



**Chinalco Yunnan Copper Resources Limited**

(Formerly China Yunnan Copper Australia Limited)

**ABN 29 070 859 522**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2011**

## CORPORATE DIRECTORY

### Board of Directors

Norm Zillman (Co-Chairman)  
Mr Zhihua Yao (Co-Chairman)  
Jason Beckton (Managing Director)  
Zewen Yang (Executive Director)

### Company Secretary

Paul Marshall

<p><b>Registered Office</b></p> <p>Level 5 10 Market Street Brisbane QLD 4000</p> <p>Telephone: 07 3212 6204 Facsimile: 07 3212 6250 Email: admin@cycal.com.au Website: www.cycal.com.au</p>	<p><b>Solicitors</b></p> <p>Hopgood Ganim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000 Brisbane QLD 4000</p> <p>Telephone: (07) 3024 0000 Facsimile: (07) 3024 0300 Website: www.hopgoodganim.com.au</p>
<p><b>Auditors</b></p> <p>KPMG 10 Shelley Street Sydney NSW 2000</p> <p>Telephone: 02 9335 7000 Fax: 02 9335 7001 Website: www.kpmg.com.au</p>	<p><b>Share Registry</b></p> <p>Link Market Services Limited Level 19 324 Queen Street Brisbane QLD 4000</p> <p>Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au</p>

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## DIRECTORS' REPORT

Your directors present their report on Chinalco Yunnan Copper Resources Limited (formerly China Yunnan Copper Australia Limited) for the year ended 30 June 2011.

## DIRECTORS

The following persons were directors of Chinalco Yunnan Copper Resources Limited ('CYU' or 'the Company') during the whole of the financial year and up to the date of this report, unless stated:

### Mr Norman Zillman (Appointed 27/1/1998)

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:

- Burleson Energy Ltd (Mar 2008 - present)
- Earth Heat Resources Ltd (Feb 2010 - present)

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

- Bandanna Energy Ltd (May 2007 - Oct 2008)
- Hot Rock Limited (Aug 2006 - Dec 2009)

### Mr Zhihua Yao (Appointed 23/12/2010)

Non-Executive Co-Chairman (appointed 23 December 2010), BSc, GradDip

Mr Zhihua Yao has been the Deputy General Manager of Chinalco Yunnan Copper Industry (Group) Co. Ltd (CYCI) since November 2010. He is responsible for exploration, M&A and project development of CYCI.

Mr Yao has over 28 years experience in mining and exploration in China. He has worked in different positions, mainly in mining and exploration within CYCI. Mr Yao started his career as a mining technician at a copper mine for Yimeng Mining Co. Ltd, a major mining subsidiary of CYCI. In July 1998 he was appointed Vice General Manager of Yimeng Mining Co. Ltd, and was responsible for the company's planning, development, R&D, QC and construction.

From 2003 to 2010, Mr Yao was employed as the Director General of Mineral Resource Department and Vice Chief Engineer of CYCI. He was responsible for project generation, M&A, exploration and project development of the whole group. In November 2010, he was assigned to the post of Deputy General Manager of CYCI.

Mr Yao has a Bachelor of Science with specialization in Mining Engineering and Post Graduate Diploma in Mining Management from Kunming University of Science and Technology, China. He is currently undertaking his PhD study in mining engineering at China South University. His responsibilities include the financial control and investment activities of CYCI

### Mr Jason Beckton (Appointed 31/7/2007)

Managing Director, BSc(Hons), MSc, MAIG, MAICD, MSEG

Mr Beckton is a professional geologist with over 18 years experience in exploration, project development, production and management both in Australia and internationally.

Mr Beckton commenced his career with Pancontinental and Goldfields Ltd throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently Mr Beckton 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 Manager - Chile for Exeter Resource Corporation, and led the team in 2007 that was responsible for the commercial discovery at the Caspiche Porphyry prospect in the Maricunga Gold Copper Belt of Chile. Ongoing drilling has resulted in an inferred estimate by Exeter of 41.7 million gold equivalent ounces.

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. He is a member of the Australasian Institute of Mining and Metallurgy, Australian Institute of Company Directors, Society of Economic Geologists and 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 Beckton is also on the Board of the Economic Geology Research Unit (EGRU), James Cook University.

**Mr Zewen Yang (Appointed 31/7/2007)**

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 19 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 Chinalco Yunnan Copper Industry (Group) 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 University of New South Wales.

**FORMER DIRECTOR**

**Mr Liang Zhong (30/1/2008 to 23/11/2010)**

Non-Executive Co-Chairman, (resigned 23 December 2010) BA, M Economics, Chinese CPA

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

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 CYCI 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.

**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 Chinalco Yunnan Copper Resources Limited are shown in the table below:

Director	Ordinary Shares	Options
Mr Norm Zillman	12,647,195	750,000
Mr Zhihua Yao #	36,893,852	-
Mr Jason Beckton	645,160	4,550,000
Mr Zewen Yang #	36,893,852	3,050,000

# Shares are held by China Yunnan Copper (Australia) Investment and Development Co Limited. Mr Yao and Mr Yang are executives in companies within the Chinalco Yunnan Copper Industry (Group) Co. Ltd who are the ultimate parent company of China Yunnan Copper (Australia) Investment and Development Co Limited who hold the 36,893,852 ordinary shares.

**SECRETARY**

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

**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.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company and its controlled entities ('Consolidated Entity') during the year was mineral exploration. There were no significant changes in the nature of the Consolidated Entity's principal activity during the year.

**OPERATING RESULTS**

For the year ended 30 June 2011, the loss of the Consolidated Entity after income tax was \$2,029,707 (2010: \$3,259,584).

**DIVIDENDS PAID OR RECOMMENDED**

There were no dividends paid or recommended during the financial period (2010: \$nil).

## REVIEW OF OPERATIONS

CYU has continued on a two pronged strategy of project generation and exploration of current projects that comprise high quality projects in the Mt Isa and Pentland areas in Queensland Australia, in Chile and in Northern Laos. Exploration tenure has been refined to target large scale intrusive related targets. Highlights in relation to project activity during the year are noted below.

### Projects

#### COPPER REE COBALT GOLD – Cloncurry - Mount Isa (EPM 14022 – Elaine Project Mary Kathleen JV with Goldsearch Ltd)

- Newly discovered footwall copper mineralized zone with no previous sampling or drilling
- A recently completed electromagnetic survey indicates a sulphide body (the target zone) that strikes approximately E-W over a distance of at least 300m dipping steeply south with a depth to top of between 100m and 120m.
- Future drilling is designed to result in an inferred resource estimate early in 2012 and to grow dimension of previously announced results including:
  - 122.7m @ 0.55% Cu, 317ppm Co, 0.08g/t Au from 487m depth in MKED007; and
  - 188m @ 0.35% Cu, 174ppm Co, 0.02g/t Au, from 263m depth in MKED008; with
  - 108m @ 1,241ppm Total Rare Earth Oxides (TREO), 0.02 kg/t U<sub>3</sub>O<sub>8</sub>, 0.08 kg/t ThO<sub>2</sub> from 313m depth.
- Estimated exploration target\* of between 40 and 45 million tonnes based on interpreted dimensions which remain open along strike and at depth. True thickness of the zone is not yet defined with MKED007 and 008 not able to fully penetrate the zone. The Elaine mineralisation is open along strike and at depth.
- Expansion expected of the current JORC Inferred Resource Estimate of 83,000 tonnes @ 280ppm U<sub>3</sub>O<sub>8</sub> and 3,200ppm TREO at a lower cut-off of 200ppm U<sub>3</sub>O<sub>8</sub>.

#### COPPER - Chile

- CYU signed two agreements with Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration) for options to joint venture covering copper porphyry exploration properties in northern Chile: Palmani and Caramasa.
- Operations at Palmani and Caramasa have consisted of field reconnaissance and preliminary environmental permitting to allow drilling in the coming year. A drill rig has been contracted to complete a total of 3,000 metres of diamond core at both properties.

- At the Humitos project CYU completed its first phase - a nine hole, 1,906 metre, reverse circulation percussion drill program. Further drilling is planned in the current calendar year subject to agreements with neighbouring tenement holders.

#### COPPER SILVER - Laos

- CYU signed an agreement (subject to shareholder approval) to purchase 51% interest in a Chinese registered Resource Company to explore for and develop existing mineral deposits in Laos and Asia.
- The corporate target is for a project of at least 100 million tonnes at a grade of 1% and 150 g/t silver.

#### GOLD – Pentland

- Stanley's Hope Mining Lease (100% CYU) - epithermal gold Pajingo style mineralisation. Drilling results included 1,016 metres drilled in 2 diamond holes on granted mining lease ML1631, 100km west of Charters Towers, Queensland.
- Previously announced intercepts 14m @ 2.4 g/t gold from 12m depth indicating a possible shallow gold deposit.
- CYU withdrew from the Pentland JV with ActivEX Limited to focus on Mount Isa Copper REE Cobalt Gold and Chilean Copper initiatives.

Work on each of the projects noted above is continuing in the 2012 financial year.

#### \*Exploration Target

*All statements as to exploration targets and statements as to potential quality and grade are conceptual in nature. There has been insufficient exploration undertaken to date to define a resource and identification of a resource will be totally dependent on the outcome of further exploration. Any statement contained herein as to exploration results or exploration targets has been made consistent with the requirements of the JORC Code.*

#### Competent Person's Statement

*The information regarding to Exploration Activities in this report that relates to the Stanley's Hope prospect (ML1631), the Elaine prospect (EPM 14022) and to the Elaine Inferred Resource (EPM 14022) is based on information compiled by Mr Jason Beckton, who is a Member of the Australian Institute of Geologists and is Managing Director of Chinalco 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.*

### Project Generation

Chinalco Yunnan Copper Resources Limited has a five year strategy for CYU and its cornerstone investor, Chinalco 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 Chinalco Yunnan Copper Industries (YCI) providing additional expertise and funding. To date CYU has reviewed over 70 projects for YCI, but none met the Company's investment criteria at the prices requested.

In general our growth strategy will be achieved by;

- Careful management of the CYU treasury.
- Focus on high quality copper and gold exploration targets.
- 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.

### REVIEW OF FINANCIAL CONDITION

#### Capital structure

During the 2011 financial year the Company raised \$14.0 million by the issue of 64,695,775 ordinary shares. At 30 June 2011 the Company had 173,358,308 ordinary shares and 15,400,000 unlisted options on issue.

#### Financial position

The net assets of the Consolidated Entity have increased by \$11,965,751 from \$6,927,327 at 30 June 2010 to \$18,893,078 at 30 June 2011.

During the year the Consolidated Entity has invested in the advancement of its exploration permits held. The Company's working capital, being current assets less current liabilities has increased from \$1,477,630 in 2010 to \$11,349,829 at 30 June 2011.

#### Treasury policy

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

#### Liquidity and funding

The Consolidated Entity has working capital of \$11,349,829 at 30 June 2011.

At the date of this report the Consolidated Entity has sufficient funds to finance its operations and exploration activities, and to allow the Consolidated Entity 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 2011 financial year the Consolidated Entity:

- Signed an agreement to purchase a 51% interest in a Chinese registered Resource Company to explore for and develop existing mineral deposits in Laos and Asia.\*
- Signed a Letter of Intent with Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX) for YEX to farm in to obtain the opportunity of earning up to a 55% for CYU's Cloncurry North projects.\*
- Changed the Company's name to Chinalco Yunnan Copper Resources Limited.
- Raised \$14.0 million by the issue of 64,695,775 ordinary shares.
- Signed two agreements with Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration) for options to joint venture covering copper porphyry exploration properties, Palmani and Caramasa, in northern Chile.

\*Subject to shareholder approval.

There were no other significant changes in the state of affairs of the Consolidated Entity that occurred in the financial period.

### AFTER BALANCE DATE EVENTS

On 8 September, China Yunnan Copper Australia Chile Limitada the Chilean subsidiary of Chinalco Yunnan Copper Resources Limited signed a new earn-in with option to joint venture agreement with Rio Tinto Mining and Exploration Chile covering the copper porphyry exploration property Candelabro, in northern Chile.

There have been no other events since 30 June 2011 that impact upon the financial report as at 30 June 2011.

### 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 (AUDITED)

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 assesses 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.

Current compensation arrangements for Directors and Executives are based on rates paid by other ASX listed junior exploration companies.

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.

### 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 for similar companies.

To assist in achieving this objective, the Board considers the nature and amount of Executive Directors' and Officers' emoluments alongside the Company's operational performance, specifically considering their success in:

- the identification of prospective tenements;
- subsequent design and execution of exploration programs;
- negotiating joint venture arrangements on terms favourable to the Company;
- expanding the level of mineral resources under the control of the company;
- carrying out exploration programs in a timely and cost effective manner.

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 Executive Officers 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 Chinalco Yunnan Copper Resources Limited and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in the Annual 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 2011 is detailed in this Remuneration Report.

### Executive Directors and Senior Management remuneration

The Company aims to reward the Executive Directors 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 both the Company's operational performance and individual performance, relevant comparative remuneration in the market and where appropriate, external advice provided by executive remuneration consultants.

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 Directors and Senior Management for the period ending 30 June 2011 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, Executive 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.

### Managing Director

The Managing Director, Mr Jason Beckton is employed under an executive services contract entered into in August 2007 and renewed in August 2010. The contract has been renewed for a three year period. 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;

### Executive Director

The Executive Director, Mr Zewen Yang is employed under an executive services contract entered into in July 2008. The contract has a service term of three years. Under the terms of the current contract Mr Yang's current remuneration package includes the following:

The Executive Director's base salary totals \$155,520. Mr Yang 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;

### Company Secretary and CFO

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

#### Directors

- Norm Zillman Co-Chairman
- Mr Zhihua Yao Co-Chairman
- Jason Beckton Managing Director
- Zewen Yang Executive Director

#### Former Director

- Mr Liang Zhong<sup>1</sup> Co-Chairman

<sup>1</sup> resigned 23 December 2010

#### Key Management Personnel

- Paul Marshall Company Secretary and CFO
- 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 Consolidated Entity for the year ended 30 June 2011.

2011	Short Term			Post-Employment		Share-based Payment <sup>(3)</sup>	Total	Performance Related %	% consisting of options
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options			
<b>Specified Directors</b>									
Mr Norm Zillman	36,000	-	-	-	-	6,786	42,786	-	15.86%
Mr Zihua Yao <sup>(1)</sup>	18,641	-	-	-	-	-	18,641	-	-
Mr Jason Beckton	239,796	-	-	-	-	41,499	281,295	-	14.75%
Mr Zewen Yang	155,520	-	-	-	-	27,927	183,447	-	15.22%
Mr Liang Zhong <sup>(2)</sup>	17,359	-	-	-	-	3,258	20,617	-	15.80%
<b>Key Management Personnel</b>									
Richard Hatcher	146,789	-	-	13,211	-	7,568	167,568	-	4.52%
Paul Marshall	52,000	-	-	-	-	7,568	59,568	-	12.71%
	666,105	-	-	13,211	-	94,606	773,992		

(1) Mr Yao was appointed Co-Chairman on 23 December 2010.

(2) Mr Zhong resigned on 23 December 2010

(3) 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.

2010	Short Term			Post-Employment		Share-based Payment <sup>(3)</sup>	Total	Performance Related %	% consisting of options
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options			
<b>Specified Directors</b>									
Mr Norm Zillman	36,000	-	-	-	-	13,292	49,292	-	26.97%
Mr Liang Zhong <sup>(1)</sup>	31,233	-	-	-	-	13,292	44,525	-	29.85%
Mr Jason Beckton	239,796	-	-	-	-	82,703	322,499	-	25.64%
Mr Zewen Yang	155,520	-	-	-	-	56,120	211,640	-	26.52%
Mr Chao Yang <sup>(2)</sup>	14,301	-	-	-	-	-	14,301	-	-
Dr Mark Elliott <sup>(2)</sup>	9,534	-	-	-	-	-	9,534	-	-
<b>Key Management Personnel</b>									
Richard Hatcher	146,789	1,000	-	13,211	-	16,245	177,245	0.56%	9.17%
Paul Marshall	52,000	-	-	-	-	16,245	68,245	-	23.80%
	685,173	1,000	-	13,211	-	197,897	897,281		

(1) Mr Zhong was appointed Co-Chairman on 23 November 2009

(2) Mr Yang and Dr Elliott resigned on 23 November 2009

(3) 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.

**(c) Options issued as part of remuneration for the year ended 30 June 2011**

No options over ordinary shares in the Company were granted as compensation to directors and key management personnel during the reporting period. Details on options that vested during the reporting period are as follows:

	Grant date	No. of options vested	Option fair value at grant date \$	Exercise price per option \$	Total value of options <sup>#</sup> \$	Expiry date	Vesting and first exercise date	% of options vested
<b>Directors</b>								
Mr Norm Zillman	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	100%
Mr Liang Zhong	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	100%
Mr Jason Beckton	1/12/2009	1,500,000	0.0290	0.40	43,500	20/12/2012	20/12/2010	100%
Mr Zewen Yang	1/12/2009	1,000,000	0.0290	0.40	29,000	20/12/2012	20/12/2010	100%
<b>Key Management Personnel</b>								
Mr Richard Hatcher	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	100%
Mr Paul Marshall	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	100%

<sup>#</sup> 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.

**(d) Analysis of movement of options granted as part of remuneration**

2011	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total value of options granted, exercised and lapsed during the year \$
<b>Director</b>				
Mr Norm Zillman	-	-	-	-
Mr Zhihua Yao	-	-	-	-
Mr Jason Beckton	-	-	2,750	2,750
Mr Zewen Yang	-	-	2,750	2,750
Mr Liang Zhong	-	-	-	-
<b>Key Management Personnel</b>				
Mr Richard Hatcher	-	-	2,750	2,750
Mr Paul Marshall	-	-	2,750	2,750

**(e) Shares issued on exercise of remuneration options**

There were no shares issued on the exercise of compensation options in the 2010 or 2011 financial years.

**(f) Additional Information**

The factors that are considered to affect shareholder return since the Consolidated Entity's listing on the ASX are summarised below:

Measures	2011 \$	2010 \$	2009 \$	2008 \$
Share price at end of financial year	0.19	0.09	0.17	0.19
Market capitalisation at end of financial year (\$M)	32.94	9.78	13.20	14.75
Loss for the financial year	2,029,707	3,259,584	781,333	424,926
Cash spend on exploration programs	2,585,850	2,780,615	2,182,762	1,342,002
Director and Key Management Personnel remuneration	773,292	897,281	748,818	387,507

The Board considers the Consolidated Entity's performance in the above matters when setting remuneration.

## OPTIONS

As at the date of this report there were 17,800,000 unissued ordinary shares under options as follows:

Terms	1 July 2010	Additions	Exercised	Expired/ forfeited	30 June 2011
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 - 20/12/10	300,000	-	-	(300,000)	-
Director/Executive options \$0.40 - 20/12/11	300,000	-	-	-	300,000
Director/Executive options \$0.40 - 20/12/12	3,750,000	-	-	-	3,750,000
Director/Executive options \$0.40 - 20/12/12	3,750,000	-	-	-	3,750,000
Director/Executive options \$0.40 - 20/12/12	3,750,000	-	-	(250,000)	3,500,000
Joint venture partner options \$0.40 – 20/08/11	-	2,000,000	-	-	2,000,000
Joint venture partner options \$0.40 – 20/08/12	-	1,000,000	-	-	1,000,000
Joint venture partner options \$0.40 – 20/12/12	-	1,000,000	-	-	1,000,000
Employee options \$0.40 – 20/12/12	-	100,000	-	-	100,000
Employee options \$0.40 – 20/12/14	-	2,400,000	-	-	2,400,000
	30,278,571	6,500,000	-	(19,328,571)	17,800,000

During the year ended 30 June 2011 no shares were issued following the exercise of options.

## 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:

	Directors' Meetings	
	A	B
Norm Zillman	4	4
Zhihua Yao	2	2
Jason Beckton	4	4
Zewen Yang	4	4
Liang Zhong	2	2

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 Chinalco Yunnan Copper Resources 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.

## 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

No non-audit services were provided by KPMG during the year.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 14.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Chinalco Yunnan Copper Resources Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement can be found on pages 17-20.

Signed in accordance with a resolution of the directors.



Jason Beckton  
Director  
9 September 2011



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Chinalco Yunnan Copper Resources Limited (Formerly China Yunnan Copper Australia Limited)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 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.

KPMG

Mark Epper  
*Partner*

Sydney

9 September 2011

## 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 7 September 2011.

### (a) Distribution of equity securities

#### CYU – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	77
1,001 to 5,000	262
5,001 to 10,000	343
10,001 to 100,000	657
100,001 and over	184
	<b>1523</b>

Number of shareholders holding less than a marketable parcel of shares	<b>156</b>
------------------------------------------------------------------------	------------

### (b) Twenty largest holders

#### CYU – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	CHINA YUNNAN COPPER (AUSTRALIA) INVESTMENT AND DEVELOPMENT CO LTD	36,839,852	21.25%
2	MR NORMAN JOSEPH ZILLMAN	8,200,000	4.73%
3	ELLIOTT NOMINEES PTY LTD	7,150,000	4.12%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,196,686	3.57%
5	PREMAR CAPITAL NOMINEES PTY LIMITED	3,633,333	2.10%
6	FLATOAK PTY LTD	3,363,263	1.94%
7	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,808,514	1.62%
8	BANNERBLOCK PTY LTD	2,500,000	1.44%
9	YUNNAN & HONG KONG METAL CO. LTD	2,400,000	1.38%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,369,435	1.37%
11	JOIN VICTORY INVESTMENTS LIMITED	2,083,334	1.20%
12	CR INVESTMENTS PTY LTD	2,083,333	1.20%
13	MS JULIE HEATH MCCONAGHY	1,876,000	1.08%
14	PACIFIC CAPITAL SECURITIES PTY LTD	1,725,997	1.00%
15	MS MARIA ANTOINETTE GREER	1,725,958	1.00%
16	ROCK MASTER PTY LTD	1,700,000	0.98%
17	DEPOND AUSTRALIA PTY LIMITED	1,666,667	0.96%
18	KING FAITH GROUP LIMITED	1,600,000	0.92%
19	KIMBRIKI NOMINEES PTY LTD	1,579,250	0.91%
20	MRS MARY ANASTASIA RUSSELLO	1,500,000	0.87%
		<b>93,001,622</b>	<b>53.65%</b>

### (c) Voting Rights

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

**(d) Interests in Exploration Tenements**

China Yunnan Copper Australia Limited held the following interests in mining and exploration tenements as at 31 July 2011:

**QUEENSLAND**

Type	Project	Grant / Application Date	Expiry Date	CYU Interest
EPM 12205	Cloncurry North	6/09/2004	5/09/2011	100%
EPM 15084	Cloncurry North	11/08/2006	10/08/2011	100%
EPM 15095	Cloncurry North	11/08/2006	10/08/2011	100%
EPM 15248	Mt Isa	25/09/2009	24/09/2012	100%
EPM 16393	Cloncurry North	22/04/2008	21/04/2013	100%
ML 1631	Pentland	9/06/1988	30/06/2009	100%
EPM 14019	Mary Kathleen JV	18/07/2003	17/07/2015	70%
EPM 14022	Mary Kathleen JV	31/07/2003	30/07/2011	70%
EPM 15257	Mary Kathleen JV	27/09/2006	26/09/2011	70%

**CHILE**

Tenement	Project	Location	Area	CYU Interest
<b>Humitos</b>				
H1	Humitos	Copiapo	300 ha	100%
H2	Humitos	Copiapo	300 ha	100%
H3	Humitos	Copiapo	300 ha	100%
H4	Humitos	Copiapo	300 ha	100%
H5	Humitos	Copiapo	300 ha	100%
H6	Humitos	Copiapo	300 ha	100%
H7	Humitos	Copiapo	300 ha	100%
H9	Humitos	Copiapo	300 ha	100%
H10	Humitos	Copiapo	300 ha	100%
H11	Humitos	Copiapo	100 ha	100%
H12	Humitos	Copiapo	300 ha	100%
H13	Humitos	Copiapo	300 ha	100%
H14	Humitos	Copiapo	200 ha	100%
H15	Humitos	Copiapo	300 ha	100%
H16	Humitos	Copiapo	200 ha	100%
H17	Humitos	Copiapo	100 ha	100%
<b>Caramasa</b>				
MIGNA 1 - 10	Caramasa	Apamilca	2,800 ha	Nil – earning in
CARACA 1 - 22	Caramasa	Apamilca	6,500 ha	Nil – earning in
CAMI 4 1/300	Caramasa	Apamilca	300 ha	Nil – earning in
CAMI 5 1/300	Caramasa	Apamilca	300 ha	Nil – earning in
CAMI 10 1/300	Caramasa	Apamilca	300 ha	Nil – earning in
CAMI 11 1/100	Caramasa	Apamilca	300 ha	Nil – earning in
<b>Palmani</b>				
MAIPU 1 - 22	Palmani	Arica	6,600 ha	Nil – earning in

## CORPORATE GOVERNANCE STATEMENT

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

Chinalco Yunnan Copper Resources 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, 2<sup>nd</sup> 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 Chinalco Yunnan Copper Resources 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.
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.
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's 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
Norm Zillman	Co-Chairman	Mr Zillman is a substantial shareholder in the Company
Jason Beckton	Managing Director	Mr Beckton is employed in an executive capacity
Zhihua Yao	Co-Chairman	Mr Yao is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the Company.
Zewen Yang	Executive Director	Mr Yang is employed in an executive capacity

Chinalco Yunnan Copper Resources 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 Chinalco Yunnan Copper Resources 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	13 years 9 months
Mr Jason Beckton	4 years 2 months
Mr Zhihua Yao	9 months
Mr Zewen Yang	4 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.

### Company Code of Conduct

The Company is committed to operating ethically, honestly, responsibly and legally in all its business dealings. Accordingly, the Company requires employees to act in the Company's best interests in a professional, honest and ethical manner, and in full compliance with the law, both within and on behalf of the Company.

The Company has an established Code of Conduct (Code) which outlines the behaviour that is expected of employees. The Code governs all the Company's operations and the conduct of Directors, management and employees when they represent the Company.

The Code clearly sets out the process for dealing with complaints of breaches. The Board, senior executives, management and all employees of the Company are committed to implementing this Code and each individual is accountable for such compliance.

A copy of the Code is given to all employees, contractors and relevant personnel, including Directors and senior executives. Appropriate training is provided for Directors, senior executives and employees on a regular basis, where applicable.

### Recruitment and Selection Processes

The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit. The Company also values diversity in the organisation. In light of recent amendments to the ASX's Corporate Governance Principles, the Company intends to formalise and publish its diversity policy and set suitable diversity targets and benchmarks against which it will report.

### Shareholder Communications

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights, the Company has established a Shareholder Communication Strategy which is available on the Company's website under "Corporate Governance".

All shareholders receive a copy of the Company's Annual Report and both the annual and half yearly reports are posted on the Company's website. Quarterly reports are prepared in accordance with ASX Listing Rules and posted on the Company's website. Regular updates on operations are made via ASX releases. All information disclosed to the ASX is posted on the Company's website as soon as possible after it is disclosed to the ASX.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the preparation and content of the audit report.

### 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.

### 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 assesses 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 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.

### 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 2011.

### 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 Chinalco Yunnan Copper Resources Limited

**Remuneration (continued)**

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 Chinalco Yunnan Copper Resources 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.

**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).

**Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2011**

	Note	2011 \$	2010 \$
Revenue	2	215,733	102,808
Employment and consultancy expenses		(690,526)	(687,739)
Depreciation expense	11	(76,506)	(55,049)
Finance costs		(4,614)	-
Impairment of exploration expenditure	12	(544,220)	(1,986,924)
Project generation expenditure		(79,021)	(102,283)
Administration expenses		(850,553)	(530,397)
Loss before income tax		(2,029,707)	(3,259,584)
Income tax expense	3	-	-
Loss for the year		(2,029,707)	(3,259,584)
<b>Other comprehensive loss</b>			
Foreign currency translation differences for foreign operations		(70,493)	(1,794)
Income tax		-	-
Other comprehensive loss for the year, net of tax		(70,493)	(1,794)
<b>Total comprehensive loss</b>		(2,100,200)	(3,261,378)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
Basic loss per share	6	(1.68)	(3.27)
Diluted loss per share	6	(1.68)	(3.27)

*The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.*

**Consolidated Balance Sheet  
As at 30 June 2011**

	Note	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	11,545,523	1,585,996
Trade and other receivables	8	207,502	313,970
Financial assets	10	1,091	1,091
Other current assets	9	54,731	11,154
<b>TOTAL CURRENT ASSETS</b>		<b>11,808,847</b>	1,912,211
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	8	29,635	44,195
Plant and equipment	11	275,455	221,051
Exploration expenditure	12	7,243,081	5,183,362
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,548,171</b>	5,448,608
<b>TOTAL ASSETS</b>		<b>19,357,018</b>	7,360,819
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	374,956	400,445
Interest bearing liabilities	14	27,459	-
Short-term provisions	15	56,603	33,047
<b>TOTAL CURRENT LIABILITIES</b>		<b>459,018</b>	433,492
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	14	4,922	-
		4,922	-
<b>TOTAL LIABILITIES</b>		<b>463,940</b>	433,492
<b>NET ASSETS</b>		<b>18,893,078</b>	6,927,327
<b>EQUITY</b>			
Share capital	16	25,169,630	11,212,656
Reserves	17	280,970	242,486
Accumulated losses		(6,557,522)	(4,527,815)
<b>TOTAL EQUITY</b>		<b>18,893,078</b>	6,927,327

*The Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements.*

**Consolidated Statement of Changes in Equity  
For the year ended 30 June 2011**

<b>Consolidated Entity</b>	<b>Share Capital</b> \$	<b>Reserves</b> \$	<b>Accumulated Losses</b> \$	<b>Total</b> \$
<b>Balance at 1 July 2009</b>	6,934,322	27,188	(1,268,231)	5,693,279
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	4,656,969	-	-	4,656,969
Share issue costs	(378,635)	-	-	(378,635)
Share-based payment expense	-	217,092	-	217,092
<b>Comprehensive income</b>				
Loss after income tax	-	-	(3,259,584)	(3,259,584)
Other comprehensive income	-	(1,794)	-	(1,794)
<b>Balance at 30 June 2010</b>	<b>11,212,656</b>	<b>242,486</b>	<b>(4,527,815)</b>	<b>6,927,327</b>
<b>Balance at 1 July 2010</b>	11,212,656	242,486	(4,527,815)	6,927,327
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	14,626,986	-	-	14,626,986
Share issue costs	(670,012)	-	-	(670,012)
Share-based payment expense	-	108,977	-	108,977
<b>Comprehensive income</b>				
Loss after income tax	-	-	(2,029,707)	(2,029,707)
Other comprehensive income	-	(70,493)	-	(70,493)
<b>Balance at 30 June 2011</b>	<b>25,169,630</b>	<b>280,970</b>	<b>(6,557,522)</b>	<b>18,893,078</b>

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

**Consolidated Cash Flow Statement  
For the year ended 30 June 2011**

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from government grants		117,956	1,925
Payments to suppliers and employees		(1,449,078)	(1,332,253)
Interest received		78,594	100,883
Interest paid		(4,614)	-
Net cash used in operating activities	19	(1,257,142)	(1,229,445)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Security deposit refunds/(payments)		14,560	(577)
Payments for property, plant & equipment		(78,142)	(97,186)
Acquisition of Humitos Pty Ltd, net of cash acquired	27	-	(199,998)
Payments for exploration and evaluation		(2,585,850)	(2,780,615)
Net cash used in investing activities		(2,649,432)	(3,078,376)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		14,626,986	4,656,969
Capital raising expenses		(670,012)	(378,635)
Payment of finance leases		(20,380)	-
Net cash provided by financing activities		13,936,594	4,278,334
Net increase/(decrease) in cash and cash equivalents		10,030,020	(29,487)
Net foreign exchange differences		(70,493)	(1,794)
Cash and cash equivalents at the beginning of the year		1,585,996	1,617,277
<b>Cash and cash equivalents at the end of the year</b>	7	<b>11,545,523</b>	<b>1,585,996</b>

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Introduction

This financial report covers the Consolidated Entity of Chinalco Yunnan Copper Resources Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Chinalco Yunnan Copper Resources 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

The principal activity of the Consolidated Entity is mineral exploration.

#### Currency

The financial report is presented in Australian dollars, which is the functional currency of the Company, and is rounded to the nearest one dollar.

#### Authorisation of financial report

The financial report was authorised for issue on 9 September 2011.

### 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

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

#### Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS 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 affects 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.

#### 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 Chinalco Yunnan Copper Resources 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 29 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.

#### (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 recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax will be recognised from the initial recognition of an asset or liability, (except for a business combination) where there is no effect on accounting or taxable profit or loss.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Income Tax**

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 recognised in the statement of comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable 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 it is probable the benefit will be utilised

The amount of benefits brought to account or which may be used 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 utilised 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.

At each reporting date, the Consolidated Entity reviews the carrying values of its plant and equipment 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 statement of comprehensive income.

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 statement of comprehensive income 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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
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 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 statement of comprehensive income.

**(d) Exploration Evaluation and Development Expenditure**

Exploration, evaluation and development expenditure incurred 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. Exploration costs are capitalised only when the Consolidated Entity has either a granted tenement in its name or an interest through a joint venture arrangement.

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 finance costs for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Financial Instruments**

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

*(i) Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

*(v) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Financial Instruments**

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

**(g) Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in

payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**(h) Impairment of assets**

At each reporting date, the Consolidated Entity reviews non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**(i) 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 as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(j) Share-based payments**

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Share-based payments

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### (k) 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.

### (l) 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.

### (m) Revenue

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### Government Grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Consolidated Entity will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Consolidated Entity for expenses incurred are recognised in profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

### (n) 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Foreign currency

#### *Functional and presentation currency*

The functional currency of each of the entities within the consolidated group is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated into the relevant functional currency at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

#### *Subsidiary companies*

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

### (p) Share capital

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.

### (q) 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.

### (r) 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.

### (s) Joint Ventures

The Consolidated Entity is party to joint venture arrangements that involve the joint control and the joint ownership of exploration assets.

These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the joint venture party themselves. Each joint venture party has control over its share of future economic benefits through its share of the jointly controlled asset.

In respect of its interest in jointly controlled assets, the Consolidated Entity has recognised in the financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other joint venture partners in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

Because the assets, liabilities, income and expenses are recognised in the financial statements of the Consolidated Entity, no adjustments or other consolidation procedures are required in respect of these items in the consolidated financial statements.

### (t) 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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(u) New accounting standards and interpretations**

The Consolidated Entity adopted the following new Accounting Standard and Interpretations during the period:

- AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'
- AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'.
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'.
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

There were no material impacts on the financial statements or performance of the Consolidated Entity.

**(v) New Standards and Interpretations Not Yet Adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

*AASB 2009-12 Amendments to Australian Accounting Standards*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

*AASB 2010-5 Amendments to Australian Accounting Standards*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the Consolidated Entity.

*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Consolidated Entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

*AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments are a consequence of the annual improvements project and make numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provide clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instrument; clarifies that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provides guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (continued)**

**(u) New Standards and Interpretations Not Yet  
Adopted**

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the Consolidated Entity.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the Consolidated Entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the Consolidated Entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The Consolidated Entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

	2011 \$	2010 \$
<b>NOTE 2 REVENUE</b>		
Government grant revenue	117,956	-
Bank interest received	97,777	100,883
Other revenue	-	1,925
	<b>215,733</b>	<b>102,808</b>

**NOTE 3 EXPENSES**

Loss before income tax includes the following specific expenses:

Superannuation expense	20,506	10,557
Rental expense from operating leases	52,080	62,478

**NOTE 4 INCOME TAX EXPENSE**

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 2011 and 2010 is as follows:

Accounting loss before income tax	(2,029,707)	(3,259,584)
Tax at the Australian tax rate of 30%	(608,912)	(977,875)
Adjustment of Chilean loss taxed at 17%	35,337	-
Non-deductible expenses	33,667	65,442
Deductions arising from capital raising expenses	(40,201)	-
Small business and general business tax break	-	(4,347)
Deferred tax assets not brought to account	580,109	916,780
Income tax expense	-	-
<b>Unrecognised temporary differences and tax losses</b>		
Temporary differences	(1,667,817)	(1,469,307)
Tax losses	4,154,115	2,756,313
	<b>2,486,298</b>	<b>1,287,006</b>

The 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 Consolidated Entity can utilise these benefits.

**NOTE 5 AUDITORS' REMUNERATION**

Remuneration paid to KPMG for:		
- auditing and reviewing the financial report	30,000	-
Remuneration paid to WHK Horwarth for:		
- auditing and reviewing the financial report	-	27,250
- taxation services	-	5,600
- compliance review – rights issue	-	1,850
	<b>30,000</b>	<b>34,700</b>

	2011 \$	2010 \$
<b>NOTE 6 EARNINGS PER SHARE</b>		
Losses used to calculate basic and dilutive EPS	(2,029,707)	(3,259,584)
	<b>2011 Number</b>	<b>2010 Number</b>
Weighted average number of ordinary shares outstanding during the year	120,989,041	99,731,360
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>120,989,041</b>	<b>99,731,360</b>

	2011 \$	2010 \$
<b>NOTE 7 CASH &amp; CASH EQUIVALENTS</b>		
Cash on hand and at bank	3,761,375	1,553,136
Cash on deposit	7,784,148	32,860
	<b>11,545,523</b>	<b>1,585,996</b>

<b>NOTE 8 TRADE &amp; OTHER RECEIVABLES</b>		
CURRENT		
Other receivables	207,502	313,970
NON-CURRENT		
Security bonds	29,635	44,195

<b>NOTE 9 OTHER CURRENT ASSETS</b>		
Prepayments	54,731	11,154

<b>NOTE 10 FINANCIAL ASSETS</b>		
Gold nugget	1,091	1,091

<b>NOTE 11 PLANT &amp; EQUIPMENT</b>		
<b>Plant and equipment</b>		
At cost	120,459	14,026
Accumulated depreciation	(23,066)	(4,992)
	<b>97,393</b>	<b>9,034</b>
<b>Motor Vehicles</b>		
At cost	154,727	135,562
Accumulated depreciation	(43,081)	(25,247)
	<b>111,646</b>	<b>110,315</b>
<b>Computers and office equipment</b>		
At cost	176,482	171,171
Accumulated depreciation	(110,066)	(69,469)
	<b>66,416</b>	<b>101,702</b>
Total plant and equipment	<b>275,455</b>	<b>221,051</b>

Movements in carrying amounts	Plant and equipment \$	Motor Vehicles \$	Computers and office equipment \$	Total \$
Balance at 1 July 2009	5,771	67,657	105,486	178,914
Additions	5,800	57,436	33,950	97,186
Depreciation expense	(2,537)	(14,778)	(37,734)	(55,049)
Balance at 30 June 2010	9,034	110,315	101,702	221,051
Balance at 1 July 2010	9,034	110,315	101,702	221,051
Additions	53,666	19,165	5,311	78,142
Additions – finance lease	52,768	-	-	52,768
Depreciation expense	(18,075)	(17,834)	(40,597)	(76,506)
Balance at 30 June 2011	<b>97,393</b>	<b>111,646</b>	<b>66,416</b>	<b>275,455</b>

	2011 \$	2010 \$
<b>NOTE 12 EXPLORATION EXPENDITURE</b>		
<b>Exploration expenditure capitalised</b>		
Opening balance	5,183,362	4,189,673
Net current year expenditure	2,711,985	2,780,615
Amounts to be reimbursed by Joint Venture partners	(108,046)	-
Acquired through business combinations (note 27)	-	199,998
Impairment of exploration expenditure	(544,220)	(1,986,924)
	<b>7,243,081</b>	<b>5,183,362</b>

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 13 TRADE & OTHER PAYABLES**

Trade payables	179,861	164,863
Other payables and accrued expenses	152,121	23,825
Payable to directors	42,974	211,757
	<b>374,956</b>	<b>400,445</b>

**NOTE 14 INTEREST BEARING LIABILITIES**

<i>Current</i>		
Finance lease	27,459	-
<i>Non-Current</i>		
Finance lease	4,922	-

The Consolidated Entity entered into a finance lease arrangement with China Yunnan Copper (Australia) Investment and Development Co Limited, an entity related to Zewen Yang. The finance lease is a subject to an interest rate of 12.65%.

The above lease facility represents the only finance facilities available to the Consolidated Entity. There are no unused facilities at balance date (2010: Nil).

**NOTE 15 PROVISIONS**

Employee benefits	56,603	33,047
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**NOTE 16 SHARE CAPITAL**

Fully paid ordinary shares	25,169,630	11,212,656
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**Ordinary Shares**

	2011 \$	2010 \$	2011 Number	2010 Number
At the beginning of the year	11,212,656	6,934,322	108,662,533	77,616,073
Share purchase plan <sup>(1)</sup>	1,500,000	-	10,000,000	-
Share placement <sup>(2)</sup>	13,126,986	-	54,695,775	-
Rights issue <sup>(3)</sup>	-	4,656,969	-	31,046,460
Share issue expenses	(670,012)	(378,635)	-	-
At reporting date	<b>25,169,630</b>	<b>11,212,656</b>	<b>173,358,308</b>	<b>108,662,533</b>

<sup>(1)</sup> A total of 10,000,000 shares were issued during the year through a share purchase plan at 15 cents per share.

<sup>(2)</sup> A total of 54,695,775 shares were issued during the year through a share purchase plan at 24 cents per share.

<sup>(3)</sup> A total of 31,046,460 shares were issued in the prior year through a 2 for 5 non-renounceable rights issue.

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.

	2011 \$	2010 \$
<b>NOTE 17 RESERVES</b>		
Share based payment reserve	353,257	244,280
Foreign currency translation reserve	(72,287)	(1,794)
	<b>280,970</b>	<b>242,486</b>
<b>Share based payment reserve movements during the year</b>		
Opening balance	244,280	27,188
Share based payments	108,977	217,092
Closing balance	<b>353,257</b>	<b>244,280</b>
<b>Foreign currency translation reserve movements during the year</b>		
Opening balance	(1,794)	-
Foreign exchange differences	(70,493)	(1,794)
Closing balance	<b>(72,287)</b>	<b>(1,794)</b>

Share based payment reserve

The share based payments reserve is used to record the value of share based payments provided to directors and employees as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**NOTE 18 DIVIDENDS & FRANKING CREDITS**

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

	2011 \$	2010 \$
<b>NOTE 19 CASH FLOW INFORMATION</b>		
<b>Reconciliation of cash flows used in operations with loss after income tax</b>		
Loss after income tax	(2,029,707)	(3,259,584)
<i>Non-cash items in loss after income tax</i>		
Depreciation	76,506	55,049
Share based payments expense	108,977	217,092
Impairment of exploration expenditure	544,220	1,986,924
Impairment of security deposit	-	1,000
<i>Movements in assets and liabilities</i>		
Other receivables	233,693	(108,125)
Interest revenue accrued	(19,182)	-
Other assets	(43,574)	(2,160)
Trade payables and accruals	(151,631)	(132,135)
Provisions	23,556	12,494
<b>Cash flow from operations</b>	<b>(1,257,142)</b>	<b>(1,229,445)</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	11,545,523	1,585,996
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**Non-cash investing activities**

The Consolidated Entity acquired equipment totaling \$52,768 by way of finance lease during the period (2010: \$Nil)

## NOTE 20 SHARE BASED PAYMENTS

At 30 June 2011 there are 15,400,000 unlisted options to take up one ordinary share in Chinalco Yunnan Copper Resources Ltd at issue price of 40 cents. The options expire between 20 August 2011 and 20 December 2012.

### Movements in options

	2011		2010	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
		\$		\$
Outstanding at beginning of year	11,850,000	0.40	950,000	0.40
Granted <sup>(1)</sup>	4,100,000	0.40	11,250,000	0.40
Forfeited	(250,000)	0.40	-	-
Exercised	-	-	-	-
Expired	(300,000)	0.40	(350,000)	-
Outstanding at year-end	15,400,000	0.40	11,850,000	0.40
Exercisable at year-end	11,900,000	0.40	3,700,000	0.40

(1) The weighted average fair value of the options granted during the year was \$0.005.

### Details of unissued securities or interests under option as at year end

Issue	Tranche	Entitlement Date	Vesting Date	Expiry Date	Exercise Price	Number
2009 Directors and Employees	3	19/12/2008	19/12/2010	19/12/2011	0.40	300,000
2010 Directors and Employees	1	1/12/2009	20/12/2009	20/12/2012	0.40	3,750,000
	2	1/12/2009	20/12/2010	20/12/2012	0.40	3,750,000
	3	1/12/2009	20/12/2011	20/12/2012	0.40	3,500,000
2011 Joint Venture Partners <sup>(1)</sup>	1	30/12/2010	30/12/2010	20/8/2011	0.40	2,000,000
	2	30/12/2010	30/12/2010	20/8/2012	0.40	1,000,000
	3	30/12/2010	30/12/2010	20/12/2012	0.40	1,000,000
2011 Employees	1	18/2/2011	18/2/2011	20/12/2011	0.40	100,000
						15,400,000

(2) The calculated value of these options issued during the period is immaterial to the financial statements. Consequently no amounts have been recognised in the Balance Sheet for these amounts.

No options were exercised during the year ended 30 June 2011.

The options outstanding at 30 June 2011 have an average exercise price of \$0.40 and weighted average remaining life of 1.3 years. Included under Employee Benefits Expense in the Statement of comprehensive income is \$108,977 (2010: \$217,092), that relates 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	2009 Directors and Employees		2010 Directors and Employees			2011 Joint Venture Partners			2011 Employees
	19/12/10 <sup>(1)</sup>	19/12/11	20/12/09	20/12/10	20/12/11	30/12/10	30/12/10	30/12/10	18/2/11
Exercise Date	19/12/10 <sup>(1)</sup>	19/12/11	20/12/09	20/12/10	20/12/11	30/12/10	30/12/10	30/12/10	18/2/11
Underlying Share Price	0.10	0.10	0.22	0.22	0.22	0.17	0.17	0.17	0.38
Option Strike Prices (cents)	40	40	40	40	40	40	40	40	40
Time to Maturity (Yrs)	2	3	1	2	3	1	1	2	1
Risk Free Rate (%)	5.08	5.08	4.93	4.93	4.93	5.08	5.08	5.08	5.08
Volatility (%)	128	128	40	40	40	45	45	45	45

(1) This tranche expired on 19 December 2010.

**NOTE 20 SHARE BASED PAYMENTS (continued)**

**Details on each share based payment arrangement that existed during the period**

Note	Issue	Exercise Price	Exercise and Vesting Date	Expiry Date	Movements during the year				30 June 2011
					1 July 2010	Additions	Exercised	Expired/forfeited	
1	Director/Executive options	0.40	19/12/09	20/12/10	300,000	-	-	(300,000)	-
	Director/Executive options	0.40	19/12/10	20/12/11	300,000	-	-	-	300,000
2	Director/Executive options	0.40	20/12/09	20/12/12	3,750,000	-	-	-	3,750,000
	Director/Executive options	0.40	20/12/10	20/12/12	3,750,000	-	-	-	3,750,000
	Director/Executive options	0.40	20/12/11	20/12/12	3,750,000	-	-	(250,000)	3,500,000
3	GSE joint venture options	0.40	30/12/10	20/08/11	-	2,000,000	-	-	2,000,000
	GSE joint venture options	0.40	30/12/10	20/08/12	-	1,000,000	-	-	1,000,000
4	AIV joint venture options	0.40	30/12/10	20/12/12	-	1,000,000	-	-	1,000,000
5	Employee options	0.40	18/2/11	20/12/12	-	100,000	-	-	100,000

**Notes on option plans**

All options are cash settled. In the event of the exercise of any of the Company's options, the Company will receive cash in the amount of \$0.40 per exercised option.

**1 2009 Directors and Employees Options**

On 19 December 2008, the Company issued a total of 1,050,000 options to directors and employees as part of their remuneration for the 2009 financial year. The options will not vest if the recipient's services are not engaged by the Company at the relevant vesting date.

The options were initially issued in three equal tranches of 350,000 options per tranche.

Tranche 1 had a vesting/exercise date of 19 December 2008 and an expiry date of 19 December 2009. This tranche has now expired. No shares were issued from the exercise of these options.

Tranche 2 had a vesting/exercise date of 19 December 2009 and an expiry date of 19 December 2010. This tranche has now expired. No shares were issued from the exercise of these options.

Tranche 3 had a vesting/exercise date of 19 December 2010 and an expiry date of 19 December 2011. No shares have been issued from the exercise of these options.

**2 2010 Directors and Employees Options**

On 1 December 2009, the Company issued a total of 11,250,000 options to directors and executives as part of their remuneration for the 2010 financial year. The options will not vest if the recipient's services are not engaged by the Company at the relevant vesting date.

The options were initially issued in three equal tranches of 3,750,000 options per tranche.

Tranche 1 had a vesting/exercise date of 20 December 2009 and an expiry date of 20 December 2012. No shares have been issued from the exercise of these options.

Tranche 2 had a vesting/exercise date of 20 December 2010 and an expiry date of 20 December 2012. No shares have been issued from the exercise of these options.

Tranche 3 has a vesting/exercise date of 20 December 2011 and an expiry date of 20 December 2012. No shares have been issued from the exercise of these options.

**3 GSE Joint Venture Options**

On 30 December 2010, the Company issued a total of 3,000,000 options to Goldsearch Limited as part of the Mary Kathleen joint venture farm-in agreement. The options vested immediately on the grant date and there are no other service conditions attached to them. No shares have been issued from the exercise of these options.

**4 AIV Joint Venture Options**

On 30 December 2010, the Company issued a total of 1,000,000 options to ActivEX Limited as part of the Pentland joint venture farm-in agreement. The options vested immediately on the grant date and there are no other service conditions attached to them. No shares have been issued from the exercise of these options.

**NOTE 20 SHARE BASED PAYMENTS (continued)**

5 Employee Options

On 18 December 2011, the Company issued a total of 100,000 options to employees as part of their remuneration for the 2011 financial year. The options vested immediately on the grant date and there are no other service conditions attached to them. No shares have been issued from the exercise of these options.

**NOTE 21 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 Chinalco Yunnan Copper Resources Limited which is incorporated in Australia.

**Key management personnel compensation**

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

	2011 \$	2010 \$
<b>Summary</b>		
Short-term employee benefits	666,105	686,173
Post-employment benefits	13,211	13,211
Share-based payments	94,606	197,897
	<b>773,292</b>	<b>897,281</b>

**Director/Key Management Personnel share holdings (number of shares)**

2011	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
<b>Directors</b>					
Norm Zillman	9,847,195	-	-	2,800,000	12,647,195
Zihua Yao <sup>(1)</sup>	-	-	-	-	-
Jason Beckton	460,000	-	-	110,600	570,600
Zewen Yang	-	-	-	-	-
Liang Zhong <sup>(2)</sup>	-	-	-	-	-
<b>Key Management Personnel</b>					
Richard Hatcher	-	-	-	-	-
Paul Marshall	520,002	-	-	116,000	636,002
<b>Total</b>	<b>10,827,197</b>	<b>-</b>	<b>-</b>	<b>3,026,600</b>	<b>13,853,797</b>

(1) Mr Yao was appointed Co-Chairman on 23 December 2010.

(2) Mr Zhong resigned on 23 December 2010

2010	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
<b>Directors</b>					
Norm Zillman	8,105,639	-	-	1,741,556	9,847,195
Liang Zhong	-	-	-	-	-
Jason Beckton	329,000	-	-	131,000	460,000
Zewen Yang	-	-	-	-	-
<b>Key Management Personnel</b>					
Richard Hatcher	-	-	-	-	-
Paul Marshall	400,000	-	-	120,002	520,002
<b>Total</b>	<b>8,834,639</b>	<b>-</b>	<b>-</b>	<b>1,992,558</b>	<b>10,827,197</b>

**NOTE 21 RELATED PARTY and KEY MANAGEMENT PERSONNEL (continued)**

**Director/Key Management Personnel option holdings (number of options)**

<b>2011</b>	<b>Opening Balance</b>	<b>Granted as remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Closing Balance</b>
<b>Directors</b>					
Norm Zillman	750,000	-	-		750,000
Zihua Yao	-	-	-		-
Jason Beckton	4,600,000	-	-	(50,000)	4,550,000
Zewen Yang	3,100,000	-	-	(50,000)	3,050,000
Liang Zhong <sup>(1)</sup>	750,000	-	-	(750,000)	-
<b>Key Management Personnel</b>					
Richard Hatcher	850,000	-	-	(50,000)	800,000
Paul Marshall	850,000	-	-	(50,000)	800,000
<b>Total</b>	<b>10,900,000</b>	<b>-</b>	<b>-</b>	<b>(950,000)</b>	<b>9,950,000</b>

<sup>(1)</sup> Net change upon resignation as director

<b>2010</b>	<b>Opening Balance</b>	<b>Granted as remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Closing Balance</b>
<b>Directors</b>					
Norm Zillman	-	750,000	-	-	750,000
Liang Zhong	-	750,000	-	-	750,000
Jason Beckton	150,000	4,500,000	-	(50,000)	4,600,000
Zewen Yang	150,000	3,000,000	-	(50,000)	3,100,000
<b>Key Management Personnel</b>					
Richard Hatcher	150,000	750,000	-	(50,000)	850,000
Paul Marshall	150,000	750,000	-	(50,000)	850,000
<b>Total</b>	<b>600,000</b>	<b>10,500,000</b>	<b>-</b>	<b>(200,000)</b>	<b>10,900,000</b>

**Vested Options**

<b>2011</b>	<b>2011</b>			<b>2010</b>		
	<b>Vested and exercisable</b>	<b>Vested and unexercisable</b>	<b>Vested at end of year</b>	<b>Vested and exercisable</b>	<b>Vested and unexercisable</b>	<b>Vested at end of year</b>
<b>Directors</b>						
Norm Zillman	500,000	-	500,000	250,000	-	250,000
Zihua Yao	-	-	-	-	-	-
Jason Beckton	3,050,000	-	3,050,000	1,600,000	-	1,600,000
Zewen Yang	2,050,000	-	2,050,000	1,100,000	-	1,100,000
Liang Zhong	-	-	-	250,000	-	250,000
<b>Key Management Personnel</b>						
Richard Hatcher	550,000	-	550,000	350,000	-	350,000
Paul Marshall	550,000	-	550,000	350,000	-	350,000
<b>Total</b>	<b>6,700,000</b>	<b>-</b>	<b>6,700,000</b>	<b>3,900,000</b>	<b>-</b>	<b>3,900,000</b>

**Amounts owed to Key Management Personnel**

\$42,974 is owed to Directors for unpaid director fees (2010: \$211,757). These amounts are at call and do not bear interest.

**Transactions with Director related parties**

The Consolidated Entity entered into a finance lease arrangement China Yunnan Copper (Australia) Investment and Development Co Limited; an entity related to Zewen Yang. The lease is on normal commercial terms and conditions no more favourable than those available from similar suppliers. Refer to Note 14 for further details.

## NOTE 22 JOINT VENTURES

### Mary Kathleen

The Company entered into a Farm-in and Joint Venture Agreement with Goldsearch Limited (GSE) on 24 August 2009 to explore the Mary Kathleen Project consisting of three tenement areas covering ~161 sq km of ground considered prospective for copper, gold, uranium and rare earth elements (REE) mineralisation within the Mount Isa Inlier of northwest Queensland.

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. CYU has sole funded \$1.5 million and now earned a 70% participating interest in the Tenements. Both parties will contribute to the joint venture in proportion to their participating interest.

At the date of this report CYU has a 70% interest in the Tenements.

### Rio Tinto Exploration - Chile

China Yunnan Copper Australia Limitada, a Chilean subsidiary of Chinalco Yunnan Copper Resources Limited signed two agreements with Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration) for options to joint venture covering copper porphyry exploration properties in northern Chile: Palmani and Caramasa.

The Palmani porphyry copper and molybdenum prospect is located in the Palaeocene Porphyry Copper Belt of Northern Chile, 60km northeast of Arica, approximately 5km west of the Palaeocene aged La Mancha porphyry copper system.

The key components of the two potential Joint Ventures are:

#### Palmani

- Minimum expenditure commitment for first year US\$250,000.
- Total expenditures (over five years) of US\$10 million and 5000 metres of drilling to earn a 40% interest.
- After exercise of the first option, Rio Tinto have 90 days to elect to resume management of the project or grant a second option for a further 3 years with expenditures of US\$15 million for CYU to gain a further 20% (to a 60% total).

#### Caramasa

- Minimum expenditure commitment for first year US\$250,000.
- Total expenditures (over five years) of US\$8 Million and 5000 metres of drilling to earn a 40% interest.
- After exercise of the first option Rio Tinto have 90 days to elect to resume management of the project or grant a second option for a further 3 years with expenditures of US\$15 million for China Yunnan to gain a further 20% (to a 60% total).

If CYU exercise the first option for 40% and Rio Tinto decides to take over management and remain at 60%, then a joint venture company will be formed and each party will have to contribute its share of expenditure according to its equity share. There will be no "free carry" for either party. Only if one party does not contribute it will be diluted. CYU can withdraw at any time after meeting the first year expenditure commitment.

At the date of this report CYU has yet to earn an interest in the Tenements.

### Cloncurry North and Waterford (pending shareholder approval)

CYU has signed a Letter of Intent ("LOI") with Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX).

The LOI proposes that subject to the related government and shareholder approvals, YEX will execute the Cloncurry North Projects Joint Venture Agreement ("Agreement") in order to farm in and subsequently obtain the opportunity of earning up to a 55% and potentially higher interest under standard dilution formulas. Subject to the Agreement being executed by the Parties, the Agreement is intended to create binding and enforceable obligations on CYU and YEX.

CYU will grant YEX the exclusive right to earn at least 55% participating interest in the Tenements, free of all encumbrances (Farm-in Interest), by incurring expenditure of A\$5,000,000 (AUD) on the tenements, which is approved and confirmed by a management committee.

## NOTE 22 JOINT VENTURES (continued)

For YEX to be granted the Farm-in Interest, YEX must make a minimum expenditure of:

- (a) Not less than A\$1,200,000.00 of expenditure before the first anniversary of the agreement date earning 10% participating interest in the properties;
- (b) Additional A\$1,800,000.00 of expenditure before the second anniversary of the agreement date earning extra 20% participating interest in the properties;
- (c) Additional A\$2,000,000.00 of expenditure before the third anniversary of the agreement date earning extra 25% participating interest in the properties;

The execution of the CYU Cloncurry North Projects Joint Venture Agreement is subject to the related regulatory approvals and any shareholder approvals required.

### Laos (pending shareholder approval)

CYU has signed an agreement to purchase 51% interest in a Chinese registered Resource Company, Sanmu Mining Limited, to explore for and develop existing mineral deposits in Laos and Asia. Sanmu Mining Limited holds 100% of four properties in northern Laos.

CYU will invest AUD\$2.8 million (in 3 equal stages over the 12 months following final approvals for the transaction) to acquire a 51% percent interest in Sanmu Mining Limited, a Chinese registered company holding near development copper silver projects in northern Laos within transport distance of existing processing centres in southern Yunnan Province, the Peoples' Republic of China, subject to regulatory and shareholder approvals.

This agreement is subject to obtaining government approvals in China and Australia and also CYU shareholder approval.

### Share of Commitments and Contingencies relating to the Joint Ventures

The Consolidated Entity's share of minimum committed expenditure resulting from the above joint venture arrangements for future periods is \$516,254. This amount is due to expended in the coming financial year.

The Consolidated Entity has no share in any contingent assets, contingent liabilities or guarantees resulting from the above joint venture arrangements.

## NOTE 23 FINANCIAL RISK MANAGEMENT

The 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 foreign exchange risk.

There have been no substantive changes in the 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 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 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 2011.

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 credit quality of cash and cash equivalents is considered strong. The counterparty to these financial assets are large financial institutions with strong credit ratings.

**NOTE 23 FINANCIAL RISK MANAGEMENT (continued)**

**Maximum exposure to credit risk**

	2011 \$	2010 \$
Non-trade receivables	207,502	313,970
Security deposits	29,635	44,195
Cash and cash equivalents	11,545,523	1,585,996
	<b>11,782,660</b>	<b>1,944,161</b>

**Ageing of receivables**

Not past due	207,502	313,970
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	<b>207,502</b>	<b>313,970</b>

None of the past due receivables at 30 June 2011 were impaired because it is expected that these amounts will be received in full in the normal course of business.

**(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 table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2011 \$	2010 \$
<i>Less than one year</i>		
Trade and other payables	374,956	400,445
Finance leases	30,000	-
<i>One to five years</i>		
Finance leases	5,000	-
	<b>409,956</b>	<b>400,445</b>

**(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).

**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. The Consolidated Entity has no interest bearing financial liabilities subject to variable interest rates, and the majority of its cash holdings are fixed rate deposits.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, namely variable rate cash holdings.

**NOTE 23 FINANCIAL RISK MANAGEMENT (continued)**

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 \$	2010 \$	2011 \$	2010 \$
+1.00% (100 basis points)	37,079	15,860	37,079	15,860
-1.00% (100 basis points)	(37,079)	(15,860)	(37,079)	(15,860)

**Foreign Currency Risk**

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 30 June 2011, the Consolidated Entity had the following exposure to foreign currency:

	2011 \$	2010 \$
<b>Financial Assets:</b>		
Cash and cash equivalents – US Dollar	53,073	6,463
Cash and cash equivalents – Chinese Yuan	1,008,382	-
Trade and other receivables– US Dollar	4,031	566
	<b>1,055,486</b>	<b>7,029</b>
<b>Financial Liabilities:</b>		
Trade and other payables– US Dollar	16,901	5,822

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 \$	2010 \$	2011 \$	2010 \$
+10.00%	104,859	121	104,859	121
-10.00%	(104,859)	(121)	(104,859)	(121)

**(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 Consolidated Entity may seek to issue new shares.

Consistent with other exploration companies, the Consolidated Entity 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. The Consolidated Entity has no minimum capital requirements.

The Consolidated Entity has yet to establish a formal policy for raising capital through debt instruments. The directors will introduce such a policy when it becomes prudent for the Consolidated Entity to consider raising funds through debt.

**(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.

	2011 \$	2010 \$
<b>NOTE 24 COMMITMENTS</b>		
<b>Operating leases</b>		
<i>Minimum lease payments:</i>		
Payable within one year	<b>19,145</b>	-
Total contracted at balance date	<b>19,145</b>	-

The minimum future payments above relate to non-cancellable operating leases for offices and accommodation.

#### Finance leases

<i>Future minimum lease payments:</i>		
Payable within one year	<b>30,000</b>	-
Payable between one year and five years	<b>5,000</b>	-
	<b>35,000</b>	-
Less future interest payments	<b>(2,619)</b>	-
	<b>32,381</b>	-
<i>Present value of minimum lease payments:</i>		
Current (Note 14)	<b>27,459</b>	-
Non-Current (Note 14)	<b>4,922</b>	-
	<b>32,381</b>	-

The minimum future payments above relate to a finance lease arrangement with China Yunnan Copper (Australia) Investment and Development Co Limited, an entity related to Zewen Yang. The finance lease is a subject to an interest rate of 12.65%. The lease relates to exploration equipment with a written down value of \$39,852. Under the term of the lease, the Consolidated Entity has the option to acquire the leased asset for \$1 at the end of the lease.

#### Future exploration

The Consolidated Entity 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 Consolidated Entity.

<i>Exploration obligations to be undertaken:</i>		
Payable within one year	<b>690,660</b>	674,417
Payable between one year and five years	<b>141,136</b>	2,314,946
	<b>831,796</b>	2,989,373

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 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2011.

## NOTE 26 SEGMENT REPORTING

### Reportable Segments

The principal geographical areas of operation of the Consolidated Entity are as follows:

- Chile
- Australia

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

### Segment Revenues and Results

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the periods under review.

<b>30 June 2011</b>	<b>Chile</b> \$	<b>Australia</b> \$	<b>Consolidated</b> \$
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity	-	215,733	215,733
Other unallocated revenue	-	-	-
<b>Total Revenue</b>	-	215,733	215,733
Segment result	(271,827)	(1,757,880)	(2,029,707)
Income tax	-	-	-
<b>Net Loss</b>	(271,827)	(1,757,880)	(2,029,707)
 <u>Non-cash items included in loss above:</u>			
Depreciation and amortisation	959	75,547	76,506
Share based payments	-	108,977	108,877
Impairment of exploration expenditure	-	544,220	544,220
 <b>Assets:</b>			
Segment assets	583,441	18,773,577	19,357,018
Unallocated corporate assets	-	-	-
<b>Consolidated Total Assets</b>	583,441	18,773,577	19,357,018
<b>Liabilities:</b>			
Segment liabilities	16,901	447,039	463,940
Unallocated corporate liabilities	-	-	-
<b>Consolidated Total Liabilities</b>	16,901	447,039	463,940
 <u>Segment acquisitions:</u>			
Acquisition of property, plant and equipment	15,270	115,640	130,910
Capitalised exploration expenditure	511,193	2,200,792	2,711,985
 <u>Details on non-current assets:</u>			
Trade and other receivables	-	29,635	29,635
Plant and equipment	14,311	261,144	275,455
Exploration expenditure	536,490	6,706,591	7,243,081
	550,801	6,997,370	7,548,171

**NOTE 26 SEGMENT REPORTING (continued)**

<b>30 June 2010</b>	<b>Chile \$</b>	<b>Australia \$</b>	<b>Consolidated \$</b>
<b>Revenue:</b>			
Revenue from outside the Consolidated Entity	-	102,808	102,808
Other unallocated revenue			-
<b>Total Revenue</b>			<b>102,808</b>
Segment result	(2,565)	(3,257,019)	(3,259,584)
Income tax			-
<b>Net Loss</b>			<b>(3,259,584)</b>
<u>Non-cash items included in loss above:</u>			
Depreciation and amortisation	-	(55,049)	(55,049)
Share based payments	-	(217,092)	(217,092)
Impairment of exploration expenditure	-	(1,986,924)	(1,986,924)
<b>Assets:</b>			
Segment assets	32,326	7,598,493	7,360,819
Unallocated corporate assets			-
<b>Consolidated Total Assets</b>			<b>7,360,819</b>
<b>Liabilities:</b>			
Segment liabilities	5,822	427,670	433,492
Unallocated corporate liabilities			-
<b>Consolidated Total Liabilities</b>			<b>433,492</b>
<u>Segment acquisitions:</u>			
Acquisition of property, plant and equipment	-	97,186	97,186
Capitalised exploration expenditure	25,297	2,955,316	2,980,613
<u>Details on non-current assets:</u>			
Trade and other receivables	-	44,195	44,195
Plant and equipment	-	221,051	221,051
Exploration expenditure	25,297	5,158,065	5,183,362
	25,297	5,423,311	5,448,608

**NOTE 27 BUSINESS COMBINATIONS**

In the prior year, the Company acquired Humitos Pty Ltd from Rey Resources Limited for \$200,000. Humitos Pty Ltd holds tenements in the Humitos Copper Porphyry property in the Copiapo District of northern Chile.

At the time of the transaction the net fair value of the identifiable assets and liabilities of Humitos Pty Ltd was \$200,000. Its assets and liabilities were, in summary, made up as follows:

	<b>2010 \$</b>
<b>Assets</b>	
Cash and cash equivalents	2
Exploration expenditure	199,998
	<u>200,000</u>
<b>Liabilities</b>	
	-
<b>Net assets acquired</b>	<u>200,000</u>

Humitos Pty Ltd did not trade during the year and it did not contribute to the results of the Consolidated Entity.

## NOTE 28 EVENTS AFTER BALANCE SHEET DATE

On 8 September, China Yunnan Copper Australia Chile Limitada a Chilean subsidiary of Chinalco Yunnan Copper Resources Limited (ASX code CYU) signed a new earn-in with option to joint venture agreement with Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration) covering the copper porphyry exploration property Candelabro, in northern Chile.

The key components of the potential Joint Venture are:

- Minimum expenditure commitment for first year US\$250,000.
- Total expenditures (over five years) of US\$8 million and 5000 metres of drilling to earn a 40% interest.
- After exercise of the first option, Rio Tinto have 90 days to elect to resume management of the project or grant a second option for a further 3 years with expenditures of US\$15 million for CYU to gain a further 20% (to a 60% total).

There have been no other events since 30 June 2011 that impact upon the financial report.

## NOTE 29 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is Chinalco Yunnan Copper Resources Limited.

	2011	2010
	\$	\$
<b>Parent Entity Financial Information</b>		
Current assets	11,714,832	1,905,180
Non-current assets	7,971,966	5,477,627
<b>Total assets</b>	<b>19,686,798</b>	<b>7,382,807</b>
Current liabilities	442,112	427,669
Non-current liabilities	4,922	23,450
<b>Total liabilities</b>	<b>447,034</b>	<b>451,119</b>
<b>Net assets</b>	<b>19,239,764</b>	<b>6,931,688</b>
Share capital	25,169,630	11,212,656
Share based payment reserve	353,257	244,280
Accumulated losses	(6,283,123)	(4,525,248)
<b>Total equity</b>	<b>19,239,764</b>	<b>6,931,688</b>
Loss after income tax	(1,757,875)	(3,257,017)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,757,875)</b>	<b>(3,257,017)</b>

## Controlled Entities of the Parent Entity

	Percentage Owned		Country of Incorporation
	2011	2010	
	%	%	
Humitos Pty Ltd	100%	100%	Australia
China Yunnan Copper Australia Limitada	100%	100%	Chile

## Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity. Refer to Note 24 for details.

The Parent Entity has no contingent assets, contingent liabilities or guarantees at balance date.

## DIRECTORS' DECLARATION

In the Directors opinion:

- (a) the attached financial statements and notes as set out on pages 19 to 48, and the remuneration report in the Directors' Report set out on pages 8 to 12 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 Consolidated Entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) 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

9 September 2011



## **Independent auditor's report to the members of Chinalco Yunnan Copper Resources Limited (formerly China Yunnan Copper Australia Limited)**

### **Report on the financial report**

We have audited the accompanying financial report of Chinalco Yunnan Copper Resources Limited (formerly China Yunnan Copper Australia Limited) ("the Company") and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated balance sheet as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the disclosing entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control 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 Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, 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 of the financial report that gives a true and fair view 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (Including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) 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 8 to 12 of the directors' report for the year ended 30 June 2011. 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 auditing standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Chinalco Yunnan Copper Resources Limited (formerly China Yunnan Copper Australia Limited) for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Mark Epper  
*Partner*

Sydney

9 September 2011