CHINA YUNNAN COPPER AUSTRALIA LIMITED

A.B.N. 29 070 859 522

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

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INDEX

DIRECTORS REPORT

Your directors present their report on the company for the financial year ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Norman Joseph Zillman - Non-Execuive Co-Chairman	
Zou Shaolu - Non-Execuive Co-Chairman	(Appointed 1/8/2007)
Mark Stanley Elliott - Managing Director	
Jason Beckton - Executive Director	(Appointed 31/7/07)
Yu Weiping - Non-Executive Director	(Appointed 1/8/2007)
Robert Yang - Non-Executive Director	(Appointed 1/8/2007)
Dr Richard Haren - Non-Executive Director	(Resigned 30/7/2007)
Bruce Wood - Non-Executive Director	(Resigned 30/7/2007)
Lorraine Jean Zillman	(Resigned 28/2/2007)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the company entity during the financial year were exploration for gold, copper and uranium. There were no significant changes in the nature of the company's principal activities during the financial year.

Dividends Paid or Recommended

The directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year.

Operating Results

The loss after providing for income tax amounted to $36,148 (2006: $14,892).

Review of Operations and Results

The company continued exploration work on its tenements during the year with the aim of being in a position to list the company on the Australian Securities Exchange in the 2007/2008 financial year. To assist with the costs of this the company raised $230,000 from seed capital investors during the 2007 financial year.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the financial year.

Environmental Regulation

The company's operations are subject to various environmental regulations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

After Balance Date Events

Following the end of the financial year, the company has completed the following:

(i) The issue of 8,500,000 shares to seed capital investors raising $553,000.

(ii) The purchase of EPM 12928 for $60,000 with the issue of 600,000 shares at 10 cents each

(iii) The issue of 16,428,571 shares at 14 cents to China Yunnan Copper (Australia) Investment and Development Co Ltd in accordance with the Share Subscription Agreement raising $2,300,000

Apart from the items referred to above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

Future Developments

The Directors intend to raise additional funding to commercialise the mining tenements.

Further information about likely developments in the operations of the company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

Meetings of Directors

During the financial year, 3 meetings of directors were held. Attendances were as follows:

	Directors Meetings	
	A	**B**
Norman Joseph Zillman	3	3
Zou Shaolu	-	-
Mark Stanley Elliott	3	3
Jason Beckton	-	-
Yu Weiping	-	-
Robert Yang	-	-
Dr Richard Haren	3	3
Bruce Wood	3	3
Lorraine Jean Zillman	3	3

A- Number of meetings attended.

B- Reflects the number of meetings held during the time the director held office during the year.

Directors and Auditors Indemnification

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

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 purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

The lead auditor's independence declaration is set out on page 3 and forms part of the directors' report for the year ended 30 June 2007.

Signed in accordance with a resolution of the Board of Directors.

M Elliott

Mark Stanley Elliott
Director

Brisbane, 28 August 2007

IAN YOUNG CA
CHARTERED ACCOUNTANT
3 NUTTALL STREET
LAWNTON QLD 4501

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of China Yunnan Copper Australia Limited

I declare that, to the best of my knowledge and belief during the year ended 30 June 2007 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.

Ian Young
Chartered Accountant

Brisbane, 28 August 2007

IAN YOUNG CA
CHARTERED ACCOUNTANT
3 NUTTALL STREET
LAWNTON QLD 4501

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA YUNNAN COPPER AUSTRALIA LIMITED

Report on the Financial Report
We have audited the accompanying financial report of China Yunnan Copper Australia Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors of China Yunnan Copper Australia Limited on the same date as the date of this auditor's report

AUDIT OPINION

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

(i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001, and:

Ian W Young

Ian Young
Chartered Accountant

Brisbane, 28 August 2007

DIRECTOR'S DECLARATION

The directors declare that:

(a) The financial statements and notes set out on pages 6 to 17:

(i) comply with Accounting Standards and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the company's financial position as at 30 June 2007 and its performance as represented by the results of its operations and its cash flows, for the year ended on that date; and

(b) in the directors opinion:

(i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(ii) the financial statements and notes are in accordance with the Corporations Act 2001.

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

M Elliott

Mark Stanley Elliott
Director

Brisbane, 28 August 2007

CHINA YUNNAN COPPER AUSTRALIA LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 $	2006 $
Revenue		-	-
Other income		-	-
		-	-
Exploration expenses		(13,563)	(6,710)
Administration expenses		(14,368)	(8,182)
Tenement management expenses		(2,970)	-
Loss from sale of fixed assets		(5,247)	-
		(36,148)	(14,892)
PROFIT (LOSS) BEFORE INCOME TAX	**2**	(36,148)	(14,892)
Income tax expense	**3**	-	-
PROFIT (LOSS) FOR THE YEAR		(36,148)	(14,892)

Notes to and forming part of the financial statements are attached.

CHINA YUNNAN COPPER AUSTRALIA LIMITED
BALANCE SHEET AS AT 30 JUNE 2007

	NOTE	2007	2006
		$	**$**
CURRENT ASSETS			
Cash and cash equivalents	4	64,938	16,966
Trade and other receivables	5	3,157	31,296
Other assets	6	65,551	17,280
TOTAL CURRENT ASSETS		133,646	65,542
NON-CURRENT ASSETS			
Property, plant and equipment	7	-	2,220
Other non-current assets	8	313,777	207,406
TOTAL NON-CURRENT ASSETS		313,777	209,626
TOTAL ASSETS		447,423	275,168
CURRENT LIABILITIES			
Trade and other payables	9	3,993	2,590
TOTAL CURRENT LIABILITIES		3,993	2,590
NON-CURRENT LIABILITIES			
Trade and other payables	9	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		3,993	2,590
NET ASSETS		443,430	272,578
EQUITY			
Issued Capital	10	505,402	298,402
Retained earnings		(61,972)	(25,824)
TOTAL EQUITY		443,430	272,578

Notes to and forming part of the financial statements are attached.

CHINA YUNNAN COPPER AUSTRALIA LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Issued Capital	Retained Profits	Total
Balance at 1 July 2005	248,402	(10,932)	237,470
Shares issued	50,000	-	50,000
Profit/(loss) for the period	-	(14,892)	(14,892)
Balance at 30 June 2006	298,402	(25,824)	272,578
Balance at 1 July 2006	298,402	(25,824)	272,578
Shares issued	207,000	-	207,000
Profit/(loss) for the period	-	(36,148)	(36,148)
Balance at 30 June 2007	505,402	(61,972)	443,430

Notes to and forming part of the financial statements are attached.

CHINA YUNNAN COPPER AUSTRALIA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	NOTE	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(56,605)	(12,807)
NET CASH FROM OPERATING ACTIVITIES	**12 (a)**	(56,605)	(12,807)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		910	-
Purchase of property, plant and equipment		(5,364)	(2,664)
Payments for exploration and evaluation		(106,371)	(108,002)
Payments for security bonds		(15,000)	(5,000)
Payments for investments		-	(1,091)
NET CASH FROM INVESTING ACTIVITIES		(125,825)	(116,757)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		230,402	50,000
NET CASH FROM FINANCING ACTIVITES		230,402	50,000
Net increase/(decrease) in cash held		47,972	(79,564)
Cash at the beginning of the year	**12 (b)**	16,966	96,530
CASH AT THE END OF THE YEAR	**12 (b)**	64,938	16,966

Notes to and forming part of the financial statements are attached.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
China Yunnan Copper Australia Limited (the "Company") is a public company domiciled in Australia. The financial report covers China Yunnan Copper Australia Limited as an individual entity.

The Company primarily is involved in the exploration for minerals in Australia.

Basis of Preparation
Statement of Compliance
The financial report of China Yunnan Copper Australia Limited is a general purpose financial report prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board "AASB") and the Corporations Act 2001. International Financial Reporting Standards form the basis of Australian Accountng Standards adopted by the AASB.

The following standards and amendments were available for early adoption but have not been applied in these financial statements:

- AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements financial instruments in AASB 132. AASB 7 is applicable for financial reporting periods beginning on or after 1 January 2007.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments tp AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for reporting periods beginning on or after 1 January 2007.

Reporting Basis and Conventions
The financial report is presented in Australian dollars.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilites, revenue and expenses.

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

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

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 of the revision and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required accounting estimates and judgements.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

(a) Income Tax

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

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

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

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Income Tax (continued)

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

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

(b) Property, Plant, and Equipment

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including capitalised lease assets, but excluding freehold land, are depreciated over their useful lives using the diminishing method commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation rates and methods are reviewed annually and, if necessary, adjustments are made.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate
Plant and Equipment	20 – 40%
Office Furniture and Equipment	20%

The gain or loss on disposal of all fixed assets, including re-valued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax of the economic entity in the year of disposal. Any realised revaluation increment relating to the disposed asset, which is included in the asset revaluation reserve, is transferred to retained earnings at the time of disposal.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the 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. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term. Lease payments received reduce the liability.

(d) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs 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.

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. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

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

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Exploration, Evaluation and Development Expenditure Continued

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(f) Investments

Investments are brought to account at cost or at director's valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated.

Dividends are brought to account in the profit and loss account when received.

(g) Interests in Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the respective items of the consolidated Balance Sheet and Income Statement.

(h) Trade Creditors

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

(f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(g) Provisions

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned using the first-in, first-out basis.

(i) 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. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(j) Trade Debtors

Sales made on credit are included in "Trade Debtors" and are recorded at the balance due, less a provision for doubtful debts for an amount estimated to be uncollectible. Trade debtors are due within 30 days from the end of the month.

(k) Revenue

Income is recorded on an accruals basis as the goods are delivered or the service provided. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Segment Reporting
A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to the risks and rewards that are different from those in other segments.

(p) Financial Instruments
Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value
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.

Impairment
At each reporting date, the group assess 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 an impairment has arisen. Impairment losses are recognised in the income statement.

(q) Impairment of Assets
At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Comparatives
Where 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 the directors. The new classifications have been altered to reflect a more accurate view of the entity's operations.

	2007 $	2006 $
NOTE 2 PROFIT BEFORE INCOME TAX		
Profit before income tax expense has been determined after:		
Expenses		
Auditor Remuneration		
- Audit Services	1,050	-
- Other Services	-	-
Depreciation	1,427	444

NOTE 3 - INCOME TAX

The prima facie tax payable on Profit/(Loss) before income tax is reconciled to the income tax expense as follows:

	2007 $	2006 $
Prima facie tax payable on Profit/(Loss) before income tax at 30% (2006: 30%)	(10,488)	(4,824)
Increase/(decrease) in income tax expense due to:		
Non Deductible Expenses	-	357
Future income tax benefit not brought to account	10,488	4,467
Income Tax Attributable to Operating profit	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2006: from 30%)

	2007 $	2006 $
- Losses	18,235	7,748
- Timing differences	-	-
	18,235	7,748

NOTE 4 CASH AND CASH EQUIVALENTS

	2007 $	2006 $
Cash at bank	64,938	16,966
	64,938	16,966

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

	2007 $	2006 $
Cash and cash equivalents	64,938	16,966
Less bank overdraft	-	-
Balance as per Cash Flow Statement	64,938	16,966

NOTE 5 TRADE AND OTHER RECEIVABLES

	2007 $	2006 $
Current		
Trade debtors	1,000	-
Less provision for doubtful debts	-	-
	1,000	-
Other debtors	2,157	31,296
	-	-
	2,157	31,296
	3,157	31,296
Non-Current		
	-	-
	3,157	31,296

NOTE 6 OTHER CURRENT ASSETS	**2007 $**	**2006 $**
Prepayments	34,460	1,189
Security deposits	30,000	15,000
Gold Nugget	1,091	1,091
	65,551	17,280

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

Office furniture & fittings	-	2,664
Less accumulated depreciation	-	(444)
	-	2,220
	-	2,220

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Office Equipment $	**Total $**
Written down value at the beginning of the year	2,220	2,220
Additions	5,364	5,364
Disposals	(6,157)	(6,157)
Depreciation expense	(1,427)	(1,427)
Written down value at the end of the year	-	-

NOTE 8 - OTHER NON-CURRENT ASSETS

Deferred exploration and evaluation expenditure at cost		
- Exploration & evaluation phase	313,777	207,406
	313,777	207,406

NOTE 9 TRADE AND OTHER PAYABLES

Current		
Trade and other payables	1,403	-
Amounts payable to other related parties (i)	2,590	2,590
	3,993	2,590
Non Current		
Trade and other payables	-	-
	-	-
	3,993	2,590

(i) These loans are interest free unsecured and payable on demand.

NOTE 10 - ISSUED CAPITAL

	Number of shares	**2007 $**	**Number of shares**	**2006 $**
Fully Paid ordinary shares	36,087,504	505,402	26,087,504	298,402
	36,087,504	505,402	26,087,504	298,402

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up the company, all shareholders participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

NOTE 11 CASH FLOW INFORMATION

		2007 $	2006 $
(a)	**Reconciliation of net cash from operating activities to operating profit after income tax**		
	Net profit after income tax	(36,148)	(14,892)
	Adjustment for non cash items		
	Depreciation	1,427	444
	Loss on sale of property, plant and equipment	5,247	-
	Adjustment for changes in assets and liabilities		
	Decrease / (increase) in:		
	Other debtors	4,737	1,641
	Other current assets	(33,271)	1,189
	Increase/(decrease) in:		
	Accounts payable	1,403	-
	Net cash from operating activities	(56,605)	(11,618)

(b) For the purposes of the statement of cash flows, cash includes cash on hand and bank deposits at call net of bank overdrafts. Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:

	2007 $	2006 $
Cash at bank	64,938	16,966

NOTE 12 CHANGES IN ACCOUNTING POLICIES

China Yunnan Copper Australia Limited is in the business of exploring for minerals. In prior periods, the costs incurred in the exploration and evaluation of the company's various areas of interest have been expensed. This treatment has been adopted eventhough the company has the rights of tenure to the areas of interest and the exploration and evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and further and significant exploration operations are still planned.

In accordance with Accounting Standard AASB 108 "Accounting Policies, Changes in Accounting Estimates and Errors", the directors have formed the view that this treatment does not provide reliable and relevant information to the users of the company's financial reports. As a result, the directors have changed the accounting treatment for exploration and evaluation expenditure for areas of interest that are still under review and, in accordance with Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources" all exploration and evaluation expenditure for areas of interest still under review for the current and prior periods will be capitlised as "Deferred Exploration and Evaluation Expenditure".

The impact of this change in accounting policy on the financial statements is as follows:

	2006 Restated $	2006 Previous $	2005 Restated $	2005 Previous $
Deferred exploration and evaluation expenditure at cost	207,406	-	99,404	-
Profit (Loss) for the year	(14,892)	(122,894)	(9,551)	(108,955)
Accumulated Profit (Loss)	(25,824)	(233,230)	(10,932)	110,336
Total equity	272,578	65,172	237,470	138,066

NOTE 13 NET FAIR VALUE

The net fair value of cash, trade debtors, investment and accounts payable approximate their carrying values.

NOTE 14 CONTINGENT LIABILITIES

There are currently no contingent liabilities that require disclosure in the financial report.

NOTE 15 COMPANY DETAILS

China Yunnan Copper Australia Limited (formerly GCU Resources Limited) was incorporated in Queensland, Australia and is domiciled in Australia. The registered office is situated at:

Level 5, Santos House
60 Edward Street
BRISBANE QLD 4000