent with the gold and silver bearing Carlin-style epithermal deposits.

Markers for Carlin-style gold deposits are the presence of jasperoids, and the association of gold, antimony, silver and zinc. These markers are found at Navarre Creek. The results of these surveys, together with the results of previous exploration, highlight the prospectivity of the claim block. These positive results will drive further exploration and drill targeting during 2022.

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 recognise prospective and strategic opportunities. At the time of the Company's IPO in mid-2017, our Empire Mine property consisted of 818 acres. Since then, including the Navarre Creek claim block, we have increased the core Empire claim group to 8,034 acres by expanding north to the former Horseshoe and Whiteknob Mines and onto Windy Devil. This expansion covers approximately 30 historic adits, shafts and prospects, which exhibit geology and mineralogy similar to Red Star, and which will be the subject of further exploration going forward.

Idaho Cobalt Belt – Redcastle and Bighorn Projects

The Company owns two strategically located properties on the Idaho Cobalt Belt in Lemhi County: Idaho, Redcastle and Bighorn. In May 2021, the Redcastle holding was signed to an earn-in agreement with Electra Battery Materials Corporation (formerly First Cobalt Corporation), the Toronto-based owner of the Iron Creek Cobalt Mine, which shares a common border with the Redcastle property. The earn-in agreement included an initial payment of cash and Electra shares to Phoenix, followed by two work commitments of $1,500,000 each over a five year period, enabling Electra to earn a 75% interest in the Redcastle property. Redcastle is held by Borah Resources Inc, the Company's 100% owned, Idaho registered subsidiary.

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

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

Outlook

The metals markets continue to perform well, with copper recently climbing through an all-time high of $5.00/lb, zinc at a 15 year high of $1.71/lb, cobalt climbing back towards 2018 record prices, and gold and silver remaining robust above $1,900 and $24.50, respectively. I expect to see the metals markets, particularly copper and cobalt, continue to perform well as the electric vehicle and "green energy" initiatives continue to grow globally. I also expect that the 10-year, $1.2 trillion US Infrastructure Bill will buoy prices, as it was announced that spending will begin in late 2023 and focus roughly $550 billion on roads, bridges, ports, power transmission, and large water projects over the following ten years. These projects alone will require significant quantities of metal, whilst electric vehicle demands will also likely stress global copper and cobalt supplies.

One of the most important attributes at Empire is the polymetallic nature of the mineralised systems. In other words, we have a variety of metal resources that provide us significant optionality as metal prices fluctuate on supply and demand. In addition to our open-pit copper oxide resource, which is now officially moving through the permitting process, we also have the high-grade silver and lead system of Red Star, the historically mined high-grade deep sulphide system at Empire, the very prospective volcanic-hosted gold system at Navarre Creek, and two strategically located cobalt properties, one of which, Redcastle, is located adjacent to the existing Iron Creek cobalt mine and is being explored by the owner of Iron Creek, Electra Battery Materials Corporation. The projects are all located in historically mined districts in Idaho, USA, a geopolitically stable, pro-mining jurisdiction.

Although I anticipate further pandemic related delays in the coming year, Phoenix has a talented and dedicated team of hardworking professionals, a supportive shareholder base, and a strong relationship with the community in which we do business. My outlook for the Company remains positive and I am excited to see our accomplishments in 2022.

Key Performance Indicators ('KPIs')

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

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

Conclusion

We are pleased to see the continued global push for electric vehicles, large-scale electrification projects, and infrastructure projects requiring substantial quantities of metal, specifically copper. We have sufficient staffing numbers to complete the Empire Mine Feasibility Study and to execute exploration programs at Navarre Creek, Red Star, and the Empire sulphides.

In conclusion I would like to thank all our professional staff, consultants and advisers, community liaisons, shareholders, and directors who continue to put forth considerable effort, and provide considerable support, to ensure the Company's success. I look forward to reporting further positive news as we continue our exploration and development programs during 2022.

Ryan McDermott
Chief Executive Officer
25 March 2022

ESG & sustainability committee chairman’s report

Meeting and exceeding the environmental, social and governance standards required by law is a core value of the Company, and I am delighted to report on our progress in this regard since the ESG & Sustainability Committee was formed in July 2021.

The Company is directing significant resources towards strengthening our ESG credentials and making ESG & Sustainability a central consideration of every decision. This is not only a moral imperative, it also makes sound business sense: companies that score highly on ESG factors are far more likely to attract and retain high quality employees, to receive investment opportunities, and are less prone to becoming embroiled in costly and time-consuming litigation. Our central aim is to run a clean mining operation with as low a carbon footprint as possible, producing metals essential for the world’s clean energy revolution, and we need the support of our community to do it.

With this in mind, we have made assiduous efforts to identify the issues that matter most to our stakeholders so that we can monitor and report on these in the most transparent way possible.

The Company held its first meeting directly with the residents of Mackay, Idaho and other stakeholders on 1 Dec 2021. Over 130 people attended, giving us the opportunity to directly address many of the questions and concerns the local community has about our operations. Economic regeneration is highly welcome to the area: not only will the development of the Empire open-pit mine provide high quality employment opportunities, it will also generate business for local suppliers and provide openings for entrepreneurs. These benefits notwithstanding, we understand the environmental and safety concerns expressed by some citizens, and communicating with and providing full information to the whole community is of critical importance to us.

As a result of the feedback we received, we formed the Konnex Community Advisory Team (“KCAT”) in February 2021. This is a committee composed of three Company representatives and ten independent residents of Custer or Butte Counties with diverse experience from one or more of the following sectors: citizens, municipal, land-users, socio-economic (business) and research/training. The KCAT’s first meeting took place on 15 March 2022, facilitated by Lenie Wilkie, our ESG & Sustainability Program Co-ordinator. The KCAT’s bylaws were unanimously agreed and we initiated the process of appointing an independent facilitator. The next meeting is scheduled for early April 2022. KCAT’s role includes, but is not limited to:

- Facilitating communication between the Company and the community to include a wider audience of stakeholders.
- Forming a Good Neighbour Agreement, modelled on similar arrangements which have worked successfully elsewhere.
- Formulating a grievance process designed to address concerns and complaints, and to be instrumental in resolving them.
- Identifying ways for the Company to best benefit the community and local schools, including scholarship recipients.
- Compiling a local vendor/contractor/supplier list so that the Company can better support local businesses whenever possible.

Mitigating the effects of our activities on the environment is of key importance to us. We have conducted extensive baseline studies on a large number of environmental criteria, including view sheds, wildlife, plant life, air quality, and hydrological conditions, both surface and ground water, and archaeological and indigenous issues. We have also conducted noise and light pollution studies. This baseline data will be used for the EIS (Environmental Impact Statement) which will be compiled by the BLM (Bureau of Land Management).

We are also investigating the feasibility of building an aerial tramway to transport ore from the mine to the processing facility, instead of using haul trucks. The tram is our preferred option for a host of environmental reasons and will also significantly reduce operating costs over the life of the mine. The tram will minimise health and safety risks, reduce the number of trucks required for our operations, as well as equipment, maintenance and fuel costs, and will significantly diminish our water requirement, as we will not need water for dust suppression. The tram will be gravity operated and electricity generating.

In order to provide investors and stakeholders with transparent and reliable information on our activities, we have identified several third-party organisations that independently report, measure and verify companies' ESG credentials, to enable fair comparisons between companies and to highlight areas for improvement. All progress in this regard will be fully reported on our website.

The Company has a highly open culture to investors and stakeholders, and the ESG & Sustainability Committee is continuing this tradition. As we move ever closer to production, I am looking forward to providing further updates on our activities.

Catherine Evans
Non-Executive Director
ESG & Sustainability Committee Chairman
25 March 2022

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

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 2021 the Group reports a loss of $0.97 million (2020: $0.97 million), after charging $0.19 million (2020: $0.23 million) in share-based payments relating to options and warrants granted during the year, which amount is simultaneously credited to retained reserves. Net assets totalled $37.78 million (2020: $13.83 million), including $26.12 million (2020: $14.79 million) relating to the Empire mine, and $13.05 million (2020: $1.15 million) in cash. Further details are shown in the consolidated financial statements and related notes.

The Company reports a profit for the year ended 31 December 2021 of $49,000 (2020: a loss of $319,000), and net assets of $39.76 million (2020: $14.79 million). During the year the Company charged its subsidiary entities $885,000 (2020: $535,000) in respect of management services provided, and $881,000 (2020: $579,000) in respect of interest at 6% per annum on the Company's inter-company loan to Konnex Resources Inc, owner of the Empire Mine, the latter eliminating on consolidation. At 31 December 2021 the Company's loan to Konnex Resources stood at $19.16 million (2020: $11.28 million). This loan will be repaid from Konnex's operating cash flow in due course and is intended, together with royalties receivable from Konnex, to form a platform for a future proposed dividend policy to return money to shareholders.

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

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

During the year the Group acquired 1% of the 2.5% royalty payable by Konnex Resources to Mackay LLC pursuant to the Empire mining lease with Mackay LLC, and 1.25% of the 2.5% royalty payable by Konnex Resources to Honolulu Copper Corporation ("Honolulu") pursuant to the Empire mining lease with Honolulu. The Group also acquired Honolulu's underlying patented and unpatented mining claims, thereby terminating the mining lease with Honolulu. The total consideration was $1.3 million. Since the year end the Group has acquired the remaining 1.25% royalty from Honolulu for further consideration of $450,000. As a result, Konnex Resources will now pay a 1% royalty or a 2.5% royalty to the Company from future production at Empire, depending which claim blocks are being mined.

During the year the Company also received an initial $106,340 from Electra Battery Materials Corporation (formerly First Cobalt Corporation) in cash and shares as a signature fee in respect of an Earn-In Agreement relating to the Redcastle Idaho Cobalt Belt project.

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

Capital structure

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

In the year the Company issued 54,108,933 ordinary shares at an average of $0.48 per share to raise $26.0 million before share-issue expenses (2020: 18,521,866 ordinary shares at an average of $0.21 per share to raise $3.9 million). All issued shares were fully paid.

Since the year end the Company has issued a further 4,040,033 ordinary shares at $0.32 per share from the exercise of warrants. The Company currently has 121,455,713 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 (resigned 31 December 2021)
Andre Cohen
Catherine Evans (appointed 1 May 2021)
Jason Riley

The remuneration of the directors is disclosed in note 26.

Directors' interests

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

	31 December 2021 Number	31 December 2020 Number
Marcus Edwards-Jones	1,042,857	1,000,000
Ryan McDermott	442,160	399,303
Richard Wilkins	830,656	780,799
Catherine Evans	401,094	-
Andre Cohen	567,452	442,809
Jason Riley	37,619	23,333
	3,321,838	2,646,244

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

	31 December 2021 Number	31 December 2020 Number
Marcus Edwards-Jones	178,025	178,025
Ryan McDermott	23,687	23,687
Richard Wilkins	23,687	30,687
Andre Cohen	25,000	86,786
Jason Riley	2,679	2,679
Catherine Evans	-	-
	253,078	321,864

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

	31 December 2021 Number	31 December 2020 Number
Marcus Edwards-Jones	925,000	625,000
Ryan McDermott	1,025,000	725,000
Richard Wilkins	925,000	625,000
Catherine Evans	150,000	-
Andre Cohen	525,000	375,000
Jason Riley	325,000	225,000
	3,875,000	2,575,000

Events after the reporting date

Since the year end the Group has acquired the remaining 1.25% royalty payable to Honolulu Copper Corporation, as reported above.

Employees

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

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

Financial Review

The Group currently has no income and meets its working capital requirements through raising development finance. In common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals the Group will require additional funds and/or funding facilities in order to fully develop its business plan. The Group will also require funds to construct its first operating mine. The directors believe that such funds are likely to come from the arrangement of appropriate debt and/or offtake finance arrangements. Further equity issues will be minimised as far as possible. Ultimately the viability of the Group is dependent on future liquidity in the development period and this, in turn, depends on the availability of funds.

The results of the Group are set out above and in the accompanying financial statements. During the year the Company raised $26.0 million gross by way of a subscription, placing and open offer to new and existing shareholders, and the exercise of warrants. The Company also repaid all of its 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, a Remuneration Committee comprising Andre Cohen, who chairs it, and Dennis Thomas, and an ESG & Sustainability Committee comprising Catherine Evans, who chairs it, Dennis Thomas and Harry Kenyon-Slaney.

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

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

The Audit and Compliance Committee met twice during the year, to review the 2020 annual accounts and the interim accounts to 30 June 2021 and audit planning for the year ended 31 December 2021. 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 2021 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, and undertook a detailed benchmarking exercise to ensure that directors' remuneration was in line with the market.

During the year the Group created an Environmental, Social and Governance (ESG) & Sustainability Committee, whose role will be to oversee all aspects of the Group's ESG Programme, working closely with the Group's ESG Programme Coordinator based in Idaho, USA. The ESG & Sustainability Committee Chairman's report is set out on page 8.

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 2021. The directors have also elected to prepare the parent company financial statements in accordance with those standards.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with 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 at The Washington Mayfair Hotel, 5 Curzon Street, London W1J 5HE on 12 April 2022 at 11.00 a.m. BST.

On behalf of the Board

Richard V L Wilkins
Director & Company Secretary
25 March 2022

Corporate governance statement

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

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

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

Principle 1 – Business Model and Strategy

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

Principle 2 – Understanding Shareholder Needs and Expectations

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

Principle 3 – Consider Wider Stakeholder and Social Responsibilities

The board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Group and its contractors, consultants, advisers, suppliers, regulators and other stakeholders, including the local communities where the projects are located. The board of the Company and the senior management of its operating subsidiaries make every effort to ensure that all stakeholders are communicated with effectively, that contractual terms are complied with, and that employees, in particular, are afforded a safe and enjoyable working environment, and are remunerated and incentivised appropriately. 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 created an Environmental, Social and Governance (ESG) & Sustainability Committee, whose role is to oversee all aspects of the Group's ESG Programme coordinating closely with the Group's ESG Programme Coordinator, who is based in Mackay. 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 three non-executive directors. Marcus Edwards-Jones chairs the board. The directors comprise a combination of technical (Ryan McDermott), financial (Richard Wilkins) and corporate (Marcus Edwards-Jones, Andre Cohen, Catherine Evans and Jason Riley) experience, specifically within the minerals sector worldwide. Ryan McDermott is also the chief executive officer of the Company's operating subsidiaries in Idaho. When possible, the board meets quarterly in person and regularly by telephone. The board has also established an Audit and Compliance Committee, a Remuneration Committee and an ESG & Sustainability Committee. The Company considers that, at this stage of its development, and given the current size of its board, it is not necessary to establish a formal Nominations Committee. This position will also be reviewed annually by the board.

Andre Cohen and Catherine Evans are considered to be independent directors. Andre Cohen chairs both the Audit and Compliance Committee and the Remuneration Committee. Catherine Evans chairs the ESG & Sustainability Committee. Jason Riley represents the Company's strategic shareholder, ExGen Resources Inc, and is therefore not considered to be an independent director. The QCA Code recommends that there be two independent directors, which the board complies with.

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

The Company reports annually on the number of board and Committee meetings that have been held and the attendance record of individual directors. During 2021 the Company held a total of 14 board meetings, and two General Meetings of shareholders, including the Annual General Meeting, at which all directors were present in person, or by telephone, or by proxy.

Principle 6 – Appropriate Skills and Experience of the directors

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

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

Principle 7 – Evaluation of Board Performance

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

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

Principle 8 – Corporate Culture

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

Principle 9 – Maintenance of Governance Structures and Processes

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

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

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

Principle 10 – Shareholder Communication

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

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

On behalf of the Board

Richard V L Wilkins
Director & Company Secretary
25 March 2022

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 2021, which comprise:

- the consolidated income statement for the year ended 31 December 2021;
- the consolidated statement of comprehensive income for the year ended 31 December 2021;
- the consolidated statement of financial position as at 31 December 2021;
- 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 2021 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, including what forecast expenditure is committed and what could be considered discretionary. Additionally, we considered potential downside scenarios and the resultant impact on available funds, to assess the reasonableness of economic assumptions on the Group's cash 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 Group'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 $420,000 (2020: $294,000) based on approximately 1% (2020: 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. We determined performance materiality to be US$294,000 (2020: US$224,000).

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

We agreed with the Audit Committee to report to it all identified errors in excess of $12,000 (2019: $9,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

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	How the scope of our audit addressed the key audit matter
Carrying value of mining development assets.	We reviewed management's assessment which concluded that there are no facts or circumstances that suggest that there any indicators of impairment of the asset or that the recoverable amount is less than the carrying amount.
At the reporting date the carrying value of the Group's mining assets were $26.5 million (2020: $15.1 million). There may be evidence of impairment to the carrying value of the mining development assets.	In considering this assessment we reviewed the following sources of evidence: • board minutes, budgets and other operational plans setting out the Group's current plans for the continued commercial appraisal of mining development assets; • current licence reserves appraisals; • 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 16, 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.

John Charlton (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London
25 March 2022

Consolidated income statement

	Note	Year Ended 31 December 2021 $	Year Ended 31 December 2020 $
Continuing operations			
Revenue	6	-	-
Exploration & evaluation expenditure		-	-
Gross loss		-	-
Administrative expenses		(1,065,950)	(922,647)
Other operating income	16	106,340	-
Loss from operations		(959,610)	(922,647)
Finance income		3,708	-
Finance costs		(13,348)	(49,203)
Loss before taxation		(969,250)	(971,850)
Tax on loss on ordinary activities	11	-	-
Loss for the year	7	(969,250)	(971,850)
Loss attributable to:			
Owners of the parent		(942,850)	(956,656)
Non-controlling interests		(26,400)	(15,194)
		(969,250)	(971,850)
Loss per share attributable to owners of the parent:			
Basic and diluted EPS expressed in cents per share	12	(0.90)	(1.66)

The notes on pages 27 to 42 form part of these financial statements.

Consolidated statement of comprehensive income

	Year Ended 31 December 2021 $	Year Ended 31 December 2020 $
Loss for the year	(969,250)	(971,850)
Total comprehensive income attributable to:		
Owners of the parent	(942,850)	(956,656)
Non-controlling interests	(26,400)	(15,194)
	(969,250)	(971,850)

The notes on pages 27 to 42 form part of these financial statements.

Consolidated statement of financial position

	Note	31 December 2021 $	31 December 2020 $
Non-current assets			
Property, plant and equipment – mining property	13	26,124,030	14,789,004
Intangible assets	14	330,844	276,895
		26,454,874	15,065,899
Current assets			
Trade and other receivables	15	365,778	122,300
Financial assets	16	56,340	-
Cash and cash equivalents	17	13,046,529	1,146,490
		13,468,647	1,268,790
Total assets		39,923,521	16,334,689
Current liabilities			
Trade and other payables	18	883,196	193,937
Other liabilities	19	250,000	1,549,000
		1,133,196	1,742,937
Non-current liabilities			
Other liabilities	19	250,000	-
Provisions for other liabilities	20	757,702	757,702
		1,007,702	757,702
Total liabilities		2,140,898	2,500,639
Net assets		37,782,623	13,834,050
Equity			
Ordinary shares	21		-
Share Premium		43,460,747	19,251,964
Retained loss		(5,751,359)	(5,517,549)
Foreign exchange translation reserve		(18,588)	(18,588)
Equity attributable to owners of the parent		37,690,800	13,715,827
Non-controlling interests		91,823	118,223
Total equity		37,782,623	13,834,050

The financial statements were approved by the Board of Directors and authorised for issue on 25 March 2022.

On behalf of the Board

Richard V L Wilkins
Director

The notes on pages 27 to 42 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 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
At 1 January 2021	-	19,251,964	(5,517,549)	(18,588)	13,715,827	118,223	13,834,050
Loss for the year	-	-	(942,850)	-	(942,850)	(26,400)	(969,250)
Total comprehensive income for the year	-	-	(942,850)	-	(942,850)	(26,400)	(969,250)
Shares issued in the period	-	26,018,553	-	-	26,018,553	-	26,018,553
Share issue expenses	-	(1,809,770)	-	-	(1,809,770)	-	(1,809,770)
Share-based payments	-	-	709,040	-	709,040	-	709,040
Total transactions with owners	-	24,208,783	709,040	-	24,917,823	-	24,917,823
At 31 December 2021	-	43,460,747	(5,751,359)	(18,588)	37,690,800	91,823	37,782,623

The notes on pages 27 to 42 form part of these financial statements.

Consolidated statement of cash flows

	31 December 2021 $	31 December 2020 $
Cash flows from operating activities		
Loss before tax	(969,250)	(971,850)
Adjustments for:		
Share-based payments	191,856	229,904
	(777,394)	(741,946)
(Increase)/decrease in trade and other receivables	(299,818)	145,632
Increase/(decrease) in trade and other payables	689,259	(88,963)
Net cash generated used in operating activities	(387,953)	(685,277)
Cash flows from investing activities		
Purchase of intangible assets	(53,949)	(30,000)
Purchase of property, plant and equipment	(10,238,492)	(2,722,058)
	(10,292,441)	(2,752,058)
Cash flows from financing activities		
Proceeds from the issuance of ordinary shares	25,939,203	3,908,477
Share-issue expenses	(1,809,770)	(284,243)
Proceeds from the issue of loan notes	-	879,000
Repayment of loan notes	(1,549,000)	(130,000)
Net cash generated from financing activities	22,580,433	4,373,234
Net increase in cash and cash equivalents	11,900,039	935,899
Cash and cash equivalents at the beginning of the year	1,146,490	210,591
Cash and cash equivalents at the end of the year	13,046,529	1,146,490

Significant non-cash transactions:

During the year the Directors capitalised $79,350 of fees into shares (2020: $109,770), an amount of $517,184 (2020: $395,286) in respect of the charge for share-based payments and an amount of $500,000 in respect of deferred consideration (2020: $nil) were also capitalised into mining property.

The notes on pages 27 to 42 form part of these financial statements.

Notes to the consolidated financial statements

1 General information

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

The subsidiaries of the Company are:

Incorporated in the United States of America

Konnex Resources Inc (80% equity holding)
Borah Resources Inc (100% equity holding)
Lost River Resources Inc (100% equity holding)
Salmon Canyon Resources Inc (100% equity holding)

2 Going concern

The Group currently has no income and meets its working capital requirements through raising development finance. In common with many businesses engaged in exploration and evaluation activities prior to production and sale of minerals the Group will require additional funds and/or funding facilities in order to fully develop its business plan. The Group will also require funds to construct its first operating mine. The directors believe that such funds are likely to come from the arrangement of appropriate debt and/or offtake finance arrangements. Further equity issues will be minimised as far as possible. Ultimately the viability of the Group is dependent on future liquidity in the development period and this, in turn, depends on the availability of funds.

During the year the Company raised $26.0 million gross by way of a subscription, placing and open offer to new and existing shareholders, and the exercise of warrants. The Company also repaid all of its existing 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 completed a successful oversubscribed fund raising during the year and continues to receive additional funding from the exercise of warrants.

The directors prepare annual budgets and forecasts in order to ensure that they have sufficient liquidity in place and that they comply with the terms and conditions of their obligations in relation to the ongoing development of the mining assets and the Group's environmental and other commitments.

At the date of approval of these financial statements 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 raised during the year, and continuing to be received from the exercise of warrants, as well as their latest assessment of the budgets and forecasts for the business of the Group for at least 12 months from the date of approval of these financial statements, the directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

3 Basis of preparation

Summary of significant accounting policies

The consolidated financial statements of Phoenix Copper Limited have been prepared in accordance with International Financial Reporting Standards and IFRC Interpretations issued by the International Accounting Standards Board (together "IFRSs") as adopted by the UK Accounting Standards Endorsement Board.

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 2021, and which have given rise to changes in the Group's accounting policies, are:

Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions

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 this amendment.

New standards, interpretations and amendments not yet effective

At the date of authorisation of the Group's financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective in the UK and have not been adopted early by the Group. The most significant of these are as follows, which are effective for the periods beginning after 1 January 2022:

- Amendments to IFRS 3 Business Combinations Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities, Contingent Assets Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements 2018–202
- Amendments to IAS 1 Classification of Liabilities as Current Amendments to IAS 1 Disclosure of Accounting policies
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

Revenue Recognition

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

Principles of consolidation

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

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

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

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

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

Business combinations

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

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

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

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

Acquisition related costs are expensed as incurred.

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

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

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 within property, plant and equipment.

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

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

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

Mining development assets

Development expenditures are costs incurred to obtain access to proven reserves and to provide facilities for extracting, treating, gathering and storing. The development assets are outside the scope of 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 Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use and transferred to the appropriate category of property, plant and equipment.

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

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

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

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

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

The carrying value of property, plant and equipment is assessed annually and any impairment is charged to the 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 Group have received a proportion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

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

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

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

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

Retirement and other employee benefits

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

Foreign currencies

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

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

Operating Segments

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

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

Current exploration and evaluation activities are undertaken in the United States of America.

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

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

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

The key assumptions made relate to the recovery of mineral resources from the Group's mining operations in the quantity and quality of grade projected within the Group's projections for these sites. For a discussion of these refer to the Chief executive officer's Report on page 5. These key assumptions are also the primary source of estimation uncertainty within the Group.

5 Financial instruments – Risk management

The board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

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

The Group is exposed to the following financial risks:

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

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

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

Capital Management
The Group's capital is made up of share capital, share premium, retained earnings, foreign currency translation reserve and the value of non-controlling interests. These amounts totalled $37.78 million at 31 December 2021 (31 December 2020: $13.83 million).

The Group's objectives when maintaining capital are:

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

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

6 Revenue

The Group is not yet producing revenues from its mineral exploration and mining activities. The Company charged its subsidiary entities $885,000 (2020: $535,000) in respect of management services provided.

7 Loss before taxation

	31 December 2021 $	31 December 2020 $
Loss on ordinary activities before taxation is after charging:		
Employee costs (note 9)	644,223	410,995
Share-based payments	191,856	229,904
Foreign currency gains	(173,358)	(114,139)
Audit fees (Note 10)	46,700	49,126

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

	31 December 2021 Number	31 December 2020 Number
Administration	6	5
Operations	10	6
	16	11

9 Employee costs including directors

	31 December 2021 $	31 December 2020 $
Salaries and fees payable	1,452,597	830,792
Transferred to property, plant and equipment - mining property	(808,374)	(419,797)
	644,223	410,995

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

The Group's employees include the directors, management and other staff working in the subsidiaries. Share options have also been issued to the directors and senior management. These are disclosed in the Directors' Report on page 12.

10 Auditor's remuneration

	31 December 2021 $	31 December 2020 $
Fees payable for the audit of the Company's consolidated financial statements	46,700	49,126
Fees payable for taxation compliance services	5,482	5,441
	52,182	54,567

11 Taxation

	31 December 2021 $	31 December 2020 $
Current tax		
Income and corporation taxes	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of other differences	-	-
Total deferred tax	-	-
Income tax expense	-	-

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

	31 December 2021 $	31 December 2020 $
Tax on loss from ordinary activities		
Loss before tax	(969,250)	(971,850)
Tax calculated at domestic tax rates applicable to profits and losses in the respective countries of 20.21% (2020: 19.68%)	195,891	191,267
Tax losses not recognised	(205,285)	(184,652)
Other differences	9,394	(6,615)
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 2021 available tax losses amounted to $2,414,009 (2020: $2,339,583). No deferred tax asset has been recognised in respect of the Group's share option scheme.

12 Loss per share

	31 December 2021 $	31 December 2020 $
Loss attributable to the parent used in calculating basic and diluted loss per Share	(942,850)	(956,656)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	104,213,499	57,527,529
Weighted average number of shares for the purpose of diluted earnings per share	104,213,499	57,527,529
Basic loss per share (US cents per share)	(0.90)	(1.66)
Diluted loss per share (US cents per share)	(0.90)	(1.66)

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

Where the Group has incurred a loss in a year the diluted earnings per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

The Company has potentially issuable shares of 18,602,920 (2020: 11,264,978) all of which relate to the potential dilution in respect of warrants and share options issued by the Company. See also note 23.

13 Non-current assets

	Mining Property $
At 1 January 2020	11,671,660
Additions	3,117,344
At 31 December 2020	14,789,004
At 1 January 2021	14,789,004
Additions	11,335,026
At 31 December 2021	26,124,030
Net book value	
At 1 January 2020	11,671,660
At 31 December 2020	14,789,004
At 31 December 2021	26,124,030

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

14 Intangible assets

	Exploration and evaluation expenditure $
At 1 January 2020	246,895
Additions	30,000
At 31 December 2020	276,895
At 1 January 2021	276,895
Additions	53,949
At 31 December 2021	330,844

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

15 Trade and other receivables

	31 December 2021 $	31 December 2020 $
Other receivables	207,949	68,847
Prepaid expenses	157,829	53,453
	365,778	122,300

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 Financial assets

	31 December 2021 $	31 December 2020 $
Quoted investments	56,340	-

In May 2021 the Group entered into an earn-in agreement with First Cobalt Idaho, the wholly owned subsidiary of Toronto-based Electra Battery Materials Corporation (formerly First Cobalt Corporation) (“Electra”), in respect of the Group’s Redcastle cobalt property on the Idaho Cobalt Belt. The Group received consideration of $50,000 and 200,000 shares in Electra valued at $56,340, a total initial consideration of $106,340.

First Cobalt Idaho can earn a 51% interest in Borah Resources Inc, the Company’s 100% owned subsidiary and owner of the Redcastle property, by spending no less than $1,500,000 in exploration and related work on Redcastle over an initial three-year period, and by paying a further $100,000 to the Group on the third anniversary of the Agreement (“Phase 1”).

Subject to the completion of Phase 1, First Cobalt Idaho may earn an additional 24% interest in Borah Resources, for a total interest of 75%, by spending no less than a further $1,500,000 in exploration and related work on Redcastle over a further two year period, and by paying a further $150,000 to the Group in cash or the equivalent in unrestricted Electra shares, at the Group’s option, on the fifth anniversary of the Agreement, and by providing Phoenix with a NI 43-101 compliant Preliminary Economic Assessment (“PEA”) for the Redcastle property (“Phase 2”).

Upon completion of Phase 1 and Phase 2, it is intended that the Group and First Cobalt Idaho will enter into a joint venture agreement with First Cobalt Idaho as managers, and will share in the capital expenditures for the ongoing development of Redcastle in accordance with their respective ownership interests (First Cobalt 75%, Phoenix 25%). If either party does not contribute pro-rata to its ownership interest, that interest will be diluted accordingly. Should the Group’s interest in the joint venture be reduced to 10% or less, a 2.5% royalty shall become payable to the Group. This royalty can be acquired by First Cobalt Idaho for $500,000 per each 0.5%.

17 Cash and cash equivalents

Cash and cash equivalents comprise cash.

18 Trade and other payables

	31 December 2021 $	31 December 2020 $
Trade payables	862,907	156,116
Other payables	20,289	8,355
Accrued interest	-	29,466
	883,196	193,937

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

19 Other liabilities

	31 December 2021 $	31 December 2020 $
Current liabilities		
Loan notes	-	1,549,000
Deferred consideration	250,000	-
	250,000	1,549,000
Non-current liabilities		
Deferred consideration	250,000	-

In April 2021 the Group entered into an agreement with Mackay LLC to acquire 1% of the 2.5% net smelter royalty payable on mining leases on the Empire Mine in Idaho, USA. Total consideration payable to Mackay LLC is $800,000, of which $300,000 has been paid. Deferred consideration comprises two further payments of $250,000 each, due on 31 December 2022 and 31 December 2023.

In 2020 the Group had outstanding loan notes with a total redemption value of $1,549,000. $929,000 related to 12% unsecured loan notes, with a final redemption date of 30 September 2021. The Group also issued an unsecured loan note in the amount of $620,000, repayable on 31 March 2021 plus a fixed rate coupon equivalent to 6.5% of principal value.

20 Provisions

	31 December 2021 $	31 December 2020 $
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 2021.

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

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

21 Share capital

	Group and Company Number 2021	Group and Company Number 2020
Number of ordinary shares of no par value		
At the beginning of the year	63,306,747	44,784,881
Issued in the year	54,108,933	18,521,866
At the end of the year	117,415,680	63,306,747

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 54,108,933 ordinary shares at an average issue price of $0.48 per share to raise $26.0 million before expenses of issue. All issued shares were fully paid.

Since the year end the Company has issued a further 4,040,033 shares at $0.32 per share from the exercise of warrants. The Company currently has 121,455,713 ordinary shares in issue.

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

The Company has issued warrants to subscribe for additional shares. Each warrant provides the right to the holder to convert one warrant into one ordinary share of no-par value at exercise prices ranging from £0.16 to £0.50. At 31 December 2021 the number of warrants in issue was 12,577,920 (2020: 7,589,978). See also note 23.

The Company has issued options to subscribe for additional shares to the directors and senior employees of the Group. Each option provides the right to the holder to subscribe for one ordinary share of no par-value, subject to the vesting conditions, at exercise prices of £0.17, £0.30 and £0.50. At 31 December 2021 the number of options in issue was 6,025,000 (2020: 3,675,000).

The beneficial holdings in shares, warrants and options of each director are disclosed in the Directors' Report on pages 11 and 12. These shareholdings include those shares held by connected persons of the individual director.

22 Capital and reserves

The Company's ordinary shares have no par value.

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

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

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

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

23 Share-based payments

The Company has issued 12,577,920 (2020: 7,589,978) warrants to subscribe for additional share capital of the Company. Each warrant entitles the holder to subscribe for one ordinary equity share in the Company. The right to convert each warrant is unconditional.

Additionally, the Company has issued 6,025,000 (2020: 3,765,000) share options to directors and senior employees of the Group. Each share option entitles the holder to subscribe for one ordinary equity share in the Company once the vesting conditions have been satisfied.

In the periods presented the Company has settled remuneration liabilities by the issue of equity in lieu of cash payments for services 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 2021 Number	31 December 2020 Number
At the beginning of the year	£0.30	7,589,978	7,115,195
Issued in the year	£0.16	-	386,000
Issued in the year	£0.18	-	905,467
Issued in the year	£0.28	-	159,541
Issued in the year	£0.39	4,812,396	-
Issued in the year	£0.50	2,000,000	-
Exercised in the year	£0.18	-	(375,000)
Exercised in the year	£0.20	(250,000)	(100,000)
Exercised in the year	£0.28	(847,962)	(369,225)
Exercised in the year	£0.35	(81,151)	-
Exercised in the year	£0.385	(256,997)	-
Exercised in the year	£0.40	(61,250)	-
Exercised in the year	£0.60	(44,056)	-
Lapsed	£0.20	-	(132,000)
Lapsed	£0.60	(283,038)	-
At the end of the year	£0.29	12,577,920	7,589,978

Share options issued

	Weighted Average Exercise price	31 December 2021 Number	31 December 2020 Number
At the beginning of the year	£0.23	3,675,000	3,150,000
Issued in the year	£0.30	-	1,750,000
Issued in the year	£0.50	2,350,000	-
Lapsed in the year	£0.45	-	(1,225,000)
At the end of the year	£0.34	6,025,000	3,675,000

The total share-based payment charge for all warrants and options in the year was $709,040 of which $191,856 has been charged to profit and loss and $517,185 allocated to Mining Property (2020: $229,904 and $395,286 respectively). The share-based payment charge was calculated using the Black-Scholes model. All warrants issued vest immediately on issue. Share options vest up to a 36-month period from the date of issue, or on the achievement of certain vesting milestones.

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

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

	31 December 2021 Warrants issued	31 December 2021 Share options issued
Weighted average share price at grant date	£0.37	£0.47
Weighted average exercise prices	£0.42	£0.50
Expected volatility	54.6%	69.25%
Expected life in years	0.97	1.0
Weighted average contractual life in years	0.74	1.4
Risk-free interest rate	1.5%	1.5%
Expected dividend yield	-	-
Fair-value of warrants and options granted (pence)	£0.048	£0.123

The warrants were issued in two placements. The share price at the date of grant was between £0.34 to £0.44. The warrant exercise prices at the date of grant were between £0.385 to £0.50. The share options were issued in one placement of two tranches with different vesting milestones, with weighted average expected lives of 1.4 years. The share price at the date of grant was £0.47 and the exercise price for both tranches is £0.50. The warrants issued are all exercisable on the date of issue. The number of outstanding share options include 1,925,000 options which are currently exercisable at a price of £0.17 per share and 1,750,000 options which are exercisable at £0.30 per share.

The volatility for the warrants issued ranged from 50.00% to 71.95%. The fair-values of warrants issued in the year ranged from £0.385 to £0.87. The volatility for the share options was 69.25% and the fair-values of the options issued ranged from £0.09 to £0.15. The expected life of the outstanding warrants and options ranged from 0.74 to 2.00 years.

Share-based payments allocation of charge

	31 December 2021 $	31 December 2020 $
On issue of share options	262,739	210,924
On issue of warrants	446,301	331,701
On modification of warrants	-	82,565
Total charge	709,040	625,190
Allocation:		
Mining property	517,184	395,286
Administrative expenses	191,856	229,904
	709,040	625,190

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

24 Capital commitments

There were no outstanding capital commitments at 31 December 2021 (2020: $nil).

25 Events after the reporting date

Since the year end the Group has acquired the remaining 1.25% royalty payable to Honolulu Copper Corporation, as reported in the Directors' Report on page 12.

26 Related party transactions

The interests of the directors in the share capital, warrants and share options of the Company are disclosed in the Directors' Report on pages 11 and 12. The amount charged within the income statement for the year in respect of share options, all of which are held by the directors, officers and employees, is set out in note 23.

The remuneration of the directors is included in note 9.

The remuneration of the directors was as follows:

	31 December 2021 Paid $	31 December 2021 Capitalised $	31 December 2021 Total $	31 December 2020 Total $
Marcus Edwards-Jones	243,044	20,700	263,744	148,942
Ryan McDermott	258,300	20,700	279,000	192,760
Dennis Thomas	9,423	-	9,423	31,905
Richard Wilkins	243,044	20,700	263,744	148,942
Roger Turner	38,420	-	38,420	31,905
Andre Cohen	60,670	10,350	71,020	30,816
Jason Riley	36,300	6,900	43,200	24,585
Catherine Evans	29,731	-	29,731	-
	918,932	79,350	998,282	609,855

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 $79,350 (2020: $109,770) capitalised and paid in shares.

Roger Turner received $160,064 (2020: $117,037) and Dennis Thomas received $188,578 (2020: $117,037) in respect of consultancy fees for services provided to the Group.

The Company has advanced $19,160,079 to Konnex Resources Inc (2020: $11,281,834), $107,293 to Borah Resources Inc (2020: $222,085), $1,959,900 to Lost River Resources Inc (2020: $nil) and $184,692 to Salmon Canyon Resources Inc (2020: $nil). The amounts advanced are in support of the mining and exploration operations at each of these subsidiaries and are classified as other receivables. During the year the Company charged interest on borrowings by Konnex Resources Inc of $880,642 (2020: $578,788). Included in trade and other receivables are amounts of $110,183 (2020: $43,596) owed by the directors of the Company.

There are no other related party transactions.

27 Control

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

Company information

Directors
Marcus Edwards-Jones
Ryan McDermott
Richard Wilkins
Dennis Thomas (resigned 1 May 2021)
Roger Turner (resigned 31 December 2021)
Andre Cohen
Catherine Evans (appointed 1 May 2021)
Jason Riley

Company Secretary
Richard Wilkins

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Bankers
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Perivan 263113

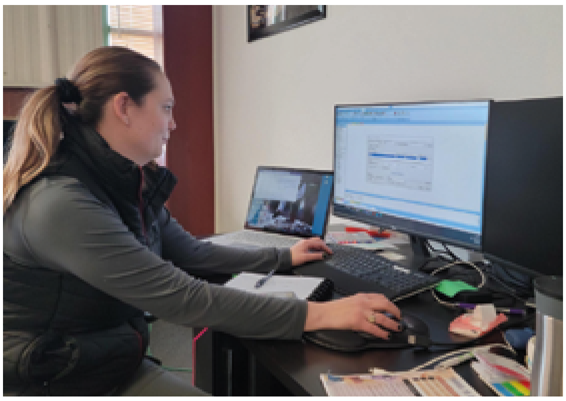
Reverse circulation drilling of Red Star

Boxing Core of the Empire deep sulphide System

Lenie Wilkie ESG Coordinator (left)
Brittany Lock Public Relations Manager

Copper Sulphide in core

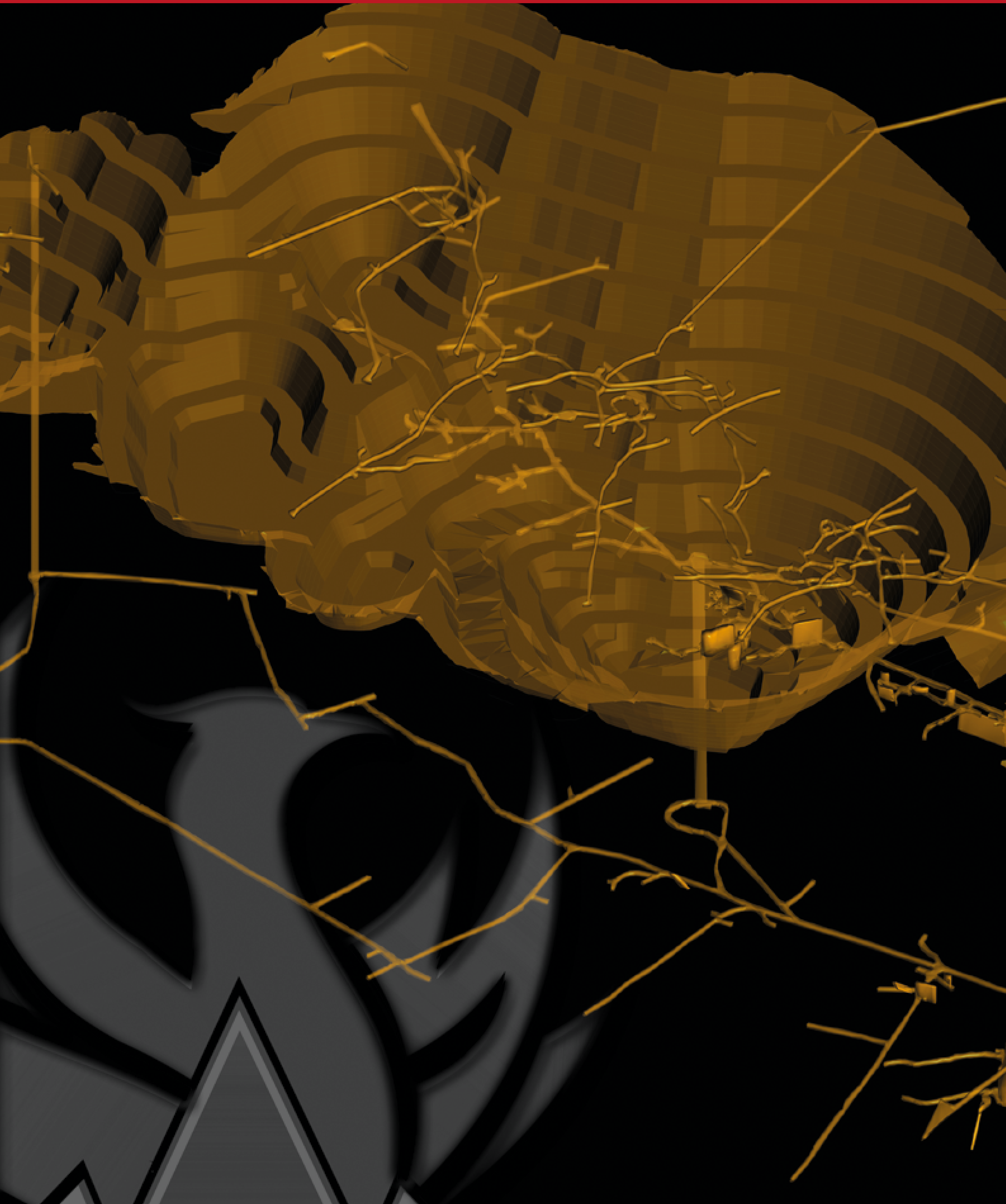
Keian Moran Senior Geologist



Jessica Hobbs Resource Geologist

Navaree Creek Enviromental Study

Justin Smith Field Technician



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