



CHINA YUNNAN COPPER  
**AUSTRALIA**  
LIMITED  
(ASX:CYU)

2020

China Yunnan Copper Australia Limited (CYU) is an Australian company formed to explore for and develop minerals in Australia and overseas.

The Company was incorporated on the 24 August 1995 and in 2007 changed its name to China Yunnan Copper Australia Limited, reflecting the strong relationship with its cornerstone investor, Yunnan Copper Industry (Group) Co Ltd (YCI).

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## Highlights 2008-09

**Exploration projects** » More than 1,400 km<sup>2</sup> of highly prospective tenements focused on copper, gold and uranium in Queensland, Australia » Discovery of significant mineralisation at the Gem prospect, Cloncurry North Project, including 38m @1.25% copper and 0.20 g/t gold from 33 metres. Drilling and supporting geophysical work is continuing the extensional drilling program under shallow cover » Farm-in agreement Goldsearch Limited for the Mary Kathleen Joint Venture in the Mt Isa Project area » Purchase of the Stanley's Hope Epithermal Gold property in the Pentland district.

**Chinese Mining Industry Company Partnership** » Confirmation of CYU as the copper growth platform going forward for the Yunnan Copper Industry (Group) Co Ltd's (YCI) international growth strategy. YCI's largest shareholder is Chinalco » Access to technical expertise, new projects, project funding and competitive off-take agreements from Yunnan Copper Industry (Group) Co Ltd » Demise of the Rio Chinalco deal has changed the landscape for the better with CYU being supported by YCI and Chinalco as the preferred vehicle for copper acquisitions.

**Management** » Australian and Chinese Board and management with a wide range of resource and corporate experience capable of advancing this portfolio of highly prospective projects to discovery and development » Major shareholder Yunnan Copper Industry (Group) Co Ltd via its subsidiary brings exploration, mining, production, smelting and refining expertise to the Company » Management team has extensive collective experience and expertise in the exploration, evaluation, feasibility studies, financing, development and operation of mineral projects

**Future** » Potential for exploration success combined with the active support of Yunnan Copper Industry (Group) Co Ltd provides the Company with the opportunity of rapidly expanding its business in Australia and Asia.



“CYU adding value  
through discovery”

# Joint Chairman's Letter

## Dear Shareholders,

On behalf of the Board of Directors of China Yunnan Copper Australia Limited (CYU), we are pleased to report significant progress by your company.

CYU has investigated a portfolio of Queensland based tenements in the Cloncurry, Mt Isa, Pentland, Ravenswood and Clermont districts and we believe that through our executives and a proven exploration team, we have generated an exploration success at Gem in the Cloncurry district and will continue to succeed in our endeavours to discover and develop significant copper, gold and uranium deposits.

On 1st September, the Company made a non-renounceable rights issue of 2 New Shares for every 5 existing Shares held in China Yunnan Copper Australia Ltd, at \$0.15 per Share, which raised up to approximately \$4.66 million.

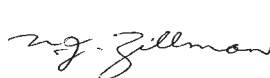
It is proposed that the funds raised from the Issue will be applied to the costs of the Issue, to provide working capital and to progress the Queensland copper gold projects, including our recent Gem discovery. In addition funds will be used to acquire further assets that will add value for CYU shareholders. Importantly Yunnan Copper Industries have recently invited CYU to assess possible joint ventures in three copper gold properties in the Yangla Copper Belt of Southern China. In addition the Executive team is working on potential acquisitions in Australia and offshore that match our commercial criteria of right cost, right location.

As you are aware, support for CYU's objectives has come from the third largest copper producer in China, Yunnan Copper Industry (Group) Co Ltd (YCI), who through its local Australian subsidiary China Yunnan Copper (Australia) Investment & Development Co. Ltd invested A\$2.3 million to secure a cornerstone investment in CYU prior to listing. They have also taken up their full entitlement in the recent rights issue.

The Board of Directors looks forward to the continuation of close relations between the Chinese and Australian Directors as well as continued technical and other support from YCI and Chinalco.

Your Board believes that the future of your company is secure with an existing exploration portfolio in Australia and a first class exploration team with three operational offices currently active in Northern Queensland. This, combined with a proposed active project acquisition effort, will hopefully see the transformation of your company from explorer to producer in the future.

Yours faithfully,



Norman Zillman  
Co Chairman



Chao Yang  
Co Chairman

# Managing Director's Review of Operations and Future Developments

Initially, the company focused on exploring its tenements in Queensland for copper, gold and uranium and is actively evaluating other acquisition and joint venture opportunities to grow its business rapidly. This strategy has been justified with the recent exploration success at the Gem prospect.

In the current year, CYU intends upon expanding the business in terms of joint ventures and acquisitions with the short term goal of being a profitable production company. An unrealistic goal if it were not for the ongoing support of our cornerstone investor Yunnan Copper Industry (Group) Co Ltd. (YCI) and their majority owner, Chinalco.

The management and technical team of CYU has extensive commercial and technical experience. Discovery track record of the current team and a background in commodities trading and Australian corporate experience renders CYU in a strong position going forward.

Yunnan Copper Industries has recently invited CYU to assess possible joint ventures in three copper gold properties in the Yangla Copper Belt of Southern China. This prolific porphyry copper belt is host to some of the largest copper producing operations in China with minimal competitor activity. These opportunities will be balanced with the many projects that are available to the Company at this time.

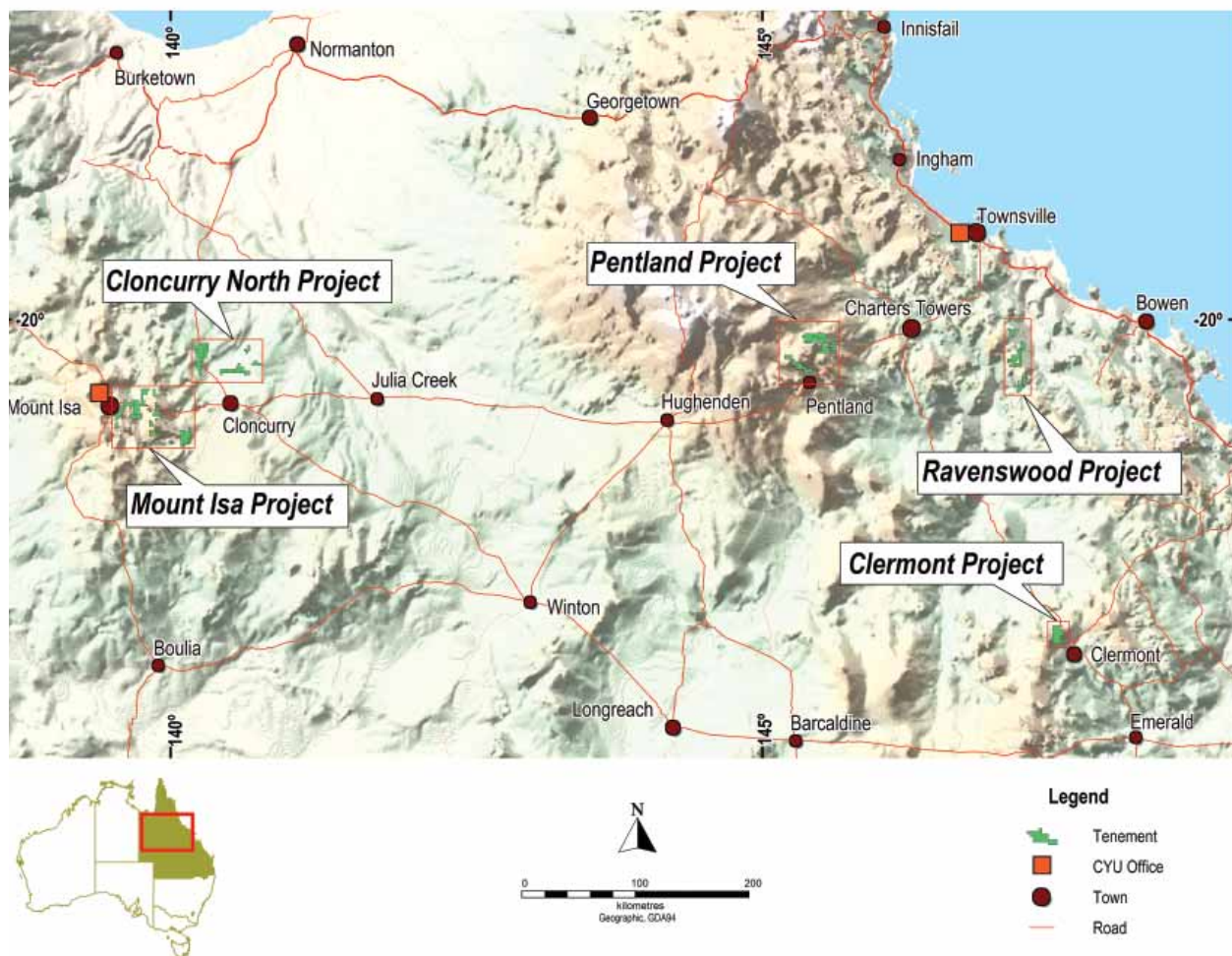


FIGURE 1: Regional project location plan of CYU's current properties

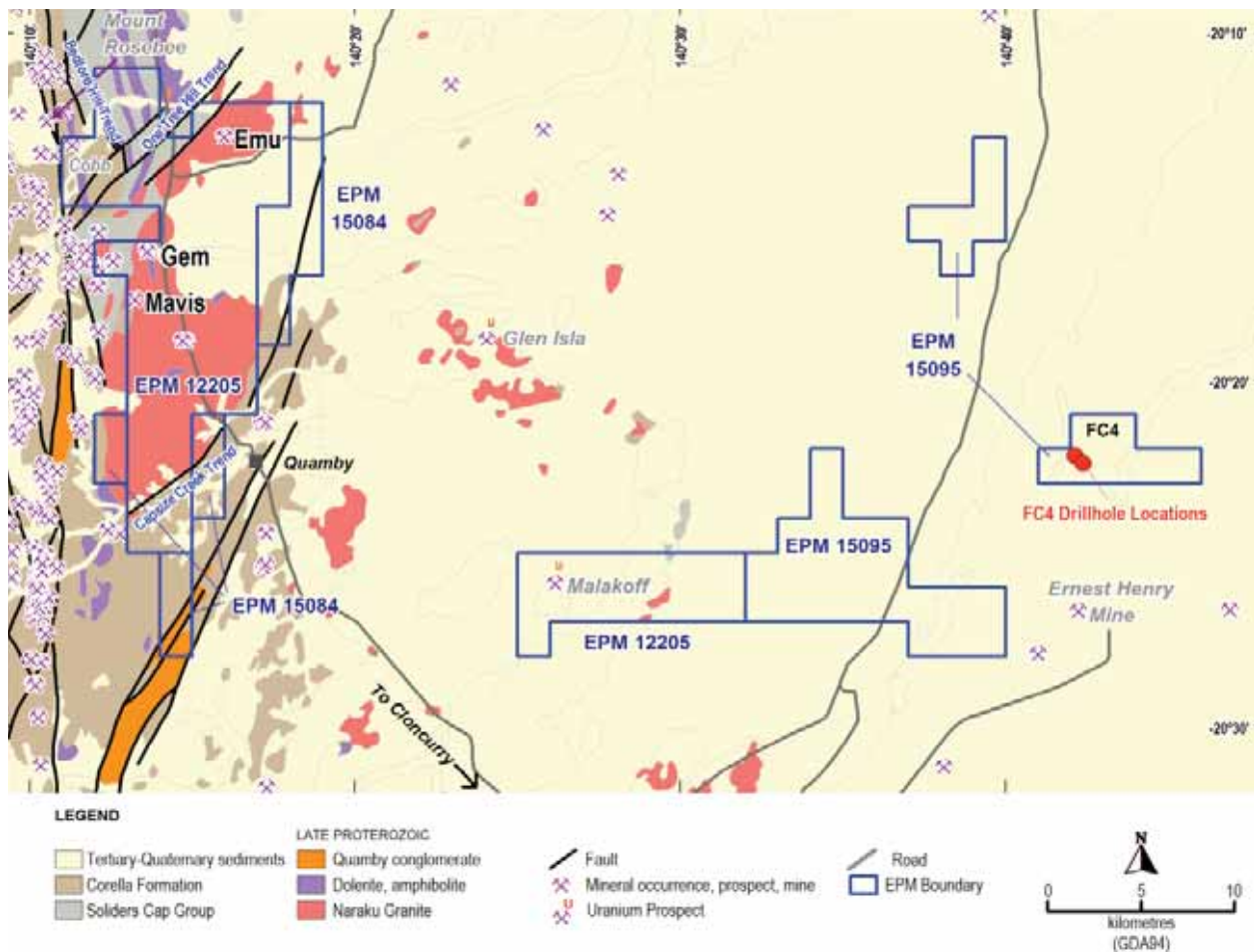


FIGURE 2: Cloncurry North Project Locations

CYU has recently released promising drill results at its prospective Gem copper prospect and is targeting a maiden resource by 2010. The Cloncurry exploration program resulted in the Gem discovery with results including 38m @1.25% copper and 0.20 g/t gold from 33m. The Gem mineralisation is hosted in granite which is unique in the region.

CYU considers these results very important in terms of discovering a significant new style of iron oxide-copper-gold (IOCG) system. Mineralisation remains open down dip and along strike and is being developed at present with geophysical techniques to determine the trend of the mineralisation under cover.

The appointment of an Exploration Manager and Chief Geologist to man field programs on the five operational projects of Cloncurry North, Mt Isa, Pentland, Ravenswood and Clermont has allowed the CYU Executive time to evaluate multiple acquisition opportunities in Australia and offshore. Advanced near-production projects are sought and a number of opportunities are in the advanced stage of evaluation.

# Managing Director's Review of Operations and Future Developments continued

## Cloncurry North

The Cloncurry North exploration program resulted in the Gem discovery on EPM12205. A total of fifteen RC drill holes totalling 2,311 metres and three diamond core holes totalling 417.6m were completed during the reporting year (Table 1). **CYU considers the results from these programs very important in terms of discovering a significant iron oxide-copper-gold (IOCG) system.** Mineralisation remains open down dip and along strike.

Table 1: Gem Prospect RC and diamond drill collar location

| TYPE | HOLE ID | EAST*  | NORTH*  | RL (m) | Dip (°) | AZM (Grid) | DEPTH (m) |
|------|---------|--------|---------|--------|---------|------------|-----------|
| RC   | GR-001  | 419403 | 7758801 | 193    | -60     | 090        | 150.00    |
| RC   | GR-002  | 419544 | 7758581 | 193    | -60     | 130        | 120.00    |
| RC   | GR-003  | 419425 | 7758551 | 188    | -60     | 060        | 100.00    |
| RC   | GR-004  | 419368 | 7758445 | 189    | -60     | 060        | 150.00    |
| RC   | GR-005  | 419387 | 7758423 | 192    | -60     | 060        | 150.00    |
| DD   | GD-006  | 419389 | 7758531 | 194    | -60     | 060        | 198.50    |
| RC   | GR-007  | 419464 | 7758559 | 192    | -60     | 060        | 148.00    |
| RC   | GR-008  | 419423 | 7758597 | 192    | -60     | 060        | 196.00    |
| RC   | GR-009  | 419404 | 7758586 | 191    | -60     | 060        | 202.00    |
| RC   | GR-010  | 419462 | 7758522 | 191    | -60     | 060        | 148.00    |
| RC   | GR-011  | 419447 | 7758511 | 189    | -60     | 060        | 148.00    |
| RC   | GR-012  | 419427 | 7758501 | 190    | -60     | 060        | 202.00    |
| RC   | GR-013  | 419438 | 7758460 | 190    | -60     | 060        | 154.00    |
| RC   | GR-014  | 419439 | 7758802 | 193    | -60     | 090        | 100.00    |
| RC   | GR-015  | 419366 | 7758802 | 190    | -60     | 090        | 202.00    |
| RC   | GR-016  | 419417 | 7758255 | 191    | -60     | 360        | 141.00    |
| DD   | GD-017  | 419446 | 7758562 | 194    | -60     | 240        | 105.00    |
| DD   | GD-018  | 419427 | 7758550 | 193    | -60     | 060        | 114.05    |

\* Easting and Northing UTM MGA Zone 54 – GDA94. RC (Reverse Circulation percussion drilling), DD (diamond drill or core drilling).

CYU drilled three HQ3/NQ diamond holes along one section line focusing on the previously reported result from GR-003 of a near surface copper-gold intersection of **38m @1.25 % copper and 0.20 g/t gold** from 33m down hole depth. The objective of drilling this section line was to assist in understanding the geometry and style of mineralisation of the main zone at the Gem prospect. All diamond holes were orientated and regularly surveyed to provide geotechnical information.

Table 2: Gem Prospect significant drill results (length weighted averages) at a 0.10% copper lower cut

| HOLE TYPE | HOLE ID                          | From                   | To     | Interval | Cu (%) | Au (g/t) | Zn (%) |
|-----------|----------------------------------|------------------------|--------|----------|--------|----------|--------|
| RC        | GR-001                           | 42.00                  | 43.00  | 1.00     | 0.13   | <0.01    |        |
|           | GR-001<br>including              | 55.00                  | 76.00  | 21.00    | 0.12   | 0.05     |        |
|           |                                  | 55.00                  | 57.00  | 2.00     | 0.19   | 0.08     |        |
|           |                                  | 61.00                  | 66.00  | 5.00     | 0.16   | 0.05     |        |
|           |                                  | 68.00                  | 69.00  | 1.00     | 0.12   | 0.02     |        |
|           |                                  | 73.00                  | 76.00  | 3.00     | 0.20   | 0.10     |        |
| RC        | GR-002                           | No Significant Results |        |          |        |          |        |
| RC        | GR-003                           | 0.00                   | 1.00   | 1.00     | 0.01   | 0.39     |        |
|           | GR-003<br>including              | 33.00                  | 71.00  | 38.00    | 1.25   | 0.20     |        |
|           |                                  | 45.00                  | 67.00  | 22.00    | 1.96   | 0.29     |        |
| RC        | GR-004                           | 59.00                  | 60.00  | 1.00     | 0.12   | 0.02     |        |
|           | GR-004                           | 80.00                  | 81.00  | 1.00     | 0.47   | 0.27     |        |
|           | GR-004                           | 141.00                 | 142.00 | 1.00     | 0.18   | 0.02     |        |
| RC        | GR-005                           | 39.00                  | 40.00  | 1.00     | 0.11   | <0.01    |        |
| Diamond   | GD-006                           | 42.00                  | 43.00  | 1.00     | 0.17   | 0.03     |        |
|           | GD-006                           | 47.75                  | 48.25  | 0.50     | 0.32   | <0.01    |        |
|           | GD-006                           | 61.50                  | 62.50  | 1.00     | 0.44   | 0.13     |        |
|           | GD-006<br>including<br>including | 96.50                  | 101.50 | 5.00     | 0.77   | 0.05     |        |
|           |                                  | 98.50                  | 101.50 | 3.00     | 1.22   | 0.07     |        |
|           |                                  | 100.75                 | 101.50 | 0.75     | 4.27   | 0.03     |        |
|           | GD-006                           | 159.00                 | 160.00 | 1.00     | 0.16   | 0.01     |        |
|           | GD-006                           | 171.00                 | 172.00 | 1.00     | 0.13   | <0.01    |        |
| RC        | GR-007                           | 44.00                  | 45.00  | 1.00     | 0.18   | 0.01     |        |
|           | GR-007                           | 50.00                  | 51.00  | 1.00     | 0.21   | 0.01     |        |
| RC        | GR-008                           | 20.00                  | 22.00  | 2.00     | 0.34   | 0.06     |        |
|           | GR-008<br>including              | 27.00                  | 33.00  | 6.00     | 0.46   | 0.05     |        |
|           |                                  | 30.00                  | 32.00  | 2.00     | 0.49   | 0.07     | 1.06   |
|           | GR-008                           | 72.00                  | 73.00  | 1.00     | 0.16   | 0.16     |        |
|           | GR-008                           | 86.00                  | 87.00  | 1.00     | 0.19   | 0.09     |        |
|           | GR-008                           | 138.00                 | 139.00 | 1.00     | 0.21   | <0.01    |        |
|           | GR-008                           | 150.00                 | 151.00 | 1.00     | 0.12   | 0.05     |        |
|           | GR-008                           | 179.00                 | 180.00 | 1.00     | 0.14   | 0.05     |        |
| RC        | GR-009<br>including              | 1.00                   | 5.00   | 4.00     | 1.16   | 0.12     |        |
|           |                                  | 1.00                   | 3.00   | 2.00     | 2.07   | 0.21     |        |
|           | GR-009                           | 30.00                  | 31.00  | 1.00     | 0.12   | 0.01     |        |
|           | GR-009                           | 35.00                  | 36.00  | 1.00     | 0.28   | 0.05     |        |
|           | GR-009<br>including              | 100.00                 | 108.00 | 8.00     | 0.28   | 0.12     |        |
|           |                                  | 105.00                 | 106.00 | 1.00     | 1.54   | 0.56     |        |
|           | GR-009                           | 145.00                 | 146.00 | 1.00     | 0.20   | 0.06     |        |
|           | GR-009                           | 149.00                 | 150.00 | 1.00     | 0.35   | 0.29     |        |

# Managing Director's Review of Operations and Future Developments continued

Table 2: Gem Prospect significant drill results (length weighted averages) at a 0.10% copper lower cut (continued)

| HOLE TYPE | HOLE ID   | From                   | To     | Interval | Cu (%) | Au (g/t) | Zn (%) |
|-----------|-----------|------------------------|--------|----------|--------|----------|--------|
| RC        | GR-010    | 15.00                  | 17.00  | 2.00     | 0.45   | <0.01    |        |
|           | GR-010    | 28.00                  | 29.00  | 1.00     | 0.14   | 0.01     |        |
|           | GR-010    | 36.00                  | 38.00  | 2.00     | 0.39   | 0.03     |        |
|           | GR-010    | 48.00                  | 53.00  | 5.00     | 0.18   | 0.07     |        |
|           | GR-010    | 67.00                  | 68.00  | 1.00     | 0.11   | 0.04     |        |
| RC        | GR-011    | 5.00                   | 7.00   | 2.00     | 0.15   | 0.01     |        |
|           | GR-011    | 16.00                  | 24.00  | 8.00     | 0.16   | 0.13     |        |
|           | including | 18.00                  | 19.00  | 1.00     | 0.30   | 0.69     |        |
| RC        | GR-012    | 25.00                  | 26.00  | 1.00     | 0.35   | 0.01     |        |
|           | GR-012    | 30.00                  | 31.00  | 1.00     | 0.14   | 0.06     |        |
|           | GR-012    | 51.00                  | 54.00  | 3.00     | 2.36   | 0.40     |        |
|           | including | 51.00                  | 53.00  | 2.00     | 3.42   | 0.57     |        |
|           | GR-012    | 58.00                  | 60.00  | 2.00     | 0.18   | 0.05     |        |
|           | GR-012    | 64.00                  | 67.00  | 3.00     | 0.27   | 0.02     |        |
|           | GR-012    | 91.00                  | 92.00  | 1.00     | 0.13   | 0.11     |        |
| RC        | GR-013    | 0.00                   | 7.00   | 7.00     | 0.36   | 0.07     |        |
|           | GR-013    | 11.00                  | 12.00  | 1.00     | 0.43   | 0.24     |        |
|           | GR-013    | 26.00                  | 42.00  | 16.00    | 0.38   | 0.69     |        |
|           | including | 31.00                  | 32.00  | 1.00     | 2.53   | 0.24     |        |
|           | including | 37.00                  | 38.00  | 1.00     | 1.60   | 9.98     |        |
| RC        | GR-014    | 24.00                  | 26.00  | 2.00     | 0.18   | 0.01     |        |
|           | GR-014    | 29.00                  | 30.00  | 1.00     | 0.40   | <0.01    |        |
|           | GR-014    | 34.00                  | 35.00  | 1.00     | 0.21   | <0.01    |        |
| RC        | GR-015    | 168.00                 | 170.00 | 2.00     | 1.04   | 0.36     |        |
|           | including | 168.00                 | 169.00 | 1.00     | 1.97   | 0.69     |        |
|           | GR-015    | 183.00                 | 191.00 | 8.00     | 0.89   | 0.25     |        |
|           | including | 185.00                 | 191.00 | 6.00     | 1.10   | 0.28     |        |
|           | including | 188.00                 | 190.00 | 2.00     | 2.35   | 0.62     |        |
| RC        | GR-016    | No Significant Results |        |          |        |          |        |
| Diamond   | GD-017    | 27.00                  | 28.00  | 1.00     | 0.11   | 0.07     |        |
|           | GD-017    | 61.00                  | 67.00  | 6.00     | 0.30   | 0.04     |        |
|           | including | 63.00                  | 63.50  | 0.50     | 2.57   | 0.53     |        |
|           | GD-017    | 70.00                  | 70.50  | 0.50     | 0.91   | <0.01    |        |
| Diamond   | GD-018    | 36.50                  | 37.50  | 1.00     | 0.7    | 0.16     |        |
|           | GD-018    | 43.00                  | 65.00  | 22.00    | 0.46   | 0.60     |        |
|           | including | 43.00                  | 49.00  | 6.00     | 0.85   | 0.19     |        |
|           | including | 44.50                  | 47.50  | 3.00     | 1.46   | 0.23     |        |
|           | including | 62.50                  | 65.00  | 2.50     | 1.81   | 4.73     |        |
|           | GD-018    | 74.00                  | 76.00  | 2.00     | 0.25   | 1.26     |        |
|           | GD-018    | 86.00                  | 87.00  | 1.00     | 0.12   | 0.10     |        |
|           | GD-018    | 94.00                  | 95.00  | 1.00     | 0.14   | 0.05     |        |

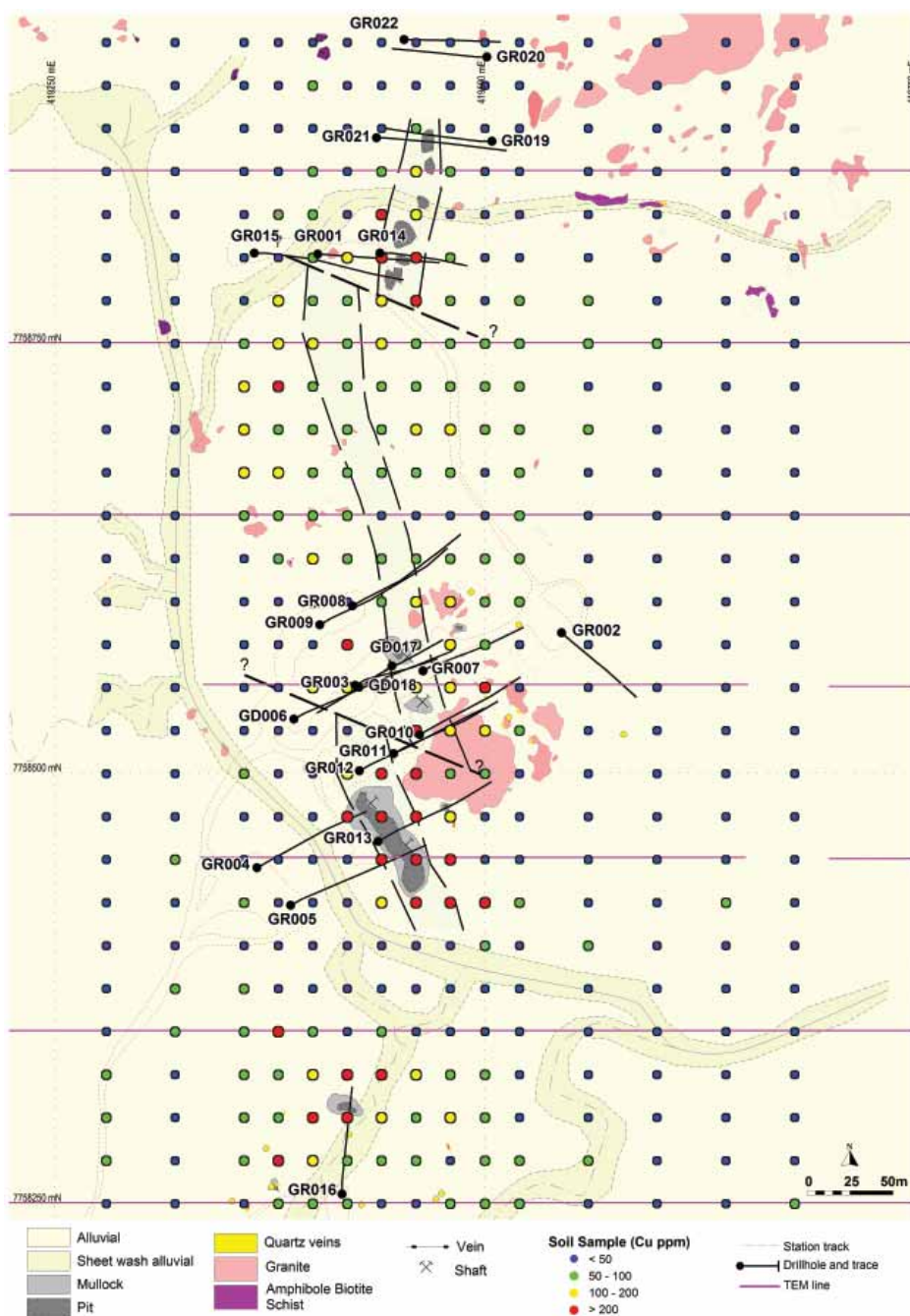


FIGURE 3:  
Gem interpretive  
prospect scale  
map. Sectional and  
three dimensional  
interpretation is  
ongoing. Gem  
remains open along  
strike to the north and  
south and at depth.

Geological and geotechnical evaluation of the diamond core drill holes has furthered CYU's understanding of the mineralised system at the Gem prospect. The mineralised zone consists of a main north west trending, moderately to steeply dipping, recrystallised shear zone that contains a series of stacked tensional shallow north easterly dipping quartz – chalcopyrite – pyrite – magnetite +/- pyrrhotite vein sets and the occurrence of a large

north east trending mineralised aplite dyke containing moderate disseminated chalcopyrite mineralisation. Preliminary interpretation has also identified a series of unmineralised medium grained granite dykes that appear to be stoping out the mineralisation in parts. Most of the prospect is covered by alluvium with minimal outcrop observed. GD-017 was drilled down dip and along the contact of one of these unmineralised dykes.

# Managing Director's Review of Operations and Future Developments continued



In late July 2009 an orientation time-domain electromagnetic (TEM) ground geophysical survey was undertaken. The survey comprised two lines of 500m length using a 100m moving loop configuration. Results from this survey, returned two moderate anomalies. Quantitative analysis of these anomalies was made difficult due to the presence of a noisy overburden signal masking these conductors. A larger scale 1.2km by 700m TEM ground geophysical survey utilising a fixed loop configuration is planned to be undertaken that should overcome the masking effect. Results from this survey, in conjunction with drill section and plan geological interpretation, will assist in planning a third round of drilling at Gem. Future drilling will **determine the extent of this new, shallow copper gold mineralised system.**

FIGURE 4: (above) RC drilling Gem, June 2009. Topography at Gem is flat with thin cover. The prospect is less than 2km from the sealed Burke Development Road, north of Cloncurry.

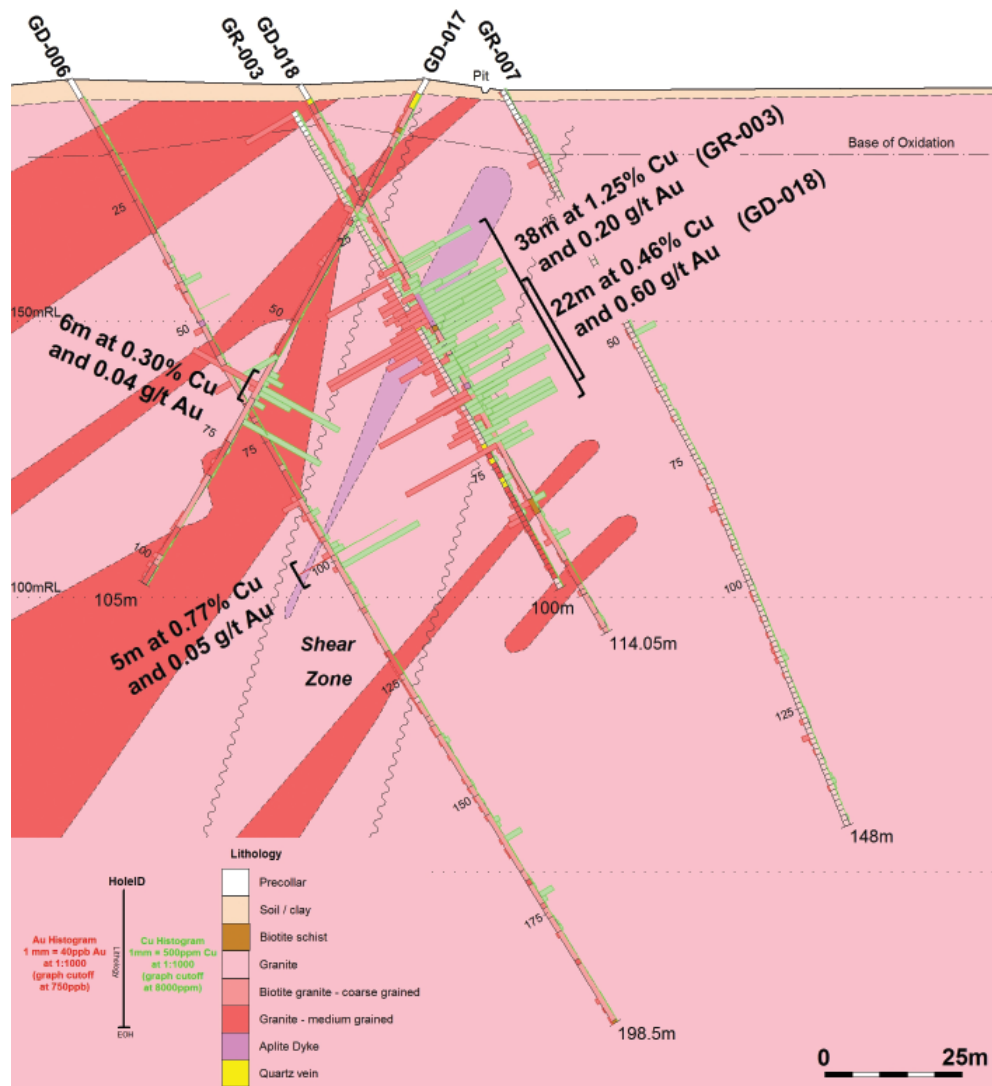


FIGURE 5: (right) Gem 7,758,500mN interpretive section identifying the occurrence of unmineralised medium grained granite dykes and moderately mineralised aplite dykes within a shear zone. Copper grades are depicted as green bar charts on drill traces and gold as red.

## Mount Isa (including Mary Kathleen Joint Venture)

The Mt Isa Project has highly prospective drill targets 50km across strike from Mt Isa. Most prospects as highlighted have not been previously drilled despite significant copper and gold surface geochemical results. CYU will systematically drill test these ranked as per the Mt Colin West drill program in early May 2009. Yarraman, Little Isa and Huggins Lookout are the next prospects for mapping.

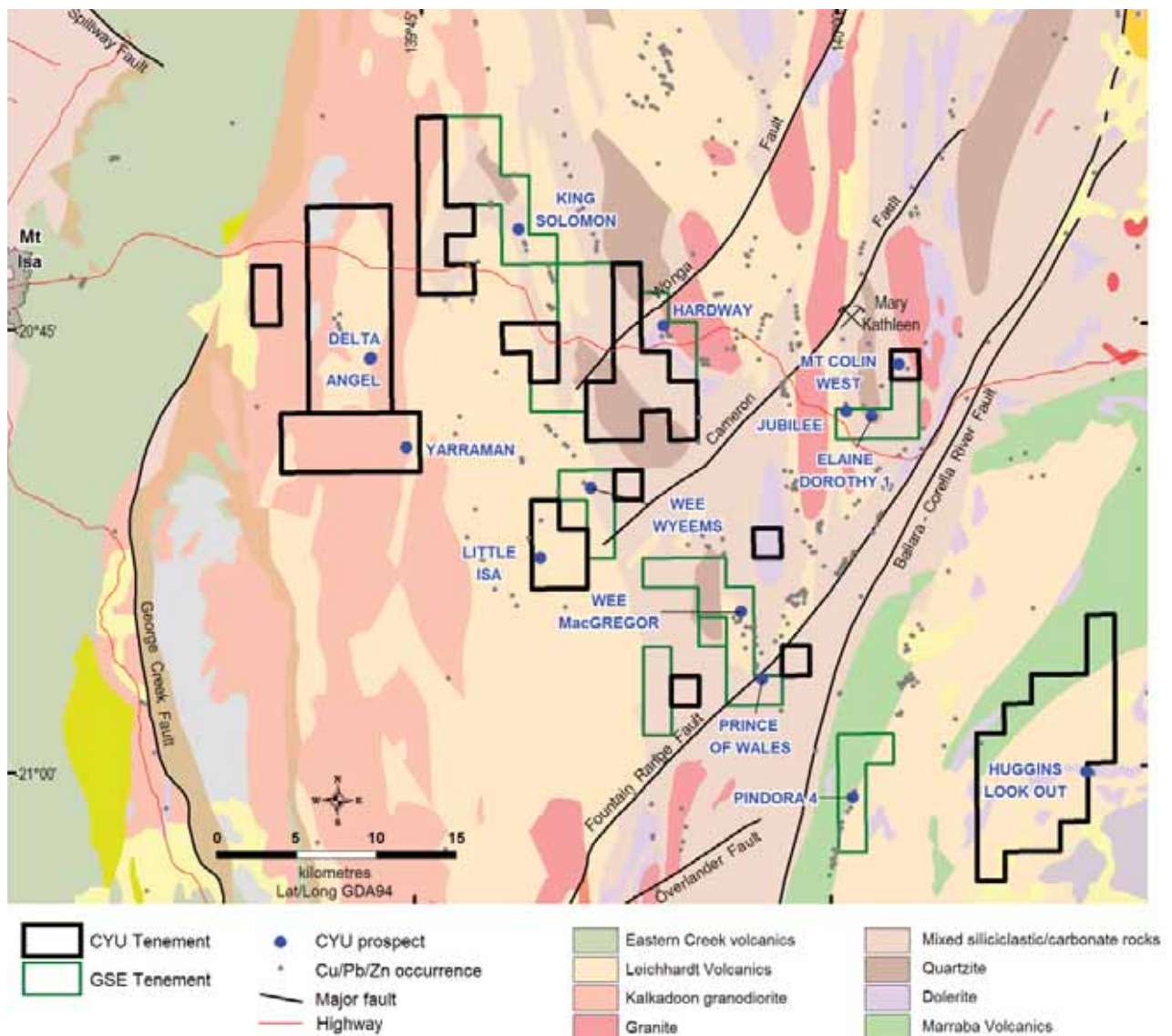


FIGURE 6: Mount Isa Project and Mary Kathleen JV Location

During the year three (370m) RC drillholes (Table 3) were drilled at the Mount Colin West prospect. The drill program was designed to delineate the strike extent of the mineralized trend of the Exco Resources Mount Colin deposit situated adjacent to the prospect.

# Managing Director's Review of Operations and Future Developments continued

| Hole ID | East   | North   | RL  | AZI | Dip | Depth  |
|---------|--------|---------|-----|-----|-----|--------|
| MCR-001 | 399931 | 7702627 | 511 | 199 | -60 | 91.50  |
| MCR-002 | 400141 | 7702556 | 513 | 200 | -60 | 150.00 |
| MCR-003 | 400052 | 7702605 | 500 | 200 | -60 | 128.50 |

Table 3: Mount Colin West Drill Collars

| Hole Id   | From                   | To     | Width | Au (g/t) | Cu (ppm) |
|-----------|------------------------|--------|-------|----------|----------|
| MCR-001   | 11.00                  | 12.00  | 1.00  | 0.43     | 101      |
| MCR-002   | No Significant Results |        |       |          |          |
| MCR-003   | 29.00                  | 32.00  | 3.00  | 0.17     | 17       |
| including | 29.00                  | 30.00  | 1.00  | 0.39     | 19       |
| MCR-003   | 35.00                  | 36.00  | 1.00  | 0.19     | 33       |
| MCR-003   | 101.00                 | 102.00 | 1.00  | 0.19     | 46       |
| MCR-003   | 117.00                 | 121.00 | 4.00  | 0.20     | 486      |
| including | 120.00                 | 121.00 | 1.00  | 0.49     | 387      |

TABLE 4: Mount Colin West Significant Intersections (0.10 g/t Au cut-off).

Results returned showed elevated (>500ppm Cu) was seen in the bottom of MCR-003. Significant small scale gold intercepts were also encountered in MCR-001 and MCR-003 with up to >0.40g/t Au seen in both holes. A large feldspar porphyry body was mapped during a lull in drilling activities and appears to have an impact on mineralisation with elevated zones of copper and gold occurring as the holes approached the margins. From the ground magnetic survey the strong magnetic anomaly delineated trends from the known workings with an associated magnetic low. Further mapping and more reconnaissance sampling is required to be undertaken targeting the edges of this porphyry body.

## Mount Isa – Mary Kathleen Joint Venture

Goldsearch Limited (GSE) and CYU entered into a farm-in and joint venture agreement to explore GSE's Mary Kathleen Project consisting of three tenement areas covering approximately 161 square kilometres of ground considered prospective for copper, gold, uranium and rare earth elements (REE) mineralisation within the Mount Isa Inlier of north west Queensland.

The agreement relates to three granted exploration permits (EPM 14019, EPM 14022 and EPM 15257). These tenements are adjacent to granted exploration permit (EPM 15248) which are currently being explored by CYU. GSE has granted CYU the right to farm-in to the tenements upon the fulfilment of expenditure obligations in relation to exploring for all minerals. GSE and CYU have further agreed that if CYU completes these obligations satisfactorily they will form a joint venture for the purpose of conducting further exploration and undertaking development and mining.

CYU and GSE consider the targets and structures identified from geophysical and geochemical surveys warrant immediate investigation by detailed ground geophysical surveys and drilling. It is the intention of CYU to prioritise the investigation of the targets already identified by GSE within the tenements.

Depth extensions of significant drill intersections at Mt Dorothy prospect and Sirote anomalies are not tested by the previous drilling.



At Elaine Dorothy previous exploration by Mary Kathleen Uranium (former operators of the Mary Kathleen Mine) and GSE has highlighted significant Mary Kathleen-style uranium (and REE) mineralisation. Further drilling is required to adequately test mineralisation defined to date (eg: 2.3 metres at 0.262% uranium oxide (U<sub>3</sub>O<sub>8</sub>) 9.5 metres at 0.036% U<sub>3</sub>O<sub>8</sub> and 2 metres at 0.134% U<sub>3</sub>O<sub>8</sub>). For reference the mined out Mary Kathleen Reserve was 9.2 million tonnes at 0.12% U<sub>3</sub>O<sub>8</sub>.

Under the terms of the agreement CYU is obligated to carry out exploration programs to investigate a number of high priority targets identified by GSE and previous tenement holders within a period of 3 years. Upon sole funding expenditure of \$750,000, CYU will have gained the right to earn an initial 49% participating interest in the tenements.

In addition to this CYU will issue to GSE unlisted options to purchase ordinary shares in CYU at a price of \$0.40 per share. The options will be issued in two tranches.

- » 2,000,000 options to be exercised on or before 20th August 2011.
- » 1,000,000 options to be exercised on or before 20th August 2012.

By contributing additional expenditure to a cumulative amount of \$1.5 million within a 3 year period from the commencement of the farm-in and joint venture agreement, CYU will have gained the right to earn a 70% participating interest in the tenements. During the farm-In period, CYU will solely fund and manage the exploration for all minerals within the tenement area.

## Pentland

Within the Pentland Project, the Toomba prospect has extensive historic workings and traces of mineralisation over an area of 1.5 kilometres by 1 kilometre. Early drill results will be extended at depth to test a link between structural mineralisation intercepted to date and potential high tonnage intrusive related gold systems. A ground magnetic program is to commence shortly to enhance targeting of intrusive related gold systems. Previously reported in January results are from narrow vein mesothermal gold (Charters Towers style) and include;

- » 4 metres at 13.9 g/t gold from 43 metres, PC005 (including 1 metre at 50.59g/t gold, 0.5% copper, 1.5% lead and 3.3 % zinc).

Toomba was identified from reconnaissance mapping, sampling and data collation of previously collected samples.

CYU has entered into a purchase agreement with the owner of Mining Lease 1631 (Stanley'Hope) in the Pentland District of northern Queensland. Stanley's Hope consists a number of undrilled structures of epithermal gold affinity, potentially similar in style to Pajingo and other epithermal gold deposits.

The Mining Lease (ML1631) is in the Pentland District where CYU's Toomba prospect returned high grade intercepts at the beginning of this year.

CYU consider the targets and fertile structures identified from field inspections to be a high priority for exploration. CYU has mapped the lease and is collating previously collected exploration data. It is the intention of CYU to prioritise the drill investigation of the gold mineralised structures during the current quarter.

This initiative is the result of a period of investigation by CYU staff since the listing of CYU in late 2007 and is the first in a series of joint ventures and project acquisitions of superior quality, to be announced.

## Clermont

The Clermont region contains the most significant deep lead gold deposits in Queensland. Mapping found the area to be largely covered by reworked alluvial material and very little outcrop of bedrock. Much of the area has been disturbed by alluvial miners, historically using hand methods and in modern times using bulldozers and loaders.

Mining of Permian alluvials by underground methods has also occurred within the project. A consequence of mining activity and Recent, Tertiary and Permian alluvial processes is that the current distribution of gold at surface is very unlikely to reflect the distribution in pre-Permian bedrock.

For this reason a ground magnetic survey was completed by contractor Terra Search on 20m spaced lines. A total of 416 line kilometres were covered during the collection of the ground magnetic data. Some distinct linear features have been noted and will be scheduled for potential follow up targets during the year.

# Managing Director's Review of Operations and Future Developments continued

## Ravenswood

The Ravenswood Project lies in the Ravenswood Block which comprises Palaeozoic volcano-sedimentary strata that are extensively intruded by Ordovician, Siluro-Devonian and Permo-Carboniferous granitoids. Permo-Carboniferous magmatic-hydrothermal systems are abundant throughout north east Queensland. These gave rise to major gold deposits including Mount Leyshon, Pajingo, Ravenswood (Sarsfield, Nolans and Mt Wright), Kidston and Red Dome.

## Summary

CYU is advancing existing projects with excellent exploration results achieved in particular from the Cloncurry project.

Gem represents shallow high grade mineralisation, not related to supergene enrichment. This prospect and other competitive prospects in the CYU portfolio will be the subject of ongoing evaluation including drilling as we seek to add value in the most efficient way – Exploration Success.

## Competent Person's Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Jason Beckton, who is a Member of the Australian Institute of Geologists and Australasian Institute of Mining and Metallurgy and is Managing Director of China Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



FIGURE 7: Ravenswood Project tenements and known major gold deposits of the region.

# 2009 Financial Report

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# Directors' Report

**Mr Norman Zillman**  
Non-Executive Co-Chairman



**Mr Chao Yang**  
Non-Executive Co-Chairman



**Mr Jason Beckton**  
Managing Director



**Mr Zewen Yang**  
Executive Director



**Mr Liang Zhong**  
Non-Executive Director



**Dr Mark Elliott**  
Non-Executive Director



Your directors present their report on China Yunnan Copper Australia Limited for the year ended 30 June 2009.

## Directors

The following persons were directors of China Yunnan Copper Australia Limited during the whole of the financial year and up to the date of this report, unless stated:

### Mr Norman Zillman

Non-Executive Co-Chairman, BSc, BSc(Hons), MAusIMM, MPESA

Mr Zillman is a professional geologist with over 40 years experience in exploration and production in the petroleum, coal and mineral industries in Australia and internationally. His initial training was as a petroleum geologist with international companies Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia and Australia. Mr Zillman has held the positions of Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach Petroleum NL. From 1994 to early 1998, Mr Zillman was Regional

Manager of Northern Queensland for the Queensland Department of Mines and Energy, based in Charters Towers, where he supervised all aspects of mineral exploration and mining activities in that region including among others, the Ravenswood, Pajingo, Mt Leyshon and Thalanga mines.

More recently Mr Zillman has filled the positions of Managing Director responsible for the initial public offering and listing of Queensland Gas Company Limited on the ASX, Chairman of Great Artesian Oil and Gas Limited and a Director of Planet Gas Limited.

Mr Zillman holds a Bachelor of Science degree in Geology and a Bachelor of Science (with Honours) in Botany from the University of Queensland and is a Member of the Australasian Institute of Mining and Metallurgy and the Petroleum Exploration Society of Australia.

Mr Zillman is currently a director of the following other ASX listed companies:

- » Hot Rock Limited, Chairman (appointed August 2006)
- » Burleson Energy Limited, Chairman (appointed March 2008)



In the past three years Mr Zillman has been a director of the following other ASX listed companies:

- » Blue Energy Limited (appointed October 2006, resigned October 2007)
- » Bandanna Energy Ltd (formerly Enterprise Energy NL) (appointed May 2007, resigned October 2008)
- » Planet Gas Limited (appointed August 2002, resigned February 2007)

### **Mr Chao Yang**

Non-Executive Co-Chairman, Dip Cert Admin Management, Dip Admin Management

Mr Chao Yang is Director and General Manager of Yunnan Copper Industry (Group) Co. Limited responsible for the overall management and administration of the group.

Mr Yang has 36 years experience in the mining and metallurgical industries in China. He worked for major companies including Yunnan Tin Corporation Limited and Gejiu Xidu Industrial Co. Limited. He began his resources career as a Secretary-General of a smelting division of Yunnan Tin Corporation and was then appointed General Manager and Director of the company. His experience with Yunnan Tin Corporation ranged from daily management and administration of a division to strategy making and implementation for the entire group. Under his management, Yunnan Tin Corporation became one of the most profitable state-owned companies in China and it remains the world's leading tin producer.

Mr Yang holds a Diploma Certificate of Administrative Management and a Post Graduate Diploma in Administrative Management from Yunnan Normal University, China.

### **Mr Jason Beckton**

Managing Director, BSc(Hons), MEconGeol, MAusIMM, MSEG, MAICD, MAIG

Mr Beckton is a professional geologist with over 17 years experience in exploration, project development, production and management both in Australia and internationally.

Mr Beckton commenced his career with Pancontinental and Goldfields Limited throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently he was Project Manager for the Palmarejo silver gold project in Mexico and managed the program that grew the resource base from zero to 3.1 million ounces gold equivalent during 2004. More recently Mr Beckton was Country Manager – Chile for Exeter Resource Corporation, and led the team responsible for the commercial discovery of the Caspiche porphyry prospect in the Maricunga Gold Copper Belt of Chile.

Mr Beckton holds a Bachelor of Science (Honours) in Geology from Melbourne University, and a Masters in Economic Geology from the ARC Centre of Excellence in Ore Deposits at the University of Tasmania, and is a member of the Australian Institute of Geoscientists, a Competent Person for resource estimates for ASX-JORC codes and Qualified Person under Canadian Securities Administrators National Instrument 43-101.

### **Mr Zewen Yang**

Executive Director, BA, MComm, MAICD

Mr Yang is the General Manager of China Yunnan Copper (Australia) Investment and Development Co. Limited based in Sydney.

Mr Yang has 17 years experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China Non-Ferrous Metals Import and Export Company and has been with the Yunnan Copper Industry (Group) Co. Limited. since March 2004.

He has a Bachelor of Arts degree majoring in Economics and specialising in International Business from Sichuan University, China and a Masters degree of Commerce majoring in International Business from the University of New South Wales.

### **Mr Liang Zhong**

Non Executive Director, BA, M Economics, Chinese CPA

Mr Liang Zhong is Vice General Manager of Yunnan Copper Industry (Group) Co. Limited. His responsibilities include financial control and investment activities of Yunnan Copper Industry (Group) Co. Limited.

Mr Zhong has 27 years experience in the mining and metallurgical industry in China. He worked for major companies including Yunnan Tin Corporation Limited. and Shenzhen Tianyi Industry Co., Limited. before being appointed to his current position with Yunnan Copper Industry (Group) Co. Limited in 1996. He has extensive knowledge and experience in corporate financing, equity raisings, management accounting, and investment.

Mr Zhong has a BA of Economics from Yunnan University, China and a Master degree in Economics from Xiamen University, China. He is a qualified Chinese Chartered Public Accountant and Chinese Senior Accountant.

# Directors' Report continued

## Dr Mark Elliott

Non Executive Director, Dip App Geol., PhD, FAICD, FAusIMM (CPGeo), FSEG, FAIG

Dr Elliott is a chartered professional geologist with over 30 years experience in economic geology, exploration, mining, project development and corporate management. Dr Elliott commenced his career with Anaconda Inc in eastern Australia before founding his own geological consulting firm in the early 1980s. He has extensive experience in managing companies and exploration/mining operations in a wide range of commodities including base metals and gold.

He has a diploma in Applied Geology from the Ballarat School of Mines and a Doctor of Philosophy degree from the University of New South Wales. He is a Fellow of the Australian Institute of Company Directors, Australasian Institute of Mining and Metallurgy, Society of Economic Geologists and Australian Institute of Geoscientists.

Dr Elliott is currently a director of the following other ASX listed companies:

- » Hot Rock Limited, Managing Director (appointed August 2006)
- » Hemisphere Resources Limited, Non-executive Director (appointed October 2006)

In the past three years Dr Elliott has been a director of the following other ASX listed companies:

- » Bandanna Energy Ltd (formerly Enterprise Energy NL) (appointed May 2007, resigned October 2008)
- » Hawk Resources Limited (appointed May 2007, resigned July 2008)

## Interests in the shares and options of the company

As at the date of this report, the interests of the Directors in the shares and options of China Yunnan Copper Australia Limited are shown in the table below:

| Director                    | Ordinary Shares | Executive Options | Options    |
|-----------------------------|-----------------|-------------------|------------|
| Mr Norm Zillman             | 8,105,639       | –                 | –          |
| Mr Chao Yang <sup>#</sup>   | 16,428,571      | –                 | 16,428,571 |
| Dr Mark Elliott             | 7,000,000       | –                 | –          |
| Mr Jason Beckton            | 329,000         | 150,000           | –          |
| Mr Liang Zhong <sup>#</sup> | 16,428,571      | –                 | 16,428,571 |
| Mr Zewen Yang <sup>#</sup>  | 16,428,571      | 150,000           | 16,428,571 |

<sup>#</sup> Shares and options are held by China Yunnan Copper (Australia) Investment and Development Co Limited. Mr Yang, Mr Zhong and Mr Yang are executives in companies within the Yunnan Copper Industries Limited group who are the ultimate parent company of China Yunnan Copper (Australia) Investment and Development Co Limited who hold the 16,428,571 ordinary shares and options.

## Secretary

Mr Paul Marshall was the Secretary of China Yunnan Copper Australia Limited throughout the year and until the date of this report.

## Mr Paul Marshall

Company Secretary and Chief Financial Officer, LLB, ACA

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Law degree, and a post Graduate Diploma in Accounting and Finance. He has 25 years in the accountancy profession having worked for Ernst and Young for ten years, and subsequently fifteen years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

## CYU Exploration Manager

### Mr Richard Hatcher

BAppSc (Hons), MAIG

Mr Hatcher is Exploration Manager of China Yunnan Copper Australia Ltd managing all CYU project areas in Australia.

Mr Hatcher has had 15 years experience in gold, base metals, diamond, petroleum and lateritic nickel exploration and project development in Australia, the South Pacific, New Zealand and Central America. He has previously worked for Bolnisi Gold NL and Kings Minerals NL and has been with China Yunnan Copper Australia Ltd. since May 2008. He has been an integral member of the teams involved in the discovery and delineation of a number of deposits including Tuvatu Gold Deposit (Vitu Levu – Fiji), Roseby Copper Oxide Deposit (Cloncurry – Australia), Ocampo Gold – Silver Deposit (Chihuahua – Mexico), Palmarejo Silver – Gold Deposit (Chihuahua – Mexico) and Cerro del Gallo Gold – Copper – Silver Deposit (Guanajuato – Mexico). The Cerro del Gallo Deposit lies within the San Anton Project (Central Mexico) which was awarded the Mining Project of the year 2006 – 2007 by the Australian Trade Commission (Austrade) in May 2007.

## CYU Chief Geologist

### Mr Jim Cran

BSc(Hons), MAIG

Mr Cran is successful exploration geologist who has extensive field and management experience throughout Australia, the South Pacific and Eurasia. Mr Cran ensures all geological information is collected and analysed correctly.

Highlights during an illustrious career with Anaconda Inc and Newmont include instrumental involvement in the discovery of the Tolukuma low-sulphidation epithermal gold deposit in Papua New Guinea, banded iron formation hosted gold deposits at Randals in the Archaean of Western Australia, the Viper high-sulphidation epithermal gold deposit at Sappes in Greece and most recently the Biely Vrch porphyry gold deposit in Slovakia for Eastern Mediterranean Resources.

## CYU Manager Field Operations

### Mr David Sims

David applies 24 years experience in the mining industry to facilitate all field activities of CYU in a safe and efficient manner. He has managed construction of up to 300 man camps in Australia and South East Asia for CRA and Placer Dome. Extensive knowledge and experience in drafting and implementation of Occupational Health and Safety regulations. David has a range of grassroots exploration experience throughout Western Australia, Goldfields/Murchison, Mount Isa district, Papua New Guinea, Solomon Islands and Fiji.

## Principal Activities

The principal activity of the company during the financial period was mineral exploration. There were no significant changes in the nature of the company's principal activity during the financial period.

## Operating Results

For the year ended 30 June 2009, the loss from ordinary activities for the company after providing for income tax was \$781,333 (2008: \$424,926).

## Dividends Paid or Recommended

There were no dividends paid or recommended during the financial period (2008 - \$nil).

## Review of Operations

Since listing in late 2007, CYU has continued on a two pronged strategy of project generation and operating current projects that comprise high quality copper, gold and uranium projects in eleven wholly owned Exploration

Permit for Minerals (EPM's) in the highly mineralised Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier of Queensland, Australia.

## Projects

CYU has continued with its field program on the five operational projects of Cloncurry, Mt Isa, Pentland, Clermont and Ravenswood during the year. This strategy remains unchanged from previous reporting periods and has been justified with the recent exploration success at the company's Gem prospect. Significant results have been generated from greenfields prospects, with field programs conducted on the Cloncurry, Mt Isa, Clermont and Pentland projects.

At the same time senior management time have continued to evaluate multiple acquisition opportunities in Australia and offshore with the support of Yunnan Copper Industries. Advanced near-production projects are sought and a number of opportunities have been reviewed and remain under consideration. Although market conditions over the past year have reduced the premium required to enter into advanced projects, CYU will be prudent in any acquisition in terms of long term viability in the prevailing metals pricing regime.

During the second half of the year the company undertook an initial exploratory drilling program at the Gem prospect near to Cloncurry. Two phases of drilling including reverse circulation and core drilling during the last quarter of the year have resulted in a new copper discovery at the Gem prospect with results including 38m @ 1.25% copper and 0.20 g/t gold from 33m. The Gem mineralisation is hosted in granite which is unique in the region.

CYU considers these results very important in terms of discovering a significant iron oxide-copper-gold (IOCG) system. Mineralisation remains open down dip and along strike. CYU is going forward with a program of geophysical and geological evaluation and drilling to continue to grow the known extents of the mineralisation with the aim of completing an initial JORC resource for the project during the 2010 financial year.

The Mt Isa Project has highly prospective drill targets 50km across strike from Mt Isa. Most prospects as highlighted have not been previously drilled despite significant copper and gold surface results. CYU will systematically drill test these targets with the first program at Mt Colin West program being completed in early May. Little Isa and Huggins Lookout are the next prospects for mapping and further geological pre drilling work programs.

At Pentland drilling at the Toomba Prospect was undertaken during the period. The Toomba prospect has extensive historic workings and traces of mineralisation

# Directors' Report continued

over an area of 1.5 kilometres by 1 kilometre. Results of drilling in the year included 4 metres at 13.9 g/t gold from 43m (including 1 meter at 50.59g/t gold, 0.5% copper, 1.5% lead and 3.3 % zinc).

The Clermont region contains the most significant deep lead gold deposits in Queensland. Mapping found the area to be largely covered by reworked alluvial material and very little outcrop of bedrock. Much of the area has been disturbed by alluvial miners, historically using hand methods and in modern times using bulldozers and loaders. Mining of Permian alluvials by underground methods has also occurred within the project. A ground magnetic survey was completed in the year. A total of 416 line km were covered during the collection of the ground magnetic data. This information will be analysed for potential follow up targets during 2010.

The Ravenswood Project was subject to the Strathalbyn JV which was terminated during the year with 100% ownership reverting to CYU. A review of the data generated by the previous JV operators has been conducted and as a result CYU will advance the exploration on numerous untested intrusive related gold targets.

## Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Jason Beckton, who is a Member of the Australian Institute of Geologists and a Member of the Australasian Institute of Mining and Metallurgy, and is the Managing Director of China Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the styles of mineralisation and type of deposits under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Project Generation

China Yunnan Copper Australia Limited has a five year strategy for CYU and its cornerstone investor, Yunnan Copper Industry (Group) Co. Ltd. As in the case of all Chinese supported enterprises we have a long term vision - to own profitable copper gold operations in Australia and overseas. CYU is continuing to search and identify opportunities with Yunnan Copper Industries (YCI) providing additional expertise and funding. To date CYU has reviewed over 50 projects for YCI, but none met the company's investment criteria at the prices requested. The global financial crisis has resulted in generally lower commodity and project prices and an increasing number of investment opportunities exist.

Discussions are underway on projects in Australia, Chile and China as well as in other business-friendly jurisdictions. In general our growth strategy will be achieved by:

- » Careful management of the CYU treasury.
- » Focus on high quality copper and gold exploration targets.
- » Increased value for CYU shareholders in future advanced project acquisitions. CYU has prudently not acted on over priced assets since an advanced project evaluation program commenced in October 2007.
- » Maintenance of the world class exploration and evaluation team that has been carefully recruited. CYU is maintaining its technical team to grow the business in this period of opportunity.
- » Utilisation of our financial strength within our partnership structure with Yunnan Copper Industries. The aim is to acquire quality mining assets with the assistance of our cornerstone investor.

## Capital Raising

Subsequent to the end of the financial year the company announced a \$4.6 million underwritten rights issue capital raising. The issue is scheduled to close on 6 October 2009. The funds raised will be applied to the costs of the Issue, to provide working capital and to progress the Queensland copper gold projects, including the recent Gem discovery. In addition funds will be used to evaluate and potentially acquire further assets that will add value for CYU shareholders. Importantly, Yunnan Copper Industries has recently invited CYU to assess possible joint ventures in three copper gold properties in the Yangla Copper Belt of Southern China.

## Review of Financial Condition

### Capital structure

During the 2009 financial year no ordinary shares were issued. Following the end of the financial year the company announced an underwritten rights issue to raise \$4.6 million by the issue of approximately 31,046,457 ordinary shares on a 2 for 5 basis. The rights issue offer closes on 6 October 2009. At 30 June 2009 the company had 77,616,073 ordinary shares and 19,478,571 unlisted options on issue.

### Financial position

The net assets of the company have decreased by \$754,146 from \$6,447,425 at 30 June 2008 to \$5,693,279 at 30 June 2009. This change has largely resulted from the following factors:

- » operational expenses; and
- » no capital raising being undertaken in the year.

During the year the company has invested in the advancement of its exploration permits held. The company's working capital, being current assets less current liabilities has decreased from \$4,466,245 in 2008 to \$1,280,073 at 30 June 2009 with \$2,386,189 of the net expenditure being capitalised as exploration expenditure in the year.

### Treasury policy

The company does not have a formally established treasury function. The Board is responsible for managing the company's currency risks and finance facilities. The company does not currently undertake hedging of any kind.

### Liquidity and funding

The company has sufficient funds to finance its operations and exploration activities, and to allow the company to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

## Significant Changes in the State of Affairs

During the 2009 financial year the company:

- » continued with exploration work on its tenements and also undertook review procedures on projects available for acquisition.

There were no significant changes in the state of affairs of the company that occurred in the financial period.

## After Balance Date Events

After the end of the financial year the Company announced (on 1 September) an underwritten rights issue on a 2 for 5 basis to raise approximately \$4.6 million before the costs of the issue. The rights issue is due to close on 6 October 2009. There have been no other events since 30 June 2009 that impact upon the financial report as at 30 June 2009.

## Future Developments, Prospects and Business Strategies

Likely developments in the operations of the company and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the company's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the company.

## Environmental Issues

The company is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

## Remuneration Report

This report details the nature and amount of remuneration for Directors and Key Management Personnel of the company.

### Remuneration Policy

The performance of the company depends upon the quality of its Directors and Executives. To prosper, the company must attract, motivate and retain highly skilled Directors and Executives.

### Remuneration Committee

The Board does not have a Remuneration and Nomination Committee. The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the company.

# Directors' Report continued

## Remuneration structure

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant employment market conditions.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the company's financial and operational performance. The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the company and performance incentives which allow Executives to share the rewards of the success of the company.

In accordance with best practice corporate governance, the structure of Non-Executive Director remuneration and Chief Executive Officer and Senior Management remuneration is separate and distinct.

## Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost which is acceptable to shareholders.

The Constitution of China Yunnan Copper Australia Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the company in General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The maximum aggregate remuneration currently approved by shareholders for non-executive Directors' fees is for a total of \$250,000 per annum.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Non-Executive Directors are entitled to be paid travel and other expenses properly incurred by them in attending Director's or General Meetings of the company or otherwise in connection with the business of the company.

The remuneration of Non-Executive Directors for the year ending 30 June 2009 is detailed in this Remuneration Report.

## Managing Director and Senior Management remuneration

The company aims to reward the Managing Director and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- » reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- » align the interests of Executives with those of shareholders;
- » link reward with the strategic goals and performance of the company; and
- » ensure total remuneration is competitive by market standards.

The remuneration of the Managing Director and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, and the process consists of a review of company wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices.

In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the company and the performance of the individual during the year.

The remuneration of the Executive Director and Senior Management for the period ending 30 June 2009 is detailed in this Remuneration Report.

## Employment contracts

It is the Board's policy that employment agreements are entered into with all Directors, Executives and employees. The current employment agreements with the Managing Director and with the CFO have a three month notice period. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have contracts of employment. No retirement allowances for non executive directors are paid.

The Managing Director, Mr Jason Beckton is employed under an executive services contract entered into in August 2007. The initial contract is for a three year period that can be renewed if both parties agree to do so. Under the terms of the current contract Mr Beckton's current remuneration package includes the following:

The Managing Director's base salary totals \$239,800. Mr Beckton is also able to earn a bonus as determined by the Board. The Bonus will be determined by the Board of the Company at the end of each financial year after the Commencement Date. Payment of any or all of the Bonus will be at the sole discretion of the Company acting reasonably. In exercising its discretion and in determining whether, acting reasonably, all or part of the Bonus is to be paid, the Board of the Company must consider matters including, but not limited to:

- » whether the Executive has met performance objectives to be agreed to by the Board of the Company and the Executive from time to time;
- » the performance of the Company's share price on ASX that may be attributed to the Executive's performance;
- » the Company's ability to secure relevant acquisitions to be made by the Company; and
- » the Company's financial performance for the preceding twelve (12) month period and specifically, whether the Company has successfully grown revenue;

The Company Secretary and CFO Mr Paul Marshall is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on services provided. The contract provides for a three month notice period.

#### a. Details of Directors and other Key Management Personnel

##### i. Directors

Mr Norm Zillman – Co-Chairman  
 Mr Chao Yang – Co-Chairman  
 Mr Jason Beckton – Managing Director from 10/03/08  
 Mr Robert Yang – Executive Director from 1/7/08  
 Mr Liang Zhong – Non-Executive Director  
 Dr Mark Elliott – Non-Executive Director  
 (Non-Executive Director from 1 September 2008)

##### ii. Key Management Personnel

Mr Paul Marshall – Company Secretary and CFO  
 Mr Richard Hatcher – Exploration Manager.

#### b. Remuneration of Directors and other Key Management Personnel

The Key Management Personnel are also the five most highly paid Executive Officers of the company for the year ended 30 June 2009.

|                                   | Short Term    |            |                   | Post-Employment |                     | Share-based Payment <sup>#</sup> | Total   | Performance Related % | % consisting of options |
|-----------------------------------|---------------|------------|-------------------|-----------------|---------------------|----------------------------------|---------|-----------------------|-------------------------|
|                                   | Salary & Fees | Cash Bonus | Non-cash benefits | Super-annuation | Retirement benefits | Options                          |         |                       |                         |
| <b>2009</b>                       |               |            |                   |                 |                     |                                  |         |                       |                         |
| <b>Specified Directors</b>        |               |            |                   |                 |                     |                                  |         |                       |                         |
| Mr Norm Zillman                   | 36,000        | –          | –                 | –               | –                   | –                                | 36,000  | –                     | –                       |
| Mr Chao Yang                      | 36,000        | –          | –                 | –               | –                   | –                                | 36,000  | –                     | –                       |
| Dr Mark Elliott <sup>(3)</sup>    | 35,050        | –          | –                 | –               | –                   | –                                | 35,050  | –                     | –                       |
| Mr Jason Beckton                  | 239,796       | –          | –                 | –               | –                   | 3,884                            | 243,680 | –                     | 1.6%                    |
| Mr Liang Zhong                    | 24,000        | –          | –                 | –               | –                   | –                                | 24,000  | –                     | –                       |
| Mr Zewen Yang <sup>(1)</sup>      | 155,520       | –          | –                 | –               | –                   | 3,884                            | 159,404 | –                     | 2.4%                    |
| <b>Key Management Personnel</b>   |               |            |                   |                 |                     |                                  |         |                       |                         |
| Mr Richard Hatcher <sup>(2)</sup> | 146,253       | –          | –                 | 13,163          | –                   | 3,884                            | 163,300 | –                     | 2.4%                    |
| Mr Paul Marshall                  | 47,500        | –          | –                 | –               | –                   | 3,884                            | 51,384  | –                     | 7.6%                    |
|                                   | 720,119       | –          | –                 | 13,163          | –                   | 15,536                           | 748,818 |                       |                         |

1. Mr Yang was appointed as an executive director on 1 July 2008

2. Mr Hatcher was appointed as Exploration Manager during the 2008/09 financial year

3. Dr Elliott retired as an executive director on 31 August 2008. He remained as a non-executive director.

# The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model.

# Directors' Report continued

|                                                          | Short Term    |            |                   | Post-Employment |                     | Share-based Payment <sup>#</sup> | Total   | Perfor-         | %                     |
|----------------------------------------------------------|---------------|------------|-------------------|-----------------|---------------------|----------------------------------|---------|-----------------|-----------------------|
|                                                          | Salary & Fees | Cash Bonus | Non-cash benefits | Super-annuation | Retirement benefits | Options                          |         | mance Related % | consisting of options |
| 2008                                                     |               |            |                   |                 |                     |                                  |         |                 |                       |
| Specified Directors                                      |               |            |                   |                 |                     |                                  |         |                 |                       |
| Mr Norm Zillman                                          | 24,000        | —          | —                 | —               | —                   | —                                | 24,000  | —               | —                     |
| Mr Chao Yang<br>(appointed 30/1/08)                      | 15,000        | —          | —                 | —               | —                   | —                                | 15,000  | —               | —                     |
| Dr Mark Elliott                                          | 106,225       | —          | —                 | —               | —                   | —                                | 106,225 | —               | —                     |
| Mr Jason Beckton<br>(appointed 31/7/07)                  | 161,682       | —          | —                 | —               | —                   | —                                | 161,682 | —               | —                     |
| Mr Liang Zhong<br>(appointed 30/1/08)                    | 10,000        | —          | —                 | —               | —                   | —                                | 10,000  | —               | —                     |
| Mr Zewen Yang<br>(appointed 1/8/07)                      | 16,000        | —          | —                 | —               | —                   | —                                | 16,000  | —               | —                     |
| Mr Shaolu Zou<br>(appointed 1/8/07,<br>resigned 30/1/08) | 9,000         | —          | —                 | —               | —                   | —                                | 9,000   | —               | —                     |
| Mr Weiping Yu<br>(appointed 1/8/07,<br>resigned 30/1/08) | 6,000         | —          | —                 | —               | —                   | —                                | 6,000   | —               | —                     |
| Dr Richard Haren<br>(resigned 30/7/07)                   | —             | —          | —                 | —               | —                   | —                                | —       | —               | —                     |
| Mr Bruce Wood<br>(resigned 30/7/07)                      | —             | —          | —                 | —               | —                   | —                                | —       | —               | —                     |
| Key Management Personnel                                 |               |            |                   |                 |                     |                                  |         |                 |                       |
| Mr Paul Marshall<br>(appointed 1/7/07)                   | 39,600        | —          | —                 | —               | —                   | —                                | 39,600  | —               | —                     |
|                                                          | 387,507       | —          | —                 | —               | —                   | —                                | 387,507 |                 |                       |

### c. Options issued as part of remuneration for the year ended 30 June 2009

Details on options over ordinary shares in the company that were granted as compensation to directors and key management personnel during the reporting period and details on options that vested during the reporting period are as follows:

|                                 | Grant date | Grant No.s | Option Fair value at grant date <sup>(A)</sup><br>\$ | Exercise price per option<br>\$ | Total Value of Options <sup>#</sup><br>\$ | Expiry date | First exercise date | % of options vested |
|---------------------------------|------------|------------|------------------------------------------------------|---------------------------------|-------------------------------------------|-------------|---------------------|---------------------|
| <b>Directors</b>                |            |            |                                                      |                                 |                                           |             |                     |                     |
| Mr Jason Beckton                | 19/12/2008 | 50,000     | 0.0380                                               | 0.40                            | 1,900                                     | 19/12/2009  | 19/12/2008          | 100%                |
|                                 | 19/12/2008 | 50,000     | 0.0550                                               | 0.40                            | 2,750                                     | 19/12/2010  | 19/12/2009          | –                   |
|                                 | 19/12/2008 | 50,000     | 0.0660                                               | 0.40                            | 3,300                                     | 19/12/2011  | 19/12/2010          | –                   |
| Mr Zewen Yang                   | 19/12/2008 | 50,000     | 0.0380                                               | 0.40                            | 1,900                                     | 19/12/2009  | 19/12/2008          | 100%                |
|                                 | 19/12/2008 | 50,000     | 0.0550                                               | 0.40                            | 2,750                                     | 19/12/2010  | 19/12/2009          | –                   |
|                                 | 19/12/2008 | 50,000     | 0.0660                                               | 0.40                            | 3,300                                     | 19/12/2011  | 19/12/2010          | –                   |
| <b>Key Management Personnel</b> |            |            |                                                      |                                 |                                           |             |                     |                     |
| Mr Richard Hatcher              | 19/12/2008 | 50,000     | 0.0380                                               | 0.40                            | 1,900                                     | 19/12/2009  | 19/12/2008          | 100%                |
|                                 | 19/12/2008 | 50,000     | 0.0550                                               | 0.40                            | 2,750                                     | 19/12/2010  | 19/12/2009          | –                   |
|                                 | 19/12/2008 | 50,000     | 0.0660                                               | 0.40                            | 3,300                                     | 19/12/2011  | 19/12/2010          | –                   |
| Mr Paul Marshall                | 19/12/2008 | 50,000     | 0.0380                                               | 0.40                            | 1,900                                     | 19/12/2009  | 19/12/2008          | 100%                |
|                                 | 19/12/2008 | 50,000     | 0.0550                                               | 0.40                            | 2,750                                     | 19/12/2010  | 19/12/2009          | –                   |
|                                 | 19/12/2008 | 50,000     | 0.0660                                               | 0.40                            | 3,300                                     | 19/12/2011  | 19/12/2010          | –                   |

# The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model.

A. The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period. The following table lists the inputs to the model.

| Inputs                       | 13/12/09<br>Options | 13/12/10<br>Options | 13/12/11<br>Options |
|------------------------------|---------------------|---------------------|---------------------|
| Underlying Share Price       | 0.1                 | 0.1                 | 0.1                 |
| Option Strike Prices (cents) | 40                  | 40                  | 40                  |
| Time to Maturity (Yrs)       | 1                   | 2                   | 3                   |
| Risk Free Rate (%)           | 4.43                | 5.08                | 5.08                |
| Volatility (%)               | 128                 | 128                 | 128                 |

# Directors' Report continued

## d. Analysis of movement of options granted as part of remuneration

The movement during the reporting period for each director or key management person is as follows:

|                                 | Value of<br>options<br>granted<br>during the<br>year<br>\$ | Value of<br>options<br>exercised<br>during the<br>year<br>\$ | Value of<br>options<br>lapsed<br>during the<br>year<br>\$ | Total value<br>of options<br>granted,<br>exercised<br>and lapsed<br>during the<br>year<br>\$ |
|---------------------------------|------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------|
| <b>2009</b>                     |                                                            |                                                              |                                                           |                                                                                              |
| <b>Director</b>                 |                                                            |                                                              |                                                           |                                                                                              |
| Mr Jason Beckton                | 7,950                                                      | –                                                            | –                                                         | 7,950                                                                                        |
| Mr Zewen Yang                   | 7,950                                                      | –                                                            | –                                                         | 7,950                                                                                        |
| <b>Key Management Personnel</b> |                                                            |                                                              |                                                           |                                                                                              |
| Mr Richard Hatcher              | 7,950                                                      | –                                                            | –                                                         | 7,950                                                                                        |
| Mr Paul Marshall                | 7,950                                                      | –                                                            | –                                                         | 7,950                                                                                        |

## e. Shares issued on exercise of remuneration options

There were no shares issued on the exercise of compensation options in the 2008 or 2009 financial years.

## Directors' Meetings

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was as follows:

|                  | <b>Directors' Meetings</b> |          |
|------------------|----------------------------|----------|
|                  | <b>A</b>                   | <b>B</b> |
| Mr Norm Zillman  | 4                          | 4        |
| Mr Chao Yang     | 1                          | 4        |
| Dr Mark Elliott  | 4                          | 4        |
| Mr Jason Beckton | 4                          | 4        |
| Mr Liang Zhong   | 4                          | 4        |
| Mr Zewen Yang    | 4                          | 4        |

A. Number of meetings attended

B. Number of meetings held during the time the director held office during the year

## Indemnification and Insurance of Directors, Officers and Auditor

Each Director and the Secretary of the company has the right of access to all relevant information.

The company has insured all of the Directors of China Yunnan Copper Australia Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The company has not indemnified its auditor.

## Options

As at the date of this report (and at the balance date) there were 19,378,571 unissued ordinary shares under options as follows:

| Terms                                      | 01-Jul-08  | Additions | Exercised | Expired/<br>forfeited | 30-Jun-09  |
|--------------------------------------------|------------|-----------|-----------|-----------------------|------------|
| YCI options \$0.40 29/10/10                | 16,428,571 | –         | –         | –                     | 16,428,571 |
| Broker options \$0.40 29/10/10             | 2,000,000  | –         | –         | –                     | 2,000,000  |
| Director/Executive options \$0.40 19/12/09 | –          | 350,000   | –         | –                     | 350,000    |
| Director/Executive options \$0.40 19/12/10 | –          | 350,000   | –         | 50,000                | 300,000    |
| Director/Executive options \$0.40 19/12/11 | –          | 350,000   | –         | 50,000                | 300,000    |
|                                            | 18,428,571 | 1,050,000 | –         | 100,000               | 19,378,571 |

During the year ended 30 June 2009 no shares were issued following the exercise of options.

## Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purposes of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## Non-Audit Services

The following non-audit services were provided by WHK Horwath during the year. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. WHK Horwath received the following amounts for the provision of non-audit services:

- » Taxation services \$13,800

## Auditor's Independence Declaration

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 28.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of China Yunnan Copper Australia Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement can be found on pages 31 to 34.

Signed in accordance with a resolution of the directors.



**Jason Beckton**  
Director

Brisbane 29 September 2009

# Auditor's Independence Declaration



## Auditors Independence Declaration under Section 307C of the Corporations Act 2001

### To the Directors of China Yunnan Copper Australia Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*NHK Horwath*

WHK HORWATH

**DON. W. LANGDON**  
PRINCIPAL

Dated: 29 September 2009

**Liability Limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licences**

*Total Financial Solutions*



Horwath refers to Horwath International Association, a Swiss Verein.  
Each member of the Association is a separate and independent legal entity.

#### Member Horwath International

WHK Horwath Brisbane  
Level 16, WHK Horwath Centre 120 Edward Street  
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A WHK Group firm

# Additional Stock Exchange Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 11 September 2009.

## a. Distribution of Equity Securities

### CYU – Ordinary Fully Paid Shares

| Number of Securities Held                                              | No's of holders |
|------------------------------------------------------------------------|-----------------|
| 1 to 1,000                                                             | 47              |
| 1,001 to 5,000                                                         | 175             |
| 5,001 to 10,000                                                        | 276             |
| 10,001 to 100,000                                                      | 238             |
| 100,001 and over                                                       | 50              |
|                                                                        | 786             |
| Number of shareholders holding less than a marketable parcel of shares | 69              |

## b. Twenty Largest Holders

### CYU – Ordinary Fully Paid Shares

| No. | Name of Shareholder                                           | Holding    | % Held |
|-----|---------------------------------------------------------------|------------|--------|
| 1   | CHINA YUNNAN COPPER (AUSTRALIA) INVESTMENT AND DEVELOPMENT CO | 16,428,571 | 21.17% |
| 2   | MR NORMAN JOSEPH ZILLMAN                                      | 8,000,000  | 10.31% |
| 3   | ELLIOTT NOMINEES PTY LTD <ELLIOTT EXPLORATION CO S/F A/C>     | 7,000,000  | 9.02%  |
| 4   | FLATOAK PTY LTD                                               | 5,000,000  | 6.44%  |
| 5   | MR BRUCE JAMES WOOD                                           | 3,000,000  | 3.87%  |
| 6   | HIPETE PTY LTD <PJ THOMSON S/F A/C>                           | 2,473,042  | 3.19%  |
| 7   | MS MARIA ANTOINETTE GREER                                     | 2,454,202  | 3.16%  |
| 8   | YUNNAN & HONG KONG METAL CO. LTD                              | 2,400,000  | 3.09%  |
| 9   | RICHARD HAREN & SUSAN HAREN <ATF R & S HAREN SUPER FUND A/C>  | 2,000,000  | 2.58%  |
| 10  | KING FAITH GROUP LIMITED                                      | 1,600,000  | 2.06%  |
| 11  | MS JULIE HEATH MCCONAGHY                                      | 1,340,000  | 1.73%  |
| 12  | PACIFIC CAPITAL SECURITIES PTY LTD                            | 1,232,855  | 1.59%  |
| 13  | BISCAY INVESTMENTS LIMITED                                    | 1,000,000  | 1.29%  |
| 14  | HIPETE PTY LIMITED                                            | 1,000,000  | 1.29%  |
| 15  | MR ROSS THOMAS                                                | 1,000,000  | 1.29%  |
| 16  | TIMING TECHNOLOGY CO LTD                                      | 800,000    | 1.03%  |
| 17  | MR ROGER GARY HUTH & MRS JENNIFER ANN HUTH                    | 700,000    | 0.90%  |
| 18  | CLEAR STAR HOLDINGS PTY LTD                                   | 608,000    | 0.78%  |
| 19  | CLYDE DOXFORD                                                 | 600,000    | 0.77%  |
| 20  | TIMING TECHNOLOGY COMPANY LIMITED                             | 600,000    | 0.77%  |
|     |                                                               | 59,236,670 | 76.32% |

# Additional Stock Exchange Information continued

## c. Restricted Securities

The following securities are subject to ASX escrow periods following the listing of the company on the ASX.

|                           | Date securities<br>cease to be<br>restricted | Number of<br>restricted<br>securities |
|---------------------------|----------------------------------------------|---------------------------------------|
| Ordinary Shares           | 29 October 2009                              | 45,754,571                            |
| Options – 20/10/10 \$0.40 | 29 October 2009                              | 18,428,571                            |

## d. Business objectives

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

## e. Voting Rights

All fully paid ordinary shares carry one vote per share without restriction.

## f. Interests in Exploration Tenements

China Yunnan Copper Australia Limited held the following interests in mining and exploration tenements as at 15 September 2009:

### QUEENSLAND

| Type      | Location   | Grant/<br>Application<br>Date | Expiry Date | CYU<br>Interest |
|-----------|------------|-------------------------------|-------------|-----------------|
| EPM 11487 | Pentland   | 31/08/2004                    | 30/08/2009  | 100%#           |
| EPM 11602 | Ravenswood | 14/03/2005                    | 13/03/2010  | 100%            |
| EPM 11982 | Ravenswood | 30/03/2005                    | 29/03/2010  | 100%            |
| EPM 12205 | Cloncurry  | 6/09/2004                     | 5/09/2009   | 100%#           |
| EPM 12900 | Pentland   | 2/09/2004                     | 1/09/2009   | 100%#           |
| EPM 12901 | Pentland   | 2/09/2004                     | 1/09/2009   | 100%#           |
| EPM 12928 | Clermont   | 19/05/2006                    | 18/05/2010  | 100%            |
| EPM 15057 | Ravenswood | 20/10/2006                    | 19/10/2011  | 100%            |
| EPM 15084 | Cloncurry  | 11/08/2006                    | 10/08/2011  | 100%            |
| EPM 15095 | Cloncurry  | 11/08/2006                    | 10/08/2011  | 100%            |
| EPM 15248 | Mt Isa     | 25/09/2008                    | 24/09/2012  | 100%            |

# A renewal application has been lodged for this tenement and it is Pending Renewal with the relevant Government Department.

# Corporate Governance Statement

The Board of Directors of China Yunnan Copper Australia Limited is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of China Yunnan Copper Australia Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

China Yunnan Copper Australia Limited's Corporate Governance Statement is structured with reference to the Australian Stock Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

- » Principle 1. Lay solid foundations for management and oversight
- » Principle 2. Structure the Board to add value
- » Principle 3. Promote ethical and responsible decision making
- » Principle 4. Safeguard integrity in financial reporting
- » Principle 5. Make timely and balanced disclosure
- » Principle 6. Respect the rights of shareholders
- » Principle 7. Recognise and manage risk
- » Principle 8. Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au).

The board endorses the 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations, and has adopted corporate governance charters and policies reflecting those recommendations to the extent appropriate having regard to the size and circumstances of the Company.

The Company is committed to ensuring that its corporate governance systems maintain the Company's focus on transparency, responsibility and accountability. For further information on corporate governance policies adopted by China Yunnan Copper Australia Limited, refer to our website: [www.cycal.com.au](http://www.cycal.com.au).

ASX Principles and Recommendations not followed by the Company and the reasons for non-compliance are as follows.

| Recommendation Reference | Notification of Departure                              | Explanation for Departure                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------|--------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1                      | A majority of the board is not independent             | The current board does not have any independent directors. The position of each director and as to whether or not they are considered to be independent is set out below. The board believe that the individuals on the board can and do make quality and independent judgements in the best interest of the company and other stakeholders notwithstanding that they are not independent directors in accordance with the criteria set out in the recommendations. |
| 2.2                      | There is no independent director that can act as chair | The Company presently does not have any directors who are classified as independent. The company operates with co-chairmen to facilitate the alliance with Yunnan Copper.                                                                                                                                                                                                                                                                                           |
| 2.4                      | A separate Nomination Committee has not been formed    | The board considers that the Company is not currently of a size to justify the formation of a separate nomination committee. The board as a whole will undertake the process of reviewing the skill base and experience of existing directors to enable identification or attributes required in new directors. Where appropriate, independent consultants may be engaged to identify possible new candidates for the board.                                        |
| 4.1, 4.2, 4.3            | A separate Audit Committee has not been formed         | The board considers that the Company is not of a size, nor is its financial affairs of such complexity, to justify the formation of an audit committee. The board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.                                                                                                     |

# Corporate Governance Statement continued

| Recommendation Reference | Notification of Departure                                                                                                    | Explanation for Departure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.2                      | Management has not reported to the board as to the effectiveness of the company's management of its material business risks. | While the design and implementation of a basic risk management and internal control system is in place, a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the board, and is not considered necessary at this stage for the size and nature of the Company's current activities. The Company is currently reviewing and updating its risk management systems and procedures and adherence to providing formal reports is under review. |
| 8.1                      | There is no separate Remuneration committee                                                                                  | The board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation for the remuneration committee. The board as a whole is responsible for the remuneration arrangements for directors and any executives of the Company.                                                                                                                                                                                                                        |

## Structure of the Board

The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on the Company's website.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may impact on a director's independence are considered each time the Board meets. In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered not to be independent:

| Name             | Position               | Reason for not being Independent                                                                                      |
|------------------|------------------------|-----------------------------------------------------------------------------------------------------------------------|
| Mr Norm Zillman  | Co Chairman            | Mr Zillman is a substantial shareholder in the company                                                                |
| Mr Chao Yang     | Co Chairman            | Mr Yang is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the company.  |
| Dr Mark Elliott  | Non-Executive Director | Dr Elliott is a substantial shareholder of the company                                                                |
| Mr Jason Beckton | Managing Director      | Mr Beckton is employed in an executive capacity                                                                       |
| Mr Liang Zhong   | Non-Executive Director | Mr Zhong is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the company. |
| Mr Zewen Yang    | Executive Director     | Mr Yang is employed in an executive capacity                                                                          |

China Yunnan Copper Australia Limited considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of China Yunnan Copper Australia Limited due to their considerable industry and corporate experience.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

The term in office held by each Director in office at the date of this report is as follows:

| Name             | Term in Office    |
|------------------|-------------------|
| Mr Norm Zillman  | 11 years 9 months |
| Mr Chao Yang     | 1 year 8 months   |
| Dr Mark Elliott  | 3 years 4 months  |
| Mr Jason Beckton | 2 years 2 months  |
| Mr Liang Zhong   | 1 year 8 months   |
| Mr Zewen Yang    | 2 years 2 months  |

## Trading Policy

The Board has adopted a policy and procedure on dealing in the company's securities by Directors, officers and employees which prohibits dealing in the company's securities when those persons possess inside information and during certain pre-determined windows.

## Board Committees

The board's charter allows it to establish committees if and when required to assist in the execution of the duties of the board. As at the date of this report, no committees have been established as the structure of the board, the size of the Company and the scale of its activities, allows all directors to participate fully in all decision making. When the circumstances require it, the committees will be instituted with each having its own charter approved by the board that will set the standards for the operation of the committees. All matters that would be considered by committee are dealt with by the board.

## Remuneration and Nomination

The full Board is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

## Audit and Risk Management

The responsibilities of Audit and Risk Management Committee are undertaken by the full Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's Risk Management policies can be found within the Audit and Risk Management Committee Charter available on the Company's website.

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management.

While the design and implementation of a basic risk management and internal control system is in place a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board. As previously noted, the Company is currently reviewing and updating its risk management system and procedures, and adherence to providing formal reports is under review.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that they system is operating effectively in all material respects in relation to financial reporting risks.

# Corporate Governance Statement continued

## Performance

The Board considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board. The performance of the individual members of the Board is reviewed on an on-going basis as required in conjunction with the regular meetings of the Board.

No formal performance evaluation of the directors was undertaken during the year ended 30 June 2009.

## Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and other Key Management Personnel fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the company's financial and operations performance.

The expected outcomes of the remuneration structure are:

- » retention and motivation of Key Management Personnel
- » attraction of quality management to the company
- » performance incentives which allow Executives to share the rewards of the success of China Yunnan Copper Australia Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the highest paid (Non-Director) Executives during the year, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of China Yunnan Copper Australia Limited and the performance of the individual during the year.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the company's constitution and prior shareholder approvals, and the Executive team.

## Continuous Disclosure Policy

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. A copy of the Continuous Disclosure Policy can be found within the Company's Corporate Governance Statement on the Company's website.

## Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at [www.cycal.com.au](http://www.cycal.com.au).

# Income Statement for the year ended 30 June 2009

|                                         | Note | Consolidated entity |           | Parent Entity    |           |
|-----------------------------------------|------|---------------------|-----------|------------------|-----------|
|                                         |      | 2009                | 2008      | 2009             | 2008      |
|                                         |      | \$                  | \$        | \$               | \$        |
| Revenue                                 | 2    | <b>158,966</b>      | 269,484   | <b>158,966</b>   | 269,484   |
| Employment and consultancy expenses     |      | <b>(495,649)</b>    | (258,122) | <b>(495,649)</b> | (258,122) |
| Depreciation expense                    |      | <b>(37,162)</b>     | (7,496)   | <b>(37,162)</b>  | (7,496)   |
| Finance costs                           |      | <b>(161)</b>        | (1,453)   | <b>(161)</b>     | (1,453)   |
| Other expenses from ordinary activities |      | <b>(407,327)</b>    | (427,339) | <b>(407,327)</b> | (427,339) |
| Profit/(loss) before income tax         | 3    | <b>(781,333)</b>    | (424,926) | <b>(781,333)</b> | (424,926) |
| Income tax expense                      | 4    | –                   | –         | –                | –         |
| Profit/(loss) after income tax expense  |      | <b>(781,333)</b>    | (424,926) | <b>(781,333)</b> | (424,926) |

|                           |   | Cents         | Cents  |
|---------------------------|---|---------------|--------|
| <b>Earnings per share</b> |   |               |        |
| Basic loss per share      | 7 | <b>(1.01)</b> | (0.60) |
| Diluted loss per share    | 7 | <b>(1.01)</b> | (0.60) |

The Income Statements should be read in conjunction with the Notes to the Financial Statements.

# Balance Sheet as at 30 June 2009

|                                      | Note | Consolidated entity<br>2009<br>\$ | 2008<br>\$ | Parent Entity<br>2009<br>\$ | 2008<br>\$ |
|--------------------------------------|------|-----------------------------------|------------|-----------------------------|------------|
| <b>CURRENT ASSETS</b>                |      |                                   |            |                             |            |
| Cash and cash equivalents            | 8    | 1,617,277                         | 4,694,977  | 1,617,277                   | 4,694,977  |
| Trade and other receivables          | 9    | 205,845                           | 35,336     | 205,845                     | 35,336     |
| Financial assets                     | 10   | 1,091                             | 1,091      | 1,091                       | 1,091      |
| Other current assets                 | 10   | 8,994                             | 10,231     | 8,994                       | 10,231     |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>1,833,208</b>                  | 4,741,635  | <b>1,833,208</b>            | 4,741,635  |
| <b>NON-CURRENT ASSETS</b>            |      |                                   |            |                             |            |
| Trade and other receivables          | 9    | 44,618                            | 47,292     | 44,618                      | 47,292     |
| Financial assets                     | 11   | –                                 | –          | 23,450                      | –          |
| Plant and equipment                  | 13   | 178,914                           | 130,404    | 178,914                     | 130,404    |
| Exploration expenditure              | 14   | 4,189,673                         | 1,803,484  | 4,189,673                   | 1,803,484  |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>4,413,206</b>                  | 1,981,179  | <b>4,436,656</b>            | 1,981,179  |
| <b>TOTAL ASSETS</b>                  |      | <b>6,246,414</b>                  | 6,722,814  | <b>6,269,864</b>            | 6,722,814  |
| <b>CURRENT LIABILITIES</b>           |      |                                   |            |                             |            |
| Trade and other payables             | 15   | 532,582                           | 268,267    | 532,582                     | 268,267    |
| Short-term provisions                | 16   | 20,553                            | 7,123      | 20,553                      | 7,123      |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>553,135</b>                    | 275,389    | <b>553,135</b>              | 275,389    |
| <b>NON-CURRENT LIABILITIES</b>       |      |                                   |            |                             |            |
| Trade and other payables             | 15   | –                                 | –          | 23,450                      | –          |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>–</b>                          | –          | <b>23,450</b>               | –          |
| <b>TOTAL LIABILITIES</b>             |      | <b>553,135</b>                    | 275,389    | <b>576,585</b>              | 275,389    |
| <b>NET ASSETS</b>                    |      | <b>5,693,279</b>                  | 6,447,425  | <b>5,693,279</b>            | 6,447,425  |
| <b>EQUITY</b>                        |      |                                   |            |                             |            |
| Issued capital                       | 17   | 6,934,322                         | 6,934,322  | 6,934,322                   | 6,934,322  |
| Reserves                             | 18   | 27,187                            | –          | 27,187                      | –          |
| Accumulated losses                   | 18   | (1,268,231)                       | (486,898)  | (1,268,231)                 | (486,898)  |
| <b>TOTAL EQUITY</b>                  |      | <b>5,693,279</b>                  | 6,447,425  | <b>5,693,279</b>            | 6,447,425  |

The Balance Sheets should be read in conjunction with the Notes to the Financial Statements.

# Statement of Changes in Equity

for the year ended 30 June 2009

|                              | Issued<br>Capital<br>\$ | Accumulated<br>Losses<br>\$ | Reserves<br>\$ | Total<br>\$      |
|------------------------------|-------------------------|-----------------------------|----------------|------------------|
| <b>Consolidated Entity</b>   |                         |                             |                |                  |
| Balance at 1 July 2007       | 505,402                 | (61,972)                    | –              | 443,430          |
| Issue of share capital       | 6,913,000               | –                           | –              | 6,913,000        |
| Share issue costs            | (484,080)               | –                           | –              | (484,080)        |
| Profit / (loss) for the year | –                       | (424,926)                   | –              | (424,926)        |
| Balance at 30 June 2008      | 6,934,322               | (486,898)                   | –              | 6,447,425        |
| Issue of share capital       | –                       | –                           | –              | –                |
| Share options issued         | –                       | –                           | 27,187         | 27,187           |
| Profit / (loss) for the year | –                       | (781,333)                   | –              | (781,333)        |
| Balance at 30 June 2009      | <b>6,934,322</b>        | <b>(1,268,231)</b>          | <b>27,187</b>  | <b>5,693,279</b> |
| <b>Parent Entity</b>         |                         |                             |                |                  |
| Balance at 1 July 2007       | 295,402                 | (25,824)                    | –              | 269,578          |
| Issue of share capital       | 210,000                 | –                           | –              | 210,000          |
| Profit / (loss) for the year | –                       | (36,148)                    | –              | (36,148)         |
| Balance at 30 June 2008      | 505,402                 | (61,972)                    | –              | 443,430          |
| Issue of share capital       | 6,913,000               | –                           | –              | 6,913,000        |
| Share issue costs            | (484,080)               | –                           | –              | (484,080)        |
| Profit / (loss) for the year | –                       | (424,926)                   | –              | (424,926)        |
| Balance at 30 June 2009      | <b>6,934,322</b>        | <b>(486,898)</b>            | <b>–</b>       | <b>6,447,425</b> |

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

# Cash Flow Statement for the year ended 30 June 2009

|                                                                  | Note | Consolidated Entity<br>2009<br>\$ | 2008<br>\$  | Parent Entity<br>2009<br>\$ | 2008<br>\$  |
|------------------------------------------------------------------|------|-----------------------------------|-------------|-----------------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |      |                                   |             |                             |             |
| Receipts from customers                                          |      | -                                 | -           | -                           | -           |
| Payments to suppliers and employees                              |      | (992,125)                         | (488,338)   | (992,125)                   | (488,338)   |
| Interest received                                                |      | 180,348                           | 248,103     | 180,348                     | 248,103     |
| Interest paid                                                    |      | (161)                             | (1,453)     | (161)                       | (1,453)     |
| Net cash used in operating activities                            | 22   | (811,938)                         | (241,688)   | (811,938)                   | (241,688)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |      |                                   |             |                             |             |
| Security deposit payments                                        |      | 2,673                             | (17,292)    | 2,673                       | (17,292)    |
| Payments for property, plant & equipment                         |      | (85,673)                          | (137,900)   | (85,673)                    | (137,900)   |
| Payments for exploration and evaluation                          |      | (2,182,762)                       | (1,342,002) | (2,182,762)                 | (1,342,002) |
| Net cash used in investing activities                            |      | (2,265,762)                       | (1,497,193) | (2,265,762)                 | (1,497,193) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |      |                                   |             |                             |             |
| Proceeds from issue of shares                                    |      | -                                 | 6,853,000   | -                           | 6,853,000   |
| Capital raising expenses                                         |      | -                                 | (484,080)   | -                           | (484,080)   |
| Net cash provided by financing activities                        |      | -                                 | 6,368,920   | -                           | 6,368,920   |
| Net increase/(decrease) in cash and cash equivalents             |      | (3,077,700)                       | 4,630,039   | (3,077,700)                 | 4,630,039   |
| Cash and cash equivalents at the beginning of the financial year |      | 4,694,977                         | 64,938      | 4,694,977                   | 64,938      |
| Cash and cash equivalents at the end of the financial year       | 8    | 1,617,277                         | 4,694,977   | 1,617,277                   | 4,694,977   |

The Cash Flow Statements should be read in conjunction with the Notes to the Financial Statements.

# Notes to the Financial Statements

## Note 1. Summary of Significant Accounting Policies

### Introduction

This financial report covers the consolidated entity of China Yunnan Copper Australia Limited and its controlled entities, and China Yunnan Copper Australia Limited as an individual parent entity. China Yunnan Copper Australia Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Operations and principal activities

Principal activities comprise of mineral exploration.

### Currency

The financial report is presented in Australian dollars and rounded to the nearest one dollar.

### Authorisation of financial report

The financial report was authorised for issue on 29 September 2009.

### Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, and the Corporations Act 2001.

### Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of China Yunnan Copper Australia Limited comply with International Financial Reporting Standards (IFRS).

### Historical cost convention

These financial statements have been prepared under the historical cost convention.

### Critical accounting estimates and judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

### Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the consolidated entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

### Key estimates – impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### Key judgements – exploration & evaluation expenditure

The consolidated entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

### Accounting policies

#### a. Principles of consolidation

A controlled entity is any entity China Yunnan Copper Australia Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year-end. The financial statements of controlled entities are included in the consolidated financial statements from the date that control exists to the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the consolidated entity. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

# Notes to the Financial Statements continued

## Note 1. Summary of Significant Accounting Policies continued

### b. Income Tax

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### c. Plant and Equipment

Plant and equipment is measured at cost less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows are discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future consolidated benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### Depreciation

The depreciable amount of all fixed assets is depreciated over their useful life to the consolidated entity on a straight line basis commencing from the time the asset is held ready for use.

The depreciation rates used for each class of asset is:

| Class of Fixed Asset           | Depreciation Rate |
|--------------------------------|-------------------|
| Plant and equipment            | 14 – 33%          |
| Motor Vehicles                 | 13%               |
| Computers and Office Equipment | 25%               |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal are determined by comparing proceeds with the carrying amount of the asset at the time of disposal. These gains or losses are included in the income statement.

### d. Exploration Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or sale of the respective area of interest and where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Accumulated cost in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.



A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### **Restoration and rehabilitation**

Costs of site restoration and environmental clean up costs, are provided for in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

#### **e. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but the legal ownership is not transferred to the consolidated entity, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

#### **f. Financial instruments**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition trade and other receivables and trade and other payables are measured at amortised cost. The consolidated entity's financial instruments consist mainly of deposits with banks, and accounts receivable and payable.

#### **g. Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **h. Employee benefits**

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### **Share-based payments**

Transactions with employees and other providing similar service are measured by reference to the fair value at grant date of the equity instrument granted.

#### **i. Provisions**

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of consolidated benefits will result and that outflow can be reliably measured.

#### **j. Cash and cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### **k. Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

#### **l. Goods & Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of financing and investing activities, which are disclosed as operating cash flows.

# Notes to the Financial Statements continued

## Note 1. Summary of Significant Accounting Policies continued

### m. Joint Ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method. The consolidated financial statements include the consolidated entity's share of the income and expenses of joint ventures from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the consolidated entity's share of losses exceeds its interest in a joint venture, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the consolidated entity has an obligation or has made payments on behalf of the joint venture. In the Consolidated entity's financial statements, investments in joint venture entities are carried at cost.

### n. Foreign currency

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions.

### o. Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the consolidated entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### p. Earnings per share

The consolidated entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### q. Payables and Accruals

A liability is recorded for goods and services received prior to balance date, whether invoiced to the consolidated entity or not. Trade payables are normally settled within 30 days.

### r. Comparative figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by directors. The new classifications have been made to reflect a more accurate view of the consolidated entity's operations.

### s. Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group has decided against early adoption of these standards. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

- i. AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 introduces a new "management approach" to segment reporting. The changes require identification of operating segments on the basis of internal management reports that are regularly reviewed by the Group's key decision makers for the purposes of assessing performance and the allocation of resources to each segment. While the impact of this standard has not been assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, the allocation of goodwill to reportable segments and impairment calculations may be affected by the change in approach. Management does not presently believe that this will result in any additional impairment of goodwill.
- ii. Revised AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 Borrowing costs removes the option to expense borrowing costs related to qualifying assets. The standard now requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard is not expected to have any impact on the group's financial report.

- iii. Revised AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and:

- » redefines the composition of financial statements by requiring the details of all non-owner changes in equity to be presented in a statement of comprehensive income with corresponding changes to the statement of changes in equity. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by AASBs. The Total Comprehensive Income may be presented as a single statement of income or in an Income Statement and separate Statement of Comprehensive Income;
- » requires disclosure of income tax relating to each component of other comprehensive income;
- » requires inclusion of an additional statement of financial position (balance sheet) when an entity applies an accounting standard retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements;
- » requires disclosure of reclassification adjustments relating to components of other comprehensive income;
- » requires dividends to owners and related amounts per share to be presented in the Statement of Changes in Equity or the Notes to the financial statements, and not in the Statement of Comprehensive Income.

The revised standard is expected to have a significant impact on the presentation of the consolidated financial statements. The group has not yet determined whether a single Statement of Comprehensive Income or separate Income Statement and Statement of Comprehensive Income will be presented. Other changes to the standard will be prospectively applied to the financial statements of the Group.

- iv. AASB 2008-1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2:
- » clarifies the definition of vesting conditions, and the concept of non-vesting conditions taken to account in determining the fair value at grant date;

- » clarifies that vesting conditions are those conditions that determine whether an entity receives the services that result in the counterparty's entitlement;
- » restricts the definition of vesting conditions to include service conditions and performance conditions only;
- » amends the definition of performance conditions to require the completion of a service period in addition to specified performance targets;
- » specifies that cancellations should receive the same accounting treatment whether cancelled by the entity or by another party.

The group has not yet determined the potential effect of the amendment to the financial statements.

- v. Revised AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements and AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (applicable for annual reporting periods commencing from 1 July 2009). The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes:
- » all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement;
  - » there is a choice on an acquisition-by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets;
  - » acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities.

The revised AASB 127 requires that:

- » the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses;
- » when control is lost, any remaining interest in the entity is remeasured to fair value and any resulting gain or loss is recognised in profit and loss.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

# Notes to the Financial Statements continued

## Note 1. Summary of Significant Accounting Policies continued

vi. AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009). The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in a loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met.

The group will apply the amendments prospectively to all partial disposals from 1 July 2009.

vii. AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009). In July 2008, the AASB approved amendments to AASB 1 First-Time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The revised rules apply prospectively from 1 July 2009 so that:

- » all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue including dividends declared out of pre-acquisition profits i.e. these dividends will no longer be deducted from the cost of the investment. As a result, investments in subsidiaries, jointly controlled entities and associates may need to be tested for impairment when a dividend is paid.
- » where there is, in substance, no change to Group interests, parent entities inserted above existing Groups shall measure its investments at the carrying amount of the net assets of the subsidiary rather than the subsidiary's fair value at the date of reorganisation.

viii. AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). The Interpretation applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. Interpretation 16 clarifies which foreign currency risks qualify as hedged risk with respect to the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The interpretation is not expected to impact the Group.

ix. AASB 2008-8: Amendment to IAS 39 Financial Instruments: Recognition and Measurement (applicable for annual reporting periods commencing from 1 July 2009). AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of fixed rate debt and prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendments are not expected to materially affect the Group.

x. AASB Interpretation 17: Distributions of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 (applicable for annual reporting periods commencing from 1 July 2009). This interpretation applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. The interpretation which applies prospectively, clarifies that non-cash dividends paid or payable should be measured at the fair value of the net assets distributed or to be distributed. Any difference between the fair value and carrying value of the assets is recognised in profit or loss on distribution. The interpretation also clarifies when a liability for a dividend must be recognised and measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009. The group has not yet determined the potential effect of the interpretation.

## Note 2. Revenue

|                             | Consolidated Entity |         | Parent Entity |         |
|-----------------------------|---------------------|---------|---------------|---------|
|                             | 2009                | 2008    | 2009          | 2008    |
|                             | \$                  | \$      | \$            | \$      |
| <b>Operating activities</b> |                     |         |               |         |
| Bank interest received      | 158,966             | 269,484 | 158,966       | 269,484 |

## Note 3. Profit/(Loss) from Continuing Activities

|                                 | Consolidated Entity |         | Parent Entity |         |
|---------------------------------|---------------------|---------|---------------|---------|
|                                 | 2009                | 2008    | 2009          | 2008    |
|                                 | \$                  | \$      | \$            | \$      |
| <b>Expenses</b>                 |                     |         |               |         |
| Interest - non related parties  | 161                 | 1,453   | 161           | 1,453   |
| <b>Depreciation</b>             | 37,162              | 7,496   | 37,162        | 7,496   |
| Employee benefits expense       |                     |         |               |         |
| - Salaries and consultancy fees | 468,462             | 527,402 | 468,462       | 527,402 |
| - Employee share option expense | 27,187              | –       | 27,187        | –       |
|                                 | 495,649             | 527,402 | 495,649       | 527,402 |
| Operating lease payments        | 98,463              | 44,525  | 98,463        | 44,525  |

## Note 4. Income Tax Expense

Major components of income tax expense for the years ended 30 June 2009 and 2008 are:

### Income statement

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the consolidated entity's effective income tax rate for the years ended 30 June 2009 and 2008 is as follows:

|                                                          | Consolidated Entity |           | Parent Entity |           |
|----------------------------------------------------------|---------------------|-----------|---------------|-----------|
|                                                          | 2009                | 2008      | 2009          | 2008      |
|                                                          | \$                  | \$        | \$            | \$        |
| Accounting profit (loss) before income tax               | (781,333)           | (424,926) | (781,333)     | (424,926) |
| At the statutory income tax rate of 30% (2008: 30%)      | (234,400)           | (127,478) | (234,400)     | (127,478) |
| Non-deductible expenses                                  | 8,974               | 1,399     | 8,974         | 1,399     |
| Deferred tax assets not brought to account               | 225,426             | 126,079   | 225,426       | 126,079   |
| Income tax expense                                       | –                   | –         | –             | –         |
| Effective income tax rate                                | 0%                  | 0%        | 0%            | 0%        |
| <b>Unrecognised temporary differences and tax losses</b> |                     |           |               |           |
| Temporary differences                                    | (1,247,659)         | (541,188) | (1,247,659)   | (541,188) |
| Tax losses                                               | 1,624,330           | 683,459   | 1,624,330     | 683,459   |
|                                                          | 376,671             | 142,271   | 376,671       | 142,271   |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilise these benefits.

# Notes to the Financial Statements continued

## Note 5. Auditors' Remuneration

|                                               | Consolidated Entity |               | Parent Entity |               |
|-----------------------------------------------|---------------------|---------------|---------------|---------------|
|                                               | 2009                | 2008          | 2009          | 2008          |
|                                               | \$                  | \$            | \$            | \$            |
| Remuneration paid to WHK Horwath for:         |                     |               |               |               |
| – auditing and reviewing the financial report | 20,000              | 20,500        | 20,000        | 20,500        |
| – taxation services                           | 13,800              | 2,500         | 13,800        | 2,500         |
| – prospectus due diligence                    | –                   | 20,000        | –             | 20,000        |
|                                               | <b>33,800</b>       | <b>43,000</b> | <b>33,800</b> | <b>43,000</b> |
| Remuneration paid to Ian Young for:           |                     |               |               |               |
| – auditing and reviewing the financial report | –                   | 750           | –             | 750           |

WHK Horwath were appointed as auditors at the 2007 AGM following the retirement of Mr Ian Young as the auditor of the company.

## Note 6. Dividends & Franking Credits

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the company.

## Note 7. Earnings Per Share

|                                                                                                                 | Consolidated Entity |                   |
|-----------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
|                                                                                                                 | 2009                | 2008              |
|                                                                                                                 | \$                  | \$                |
| <b>a. Reconciliation of Earnings to Profit or Loss</b>                                                          |                     |                   |
| Earnings used to calculate basic and dilutive EPS                                                               | (781,333)           | (424,926)         |
|                                                                                                                 | <b>2009</b>         | <b>2008</b>       |
|                                                                                                                 | <b>Number</b>       | <b>Number</b>     |
| <b>b. Weighted average number of ordinary shares outstanding during the year</b>                                | <b>77,616,073</b>   | <b>70,422,669</b> |
| Weighted average number of dilutive options outstanding                                                         | –                   | –                 |
| Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS | <b>77,616,073</b>   | <b>70,422,669</b> |

## Note 8. Cash & Cash Equivalents

|                          | Consolidated Entity |                  | Parent Entity    |                  |
|--------------------------|---------------------|------------------|------------------|------------------|
|                          | 2009                | 2008             | 2009             | 2008             |
|                          | \$                  | \$               | \$               | \$               |
| Cash on hand and at bank | 1,585,741           | 491,552          | 1,585,741        | 491,552          |
| Cash on deposit          | 31,536              | 4,203,425        | 31,536           | 4,203,425        |
|                          | <b>1,617,277</b>    | <b>4,694,977</b> | <b>1,617,277</b> | <b>4,694,977</b> |

### Reconciliation of cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the balance sheet as follows:

|                           |           |           |           |           |
|---------------------------|-----------|-----------|-----------|-----------|
| Cash and cash equivalents | 1,617,277 | 4,694,977 | 1,617,277 | 4,694,977 |
|---------------------------|-----------|-----------|-----------|-----------|

## Note 9. Trade & Other Receivables

|                    | Consolidated Entity |        | Parent Entity |        |
|--------------------|---------------------|--------|---------------|--------|
|                    | 2009                | 2008   | 2009          | 2008   |
|                    | \$                  | \$     | \$            | \$     |
| <b>CURRENT</b>     |                     |        |               |        |
| Other receivables  | 205,845             | 35,336 | 205,845       | 35,336 |
| <b>NON-CURRENT</b> |                     |        |               |        |
| Other receivables  |                     |        |               |        |
| – security bonds   | 44,618              | 47,292 | 44,618        | 47,292 |

## Note 10. Financial and Other Current Assets

|                             | Consolidated Entity |        | Parent Entity |        |
|-----------------------------|---------------------|--------|---------------|--------|
|                             | 2009                | 2008   | 2009          | 2008   |
|                             | \$                  | \$     | \$            | \$     |
| <b>Financial Assets</b>     |                     |        |               |        |
| Gold nugget                 | 1,091               | 1,091  | 1,091         | 1,091  |
| <b>Other Current Assets</b> |                     |        |               |        |
| Prepayments                 | 8,994               | 10,231 | 8,994         | 10,231 |

## Note 11. Other Financial Assets

|                                 | Consolidated Entity |      | Parent Entity |      |
|---------------------------------|---------------------|------|---------------|------|
|                                 | 2009                | 2008 | 2009          | 2008 |
|                                 | \$                  | \$   | \$            | \$   |
| Investments at Cost             |                     |      |               |      |
| – shares in controlled entities | –                   | –    | 23,450        | –    |

## Note 12. Controlled Entities

|                                          | Country of Incorporation | Percentage Owned (%) <sup>*</sup> |      |
|------------------------------------------|--------------------------|-----------------------------------|------|
|                                          |                          | 2009                              | 2008 |
| <b>Controlled entities consolidated</b>  |                          |                                   |      |
| Parent entity                            |                          |                                   |      |
| – China Yunnan Copper Australia Ltd      | Australia                |                                   |      |
| Subsidiaries of China Yunnan Copper      |                          |                                   |      |
| – China Yunnan Copper Australia Limitada | Chile                    | 100%                              | –    |

\* percentage of voting power is in proportion to ownership

# Notes to the Financial Statements continued

## Note 13. Property, Plant & Equipment

|                                        | <b>Consolidated Entity</b> |             | <b>Parent Entity</b> |             |
|----------------------------------------|----------------------------|-------------|----------------------|-------------|
|                                        | <b>2009</b>                | <b>2008</b> | <b>2009</b>          | <b>2008</b> |
|                                        | <b>\$</b>                  | <b>\$</b>   | <b>\$</b>            | <b>\$</b>   |
| <b>Plant and equipment</b>             |                            |             |                      |             |
| At cost                                | 8,226                      | 6,810       | 8,226                | 6,810       |
| Accumulated depreciation               | (2,455)                    | (322)       | (2,455)              | (322)       |
|                                        | 5,771                      | 6,488       | 5,771                | 6,488       |
| <b>Motor Vehicles</b>                  |                            |             |                      |             |
| At cost                                | 78,125                     | 69,756      | 78,125               | 69,756      |
| Accumulated depreciation               | (10,469)                   | (703)       | (10,469)             | (703)       |
|                                        | 67,657                     | 69,053      | 67,657               | 69,053      |
| <b>Computers, and office equipment</b> |                            |             |                      |             |
| At cost                                | 137,221                    | 61,334      | 137,221              | 61,334      |
| Accumulated depreciation               | (31,735)                   | (6,471)     | (31,735)             | (6,471)     |
|                                        | 105,487                    | 54,863      | 105,487              | 54,863      |
| Total plant and equipment              | 178,914                    | 130,404     | 178,914              | 130,404     |

### a. Movements in carrying amounts

|                         | <b>Consolidated and Parent Entity</b> |                       |                                       |              |
|-------------------------|---------------------------------------|-----------------------|---------------------------------------|--------------|
|                         | <b>Plant and equipment</b>            | <b>Motor Vehicles</b> | <b>Computers and office equipment</b> | <b>Total</b> |
|                         | <b>\$</b>                             | <b>\$</b>             | <b>\$</b>                             | <b>\$</b>    |
| Balance at 1 July 2007  | –                                     | –                     | –                                     | –            |
| Additions               | 6,810                                 | 69,756                | 61,334                                | 137,900      |
| Depreciation expense    | (322)                                 | (703)                 | (6,471)                               | (7,496)      |
| Balance at 30 June 2008 | 6,488                                 | 69,053                | 54,863                                | 130,404      |
| Balance at 1 July 2008  | 6,488                                 | 69,053                | 54,863                                | 130,404      |
| Additions               | 1,416                                 | 8,370                 | 75,887                                | 85,673       |
| Depreciation expense    | (2,133)                               | (9,766)               | (25,264)                              | (37,162)     |
| Balance at 30 June 2009 | 5,771                                 | 67,657                | 105,487                               | 178,914      |

## Note 14. Exploration Expenditure

|                                     | Consolidated Entity |           | Parent Entity |           |
|-------------------------------------|---------------------|-----------|---------------|-----------|
|                                     | 2009                | 2008      | 2009          | 2008      |
|                                     | \$                  | \$        | \$            | \$        |
| <b>NON-CURRENT</b>                  |                     |           |               |           |
| Exploration expenditure capitalised |                     |           |               |           |
| – Opening balance                   | 1,803,484           | 313,777   | 1,803,484     | 313,777   |
| – Net current year expenditure      | 2,386,190           | 1,489,707 | 2,386,190     | 1,489,707 |
|                                     | 4,189,673           | 1,803,484 | 4,189,673     | 1,803,484 |

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

## Note 15. Trade & Other Payables

|                                   | Consolidated Entity |         | Parent Entity |         |
|-----------------------------------|---------------------|---------|---------------|---------|
|                                   | 2009                | 2008    | 2009          | 2008    |
|                                   | \$                  | \$      | \$            | \$      |
| <b>CURRENT</b>                    |                     |         |               |         |
| Trade payables                    | 253,652             | 48,254  | 253,652       | 48,254  |
| Other payables & accrued expenses | 278,930             | 220,013 | 278,930       | 220,013 |
|                                   | 532,582             | 268,267 | 532,582       | 268,267 |
| <b>NON-CURRENT</b>                |                     |         |               |         |
| Amounts payable to                |                     |         |               |         |
| – wholly-owned subsidiaries       | –                   | –       | 23,450        | –       |

## Note 16. Provisions

|                   | Consolidated Entity |       | Parent Entity |       |
|-------------------|---------------------|-------|---------------|-------|
|                   | 2009                | 2008  | 2009          | 2008  |
|                   | \$                  | \$    | \$            | \$    |
| <b>CURRENT</b>    |                     |       |               |       |
| Employee benefits | 20,553              | 7,123 | 20,553        | 7,123 |

### Provision for employee benefits

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

# Notes to the Financial Statements continued

## Note 17. Contributed Equity

|                                                          | Consolidated Entity |           | Parent Entity |           |
|----------------------------------------------------------|---------------------|-----------|---------------|-----------|
|                                                          | 2009                | 2008      | 2009          | 2008      |
|                                                          | \$                  | \$        | \$            | \$        |
| 77,616,073 fully paid ordinary shares (2008: 77,616,073) | 6,934,322           | 6,934,322 | 6,934,322     | 6,934,322 |

### a. Ordinary shares

|                                                           | Consolidated Entity |           | Consolidated Entity |           |
|-----------------------------------------------------------|---------------------|-----------|---------------------|-----------|
|                                                           | 2009                | 2009      | 2008                | 2008      |
|                                                           | No.                 | \$        | No.                 | \$        |
| At the beginning of the year                              | 77,616,073          | 6,934,322 | 35,887,502          | 505,402   |
| Increases                                                 |                     |           |                     |           |
| – share placements <sup>(1)</sup>                         | –                   | –         | 8,500,000           | 553,000   |
| – subscription received for shares allotted post year end | –                   | –         | 200,000             | –         |
| – shares issued re acquisition of tenement                | –                   | –         | 600,000             | 60,000    |
| – placement to Yunnan Copper <sup>(2)</sup>               | –                   | –         | 16,428,571          | 2,300,000 |
| – shares issued re IPO <sup>(3)</sup>                     | –                   | –         | 16,000,000          | 4,000,000 |
| – costs of shares issued                                  | –                   | –         | –                   | (484,080) |
| At reporting date                                         | 77,616,073          | 6,934,322 | 77,616,073          | 6,934,322 |

1. A total of 8,500,000 shares were issued during the prior year to seed capital investors at prices ranging from \$0.001 to \$0.10.
2. Placement of 16,428,571 shares and 16,428,571 \$0.40 29/10/10 options to Yunnan Copper
3. A total of 16,000,000 shares were issued in relation to the IPO in October 2007

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## Note 18. Accumulated Losses and Reserves

|                                                                                    | Consolidated Entity |           | Parent Entity |           |
|------------------------------------------------------------------------------------|---------------------|-----------|---------------|-----------|
|                                                                                    | 2009                | 2008      | 2009          | 2008      |
|                                                                                    | \$                  | \$        | \$            | \$        |
| <b>a. Accumulated losses</b>                                                       |                     |           |               |           |
| Balance at the beginning of the year                                               | (486,898)           | (61,972)  | (486,898)     | (61,972)  |
| Net profit/(loss) attributable to members of China Yunnan Copper Australia Limited | (781,333)           | (424,926) | (781,333)     | (424,926) |
| Balance at end of year                                                             | (1,268,231)         | (486,898) | (1,268,231)   | (486,898) |

### b. Reserves

|                              |        |   |        |   |
|------------------------------|--------|---|--------|---|
| Share based payments reserve | 27,187 | – | 27,187 | – |
|------------------------------|--------|---|--------|---|

#### Movements

|                             |        |   |        |   |
|-----------------------------|--------|---|--------|---|
| Share based payment reserve |        |   |        |   |
| Balance 1 July              | –      | – | –      | – |
| Options issued              | 27,187 | – | 27,187 | – |
| Balance 30 June             | 27,187 | – | 27,187 | – |

## Note 18. Accumulated Losses and Reserves continued

### c. Nature and purpose of reserves

The share based payments reserve is used to record the value of share options issued and unexercised.

## Note 19. Commitments

### a. Operating leases

|                                  | Consolidated Entity |        | Parent Entity |        |
|----------------------------------|---------------------|--------|---------------|--------|
|                                  | 2009                | 2008   | 2009          | 2008   |
|                                  | \$                  | \$     | \$            | \$     |
| Minimum lease payments           |                     |        |               |        |
| – payable within one year        | 21,498              | 20,118 | 21,498        | 20,118 |
| Total contracted at balance date | 21,498              | 20,118 | 21,498        | 20,118 |

The Parent Entity has entered into a lease for an office in Brisbane. It is for a period of less than one year and it has no renewal option. The minimum future payments under this non-cancellable operating lease is shown above.

### b. Future Exploration

The company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the company.

The exploration obligations to be undertaken are as follows:

Payable

|                                 |           |           |           |           |
|---------------------------------|-----------|-----------|-----------|-----------|
| – not later than 12 months      | 835,000   | 770,000   | 835,000   | 770,000   |
| – between 12 months and 5 years | 820,000   | 1,655,000 | 820,000   | 1,655,000 |
|                                 | 1,655,000 | 2,425,000 | 1,655,000 | 2,425,000 |

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the company has the option to negotiate new terms or relinquish the tenements or to meet expenditure requirements by joint venture or farm in agreements.

## Note 20. Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at 30 June 2009 that require disclosure in the financial report.

## Note 21. Segment Reporting

The company operates predominantly in one business and geographical segment being in the mineral exploration industry in Australia.

# Notes to the Financial Statements continued

## Note 22. Cash Flow Information

### a. Reconciliation of cash flow used in operations with (loss) after income tax

|                                                      | Consolidated Entity |           | Parent Entity |           |
|------------------------------------------------------|---------------------|-----------|---------------|-----------|
|                                                      | 2009                | 2008      | 2009          | 2008      |
|                                                      | \$                  | \$        | \$            | \$        |
| Profit/(loss) after income tax                       | (781,333)           | (424,926) | (781,333)     | (424,926) |
| <b>Non-cash flows in loss after income tax:</b>      |                     |           |               |           |
| Depreciation                                         | 37,162              | 7,496     | 37,162        | 7,496     |
| Share option expense                                 | 27,187              | –         | 27,187        | –         |
| Changes in assets and liabilities                    |                     |           |               |           |
| – (Increase)/Decrease in receivables                 | (170,509)           | (32,179)  | (170,509)     | (32,179)  |
| – (Increase)/Decrease in other assets                | 1,237               | 24,229    | 1,237         | 24,229    |
| – Increase/(Decrease) in trade payables and accruals | 60,888              | 176,569   | 60,888        | 176,569   |
| – Increase/(Decrease) in provisions                  | 13,430              | 7,123     | 13,430        | 7,123     |
| Cash flow from operations                            | (811,938)           | (241,688) | (811,938)     | (241,688) |

## Note 23. Share Based Payments

As at 30 June 2009 in relation to share based payments there are 950,000 unlisted options to take up one ordinary share in China Yunnan Copper Australia Ltd at issue price of 40 cents. The options expire between 19 December 2009 and 19 December 2011. The options were issued in the 2008/09 financial year to 2 directors and 7 employees as part of their remuneration.

|                                  | Consolidated entity |                                    |                |                                    | Parent entity  |                                    |                |                                    |
|----------------------------------|---------------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|----------------|------------------------------------|
|                                  | 2009                |                                    | 2008           |                                    | 2009           |                                    | 2008           |                                    |
|                                  | No. of options      | Weighted average exercise price \$ | No. of options | Weighted average exercise price \$ | No. of options | Weighted average exercise price \$ | No. of options | Weighted average exercise price \$ |
| Outstanding at beginning of year | –                   | –                                  | –              | –                                  | –              | –                                  | –              | –                                  |
| Granted                          | 1,050,000           | 0.40                               | –              | –                                  | 1,050,000      | 0.40                               | –              | –                                  |
| Forfeited                        | (100,000)           | –                                  | –              | –                                  | (100,000)      | –                                  | –              | –                                  |
| Exercised                        | –                   | –                                  | –              | –                                  | –              | –                                  | –              | –                                  |
| Expired                          | –                   | –                                  | –              | –                                  | –              | –                                  | –              | –                                  |
| Outstanding at year-end          | 950,000             | 0.40                               | –              | –                                  | 950,000        | 0.40                               | –              | –                                  |
| Exercisable at year-end          | 350,000             | 0.40                               | –              | –                                  | 350,000        | 0.40                               | –              | –                                  |

## Note 23. Share Based Payments continued

The following options were issued during the year ended 30 June 2009.

| Type     | Entitlement Date | Vest Date  | Expiry Date | Exercise Price | Number    |
|----------|------------------|------------|-------------|----------------|-----------|
| Director | 19/12/2008       | 19/12/2008 | 19/12/2009  | 0.40           | 100,000   |
| Director | 19/12/2008       | 19/12/2009 | 19/12/2010  | 0.40           | 100,000   |
| Director | 19/12/2008       | 19/12/2010 | 19/12/2011  | 0.40           | 100,000   |
| Employee | 19/12/2008       | 19/12/2008 | 19/12/2009  | 0.40           | 250,000   |
| Employee | 19/12/2008       | 19/12/2009 | 19/12/2010  | 0.40           | 250,000   |
| Employee | 19/12/2008       | 19/12/2010 | 19/12/2011  | 0.40           | 250,000   |
|          |                  |            |             |                | 1,050,000 |

No options were exercised during the year ended 30 June 2009.

The options outstanding at 30 June 2009 have an average exercise price of \$0.40 and average remaining life of 1.47 years. Included under Employee Benefits Expense in the Income Statement is \$27,187 (2008: \$nil), and relates, in full, to equity-settled share-based payment transactions. The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The following table lists the inputs to the model.

| Inputs                       | 13/12/09<br>Options | 13/12/10<br>Options | 13/12/11<br>Options |
|------------------------------|---------------------|---------------------|---------------------|
| Underlying Share Price       | 0.1                 | 0.1                 | 0.1                 |
| Option Strike Prices (cents) | 40                  | 40                  | 40                  |
| Time to Maturity (Yrs)       | 1                   | 2                   | 3                   |
| Risk Free Rate (%)           | 4.43                | 5.08                | 5.08                |
| Volatility (%)               | 128                 | 128                 | 128                 |

## Note 24. Events After Balance Sheet Date

After the end of the financial year the Company announced (on 1 September) an underwritten rights issue on a 2 for 5 basis to raise approximately \$4.6 million before the costs of the issue. The rights issue is due to close on 6 October 2009. There have been no other events since 30 June 2009 that impact upon the financial report as at 30 June 2009.

## Note 25. Related Party and Key Management Personnel

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### Parent and ultimate controlling party

The parent entity and ultimate controlling entity is China Yunnan Copper Australia Limited which is incorporated in Australia.

# Notes to the Financial Statements continued

## Note 25. Related Party and Key Management Personnel continued

### Key management personnel compensation

Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of company.

|                              | Consolidated Entity |                | Parent Entity  |                |
|------------------------------|---------------------|----------------|----------------|----------------|
|                              | 2009                | 2008           | 2009           | 2008           |
|                              | \$                  | \$             | \$             | \$             |
| <b>Summary</b>               |                     |                |                |                |
| Short-term employee benefits | 720,119             | 387,507        | 720,119        | 387,507        |
| Post-employment benefits     | 13,163              | –              | 13,163         | –              |
| Share-based payments         | 15,536              | –              | 15,536         | –              |
| <b>Total</b>                 | <b>748,818</b>      | <b>387,507</b> | <b>748,818</b> | <b>387,507</b> |

### Director/Key Management Personnel share holdings

|                                 | Balance<br>1 July 2008<br>No.s | Granted as<br>Remuneration<br>No.s | On Exercise<br>of Options<br>No.s | Net Change<br>Other<br>No.s | Balance<br>30 June 2009<br>No.s |
|---------------------------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------|---------------------------------|
| <b>2009</b>                     |                                |                                    |                                   |                             |                                 |
| <b>Directors</b>                |                                |                                    |                                   |                             |                                 |
| Norm Zillman                    | 8,105,639                      | –                                  | –                                 | –                           | 8,105,639                       |
| Chao Yang                       | –                              | –                                  | –                                 | –                           | –                               |
| Mark Elliott                    | 7,000,000                      | –                                  | –                                 | –                           | 7,000,000                       |
| Jason Beckton                   | 210,000                        | –                                  | –                                 | 119,000                     | 329,000                         |
| Liang Zhong                     | –                              | –                                  | –                                 | –                           | –                               |
| Zewen Yang                      | –                              | –                                  | –                                 | –                           | –                               |
| <b>Key Management Personnel</b> |                                |                                    |                                   |                             |                                 |
| Richard Hatcher                 | –                              | –                                  | –                                 | –                           | –                               |
| Paul Marshall                   | 400,000                        | –                                  | –                                 | –                           | 400,000                         |
| <b>Total</b>                    | <b>15,715,639</b>              | <b>–</b>                           | <b>–</b>                          | <b>119,000</b>              | <b>15,834,639</b>               |

## Note 25. Related Party and Key Management Personnel continued

### Director/Key Management Personnel share holdings

| 2008                                            | Balance<br>1 July 2007<br>No.s | Granted as<br>Remuneration<br>No.s | On Exercise<br>of Options<br>No.s | Net Change<br>Other<br>No.s | Balance<br>30 June 2008<br>No.s |
|-------------------------------------------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------|---------------------------------|
| <b>Directors</b>                                |                                |                                    |                                   |                             |                                 |
| Norm Zillman                                    | 8,000,000                      | –                                  | –                                 | 105,639                     | 8,105,639                       |
| Chao Yang (appointed 30/1/08)                   | –                              | –                                  | –                                 | –                           | –                               |
| Mark Elliott                                    | 7,000,000                      | –                                  | –                                 | –                           | 7,000,000                       |
| Jason Beckton (appointed 31/7/07)               | –                              | –                                  | –                                 | 210,000                     | 210,000                         |
| Liang Zhong (appointed 30/1/08)                 | –                              | –                                  | –                                 | –                           | –                               |
| Zewen Yang (appointed 1/8/07)                   | –                              | –                                  | –                                 | –                           | –                               |
| Shaolu Zou (appointed 1/8/07, resigned 30/1/08) | –                              | –                                  | –                                 | –                           | –                               |
| Weiping Yu (appointed 1/8/07, resigned 30/1/08) | –                              | –                                  | –                                 | –                           | –                               |
| Richard Haren (resigned 30/7/07)                | 7,000,000                      | –                                  | –                                 | (7,000,000)                 | –                               |
| Bruce Wood (resigned 30/7/07)                   | 3,000,000                      | –                                  | –                                 | (3,000,000)                 | –                               |
| <b>Key Management Personnel</b>                 |                                |                                    |                                   |                             |                                 |
| Paul Marshall                                   | –                              | –                                  | –                                 | 400,000                     | 400,000                         |
| Total                                           | 25,000,000                     | –                                  | –                                 | (9,284,361)                 | 15,715,639                      |

### Options holdings

#### Director/Key Management Personnel option holdings

|                                 | Balance<br>1 July 2008 | Granted as<br>Remuneration | On Exercise<br>of Options | Net Change<br>Other | Balance<br>30 June 2009 |
|---------------------------------|------------------------|----------------------------|---------------------------|---------------------|-------------------------|
| <b>Directors</b>                |                        |                            |                           |                     |                         |
| Norm Zillman                    | –                      | –                          | –                         | –                   | –                       |
| Chao Yang                       | –                      | –                          | –                         | –                   | –                       |
| Mark Elliott                    | –                      | –                          | –                         | –                   | –                       |
| Jason Beckton                   | –                      | 150,000                    | –                         | –                   | 150,000                 |
| Liang Zhong                     | –                      | –                          | –                         | –                   | –                       |
| Zewen Yang                      | –                      | 150,000                    | –                         | –                   | 150,000                 |
| <b>Key Management Personnel</b> |                        |                            |                           |                     |                         |
| Richard Hatcher                 | –                      | 150,000                    | –                         | –                   | 150,000                 |
| Paul Marshall                   | –                      | 150,000                    | –                         | –                   | 150,000                 |
| Total                           | –                      | 600,000                    | –                         | –                   | 600,000                 |

No options were held by directors or key management personnel in the 2008 financial year.

### Loans to Key Management Personnel

There were no loans to Directors or other Key Management Personnel during the period.

# Notes to the Financial Statements continued

## Note 26. Joint Venture

The Company had entered into a farm-in with Sipa Gold Ltd, Sipa Resources Ltd and Newmont Exploration Pty Ltd which afforded Sipa Gold Ltd (Sipa) with a right to farm into EPM's 11602 and 11982 and EPA 15057 (Tenements) held by the Company. Sipa withdrew from the farm-in during the 2008/09 financial year. No interest in the tenements had been earned and the full ownership reverted to China Yunnan Copper Australia Limited.

## Note 27. Financial Risk Management

The Company's and Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is cash flow interest rate risk.

There have been no substantive changes in the Company's and Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Company's and Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. 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 and Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

### a. Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2009.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions.

The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

The ageing of the Company's and Consolidated Entity's receivables at the reporting date was:

|                      | 2009        |                          | 2008        |                          |
|----------------------|-------------|--------------------------|-------------|--------------------------|
|                      | Total<br>\$ | Amount<br>Impaired<br>\$ | Total<br>\$ | Amount<br>Impaired<br>\$ |
| Not past due         | 205,845     | –                        | 34,336      | –                        |
| Past due [0-90] days | –           | –                        | –           | –                        |
| Past due [>90] days  | –           | –                        | 1,000       | –                        |
| Total                | 205,845     | –                        | 35,336      | –                        |

None of the past due receivables at 30 June 2009 were impaired because it is expected that these amounts will be received in full in the normal course of business.

## Note 27. Financial Risk Management continued

### b. Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board.

The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained. The Consolidated Entity did not have any financing facilities available at balance date. The company is not exposed to any significant liquidity risk.

The following shows the contracted maturities of financial liabilities as well as management's expectations of the settlement period for all other financial instruments.

|                                     | Consolidated Entity and Company |                        |         |           |          |
|-------------------------------------|---------------------------------|------------------------|---------|-----------|----------|
|                                     | Carrying Amount                 | Contractual Cash flows | <1 year | 1–5 years | >5 years |
| <b>Maturity Analysis – 2009</b>     |                                 |                        |         |           |          |
| <b>Financial Assets</b>             |                                 |                        |         |           |          |
| Trade debtors and other receivables | 205,845                         | 205,845                | 205,845 | –         | –        |
| <b>Financial Liabilities</b>        |                                 |                        |         |           |          |
| Trade and other payables            | 532,582                         | 532,582                | 532,582 | –         | –        |
| <b>Maturity Analysis – 2008</b>     |                                 |                        |         |           |          |
| <b>Financial Assets</b>             |                                 |                        |         |           |          |
| Trade debtors and other receivables | 35,336                          | 35,336                 | 35,336  | –         | –        |
| <b>Financial Liabilities</b>        |                                 |                        |         |           |          |
| Trade and other payables            | 268,267                         | 268,267                | 268,267 | –         | –        |

### c. Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

#### i. Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure under financial instruments is minimal as it does not currently have any interest bearing financial liabilities. The only risk arises due to interest income on financial assets held. For further details on interest rate risk refer to the tables below:

|                              | Consolidated Entity and Company |                        |                         |                                                   |                                            |
|------------------------------|---------------------------------|------------------------|-------------------------|---------------------------------------------------|--------------------------------------------|
|                              | Floating interest rate \$       | Fixed interest rate \$ | Non-interest bearing \$ | Total carrying amount as per the balance sheet \$ | Weighted average effective interest rate % |
| <b>2009 Financial assets</b> |                                 |                        |                         |                                                   |                                            |
| Cash and cash equivalents    | 1,571,479                       | 31,536                 | 14,262                  | 1,617,277                                         | 2.95%                                      |
| <b>2008 Financial assets</b> |                                 |                        |                         |                                                   |                                            |
| Cash and cash equivalents    | 489,485                         | 4,203,425              | 2,067                   | 4,694,977                                         | 7.24%                                      |

# Notes to the Financial Statements continued

## Note 27. Financial Risk Management continued

The company has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results which could result from a change in these risks.

At 30 June 2009 the effect on profit and equity as a result of changes in the interest rate would be as follows:

|                                   | <b>Consolidated Entity<br/>and Company</b> |             |
|-----------------------------------|--------------------------------------------|-------------|
|                                   | <b>2009</b>                                | <b>2008</b> |
|                                   | <b>\$</b>                                  | <b>\$</b>   |
| Change in profit                  |                                            |             |
| – Increase in interest rate by 1% | <b>16,173</b>                              | 46,950      |
| – Decrease in interest rate by 1% | <b>16,173</b>                              | (46,950)    |

The above analysis assumes all other variables remain constant.

### ii. Currency Risk

The company does not have any material currency risk exposure under financial instruments.

### iii. Other Price Risk

The company does not have any material other price risk exposures under financial instruments.

### d. Capital Risk Management

When managing capital, the director's objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements. In order to maintain or adjust the capital structure, the Company may seek to issue new shares.

Consistent with other exploration companies, the Company monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve.

### e. Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements

# Director's Declaration

In the directors opinion:

- a. the attached financial statements and notes as set out on pages 35 to 58 are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including:
  - i. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - ii. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of directors.



**Jason Beckton**  
Director

Brisbane 29 September 2009

# Independent Audit Report



## INDEPENDENT AUDITOR'S REPORT

To the members of China Yunnan Copper Australia Limited

### *Report on the Financial Report*

We have audited the accompanying financial report of China Yunnan Copper Australia Limited (the Company), which comprises the balance sheet as at 30 June 2009, and the income statement, statements of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the Company.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

***Auditor's Opinion***

In our opinion the financial report of China Yunnan Copper Australia Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

***Report on the Remuneration Report***

We have audited the Remuneration Report included on pages 21 - 26 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

***Auditor's Opinion***

In our opinion the Remuneration Report of China Yunnan Copper Australia Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



WHK HORWATH



DON. LANGDON  
PRINCIPAL

Dated: 29 September 2009

# Corporate Directory

## Board of Directors

|                        |                          |
|------------------------|--------------------------|
| Mr Norm Zillman        | (Co Chairman)            |
| Mr Chao Yang           | (Co Chairman)            |
| Mr Jason Beckton       | (Managing Director)      |
| Mr Zewen (Robert) Yang | (Executive Director)     |
| Mr Liang Zhong         | (Non-Executive Director) |
| Dr Mark Elliott        | (Non Executive Director) |

## Company Secretary

Mr Paul Marshall

## Registered Office

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60 Edward Street  
Brisbane QLD 4000

Telephone: (07) 3303 0653  
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Email: [admin@cycal.com.au](mailto:admin@cycal.com.au)  
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## Solicitors

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Website: [www.hopgoodganim.com.au](http://www.hopgoodganim.com.au)

## Auditors

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Website: [www.williambuck.com.au](http://www.williambuck.com.au)

## Share Registry

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Facsimile: 02 9287 0303  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

