



CHINA YUNNAN COPPER
AUSTRALIA
LIMITED
(ASX:CYU)

2010 Annual Report



CYU HAS BEEN CONDUCTING A GREENFIELDS EXPLORATION PROGRAM AND GENERATING EXPLORATION SUCCESS AS PER THE MT DOROTHY COPPER SULPHIDE DISCOVERY.

A NEW EXPLORATION PROGRAM IN CHILE IS WELL UNDERWAY TARGETING LARGE SCALE COPPER DEPOSITS. THIS IS THE FIRST TIME A CHINALCO RELATED ENTERPRISE HAS DIRECTLY INVESTED IN THE GLOBAL PREMIER COPPER MARKET, CHILE. IN CONCERT WITH CYU'S CORNERSTONE INVESTOR, CHINALCO YUNNAN COPPER, CYU IS REVIEWING DEVELOPMENT OPPORTUNITIES IN CHINA AND LAOS.

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Highlights 2009–2010

EXPLORATION PROJECTS

Ground position refined to 1500km² of highly prospective tenure in Queensland and Chile.

Discovery of new copper sulphide zone at Mount Dorothy as part of the new Mary Kathleen Joint Venture with Goldsearch Ltd.

Discovery and estimation of inferred resources at Gem in Copper and definition of a revised JORC inferred resource at Elaine Dorothy in Uranium and Rare Earth Elements.

Significant shallow gold mineralisation encountered at Stanley's Hope.

Initial surface work completed at Humito in Chile, drill targets identified.

CHINALCO YUNNAN COPPER PARTNERSHIP

CYU has maintained a partnership with its largest shareholders, Chinalco Yunnan Copper Group Ltd for over three years. In this time exploration properties have been explored and more advanced opportunities evaluated. During the year a memorandum of understanding was signed to evaluate and explore opportunities in Laos and China jointly with Chinalco Yunnan Exploration companies.

FUTURE

CYU will continue to test and add value to exploration targets of greenfields nature. Applying best geological science and ground selection criteria CYU has dropped 90% of original tenure since IPO in 2007. This approach has resulted in discoveries in the past at Gem, a new copper discovery north

of Cloncurry and Mt Dorothy, between Cloncurry and Mt Isa.

Offshore activities include an active program on the Humitos Copper Porphyry property with additional Chilean copper partnerships expected in the future.



Drilling Mount Dorothy - 2010

Joint Chairman's Letter

Dear Shareholders,

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

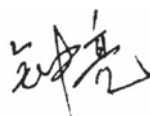
CYU has been testing a portfolio of Queensland based tenements in the Cloncurry, Mt Isa, Pentland districts and an exciting new exploration venture in Chile at Humito. We are drilling the best districts for probable exploration success and we believe that through our executives and a proven exploration team that has been carefully built, we have the right combination of properties and people to succeed in our endeavours to discover and develop significant copper, gold and uranium deposits.

As you are aware, support for CYU's objectives has come from the third largest copper producer in China, Chinalco Yunnan Copper Industry (Group) Co Ltd (YCI), who through its local Australian subsidiary China Yunnan Copper (Australia) Investment & Development Co. Ltd has invested over A\$3.3 million in CYU since listing. YCI, which is in turn held 49% by China's largest Aluminium producer Chinalco, provides ongoing support in CYU's role of becoming YCI's international investment arm and mining house. The Board of Directors appreciates the continued technical and other support from YCI and Chinalco.

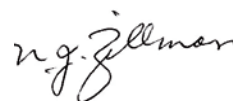
In addition, as Co-Chairmen, we would like to publicly acknowledge the commitment and hard work of our Managing Director Mr Jason Beckton and our Executive Director Mr Robert Yang over the past year and personally thank them for their fine contributions to our company.

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

Finally, we would like to thank our loyal shareholders for the trust they have placed in the Board and we look forward to the ongoing success of the company.



Liang Zhong
Co Chairman



Norm Zillman
Co Chairman

Managing Director's Review of Operations

COPPER

Mount Isa – shallow sulphide discovery – Mount Dorothy

COPPER

Chile – Humito Porphyry – drill ready

COPPER

Cloncurry – Gem JORC resource estimate

RARE EARTH ELEMENT – URANIUM

Elaine Dorothy – resource JORC estimate and extension

GOLD

Activex JV and Stanleys Hope – drill results

COPPER GOLD

CLONCURRY - MOUNT ISA (MARY KATHLEEN JV WITH GOLD SEARCH LTD)

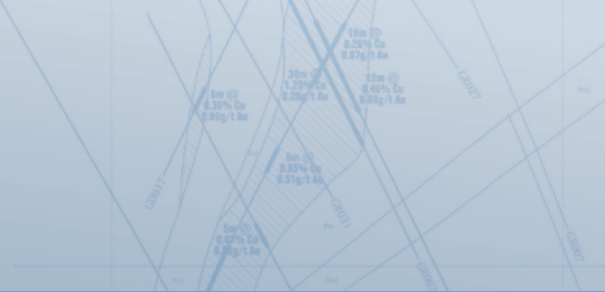
- Significant copper-cobalt sulphide mineralisation assays returned from the recently completed Mount Dorothy RC drill program, include:
 - MDR002: 35m @ 1.52% copper, 397ppm cobalt from 17m
inc. 22m @ 2.03% copper, 591ppm cobalt from 17m
 - High grade intersection in MDR002 forms part of a lower grade mixed oxide-sulphide mineralised zone of:
89m @ 0.74% copper, 190ppm cobalt from 17m
 - Additional significant cobalt mineralisation intersected include:
 - MDR002: 7m @ 1,449ppm cobalt, 2.55% copper from 18m
 - MDR003: 10m @ 411ppm cobalt, 0.04% copper from 81m
 - MDR004: 28m @ 385ppm cobalt, 0.12% copper from 35m
8m @ 315ppm cobalt, 0.02% copper from 122m (OPEN)
- Mineralisation remains open at depth and along strike.
- Gem - Inferred JORC Resource Estimate completed for 490,000t @ 0.5% copper and 0.2 g/t gold. This resource remains open at depth.

URANIUM - REE

MT ISA (MARY KATHLEEN JOINT VENTURE)

- Elaine Dorothy - mapping and surface scintollemtre and Niton XRF sampling program for not only radioactive species but also a newly defined footwall copper mineralized zone with no previous sampling or drilling.
- JORC Inferred Resource Estimate of 83,000 tonnes @ 280 ppm U3O8 and 3,200 ppm Total Rare Earth Oxides (TREO) at a lower cutoff of 200ppm U3O8. This Inferred Resource was able to be estimated after drilling three twin diamond holes into a preexisting resource that was non JORC standard.





CHILE

GOLD

Pentland (Including Pentland JV)

- Stanley's Hope Mining Lease (100% CYU) - epithermal gold Pajingo style mineralisation. Drilling results included 1,016 metres drilled in 2 diamond holes on granted mining lease ML1631, 100km west of Charters Towers, Queensland.
- CYU drilled SDH001 intercept of; 14m @ 1.1 g/t gold and 1.5 g/t silver from 161m depth.

Examples of historically drilled intercepts collated by CYU;

- 15m @ 1.8 g/t gold from 111m depth.
- 14m @ 2.4 g/t gold from 12m depth.
- 8m @ 2.9 g/t gold from 56m depth.

An extensional drill program has been proposed based on the and will take place in 2010. Key points for Stanleys Hope are, shallow mineralization, granted mining lease, close to infrastructure. Additional drilling required to grow the prospect, will be shallow level reverse circulation drilling.

- Pentland JV with Activex Ltd - Mt Leyshon - Kidston Style Targets drilled at Norwood and Mt Remarkable. Assay results were sub economic but strongly altered suggesting drilling tested the alteration halo of an intrusive centre, particularly at Mount Remarkable. A three dimensional geological model will be compiled based on the increased knowledge from these exploration diamond drill holes, in part funded by a Queensland Government Collaborative Drilling Initiative.



Current Projects continued



Figure 1 Location of CYU's projects. Operational offices are at Mt Isa and Townsville, Queensland. In Chile, Humitos is the beginning of ongoing investment in the premier copper exploration jurisdiction. The China Copper MOU continues to provide CYU with projects for review and ranking in Yunnan Province, China and the Peoples Republic of Lao.

COPPER GOLD

MOUNT ISA - MARY KATHLEEN JV

CYU completed 586 metre RC drill programme in four holes testing a >500 metre zone of surficial copper mineralisation between the Wee Wyeems and Three Threes prospects (collectively referred to as "**Mount Dorothy**"), part of the Mary Kathleen Joint Venture with Goldsearch Limited (**ASX: GSE**), in the Mt Isa district, Northwest Queensland.

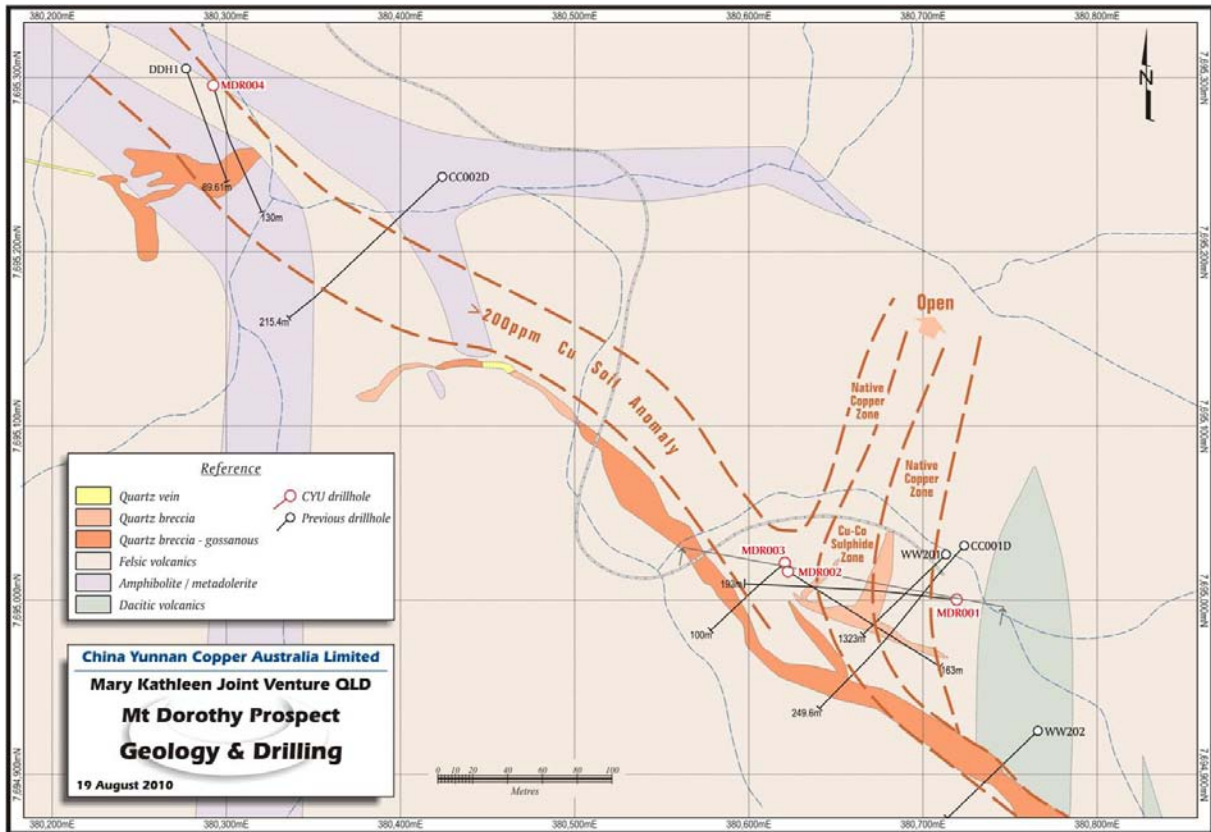
Traditionally, the Mount Dorothy prospect has been referred to by the names of its two outcropping lodes: 'Three Threes' and 'Wee Wyeems'. The copper mineralisation occurs in these two outcrops as malachite staining on gossans in fault quartz breccias and as disseminations in adjacent sheared porphyry. The mineralisation appears to be controlled by a northwest striking fault.

Table 1: Mount Dorothy Prospect drill collar locations

Hole ID	East*	North*	RL	Azi**	Dip	Depth
MDR001	380,720	7,694,999	449	278	-60	193
MDR002	380,623	7,695,016	449	119	-60	163
MDR003	380,621	7,695,021	447	224	-60	100
MDR004	380,293	7,695,296	429	160	-60	130

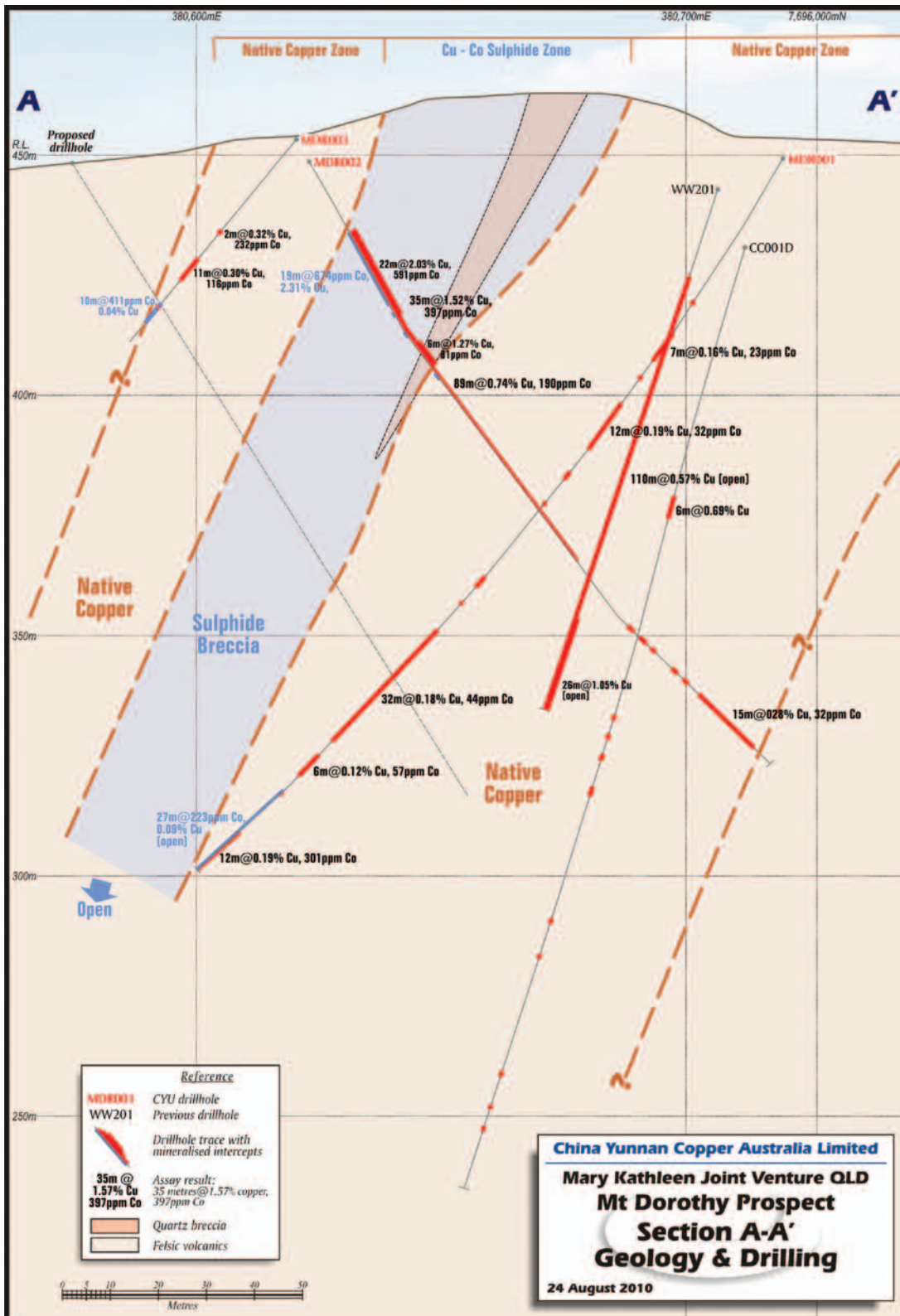
* Datum GDA94 zone 54 ** UTM Grid Azimuth

Figure 2: Mt Dorothy Plan. A North trending sulphide structure has been discovered.



Managing Director's Review of Operations
Current Projects continued

Figure 3: Mt Dorothy Prospect Section



The mineralised zone, as defined by a >200ppm copper soil geochemical anomaly, was partially tested, concentrating on the Wee Wyeems area by five drill holes in the 1990's returning a best intercept of **110m @ 0.57% Cu from 22m** in drill

hole WW201 including **26m @ 1.05% Cu from 106m (Open at Depth)**.

A summary of all significant intersections from this drill program can be found below.

Table 2: Summary of significant copper intersections for Mount Dorothy RC drill program - July 2010, using a nominal 0.10% copper cutoff w/- max 3m internal dilution. All depths are reported in downhole depths.

Hole ID	From (m)	To (m)	Width (m)	Cu (%)	Co (ppm)	Comment
MDR001	35	36	1.00	0.14	63	
MDR001	43	50	7.00	0.16	23	
MDR001	54	55	1.00	0.13	62	
MDR001	61	73	12.00	0.19	32	
MDR001	79	81	2.00	0.12	36	
MDR001	87	88	1.00	0.10	39	
MDR001	107	110	3.00	0.22	60	
MDR001	114	115	1.00	0.13	40	
MDR001	122	154	32.00	0.18	44	
Including	137	138	1.00	0.87	35	0.50% Copper cutoff
MDR001	158	164	6.00	0.12	57	
MDR001	181	193	12.00	0.19	301	OPEN AT DEPTH
MDR002	17	106	89.00	0.74	190	
including	17	52	35.00	1.52	397	
including	17	39	22.00	2.03	591	main sulphide zone
Including	46	52	6.00	1.27	81	0.50% Copper cutoff
MDR002	119	120	1.00	0.10	16	
MDR002	123	124	1.00	0.10	9	
MDR002	126	128	2.00	0.11	26	
MDR002	130	131	1.00	0.11	21	
MDR002	134	135	1.00	0.15	24	
MDR002	139	154	15.00	0.28	32	
Including	142	144	2.00	0.79	77	0.50% Copper cutoff
MDR003	45	47	2.00	0.32	232	
MDR003	59	70	11.00	0.30	116	
MDR003	83	84	1.00	0.18	1,390	
MDR004	44	45	1.00	0.10	526	
MDR004	48	49	1.00	0.36	562	
MDR004	52	53	1.00	0.28	334	
MDR004	56	63	7.00	0.28	509	
MDR004	69	70	1.00	0.12	293	
MDR004	79	80	1.00	0.15	294	
MDR004	83	84	1.00	0.12	67	
MDR004	96	97	1.00	0.24	46	
MDR004	111	112	1.00	0.18	37	

Current Projects continued

Significant broad anomalous cobalt intersections were also returned from assays in all four holes with a peak value of 2,100ppm cobalt. MDR002 returned the best intersection of **19m @ 674ppm cobalt, 2.31% copper** from 17m including **7m @ 1,449ppm cobalt, and 2.55% copper** from 18m, at a 500ppm cobalt cut-off. MDR003 and MDR004 returned the two broadest intersections of **34m**

@ 214ppm cobalt, 0.09% copper from 62m and **52m @ 278ppm cobalt, 0.08% copper** from 28m respectively. MDR004 remains open with **8m @ 315ppm cobalt, 0.02% copper** from 122m (**Open at depth**) with the last sample returning 857ppm cobalt and 0.03% copper.

A summary of all significant intersection from this drill program can be found below.

Table 3: Summary of significant cobalt intersections for the Mount Dorothy RC drill program - July 2010, using a nominal 100ppm cobalt cutoff w/- max 3m internal dilution. All depths are reported in downhole depths.

Hole ID	From (m)	To (m)	Width (m)	Cu (%)	Co (ppm)	Comment
MDR001	56	57	1.00	106	0.09	
MDR001	83	84	1.00	103	0.09	
MDR001	90	91	1.00	128	0.08	
MDR001	109	112	3.00	101	0.11	
MDR001	153	155	2.00	105	0.10	
MDR001	157	158	1.00	113	0.07	
MDR001	166	193	27.00	223	0.09	OPEN AT DEPTH
Including	187	188	1.00	1,600	0.93	
MDR002	17	36	19.00	674	2.31	
including	18	25	7.00	1,449	2.55	500ppm Co cutoff
MDR002	55	56	1.00	110	0.28	
MDR002	71	72	1.00	110	0.09	
MDR002	111	113	2.00	113	0.08	
MDR003	6	7	1.00	106	0.05	
MDR003	15	22	7.00	136	0.02	
MDR003	27	56	29.00	185	0.05	
including	32	48	16.00	262	0.06	200ppm Co cutoff
MDR003	62	96	34.00	214	0.09	
including	81	91	10.00	411	0.04	200ppm Co cutoff
including	82	84	2.00	1,166	0.13	500ppm Co cutoff
MDR004	1	4	3.00	110	0.01	
MDR004	28	80	52.00	278	0.08	
including	35	63	28.00	385	0.12	200ppm Co cutoff
MDR004	122	130	8.00	315	0.02	OPEN AT DEPTH
including	126	130	4.00	512	0.02	200ppm Co cutoff
including	129	130	1.00	857	0.03	500ppm Co cutoff

CYU is currently compiling all the new drill data into the existing 3D model for re-interpretation and planning of a second phase of drilling, targeting depth and strike potential along the Mount

Dorothy northwest and northeast structures. A number of untested Sirotem anomalies identified during a 1990's ground geophysical survey will also be re-evaluated for drill targeting.

COPPER GOLD

CLONCURRY NORTH

For Gem in northern Cloncurry, results to date indicate a series of intrusive centres which are mineralised. These centres have in turn been overprinted by late copper quartz veins in the same style as historically exploited in the district. A total 45 drill holes, totalling 6,139m, has advanced the Gem prospect from an exploration target to a Inferred Resource within ten months with an average vertical depth of drilling being 150 metres.

The mineralised zones are defined as two near surface sub-vertical pipes with potential for this resource to increase with depth.

Independent consultants Hellman and Schofield Pty Ltd have worked with CYU to complete an initial resource estimate of **492,000 tonnes @ 0.5% copper and 0.2 g/t gold** at a 0.2% copper cut-off for its 100% owned Gem copper-gold prospect in northwest Queensland. This resource is reported as inferred using the JORC Code and Guidelines. It incorporates all drilling results completed by CYU.

The mineralisation has the potential to be extended at depth, particularly in the northern region, with significant mineralised zones intersected at depth in GR-015 (6m @ 1.1% copper and 0.3 g/t gold from 185m) and GR-042 (4m @ 1.3% copper and 1.2 g/t gold from 117m). A solitary hole GR-021 appears to indicate mineralisation (7m @ 0.34% copper and 0.17 g/t gold from 124m - Open) further east of the main lode. In addition, mineralisation appears to be open at shallow depths towards the south as it is relatively untested south of GR-036.

The Gem database contains 45 drill holes totalling 6,138.62m, consisting of 42 Reverse Circulation (RC) drill holes (total 5,721m) and 3 diamond core drill holes (total 417.62m), drilled in four stages by CYU from May 2009 to March 2010.

The resource was estimated using the ordinary kriging method with 1m composites. An average density of 2.7t/m³ was applied, derived from recent CYU specific gravity measurements.

Figure 4: Block model of the Gem resource, looking to the northwest. (Colours: pink <0.1% copper; blue = 0.1-0.2 copper; cyan = 0.2-0.5 copper; green = 0.5-1.0 copper; yellow = 1-2.5% copper. The red areas represent the geological interpreted wireframe for the mineralisation). Note two higher grade copper zones in the north and south, and the possible extension of mineralisation to the south and at depth.



Current Projects continued

Table 4: Grade-Tonnage data for the Gem copper-gold deposit. (use of significant figures does not imply accuracy and is used to avoid rounding errors).

Copper Cut Off Grade	Tonnes	Copper (%)	Gold (g/t)	Copper (t)	Gold (oz)
0.5	169,516	0.83	0.22	1,404	1,210
0.4	279,675	0.68	0.20	1,888	1,835
0.3	372,171	0.59	0.20	2,207	2,417
0.2	491,936	0.51	0.19	2,499	3,021

The Inferred Resource is open at depth approximately >150m below surface. This is where most of the exploration potential to increase the tonnage of the resource lies with deeper drilling of the near surface pipes.

Mineralisation seems to be confined to sub-vertical zones within biotite granite. Within these zones, quartz veins dipping predominantly towards the northeast to east contain patchy to massive chalcopyrite 3 pyrite 3 pyrrhotite 3 magnetite. Mineralisation is also seen as disseminated chalcopyrite 3 magnetite within zones of aplite. It is believed that in places post-mineralisation granitic dykes have stoped out the

earlier mineralisation.

A granite host rock for this style of copper sulphide mineralisation has not been reported in the literature for the Mt Isa district and represents a paradigm shift in host rock prospectivity.

Surface oxidation of the primary sulphides has resulted in a thin layer of oxide malachite mineralisation at or near surface, which has been seen to grade into sulphide (chalcopyrite) at depth. Some of these malachite zones have been previously worked, however CYU is the first company to apply modern exploration techniques to the area.

Figure 5: Gem mineralised zone (red), intersected by post mineralised granitic dykes (blue), looking down and to the north-northwest.

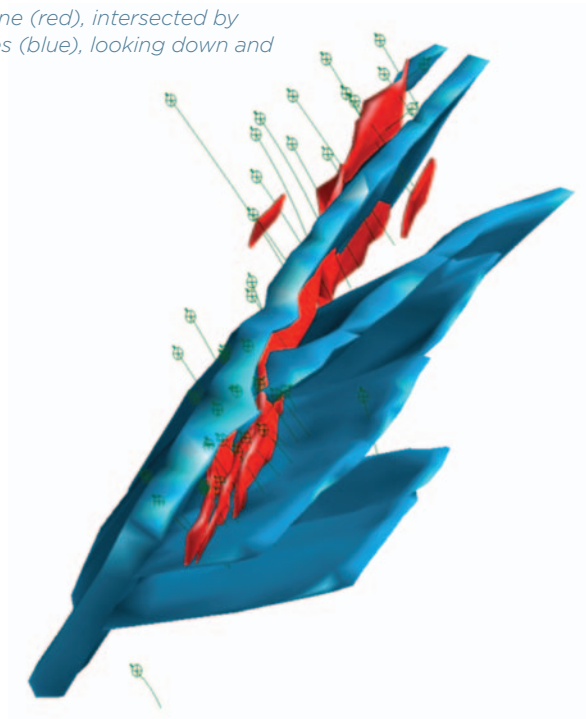
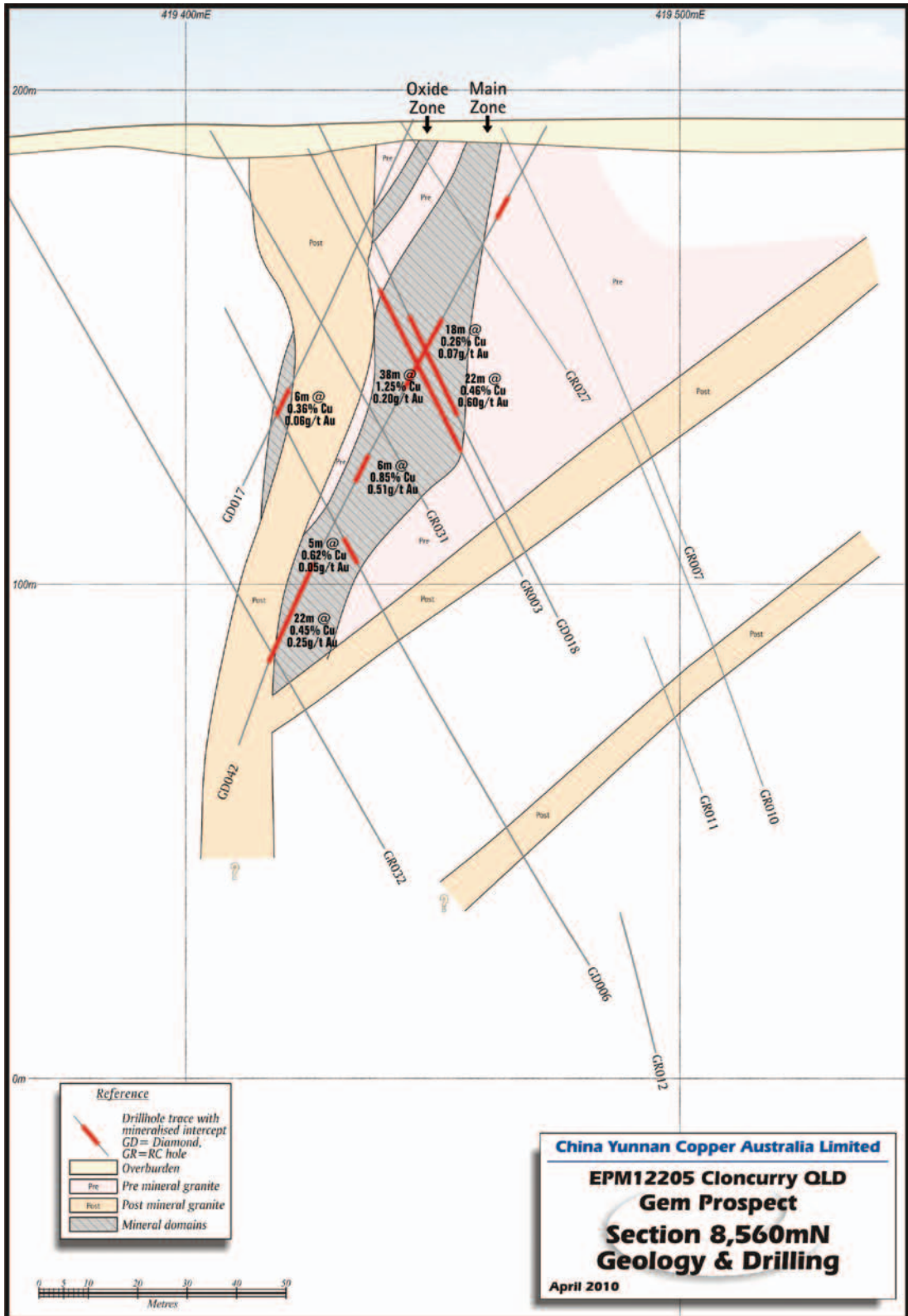
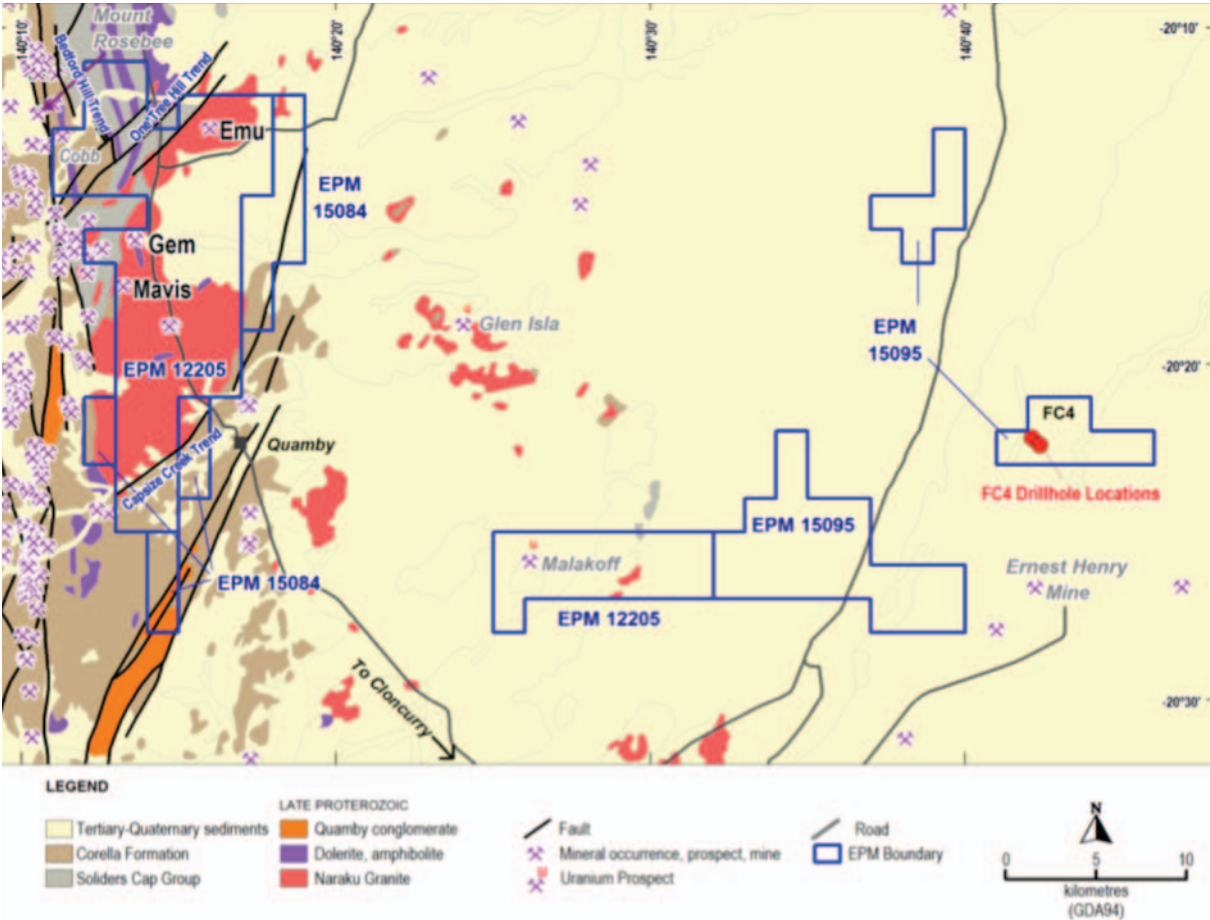


Figure 6: Section 8,560mN showing Gem mineralised zones, intersected by post mineral granitic dykes.



Managing Director's Review of Operations
Current Projects continued

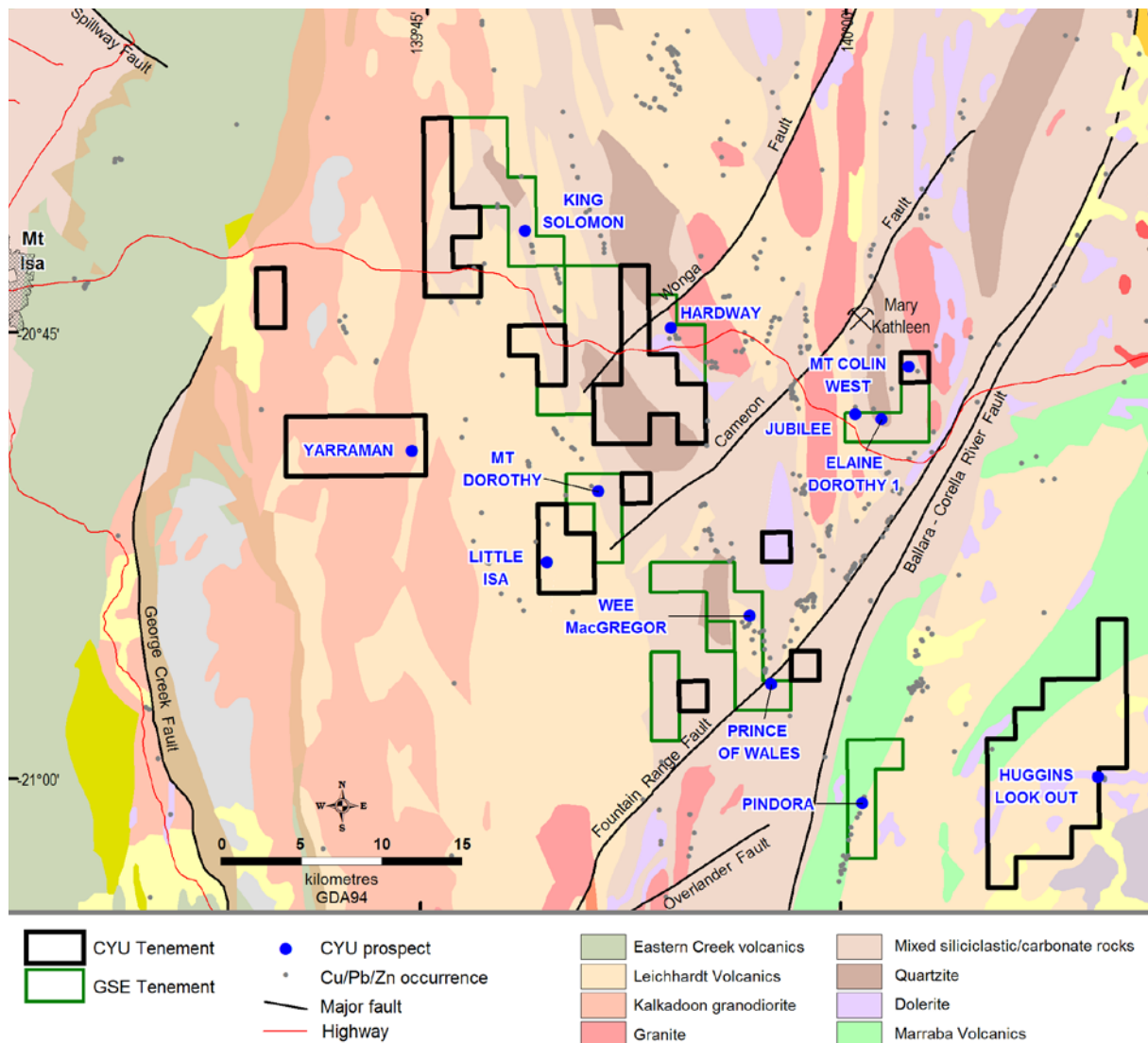
Figure 7: For the Cloncurry Project, the Gem Inferred Resource was the primary target investigated in the June 2010 Quarter.



COPPER - REE - URANIUM

QUEENSLAND - MT ISA

Mark Kathleen Joint Venture - Goldsearch Limited



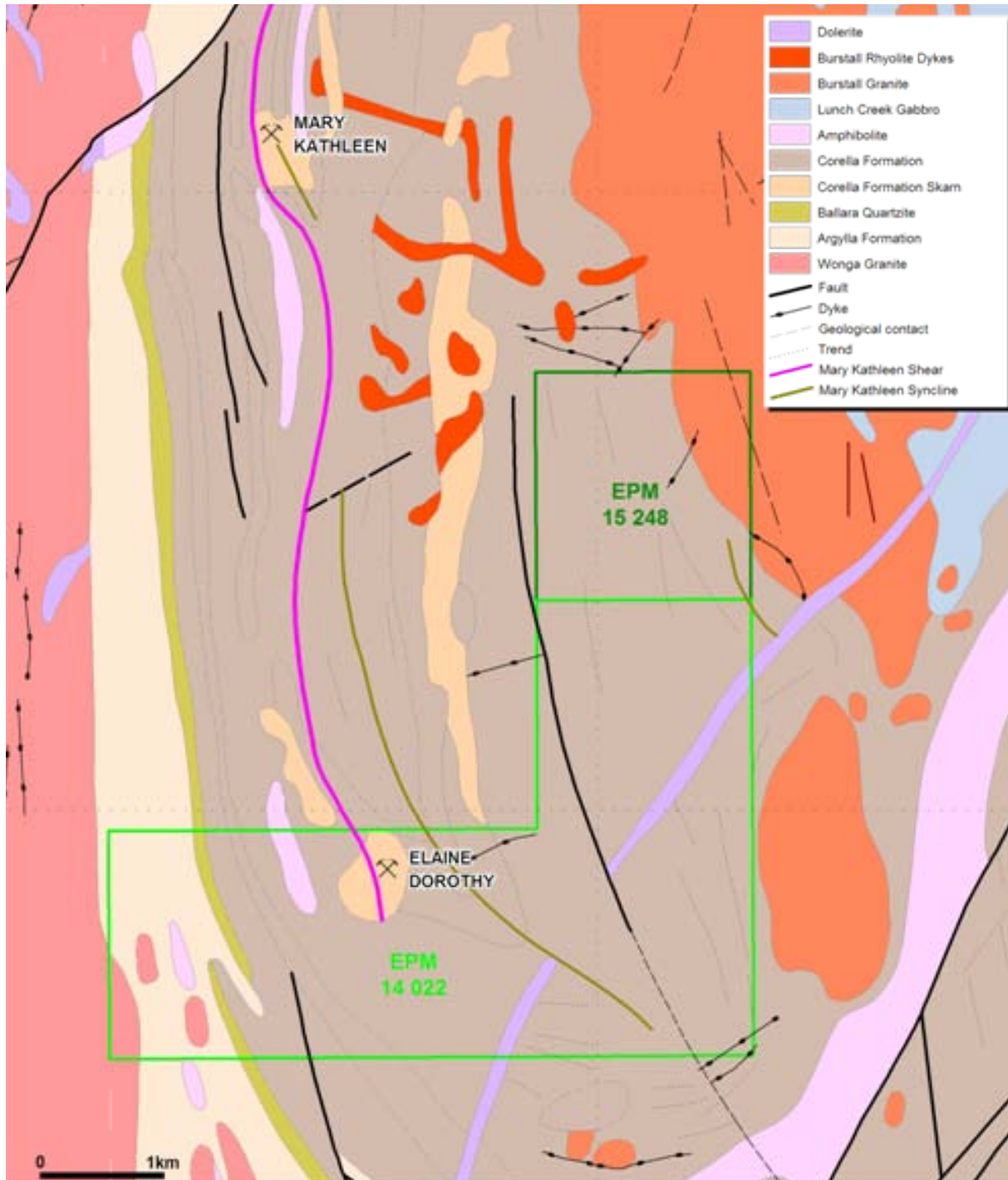
The Mt Isa Project has highly prospective drill targets 50km across strike from Mt Isa.

Elaine Dorothy - Rare Earth Element Uranium Resource

A mapping and sampling program has been completed to allow extension of the known Rare Earth Element - Uranium mineralised zone and potential drill testing of a footwall copper

sulphide zone in association. Importantly an independent petrographic mineral study has been completed confirming the Rare Earth Element mineral as Allanite and the Uranium mineral as Uraninite with are both amenable to processing as per the previously operating Mary Kathleen mine to the north. An association was also noted in this study with chalcopyrite which is copper iron sulphide.

Current Projects continued



Elaine Dorothy is approximately 6 kilometres south of the previously mined Mary Kathleen deposit. As for Mary Kathleen it is located between the Mary Kathleen Shear and the Mary

Kathleen Syncline. Mary Kathleen was worked as a Uranium mine but also had a grade of 3% Rare Earth Elements (REE).

COPPER

CHILE - HUMITOS

- Mapping and ground magnetic program at Humito completed to refine drill targets to be tested in the coming year. Magnetics combined with collation and field checking of previous work has resulted in a direct drilling target.

In February for the first time a Chinalco or Yunnan Group related company in the form of CYU, has entered the world leading Chilean copper industry as a direct participant.



Current Projects continued

The Humito project is a copper porphyry project located 90km north of Copiapo, approximately 10km to the south of the village of Inca de Oro, an historic mining centre. Tenure comprises 17 tenements for a total area of 4,500ha. The project area is a comfortable 1500 to 2,600 metres above sea level.

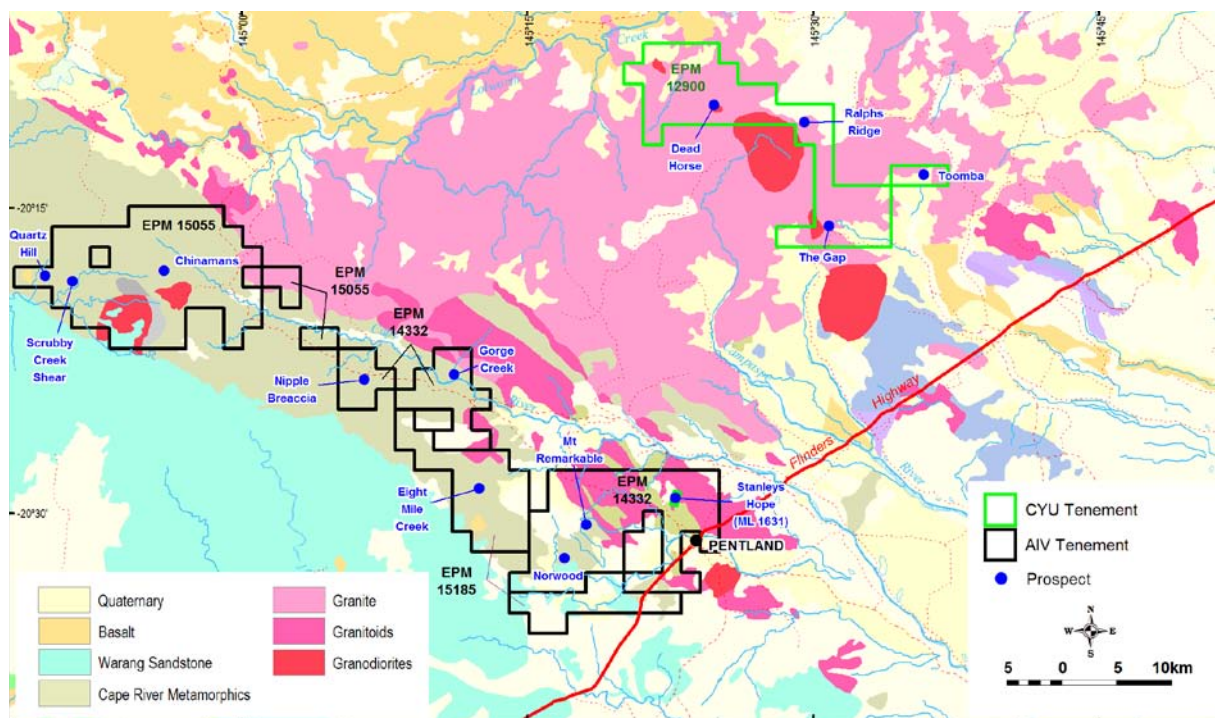
At Cerro Humito hydrothermal alteration occupies a discontinuous zone of 10km x 2km extent characterised by a massive vuggy silica core centred over Cerro Humito surrounded by intense quartz sericite alteration.

Magnetics is known in Chile to regularly identify mineralised centres of this vertical 'cylinder' style of target and it is unusual that this property has not been previously tested by this technique.

GOLD

QUEENSLAND - PENTLAND

Pentland Joint Venture - Activex Limited



Location of AIV's JV tenure approximately 100 kilometres west of Charters Towers. Mt Remarkable and Norwood are defined porphyry gold targets on which drilling was completed.

The program consisted of three holes totalling 1,257.30 metres of diamond (HQ3 - NQ2) core drilling at two prospect areas, Mt Remarkable and Norwood.

Table 5: Drillhole Location Co-ordinates

Hole ID	East*	North*	RL (m)	Azi - GDA (°)	Dip (°)	Depth (m)
MRD001	322,702	7,731,613	497	102.5	-80	501.00
NWD001	320,642	7,726,741	453	15.5	-75	354.10
NWD002	320,928	7,726,713	458	7.5	-75	402.20
						1,257.30

* Datum GDA94 zone 54 ** UTM Grid Azimuth

Abundant sulphide mineralisation, dominated by pyrite was observed throughout the core in all holes, no significant occurrence of breccias or

quartz stockwork veining was identified. All assays have been returned with minor gold mineralisation intersected.

Table 6: Significant Mineralisation at a 0.25g/t Au cut-off

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)
MRD001	No Significant Intersections			
NWD001	29.00	30.00	1.00	1.70
	34.00	36.00	2.00	0.84
NWD002	No Significant Intersections			

Stanley's Hope (ML 1631 - 100% CYU)

Data compilation and verification is complete and a program of two diamond holes for 1000 metres will be completed during April and May to test gold, Arsenic and Mercury anomalies and drill intercepts at depths of around 80 metres. Interpretation is that the old silver epithermal system occurs

at depth, hence the use of drilling at significant vertical separation from previous drilling.

Drilling has confirmed the tenor of previous historic campaigns at depth and this will lead to a step out drilling program of the shallow gold zone.

Table 7: Stanley's Hope Drillhole Locations

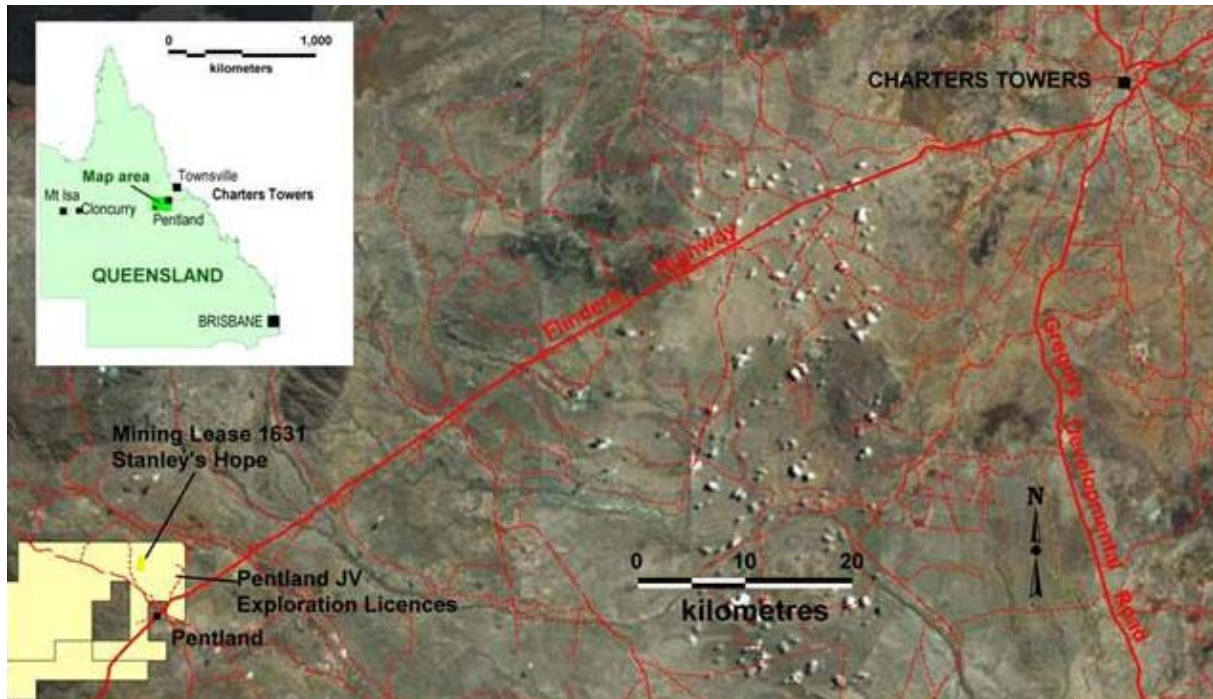
Hole ID	East*	North*	RL (m)	Azi (°)	Dip (°)	Depth (m)
SHD001	331,164	7,733,733	445	195	-60	518.4
SHD002	331,057	7,733,349	438	15	-60	497.6
						1,016.0

* Easting and Northing UTM MGA Zone 55 - GDA94.

Stanley's Hope is located in north east Queensland, well known for Intrusive Related Gold/Copper styles (IRGS) and Mesothermal Charters Towers style of mineralisation.

The township of Pentland is located 5km south of the tenement area. The area is well serviced by road, rail, water and electricity infrastructure. The ML is held 100% by CYU and lies within Exploration Licences subject of our Pentland Joint Venture with ActivEx Ltd (AIV:ASX).

Current Projects continued



Stanley's Hope Location Map

Table 8: CYU Significant Drill Intersections - nominal 0.25g/t gold cut-off

Hole ID	From (m)	To (m)	Interval (m)	Au (g/t)	Comment
SHD001	8.00	12.00	4.00	0.43	
SHD001	29.00	30.00	1.00	0.33	
SHD001	47.00	48.00	1.00	0.60	
SHD001	95.00	98.00	3.00	0.48	
SHD001	161.00	175.00	14.00	1.13	
including	172.00	174.00	2.00	5.30	1g/t Au cut-off
SHD001	178.00	179.00	1.00	0.26	
SHD001	259.00	260.00	1.00	1.10	
SHD001	487.00	493.00	6.00	0.53	
SHD002	24.00	25.00	1.00	0.39	
SHD002	60.00	61.00	1.00	0.28	
SHD002	86.00	87.00	1.00	0.84	
SHD002	158.00	161.00	3.00	3.00	1g/t Au cut-off
SHD002	176.00	178.00	2.00	2.06	
SHD002	196.00	197.00	1.00	0.90	
SHD002	234.00	235.00	1.00	1.29	
SHD002	270.00	271.00	1.00	0.38	
SHD002	287.00	289.00	2.00	1.70	
SHD002	314.00	317.00	3.00	0.62	

Hole ID	East*	North*	RL (m)	Azi - GDA (°)	Comment
SHD002	350.00	351.00	1.00	1.82	
SHD002	377.00	378.00	1.00	0.50	
SHD002	414.00	415.00	1.00	0.35	
SHD002	417.00	419.00	2.00	0.33	
SHD002	461.00	462.00	1.00	0.79	
SHD002	469.00	470.00	1.00	0.28	
SHD002	475.00	476.00	1.00	0.35	
SHD002	483.00	485.00	2.00	0.47	

Gold mineralisation in the area is related to post-metamorphic intrusives thought to be of Permo-Carboniferous age which equates with the age of Mt Leyshon, Mt Wright and other significant gold bearing breccias of the region and the epithermal gold deposits at Pajingo, Wirrallee, Yandan and Mt Coolon.

Gold mineralisation at Stanley's Hope is hosted in granitic gneiss, and within and adjacent to rhyodacite dykes. Both zones contain chalcedonic quartz + sulphide veins and stringers with associated intense alteration (sericite + silica + clay + pyrite). Anomalous gold within these zones, as throughout the prospect, are associated with elevated silver.

Table 9: Significant Mineralisation drilled by previous explorers. Note only intercepts with the product of interval times grade is greater than 4 are included (denoted as Accumulation - ACCUM).

Hole ID	From	To	Au (g/t)	Accum	Intercept
PD04	14	18.3	1.09	4.7	4.3m @ 1.09g/t Au
PD04	47.25	50.65	5.24	17.8	3.4m @ 5.24g/t Au
PPD01	12	14	5.87	11.7	2m @ 5.87g/t Au
PPD03	18	20	2.61	5.2	2m @ 2.61g/t Au
PPD04	18	20	4.49	9.0	2m @ 4.49g/t Au
PSAC317	60	62	2.27	4.5	2m @ 2.27g/t Au
PSRC335	21	23	5.74	11.5	2m @ 5.74g/t Au
PSRC335 including	22	23	10.64	10.6	1m @ 10.64g/t Au
PSRC344	24	32	2.06	16.5	8m @ 2.06g/t Au
PSRC344 including	27	30	3.24	9.7	3m @ 3.24g/t Au
PSRC344 including	28	29	4.34	4.3	1m @ 4.34g/t Au
PSRC344	111	126	1.77	26.6	15m @ 1.77g/t Au E.O.H.
PSRC344 including	112	114	3.44	6.9	2m @ 3.44g/t Au
PSRC344 including	113	114	4.39	4.4	1m @ 4.39g/t Au
PSRC344 including	117	124	2.1	14.7	7m @ 2.1g/t Au
PSRC349	145	153	0.80	6.4	8m @ 0.8g/t Au
SPD07	16	17	4.40	4.4	1m @ 4.4g/t Au
SPD11	12	26	2.38	33.3	14m @ 2.38g/t Au
SPD14	12	30	0.47	8.5	18m @ 0.47g/t Au
SPD14	56	64	2.96	23.7	8m @ 2.96g/t Au
SPD19	22	26	1.03	4.1	4m @ 1.03g/t Au

Current Projects continued

Alluvial, deep lead and hard rock hosted gold were discovered along the Cape River in 1867. Recorded production from the field was around 45,000 ounces (approximately 1,400kg), but true production was considerably more as there is no record of the amount extracted by the Chinese miners, who were almost as numerous

as Europeans during the productive years of the field in the late 1800's. Recent exploration work has identified the epithermal veining in the immediate catchment area (at Stanley's Hope) which may account for the source of the historical alluvial production.

CYU 2011

CYU will continue to develop Greenfield prospects into the Mount Dorothy discovery and the Humito Copper Project as an initial priority.

Additional joint ventures will be sought in Chile in particular with parallel project generation in China and Laos for copper silver properties.



Competent Persons Statement

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

The information in this report that relates to the Uranium – REE Inferred Resource is based on information compiled by Arnold van der Heyden, who is a Member of the Australasian Institute of Mining and Metallurgy, is a Consulting Geologist for Hellman and Schofield Pty Ltd. Mr van der Heyden has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr van der Heyden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Corporate Directory

BOARD OF DIRECTORS

Norm Zillman (Co Chairman)

Mr Liang Zhong (Co Chairman)

Jason Beckton (Managing Director)

Zewen (Robert) Yang (Executive Director)

COMPANY SECRETARY

Paul Marshall

REGISTERED OFFICE

Level 5
Santos House,
60 Edward Street,
Brisbane QLD 4000

Telephone 07 3303 0653
Facsimile 07 3303 0601
Email admin@cycal.com.au
Website www.cycal.com.au

AUDITORS

WHK Horwath
Level 16
120 Edward Street
Brisbane QLD 4000

Telephone 07 3233 3555
Facsimile 07 3210 6183
Website www.whkhorwath.com.au

SOLICITORS

Hopgood Ganim Lawyers
Level 8 Waterfront Place
1 Eagle Street Brisbane QLD 4000
Brisbane QLD 4000

Telephone 07 3024 0000
Facsimile 07 3024 0300
Website www.hopgoodganim.com.au

SHARE REGISTRY

Link Market Services Limited
Level 19
324 Queen Street
Brisbane QLD 4000

Telephone 1300 554 474
Facsimile 02 9287 0303
Website www.linkmarketservices.com.au

Director's Report

including Remuneration Report

DIRECTORS' REPORT

Your directors present their report on China Yunnan Copper Australia Limited for the year ended 30 June 2010.

DIRECTORS

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

Mr Norman Zillman

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

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

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

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

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

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

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

- Blue Energy Ltd (Oct 2006 - Oct 2007)
- Bandanna Energy Ltd (May 2007 - Oct 2008)
- Planet Gas Limited (Aug 2002 - Feb 2007)
- Hot Rock Limited (Aug 2006 - Dec 2009)

Mr Liang Zhong

Non-Executive Co-Chairman, BA, M Economics, Chinese CPA

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

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

Mr Zhong has a BA of Economics from Yunnan University, China and a Master degree in Economics from Xiamen

University, China. He is a qualified Chinese Chartered Public Accountant and Chinese Senior Accountant.

Mr Jason Beckton

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

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

Mr Beckton commenced his career with Pancontinental and Goldfields Ltd throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently Mr Beckton was Project Manager for the Palmarejo silver gold project in Mexico and managed the program that grew the resource base from zero to 3.1 million ounces gold equivalent during 2004. More recently Mr Beckton was Manager - Chile for Exeter Resource Corporation, and led the team in 2007 that was responsible for the commercial discovery at the Caspiche Porphyry prospect in the Maricunga Gold Copper Belt of Chile. Ongoing drilling has resulted in an inferred estimate by Exeter of 41.7 million gold equivalent ounces.

Mr Beckton holds a Bachelor of Science (Honours) in Geology from Melbourne University, and a Masters in Economic Geology from the ARC Centre of Excellence in Ore Deposits at the University of Tasmania. He is a member of the Australasian Institute of Mining and Metallurgy, Australian Institute of Company Directors, Society of Economic Geologists and Australian Institute of Geoscientists, a Competent Person for resource estimates for ASX-JORC codes and Qualified Person under Canadian Securities Administrators National Instrument 43-101. Mr Beckton is also on the Board of the Economic Geology Research Unit (EGRU), James Cook University (www.jcu.edu.au/egr/).

Annual Financial Report

Director's Report

including Remuneration Report

Mr Zewen Yang

Executive Director, BA, MComm, MAICD

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

Mr Yang has 18 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.

FORMER DIRECTORS

Mr Chao Yang

Resigned 23 November 2009

Former Non-Executive Co-Chairman (resigned 23 November 2009), Dip Cert Admin Management, Dip Admin Management

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

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

Dr Mark Elliott

Resigned 23 November 2009

Non Executive Director (resigned 23 November 2009) Dip App Geol., PhD, FAICD, FAusIMM (CPGeo), FSEG, FAIG

Dr Elliott is a chartered professional geologist with over 30 years experience in economic geology, exploration, mining, project development and corporate management. He 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 Ltd (Aug 2006 - present)
- Hemisphere Resources Ltd (Oct 2006 - present)

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

- Bandanna Energy Ltd (May 2007 - Oct 2008)
- Hawk Resources Ltd (May 2007 - July 2008)

Interests in the shares and options of the Company

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

Director	Ordinary Shares	Executive Options	Options
Mr Norm Zillman	9,847,195	750,000	-
Mr Liang Zhong #	23,000,000	750,000	16,428,571
Mr Jason Beckton	570,600	4,600,000	-
Mr Zewen Yang #	23,000,000	3,100,000	16,428,571

Shares and options are held by China Yunnan Copper (Australia) Investment and Development Co Limited. 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 23,000,000 ordinary shares and 16,428,571 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 25 years in the accountancy profession having worked for Ernst and Young for ten years, and subsequently fifteen years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Director's Report

including Remuneration Report

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

For the year ended 30 June 2010, the loss for the Consolidated Entity after providing for income tax was \$3,259,584 (2009: \$781,333).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2009 - \$nil).

REVIEW OF OPERATIONS

CYU has continued on a two pronged strategy of project generation and operating current projects that comprise high quality copper, gold and uranium projects in the Mt Isa and Pentland Provinces of Queensland, Australia and the Chilean Cordillera. Exploration tenure has been refined to target large scale intrusive related targets. Highlights in relation to project activity during the year are noted below.

Projects

COPPER GOLD – Cloncurry - Mount Isa (Mary Kathleen JV with Gold Search Ltd)

- Fifty kilometres east of Mount Isa, significant copper-cobalt sulphide mineralisation assays have been returned from the Mount Dorothy prospect, including MDR002: 35m @ 1.52% copper, 397ppm cobalt from 17m including 22m @ 2.03% copper, 591ppm cobalt from 17m.
- This intersection in MDR002 forms part of a mixed native copper - sulphide mineralised zone of 89m @ 0.74% copper, 190ppm cobalt from 17m.
- For the Cloncurry North project area the Gem prospect (CYU 100%) returned an Inferred JORC Resource Estimate completed for 490,000t @ 0.5% copper and 0.2 g/t gold. This resource remains open at depth and resource growth options are being reviewed.

URANIUM - REE- Mt Isa Mary Kathleen JV with Goldsearch Limited

- Elaine Dorothy prospect areas has progressed with mapping and surface sampling program for not only radioactive species but also a newly defined footwall copper mineralized zone with no previous sampling or drilling.
- JORC Inferred Resource Estimate of 83,000 tonnes @ 280 ppm U₃O₈ and 3,200 ppm Total Rare Earth Oxides was compiled.
- (TREO) at a lower cutoff of 200ppm U₃O₈. This Inferred Resource was able to be estimated after

drilling three twin diamond holes into a pre existing resource that was non JORC standard.

GOLD – Pentland (Including Pentland JV)

- Stanley's Hope Mining Lease (100% CYU) - epithermal gold Pajingo style mineralisation. Drilling results included 1,016 metres drilled in 2 diamond holes on granted mining lease ML1631, 100km west of Charters Towers, Queensland.
- CYU drilled SDH001 with an intercept of 14m @ 1.1 g/t gold and 1.5 g/t silver from 161m depth.
- An extensional drill program has been proposed and will take place in late 2010 or early 2011. Key points for Stanleys Hope are, shallow mineralization, granted mining lease, close to infrastructure. Additional drilling required to grow the prospect, will be shallow level reverse circulation drilling.

Pentland JV with Activex Ltd

- Mt Leyshon - Kidston Style Targets drilled at Norwood and Mt Remarkable. Assay results were sub economic but strongly altered suggesting drilling tested the alteration halo of an intrusive centre, particularly at Mount Remarkable. A three dimensional geological model will be compiled based on the increased knowledge from these exploration diamond drill holes, in part funded by a Queensland Government Collaborative Drilling Initiative.

COPPER GOLD – Chile (CYU 100%)

- A mapping and ground magnetic program at Humito has been completed to refine drill targets. This has resulted in a target to be drilled in the current calendar year.

Work on each of the projects noted above is continuing in the 2011 financial year.

Competent Persons Statement

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

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Project Generation

China Yunnan Copper Australia Limited has a five year strategy for CYU and its cornerstone investor, Yunnan Copper Industry (Group) Co. Ltd. As in the case of all Chinese supported enterprises we have a long term vision - to own profitable copper gold operations in Australia and overseas. CYU is continuing to search and identify opportunities with Yunnan Copper Industries (YCI) providing additional expertise and funding. To date CYU has reviewed over 70 projects for YCI, but none met the Company's investment criteria at the prices requested.

In general our growth strategy will be achieved by;

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

REVIEW OF FINANCIAL CONDITION

Capital structure

During the 2010 financial year the Company announced an underwritten rights issue to raise \$4.6 million by the issue of approximately 31,046,457 ordinary shares on a 2 for 5 basis. At 30 June 2010 the Company had 108,662,533 ordinary shares and 30,278,571 unlisted options on issue.

Financial position

The net assets of the Consolidated Entity have increased by \$1,234,048 from \$5,693,279 at 30 June 2009 to \$6,927,327 at 30 June 2010.

During the year the Consolidated Entity has invested in the advancement of its exploration permits held. The Company's working capital, being current assets less current liabilities has increased from \$1,280,073 in 2009 to \$1,477,630 at 30 June 2010.

The Consolidated Entity invested \$993,689 (after write-downs) in exploration activities during in the year.

Treasury policy

The Consolidated Entity does not have a formally established treasury function. The Board is responsible for managing the Consolidated Entity's

currency risks and finance facilities. The Consolidated Entity does not currently undertake hedging of any kind.

Liquidity and funding

The Consolidated Entity has working capital of \$1,478,719 at 30 June 2010.

The Consolidated Entity at some stage in the 2011 financial year intends to raise additional capital to further its exploration programs in both Australia and Chile.

At the date of this report, combined with existing reserves, the Consolidated Entity has sufficient funds to finance its operations and exploration activities, and to allow the Consolidated Entity to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2010 financial year the Consolidated Entity:

- Purchased the Humitos Copper Porphyry property in the Copiapo District of Northern Chile.

There were no other 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 2010 that impact upon the financial report as at 30 June 2010.

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.

Director's Report

including Remuneration Report

REMUNERATION REPORT (AUDITED)

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

Remuneration Policy

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

Remuneration Committee

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

The Board 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 2010 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 2010 is detailed in this Remuneration Report.

Annual Financial Report

Director's Report

including Remuneration Report

Employment contracts

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

The Managing Director, Mr Jason Beckton is employed under an executive services contract entered into in August 2007 and renewed in August 2010. The contract has been renewed for a three year period. Under the terms of the current contract Mr Beckton's current remuneration package includes the following:

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

- Whether the Executive has met performance objectives to be agreed to by the Board of the Company and the Executive from time to time;

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

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

(a) Details of Directors and other Key Management Personnel

Directors

- Norm Zillman Co-Chairman
- Mr Liang Zhong Co-Chairman
- Jason Beckton Managing Director
- Robert Yang Executive Director

Former Directors

- Mr Chao Yang ¹ Co-Chairman
- Dr Mark Elliott ¹ Non Executive Director

¹ resigned 23 November 2009

Key Management Personnel

- Paul Marshall Company Secretary and CFO
- Richard Hatcher Exploration Manger

(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 2010.

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

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

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

(3) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model.

Director's Report

including Remuneration Report

2009	Short Term			Post-Employment		Share-based Payment ⁽⁴⁾	Total	Performance Related %	% consisting of options
	Salary & Fees	Cash Bonus	Non-cash benefits	Superannuation	Retirement benefits	Options			
Specified Directors									
Mr Norm Zillman	36,000	-	-	-	-	-	36,000	-	-
Mr Chao Yang	36,000	-	-	-	-	-	36,000	-	-
Dr Mark Elliott ⁽³⁾	35,050	-	-	-	-	-	35,050	-	-
Mr Jason Beckton	239,796	-	-	-	-	3,884	243,680	-	1.6%
Mr Liang Zhong	24,000	-	-	-	-	-	24,000	-	-
Mr Zewen Yang ⁽¹⁾	155,520	-	-	-	-	3,884	159,404	-	2.4%
Key Management Personnel									
Richard Hatcher ⁽²⁾	146,253	-	-	13,163	-	3,884	163,300	-	2.4%
Paul Marshall	47,500	-	-	-	-	3,884	51,384	-	7.6%
	720,119	-	-	13,163	-	15,536	748,818		

(1) Mr Yang was appointed as an executive director on 1 July 2009

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

(3) Dr Elliott retired as an executive director on 31 August 2009. He remained as a non-executive director.

(4) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model.

(c) Options issued as part of remuneration for the year ended 30 June 2010

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

	Grant date	No. of Options	Option fair value at grant date \$	Exercise price per option \$	Total value of options [#] \$	Expiry date	First exercise date	% of options vested
Directors								
Mr Norm Zillman	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2009	100%
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	-
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	-
Mr Liang Zhong	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2009	100%
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	-
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	-
Mr Jason Beckton	1/12/2009	1,500,000	0.0290	0.40	43,500	20/12/2012	20/12/2009	100%
	1/12/2009	1,500,000	0.0290	0.40	43,500	20/12/2012	20/12/2010	-
	1/12/2009	1,500,000	0.0290	0.40	43,500	20/12/2012	20/12/2011	-
Mr Zewen Yang	1/12/2009	1,000,000	0.0290	0.40	29,000	20/12/2012	20/12/2009	100%
	1/12/2009	1,000,000	0.0290	0.40	29,000	20/12/2012	20/12/2010	-
	1/12/2009	1,000,000	0.0290	0.40	29,000	20/12/2012	20/12/2011	-
Key Management Personnel								
Mr Richard Hatcher	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2009	100%
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	-
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	-
Mr Paul Marshall	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2009	100%
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2010	-
	1/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	-

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

Annual Financial Report

Director's Report

including Remuneration Report

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

Inputs	Options issued 19 December 2008			Options issued 1 December 2009		
	19/12/09	19/12/10	19/12/11	20/12/09	20/12/10	20/12/11
Exercise and Vesting Date ⁽¹⁾	19/12/09	19/12/10	19/12/11	20/12/09	20/12/10	20/12/11
Underlying Share Price	0.10	0.10	0.10	0.22	0.22	0.22
Option Strike Prices (cents)	40	40	40	40	40	40
Time to Maturity (Yrs)	1	2	3	1	2	3
Risk Free Rate (%)	4.43	5.08	5.08	4.93	4.93	4.93
Volatility (%)	128	128	128	40	40	40

(1) The options will not vest to the recipient is not a service provider engaged by the Company at the relevant vesting date.

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

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

2010	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total value of options granted, exercised and lapsed during the year \$
Director				
Mr Norm Zillman	21,750	-	-	21,750
Mr Liang Zhong	21,750	-	-	21,750
Mr Jason Beckton	130,500	-	1,900	132,400
Mr Zewen Yang	87,000	-	1,900	88,900
Key Management Personnel				
Mr Richard Hatcher	21,750	-	1,900	23,650
Mr Paul Marshall	21,755	-	1,900	23,650

(e) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of compensation options in the 2009 or 2010 financial years.

Director's Report

including Remuneration Report

OPTIONS

As at the date of this report (and at the balance date) there were 30,278,571 unissued ordinary shares under options as follows:

Terms	1 July 2009	Additions	Exercised	Expired/ forfeited	30 June 2010
YCI options \$0.40 29/10/10	16,428,571	-	-	-	16,428,571
Broker options \$0.40 29/10/10	2,000,000	-	-	-	2,000,000
Director/Executive options \$0.40 - 19/12/09	350,000	-	-	(350,000)	-
Director/Executive options \$0.40 - 19/12/10	300,000	-	-	-	300,000
Director/Executive options \$0.40 - 19/12/11	300,000	-	-	-	300,000
Director/Executive options \$0.40 - 20/12/12	-	3,750,000	-	-	3,750,000
Director/Executive options \$0.40 - 20/12/12	-	3,750,000	-	-	3,750,000
Director/Executive options \$0.40 - 20/12/12	-	3,750,000	-	-	3,750,000
	19,378,571	11,250,000	-	(350,000)	30,278,571

During the year ended 30 June 2010 no shares were issued following the exercise of options.

Auditor's Independence Declaration

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	3	4
Liang Zhong	4	4
Jason Beckton	4	4
Zewen Yang	4	4
Chao Yang	-	1
Mark Elliott	1	1

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.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

Taxation services	\$5,600
Compliance review – rights issue	\$1,850

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report.

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.

Signed in accordance with a resolution of the directors.



Jason Beckton
Director
Brisbane 24 September 2010

Auditor's Independence Declaration



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

To the Directors of China Yunnan Copper Australia Limited:

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements of 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.

Signed at Brisbane 24 September 2010.

A handwritten signature in blue ink that reads "WHK Horwath".

WHK HORWATH

A handwritten signature in blue ink that reads "B.P. Worrall".

BRENDAN WORRALL
Principal

Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss Verein.
Each member firm of Crowe Horwath is a separate and independent legal entity

Member Crowe Horwath International
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Brisbane Queensland 4000 Australia
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Email info.bri@whkhorwath.com.au www.whkhorwath.com.au
A WHK Group firm

Additional Stock Exchange Information

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 13 September 2010.

(a) Distribution of equity securities

CYU – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	32
1,001 to 5,000	174
5,001 to 10,000	285
10,001 to 100,000	388
100,001 and over	86
	965

Number of shareholders holding less than a marketable parcel of shares

101

(b) Twenty largest holders

CYU – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	CHINA YUNNAN COPPER (AUSTRALIA) INVESTMENT AND DEVELOPMENT CO	23,000,000	21.17%
2	MR NORMAN JOSEPH ZILLMAN	8,100,000	7.45%
3	ELLIOTT NOMINEES PTY LTD <ELLIOTT EXPLORATION CO S/F A/C>	7,150,000	6.58%
4	FLATOAK PTY LTD	4,463,263	4.11%
5	PREMAR CAPITAL NOMINEES PTY	3,333,333	3.07%
6	MR BRUCE JAMES WOOD	2,901,288	2.67%
7	HIROSIE PTY LIMITED	2,431,130	2.24%
8	YUNNAN & HONG KONG METAL CO. LTD	2,400,000	2.21%
9	MS MARIA ANTOINETTE GREER	2,200,958	2.03%
10	MS JULIE HEATH MCCONAGHY	1,876,000	1.73%
11	PACIFIC CAPITAL SECURITIES PTY LTD	1,725,997	1.59%
12	DR RICHARD HAREN & MS SUSAN HAREN <R&S HAREN S'FUND>	1,672,574	1.54%
13	DEPOND AUSTRALIA PTY LIMITED	1,666,667	1.53%
14	ROCK MASTER PTY LTD	1,600,000	1.47%
15	KING FAITH GROUP LIMITED	1,600,000	1.47%
16	MR ROSS THOMAS	1,400,000	1.29%
17	HIPETE PTY LIMITED	1,400,000	1.29%
18	OPTEX EXCHANGE PTY LIMITED <DAVID SUTTON SUPER FUND A/C>	1,291,480	1.19%
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,056,133	0.97%
20	HIPETE PTY LTD	1,031,129	0.95%
		72,299,952	66.54%

(c) Voting Rights

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

Additional Stock Exchange Information

(d) Interests In Exploration Tenements

China Yunnan Copper Australia Limited held the following interests in mining and exploration tenements as at 15 September 2010:

QUEENSLAND

Type	Project	Grant / Application Date	Expiry Date	CYU Interest
EPM 12205	Cloncurry North	6/09/2004	5/09/2011	100%
EPM 15084	Cloncurry North	11/08/2006	10/08/2011	100%
EPM 15095	Cloncurry North	11/08/2006	10/08/2011	100%
EPM 15248	Mt Isa	25/09/2009	24/09/2012	100%
EPM 16393	Cloncurry North	22/04/2008	21/04/2013	100%
ML 1631	Pentland	9/06/1988	30/06/2009	100% [#]
EPM 14019	Mary Kathleen JV	18/07/2003	17/07/2015	49% - Earning In
EPM 14022	Mary Kathleen JV	31/07/2003	30/07/2011	49% - Earning In
EPM 15257	Mary Kathleen JV	27/09/2006	26/09/2011	49% - Earning In
EPM 14332	Pentland JV	10/12/2004	9/12/2014	51% - Earning In
EPM 15055	Pentland JV	11/01/2006	10/01/2011	51% - Earning In
EPM 15185	Pentland JV	3/08/2006	2/08/2011	51% - Earning In

[#] A renewal application has been lodged for this Mining Lease and is Pending Renewal with the relevant Government Department.

CHILE

Tenement	Project	Location	Area	CYU Interest
H1	Humitos	Copiapo	300 ha	100%
H2	Humitos	Copiapo	300 ha	100%
H3	Humitos	Copiapo	300 ha	100%
H4	Humitos	Copiapo	300 ha	100%
H5	Humitos	Copiapo	300 ha	100%
H6	Humitos	Copiapo	300 ha	100%
H7	Humitos	Copiapo	300 ha	100%
H9	Humitos	Copiapo	300 ha	100%
H10	Humitos	Copiapo	300 ha	100%
H11	Humitos	Copiapo	100 ha	100%
H12	Humitos	Copiapo	300 ha	100%
H13	Humitos	Copiapo	300 ha	100%
H14	Humitos	Copiapo	200 ha	100%
H15	Humitos	Copiapo	300 ha	100%
H16	Humitos	Copiapo	200 ha	100%
H17	Humitos	Copiapo	100 ha	100%

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT

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

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

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

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

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

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

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

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

Corporate Governance Statement

Structure of the Board

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

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

In the context of Director independence, "materiality" is considered from both the Company and the individual

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

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

Name	Position	Reason for not being Independent
Norm Zillman	Co Chairman	Mr Zillman is a substantial shareholder in the Company
Jason Beckton	Managing Director	Mr Beckton is employed in an executive capacity
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	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	12 years 9 months
Mr Jason Beckton	3 years 2 months
Mr Liang Zhong	2 years 8 months
Mr Zewen Yang	3 years 2 months

Trading Policy

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

Board committees

The board's charter allows it to establish committees if and when required to assist in the execution of the duties of the board. As at the date of this report, no committees have been established as the structure of

the board, the size of the Company and the scale of its activities, allows all directors to participate fully in all decision making. When the circumstances require it, the committees will be instituted with each having its own charter approved by the board that will set the standards for the operation of the committees. All matters that would be considered by committee are dealt with by the board.

Remuneration and Nomination

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

Audit and Risk Management

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

Corporate Governance Statement

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

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

While the design and implementation of a basic risk management and internal control system is in place a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the Board.

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

Performance

The Board considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board. The performance of the individual members of the Board is reviewed on an on-going basis as required in conjunction with the regular meetings of the Board. No formal performance evaluation of the directors was undertaken during the year ended 30 June 2010.

Remuneration

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

The expected outcomes of the remuneration structure are:

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

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

Board, having regard to the overall performance of China Yunnan Copper Australia Limited and the performance of the individual during the year.

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

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

Continuous Disclosure Policy

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

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at www.cycal.com.au.

Statement of Comprehensive Income

for the year ended 30 June 2010

Statement of Comprehensive Income			
For the year ended 30 June 2010			
	Note	2010	2009
		\$	\$
Revenue	2	102,808	158,966
Employment and consultancy expenses		(687,739)	(495,649)
Depreciation expense	11	(55,049)	(37,162)
Finance costs		-	(161)
Impairment of exploration expenditure	12	(1,986,924)	-
Project generation expenditure		(102,283)	-
Other expenses		(530,397)	(407,327)
Loss before income tax		(3,259,584)	(781,333)
Income tax expense	3	-	-
Loss after income tax expense		(3,259,584)	(781,333)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(1,794)	-
Income tax		-	-
		(1,794)	-
Total comprehensive income		(3,261,378)	(781,333)
		Cents	Cents
Earnings per share			
Basic loss per share	6	(3.27)	(1.01)
Diluted loss per share	6	(3.27)	(1.01)

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

Annual Financial Report
Balance Sheet

as at 30 June 2010

Balance Sheet
As at 30 June 2010

	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	7	1,585,996	1,617,277
Trade and other receivables	8	313,970	205,845
Financial assets	10	1,091	1,091
Other current assets	9	11,154	8,994
TOTAL CURRENT ASSETS		1,912,211	1,833,208
NON-CURRENT ASSETS			
Trade and other receivables	8	44,195	44,618
Plant and equipment	11	221,051	178,914
Exploration expenditure	12	5,183,362	4,189,673
TOTAL NON-CURRENT ASSETS		5,448,608	4,413,206
TOTAL ASSETS		7,360,819	6,246,414
CURRENT LIABILITIES			
Trade and other payables	13	400,445	532,582
Short-term provisions	14	33,047	20,553
TOTAL CURRENT LIABILITIES		433,492	553,135
TOTAL LIABILITIES		433,492	553,135
NET ASSETS		6,927,327	5,693,279
EQUITY			
Share capital	15	11,212,656	6,934,322
Reserves	16	242,486	27,188
Accumulated losses		(4,527,815)	(1,268,231)
TOTAL EQUITY		6,927,327	5,693,279

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

Statement of Changes to Equity

for the year ended 30 June 2010

Statements of Changes in Equity For the year ended 30 June 2010

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2008	6,934,322	-	(486,898)	6,447,425
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Share-based payment expense	-	27,188	-	27,188
Comprehensive income				
Loss after income tax	-	-	(781,333)	(781,333)
Other comprehensive income	-	-	-	-
Balance at 30 June 2009	<u>6,934,322</u>	<u>27,188</u>	<u>(1,268,231)</u>	<u>5,693,279</u>
Balance at 1 July 2009	6,934,322	27,188	(1,268,231)	5,693,279
Transactions with owners in their capacity as owners				
Issue of share capital	4,656,969	-	-	4,656,969
Share issue costs	(378,635)	-	-	(378,635)
Share-based payment expense	-	217,092	-	217,092
Comprehensive income				
Loss after income tax	-	-	(3,259,584)	(3,259,584)
Other comprehensive income	-	(1,794)	-	(1,794)
Balance at 30 June 2010	<u>11,212,656</u>	<u>242,486</u>	<u>(4,527,815)</u>	<u>6,927,327</u>

Annual Financial Report

Cash Flow Statement

for the year ended 30 June 2010

Cash Flow Statement
For the year ended 30 June 2010

	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,925	-
Payments to suppliers and employees		(1,332,253)	(992,125)
Interest received		100,883	180,348
Interest paid		-	(161)
Net cash used in operating activities	17	(1,229,445)	(811,938)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit refunds/(payments)		(577)	2,673
Payments for property, plant & equipment		(97,186)	(85,673)
Acquisition of Humitos Pty Ltd	26	(199,998)	-
Payments for exploration and evaluation		(2,780,615)	(2,182,762)
Net cash used in investing activities		(3,078,376)	(2,265,762)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,656,969	-
Capital raising expenses		(378,635)	-
Net cash provided by financing activities		4,278,334	-
Net increase/(decrease) in cash and cash equivalents		(29,487)	(3,077,700)
Net foreign exchange differences		(1,794)	-
Cash and cash equivalents at the beginning of the financial year		1,617,277	4,694,977
Cash and cash equivalents at the end of the financial year	7	1,585,996	1,617,277

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

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

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

Operations and principal activities

Principal activities comprise of mineral exploration.

Currency

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

Authorisation of financial report

The financial report was authorised for issue on 24 September 2010.

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates and judgements

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

Critical accounting estimates and judgments

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

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

Key estimates – impairment

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

Key judgements – exploration & evaluation expenditure

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

Accounting policies

(a) Principles of consolidation

A controlled entity is any entity China Yunnan Copper Australia Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a June financial year-end. The financial statements of controlled entities are included in the consolidated financial statements from the date that control exists to the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Consolidated Entity. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

(b) Income Tax

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

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

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Income Tax

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

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

(c) Plant and Equipment

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

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

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

Depreciation

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

The depreciation rates used for each class of asset is:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	14 – 33%
Motor Vehicles	13%
Computers and Office Equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance 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 statement of comprehensive income.

(d) Exploration Evaluation and Development Expenditure

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

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

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

Restoration and rehabilitation

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

(e) Leases

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

(f) Financial instruments

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

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

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

(h) Employee benefits

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

Share-based payments

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

(i) Provisions

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

(j) Cash and cash equivalents

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

(k) Revenue

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

(l) Goods & Services Tax

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

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

(m) Joint Ventures

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

(n) Foreign currency

Functional and presentation currency

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

Transaction and balances

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

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

Notes to the Financial Statements

for the year ended 30 June 2010

(n) Foreign currency

Subsidiary companies

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

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

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

(o) Contributed Equity

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

(p) Earnings per share

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

(q) Payables and Accruals

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

(r) Comparative figures

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

(s) New Accounting Standards and Interpretations

When the adoption of the Standard or Interpretation is deemed to have a material impact on the financial statements or performance of the Consolidated Entity, its impact is described below:

AASB 3 'Business Combinations (revised 2008)' and AASB 127 'Consolidated and Separate Financial Statements (revised 2008)'

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008)

Requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

AASB 101 'Presentation of Financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

AASB 123 'Borrowing Costs'

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised standard does not affect the Consolidated Entity as all borrowings costs are capitalised with regard to qualifying assets.

AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the Consolidated Entity. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Consolidated Entity.

Notes to the Financial Statements

for the year ended 30 June 2010

(t) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.'

These standards are applicable to annual reporting periods beginning on or after 1 January 2010. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

AASB 2009-8 'Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions'

This standard is applicable to annual reporting periods beginning on or after 1 January 2010. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

AASB 9 'Financial Instruments'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. Simplifies the classifications into two categories; those carried at amortised cost, and those carried at fair value. This standard simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. The standard also removes the tainting rules associated with held-to-maturity asset. Investments in equity instruments that are not held for trade can be designated at fair value through other comprehensive income, with only dividends being recognised in profit and loss. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

AASB 2009-10 'Amendments to Australian Accounting Standards - Classification of Rights Issues'

This standard is applicable to annual reporting periods beginning on or after 1 February 2010. Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments. Future adoption of this standard is

not expected to materially affect the Consolidated Entity.

AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. This standard gives effect to the consequential changes arising from the issuance of AASB 9: Financial Instruments. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009).

This standard is applicable to annual reporting periods beginning on or after 1 January 2011. Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].

AASB 2009-12 makes amendments to a number of Standards and Interpretations. These standards are applicable to annual reporting periods beginning on or after 1 January 2011. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Consolidated Entity has yet to determine the potential effect of these standards.

Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

This standard is applicable to annual reporting periods beginning on or after 1 July 2010. Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions. Future adoption of this standard is not expected to materially affect the Consolidated Entity.

Application of the amending standards will not affect any of the amounts recognised in the Financial Statements and is expected to only impact disclosures contained within the Financial Report.

Notes to the Financial Statements

for the year ended 30 June 2010

	2010 \$	2009 \$
NOTE 2 REVENUE		
Bank interest received	100,883	158,966
Other revenue	1,925	-
	102,828	158,966

NOTE 3 INCOME TAX EXPENSE

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the years ended 30 June 2010 and 2009 is as follows:

Accounting profit (loss) before income tax	(3,259,584)	(781,333)
Tax at the Australian tax rate of 30%	(977,875)	(234,400)
Non-deductible expenses	65,442	8,974
Small business and general business tax break	(4,347)	-
Deferred tax assets not brought to account	916,780	225,426
Income tax expense	-	-
Unrecognised temporary differences and tax losses		
Temporary differences	(1,469,307)	(1,247,659)
Tax losses	2,756,313	1,624,330
	1,287,006	376,671

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 Consolidated Entity can utilise these benefits.

NOTE 4 AUDITORS' REMUNERATION

Remuneration paid to WHK Horwarth for:		
- auditing and reviewing the financial report	27,250	20,000
- taxation services	5,600	13,800
- compliance review – rights issue	1,850	-
	34,700	33,800

NOTE 5 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.

	2010 \$	2009 \$
NOTE 6 EARNINGS PER SHARE		
Earnings used to calculate basic and dilutive EPS	(3,259,584)	(781,333)
	2010 Number	2009 Number
Weighted average number of ordinary shares outstanding during the year	99,731,360	77,616,073
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	99,731,360	77,616,073

Notes to the Financial Statements

for the year ended 30 June 2010

	2010 \$	2009 \$		
NOTE 7 CASH & CASH EQUIVALENTS				
Cash on hand and at bank	1,553,136	1,585,741		
Cash on deposit	32,860	31,536		
	1,585,996	1,617,277		
NOTE 8 TRADE & OTHER RECEIVABLES				
CURRENT				
Other receivables	313,970	205,845		
NON-CURRENT				
Security bonds	44,195	44,618		
NOTE 9 OTHER CURRENT ASSETS				
Prepayments	11,154	8,994		
NOTE 10 FINANCIAL ASSETS				
Gold nugget	1,091	1,091		
NOTE 11 PROPERTY, PLANT & EQUIPMENT				
Plant and equipment				
At cost	14,026	8,226		
Accumulated depreciation	(4,992)	(2,455)		
	9,034	5,771		
Motor Vehicles				
At cost	135,562	78,125		
Accumulated depreciation	(25,247)	(10,469)		
	110,315	67,657		
Computers, and office equipment				
At cost	171,171	137,221		
Accumulated depreciation	(69,469)	(31,375)		
	101,702	105,486		
Total plant and equipment	221,051	178,914		
Movements in carrying amounts				
	Plant and equipment \$	Motor Vehicles \$	Computers and office equipment \$	Total \$
Balance at 1 July 2008	6,488	69,053	54,863	130,404
Additions	1,416	8,370	75,887	85,673
Depreciation expense	(2,133)	(9,766)	(25,264)	(37,162)
Balance at 30 June 2009	5,771	67,657	105,486	178,914
Balance at 1 July 2009	5,771	67,657	105,486	178,914
Additions	5,800	57,436	33,950	97,186
Depreciation expense	(2,537)	(14,778)	(37,734)	(55,049)
Balance at 30 June 2010	9,034	110,315	101,702	221,051

Notes to the Financial Statements

for the year ended 30 June 2010

	2010 \$	2009 \$
NOTE 12 EXPLORATION EXPENDITURE		
Exploration expenditure capitalised		
Opening balance	4,189,673	1,803,484
Net current year expenditure	2,780,615	2,386,190
Acquired through business combinations (note 26)	199,998	-
Impairment of exploration expenditure	(1,986,924)	-
	5,183,362	4,189,673

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

NOTE 13 TRADE & OTHER PAYABLES

Trade payables	164,863	253,652
Other payables and accrued expenses	23,825	130,930
Payable to directors	211,757	148,000
	400,445	532,582

NOTE 14 PROVISIONS

Employee benefits	33,047	20,553
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NOTE 15 SHARE CAPITAL

Fully paid ordinary shares	11,212,656	6,934,322
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Ordinary Shares

	2010 \$	2009 \$	2010 Number	2009 Number
At the beginning of the year	6,934,322	6,934,322	77,616,073	77,616,073
Rights issue ⁽¹⁾	4,656,969	-	31,046,460	-
Share issue expenses	(378,635)	-	-	-
At reporting date	11,212,656	6,934,322	108,662,533	77,616,073

⁽¹⁾ A total of 31,046,460 shares were issued during the year through a 2 for 5 non-renounceable rights issue.

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

	2010 \$	2009 \$
NOTE 16 RESERVES		
Share based payment reserve	244,280	27,188
Foreign currency translation reserve	(1,794)	-
	242,486	27,188

Share based payment reserve movements during the year

Opening balance	27,188	-
Share based payments	217,092	27,188
Closing balance	244,280	27,188

Foreign currency translation reserve movements during the year

Opening balance	-	-
Foreign exchange differences	(1,794)	-
Closing balance	(1,794)	-

Share based payment reserve

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

Foreign currency translation reserve

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

Notes to the Financial Statements

for the year ended 30 June 2010

	2010 \$	2009 \$
NOTE 17 CASH FLOW INFORMATION		
Reconciliation of cash flows used in operations with loss after income tax		
Loss after income tax	(3,259,584)	(781,333)
<i>Non-cash items in loss after income tax</i>		
Depreciation	55,049	37,162
Share based payments expense	217,092	27,187
Impairment of exploration expenditure	1,986,924	-
Impairment of security deposit	1,000	-
<i>Movements in assets and liabilities</i>		
Receivables	(108,125)	(170,509)
Other assets	(2,160)	1,237
Trade payables and accruals	(132,135)	60,888
Provisions	12,494	13,430
Cash flow from operations	(1,229,445)	(811,938)

Reconciliation of cash

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

Cash and cash equivalents	1,585,996	1,617,277
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NOTE 18 SHARE BASED PAYMENTS

As at 30 June 2010 in relation to share based payments there are 11,850,000 unlisted options to take up one ordinary share in China Yunnan Copper Australia Ltd at issue price of 40 cents. The options expire between 19 December 2010 and 19 December 2012. The options were issued in the 2009 and 2010 financial years to 4 directors and 7 employees as part of their remuneration.

Movements in options

	2010		2009	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
		\$		\$
Outstanding at beginning of year	950,000	0.40	-	-
Granted	11,250,000	0.40	1,050,000	0.40
Forfeited	-	-	(100,000)	-
Exercised	-	-	-	-
Expired	(350,000)	-	-	-
Outstanding at year-end	11,850,000	0.40	950,000	0.40
Exercisable at year-end	3,700,000	0.40	350,000	0.40

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

Issue	Tranche	Entitlement Date	Vesting Date	Expiry Date	Exercise Price	Number
2009 Directors and Employees	2	19/12/2008	19/12/2009	19/12/2010	0.40	300,000
	3	19/12/2008	19/12/2010	19/12/2011	0.40	300,000
2010 Directors and Employees	1	1/12/2009	20/12/2009	20/12/2012	0.40	3,750,000
	2	1/12/2009	20/12/2010	20/12/2012	0.40	3,750,000
	3	1/12/2009	20/12/2011	20/12/2012	0.40	3,750,000
						11,850,000

No options were exercised during the year ended 30 June 2010.

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 18 SHARE BASED PAYMENTS (continued)

The options outstanding at 30 June 2010 have an average exercise price of \$0.40 and weighted average remaining life of 2.4 years. Included under Employee Benefits Expense in the Statement of comprehensive income is \$217,092 (2009: \$27,187), and relates, in full, to equity-settled share-based payment transactions. The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The following table lists the inputs to the model:

Inputs	Options issued 19 December 2008			Options issued 1 December 2009		
	19/12/09 ⁽¹⁾	19/12/10	19/12/11	20/12/09	20/12/10	20/12/11
Exercise Date						
Underlying Share Price	0.10	0.10	0.10	0.22	0.22	0.22
Option Strike Prices (cents)	40	40	40	40	40	40
Time to Maturity (Yrs)	1	2	3	1	2	3
Risk Free Rate (%)	4.43	5.08	5.08	4.93	4.93	4.93
Volatility (%)	128	128	128	40	40	40

⁽¹⁾ This tranche expired on 19 December 2009.

NOTE 19 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 the Consolidated Entity.

	2010 \$	2009 \$
Summary		
Short-term employee benefits	686,173	720,119
Post-employment benefits	13,211	13,163
Share-based payments	197,897	15,536
	897,281	748,818

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

2010	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Norm Zillman	8,105,639	-	-	1,741,556	9,847,195
Liang Zhong	-	-	-	-	-
Jason Beckton	329,000	-	-	131,000	460,000
Zewen Yang	-	-	-	-	-
Chao Yang	-	-	-	-	-
Mark Elliott ⁽¹⁾	7,000,000	-	-	(7,000,000)	-
Key Management Personnel					
Richard Hatcher	-	-	-	-	-
Paul Marshall	400,000	-	-	120,002	520,002
Total	15,834,639	-	-	(5,007,442)	10,827,197

⁽¹⁾ Net change upon resignation as a director.

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 19 RELATED PARTY and KEY MANAGEMENT PERSONNEL (continued)**Director/Key Management Personnel share holdings (number of shares)**

2009	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Norm Zillman	8,105,639	-	-	-	8,105,639
Liang Zhong	-	-	-	-	-
Jason Beckton	210,000	-	-	119,000	329,000
Zewen Yang	-	-	-	-	-
Chao Yang	-	-	-	-	-
Mark Elliott	7,000,000	-	-	-	7,000,000
Key Management Personnel					
Richard Hatcher	-	-	-	-	-
Paul Marshall	400,000	-	-	-	400,000
Total	15,715,639	-	-	119,000	15,834,639

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

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

2009	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Norm Zillman	-	-	-	-	-
Liang Zhong	-	-	-	-	-
Jason Beckton	-	150,000	-	-	150,000
Zewen Yang	-	150,000	-	-	150,000
Chao Yang	-	-	-	-	-
Mark Elliott	-	-	-	-	-
Key Management Personnel					
Richard Hatcher	-	150,000	-	-	150,000
Paul Marshall	-	150,000	-	-	150,000
Total	-	600,000	-	-	600,000

Amounts owed to Key Management Personnel

\$211,757 is owed to Directors for unpaid director fees (2009: \$148,000).

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 20 JOINT VENTURES

The Company has entered into a joint venture with ActivEX Limited on 4 January 2010 to explore ActivEX's Pentland Project for large tonnage, intrusive style gold mineralization. China Yunnan Copper Australia will farm in to the Pentland Project area and can earn up to a 70% interest in the project area by spending \$3 million in the next 5 years in a two stage earn-in. In the first stage, China Yunnan can earn up to 51% of the project by spending \$1.25 million within three years including carrying out a drilling program at Mt Remarkable and Norwood prospects which must commence in the first quarter of 2010. If CYU elects to continue it can earn an additional 19% by spending a further \$1.75 million within five years from commencement. At the date of this report no interest has been earned.

The Company has also entered into a Farm-in and Joint Venture Agreement with Goldsearch Limited (GSE) on 24 August 2009 to explore the Mary Kathleen Project consisting of three tenement areas covering ~161 sq km of ground considered prospective for copper, gold, uranium and rare earth elements (REE) mineralisation within the Mount Isa Inlier of northwest Queensland. Under the terms of the agreement CYU is obligated to carry out exploration programs to investigate a number of high priority targets identified by GSE and previous tenement holders within a period of 3 years. Upon sole funding an expenditure of \$750,000, CYU will have gained the right to earn an initial 49% participating interest in the Tenements. By contributing additional expenditure to a cumulative amount of \$1.5 million within a 3 year period from the commencement of the Farm-in and Joint Venture Agreement, CYU will gain the right to earn 70% participating interest in the Tenements. During the Farm-In period CYU will solely fund and manage the exploration for all minerals within the Tenement Area. Upon completion of the Farm-in period a joint venture will be formed with participating interests of CYU – 70% and GSE – 30%. Both parties will contribute to the joint venture in proportion to their participating interest. At the date of this report no interest has been earned

NOTE 21 FINANCIAL RISK MANAGEMENT

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

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

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for day to day management of these risks to the Managing Director and the Chief Financial Officer. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(a) Credit Risk

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2010.

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

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

Maximum exposure to credit risk

	2010 \$	2009 \$
Non-trade receivables	313,970	250,463
Security deposits	44,195	44,618
Cash and cash equivalents	1,585,996	1,617,277
	1,944,161	1,867,740

Ageing of receivables

Not past due	313,970	250,463
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	313,970	250,463

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

None of the past due receivables at 30 June 2010 were impaired because it is expected that these amounts will be received in full in the normal course of business.

Credit risk - Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparty to these financial assets are large financial institutions with strong credit ratings.

(b) Liquidity risk

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

Liquidity risk is reviewed regularly by the Board.

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

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2010 \$	2009 \$
Less than one year	400,445	532,582
One to five years	-	-
Greater than five years	-	-
	400,445	532,582

(c) Market Risk

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

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure under financial instruments is minimal as it does not currently have any interest bearing financial liabilities.

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

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010 \$	2009 \$	2010 \$	2009 \$
+1.00% (100 basis points)	15,860	16,173	15,860	16,173
-1.00% (100 basis points)	(15,860)	(16,173)	(15,860)	(16,173)

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 21 FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the home currency in which they are reported. At 30 June 2010, the Consolidated Entity had the following exposure to foreign currency:

	2010 \$	2009 \$
Financial Assets:		
Cash and cash equivalents	6,463	-
Trade and other receivables	566	-
	7,029	-
Financial Liabilities:		
Trade and other payables	5,822	-

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

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2010 \$	2009 \$	2010 \$	2009 \$
+10.00%	121	-	121	-
-10.00%	(121)	-	(121)	-

(d) Capital Risk Management

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

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

(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.

	2010 \$	2009 \$
NOTE 22 COMMITMENTS		
Operating leases		
<i>Minimum lease payments:</i>		
Payable within one year	-	21,498
Total contracted at balance date	-	21,498

2009: The Consolidated Entity entered into a lease for an office in Brisbane. It was for a period of less than one year and it has no renewal option. The minimum future payments under this non-cancellable operating lease are shown above.

Future exploration

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

Notes to the Financial Statements

for the year ended 30 June 2010

	2010 \$	2009 \$
NOTE 22 COMMITMENTS		
Operating leases		
<i>Minimum lease payments:</i>		
Payable within one year	-	21,498
Total contracted at balance date	-	21,498

2009: The Consolidated Entity entered into a lease for an office in Brisbane. It was for a period of less than one year and it has no renewal option. The minimum future payments under this non-cancellable operating lease are shown above.

Future exploration

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

Exploration obligations to be undertaken:

Payable within one year	674,417	835,000
Payable between one year and five years	2,314,946	820,000
	2,989,373	1,655,000

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

NOTE 23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2010 that require disclosure in the financial report.

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 24 SEGMENT REPORTING

Reportable Segments

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

- Chile
- Australia

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

Segment Revenues and Results

The following is an analysis of the Consolidated Entity's revenue and results by reportable operating segment for the periods under review. In the prior year, the Consolidated Entity only had one reportable segment - 'Australia'.

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

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 25 PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is China Yunnan Copper Australia Limited.

	2010	2009
	\$	\$
Parent Entity Financial Information		
Current assets	1,905,180	1,833,208
Non-current assets	5,477,627	4,413,206
Total assets	7,382,807	6,246,414
Current liabilities	427,669	532,582
Non-current liabilities	23,450	20,553
Total liabilities	451,119	553,135
Net assets	6,931,688	5,693,279
Issued capital	11,212,656	6,934,322
Share based payment reserve	244,280	27,188
Accumulated losses	(4,525,248)	(1,268,231)
Total equity	6,931,688	5,693,322
Loss after income tax	(3,257,017)	(781,333)
Other comprehensive income	-	-
Total comprehensive income	(3,257,017)	(781,333)

Controlled Entities of the Parent Entity

	Percentage Owned		Parent Entity Investment	
	2010	2009	2010	2009
	%	%	\$	\$
Humitos Pty Ltd	100%	-%	200,000	-
China Yunnan Copper Australia Limitada	100%	100%	23,450	23,450

Notes to the Financial Statements

for the year ended 30 June 2010

NOTE 26 BUSINESS COMBINATIONS

On 30 March 2010, the Company acquired Humitos Pty Ltd from Rey Resources for \$200,000. Humitos Pty Ltd holds tenements in the Humitos Copper Porphyry property in the Copiapo District of northern Chile.

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

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

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

NOTE 27 EVENTS AFTER BALANCE SHEET DATE

There have been no events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

NOTE 28 GOING CONCERN

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

The ability of the Consolidated Entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on the ability of the Consolidated Entity to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development.

Based on the success of prior capital raisings and the current portfolio of exploration assets held, the Directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due.

The Consolidated Entity has exceeded its minimum exploration commitments to date and the Directors are confident of meeting the Consolidated Entity's future commitments.

It is on this basis, the directors have prepared the financial statements on a going concern basis.

Director's Declaration

DIRECTORS' DECLARATION

In the Directors opinion:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001 and other mandatory professional reporting requirements, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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



Jason Beckton
Director

Brisbane
24 September 2010

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the members of China Yunnan Copper Australia Limited

Report on the Financial Report

We have audited the accompanying financial statements of China Yunnan Copper Australia (the Company), which comprises the consolidated balance sheet as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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.

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*.

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



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss Verein.
Each member firm of Crowe Horwath is a separate and independent legal entity

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A WHK Group firm

Independant Auditor's Report

Auditor's Opinion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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*.

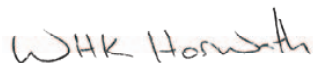
The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. 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 Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



WHK HORWATH



BRENDAN WORRALL
Principal

Brisbane, 24 September 2010

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