annual report

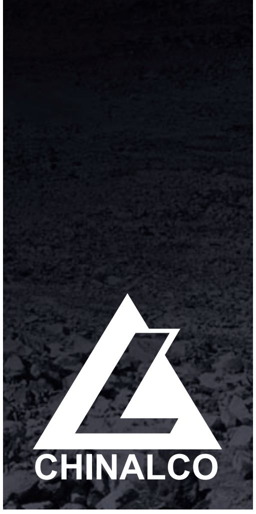
2012

highlights 2011/2012

- Initial inferred resource of 26.1Mt with a contained metal content of 146,000t of copper and 74,000oz of gold announced at the Elaine copper-cobalt-gold prospect.
- Signed a binding agreement with Xstrata Mount Isa Mines Limited to commence exploration activities on the Mount Frosty project covering the Mary Kathleen shear zone, in far north west Queensland.
- Yunnan Copper Mineral Resources Exploration and Development Co. Ltd commenced drilling at the Cloncurry North farm-in project.
- Drilling undertaken at the Laos projects, targeting base and precious metals anomalies defined by electrical geophysics, trenches and underground adit sampling.
- Completed a 2,500m drilling program at the Candelabro project in Northern Chile with the source porphyry system intercepted for the first time.
- Signed a new farm-in agreement with Codelco, the world's largest copper producer to earn up to 51% interest at Sulfatos porphyry project in northern Chile over 6 years.

future

- Further resource infill and extensional drilling at the Elaine prospect targeting the Mary Kathleen shear zone.
- Regional reconnaissance and prospect scale mapping, geophysical and geochemical programs targeting the Mary Kathleen Shear Zone in the Mount Frosty project.
- Drill programs to commence in Chile at the Caramasa, Sulphatos and Palmani projects.
- Continued exploration drilling at the Xinzhai project in Laos focusing on surface copper, lead and zinc geochemical anomalies.



contents

we are drilling the best districts
for probable exploration success

Competent Person's Statement

The information regarding to Exploration Activities in this report that relates to all prospects and to the Elaine Inferred Resource (EPM 14022) is based on information compiled by Mr Jason Beckton, who is a Member of the Australian Institute of Geologists and is Managing Director of Chinalco Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

managing director's review of operations

AUSTRALIA

Chinalco Yunnan Copper Resources ("CYU") continues to advance its Northwest Queensland projects with the release of an initial resource of 26.1Mt with a contained metal content of 146,000t of copper and 74,000oz of gold at its Elaine copper-cobalt-gold prospect. CYU continued drilling the Elaine copper-gold-cobalt-light rare earth element (LREE) mineralized zone, returning intersections along strike, near surface and at depth from the resource evaluation area, demonstrating the growth potential of the resource. Preparation and planning is underway for further resource infill, extensional drilling and metallurgical testwork.

Elaine – copper-gold-cobalt-lreo (light rare earth oxide) (CYU 70%: GSE 30%)

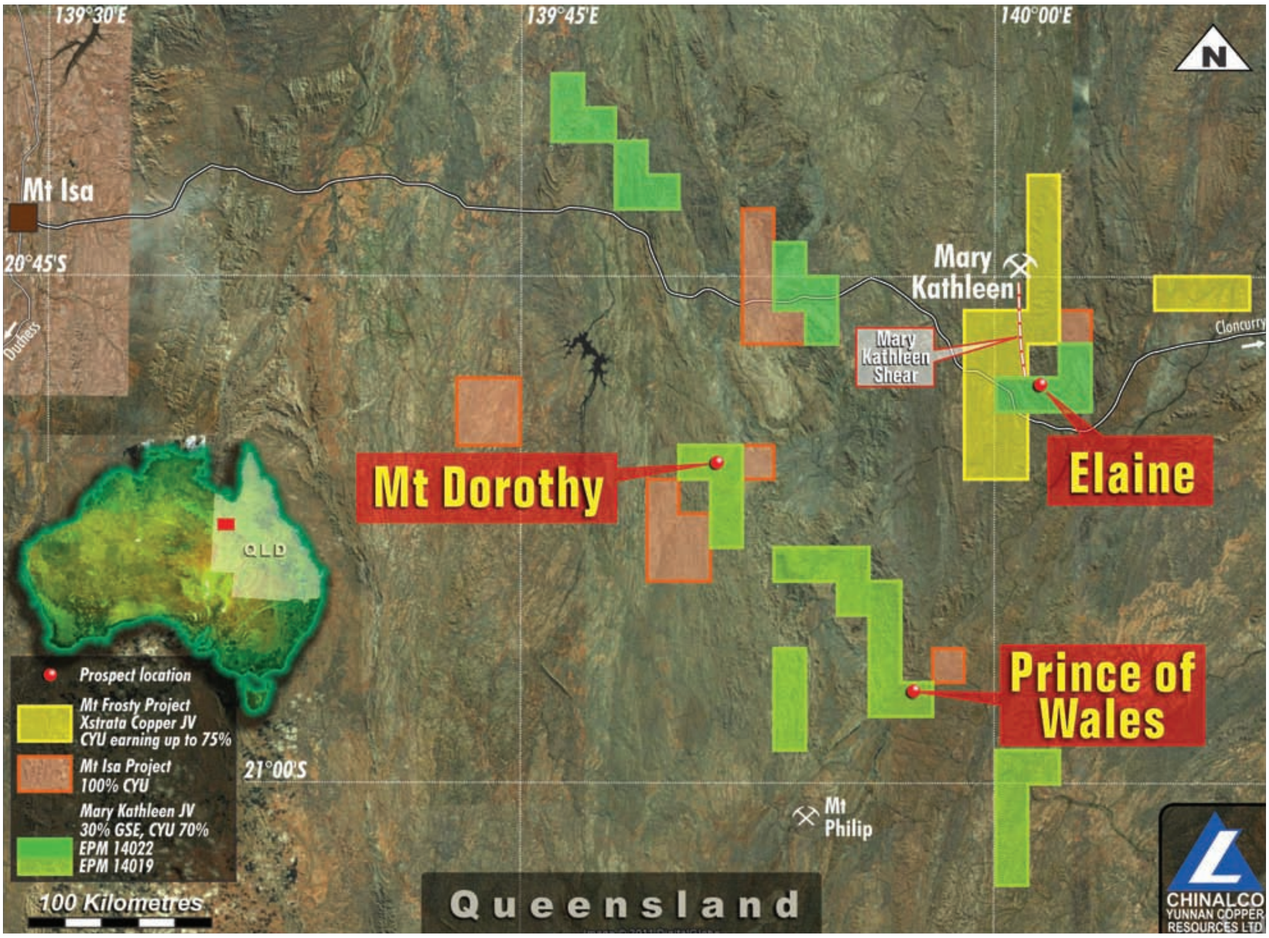


Figure 1

Tenement and prospect location plan of the Mary Kathleen and Mount Frosty Joint Venture projects. The Elaine prospect is located approximately 60km east of Mount Isa and is situated along the 6.5km long Mary Kathleen Shear zone.

An Inferred JORC resource for the copper and gold mineralisation at the Elaine 1 copper, gold, light rare earth elements (LREE), uranium and thorium was completed at the end of June 2012. Elaine forms part of the Mary Kathleen Joint Venture Project at Mt Isa, Queensland. CYU holds 70% and GSE holds a 30% interest in the Mary Kathleen Joint Venture.

- 26.1Mt @ 0.56% Cu & 0.09g/t Au (0.62% CuEq) for contained metal content of 146,000t copper and 74,000oz gold.
- Resource estimate studies completed by independent resource geologist confined to the Elaine 1 prospect area.
- The resource and all the mineralisation defined to date are open at depth and along strike to the north-northeast and south-southwest.
- Extensional drilling to southwest of Elaine 1 intersects further copper and gold mineralisation
- Regional exploration drilling undertaken at Elaine 2 and Elaine 3 prospects situated ~2km southeast of Elaine 1 along the targeted Mary Kathleen Shear Zone.
- 6km of Mary Kathleen Shear strike north of Elaine 1 to the Mary Kathleen Uranium Mine under investigation with additional regional targets identified.
- CYU and GSE are on track to achieve a significant resource base for their main target commodities of copper and gold, targeting high quality projects in Queensland.
- MKED007: 144m @ 0.55% Cu, 307ppm Co and 0.10g/t Au from 505m:
  - inc. 14m @ 0.74% Cu, 407ppm Co and 0.22g/t Au from 518m
  - inc. 36m @ 0.77% Cu, 321ppm Co and 0.08g/t Au from 543m
  - inc. 17m @ 0.86% Cu, 284ppm Co and 0.14g/t Au from 599m
- MKED007: 23m @ 2,391ppm TREO, 0.02kg/t U_3O_8 and 0.13kg/t ThO_2 from 671m:
  - inc. 2m @ 9,094ppm TREO, 0.02kg/t U_3O_8 and 0.62kg/t ThO_2 from 671m
  - 48m @ 2,124ppm TREO, 0.04kg/t U_3O_8 and 0.08kg/t ThO_2 from 731m
  - inc. 1m @ 16,189ppm TREO, 0.38kg/t U_3O_8 and 0.12kg/t ThO_2 from 754m
- MKED026: 40m @ 1.16g/t Au, 295ppm Co and 0.39% Cu from 146m:
  - inc. 4m @ 2.45g/t Au, 89ppm Co and 0.14% Cu from 160m (0.5g/t Au cut-off)
  - inc. 9m @ 3.63g/t Au, 413ppm Co and 0.47% Cu from 177m (0.5g/t Au cut-off) – including High Bismuth up to 2.3%.

Independent resource consultants Mine Development Associates (MDA) of Reno, Nevada, USA were engaged for the initial resource estimate. The resource estimate utilised all historic and current CYU/GSE drilling up to and including MKED023. Assay results were pending for drill holes MKED024 – MKED034 at time of resource.

Of the drilling undertaken outside the resource estimation, five scout diamond drill holes (MKED024 – MKED025, MKED027 – MKED028 and MKED030), totaling 725.4m were drilled, approximately 1km southeast of Elaine 1, at the Elaine 2 and Elaine 3 prospect along strike of the significant regional Mary K shear. Drilling focused on the evaluation of copper, rare earth and thorium potential targeting areas of historic drilling, ground scintillometer/radiometric and soil geochemistry anomalies.

Continued drilling at Elaine 1, returned numerous significant widths of strong sulphide mineralisation (chalcopyrite, pyrite and pyrrhotite) along strike and up dip from the open resource area. Broad copper intersections include: 120m @ 0.56% Cu, 0.08g/t Au and 272ppm Co from 505m in MKED023.

MKED026, drilled to test the up dip potential and postulated surface expression of the main mineralized body at Elaine 1 returned a near surface copper intersection of 47m @ 0.43% copper , 0.06 g/t gold and 170 ppm cobalt from 86m, (approximately 50m from surface). In addition two copper+gold intersections were returned of 22m @ 0.51% copper, 0.57g/t gold and 349ppm cobalt from 146m and a high grade gold zone of 11m @ 0.39% copper, 3.03g/t gold, 350ppm cobalt and 0.49% bismuth from 175m.

In addition, elevated zones of rare earth-uranium-thorium mineralisation were also intersected in all holes except MKED030 (Elaine 2) with MKED023, MKED026, MKED027 (Elaine 2) and MKED029 returning significant intersections, highlighted by 6m @ 3,223ppm TREO, 149ppm U_3O_8 and 462ppm ThO_2 from 874m including 3m @ 5,168ppm TREO, 285ppm U_3O_8 and 827ppm ThO_2 from 877m in MKED023, 3m @ 4,750ppm TREO, 397ppm U_3O_8 and 30ppm ThO_2 from 63m including 1m @ 10,044ppm TREO, 873ppm U_3O_8 and 31ppm ThO_2 from 64m in MKED026, 34m @ 2,094ppm TREO, 28ppm U_3O_8 and 180ppm ThO_2 from 8m in MKED027 and 16m @ 1,840ppm TREO, 74ppm U_3O_8 and 198ppm ThO_2 from 83m in MKED029.

The rare earth and associated uranium-thorium mineralisation is interpreted as a separate mineralizing event that overlaps with the copper-cobalt-gold mineralisation in places. For Elaine 1 TREOs consists of >95% the three light rare earth elements of cerium, lanthanum and neodymium as opposed to the Elaine 2 and Elaine 3 prospects where TREO consist of 65%-95% LREE (Ce, La, Nd) & 5%-35% HREE (Dy, Gd, Er, Tb).

The Elaine 1 deposit is a multi-element deposit with eight metals (Cu, Au, Co, U, Th, Ce, La, Nd) were estimated for this study. Only copper and gold are reported in the resource. Elaine 1 is an early-stage project whose resource is just being defined and for which there is no metallurgical test work. Based primarily on geological data in the absence of metallurgical test work, copper is the most attractive metal from a metallurgical perspective, with the potential for conventional flotation recovering about 80% of the copper value. Gold values are expected to report with copper and may have a potential recovery of about 60%. Uranium, thorium, and the LREEs occur both together and separately from the copper, which may permit them to be extracted using standard rare earth oxide leach-extraction techniques, albeit at a high cost of treatment. Two domains each were defined for copper and gold and modeled on section and then on plan. The lower-grade domains are generally described as having disseminations and stringer zones of mineralization. The higher-grade domains have more disseminations and stringer mineralization, but they are mostly characterized by patchy replacements of sulphide minerals. The drill-hole sample intervals were coded by their defined domains, capped and then composited to 5m lengths. Variography studies showed grade continuity for copper to be about 100m or more.

MDA classified the resource as Inferred mostly to reflect the stage of the exploration at Elaine.

Cut-off CuEq (%)	Tonnage (t)	CuEq (%)	Cu (%)	Cu (t)	Cu (lbs) (x1000)	Au (g/t)	Au (oz)
0.10	64,340,000	0.34	0.31	201,000	443,129	0.05	94,000
0.20	32,770,000	0.54	0.49	160,000	352,740	0.08	79,000
0.25	26,100,000	0.62	0.56	146,000	321,875	0.09	74,000
0.30	22,810,000	0.67	0.60	138,000	304,238	0.10	71,000
0.40	17,810,000	0.76	0.68	121,000	266,759	0.12	66,000
0.50	15,050,000	0.82	0.73	110,000	242,509	0.13	63,000
0.60	12,470,000	0.88	0.77	96,000	211,644	0.15	60,000
0.70	9,310,000	0.95	0.82	77,000	169,756	0.19	56,000
0.80	6,460,000	1.04	0.87	56,000	123,459	0.25	51,000

Table 1

Resource Table at increasing CuEq (%) cutoffs for Elaine.

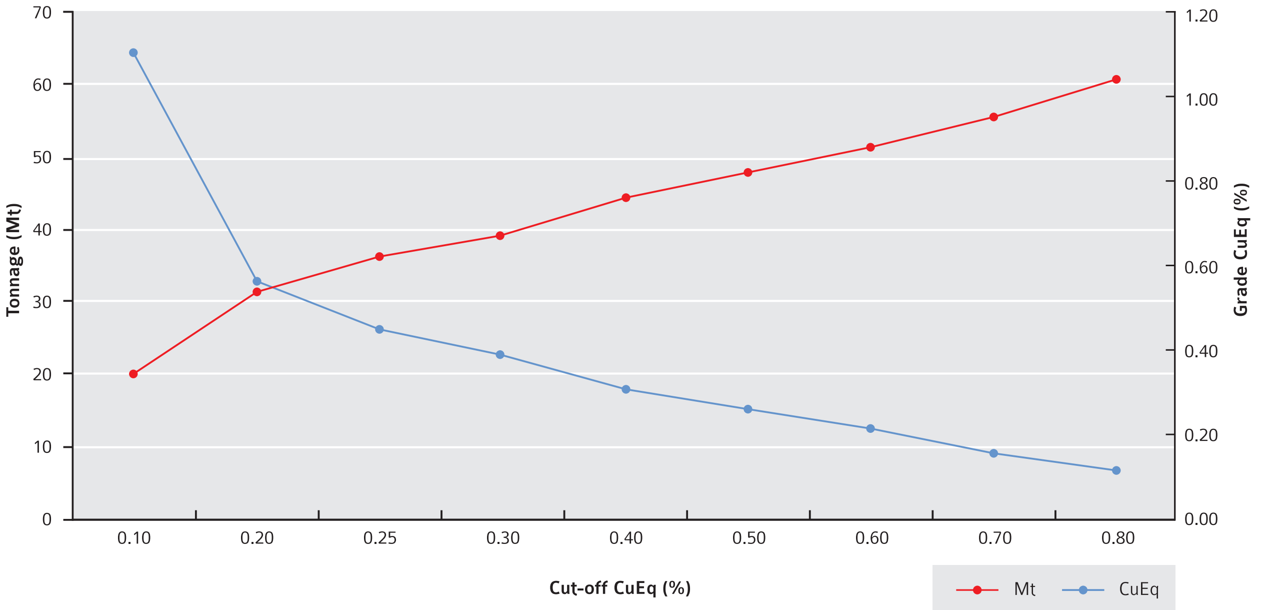


Figure 2

An example of the high grade gold bismuth mineralization in the core of the Elaine copper cobalt REE Thorium deposit. Intercept is 11.5 g/t gold, 2.3% bismuth, 0.28% copper from 178 to 179m

Notes to Accompany Mineral Resource Estimate:

1. Geological modeling and data acquisition was undertaken by CYU geological staff.
2. Metal domain and block model with grade estimate prepared by Mr. Steven Ristorcelli C.P.G who is a full-time employee of Mine Development Associates.
3. Gold assays by 30-gram fire assay with AAS finish, copper, cobalt, uranium, thorium and other elements assays by multi-acid digestion with ICP-MS or ICP-AES; all assays undertaken by ALS Chemex, Mount Isa, QLD.
4. In-situ bulk density values ranging from 3.19 t/m^3 to 3.52 t/m^3 were assigned based on lithology.
5. A geological block model with block sizes of 5m x 5m x 10m was constructed.
6. Cu and Au grades were estimated using inverse distance squared interpolation within parent blocks constrained within two metal domains, with a minimum of one sample, maximum of four samples per drill hole and a maximum of 16 samples per block estimate.
7. High-grade capping was applied to the sample data prior to compositing to 5m lengths: at 1% Cu and 3% Cu, for the low-grade and high-grade copper domains, respectively, 1.5g Au g/t and not capped for the low and high-grade domains of gold, respectively.
8. QA/QC checks on sampling and assaying quality are satisfactory.
9. The reported mineral resource estimate has been rounded to appropriate significant figures
10. Copper Equivalent (CuEq%) = Cu (%) + (Au (g/t) x 0.70216)

Continued refining of the geological interpretation, and 3D re-modeling of the drillhole data has helped to redefine the orientation of the mineralized system. A new exploration model comparable to the Mary Kathleen Uranium deposit has identified the occurrence of a sulphide body that has developed, in the vicinity of the Mary Kathleen shear zone, characterized at Elaine by NE striking SE steeply dipping biotite schist. From detailed interpretation a steep dipping feeder zone is interpreted to have used the shear zone as a conduit, extending from depth upwards and then along and replacing the horizontal bedding of the host banded calc-silicate rocks, forming a shallow dipping to horizontal zone coming to within 50m of surface. Unlike the uranium-rare earth dominate mineralisation at the Mary Kathleen Mine, the Elaine body is dominated by copper-cobalt+/-gold mineralisation.

Additional regional field programs targeting the 6km regional significant structure - Mary Kathleen shear zone to the south of the Elaine resource, to the north within the recently acquired Mount Frosty JV project, with Xstrata Copper and the Prince of Wales prospect within the Mary Kathleen JV, with Goldsearch have commenced. Drill target generation is underway with drilling of the targets expected to commence in late 2012.

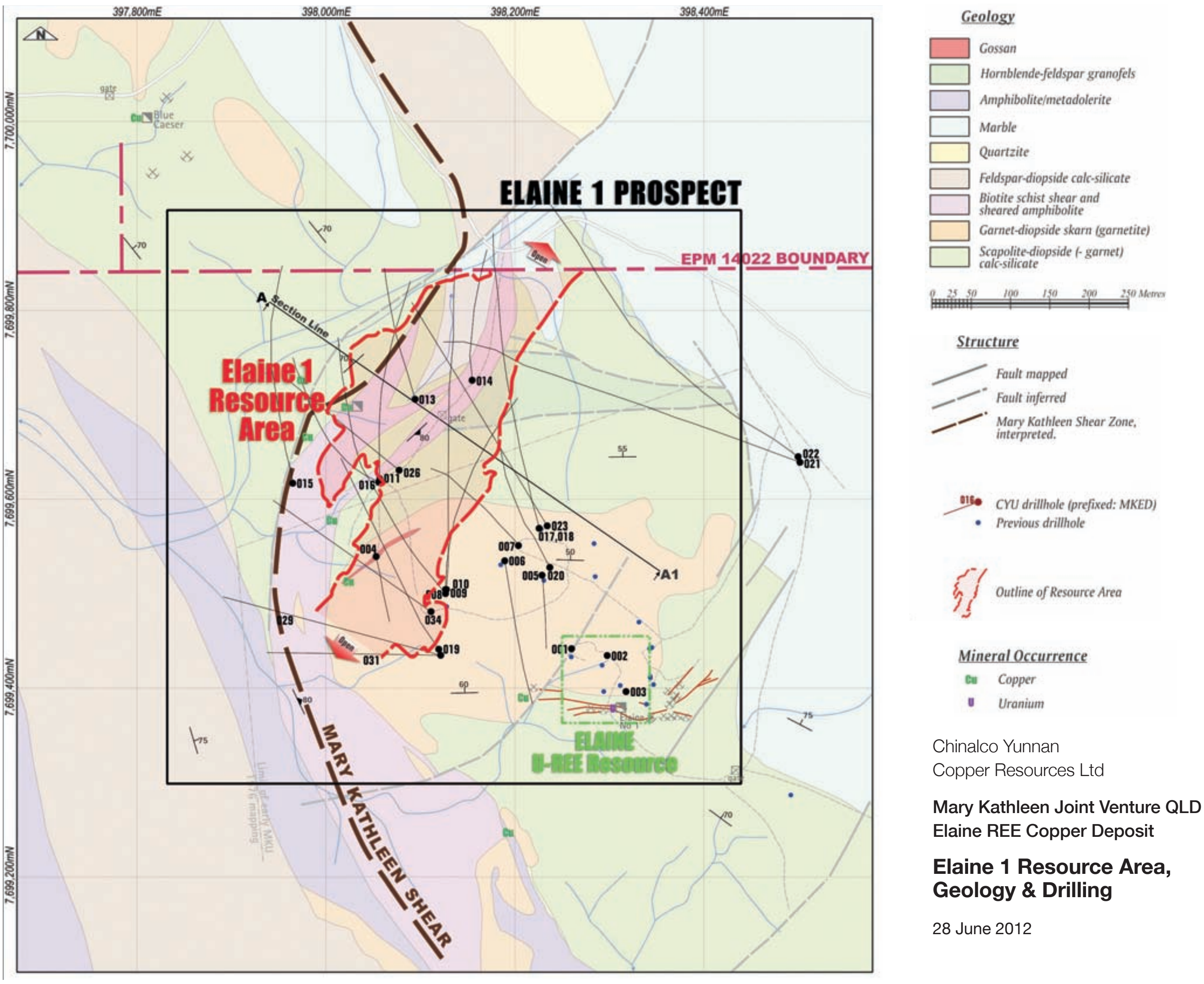


Figure 3

Simplified map showing north side of the Elaine garnet hill. Mineralisation is expected to continue down the western side and on the southern side of the hill and merge with the U-REE resource where untested copper outcrops occur.

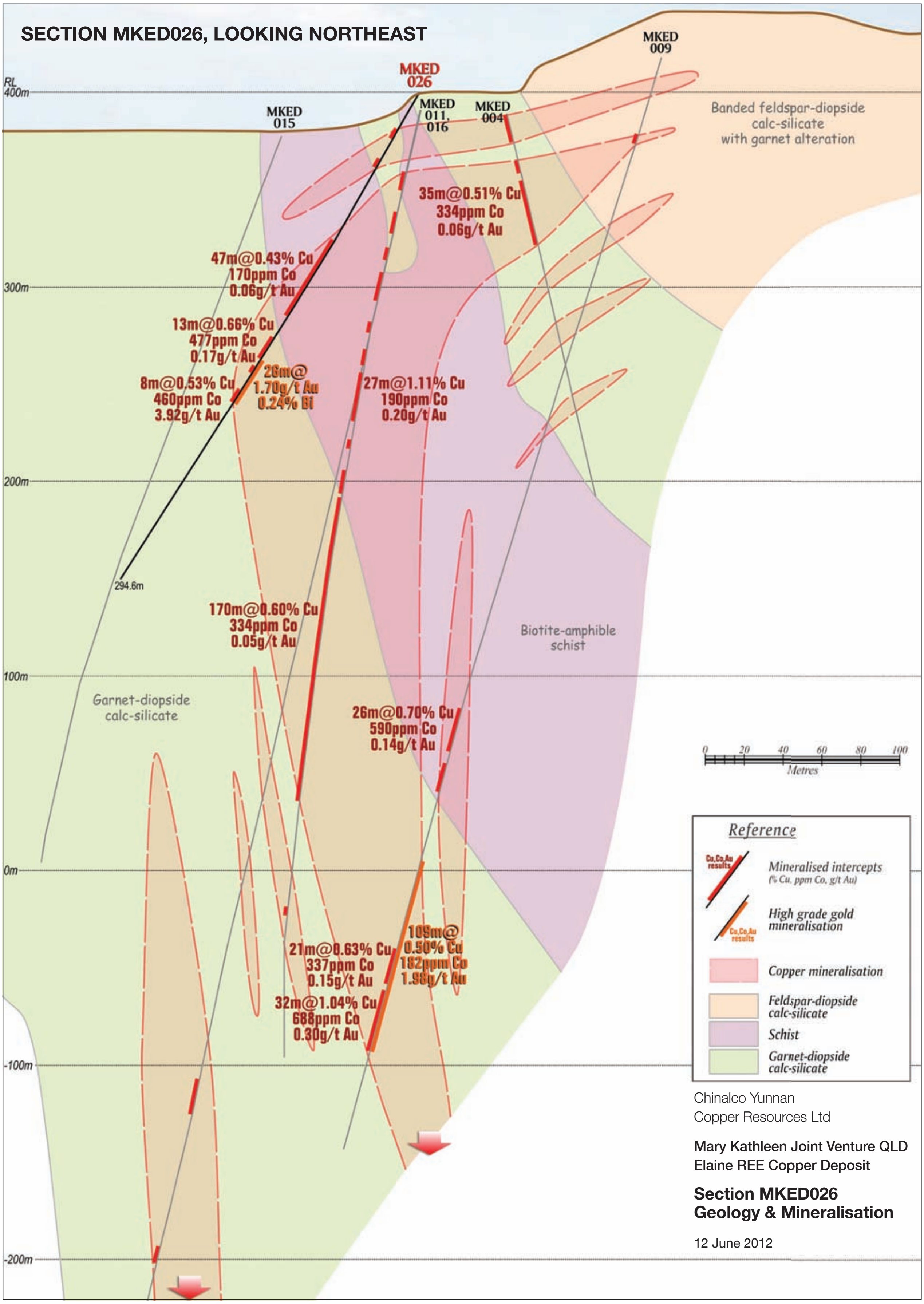


Figure 4

MKED026 drill section, demonstrating the strongly mineralised Elaine gold zone.

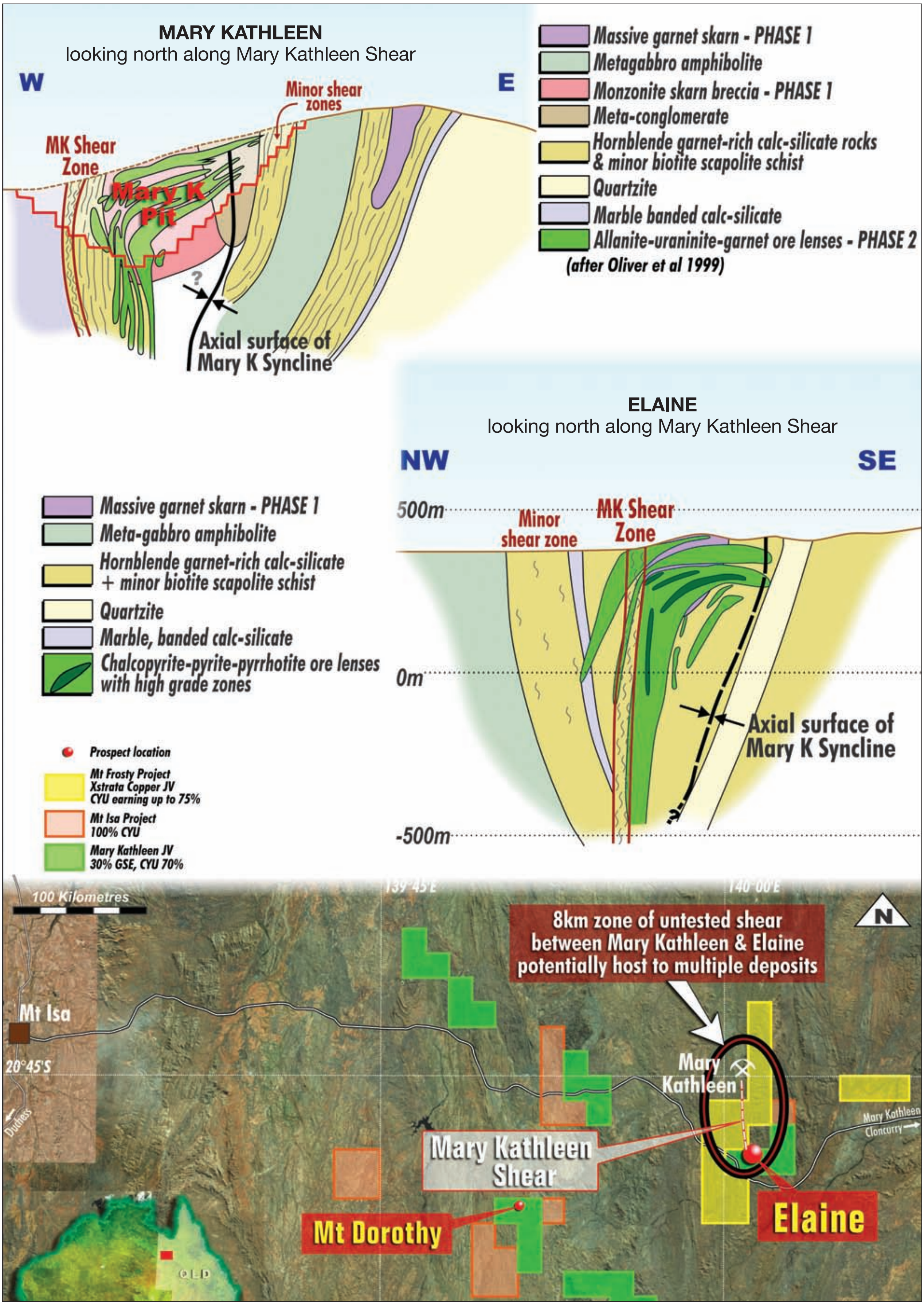


Figure 5

Schematic comparison of exploration model for Elaine copper+gold prospect with the historic Mary Kathleen Uranium Deposit model.

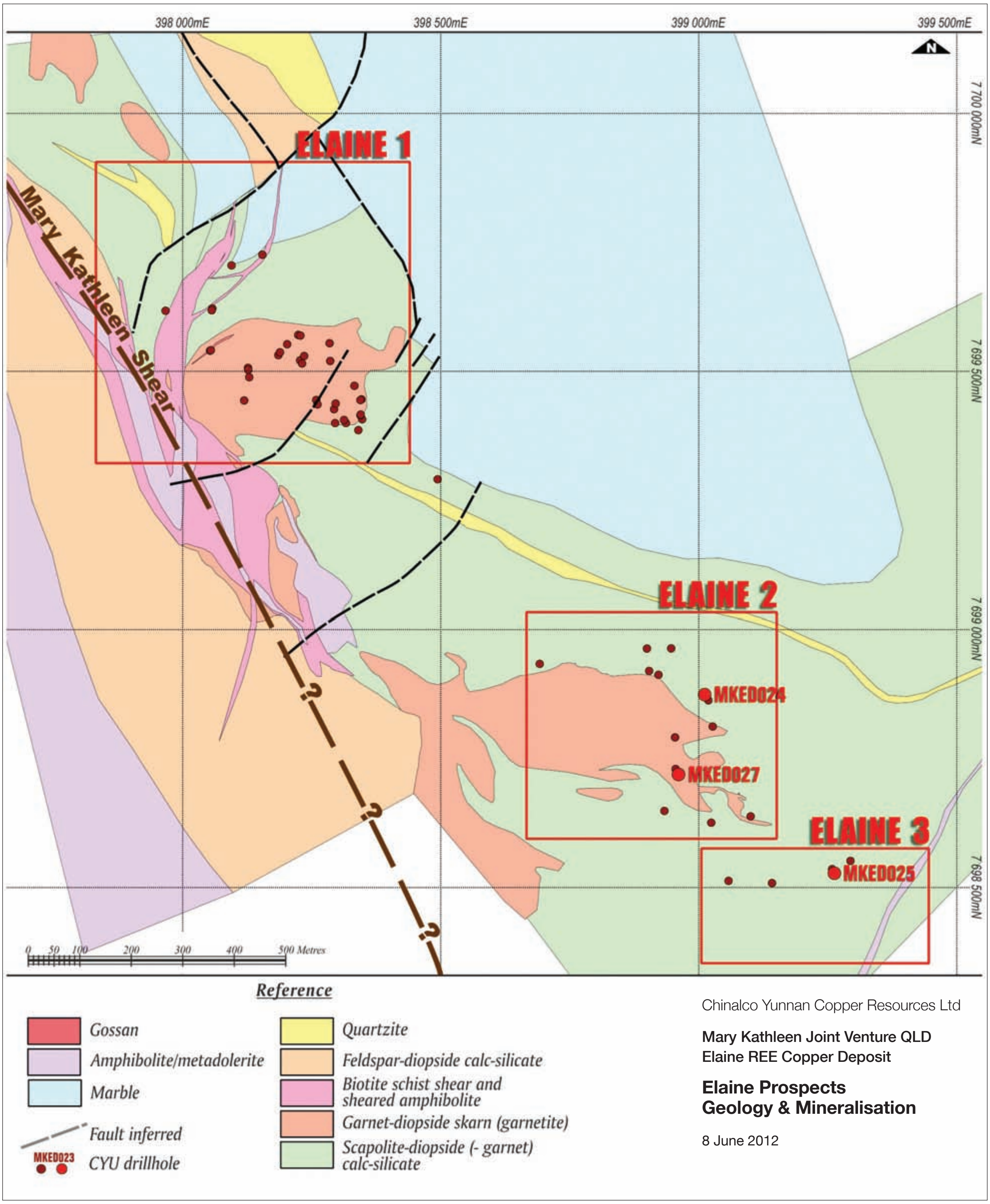


Figure 6

Simplified map showing Elaine 1, Elaine 2 and Elaine 3 prospect areas. At Elaine 2 and 3 previous work focused on uranium mineralisation with REE and Th potential untested. Strike extent from Elaine 1 to 3 untested.

Prince of Wales Cu-Au-Fe (CYU 70%: GSE 30%)

The Prince of Wales Cu-Au-Fe prospect is located approximately 22km south of the Mary Kathleen uranium mine, in an area known as Fountain Range. It consists of numerous sediment and ironstone outcrops striking North East over a distance of approximately 2km.

The prospect has been mined in two phases, the first closing in 1959 and the second ending in 1969. Exploration activity has occurred in various stages since the 1950s. Prince of Wales has been subject to numerous geophysical surveys which have identified a number of magnetic and IP anomalies over the area. In addition, several geochemical surveys have identified Cu anomalies trending NE-SW over a strike length of 2km.

During the year, CYU has undertaken data compilation of a deep penetrating EM geophysical survey and follow up field investigations. Field surveys are planned to commence in late 2012 with a XRF soil extension program covering a strong magnetic anomaly to the North of the Prince of Wales workings and to close off significant Cu geochemical anomalies previously reported. Detailed geophysical surveying is proposed for drill targeting and exploration drilling is proposed to commence late 2012.

Mount Dorothy Cu-Co-HREO+Y (heavy rare earth oxide + yttrium) (CYU 70%: GSE 30%)

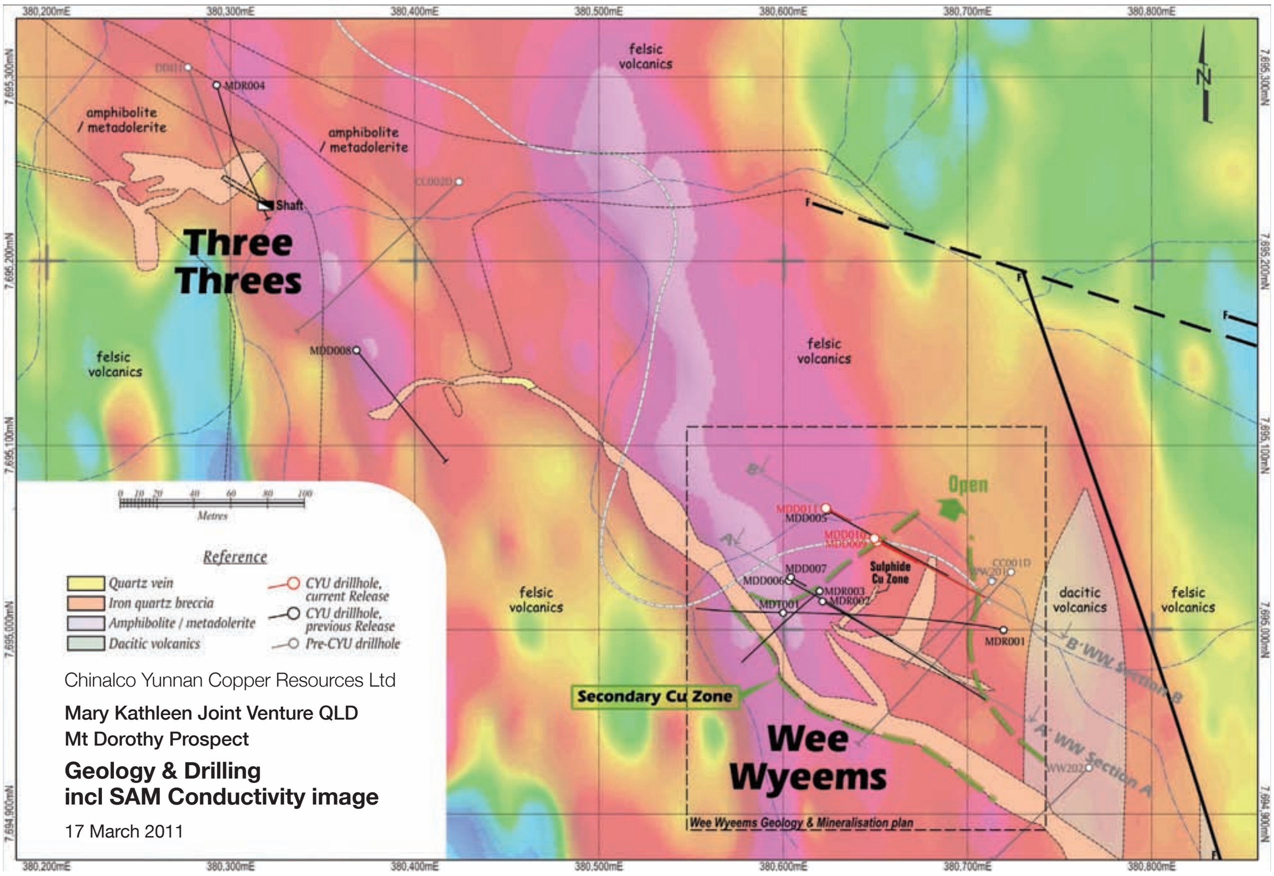


Figure 7

Mount Dorothy SAM survey – Conductivity response and drillhole location.

During 2010 to 2011, moderate to high grade copper cobalt results with heavy rare earth oxide and yttrium oxide (HREO-Y2O3) credits were returned over significant intervals.

Highlight results were:

MDD006 36m grading 1.14% copper and 198ppm cobalt including 9m grading 5.48% copper and 205ppm cobalt.

MDD011 16m grading 1.03% copper and 109ppm cobalt.

The best HREO result, reported as total rare earth oxide (TREO) predominately comprising the HREE of Dysprosium (Dy), Europium (Eu) and Holmium (Ho), were returned from:

MDD005 16m grading 1,864ppm TREO - Y_2O_3 from 71 metres.

In addition, significant precious metal values were returned from the bottom of MDD011 with individual assays of up to 157ppm silver and 0.29ppm gold.

Yttrium and REO mineralisation appear to be associated with the secondary copper-cobalt mineralisation and also, in part, with the mineralised Fe-oxide-quartz breccia. The updated interpretation based on the breccia textures, their mineralogy, petrology and geochemistry is that this ore zone is typical of Iron Oxide Copper Gold (IOGC) mineralisation.

Modelling of this survey data defined an approximately 700 metre long conductivity anomaly. This anomaly continues northeast under cover from, and appears to coalesce with, the Wee Wyeems (northeast trending) mineralised zone at its southern end.

Mount Frosty Joint Venture (CYU earning in: Xstrata Cu 100%)

CYU signed a binding agreement in Q1 with Xstrata Mount Isa Mines Limited ("Xstrata Cu") to commence exploration activities on the Mount Frosty project (EPM 14467) covering the Mary Kathleen shear zone, in far north west Queensland.

The Mount Frosty project is located about 60 kilometers east of Mount Isa in far north west Queensland, Australia and is contiguous with CYU's 100% owned Mt Isa project (EPM 15248) and EPM 14022 part of the Mary Kathleen Joint Venture project in which CYU hold 70% and Goldsearch Limited 30%.

Drilling undertaken by Xstrata Cu on Mount Frosty returned best intersections of 13m @ 0.64% copper (inc 1m @ 1.2% copper) from 109m in KOPD001 and 20m @ 1.2% TREO from 144m in KOPD005. Xstrata Cu concluded that copper mineralisation is associated with pyrrhotite, as seen at Elaine, which was detected with VTEM and confirmed in the drilling.

Under the terms of the joint venture, CYU will farm in to the Mount Frosty project and can earn up to a 75% interest by spending $4.5 million in the next 6 years in a two stage earn-in. In the first stage, CYU can earn up to 51% of the project by spending $1.5 million within three years including 1,500m of drilling per annum. If CYU elects to continue to stage 2 it can earn an additional 24% by spending a further $3 million within three years.

CYU's minimum commitment to the project is the first year's expenditure commitment of $250,000 and a minimum of 1,500m of drilling. Xstrata Cu retains a right to buy back 26% of the project (to give Xstrata Cu 51% and CYU 49%) by paying 3 times the expenditure contributed by CYU in the stage two period.

In agreement with Xstrata Copper, CYU commenced geological mapping along the Mary Kathleen shear. Previous regional and prospect geophysical data compiled identified a number geophysical anomalies along the Mary Kathleen shear which will be targeted for follow up detailed geophysics and infill XRF soil programs. Drilling on Mount Frosty is planned to commence in late 2012.

Cloncurry North Project (YEX earning in: CYU 100%)

During 2011 CYU farmed out the Cloncurry North projects to the Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX). YEX will farm-in and subsequently obtain the opportunity of earning up to a 55% of the Cloncurry North project.

During the year YEX completed drill preparation targeting a number of anomalies defined by deep penetrating EM geophysical survey (EH4) undertaken in late 2011, on the FC4 prospect, EPM 15095, approx. six kilometres north of Ernest Henry. Two ~800m diamond drillholes have been drilled to test these anomalies where YEX is targeting Ernest Henry style of mineralisation. At the end of the year a diamond drill rig was mobilised to the FC4 prospect to commence drilling.

CHILE

All exploration initiatives are focused on large scale porphyry copper exploration with first phase drill operations completed at the Candelabro Prospect and drill preparations complete at Caramasa and Palmani.

Figure 8

Location Diagram of Chilean Projects.

Candelabro (CYU Earning in: Rio Tinto 100%)

The Candelabro Porphyry Copper System is characterised by multi-phase intrusive bodies emplaced as dykes, structurally controlled, with the occurrence of some post-mineral rhyodacitic porphyry dykes. The Candelabro Prospect exhibits indications on surface of a late porphyry copper system with minor chalcopyrite but mainly pyrite mineralisation.

The season's drilling was completed with a total of six diamond drill holes totalling 2,499.83 metres. The drill holes targeted the inferred mineralised porphyry copper zone based on field observations and Rio Tinto reports.

Three drillholes (CAND004, CAND005 and CAND007) did not reach the planned depth with only CAND007 intersecting the target copper mineralisation zone. The remaining three drillholes (CAND006, CAND008 and CAND009) that did reach target depth, all intersected zones of extensive veining, quartz porphyries and sulphide disseminations with some chalcopyrite, all characteristic of porphyry mineralisation.

Visual copper and sulphide mineralisation has been intersected in drillholes CAND007, CAND008 and

CAND009 with the occurrence of porphyry veinlets, intercepted by drilling, initially indicating the top of a large porphyry copper system. CAND006 has intersected peripheral sulphides with mainly pyrite veining suggesting this hole is not close to the central porphyry zone as seen for CAND007.

CAND007 has intersected an interval of abundant copper, zinc and molybdenum sulphide zone from 25-150 metres. CAND008 and CAND009 also intercepted the porphyries, with chalcopyrite mineralisation observed, but in both cases the mineralisation was less than CAND007.

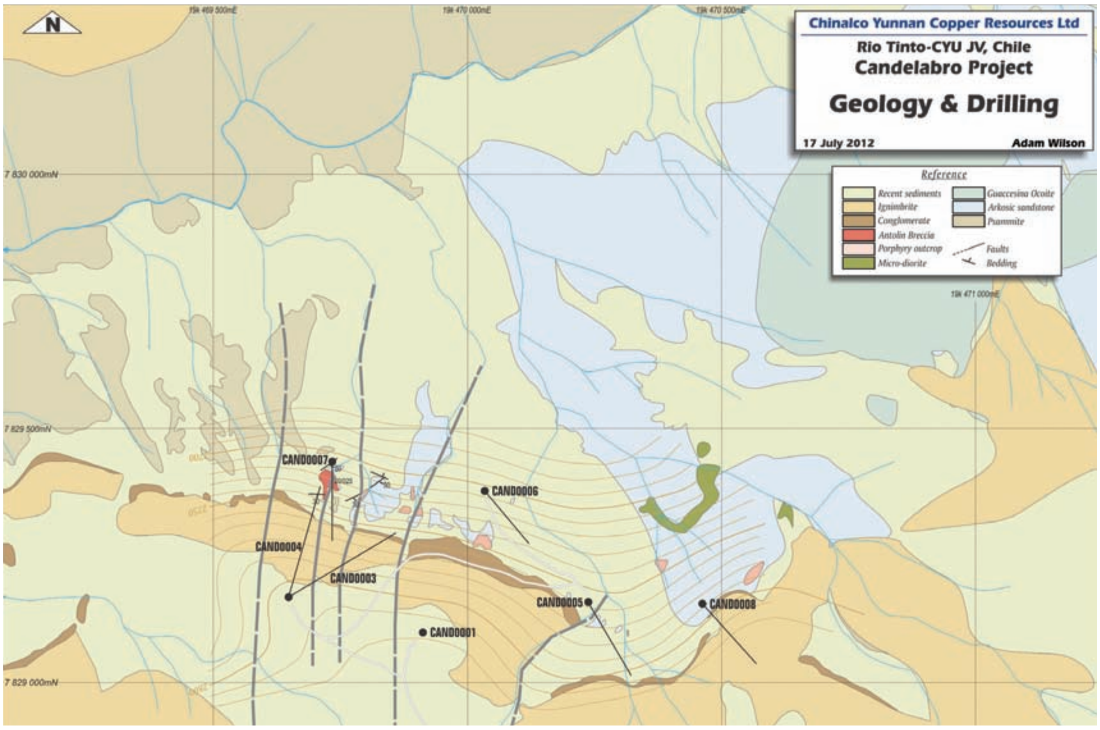


Figure 9

Drilling is designed to test known mineralised leach caps with porphyry style copper stockwork veins mapped by Rio Tinto and confirmed by CYU.

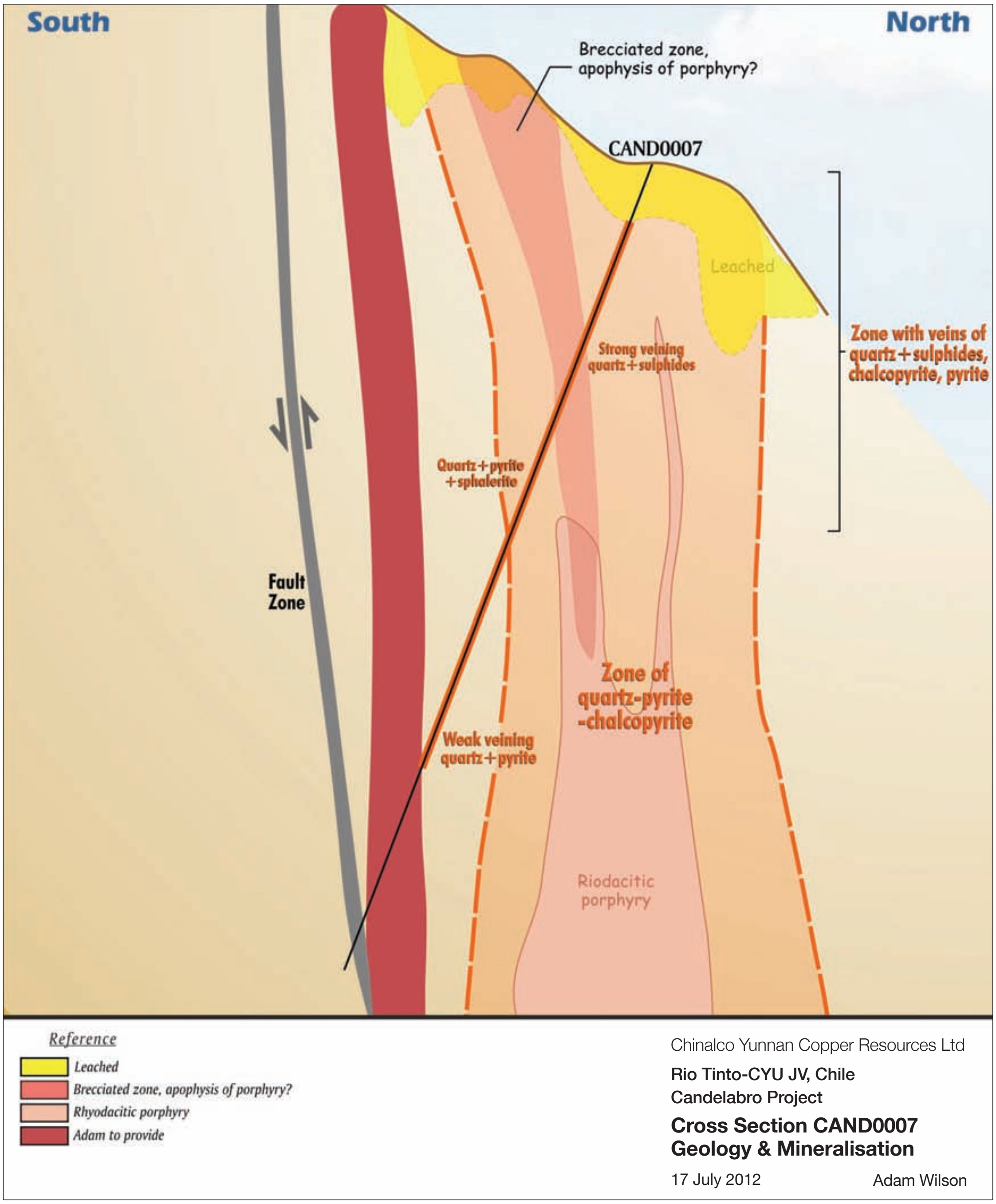


Figure 10

CAND0007 the most encouraging visual results thus far in three years of exploration at Candelabro.

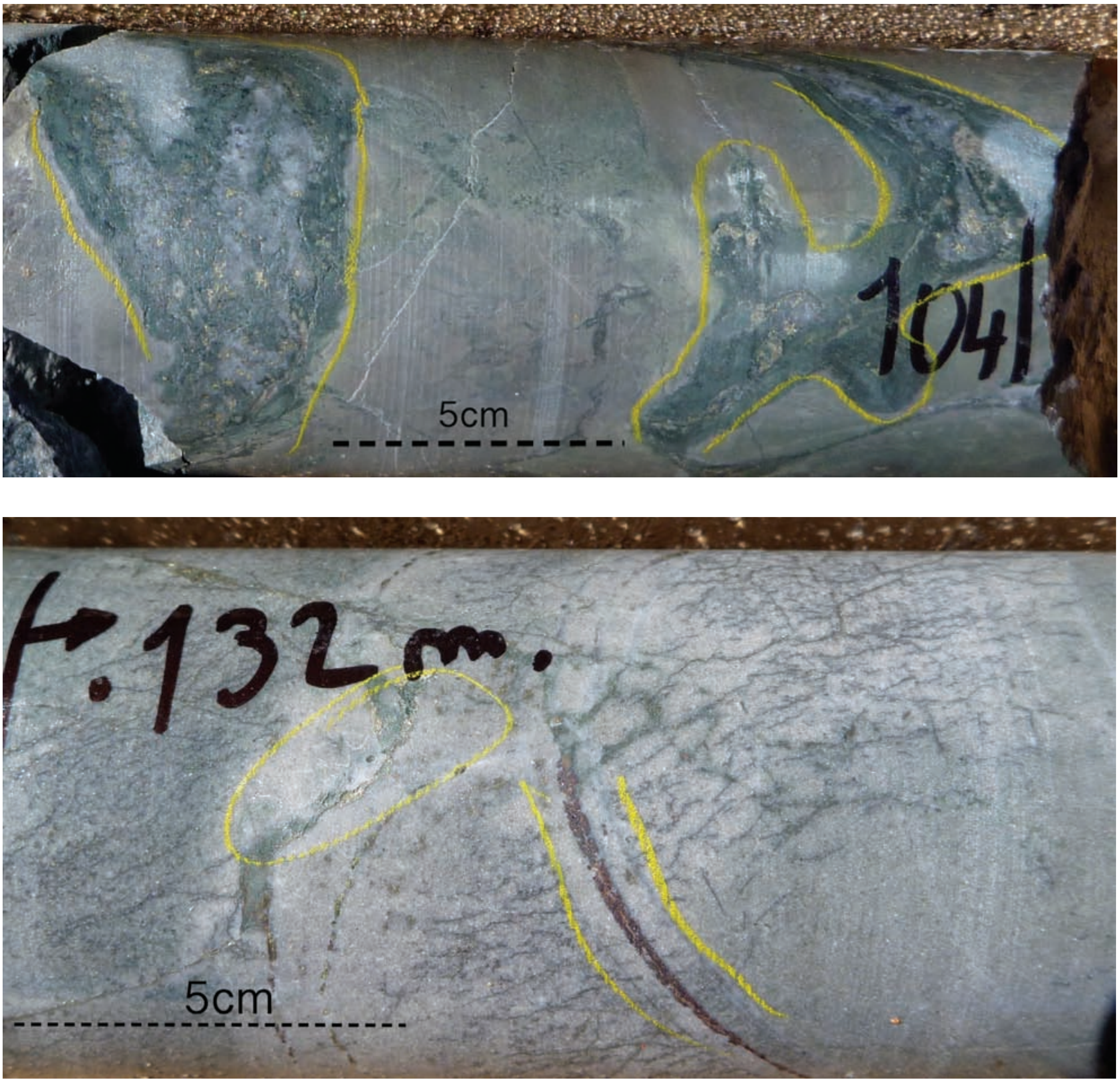


Figure 11

Mineralisation indicates a significant porphyry style copper stockwork vein system mapped along strike by Rio Tinto and confirmed by CYU drilling. Copper and Zinc sulphides (red) suggest CYU has drilled the inner halo of the system.

Caramasa (CYU Earning in: Rio Tinto 100%)

The Caramasa central target is currently drill ready. The Caramasa drilling is expected to commence in Q3 2012 after the Candelabro drill program is completed.

Palmani (CYU Earning in: Rio Tinto 100%)

Drill road construction has been approved by the local authorities. The Palmani target has sufficient mapping and sampling to commence drilling after the Caramasa drill program is completed.

Humito (CYU 100%)

A joint venture signed with Xstrata in 2011 consolidated additional land holdings. This enables further drill targets to be prepared during 2012. New targets in the Xstrata tenure are currently being evaluated.

Sulfatos (CYU Earning in: Codelco 100%)

CYU has recently entered a farm-in agreement with Codelco, the world's largest copper producer, to explore the copper porphyry property of Sulfatos in northern Chile.

Total expenditure anticipated over the six-year period is US$20 million with a minimum 5,000 metres drilling, after which CYU has the right to trigger the incorporation of a joint venture (JV) company in which CYU shall hold a 51% interest and Codelco with 49%. Codelco does not contribute funding until the JV Company is incorporated and Pre and Bankable Feasibility are completed at CYU's expense.

Codelco completed a program of mapping, geochemical sampling, road construction and drilling from 1997 to 2006 with the best results included an intercept of 92 metres @ 0.65% Cu (drill hole S2).

Planning is underway to commence drilling and metallurgical testwork on this advanced project in 2012.

LAOS

CYU has a 41% interest in Yunnan Copper Sanmu Mining Industry Co. Ltd (Sanmu) which holds 100% of the four projects in Northern Laos.

During the year diamond drilling programs at the Xinzhai (1 hole) and Jiuzhai (3 holes) projects were completed for a total of 1,107.46 metres, targeting base and precious metals anomalies defined by electrical geophysics, trenches and underground adit sampling. Field operations were suspended at the end of the financial year for the oncoming monsoon season.

Under the supervision of the CYU technical team, Sanmu is aiming to define several JORC resources and focus on producing cash flow in the short term with the support of partner YCI's infrastructure and processing mill at Mohan, within trucking distance across the border with southern China. The corporate exploration target is 80-100 million tons at a grade of 0.9-1.0% copper and 120-150g/t silver. Short-term processing of copper-silver ore bodies in neighboring Yunnan Copper Industries (YCI) facilities is also a realistic project objective in Laos, subsequent to resource drilling.

Xinzhai Project (CYU 41%)

Drilling operations to date have totalled 376.56 meters in one diamond drill hole.

HOLE ID	EAST*	NORTH*	RL (m)	AZIMUTH**	DIP	DEPTH
ZK1301	34,487,886	2,459,119	1,420	134	-80	376.56
*Datum is UTM Beijing 1954 - 3° Zone 34			** Azimuth is UTM Grid North			376.56m

Table 2

Xinzhai 2012 Diamond Drill Program.

Drilling intersected units of grey feldspar quartz sandstone interbedded with minor red mudstone and siltstone layers. A number of minor breccia zones were identified in the core at: 29.06m to 32.66m, 71.66m to 78.96m, 102.1m to 106.55m, 138.36m to 138.86m and 285m to 289.60m.

Assay results have returned minor copper mineralisation from the intervals corresponding with the interbedded breccia zones as very fine-grained sporadic chalcocite disseminations and stockworking consisting of 1m @ 0.20% copper from 31 meters; 1m @ 0.12% copper from 72 meters; 1m @ 0.12% copper from 103 meters; 1m @ 0.17% copper from 275 meters and 2m @ 0.13% Cu from 285 meters.

HOLE ID	From (m)	To (m)	Width (m)	Cd (%)	Cu (%)	Pb (%)	Zn (%)
ZK1301	31	32	1	0.0001	0.20	0.002	0.005
ZK1301	72	73	1	0.0003	0.12	0.005	0.003
ZK1301	103	104	1	0.0006	0.12	0.004	0.011
ZK1301	275	276	1	0.0004	0.17	0.007	0.008
ZK1301	285	287	2	0.0004	0.13	0.006	0.005

Table 3

Xinzhai 2012 Diamond Drilling - Summary of significant copper at a nominal 0.1% Cu lower cut.

Follow up surface mapping has identified copper mineralisation outcropping mostly hosted in the fault zones. From the drill core, copper mineralisation is observed along the contact of the light-coloured sandstone with the red mudstone and siltstone. Five separate zones of visual mineralisation were observed at these contacts contained in small breccia zones. These breccia zones are indicative of ore fluid migration and mineralisation element enrichment, similarly observed at the operating Mohan Mine across the border in Yunnan Province, Southern China.

All geological, geophysical and geochemical work has been combined with the latest drillhole results of ZK1301 and reviewed. A number of surface copper, lead and zinc geochemical anomalies have been identified in the exploration area; in conjunction with several intermediate gradient induced polarization (IP) geophysical anomalies. Drillhole targeting is underway during the wet season for continued exploration planned to focus on these anomalies with the aim of identifying a Mesozoic and Cenozoic sedimentary-hosted copper polymetallic deposit.

Jiuzhai Project (CYU 41%)

Drilling operations to date have totaled 730.90 meters in three diamond drill hole.

HOLE ID	EAST*	NORTH*	RL (m)	AZIMUTH**	DIP	DEPTH
ZK001[1]	17,790,552	2,306,746	921	030	-75	172.01
ZK001a	17,790,551	2,306,745	921	030	-75	240.74
ZK2301	17,790,175	2,305,400	1,020	360	-75	318.15
*Datum:UTM Beijing 1954 - 6° Zone 17	** Azimuth is UTM Grid North [1] ZK001 abandoned ZK001a redrill					730.90m

Table 4

Jiuzhai 2012 Diamond Drill Program.

Drilling has identified a number of anomalous silver zones in ZK001a: 0m to 30m, 44m to 75m, 110 to 140m and 151m to 216m. Assay results have been returned for drillhole ZK001a, a re-drill of drillhole ZK001 abandoned due to adverse drilling conditions.

Assay results returned for ZK001a were generally low order, slightly elevated zones with the best intersection returned being 2m @ 0.21% lead, 0.26% zinc and 5g/t silver from 26 meters.

HOLE ID	From (m)	To (m)	Width (m)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)
ZK001	0	172.01	**Not assayed – Hole abandoned**				
ZK001a	28.26	30.26	2	5	0.02	0.21	0.26
ZK2301	**0**	**318.15**	**No significant Results**				

Table 5

Jiuzhai 2012 Diamond Drilling - Summary of significant copper at a nominal 0.1% Cu lower cut.

While low order copper, lead, zinc and silver content have been intersected, geostatistical analysis supports the identification of the four separate anomalous zones. These anomalous zones showed positive correlation with the contents of lead and zinc. In combination with observations made in the drill core, these zones are located in the faulted and shattered zone, indicating a structural control to the low-temperature hydrothermal activity.

Regionally, there are multi-stage tectonic movements, fracturing and fold development. Background values of silver, lead and zinc are high and in combination with favorable geological settings the project area has the potential of carbonate-related silver, lead and zinc deposits and lateritic silver deposits.

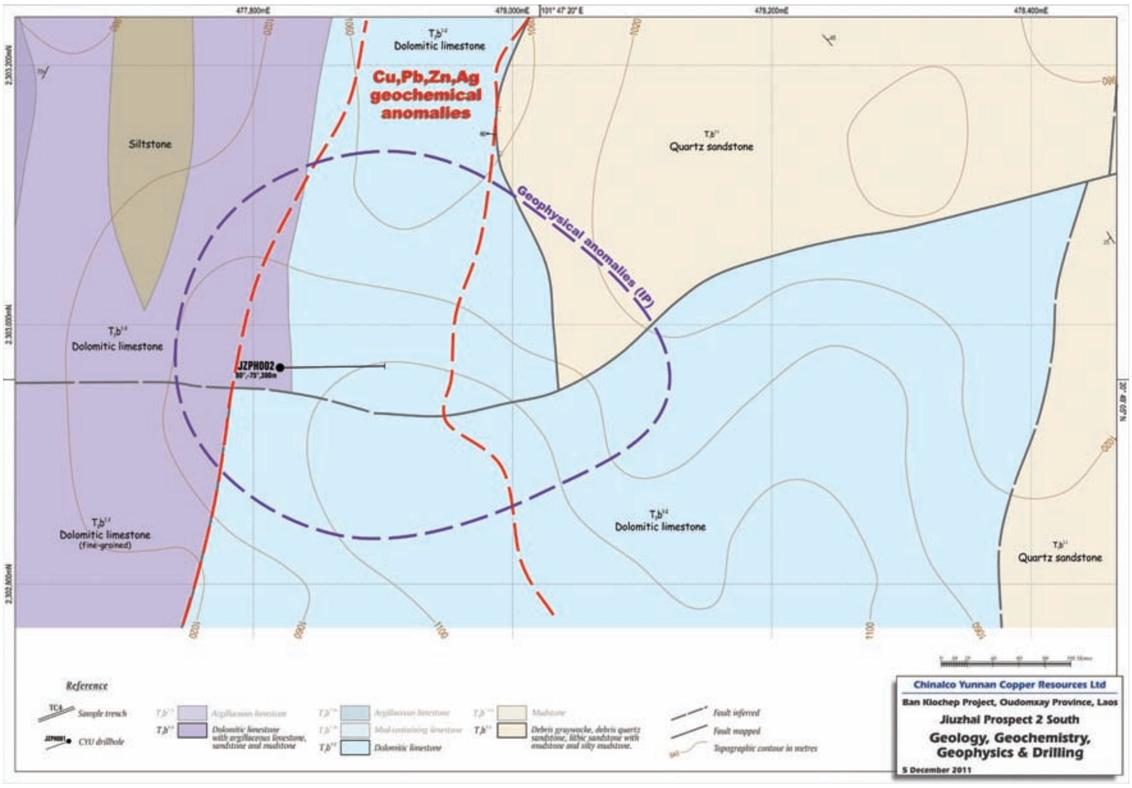


Figure 12

Juizhai prospect, North Laos. Drillhole location plan targeting defined geochemical and geophysical anomalies identified in the south of the prospect area.

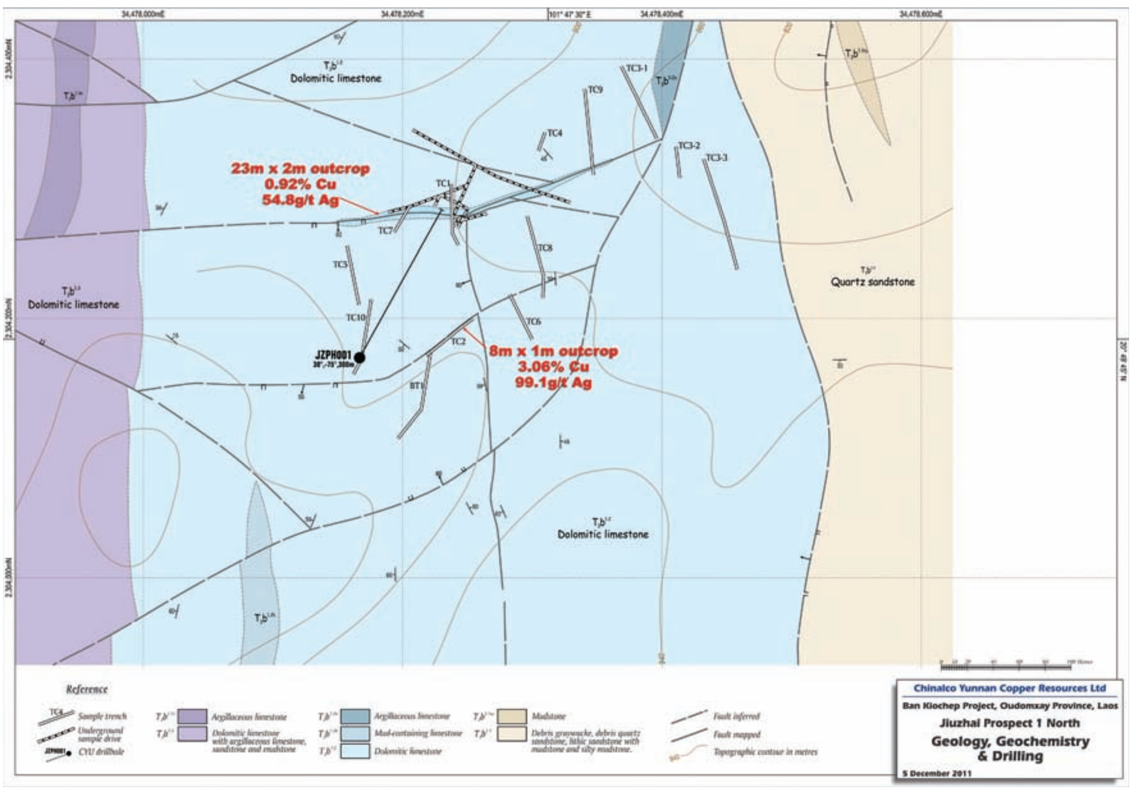
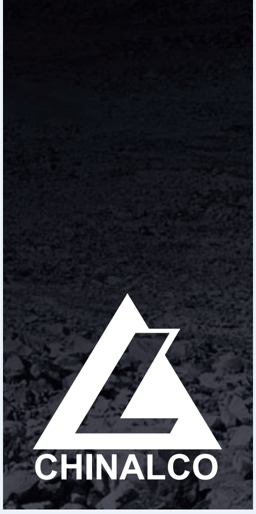


Figure 13

Juizhai prospect, North Laos. Drillhole location plan targeting underneath old workings and geochemical trench results.



corporate directory

BOARD OF DIRECTORS

Norm Zillman (Co-Chairman)

Mr Zhihua Yao (Co-Chairman)

Jason Beckton (Managing Director)

Zewen Yang (Executive Director)

COMPANY SECRETARY

Paul Marshall

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Level 5
10 Market Street
Brisbane QLD 4000

Telephone 07 3212 6204
Facsimile 07 3212 6250
cycal.com.au

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Level 8 Waterfront Place
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Telephone 07 3024 0000
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hopgoodganim.com.au

Auditors

KPMG
10 Shelley Street
Sydney NSW 2000

Telephone 02 9335 7000
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Share Registry

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Brisbane QLD 4000

Telephone 1300 554 474
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linkmarketservices.com.au

annual financial report

FOR THE YEAR ENDED 30 JUNE 2012

CHINALCO YUNNAN COPPER RESOURCES LIMITED

ABN 29 070 859 522

DIRECTORS' REPORT

Your directors present their report on Chinalco Yunnan Copper Resources Limited for the year ended 30 June 2012.

DIRECTORS

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

Mr Norman Zillman (Appointed 27/1/1998)

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

Mr Zillman is a professional geologist with over 45 years experience in exploration and production in the petroleum, coal and mineral industries in Australia and internationally. His initial training was as a petroleum geologist with international companies Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia and Australia. Mr Zillman has held the positions of Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach Petroleum NL. From 1994 to early 1998, Mr Zillman was Regional Manager of Northern Queensland for the Queensland Department of Mines and Energy, based in Charters Towers, where he supervised all aspects of mineral exploration and mining activities in that region including among others, the Ravenswood, Pajingo, Mt Leyshon and Thalanga mines.

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

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

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

- Burleson Energy Ltd (Mar 2008 - present)

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

- Hot Rock Limited (Aug 2006 - Dec 2009)
- Red Gum Resources Ltd (May 2006 - Apr 2012)
- Earth Heat Resources Ltd (Feb 2010 - Apr 2012)

Mr Zhihua Yao (Appointed 23/12/2010)

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

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

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

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

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

Mr Jason Beckton (Appointed 31/7/2007)

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

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

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

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

Mr Zewen Yang (Appointed 31/7/2007)

Executive Director, BA, MComm, MAICD

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

Mr Yang has 19 years experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China Non-Ferrous Metals Import and Export Company and has been with the Chinalco Yunnan Copper Industry (Group) since March 2004.

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

Interests in the shares and options of the Company

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

Director	Ordinary Shares	Options
Mr Norm Zillman	12,647,195	950,000
Mr Zhihua Yao #	36,893,852	-
Mr Jason Beckton	645,160	4,700,000
Mr Zewen Yang #	36,893,852	3,200,000

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

SECRETARY

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

Paul Marshall

Company Secretary and Chief Financial Officer, LLB, ACA

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

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS

For the year ended 30 June 2012, the loss of the Consolidated Entity after income tax was $2,894,339 (2011: $2,029,707).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial period (2011: $nil).

REVIEW OF OPERATIONS

Highlights in relation to project activity during the year are noted below.

Projects

ELAINE – COPPER-GOLD-COBALT-LREO (LIGHT RARE EARTH OXIDE) (CYU 70%: GSE 30%)

CYU released an initial resource of 26.1Mt with a contained metal content of 146,000t of copper and 74,000oz of gold at its Elaine copper-cobalt-gold prospect.

- 26.1Mt @ 0.56% Cu & 0.09g/t Au (0.62% CuEq) for contained metal content of 146,000t copper and 74,000oz gold.
- Resource estimate studies completed by independent resource geologist confined to the Elaine 1 prospect area.
- The resource and all the mineralisation defined to date are open at depth and along strike to the north-northeast and south-southwest.
- Extensional drilling to southwest of Elaine 1 intersects further copper and gold mineralisation
- Regional exploration drilling undertaken at Elaine 2 and Elaine 3 prospects situated ~2km southeast of Elaine 1 along the targeted Mary Kathleen Shear Zone.
- 6km of Mary Kathleen Shear strike north of Elaine 1 to the Mary Kathleen Uranium Mine under investigation with additional regional targets identified.

PRINCE OF WALES CU-AU-FE (CYU 70%: GSE 30%)

The Prince of Wales Cu-Au-Fe prospect is located approximately 22km south of the Mary Kathleen uranium mine, in an area known as Fountain Range. It consists of numerous sediment and ironstone outcrops striking North East over a distance of approximately 2km.

- Data compilation of a deep penetrating EM geophysical survey and follow up field investigations completed during the year.
- Detailed geophysical surveying is proposed for drill targeting and exploration drilling is proposed to commence late 2012.

MOUNT FROSTY (CYU earning in: Xstrata Cu 100%)

CYU signed a binding agreement with Xstrata Mount Isa Mines Limited ("Xstrata Cu") to commence exploration activities on the Mount Frosty project covering the Mary Kathleen shear zone, in far north west Queensland.

- Commenced geological mapping along the Mary Kathleen shear.
- Previous regional and prospect geophysical data compiled identified a number of geophysical anomalies along the Mary Kathleen shear which will be targeted for follow up detailed geophysics and infill XRF soil programs.
- Drilling on Mount Frosty is planned to commence in late 2012.

CLONCURRY NORTH PROJECT (YEX earning in: CYU 100%)

During 2011 CYU farmed out the Cloncurry North projects to the Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX). YEX will farm-in and subsequently obtain the opportunity of earning up to a 55% of the Cloncurry North project by spending $5 million.

- drill preparation targeting a number of anomalies by deep penetrating EM geophysical survey (EH4) undertaken in late 2011.
- Two 800m diamond drillholes have been drilled to test these anomalies where YEX is targeting Ernest Henry style of mineralisation.
- A diamond drill rig has been mobilised to the FC4 prospect to undertake further drilling.

CANDELABRO (CYU EARNING IN: RIO TINTO 100%)

An initial drill program was completed with a total of six diamond drill holes totaling 2,500 metres. The drill holes targeted the inferred mineralised porphyry copper zone based on field observations and Rio Tinto reports.

- Visual copper and sulphide mineralisation has been intersected in drillholes CAND007, CAND008 and

CAND009 with the occurrence of porphyry veinlets, intercepted by drilling, initially indicating the top of a large porphyry copper system.

- CAND007 intersected an interval of abundant copper, zinc and molybdenum sulphide zone from 25- 150 metres. CAND008 and CAND009 also intercepted the porphyries, with chalcopyrite mineralisation observed, but in both cases the mineralisation was less than CAND007.

SANMU PROJECTS (CYU 41%)

CYU has a 41% interest in Yunnan Copper Sanmu Mining Industry Co. Ltd (Sanmu) which holds 100% of the four projects in Northern Laos.

- During the year diamond drilling programs at the Xinzhai (1 hole) and Jiuzhai (3 holes) projects were completed for a total of 1,107.46 metres, targeting base and precious metals anomalies defined by electrical geophysics, trenches and underground adit sampling.
- Field operations were suspended at the end of the financial year for the oncoming monsoon season.
- Sanmu is aiming to define several JORC resources and focus on producing cash flow in the short term with the support of partner YCI's infrastructure and processing mill at Mohan, within trucking distance across the border with southern China.

Competent Person's Statement

The information regarding to Exploration Activities in this report that relates to all prospects and to the Elaine Inferred Resource (EPM 14022) is based on information compiled by Mr Jason Beckton, who is a Member of the Australian Institute of Geologists and is Managing Director of Chinalco Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Project Generation

In general our growth strategy will be achieved by;

- Careful management of the CYU treasury.
- Focus on high quality copper and gold exploration targets.
- Maintenance of the world class exploration and evaluation team that has been carefully recruited. CYU is maintaining its technical team to grow the business in this period of opportunity.

REVIEW OF FINANCIAL CONDITION

Capital structure

At 30 June 2012 the Company had 173,358,308 ordinary shares and 16,200,000 unlisted options on issue.

Financial position

The net assets of the Consolidated Entity have decreased from $18,893,078 at 30 June 2011 to $16,198,440 at 30 June 2012.

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 decreased from $11,349,829 in 2011 to $1,576,950 at 30 June 2012.

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 $1,576,950 at 30 June 2012.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2012 financial year the Consolidated Entity:

- Acquired a 41% interest in a Chinese registered Resource Company to explore for and develop existing mineral deposits in Laos and Asia.
- Signed a new earn-in with option to joint venture agreement with Rio Tinto Mining and Exploration Chile covering the copper porphyry exploration property Candelabro, in northern Chile.
- Signed a binding agreement with Xstrata Mount Isa Mines Limited (Xstrata Copper) to farm-in to the Mount Frosty project covering the Mary Kathleen shear zone, in far North West Queensland.

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

AFTER BALANCE DATE EVENTS

On 8 August 2012, China Yunnan Copper Australia Chile Limitada, a Chilean subsidiary of Chinalco Yunnan Copper Resources Limited, signed a new earn-in with option to joint venture agreement with Compañía Contractual Minera Los Andes (a subsidiary of Codelco, the world's largest copper producer), for the copper porphyry exploration property Sulfatos in northern Chile.

There have been no other events since 30 June 2012 that impact upon the financial report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

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

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT (AUDITED)

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

Remuneration Policy

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

Remuneration Committee

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

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

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

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

Remuneration structure

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

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

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

The expected outcomes of the remuneration structure are the retention and motivation of key Executives, the attraction of quality management to the Company and performance incentives which allow Executives to share the rewards of the success of the Company.

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

Non-Executive Director Remuneration

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

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

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

The remuneration of Non-Executive Directors for the year ended 30 June 2012 is detailed in this Remuneration Report.

Executive Directors and Senior Management remuneration

The Company aims to reward the Executive Directors and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

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

The remuneration of the Managing Director and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives. The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board, and the process consists of a review of both the Company's operational performance and individual performance, relevant comparative remuneration in the market and where appropriate, external advice provided by executive remuneration consultants.

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

The remuneration of the Executive Directors and Senior Management for the period ended 30 June 2012 is detailed in this Remuneration Report.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Directors, Executives and employees.

The current employment agreements with the Managing Director, Executive Director and with the CFO have a three month notice period.

All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses.

All Non-Executive Directors have contracts of employment. No retirement allowances for non-executive directors are paid.

Managing Director

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

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

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

Executive Director

The Executive Director, Mr Zewen Yang is employed under an executive services contract entered into in July 2008. The contract had a service term of three years and is currently being extended until a formal review is completed in late 2012. Under the terms of the current contract Mr Yang's current remuneration package includes the following:

The Executive Director's base salary totals $155,520. Mr Yang is also able to earn a bonus as determined by the Board. The Bonus will be determined by the Board of the Company at the end of each financial year after the Commencement Date. Payment of any or all of the Bonus will be at the sole discretion of the Company acting reasonably. In exercising its discretion and in determining whether, acting reasonably, all or part of the Bonus is to be paid, the Board of the Company must consider matters including, but not limited to:-

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

Company Secretary and CFO

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

(a) Details of Directors and other Key Management Personnel

Directors

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

Key Management Personnel

- Paul Marshall — Company Secretary and CFO
- Richard Hatcher — Exploration Manager

(b) Remuneration of Directors and other Key Management Personnel

2012	Short Term			Post-Employment		Share-based Payment [1]			
	Salary & Fees	Cash Bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
Specified Directors									
Mr Norm Zillman	36,000	-	-	-	-	7,147	43,147	-	16.56%
Mr Zhihua Yao	36,000	-	-	-	-	5,475	41,475	-	13.20%
Mr Jason Beckton	239,796	-	-	-	-	15,509	255,305	-	6.07%
Mr Zewen Yang	155,520	-	-	-	-	12,164	167,684	-	7.25%
Key Management Personnel									
Richard Hatcher	166,267	-	-	14,964	-	8,360	189,591	-	4.41%
Paul Marshall	52,000	-	-	-	-	8,360	60,360	-	13.85%
	685,583	-	-	14,964	-	57,015	757,562		

(1) 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.

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

(1) Mr Yao was appointed Co-Chairman on 23 December 2010.
(2) Mr Zhong resigned on 23 December 2010
(3) The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model.

(c) Options issued as part of remuneration for the year ended 30 June 2012

Details on options over ordinary shares in the Company that were granted as compensation to directors and key management personnel 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[1] $	Expiry date	Vesting and first exercise date	% of options vested
Directors								
Mr Norm Zillman	01/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	100%
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	-
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2013	-
Mr Zhihua Yao	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	-
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2013	-
Mr Jason Beckton	01/12/2009	1,500,000	0.0290	0.40	43,500	20/12/2012	20/12/2011	100%
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	-
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2013	-
Mr Zewen Yang	01/12/2009	1,000,000	0.0290	0.40	29,000	20/12/2012	20/12/2011	100%
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	-
	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2013	-
Key Management Personnel								
Mr Richard Hatcher	01/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	100%
	12/08/2011	100,000	0.0505	0.30	5,050	12/08/2014	12/08/2012	-
	12/08/2011	100,000	0.0505	0.30	5,050	12/08/2014	12/08/2013	-
Mr Paul Marshall	01/12/2009	250,000	0.0290	0.40	7,250	20/12/2012	20/12/2011	100%
	12/08/2011	100,000	0.0505	0.30	5,050	12/08/2014	12/08/2012	-
	12/08/2011	100,000	0.0505	0.30	5,050	12/08/2014	12/08/2013	-

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

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

2012	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $
Director			
Mr Norm Zillman	9,200	-	-
Mr Zhihua Yao	9,200	-	-
Mr Jason Beckton	9,200	-	3,300
Mr Zewen Yang	9,200	-	3,300
Key Management Personnel			
Mr Richard Hatcher	10,100	-	3,300
Mr Paul Marshall	10,100	-	3,300

(e) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of compensation options in the 2011 or 2012 financial years.

(f) Additional Information

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

Measures	2012 $	2011 $	2010 $	2009 $	2008 $
Share price at end of financial year	0.11	0.19	0.09	0.17	0.19
Market capitalisation at end of financial year ($M)	19.07	32.94	9.78	13.20	14.75
Loss for the financial year	2,894,339	2,029,707	3,259,584	781,333	424,926
Cash spend on exploration programs	5,300,693	2,585,850	2,780,615	2,182,762	1,342,002
Director and Key Management Personnel remuneration	757,562	773,992	897,281	748,818	387,507

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

End of Remuneration Report

OPTIONS

As at the date of this report there were 16,200,000 unissued ordinary shares under options as follows:

Terms	1 July 2011	Additions	Exercised	Expired/ forfeited	30 June 2012
Director/Executive options $0.40 - 20/12/11	300,000	-	-	(300,000)	-
Director/Executive options $0.40 - 20/12/12	3,750,000	-	-	-	3,750,000
Director/Executive options $0.40 - 20/12/12	3,750,000	-	-	-	3,750,000
Director/Executive options $0.40 - 20/12/12	3,500,000	-	-	-	3,500,000
Joint venture partner options $0.40 – 20/08/11	2,000,000	-	-	(2,000,000)	-
Joint venture partner options $0.40 – 20/08/12	1,000,000	-	-	-	1,000,000
Joint venture partner options $0.40 – 20/12/12	1,000,000	-	-	-	1,000,000
Employee options $0.40 – 20/12/11	100,000	-	-	(100,000)	-
Employee options $0.30 – 12/08/14	-	2,400,000	-	-	2,400,000
Director options $0.30 – 12/08/14	-	800,000	-	-	800,000
	15,400,000	3,200,000	-	(2,400,000)	16,200,000

During the year ended 30 June 2012 no shares were issued following the exercise of options.

DIRECTORS' MEETINGS

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

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

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

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

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

The Company has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Chinalco Yunnan Copper Resources Limited support and have adhered to the principles of corporate governance.

Signed in accordance with a resolution of the directors.

Jason Beckton
Director
26 September 2012

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

To: the directors of Chinalco Yunnan Copper Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Mark Epper
Partner

Sydney

26 September 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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 24 September 2012.

(a) Distribution of equity securities

CYU – Ordinary Fully Paid Shares

Number of Securities Held	No's of holders
1 to 1,000	88
1,001 to 5,000	258
5,001 to 10,000	337
10,001 to 100,000	530
100,001 and over	346
	1,559

Number of shareholders holding less than a marketable parcel of shares	**286**

(b) Twenty largest holders

CYU – Ordinary Fully Paid Shares

No.	Name of Shareholder	Holding	% Held
1	CHINA YUNNAN COPPER (AUSTRALIA) INVESTMENT AND DEVELOPMENT CO LTD	36,839,852	21.25%
2	MR NORMAN JOSEPH ZILLMAN	8,200,000	4.73%
3	ELLIOTT NOMINEES PTY LTD	7,150,000	4.12%
4	PREMAR CAPITAL NOMINEES PTY LIMITED	3,633,333	2.10%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,788,226	1.61%
6	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,708,514	1.56%
7	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,567,525	1.48%
8	FLATOAK PTY LTD	2,534,992	1.46%
9	BANNERBLOCK PTY LTD	2,500,000	1.44%
10	YUNNAN & HONG KONG METAL CO. LTD	2,400,000	1.38%
11	JOIN VICTORY INVESTMENTS LIMITED	2,083,334	1.20%
12	CR INVESTMENTS PTY LTD	2,083,333	1.20%
13	KIMBRIKI NOMINEES PTY LTD	2,000,000	1.15%
14	MS JULIE HEATH MCCONAGHY	1,876,000	1.08%
15	PACIFIC CAPITAL SECURITIES PTY LTD	1,725,997	1.00%
16	ROCK MASTER PTY LTD	1,700,000	0.98%
17	DEPOND AUSTRALIA PTY LIMITED	1,666,667	0.96%
18	MS MARIA ANTOINETTE GREER	1,625,958	0.94%
19	KING FAITH GROUP LIMITED	1,600,000	0.92%
20	HIPETE PTY LTD	1,300,000	0.75%
		88,983,731	**51.33%**

(c) Voting Rights

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

(d) Interests in Exploration Tenements

Chinalco Yunnan Copper Resources Limited held the following interests in mining and exploration tenements as at 26 September 2012:

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%
ML 1631	Pentland	9/06/1988	30/06/2009	100%
EPM 14019	Mary Kathleen JV	18/07/2003	17/07/2015	70%
EPM 14022	Mary Kathleen JV	31/07/2003	30/07/2011	70%
EPM 14467	Mount Frosty	16/03/2006	15/03/2015	Nil – earning in

CHILE

Tenement	Project	Location	Area	CYU Interest
Humitos				
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%
Caramasa				
MIGNA 1 - 10	Caramasa	Apamilca	2,800 ha	Nil – earning in
CARACA 1 - 22	Caramasa	Apamilca	6,500 ha	Nil – earning in
CAMI 4 1/300	Caramasa	Apamilca	300 ha	Nil – earning in
CAMI 5 1/300	Caramasa	Apamilca	300 ha	Nil – earning in
CAMI 10 1/300	Caramasa	Apamilca	300 ha	Nil – earning in
CAMI 11 1/100	Caramasa	Apamilca	300 ha	Nil – earning in
Palmani				
MAIPU 1 - 22	Palmani	Arica	6,600 ha	Nil – earning in
Candelabro				
Candela 1	Candelabro	Apamilca	300 ha	Nil – earning in
Candela 2	Candelabro	Apamilca	300 ha	Nil – earning in
Candela 3	Candelabro	Apamilca	300 ha	Nil – earning in
Candela 4	Candelabro	Apamilca	300 ha	Nil – earning in
Candela 5	Candelabro	Apamilca	300 ha	Nil – earning in
Candela 6	Candelabro	Apamilca	300 ha	Nil – earning in

CORPORATE GOVERNANCE STATEMENT

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

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
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 ASX Corporate Governance Principles and 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, 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.
3.2, 3.3	Measurable objectives for achieving gender diversity and for the annually assessment of both the objectives and progress in achieving them have not been implemented	The Board has established a Diversity Policy. There are some aspects of the recommendations that are difficult to comply with due to the Company's size. The Board at this juncture has not set measurable objectives. This policy will be reviewed as part of the annual compliance review to ensure that the Diversity Policy is being progressed as required and to set measurable objectives when appropriate for the Company.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed	The board considers that the Company is not of a size, nor is its financial affairs of such complexity, to justify the formation of an audit committee. The board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
7.2	Management has not reported to the board as to the effectiveness of the Company's management of its material business risks.	While the design and implementation of a basic risk management and internal control system is in place, a formal report as to the effectiveness of the management of the Company's material business risks has not been provided to the board, and is not considered necessary at this stage for the size and nature of the Company's current activities.
8.1	There is no separate Remuneration committee	The board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation for the remuneration committee. The board as a whole is responsible for the remuneration arrangements for directors and any executives of the Company.

Structure of the Board

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

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines and 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 judgment.

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

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

Name	Position	Reason for not being Independent
Norm Zillman	Co-Chairman	Mr Zillman is a substantial shareholder in the Company
Jason Beckton	Managing Director	Mr Beckton is employed in an executive capacity
Zhihua Yao	Co-Chairman	Mr Yao is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the Company.
Zewen Yang	Executive Director	Mr Yang is employed in an executive capacity

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

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

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

Name	Term in Office
Mr Norm Zillman	14 years 9 months
Mr Jason Beckton	5 years 2 months
Mr Zhihua Yao	1 year 9 months
Mr Zewen Yang	5 years 2 months

Trading Policy

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

Company Code of Conduct

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

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

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

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

Recruitment and Selection Processes

The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit.

Diversity
As the context permits CYU is committed to workplace diversity. The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

The Company values diversity in all aspects of its business and is committed to creating an environment where the contribution of all its personnel is received fairly and equitably.

The Company has a number of objectives in place to continually work towards its vision. These objectives include:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Company seeks to achieve these objectives by:

- recruiting and managing on the basis of competence and performance regardless of age, ethnicity, gender or cultural background;
- providing equal opportunities based on merit;
- fostering a culture that empowers people to act in accordance with this policy;
- fostering an inclusive, supportive and respectful culture to enable all personnel to reach their full potential;
- respecting the unique attributes that each individual brings to the workplace; and
- establishing and reviewing measurable objectives, particularly on gender diversity.

The proportion of women employees in the whole organisation, women in senior management positions and women on the board are as follows:

Measure	Female Proportion
Organisation	21%
Senior Management	Nil
Board	Nil

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

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

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

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

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

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

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

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

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

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

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

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

No formal performance evaluation of the directors was undertaken during the year ended 30 June 2012.

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

The expected outcomes of the remuneration structure are:
- retention and motivation of Key Management Personnel
- attraction of quality management to the Company
- performance incentives which allow Executives to share the rewards of the success of Chinalco Yunnan Copper Resources Limited

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

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

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

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

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	287,979	215,733
Employment and consultancy expenses		(1,018,274)	(690,526)
Depreciation expense	11	(100,959)	(76,506)
Finance costs		(2,463)	(4,614)
Impairment of exploration expenditure	12	(767,957)	(544,220)
Project generation expenditure		(194,259)	(79,021)
Administration expenses		(1,337,864)	(850,553)
Share of equity accounted associate's profit	13	239,458	-
Loss before income tax		(2,894,339)	(2,029,707)
Income tax expense	4	-	-
Loss for the year		(2,894,339)	(2,029,707)
Other comprehensive income/(loss)			
Foreign currency translation differences for foreign operations		29,251	(70,493)
Income tax		-	-
Other comprehensive income/(loss) for the year, net of tax		29,251	(70,493)
Total comprehensive loss		(2,865,088)	(2,100,200)

		Cents	Cents
Earnings per share			
Basic loss per share	6	(1.67)	(1.68)
Diluted loss per share	6	(1.67)	(1.68)

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

Consolidated Balance Sheet
As at 30 June 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	7	2,061,499	11,545,523
Trade and other receivables	8	541,972	207,502
Financial assets	10	1,091	1,091
Other current assets	9	36,718	54,731
TOTAL CURRENT ASSETS		2,641,280	11,808,847
NON-CURRENT ASSETS			
Trade and other receivables	8	61,052	29,635
Plant and equipment	11	261,628	275,455
Exploration expenditure	12	12,193,250	7,243,081
Investments in equity-accounted investee	13	2,105,560	-
TOTAL NON-CURRENT ASSETS		14,261,490	7,548,171
TOTAL ASSETS		17,262,770	19,357,018
CURRENT LIABILITIES			
Trade and other payables	14	1,001,749	374,956
Interest bearing liabilities	15	7,345	27,459
Short-term provisions	16	55,236	56,603
TOTAL CURRENT LIABILITIES		1,064,330	459,018
NON-CURRENT LIABILITIES			
Interest bearing liabilities	15	-	4,922
		-	4,922
TOTAL LIABILITIES		1,064,330	463,940
NET ASSETS		16,198,440	18,893,078
EQUITY			
Share capital	17	25,206,229	25,169,630
Reserves	18	444,072	280,970
Accumulated losses		(9,451,861)	(6,557,522)
TOTAL EQUITY		16,198,440	18,893,078

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

Consolidated Entity	Share Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2010	11,212,656	242,486	(4,527,815)	6,927,327
Transactions with owners in their capacity as owners				
Issue of share capital	14,626,986	-	-	14,626,986
Share issue costs	(670,012)	-	-	(670,012)
Share-based payment expense	-	108,977	-	108,977
Comprehensive income				
Loss after income tax	-	-	(2,029,707)	(2,029,707)
Other comprehensive income	-	(70,493)	-	(70,493)
Balance at 30 June 2011	25,169,630	280,970	(6,557,522)	18,893,078
Balance at 1 July 2011	25,169,630	280,970	(6,557,522)	18,893,078
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Recovery of share issue costs*	36,599	-	-	36,599
Share-based payment expense	-	133,851	-	133,851
Comprehensive income				
Loss after income tax	-	-	(2,894,339)	(2,894,339)
Other comprehensive income	-	29,251	-	29,251
Balance at 30 June 2012	25,206,229	444,072	(9,451,861)	16,198,440

* Represents GST recovered on capital raising costs incurred in the previous financial year.

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

Consolidated Cash Flow Statement
For the year ended 30 June 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from government grants		-	117,956
Payments to suppliers and employees		(2,502,962)	(1,449,078)
Interest received		285,843	78,594
Interest paid		(2,463)	(4,614)
Net cash used in operating activities	20	(2,219,582)	(1,257,142)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit refunds/(payments)		(18,261)	14,560
Payments for property, plant & equipment		(141,721)	(78,142)
Acquisition of an equity accounted investee	13	(1,866,102)	-
Payments for exploration and evaluation		(6,550,986)	(2,585,850)
Exploration expenditure amounts reimbursed by joint venture partners		1,250,293	-
Net cash used in investing activities		(7,326,777)	(2,649,432)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	14,626,986
Capital raising costs refunded/(paid)		36,599	(670,012)
Receipts from finance lease receivable		21,530	-
Payment of finance leases		(25,045)	(20,380)
Net cash provided by financing activities		33,084	13,936,594
Net increase/(decrease) in cash and cash equivalents		(9,513,275)	10,030,020
Net foreign exchange differences		29,251	(70,493)
Cash and cash equivalents at the beginning of the year		11,545,523	1,585,996
Cash and cash equivalents at the end of the year	7	2,061,499	11,545,523

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Chinalco Yunnan Copper Resources Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity"). Chinalco Yunnan Copper Resources Limited is a listed public company, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

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

Operations and principal activities
The principal activity of the Consolidated Entity is mineral exploration.

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

Authorisation of financial report
The financial report was authorised for issue on 26 September 2012.

Basis of preparation

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

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

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. No fair value adjustments were required in the current or prior year.

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

Going Concern
The Directors have prepared the financial report on the 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.

No adjustment have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Refer to Note 30 for further details.

Critical accounting estimates and judgments

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

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

Key estimates – impairment
The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

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

Accounting policies

(a) Principles of consolidation

A controlled entity is any entity Chinalco Yunnan Copper Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end. The financial statements of controlled entities are included in the consolidated financial statements from the date that control exists to the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Consolidated Entity. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in Associates

Associates are entities in which the Consolidated Entity has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Consolidated Entity's share of net assets of the associate company. The Consolidated Entity's share of the profit or loss of the associate company is included in the Consolidated Entity's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Consolidated Entity's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Consolidated Entity and the associate are eliminated to the extent of the Consolidated Entity's interest in the associate.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, the Consolidated Entity discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Consolidated Entity will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(c) Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense. Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the statement of comprehensive income except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

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

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

(d) Plant and Equipment

Plant and equipment is measured at cost less accumulated depreciation and any impairment losses. At each reporting date, the Consolidated Entity reviews the carrying values of its plant and equipment to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

Depreciation

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

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

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

(e) 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. Exploration costs are capitalised only when the Consolidated Entity has either a granted tenement in its name or an interest through a joint venture arrangement.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration Evaluation and Development Expenditure (continued)

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.

(f) Leases

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

(g) Financial Instruments

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

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

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

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

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

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

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

(h) Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets

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

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

(j) Employee benefits

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

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

(k) Share-based payments

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

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

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

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

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

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

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

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

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

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

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

(l) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) Revenue

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

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

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

(o) 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.

(p) Foreign currency

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

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

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

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

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

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

(q) Share capital

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

(r) 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.

(s) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Joint Ventures

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

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

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

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

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

(u) 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.

(v) New accounting standards and interpretations

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

- AASB 2009-12 Amendments to Australian Accounting
- AASB 2010-5 Amendments to Australian Accounting Standards
- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 124 Related Party Disclosures (December 2009)
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

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

(w) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

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

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the Consolidated Entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) New Standards and Interpretations Not Yet Adopted (continued)

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

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

AASB 10: 'Consolidated Financial Statements'

This standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and is applicable for the annual period beginning 1 January 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously included in the Consolidated Entity resulting in more assets and liabilities on the books. The Consolidated Entity is currently assessing the impact of this standard.

AASB 11: 'Joints Arrangements'

This standard replaces IAS 31: 'Interest in Joint Ventures' and is applicable for annual periods beginning on or after 1 January 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Consolidated Entity will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and therefore the potential impacts of a change on the presentation of the Financial Statements. The Consolidated Entity is currently assessing the impact of this standard.

AASB 12: ' Disclosure of interest in other Entities'

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation – Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgments and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the Consolidated Entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the Consolidated Entity.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the Consolidated Entity's presentation of its statement of comprehensive income.

	2012	2011
	$	$

NOTE 2 REVENUE

Government grant revenue	-	117,956
Bank interest received	287,979	97,777
	287,979	215,733

NOTE 3 EXPENSES

Loss before income tax includes the following specific expenses:

Superannuation expense	48,893	20,506
Rental expense from operating leases	162,702	52,080

NOTE 4 INCOME TAX EXPENSE

A reconciliation of income tax expense/(benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Consolidated Entity's effective income tax rate for the years ended 30 June 2012 and 2011 is as follows:

Accounting loss before income tax	(2,894,339)	(2,029,707)
Tax at the Australian tax rate of 30%	(868,302)	(608,912)
Adjustment of Chilean loss taxed at 17%	68,116	35,337
Non-deductible expenses	270,570	33,667
Deductions arising from capital raising expenses	(40,201)	(40,201)
Deferred tax assets not bought to account	569,817	580,109
Income tax expense	-	-

Unrecognised temporary differences and tax losses

Tax losses	3,684,949	2,497,524
	3,684,949	2,497,524

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

Recognised temporary differences and tax losses

Deferred tax assets and liabilities are attributable to the following:

Exploration expenditure	(2,084,283)	(1,831,075)
Provisions	16,571	16,981
Other	122,417	157,504
Tax losses carried forward	1,945,295	1,656,590
Net deferred tax liability/(asset)	-	-

	2012 $	2011 $

NOTE 5 AUDITORS' REMUNERATION

	2012 $	2011 $
Remuneration paid to KPMG for:		
Auditing and reviewing the financial report		
- Australia	39,000	30,000
- Chile	6,500	-
	45,500	30,000

NOTE 6 EARNINGS PER SHARE

	2012 $	2011 $
Losses used to calculate basic and dilutive EPS	(2,894,339)	(2,029,707)

	2012 Number	2011 Number
Weighted average number of ordinary shares outstanding during the year	173,358,308	120,989,041
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	173,358,308	120,989,041

	2012 $	2011 $

NOTE 7 CASH & CASH EQUIVALENTS

	2012 $	2011 $
Cash on hand and at bank	1,275,357	3,761,375
Cash on deposit	786,142	7,784,148
	2,061,499	11,545,523

NOTE 8 TRADE & OTHER RECEIVABLES

	2012 $	2011 $
CURRENT		
Finance lease receivable	28,115	-
Other receivables	513,857	207,502
	541,972	207,502
NON-CURRENT		
Finance lease receivable	4,943	-
Security bonds	56,109	29,635
	61,052	29,635

The Consolidated Entity entered into a finance lease arrangement with Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX). The finance lease is a subject to an interest rate of 9.25% and relates to a motor vehicle. The finance lease term was 2 years and is due to expire in August 2013. YEX has an option to purchase the motor vehicle at the end of the lease term for $1.

NOTE 9 OTHER CURRENT ASSETS

	2012 $	2011 $
Prepayments	36,718	54,731

	2012 $	2011 $

NOTE 10 FINANCIAL ASSETS

	2012 $	2011 $
Gold nugget	1,091	1,091

NOTE 11 PLANT & EQUIPMENT

	2012 $	2011 $
Plant and equipment		
At cost	184,177	120,459
Accumulated depreciation	(62,928)	(23,066)
	121,249	97,393
Motor Vehicles		
At cost	166,411	154,727
Accumulated depreciation	(61,724)	(43,081)
	104,687	111,646
Computers and office equipment		
At cost	182,087	176,482
Accumulated depreciation	(146,395)	(110,066)
	35,692	66,416
Total plant and equipment	261,628	275,455

Movements in carrying amounts

	Plant and equipment $	Motor vehicles $	Computers and office equipment $	Total $
Balance at 1 July 2010	9,034	110,315	101,702	221,051
Additions	53,666	19,165	5,311	78,142
Additions – finance lease	52,768	-	-	52,768
Depreciation expense	(18,075)	(17,834)	(40,597)	(76,506)
Balance at 30 June 2011	97,393	111,646	66,416	275,455
Balance at 1 July 2011	97,393	111,646	66,416	275,455
Additions	56,138	24,878	6,116	87,132
Additions – finance lease	-	-	-	-
Depreciation expense	(32,282)	(31,837)	(36,840)	(100,959)
Balance at 30 June 2012	121,249	104,687	35,692	261,628

	2012 $	2011 $
NOTE 12 EXPLORATION EXPENDITURE		
Exploration expenditure capitalised		
Opening balance	7,243,081	5,183,362
Net current year expenditure	7,164,776	2,711,985
Amounts to be reimbursed by Joint Venture partners	(1,446,650)	(108,046)
Impairment of exploration expenditure	(767,957)	(544,220)
	12,193,250	7,243,081

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.

<u>Impairment of exploration expenditure</u>

During the year, the Consolidated Entity decided to discontinue exploration activities on the following tenements due to low prospectivity:

	2012 $	2011 $
EPM 15248 Mt Isa	575,913	-
EPM 15257 Mary Kathleen	134,722	-
EPM 16393 Cloncurry North	57,322	-
EPM 14322 Pentland	-	502,216
EPM 15055 Pentland	-	42,004
	767,957	544,220

NOTE 13 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEE

On 28 January 2011, the Company entered into an agreement with Yunnan Copper Industry (Group) Co Ltd (YCI) to acquire up to 51% equity interest in Yunnan Copper San Mu Mining Industry Co Ltd (San Mu), a Chinese registered company holding subsidiaries that own near-development copper silver projects in Northern Laos.

At a general meeting of the Company on 21 October 2011, shareholders approved this acquisition.

The acquisition will occur in three stages over a 12 month period. During the current period, the Company acquired an equity interest of 41% in San Mu for an initial investment of the AUD$ equivalent of RMB11,907,471 ($1,866,102). The Company will acquire a further 10% interest after the third stage payment of the AUD$ equivalent of RMB5,920,229.

	2012 $	2011 $
Carrying Amount Of Investments In Equity-Accounted Investee		
Acquisition of equity-accounted investments	1,866,102	-
Share of net profit of equity-accounted investee*	239,458	-
	2,105,560	-

* $255,403 of this amount represents the excess of the Consolidated Entity's (CYU) share of the net fair value of San Mu's identifiable assets and liabilities over the cost of the investment. As required by accounting standards, this amount is included as income in the determination of the CYU's share of San Mu's profit or loss for the period under acquisition (from 23 December 2011 to 30 June 2012).

San Mu's actual loss for the period from 23 December 2011 to 30 June 2012 was $62,176, with CYU's share being $15,945.

NOTE 13 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEE (continued)

Further details of San Mu at 30 June 2012:

Primary activity	Mineral Exploration
Equity interest of CYU	41%
CYU's share of San Mu's total assets	1,775,698
CYU's share of San Mu's total liabilities	481,328
CYU's share of San Mu's total revenue	2,868
CYU's share of San Mu's committed expenditure	44,317
Contingent assets and liabilities of San Mu	Nil

	2012	2011
	$	$

NOTE 14 TRADE & OTHER PAYABLES

	2012	2011
Trade payables	163,254	179,861
Other payables and accrued expenses	725,533	152,121
Payable to directors	112,962	42,974
	1,001,749	374,956

NOTE 15 INTEREST BEARING LIABLITIES

	2012	2011
Current		
Finance lease	7,345	27,459
Non-Current		
Finance lease	-	4,922

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

The above lease facility represents the only finance facilities available to the Consolidated Entity. There are no unused facilities at balance date (2011: Nil).

NOTE 16 PROVISIONS

	2012	2011
Employee benefits	55,236	56,603

	2012 $	2011 $

NOTE 17 SHARE CAPITAL

Fully paid ordinary shares	25,206,229	25,169,630

Ordinary Shares

	2012 $	2011 $	2012 Number	2011 Number
At the beginning of the year	25,169,630	11,212,656	173,358,308	108,662,533
Share purchase plan[1]	-	1,500,000	-	10,000,000
Share placement[2]	-	13,126,986	-	54,695,775
Share issue expenses/(reimbursement) [3]	36,599	(670,012)	-	-
At reporting date	25,206,229	25,169,630	173,358,308	173,358,308

[1] A total of 10,000,000 shares were issued during the prior year through a share purchase plan at 15 cents per share.
[2] A total of 54,695,775 shares were issued during the prior year through a share purchase plan at 24 cents per share.
[3] Represents GST recovered on capital raising costs incurred in the previous financial year.

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.

	2012 $	2011 $

NOTE 18 RESERVES

	2012 $	2011 $
Share based payment reserve	487,108	353,257
Foreign currency translation reserve	(43,036)	(72,287)
	444,072	280,970
Share based payment reserve movements during the year		
Opening balance	353,257	244,280
Share based payments	133,851	108,977
Closing balance	487,108	353,257
Foreign currency translation reserve movements during the year		
Opening balance	(72,287)	(1,794)
Foreign exchange differences	29,251	(70,493)
Closing balance	(43,036)	(72,287)

<u>Share based payment reserve</u>
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.

<u>Foreign currency translation reserve</u>
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTE 19 DIVIDENDS & FRANKING CREDITS

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

	2012 $	2011 $

NOTE 20 CASH FLOW INFORMATION

Reconciliation of cash flows used in operations with loss after income tax

	2012 $	2011 $
Loss after income tax	(2,894,339)	(2,029,707)
Non-cash items in loss after income tax		
Depreciation	100,959	76,506
Share based payments expense	133,851	108,977
Impairment of exploration expenditure	767,957	544,220
Share of equity accounted associate's profit	(239,458)	-
Movements in assets and liabilities		
Other receivables	(304,219)	233,693
Interest revenue accrued	(2,136)	(19,182)
Other assets	18,015	(43,574)
Trade payables and accruals	201,155	(151,631)
Provisions	(1,367)	23,556
Cash flow from operations	(2,219,582)	(1,257,142)

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:

	2012 $	2011 $
Cash and cash equivalents	2,061,499	11,545,523

Non-cash investing activities

The Consolidated Entity acquired equipment totaling $Nil by way of finance lease during the period (2011: $52,768).

NOTE 21 SHARE BASED PAYMENTS

At 30 June 2012 there are 16,200,000 unlisted options to take up one ordinary share in Chinalco Yunnan Copper Resources Ltd at an issue price range of 30 to 40 cents. The options expire between 20 August 2012 and 12 August 2014.

Movements in options

	2012		2011	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
		$		$
Outstanding at beginning of year	15,400,000	0.40	11,850,000	0.40
Granted(1)	3,200,000	0.30	4,100,000	0.40
Forfeited	-	-	(250,000)	0.40
Exercised	-	-	-	-
Expired	(2,400,000)	0.40	(300,000)	0.40
Outstanding at year-end	16,200,000	0.38	15,400,000	0.40
Exercisable at year-end	13,000,000	0.40	11,900,000	0.40

(1) The weighted average fair value of the options granted during the year was $0.0494.

NOTE 21 SHARE BASED PAYMENTS (continued)

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

Issue	Tranche	Entitlement Date	Vesting Date	Expiry Date	Exercise Price	Number
2010 Directors and Employees	1	1/12/2009	20/12/2009	20/12/2012	0.40	3,750,000
	2	1/12/2009	20/12/2010	20/12/2012	0.40	3,750,000
	3	1/12/2009	20/12/2011	20/12/2012	0.40	3,500,000
2011 Joint Venture Partners(1)	2	30/12/2010	30/12/2010	20/8/2012	0.40	1,000,000
	3	30/12/2010	30/12/2010	20/12/2012	0.40	1,000,000
2012 Employees	1	12/08/2011	12/08/2012	12/08/2014	0.30	1,200,000
	2	12/08/2011	12/08/2013	12/08/2014	0.30	1,200,000
2012 Directors	1	21/11/2011	12/08/2012	12/08/2014	0.30	400,000
	2	21/11/2011	12/08/2013	12/08/2014	0.30	400,000
Total						**16,200,000**

(1) The calculated value of these options issued during the prior period was immaterial to the financial statements. Consequently no amounts were recognised in the Balance Sheet for these amounts.

No options were exercised during the year ended 30 June 2012.

The options outstanding at 30 June 2012 have an average exercise price of $0.38 and weighted average remaining life of 0.8 years. Included under Employee Benefits Expense in the Statement of comprehensive income is $133,851 (2011: $108,977) that relates to equity-settled share-based payment transactions. The value of options granted in the year is the fair value of the options calculated at grant date using a binominal option-pricing model. The following table lists the inputs to the model:

Inputs	2009 Directors and Employees	2010 Directors and Employees			2011 Joint Venture Partners			2011 Employees
Exercise Date	19/12/11(1)	20/12/09	20/12/10	20/12/11	30/12/10	30/12/10	30/12/10	18/2/11(1)
Underlying Share Price	0.10	0.22	0.22	0.22	0.17	0.17	0.17	0.38
Option Strike Prices (cents)	40	40	40	40	40	40	40	40
Time to Maturity (Yrs)	3	1	2	3	1	1	2	1
Risk Free Rate (%)	5.08	4.93	4.93	4.93	5.08	5.08	5.08	5.08
Volatility (%)	128	40	40	40	45	45	45	45
Option fair value at grant date	0.0660	0.0290	0.0290	0.0290	0.0081	0.0002	0.0054	0.0602

Inputs	2012 Employees		2012 Directors	
Exercise Date	12/8/2012	12/8/2013	12/8/2012	12/8/2013
Underlying Share Price	0.20	0.20	0.20	0.20
Option Strike Prices (cents)	0.30	0.30	0.30	0.30
Time to Maturity (Yrs)	2	1	2	1
Risk Free Rate (%)	4.75	4.75	4.50	4.50
Volatility (%)	50	50	50	50
Option fair value at grant date	0.0505	0.0505	0.0460	0.0460

(1) These tranches expired during the year.

NOTE 21 SHARE BASED PAYMENTS (continued)

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

					Movements during the year				
Note	**Issue**	**Exercise Price**	**Exercise and Vesting Date**	**Expiry Date**	**1 July 2011**	**Additions**	**Exercised**	**Expired/ forfeited**	**30 June 2012**
1	Director/Executive options	0.40	19/12/10	20/12/11	300,000	-	-	(300,000)	-
2	Director/Executive options	0.40	20/12/09	20/12/12	3,750,000	-	-	-	3,750,000
		0.40	20/12/10	20/12/12	3,750,000	-	-	-	3,750,000
		0.40	20/12/11	20/12/12	3,500,000	-	-	-	3,500,000
3	GSE joint venture options	0.40	30/12/10	20/08/11	2,000,000	-	-	(2,000,000)	-
		0.40	30/12/10	20/08/12	1,000,000	-	-	-	1,000,000
4	AIV joint venture options	0.40	30/12/10	20/12/12	1,000,000	-	-	-	1,000,000
5	Employee options	0.40	18/12/10	18/12/11	100,000	-	-	(100,000)	-
6	Employee options	0.30	12/08/12	12/08/14	-	1,200,000	-	-	1,200,000
		0.30	12/08/13	12/08/14	-	1,200,000	-	-	1,200,000
7	Director options	0.30	12/08/12	12/08/14	-	400,000	-	-	400,000
		0.30	12/08/13	12/08/14	-	400,000	-	-	400,000

Notes on option plans

All options are cash settled. In the event of the exercise of any of the Company's options, the Company will receive the exercise price cash for each exercised option.

1 2009 Directors and Employees Options

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

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

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

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

Tranche 3 had a vesting/exercise date of 19 December 2010 and an expiry date of 19 December 2011. This tranche has now expired. No shares were issued from the exercise of these options.

2 2010 Directors and Employees Options

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

The options were initially issued in three equal tranches of 3,750,000 options per tranche. 250,000 options lapsed upon the resignation of former director Mr Liang Zhong.

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

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

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

3 GSE Joint Venture Options

On 30 December 2010, the Company issued a total of 3,000,000 options to Goldsearch Limited as part of the Mary Kathleen joint venture farm-in agreement. The options vested immediately on the grant date and there are no other service conditions attached to them. 2,000,000 options expired during the period. No shares have been issued from the exercise of these options.

NOTE 21 SHARE BASED PAYMENTS (continued)

4 AIV Joint Venture Options

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

5 Employee Options

On 18 December 2010, the Company issued a total of 100,000 options to employees as part of their remuneration for the 2011 financial year. The options vested immediately on the grant date and there are no other service conditions attached to them. This tranche has now expired. No shares were issued from the exercise of these options.

6 2012 Employees Options

On 12 August 2011, the Company issued a total of 2,400,000 options to employees as part of their remuneration for the 2012 financial year. The options will not vest if the recipient's services are not engaged by the Company at the relevant vesting date.

The options were initially issued in two equal tranches of 1,200,000 options per tranche.

Tranche 1 has a vesting/exercise date of 12 August 2012 and an expiry date of 12 August 2014. No shares were issued from the exercise of these options.

Tranche 2 has a vesting/exercise date of 12 August 2013 and an expiry date of 12 August 2014. No shares were issued from the exercise of these options.

7 2012 Director Options

On 21 November 2011, after receiving approval from shareholders, the Company issued a total of 800,000 options to directors as part of their remuneration for the 2012 financial year. The options will not vest if the recipient's services are not engaged by the Company at the relevant vesting date.

The options were initially issued in two equal tranches of 400,000 options per tranche.

Tranche 1 has a vesting/exercise date of 12 August 2012 and an expiry date of 12 August 2014. No shares were issued from the exercise of these options.

Tranche 2 has a vesting/exercise date of 12 August 2013 and an expiry date of 12 August 2014. No shares were issued from the exercise of these options.

NOTE 22 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

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

Parent and ultimate controlling party

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

Key management personnel compensation

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

	2012 $	2011 $
Summary		
Short-term employee benefits	685,583	666,105
Post-employment benefits	14,964	13,211
Share-based payments	57,015	94,606
	757,562	773,292

NOTE 22 RELATED PARTY and KEY MANAGEMENT PERSONNEL (continued)

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

2012	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Norm Zillman	12,647,195	-	-	-	12,647,195
Zhihua Yao	-	-	-	-	-
Jason Beckton	570,600	-	-	-	570,600
Zewen Yang	-	-	-	-	-
Key Management Personnel					
Richard Hatcher	-	-	-	-	-
Paul Marshall	636,002	-	-	-	636,002
Total	13,853,797	-	-	-	13,853,797

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

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

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

2012	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Norm Zillman	750,000	200,000	-	-	950,000
Zhihua Yao	-	200,000	-	-	200,000
Jason Beckton	4,550,000	200,000	-	(50,000)	4,700,000
Zewen Yang	3,050,000	200,000	-	(50,000)	3,200,000
Key Management Personnel					
Richard Hatcher	800,000	200,000	-	(50,000)	950,000
Paul Marshall	800,000	200,000	-	(50,000)	950,000
Total	9,950,000	1,200,000	-	(200,000)	10,950,000

NOTE 22 RELATED PARTY and KEY MANAGEMENT PERSONNEL (continued)

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

[1] Net change upon resignation as director

Vested Options

	2012			2011		
	Vested and exercisable	Vested and unexercisable	Vested at end of year	Vested and exercisable	Vested and unexercisable	Vested at end of year
Directors						
Norm Zillman	750,000	-	750,000	500,000	-	500,000
Zhihua Yao	-	-	-	-	-	-
Jason Beckton	4,500,000	-	4,500,000	3,050,000	-	3,050,000
Zewen Yang	3,000,000	-	3,000,000	2,050,000	-	2,050,000
Liang Zhong	-	-	-	-	-	-
Key Management Personnel						
Richard Hatcher	750,000	-	750,000	550,000	-	550,000
Paul Marshall	750,000	-	750,000	550,000	-	550,000
Total	9,750,000	-	9,750,000	6,700,000	-	6,700,000

Amounts owed to Key Management Personnel

$112,962 is owed to Directors for unpaid director fees (2011: $42,974). These amounts are at call and do not bear interest.

Transactions with Director related parties

The Consolidated Entity entered into a finance lease arrangement China Yunnan Copper (Australia) Investment and Development Co Limited, an entity related to Zewen Yang. The lease is on normal commercial terms and conditions no more favourable than those available from similar suppliers. Refer to Note 15 for further details.

NOTE 23 JOINT VENTURES

Mary Kathleen

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

CYU has earned a 70% participating interest in the tenements and both parties will contribute to the joint venture in proportion to their participating interest.

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

Mount Frosty

On 7 February 2012, the Company signed a binding agreement with Xstrata Mount Isa Mines Limited (Xstrata Copper) to farm-in to the Mount Frosty project (EPM 14467) covering the Mary Kathleen shear zone, in far north west Queensland.

The key components of the agreement are:

- Total expenditures (over six years) of $4.5 million to earn a 75% interest.
- Minimum expenditure commitment for the first year of $250,000 and a minimum of 1,500m of drilling.
- CYU can earn up to 51% of the project by spending $1.5 million within three years including 1,500m of drilling per annum.
- CYU can earn an additional 24% by spending a further $3 million within three years.
- Xstrata Copper retains a right to buy back 26% of the project (to give Xstrata Copper 51% and CYU 49%) by paying 3 times the expenditure contributed by CYU in the stage two period.

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

Rio Tinto Exploration - Chile

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

The key components of the three potential Joint Ventures are:

<u>Palmani</u>

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

<u>Caramasa</u>

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

<u>Candelabro</u>

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

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

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

NOTE 23 JOINT VENTURES (continued)

Cloncurry North

CYU entered into a Farm-in Agreement with Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX).

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

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

(a) Not less than A$1,200,000.00 of expenditure before the first anniversary of the agreement date earning 10% participating interest in the properties;

(b) Additional A$1,800,000.00 of expenditure before the second anniversary of the agreement date earning extra 20% participating interest in the properties;

(c) Additional A$2,000,000.00 of expenditure before the third anniversary of the agreement date earning extra 25% participating interest in the properties;

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

Share of Commitments and Contingencies relating to the Joint Ventures

The Consolidated Entity’s share of minimum committed expenditure resulting from the above joint venture arrangements for future periods is $305,453. This amount is due to expended in the coming financial year.

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

NOTE 24 FINANCIAL RISK MANAGEMENT

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

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

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

(a) Credit Risk

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

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2012.

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

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

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

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk

	2012 $	2011 $
Non-trade receivables	513,857	207,502
Security deposits	56,109	29,635
Finance lease receivable	33,058	-
Cash and cash equivalents	2,061,499	11,545,523
	2,664,523	11,782,660

Ageing of receivables

Not past due	514,791	207,502
Past due 0-90 days	88,233	-
Past due >90 days	-	-
Impaired	-	-
	603,024	207,502

None of the past due receivables at 30 June 2012 were impaired because it is expected that these amounts will be received in full in the normal course of business.

(b) Liquidity risk

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

Liquidity risk is reviewed regularly by the Board.

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

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2012. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2012 $	2011 $
Less than one year		
Trade and other payables	1,001,749	374,956
Finance leases	7,500	30,000
One to five years		
Finance leases	-	5,000
	1,009,249	409,956

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

(c) Market Risk

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

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure under financial instruments is minimal. The Consolidated Entity has no interest bearing financial liabilities subject to variable interest rates, and the majority of its cash holdings are fixed rate deposits.

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

At 30 June 2012, 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) 2012 $	2011 $	Equity Higher/(Lower) 2012 $	2011 $
+1.00% (100 basis points)	12,749	37,079	12,749	37,079
-1.00% (100 basis points)	(12,749)	(37,079)	(12,749)	(37,079)

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 2012, the Consolidated Entity had the following exposure to foreign currency:

	2012 Foreign Currency	2011 Foreign Currency	2012 AUD	2011 AUD
Financial Assets:				
Cash and cash equivalents	USD 137,218	USD 56,030	137,218	53,073
Cash and cash equivalents	RMB 4,371,369	RMB 6,905,000	674,844	1,008,382
Trade and other receivables	USD 22,336	USD 4,253	21,986	4,031
			834,048	1,055,486
Financial Liabilities:				
Trade and other payables	USD 607,703	USD 17,842	598,192	16,901

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) 2012 $	2011 $	Equity Higher/(Lower) 2012 $	2011 $
+10.00%	23,585	104,859	23,585	104,859
-10.00%	(23,585)	(104,859)	(23,585)	(104,859)

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

(d) Capital Risk Management

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

Consistent with other exploration companies, the Consolidated Entity monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. The Consolidated Entity has no minimum capital requirements.

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

(e) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form. The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 30 June 2012.

	2012 $	2011 $
NOTE 26 COMMITMENTS		
Operating leases		
Minimum lease payments:		
Payable within one year	58,040	19,145
Total contracted at balance date	58,040	19,145

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

Finance leases payable

	2012 $	2011 $
Future minimum lease payments:		
Payable within one year	7,500	30,000
Payable between one year and five years	-	5,000
	7,500	35,000
Less future interest payments	(155)	(2,619)
	7,345	32,381
Present value of minimum lease payments:		
Current (Note 15)	7,345	27,459
Non-Current (Note 15)	-	4,922
	7,345	32,381

The minimum future payments above relate to a finance lease arrangement with China Yunnan Copper (Australia) Investment and Development Co Limited, an entity related to Zewen Yang. The finance lease is a subject to an interest rate of 12.65%. The lease relates to exploration equipment with a written down value of $22,215. Under the term of the lease, the Consolidated Entity has the option to acquire the leased asset for $1 at the end of the lease.

NOTE 26 COMMITMENTS (continued)

Finance leases receivable

Future minimum lease payments receivable:		
Receivable within one year	30,000	-
Receivable between one year and five years	5,000	-
	35,000	-
Less future interest payments	(1,942)	-
	33,058	-

Present value of minimum lease payments receivable:		
Current (Note 8)	28,115	-
Non-Current (Note 8)	4,943	-
	33,058	-

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	305,453	690,660
Payable between one year and five years	-	141,136
	305,453	831,796

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 27 SEGMENT REPORTING

Reportable Segments

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

- Laos
- Chile
- Australia

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

Segment Revenues and Results

30 June 2012	Laos $	Chile $	Australia $	Consolidated $
Revenue:				
Interest revenue	-	-	289,979	289,979
Expenses:				
Interest expense	-	-	(2,463)	(2,463)
Other expenses	-	(523,974)	(2,897,339)	(3,421,313)
Other:				
Share of equity accounted associate's profit	239,458	-	-	239,458
Segment result	239,458	(523,974)	(2,609,823)	(2,894,339)
Income tax	-	-	-	-
Net Loss	239,458	(523,974)	(2,609,823)	(2,894,339)
Non-cash items included in loss above:				
Depreciation and amortisation	-	8,267	92,692	100,959
Share based payments	-	-	139,216	139,216
Impairment of exploration expenditure	-	-	767,957	767,957
Share of equity accounted associate's profit	239,458	-	-	239,458
Assets:				
Segment assets	1,294,369	3,684,078	11,473,132	16,451,579
Unallocated corporate assets	-	-	-	-
Consolidated Total Assets	1,294,369	3,684,078	11,473,132	16,451,579
Liabilities:				
Segment liabilities	-	598,192	466,138	1,064,330
Unallocated corporate liabilities	-	-	-	-
Consolidated Total Liabilities	-	598,192	466,138	1,064,330
Segment acquisitions:				
Acquisition of property, plant and equipment	-	60,584	81,136	141,720
Capitalised exploration expenditure	-	2,684,133	4,284,286	6,968,419
Details on non-current assets:				
Trade and other receivables	-	20,874	40,178	61,052
Plant and equipment	-	52,184	209,444	261,628
Exploration expenditure	-	3,420,621	8,772,629	12,193,250
Investments in equity-accounted investee	2,105,560	-	-	2,105,560
	2,105,560	3,493,679	9,022,251	14,261,490

NOTE 27 SEGMENT REPORTING (continued)

30 June 2011	Chile $	Australia $	Consolidated $
Revenue:			
Government grant revenue	-	117,956	117,956
Interest revenue	-	97,777	97,777
Total Revenue	-	215,733	215,733
Expenses:			
Interest expense	-	(4,614)	(4,614)
Other expenses	(271,827)	(1,753,266)	(2,025,093)
Segment result	(271,827)	(1,757,880)	(2,029,707)
Income tax	-	-	-
Net Loss	(271,827)	(1,757,880)	(2,029,707)
Non-cash items included in loss above:			
Depreciation and amortisation	959	75,547	76,506
Share based payments	-	108,977	108,877
Impairment of exploration expenditure	-	544,220	544,220
Assets:			
Segment assets	583,441	18,773,577	19,357,018
Unallocated corporate assets	-	-	-
Consolidated Total Assets	583,441	18,773,577	19,357,018
Liabilities:			
Segment liabilities	16,901	447,039	463,940
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities	16,901	447,039	463,940
Segment acquisitions:			
Acquisition of property, plant and equipment	15,270	115,640	130,910
Capitalised exploration expenditure	511,193	2,200,792	2,711,985
Details on non-current assets:			
Trade and other receivables	-	29,635	29,635
Plant and equipment	14,311	261,144	275,455
Exploration expenditure	536,490	6,706,591	7,243,081
	550,801	6,997,370	7,548,171

NOTE 28 EVENTS AFTER BALANCE SHEET DATE

On 8 August 2012, China Yunnan Copper Australia Chile Limitada a Chilean subsidiary of Chinalco Yunnan Copper Resources Limited signed a new earn-in with option to joint venture agreement with Compañía Contractual Minera Los Andes (a subsidiary of Codelco, the world's largest copper producer), for the copper porphyry exploration property Sulfatos in northern Chile.

The key components of the potential Joint Venture are:

- Minimum expenditure commitment for first year US$500,000.
- Total expenditures (over six years) of US$20 million and 5000 metres of drilling.
- Once a bankable feasibility study is completed, CYU has the right to trigger the incorporation of a joint venture company in which CYU shall hold a 51% interest and Compañía Contractual Minera Los Andes 49%. Compañía Contractual Minera Los Andes does not contribute funding until the joint venture Company is incorporated and the bankable feasibility is completed at CYU's expense.

There have been no other events since 30 June 2012 that impact upon the financial report.

NOTE 29 PARENT ENTITY INFORMATION

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

	2012 $	2011 $
Parent Entity Financial Information		
Current assets	2,458,189	11,714,832
Non-current assets	14,808,333	7,971,966
Total assets	17,266,522	19,686,798
Current liabilities	466,140	442,112
Non-current liabilities	-	4,922
Total liabilities	466,140	447,034
Net assets	16,800,382	19,239,764
Share capital	25,206,229	25,169,630
Share based payment reserve	487,108	353,257
Accumulated losses	(8,892,955)	(6,283,123)
Total equity	16,800,382	19,239,764
Loss after income tax	(2,609,832)	(1,757,875)
Other comprehensive income	-	-
Total comprehensive loss	(2,609,832)	(1,757,875)

Controlled Entities of the Parent Entity

	Percentage Owned 2012 %	Percentage Owned 2011 %	Country of Incorporation
Humitos Pty Ltd	**100%**	100%	Australia
China Yunnan Copper Australia Chile Limitada	**100%**	100%	Chile

Commitments, Contingencies and Guarantees of the Parent Entity

The minimum committed expenditure for future periods of the Parent Entity is the same as those for the Consolidated Entity with the exception of $71,470 of future exploration costs which relate to China Yunnan Copper Australia Limitada. Refer to Note 26 for details.

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

NOTE 30 FUNDING ARRANGEMENTS

The Consolidated Entity incurred a net loss of $2,894,339 (2011: $2,029,707) for the year ended 30 June 2012 and as is typical of exploration companies which need to raise funding on an ongoing basis, has a requirement within the short term to continue exploration activities.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal 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 its the ability to successfully raise additional capital and/or successful exploration and subsequent exploitation of areas of interest through sale or development (including by way of joint venture funding).

Based on one or more of the following:

1. The success of prior capital raisings;
2. Ongoing support from its largest shareholders;
3. The potential to attract a farm-in partner to the projects; and
4. The current portfolio of exploration assets held.

The Directors have prepared the financial report on the 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 Directors are confident of securing funds as and when necessary to meet the Consolidated Entity's obligations as and when they fall due.

No adjustment have been made to the financial statements relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

DIRECTORS' DECLARATION

In the Directors opinion:

(a) the attached financial statements and notes and the remuneration report in the Directors' Report 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 2012 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

26 September 2012

KPMG

Independent auditor's report to the members of Chinalco Yunnan Copper Resources Limited

Report on the financial report

We have audited the accompanying financial report of Chinalco Yunnan Copper Resources Limited ("the Company") and the entities it controlled ("the Group") at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 30 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note1,the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 30 in the financial report which states why the directors consider the going concern basis used in the preparation of the financial report is appropriate. As disclosed in that note, the assumption of the going concern basis is dependent on the Company's ability to successfully raise additional capital, and/or successful exploration and subsequent exploitation of areas of interest through sale or development (including by way of joint venture funding). This indicates the existence of a material uncertainty as to whether the Group will be able to continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

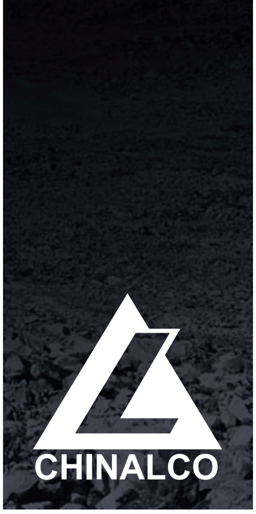
In our opinion, the remuneration report of Chinalco Yunnan Copper Resources Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Mark Epper
Partner

Sydney

26 September 2012



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