



China Yunnan Copper Australia Limited

ABN 29 070 859 522

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Paul Marshall

| | |
|---|---|
| <p>Registered Office</p> <p>Level 5 Santos House, 60 Edward Street, Brisbane QLD 4000</p> <p>Telephone: 07 3303 0653 Facsimile: 07 3303 0601 Email: admin@cycal.com.au Website: www.cycal.com.au</p> | <p>Solicitors</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>Auditors</p> <p>WHK Horwath Level 16, William Buck Centre 120 Edward Street Brisbane QLD 4000</p> <p>Telephone: 07 3233 3555 Fax: 07 3210 6183 Website: www.whkhorwath.com.au</p> | <p>Share Registry</p> <p>Link Market Services Limited Level 22 300 Queen Street Brisbane QLD 4000</p> <p>Telephone: 1300 554 474 Facsimile: 02 9287 0303 Website: www.linkmarketservices.com.au</p> |

CONTENTS

| | |
|---|-------|
| Directors' Report including Remuneration Report | 4-14 |
| Auditor Independence Declaration | 15 |
| Additional Stock Exchange Information | 16-17 |
| Corporate Governance Statement | 18-21 |
| Income Statement for the year ended 30 June 2008 | 22 |
| Balance Sheet as at 30 June 2008 | 23 |
| Statement of Changes to Equity for the year ended 30 June 2008 | 24 |
| Cash Flow Statement for the year ended 30 June 2008 | 25 |
| Notes to the Financial Statements for the year ended 30 June 2008 | 26-40 |
| Directors' Declaration | 41 |
| Independent Audit Report | 42-43 |

DIRECTORS' REPORT

Your directors present their report on China Yunnan Copper Australia Limited for the year ended 30 June 2008.

DIRECTORS

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

Norm Zillman - Non-Executive Co-Chairman

BSc, BSc(Hons), MAusIMM, MPESA

Mr Zillman is a professional geologist with over 40 years experience in exploration and production in the petroleum, coal and mineral industries in Australia and internationally. His initial training was as a petroleum geologist with international companies Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia and Australia. Mr Zillman has held the positions of Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach Petroleum NL. From 1994 to early 1998, Mr Zillman was Regional Manager of Northern Queensland for the Queensland Department of Mines and Energy, based in Charters Towers, where he supervised all aspects of mineral exploration and mining activities in that region including among others, the Ravenswood, Pajingo, Mt Leyshon and Thalanga mines.

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

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

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

| | |
|----------------------|------------------------|
| Hot Rock Limited | Chairman |
| Burleson Energy | Chairman |
| Enterprise Energy NL | Non-executive Director |

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

Blue Energy Limited
Great Artesian Oil and Gas Limited
Planet Gas Limited

Mr Chao Yang - Non-Executive Co-Chairman

Dip Cert Admin Management, Dip Admin Management

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

Mr Yang has 34 years experience in the mining and metallurgical industries in China. He worked for major companies including Yunnan Tin Corporation Limited and Gejiu Xidu Industrial Co. Limited. He began his resources career as a Secretary-General of a smelting division of Yunnan Tin Corporation and was then appointed General Manager and Director of the company. His experience with Yunnan Tin Corporation ranged from daily management and administration of a division to strategy making and

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

implementation for the entire group. Under his management, Yunnan Tin Corporation became one of the most profitable state-owned companies in China and it remains the world's leading tin producer.

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

Mr Jason Beckton - Managing Director

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

Mr Beckton is a professional geologist with over 16 years experience in exploration, project development, production and management both in Australia and internationally.

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

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

Mr Zewen Yang - Executive Director

BA, MComm, MAICD

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

Mr Yang has had 15 years experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China Non-Ferrous Metals Import and Export Company and has been with the Yunnan Copper Industry (Group) Co. Limited. since March 2004.

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

Mr Liang Zhong - Non Executive Director

BA, M Economics, Chinese CPA

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

Mr Zhong has 25 years experience in the mining and metallurgical industry in China. He worked for major companies including Yunnan Tin Corporation Limited. and Shenzhen Tianyi Industry Co., Limited. before being appointed to his current position with Yunnan Copper Industry (Group) Co. Limited in 1996. He has extensive knowledge and experience in corporate financing, equity raisings, management accounting, and investment.

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

Dr Mark Elliott - Non Executive Director

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

Dr Elliott is a chartered professional geologist with over 32 years experience in economic geology, exploration, mining, project development and corporate management. Dr Elliott commenced his career with Anaconda Inc in eastern Australia before founding his own geological consulting firm in the early 1980s. He has extensive experience in managing companies and exploration/mining operations in a wide range of commodities including base metals and gold.

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

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

| | |
|------------------------------|------------------------|
| Hot Rock Limited | Managing Director |
| Hemisphere Resources Limited | Non-executive Director |
| Enterprise Energy NL | Non-executive Director |

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

Hawk Resources Limited

Interests in the shares and options of the company

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

| Director | Ordinary Shares | Options |
|------------------|-----------------|------------|
| Mr Norm Zillman | 8,105,639 | - |
| Mr Chao Yang # | 16,428,571 | 16,428,571 |
| Dr Mark Elliott | 7,000,000 | - |
| Mr Jason Beckton | 250,000 | - |
| Mr Liang Zhong # | 16,428,571 | 16,428,571 |
| Mr Zewen Yang # | 16,428,571 | 16,428,571 |

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

SECRETARY

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

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 more than 20 years in the accountancy profession having worked for Ernst and Young for ten years, and subsequently over ten 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 during the financial period was mineral exploration. There were no significant changes in the nature of the company's principal activity during the financial period.

OPERATING RESULTS

For the year ended 30 June 2008, the loss from ordinary activities for the company after providing for income tax was \$424,926 (2007: \$36,148).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period.

REVIEW OF OPERATIONS

Since listing late 2007, CYU has had a two pronged strategy of project generation and exploration of high quality copper, gold and uranium projects in eleven wholly owned Exploration Permit for Minerals (EPM's) in the highly mineralised Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier of Queensland, Australia.

The first two quarters of the company's existence as a listed entity saw it carrying out field programs on the Cloncurry, Mt Isa, Clermont and Pentland projects. Details of these programs are outlined below. All tenements are 100% owned by the company.

CYU has opened fully staffed offices at Mt Isa and Charters Towers during the year. This has enabled an intense field program on the four operational projects of Cloncurry, Mt Isa, Pentland and Clermont (Ravenswood is operated by Newmont) and has allowed senior management time to evaluate multiple acquisition opportunities in Australia and offshore. Advanced near-production projects are sought and a number of opportunities are in the advanced stage of evaluation.

The Cloncurry Project was the focus of mapping, ground magnetics and induced polarisation programs and reverse circulation and diamond drilling programs. Significant results were returned from the FC4 prospect (94m @ 0.16% Cu) as well as the One Tree Hill trend. Field mapping and associated rock chip sampling generated drill targets for the Mavis, Cobb and Emu trends which have been drilled and await assay results at report date.

For the Mt Isa Project, sampling and mapping of mineralised structures commenced recently on EPM15248. Acquisition of sub metre accuracy Quickbird™ satellite imagery will assist the mapping of various undrilled prospects including old production centres throughout the remarkably under drilled Mt Isa tenement package.

The Pentland Project, which is run out of the new Charters Towers office, has delivered significant encouragement in terms of gold ounce plus vein targets at the Toomba prospect. In addition to this, induced polarisation and soil sampling has generated anomalies over the Gap, Ralphs Ridge and Toomba prospects which are expected to be drill ready by November 2008.

The Clermont Project is an early stage project with minor amounts of sampling completed prior to the formation of CYU. A program of reconnaissance mapping has been instigated as a lower priority to the Pentland tenure.

The Ravenswood Project is subject to the Starathalbyn JV which is managed by Newmont. Newmont and partner, Sipa Gold, are earning up to 80% of the project. Newmont has now followed up all stream sediment anomalies highlighted by Sipa's work completed in 2006. Further work will involve continued rock chipping and possible soil grid programs. Any defined anomalous areas should be advanced to geological mapping, followed by geophysical surveys where necessary to assist with future drill targeting.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

On EPM 15057 Newmont identified those areas of the tenement most likely to contain equivalents of the Mt Janet Andesite (host rock at Pajingo). A stream sediment (Newmont BLEG) and rock chip sampling program began focusing on these areas in August. The sampling program covers some particularly rugged portions of the Leichart Ranges and will be partially supported by helicopter.

Corporate activity during the year included project reviews targeting additional Australian exploration assets, as well as the possible acquisition of an offshore project. The Company believes market conditions will favour enterprises that are seeking to acquire advanced projects.

REVIEW OF FINANCIAL CONDITION

Capital structure

During the 2008 financial year a total of 41,728,571 shares were issued during the year, 600,000 shares were issued in relation to the acquisition of a project, while the remainder were issued either as seed capital, by way of a placement to China Yunnan Copper Australia Investments and Development Limited or as part of the initial IPO of the company. A total of \$6.913 million (before issue costs) was received in relation to these share issues. At 30 June 2008 the company had 77,616,073 ordinary shares and 18,428,571 unlisted options on issue.

Financial position

The net assets of the company have increased by \$6,003,994 from \$443,430 at 30 June 2007 to \$6,447,424 at 30 June 2008. This increase has largely resulted from the following factors:

- The IPO of the company in October 2007
- Placement of shares to Yunnan Copper
- Capitalisation of exploration expenditure

The company's working capital, being current assets less current liabilities has increased from \$99,563 in 2007 to \$4,466,245 at 30 June 2008.

During the past year the company has invested in the advancement of its exploration permits held.

Treasury policy

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

Liquidity and funding

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2008 financial year the company

- Entered into an agreement for a \$2.3 million cornerstone investment by China Yunnan Copper (Australia) Investment & Development Co. Limited, a subsidiary of Yunnan Copper Industry (Group) Co Limited which is China's third largest copper producer and the largest silver and bismuth producer.
- raised \$4,000,000 and listed on the Australian Securities Exchange.
- commenced exploration work following the IPO.

Apart from the items noted above were no significant changes in the state of affairs of the company that occurred in the financial period.

AFTER BALANCE DATE EVENTS

There have been no events since 30 June 2008 that impact upon the financial report as at 30 June 2008.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

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

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT

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

Remuneration Policy

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

Remuneration Committee

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

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

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

Remuneration structure

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

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

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

Non-Executive Director Remuneration

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

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

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

The remuneration of Non-Executive Directors for the year ending 30 June 2008 is detailed in this Remuneration Report.

Managing Director and Senior Management remuneration

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

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

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

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

The remuneration of the Executive Director and Senior Management for the period ending 30 June 2008 is detailed in this Remuneration Report.

Employment contracts

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

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

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

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

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

(a) Details of Directors and other Key Management Personnel

(i) Directors

Norm Zillman - Co-Chairman

Mr Chao Yang - Co-Chairman

Jason Beckton - Managing Director from 10/03/08

Robert Yang - Executive Director from 1/7/08

Mr Liang Zhong - Non-Executive Director

Dr Mark Elliott Non Executive Director (Managing Director until 10/3/08)

(ii) Key Management Personnel

Paul Marshall - Company Secretary and CFO.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

(b) Remuneration of Directors and other Key Management Personnel

The Key Management Personnel are also the five most highly paid Executive Officers of the company for the year ended 30 June 2008.

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

| 2007 | Short Term | | Post-Employment | | Share-based Payment# Options | Total | Performance Related % | % consisting of options |
|--|---------------|------------|-------------------|----------------|------------------------------|---------------|-----------------------|-------------------------|
| | Salary & Fees | Cash Bonus | Non-cash benefits | Superannuation | | | | |
| Specified Directors | | | | | | | | |
| Norm Zillman | - | - | - | - | - | - | - | - |
| Lorraine Zillman (resigned 28/2/07) | - | - | - | - | - | - | - | - |
| Mark Elliott | 7,000 | - | - | - | - | 7,000 | - | - |
| Richard Haren (resigned 30/7/07) | 6,752 | - | - | - | - | 6,752 | - | - |
| Bruce Wood (resigned 30/7/07) | - | - | - | - | - | - | - | - |
| | 13,752 | - | - | - | - | 13,752 | - | - |

(c) Options issued as part of remuneration for the year ended 30 June 2008

There were no compensation options granted in the 2008 financial years

(d) Options granted as part of remuneration

No compensation options have been granted as part of remuneration.

(e) Shares issued on exercise of remuneration options

No compensation options have been granted as part of remuneration.

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 |
| Chao Yang (appointed 30/1/08) | 2 | 2 |
| Mark Elliott | 4 | 4 |
| Jason Beckton (appointed 31/7/07) | 4 | 4 |
| Liang Zhong (appointed 30/1/08) | 2 | 2 |
| Zewen Yang (appointed 1/8/07) | 4 | 4 |
| Shaolu Zou (appointed 1/8/07, resigned 30/1/08) | 2 | 2 |
| Weiping Yu (appointed 1/8/07, resigned 30/1/08) | 2 | 2 |
| Richard Haren (resigned 30/7/07) | 0 | 0 |
| Bruce Wood (resigned 30/7/07) | 0 | 0 |
| A - Number of meetings attended | | |
| B - Number of meetings held during the time the director held office during the year | | |

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

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

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

The company has not indemnified its auditor.

OPTIONS

As at the date of this report (and at the balance date) there were 18,428,571 unissued ordinary shares under options as follows:

| 2008 Terms | 01-Jul-07 | additions | exercised | expired | 30-Jun-08 |
|--------------------------------|-----------|------------|-----------|---------|------------|
| 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 |
| | - | 18,428,571 | - | - | 18,428,571 |

During the year ended 30 June 2008 no shares were issued following the exercise of options.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

| | |
|--------------------------------------|----------|
| Due diligence in relation to the IPO | \$20,000 |
| Tax services | \$2,500 |

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 15.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of China Yunnan Copper Australia Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement can be found on pages 18-21.

Signed in accordance with a resolution of the directors.

Jason Beckton
Director
Brisbane 30 September 2008



China Yunnan Copper Australia Ltd

ABN 29 070 859 522

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 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.

WHK HORWATH

DON. W. LANGDON
PRINCIPAL

Dated: 30 September 2008

Liability Limited by a scheme approved under Professional Standards Legislation

Total Financial Solutions



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

Member Horwath International

WHK Horwath Brisbane

Level 16, WHK Horwath Centre 120 Edward Street

Brisbane Queensland 4000 Australia

GPO Box 736 Brisbane Queensland 4001 Australia

Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183

Email info.bri@whkhorwath.com.au www.whkhorwath.com.au

A WHK Group firm

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 12 September 2008.

(a) Distribution of equity securities

CYU - Ordinary Fully Paid Shares

| Number of Securities Held | No's of holders |
|---------------------------|-----------------|
| 1 to 1,000 | 42 |
| 1,001 to 5,000 | 144 |
| 5,001 to 10,000 | 270 |
| 10,001 to 100,000 | 196 |
| 100,001 and over | 47 |
| | 699 |

| | |
|--|-----|
| Number of shareholders holding less than a marketable parcel of shares | 154 |
|--|-----|

(b) Twenty largest holders

CYU - Ordinary Fully Paid Shares

| No. | Name of Shareholder | Holding | % Held |
|-----|--|------------|--------|
| 1 | China Yunnan Copper (Australia) Investment And Development Co | 16,428,571 | 21.17% |
| 2 | Mr Norman Joseph Zillman | 8,000,000 | 10.31% |
| 3 | Elliott Nominees Pty Ltd <Elliott Exploration Co S/F A/C> | 7,000,000 | 9.02% |
| 4 | Flatoak Pty Ltd | 5,000,000 | 6.44% |
| 5 | Ms Maria Antoinette Greer | 4,000,000 | 5.15% |
| 6 | Mr Bruce James Wood | 3,000,000 | 3.87% |
| 7 | Hipete Pty Ltd <PJ Thomson S/F A/C> | 2,473,042 | 3.19% |
| 8 | Yunnan & Hong Kong Metal Co. Ltd | 2,400,000 | 3.09% |
| 9 | Richard John Haren & Susan Mary Haren <ATF R & S Haren Super Fund A/C> | 2,000,000 | 2.58% |
| 10 | King Faith Group Limited | 1,600,000 | 2.06% |
| 11 | Ms Julie Heath McConaghy | 1,400,000 | 1.80% |
| 12 | Pacific Capital Securities Pty Ltd | 1,172,855 | 1.51% |
| 13 | Biscay Investments Limited | 1,000,000 | 1.29% |
| 14 | Hipete Pty Limited | 1,000,000 | 1.29% |
| 15 | Mr Ross Thomas | 1,000,000 | 1.29% |
| 16 | Timing Technology Co Ltd | 800,000 | 1.03% |
| 17 | Mr Roger Gary Huth & Mrs Jennifer Ann Huth | 700,000 | 0.90% |
| 18 | Clyde Doxford | 600,000 | 0.77% |
| 19 | Timing Technology Company Limited | 600,000 | 0.77% |
| 20 | Clear Star Holdings Pty Ltd | 600,000 | 0.77% |
| | | 60,774,468 | 78.30% |

(c) Restricted Securities

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

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

(d) Business objectives

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

(e) Voting Rights

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

(f) Interests In Exploration Tenements

China Yunnan Copper Australia Limited held the following interests in mining and exploration tenements as at 12 September 2008:

QUEENSLAND

| Type | Location | Status | Grant / Application Date | Expiry Date | CYU Interest |
|-----------|------------|---------|--------------------------------|-------------|--------------|
| EPM 11487 | Pentland | Granted | 31/08/2004 | 30/08/2009 | 100% |
| EPM 11602 | Ravenswood | Granted | 14/03/2005 | 13/03/2010 | 100% |
| EPM 11982 | Ravenswood | Granted | 30/03/2005 | 29/03/2010 | 100% |
| EPM 12205 | Cloncurry | Granted | 6/09/2004 | 5/09/2009 | 100% |
| EPM 12900 | Pentland | Granted | 2/09/2004 | 1/09/2009 | 100% |
| EPM 12901 | Pentland | Granted | 2/09/2004 | 1/09/2009 | 100% |
| EPM 12928 | Clermont | Renewal | 19/05/2006 | 18/05/2008 | 100% # |
| EPM 15057 | Ravenswood | Granted | 20/10/2006 | 19/10/2011 | 100% |
| EPM 15084 | Cloncurry | Granted | 11/08/2006 | 10/08/2011 | 100% |
| EPM 15095 | Cloncurry | Granted | 11/08/2006 | 10/08/2011 | 100% |
| EPM 15248 | Mt Isa | Granted | 25/09/2007 | 24/09/2012 | 100% |

A renewal application has been lodged for this tenement and it is Pending Renewal with Department of Mines and Energy Queensland.

CORPORATE GOVERNANCE STATEMENT

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

China Yunnan Copper Australia Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, 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. Encourage enhanced performance
- Principle 9. Remunerate fairly and responsibly
- Principle 10. Recognise the legitimate interests of stakeholders

The board endorses the March 2003 ASX Principles of Good Corporate Governance and Best Practice Recommendations, and has adopted corporate governance charters and policies reflecting those recommendations to the extent appropriate having regard to the size and circumstances of the Company. The Company is committed to ensuring that its corporate governance systems maintain the Company's focus on transparency, responsibility and accountability. For further information on corporate governance policies adopted by China Yunnan Copper Australia Limited, refer to our website: www.cycal.com.au.

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. |

| Recommendation Reference | Notification of Departure | Explanation for Departure |
|--------------------------|--|---|
| 4.2, 4.3, 4.4 | 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. |
| 9.2 | 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 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 Directors' Report. Directors of China Yunnan Copper Australia Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of Director independence "materiality" is considered from both the company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively material on the following basis - balance sheet items are material if they have a value of more than 5% of pro-forma net assets and profit and loss items are material if they will have an impact on the current year operating result of 10% or more. Qualitative factors considered include 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.

| Name | Position | Reason for not being Independent |
|---------------|-------------------------------------|---|
| Norm Zillman | Co Chairman | Mr Zillman is a substantial shareholder in the company |
| Chao Yang | Co Chairman | Mr Yang is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the company. |
| Mark Elliott | Non-Executive Director | Dr Elliott is a substantial shareholder of the company |
| Jason Beckton | Managing Director | Mr Beckton is employed in an executive capacity |
| Liang Zhong | Non-Executive Director | Mr Zhong is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the company. |
| Zewen Yang | Executive Director (from 1/7/08) | Mr Yang is employed in an executive capacity |

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

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

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

| Name | Term in Office |
|------------------|-------------------|
| Mr Norm Zillman | 10 years 9 months |
| Mr Chao Yang | 8 months |
| Dr Mark Elliott | 2 years 4 months |
| Mr Jason Beckton | 1 year 2 months |
| Mr Liang Zhong | 8 months |
| Mr Zewen Yang | 1 year 2 months |

Trading Policy

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

Board committees

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

Remuneration and Nomination

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

Audit and Risk Management

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

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.

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

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

- performance incentives which allow Executives to share the rewards of the success of China Yunnan Copper Australia Limited

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

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

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

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.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

Income Statement
For the year ended 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|---|------|------------------|-----------------|
| Revenue | 2 | 269,484 | - |
| Employment and consultancy expenses | | (258,122) | (14,752) |
| Depreciation expense | | (7,496) | (1,427) |
| Finance costs | | (1,453) | - |
| Loss on disposal of fixed assets | | - | (5,247) |
| Other expenses from ordinary activities | | (427,339) | (14,722) |
| Profit/(loss) before income tax | 3 | <u>(424,926)</u> | <u>(36,148)</u> |
| Income tax expense | 4 | - | - |
| Profit/(loss) after income tax expense | | <u>(424,926)</u> | <u>(36,148)</u> |
| | | Cents | Cents |
| Earnings per share | | | |
| Basic loss per share | 7 | (0.60) | (0.11) |
| Diluted loss per share | 7 | (0.60) | (0.11) |

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

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

Balance Sheet
As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|----------------------------------|------|------------------|----------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 4,694,977 | 64,938 |
| Trade and other receivables | 9 | 35,336 | 3,157 |
| Financial assets | 10 | 1,091 | 1,091 |
| Other current assets | 10 | 10,231 | 34,460 |
| TOTAL CURRENT ASSETS | | 4,741,635 | 103,646 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 9 | 47,292 | 30,000 |
| Plant and equipment | 11 | 130,404 | - |
| Exploration expenditure | 12 | 1,803,484 | 313,777 |
| TOTAL NON-CURRENT ASSETS | | 1,981,179 | 343,777 |
| TOTAL ASSETS | | 6,722,814 | 447,423 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 268,267 | 3,993 |
| Short-term provisions | 14 | 7,123 | - |
| TOTAL CURRENT LIABILITIES | | 275,389 | 3,993 |
| TOTAL LIABILITIES | | 275,389 | 3,993 |
| NET ASSETS | | 6,447,425 | 443,430 |
| EQUITY | | | |
| Issued capital | 15 | 6,934,322 | 505,402 |
| Accumulated losses | 16 | (486,898) | (61,972) |
| TOTAL EQUITY | | 6,447,425 | 443,430 |

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

Statement of Changes in Equity
For the year ended 30 June 2008

Company

| | Share Capital | Accumulated Losses | Total |
|--------------------------------|------------------|-----------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2006 | 295,402 | (25,824) | 269,578 |
| Issue of share capital | 210,000 | - | 210,000 |
| Profit / (loss) for the year | - | (36,148) | (36,148) |
| Balance at 30 June 2007 | 505,402 | (61,972) | 443,430 |
| Issue of share capital | 6,913,000 | - | 6,913,000 |
| Share issue costs | (484,080) | - | (484,080) |
| Profit / (loss) for the year | - | (424,926) | (424,926) |
| Balance at 30 June 2008 | 6,934,322 | (486,898) | 6,447,425 |

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

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

Cash Flow Statement
For the year ended 30 June 2008

| | Note | Parent Entity | |
|--|------|-------------------------|----------------------|
| | | 2008 | 2007 |
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | - | - |
| Payments to suppliers and employees | | (488,338) | (33,203) |
| Interest received | | 248,103 | - |
| Interest paid | | (1,453) | - |
| Net cash used in operating activities | 20 | <u>(241,688)</u> | <u>(33,203)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Security deposit payments | | (17,292) | (15,000) |
| Payments for property, plant & equipment | | (137,900) | (4,454) |
| Payments for exploration and evaluation | | <u>(1,342,002)</u> | <u>(106,371)</u> |
| Net cash used in investing activities | | <u>(1,497,193)</u> | <u>(125,825)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 6,853,000 | 207,000 |
| Capital raising expenses | | <u>(484,080)</u> | - |
| Net cash provided by financing activities | | <u>6,368,920</u> | <u>207,000</u> |
| Net increase/(decrease) in cash and cash equivalents | | 4,630,039 | 47,971 |
| Cash and cash equivalents at the beginning of the financial year | | <u>64,938</u> | <u>16,966</u> |
| Cash and cash equivalents at the end of the financial year | 8 | <u><u>4,694,977</u></u> | <u><u>64,938</u></u> |

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

China Yunnan Copper Australia Ltd

Annual Financial Report 30 June 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the company of China Yunnan Copper Australia Limited. China Yunnan Copper Australia Limited is a listed public company, incorporated and domiciled in Australia.

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

Operations and principal activities

Principal activities comprise of mineral exploration.

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 30 September 2008.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company'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 company. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

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

Key estimates - impairment

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

Key judgements - exploration & evaluation expenditure

The economic 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.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies

(a) Principles of consolidation

A controlled entity is any entity China Yunnan Copper Australia Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. During the 2008 and 2007 financial years the company did not have any investments in controlled entities

(b) Income Tax

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

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

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

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

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

(c) Plant and Equipment

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

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

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

Depreciation

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

The depreciation rates used for each class of asset is:

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Exploration Evaluation and Development Expenditure

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

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

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

Restoration and rehabilitation

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

(e) Leases

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

(f) Financial instruments

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

(g) Impairment of assets

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

(h) Employee benefits

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

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

(i) Provisions

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

(j) Cash and cash Equivalents

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

(k) Revenue

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

(l) Goods & Services Tax

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

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

(m) Joint Ventures

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

(n) Foreign currency

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

(o) Contributed Equity

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

(p) Earnings per share

The company 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Payables and Accruals

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

(r) Comparative figures

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

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2008 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Company.

(iii) AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. As the Company does not have any defined benefits plans it is not expected to have any impact on the Company's financial statements.

(iv) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Company intends to apply the revised standard from 1 July 2009.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

| | 2008 \$ | 2007 \$ |
|--------------------------|------------|------------|
| NOTE 2 REVENUE | | |
| Operating activities | | |
| - bank interest received | 269,484 | - |

**NOTE 3 PROFIT/(LOSS) FROM
CONTINUING ACTIVITIES**

(a) Expenses

| | | |
|---------------------------------|---------|---------|
| Interest - non related parties | 1,453 | - |
| Depreciation | 7,496 | 1,427 |
| Employee benefits expense | | |
| - Salaries and consultancy fees | 527,402 | 404,854 |
| Operating lease payments | 44,525 | - |

NOTE 4 INCOME TAX EXPENSE

Major components of income tax expense for the years ended 30 June 2008 and 2007 are:

| | 2008 \$ | 2007 \$ |
|---|----------------|---------------|
| Income statement | | |
| A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2008 and 2007 is as follows: | | |
| Accounting profit (loss) before income tax | (424,926) | (36,148) |
| At the statutory income tax rate of 30% (2007: 30%) | (127,478) | (10,844) |
| Non-deductible expenses | 1,399 | - |
| Deferred tax assets not bought to account | 126,079 | 10,844 |
| Income tax expense | <u>-</u> | <u>-</u> |
| Effective income tax rate | 0% | 0% |
| Unrecognised temporary differences and tax losses | 2008 | 2007 |
| | \$ | \$ |
| Temporary differences | (547,460) | - |
| Tax losses | 692,529 | 18,461 |
| | <u>145,069</u> | <u>18,461</u> |

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

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

2008
\$

2007
\$

NOTE 5 AUDITORS' REMUNERATION

Remuneration paid to WHK Horwarth
for:

- auditing and reviewing the financial
report
- taxation services
- prospectus due diligence

| | |
|---------------|----------|
| 20,500 | - |
| 2,500 | - |
| 20,000 | - |
| <u>43,000</u> | <u>-</u> |

Remuneration paid to Ian Young for:

- auditing and reviewing the financial
report

| | |
|-----|-------|
| 750 | 1,050 |
|-----|-------|

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

NOTE 6 DIVIDENDS & FRANKING
CREDITS

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

2008
\$

2007
\$

NOTE 7 EARNINGS PER SHARE

(a) Reconciliation of Earnings to Profit
or Loss

Earnings used to calculate basic and
dilutive EPS

| | |
|-----------|----------|
| (424,926) | (36,148) |
|-----------|----------|

(b) Weighted average number of
ordinary shares outstanding during the
year

Weighted average number of dilutive
options outstanding

Weighted average number of ordinary
shares outstanding during the year
used in calculating EPS and dilutive
EPS

| | |
|-------------------|-------------------|
| 2008 Number | 2007 Number |
| 70,422,669 | 33,535,173 |
| - | - |
| <u>70,422,669</u> | <u>33,535,173</u> |

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

| | 2008 \$ | 2007 \$ |
|---|------------------|---------------|
| NOTE 8 CASH & CASH EQUIVALENTS | | |
| Cash on hand and at bank | 491,552 | 64,938 |
| Cash on deposit | 4,203,425 | - |
| | <u>4,694,977</u> | <u>64,938</u> |

Reconciliation of cash

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

| | | |
|---------------------------|------------------|---------------|
| Cash and cash equivalents | <u>4,694,977</u> | <u>64,938</u> |
|---------------------------|------------------|---------------|

NOTE 9 TRADE & OTHER RECEIVABLES

CURRENT

| | 2008 \$ | 2007 \$ |
|-------------------|---------------|--------------|
| Other receivables | <u>35,336</u> | <u>3,157</u> |

NON-CURRENT

| | | |
|---------------------------------------|---------------|---------------|
| Other receivables - security bonds | <u>47,292</u> | <u>30,000</u> |
|---------------------------------------|---------------|---------------|

NOTE 10 FINANCIAL AND OTHER CURRENT ASSETS

Financial Assets

| | | |
|--------------|--------------|--------------|
| Gold nuggett | <u>1,091</u> | <u>1,091</u> |
|--------------|--------------|--------------|

Other Current Assets

| | | |
|-------------|---------------|---------------|
| Prepayments | <u>10,231</u> | <u>34,460</u> |
|-------------|---------------|---------------|

NOTE 11 PROPERTY, PLANT & EQUIPMENT

Plant and equipment

| | | |
|--------------------------|--------------|----------|
| At cost | 6,810 | - |
| Accumulated depreciation | (322) | - |
| | <u>6,488</u> | <u>-</u> |

Motor Vehicles

| | | |
|--------------------------|---------------|----------|
| At cost | 69,756 | - |
| Accumulated depreciation | (703) | - |
| | <u>69,053</u> | <u>-</u> |

Computers, and office equipment

| | | |
|--------------------------|---------------|----------|
| At cost | 61,334 | - |
| Accumulated depreciation | (6,471) | - |
| | <u>54,863</u> | <u>-</u> |

Total plant and equipment

| | | |
|--|----------------|----------|
| | <u>130,404</u> | <u>-</u> |
|--|----------------|----------|

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

(a) Movements in carrying amounts

| | Plant and equipment | Motor Vehicles | Computers and office equipment | Total |
|-------------------------|------------------------|----------------|--------------------------------------|---------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2006 | - | - | 2,220 | 2,220 |
| Additions | - | - | 5,364 | 5,364 |
| Disposals | - | - | (6,157) | (6,157) |
| Depreciation expense | - | - | (1,427) | (1,427) |
| Balance at 30 June 2007 | - | - | - | - |
| Balance at 1 July 2007 | - | - | - | - |
| Additions | 6,810 | 69,756 | 61,334 | 137,900 |
| Depreciation expense | (322) | (703) | (6,471) | (7,496) |
| Balance at 30 June 2008 | 6,488 | 69,053 | 54,863 | 130,404 |

NOTE 12 EXPLORATION
EXPENDITURE

NON-CURRENT

Exploration expenditure capitalised

| | 2008 \$ | 2007 \$ |
|--------------------------------|------------------|----------------|
| - Opening balance | 313,777 | 210,495 |
| - Net current year expenditure | 1,489,707 | 103,282 |
| - Write off in current year | - | - |
| | <u>1,803,484</u> | <u>313,777</u> |

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

CURRENT

| | 2008 \$ | 2007 \$ |
|-----------------------------------|----------------|--------------|
| Trade payables | 48,254 | 1,403 |
| Other payables & accrued expenses | 220,013 | 2,590 |
| | <u>268,267</u> | <u>3,993</u> |

NOTE 14 PROVISIONS

CURRENT

| | 2008 \$ | 2007 \$ |
|-------------------|--------------|------------|
| Employee benefits | <u>7,123</u> | - |

Provision for employee benefits

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

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

| | 2008 \$ | 2007 \$ |
|---|------------|------------|
| NOTE 15 CONTRIBUTED EQUITY | | |
| 77,616,073 fully paid ordinary shares (2007: 35,887,502) | 6,934,322 | 505,402 |

(a) Ordinary shares

| | 2008 No. | 2008 \$ | 2007 No. | 2007 \$ |
|--|-------------------|------------------|-------------------|----------------|
| At the beginning of the year | 35,887,502 | 505,402 | 23,837,502 | 295,402 |
| Increases | | | | |
| - share placements (1) | 8,500,000 | 553,000 | 12,050,000 | 190,000 |
| - subscription received for shares allotted post year end | 200,000 | - | - | 20,000 |
| - shares issued re acquisition of tenement | 600,000 | 60,000 | - | - |
| - placement to Yunnan Copper (2) | 16,428,571 | 2,300,000 | - | - |
| - shares issued re IPO (3) | 16,000,000 | 4,000,000 | - | - |
| - costs of shares issued | - | (484,080) | - | - |
| At reporting date | <u>77,616,073</u> | <u>6,934,322</u> | <u>35,887,502</u> | <u>505,402</u> |

1) A total of 8,500,000 shares were issued during the year to seed capital investors at prices ranging from \$0.001 to \$0.10.

2) Placement of 16,428,571 shares and 16,428,571 \$0.40 29/10/10 options to Yunnan Copper

3) A total of 16,000,000 shares were issued in relation to the IPO in October 2007

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

**NOTE 16 ACCUMULATED LOSSES and
RESERVES**

| | 2008 \$ | 2007 \$ |
|--|------------------|-----------------|
| (a) Accumulated losses | | |
| Balance at the beginning of the year | (61,972) | (25,824) |
| Net profit/(loss) attributable to members of China Yunnan Copper Australia Limited | <u>(424,926)</u> | <u>(36,148)</u> |
| Balance at end of year | <u>(486,898)</u> | <u>(61,972)</u> |

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
|--|------------|------------|

NOTE 17 COMMITMENTS

(a) Operating leases

Minimum lease payments

| | | |
|--------------------------------------|---------------|----------|
| - payable within one year | 20,118 | - |
| - payable between one and five years | - | - |
| Total contracted at balance date | <u>20,118</u> | <u>-</u> |

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

(b) Future Exploration

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

The exploration obligations to be undertaken are as follows:

| | | |
|---------------------------------|------------------|------------------|
| Payable | | |
| - not later than 12 months | 505,000 | 480,000 |
| - between 12 months and 5 years | 1,360,000 | 1,275,000 |
| - greater than 5 years | - | - |
| | <u>1,865,000</u> | <u>1,755,000</u> |

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. The company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

**NOTE 18 CONTINGENT LIABILITIES
AND CONTINGENT ASSETS**

There are no contingent liabilities or contingent assets at 30 June 2008 that require disclosure in the financial report.

NOTE 19 SEGMENT REPORTING

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

| | 2008 | 2007 |
|--|------------------|-----------------|
| | \$ | \$ |
| NOTE 20 CASH FLOW INFORMATION | | |
| (a) Reconciliation of cash flow from operations with profit/(loss) after income tax | | |
| Profit/(loss) after income tax | (424,926) | (36,148) |
| Non-cash flows in profit after income tax: | | |
| Depreciation | 7,496 | 1,427 |
| Loss on sale of fixed assets | - | 5,247 |
| Changes in assets and liabilities | | |
| - (Increase)/Decrease in receivables | (32,179) | 28,139 |
| - (Increase)/Decrease in other assets | 24,229 | (33,271) |
| - Increase/(Decrease) in trade payables and accruals | 176,569 | 1,403 |
| - Increase/(Decrease) in provisions | 7,123 | - |
| Cash flow from operations | <u>(241,688)</u> | <u>(33,203)</u> |

NOTE 21 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2008 that impact upon the financial report as at 30 June 2008.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

NOTE 22 RELATED PARTY and KEY
MANAGEMENT PERSONNEL

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

Parent and ultimate controlling party

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

Key management personnel compensation

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

| | 2008 \$ | 2007 \$ |
|------------------------------|----------------|---------------|
| <u>Summary</u> | | |
| Short-term employee benefits | 387,507 | 13,752 |
| Post-employment benefits | - | - |
| Share-based payments | - | - |
| Other long term benefits | - | - |
| Termination benefits | - | - |
| Total | 387,507 | 13,752 |

| Key Management Personnel shareholdings | Balance 1 July 2007 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2008 |
|--|------------------------|----------------------------|---------------------------|---------------------|-------------------------|
| Directors | | | | | |
| Norm Zillman | 8,000,000 | - | - | 105,639 | 8,105,639 |
| Chao Yang (appointed 30/1/08) | - | - | - | - | 0 |
| Mark Elliott | 7,000,000 | - | - | - | 7,000,000 |
| Jason Beckton (appointed 31/7/07) | - | - | - | 210,000 | 210,000 |
| Liang Zhong (appointed 30/1/08) | - | - | - | - | - |
| Zewen Yang (appointed 1/8/07) | - | - | - | - | - |
| Shaolu Zou (appointed 1/8/07, resigned 30/1/08) | - | - | - | - | - |
| Weiping Yu (appointed 1/8/07, resigned 30/1/08) | - | - | - | - | - |
| Richard Haren (resigned 30/7/07) | 7,000,000 | - | - | (7,000,000) | - |
| Bruce Wood (resigned 30/7/07) | 3,000,000 | - | - | (3,000,000) | - |
| Key Management Personnel | | | | | |
| Paul Marshall | - | - | - | 400,000 | 400,000 |
| Total | 25,000,000 | - | - | (9,284,361) | 15,715,639 |

| | Balance 1 July 2006 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 June 2007 |
|--|------------------------|----------------------------|---------------------------|---------------------|-------------------------|
| Directors | | | | | |
| Mr Norm Zillman | 8,000,000 | - | - | - | 8,000,000 |
| Mrs Lorraine Zillman (resigned 28/2/07) | - | - | - | - | - |
| Dr Mark Elliott | - | - | - | 7,000,000 | 7,000,000 |
| Dr Richard Haren | 5,000,000 | - | - | 2,000,000 | 7,000,000 |
| Bruce Wood | 3,000,000 | - | - | - | 3,000,000 |
| Total | 16,000,000 | - | - | 9,000,000 | 25,000,000 |

Key Management Personnel options holdings

No options are held by directors or key management personnel in the 2007 or 2008 financial years

Loans to Key Management Personnel

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

NOTE 23 JOINT VENTURE

The Company has entered into a farm-in with Sipa Gold Limited, Sipa Resources Limited and Newmont Exploration Pty Limited which affords Sipa Gold Limited (Sipa) with a right to farm into EPM's 11602 and 11982 and EPA 15057 (Tenements) held by the Company. As at the end of the financial year no interest had been earned in the tenements and China Yunnan Copper Australia Limited retained a 100% interest.

Under the agreement Sipa has a right over a 5 year period if it spends a total of \$2 million to earn a 70% interest in each of the Tenements. It must spend:

- Not less than \$200,000 in the first 12 months;
- Not less than \$500,000 within 24 months;
- Not less than \$900,000 within 36 months;
- Not less than \$1.4 million within 48 months; and
- Not less than \$2 million within 60 months.

If Sipa fails to make any of those expenditures it is deemed to have withdrawn from the joint venture.

NOTE 24 FINANCIAL RISK MANAGEMENT

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

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

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's 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 Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company.

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 2008.

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

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

The ageing of the company's receivables at the reporting date was:

| | 2008 | | 2007 | |
|----------------------|---------------|-----------------|--------------|-----------------|
| | Total | Amount Impaired | Total | Amount Impaired |
| | \$ | \$ | \$ | \$ |
| Not past due | 34,336 | - | 3,157 | - |
| Past due [0-90] days | - | - | - | - |
| Past due [>90] days | 1,000 | - | - | - |
| Total | 35,336 | - | 3,157 | - |

None of the past due receivables at 30 June 2008 were impaired because it is expected that these amounts will be received in full in the normal course of business.

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

(b) Liquidity risk

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

Liquidity risk is reviewed regularly by the Board.

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

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

Maturity Analysis - 2008

| | Carrying Amount | Contractual Cash flows | <1 year | 1 - 5 years | > 5 years |
|-------------------------------------|-----------------|------------------------|---------|-------------|-----------|
| Financial Assets | | | | | |
| Trade debtors and other receivables | 35,336 | 35,336 | 35,336 | - | - |
| Financial Liabilities | | | | | |
| Trade and other payables | 268,267 | 268,267 | 268,267 | - | - |

Maturity Analysis - 2007

| | Carrying Amount | Contractual Cash flows | <1 year | 1 - 5 years | > 5 years |
|-------------------------------------|-----------------|------------------------|---------|-------------|-----------|
| Financial Assets | | | | | |
| Trade debtors and other receivables | 3,157 | 3,157 | 3,157 | - | - |
| Financial Liabilities | | | | | |
| Trade and other payables | 3,993 | 3,993 | 3,993 | - | - |

(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 company's interest rate exposure under financial instruments is minimal as it does not currently have any interest bearing financial liabilities. The only risk arises due to interest income on financial assets held. For further details on interest rate risk refer to the tables below:

| | | | | | |
|---------------------------|-------------------------------|----------------------------|-----------------------------|---|---|
| 2008 | Floating interest rate | Fixed interest rate | Non-interest bearing | Total carrying amount as per the balance sheet | Weighted average effective interest rate |
| | \$ | \$ | \$ | \$ | % |
| <i>Financial assets</i> | | | | | |
| Cash and cash equivalents | 489,485 | 4,203,425 | 2,067 | 4,694,977 | 7.24% |
| 2007 | Floating interest rate | Fixed interest rate | Non-interest bearing | Total carrying amount as per the balance sheet | Weighted average effective interest rate |
| | \$ | \$ | \$ | \$ | % |
| <i>Financial assets</i> | | | | | |
| Cash and cash equivalents | - | - | 64,938 | 64,938 | - |

China Yunnan Copper Australia Ltd
Annual Financial Report 30 June 2008

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

At 30 June 2008 the effect on profit and equity as a result of changes in the interest rate would be as follows:

| | 2008 | 2007 |
|-----------------------------------|----------|-------|
| | \$ | \$ |
| Change in profit | | |
| - Increase in interest rate by 1% | 46,950 | 649 |
| - Decrease in interest rate by 1% | (46,950) | (649) |

The above analysis assumes all other variables remain constant.

(ii) Currency Risk

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

(iii) Other Price Risk

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

(d) Capital Risk Management

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

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

(e) Net Fair Values

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

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

DIRECTORS' DECLARATION

1. The directors of China Yunnan Copper Australia Limited declare that:
 - (a) in the directors' opinion the financial statements and notes on pages 4 to 40, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages 9 to 12, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1: and
 - (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and
 - (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the Corporations Act 2001.

Jason Beckton
Director

Brisbane
30 September 2008



China Yunnan Copper Australia Limited

ABN 29 070 859 522

Independent Auditor's Report

To the members of China Yunnan Copper Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of China Yunnan Copper Australia Limited (the Company), which comprises the balance sheet as at 30 June 2008, and the income statement, statements of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the Company.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

Liability Limited by a scheme approved under Professional Standards Legislation

Total Financial Solutions

Member Horwath International

WHK Horwath Brisbane
Level 16, WHK Horwath Centre 120 Edward Street
Brisbane Queensland 4000 Australia
GPO Box 736 Brisbane Queensland 4001 Australia
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183
Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm



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

China Yunnan Copper Australia Ltd

ABN 29 070 859 522

Independent Auditor's Report

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

Independence

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

Auditor's Opinion

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

- (a) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 - 12 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of China Yunnan Copper Australia Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

WHK HORWATH

DON. LANGDON
PRINCIPAL

Dated: 30 September 2008