CHINALCO
YUNNAN COPPER
RESOURCES LTD
ASX: CYU

2013 Annual Report

Corporate Directory

BOARD OF DIRECTORS

Mr Zhihua Yao (Chairman)

Mr Paul Williams (Managing Director)

Mr Zewen Yang (Executive Director)

COMPANY SECRETARY

Mr Paul Marshall

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Stock Exchange Listing

Australian Securities Exchange Limited
(ASX Code: CYU)

Message from the Chairman

Dear Shareholders

I am pleased to report that in very challenging market conditions – not just for junior exploration companies, but for all mining companies – Chinalco Yunnan Copper Resources Ltd (CYU) is well positioned to establish itself as a major participant in the Australian mining industry.

At the end of the day, it is the primary objective of both Aluminium Corporation of China (Chinalco) and Yunnan Copper Industry Group (the main CYU shareholders) to assist CYU in its project endeavours.

Earlier this year, a detailed project review of CYU's assets and activities was undertaken. As a result of that review, certain recommendations were approved by the Board, namely:

- Adoption of a primary corporate objective to be in production within three (3) years – by the end of 2015 – either from the development of existing projects or the strategic acquisition of new projects
- Major focus of exploration activities should be in the Mary Kathleen JV areas in Mt Isa
- (If possible) acquire new project interests that can complement the Mark Kathleen JV interests
- Take a much more focussed approach towards the expenditure commitments in Chile, including the withdrawal from Candelabro and Caramasa farm-in projects.
- Focus on expenditure at Sulfato and the Rio Tinto farm-in prospect Palmani, in accordance with existing financial commitments.
- No further expenditure at Humito, other than "care and maintenance" obligations until market conditions improve.
- Seek to dispose of the northern Laos project interests of San Mu
- Actively seek and pursue other project acquisition opportunities in Australia and overseas – with the intention of taking advantage of current market conditions (where development capex is scarce).

I am pleased to report that the CYU management team, under the guidance of Managing Director, Paul Williams, has been able to implement each of the above recommendations.

The Board is also very encouraged by the results that are being achieved at the Elaine/Blue Caesar project areas. We believe that there remains a strong future for exploration and mining in the Mt Isa/Cloncurry region and the Board has clear plans to strategically position CYU as a major long-term participant in the region.

On behalf of the Board, I thank you for your ongoing support and hope to see some of you at the Annual General Meeting on 27 November 2013.

Yours sincerely

Zhihua Yao
Chairman

Contents

Blue Caesar MKBC002 drillcore

Company Overview and Strategy

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

The growth strategy of CYU is based on two key foundations:

- Exploration and development of existing (and newly-acquired) tenure; and
- Acquisition of interests in projects that are either in production or close to production,

both of which should lead to CYU having significant holdings in operating (and therefore cashflow-generating) projects by late 2015 or early 2016.

As a consequence, this growth strategy will be achieved by:

- Careful management of CYU treasury;
- Focus on high quality copper, gold and other mineral projects; and
- Maintenance of a strong exploration and evaluation team that has been carefully recruited. CYU is maintaining its technical resources in order to grow the business in the current environment of opportunity.

Review of Operations

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

PROJECTS

Australian projects

Mary Kathleen Joint Venture (CYU 70%: GSE 30%)

On 25 August 2009, CYU entered into a Farm-in and Joint Venture Agreement with Goldsearch Limited (GSE) to explore their Mary Kathleen Project (later renamed Mary Kathleen Joint Venture Project) comprising the three granted EPMs 14019, 14022 and 15257 covering an area considered prospective for copper, gold, uranium and rare earth elements mineralisation within the Mount Isa Inlier of northwest Queensland. In June 2011 CYU advised GSE that it had met all its expenditure commitments of A$1.5M to earn a 70% equity. A 70:30 joint venture between CYU and GSE was then incorporated to continue exploration.

By the end of September 2012, the Company had established an updated Inferred JORC resource of 27.7 million tonnes with a contained metal content of 147,000 tonnes of copper and 75,000 ounces of gold at the Elaine prospect. Exploration activities for the year of the report included prospect scale geological mapping at Elaine, drilling at Elaine with associated petrology, mineralization age dating and paragenesis studies and preliminary metallurgical testwork.

To date CYU has drilled a total of 13,089m in 33 diamond core holes and 1 percussion hole over six drill programs from 2009 to early 2013. The most recent program was designed to extend the resource of Elaine at depth and along strike. Models of the Elaine copper-gold resource, aeromagnetics, geophysics, and copper-gold soil domains, were the most important targeting parameter for the holes.

MKED035 was designed to test mineralisation along the Mary Kathleen Shear 1km southeast of the Elaine prospect with the expectation of expanding the current resource. The drilling from MKED035 returned minor intervals of sulphide mineralisation confined to small clusters of sulphide veinlets with the best intersection of 10m at 1.81% Cu and 0.02g/t Au from 67m to 77m. MKED036, a vertical diamond drillhole, was designed to test the depth extent of the main mineralised zone at Elaine as mapped by resistivity anomalies defined in the EH4 geophysics program. MKED036 was also utilised for metallurgical test work to increase confidence in the resource and review the economics of the deposit.

Assays for MKED036 returned significant copper mineralisation highlighted by 49m @ 0.80% copper and 0.06g/t gold from 231 metres including 22m @ 1.24% copper and 0.10g/t gold from 232 metres. This intersection is contained in a broad sulphide (pyrrhotite + chalcopyrite +/- pyrite) mineralised zone of 167m @0.50% copper and 0.05g/t gold from 231 metres that is being used for metallurgical test work. Assays returned from below the 500m resource base were highlighted by a narrow intersection of mineralisation.

Surveys from MKED036 indicate a slight lift of the drillhole which appears to have resulted with MKED036 drilling along the margin of the EH4 geophysical anomaly.

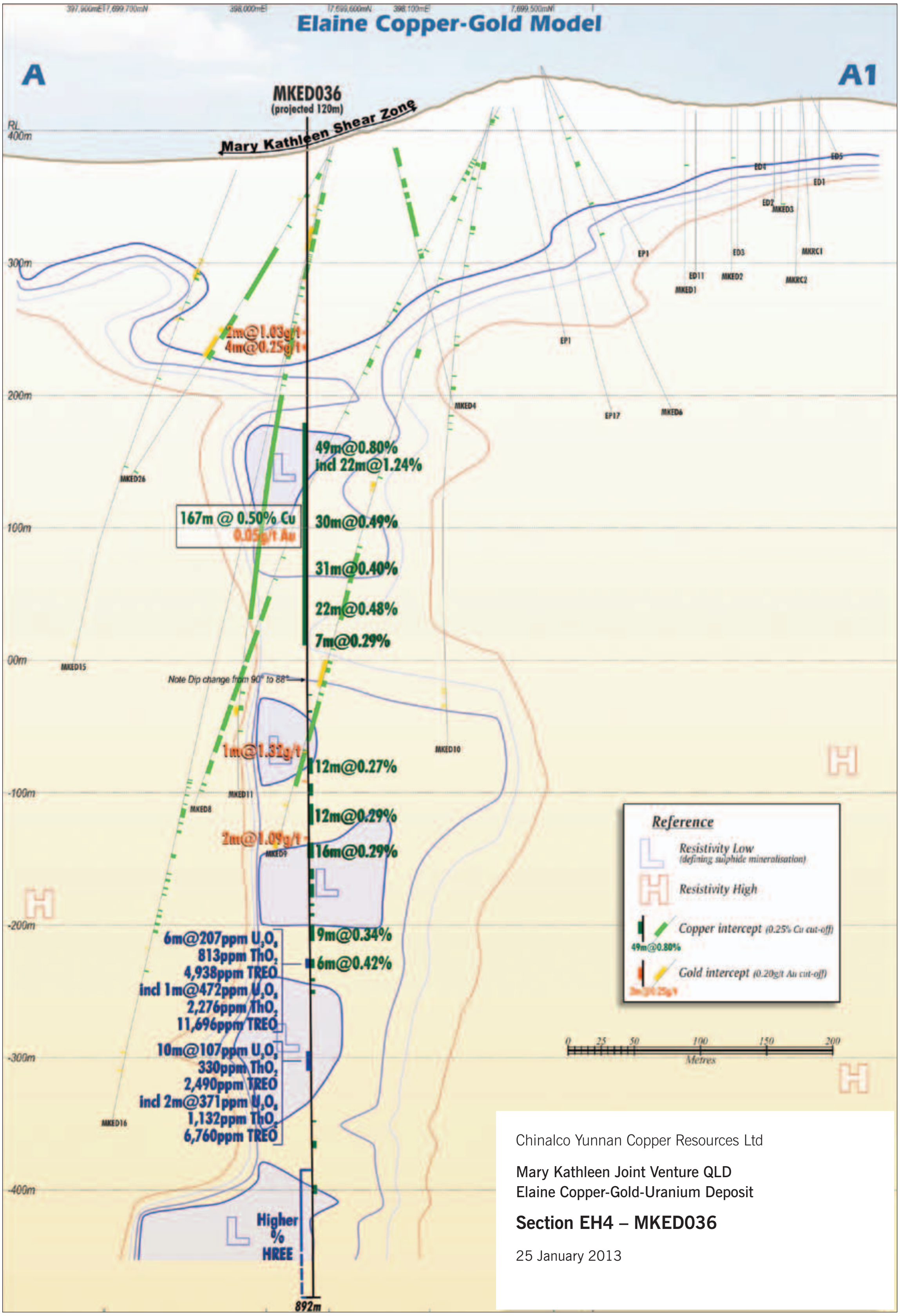

Figure 1 - Section diagram of MKED036 drillhole including EH4 results

In addition, MKED036 also intersected 6m @ 207ppm uranium oxide, 813ppm thorium oxide and 4,938ppm total rare earth oxides from 638 metres including 3m @ 366ppm uranium oxide, 1,472ppm thorium oxide and 7,185ppm total rare earth oxides from 640 metres and 10m @ 107ppm uranium oxide, 330ppm thorium oxide and 2,490ppm total rare earth oxides from 712 metres including 2m @ 371ppm uranium oxide, 1,132ppm thorium oxide and 6,760ppm total rare earth oxides from 717 metres.

Metallurgical scoping studies were conducted on drill core from MKED036 and MKED023 to measure copper and gold recovery rates. Three zones of typical mineralisation were selected by CYU from MKED036 characterised by high grade copper mineralisation and low-moderate grade mineralization. A zone of high grade gold and copper mineralisation was also selected from MKED023.

The composite head assay returned a significant amount of copper and gold contained in the sample. It was noted that the head assays were higher than the average resource grades of 0.53% copper and 0.08 g/t gold. The cyanide and acid soluble copper levels indicate the copper is present mainly as chalcopyrite. There was essentially no secondary or oxide copper minerals in the sample.

CYU engaged GR Engineering Services (GRES) to assist in the preliminary metallurgical evaluation of the project. GRES submitted their report during the year and its conclusions/recommendations included the following:

- The limited metallurgical testing carried out indicates that very good copper flotation results are achievable from scoping study composite.
- The composite sample produced a concentrate grading up to 29% copper with a copper recovery of 92% and gold recovery into the copper concentrate of approximately 31% from a feed grade of 0.81% copper and 0.28 g/t gold.
- These results should be considered indicative only. Further definitive test work will need to be carried out on more representative samples to confirm the amenability of the mineralization to conventional flotation and identify the variability with depth and across the resource.
- Concentrate analyses determined for the final concentrate produced from the composite sample indicated no penalty elements of significance, however relatively high levels of the deleterious element fluorine were detected in the composite sample. Further sampling and test work will need to be carried out to clarify the likelihood of this affecting the quality of concentrate produced. The concentrate analyses indicated the potential for some payable gold content.
- Further testing of the Elaine Inferred Resource is required to optimise flotation conditions, particularly primary grind size and concentrate regrind size.
- The copper grades of all concentrate size fractions produced from the composite sample were high indicating high degrees of liberation of chalcopyrite were achieved.
- There were difficulties in copper flotation when the lower grade sample represented by the zone 3 composite was tested separately because of free flotation of silicate mineral. Sighter flotation tests on this lower grade sample produced a concentrate grading 22% copper with a copper recovery of 77% from a feed grade of 0.42% copper. It may be possible to significantly improve upon results obtained in this test program after further sample characterisation and flotation testing including the use of silicate depressants.

Mt Frosty Joint Venture (Glencore Xstrata 100%, CYU earning in)

On 3 February 2012, CYU entered into a Farm-in and Joint Venture Agreement with Xstrata Mt Isa Mines Ltd to commence exploration activities on the Mt Frosty project which covers the Mary Kathleen Shear. Under the terms of the Mary Kathleen Joint Venture, CYU was obliged to incorporate GSE as a participant in the Mt Frosty Joint Venture, on the same 70:30 participating terms.

By the end of 2012, the Company had completed field investigations on a series of first-pass traverses with geological mapping along the Mary Kathleen Shear. Drill targets were identified with the intention of systematically testing the strike extent of this potentially new copper-mineralised corridor.

A three hole diamond hole drill program was undertaken at the Blue Caesar prospect in April-May 2013 (MKBC001-MKBC003 for 650m). The drilling targeted coincidental geochemical, geophysical and surface mineralisation similar in style to the Elaine copper-gold resource situated 400m to the southeast along strike on the Mary Kathleen Shear Zone.

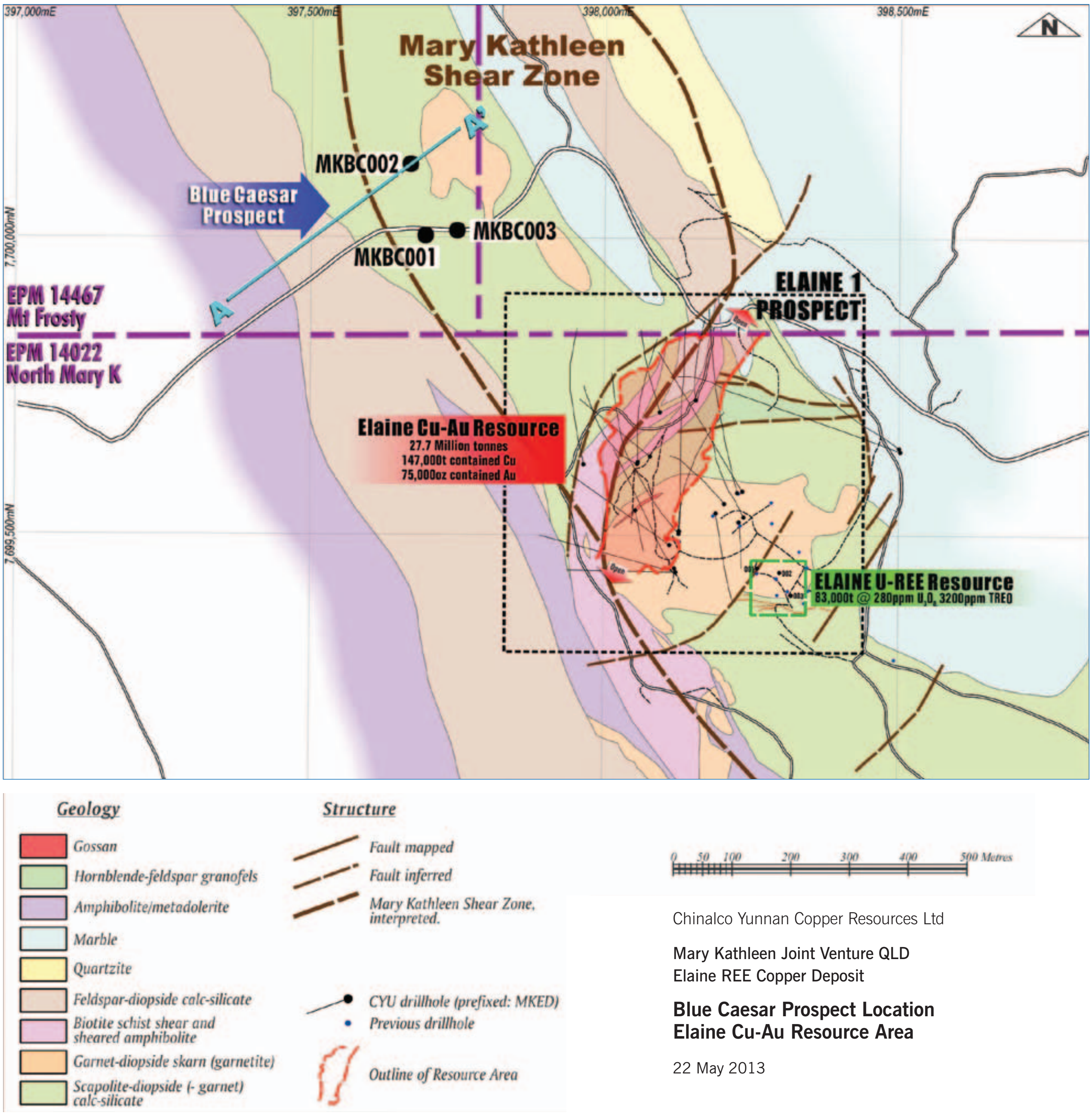

Figure 2 - Elaine Project and Phase 1 Blue Caesar drillhole locations

Highlights from the analytical results for these three holes at Blue Caesar include:

- MKBC002 - 25m @ 1.62% copper from 28 metres down hole depth at a 0.5% copper cutoff including a massive copper sulphide intersection of 1m @ 17.3% copper from 30 metres down hole depth. This mineralisation is enveloped in a broader zone of visual mineralisation grading 79m @ 0.68% copper from ~20m vertical depth. Further significant mineralisation included 2m @ 2.79% copper and 0.53 g/t gold from 94m down hole depth at a 1% copper cutoff including 1m @ 4.37% copper and 1.01g/t gold from 95m down hole depth.
- MKBC003 - 10m @ 1.13% copper from 36m down hole depth at a 0.5% copper cutoff including 2m @ 3.44% copper from 38m down hole depth at a 1% copper cutoff. This mineralisation is also enveloped in a broader zone of visual mineralisation grading 54m @ 0.40% copper from ~30m vertical depth.

- Further significant mineralisation included 7m @ 0.53% copper from 57m down hole depth. The mineralisation intersected in MKBC002 and MKBC003 defines a 135m strike extent that is characterised by very near surface disseminated, predominately copper sulphide mineralisation.

In particular, hole MKBC002 intersected multiple zones of mainly stringer and disseminated copper sulphide mineralisation with pods of semi-massive to massive copper sulphide mineralisation occurring from 27m down hole depth (~20m vertical depth from surface).

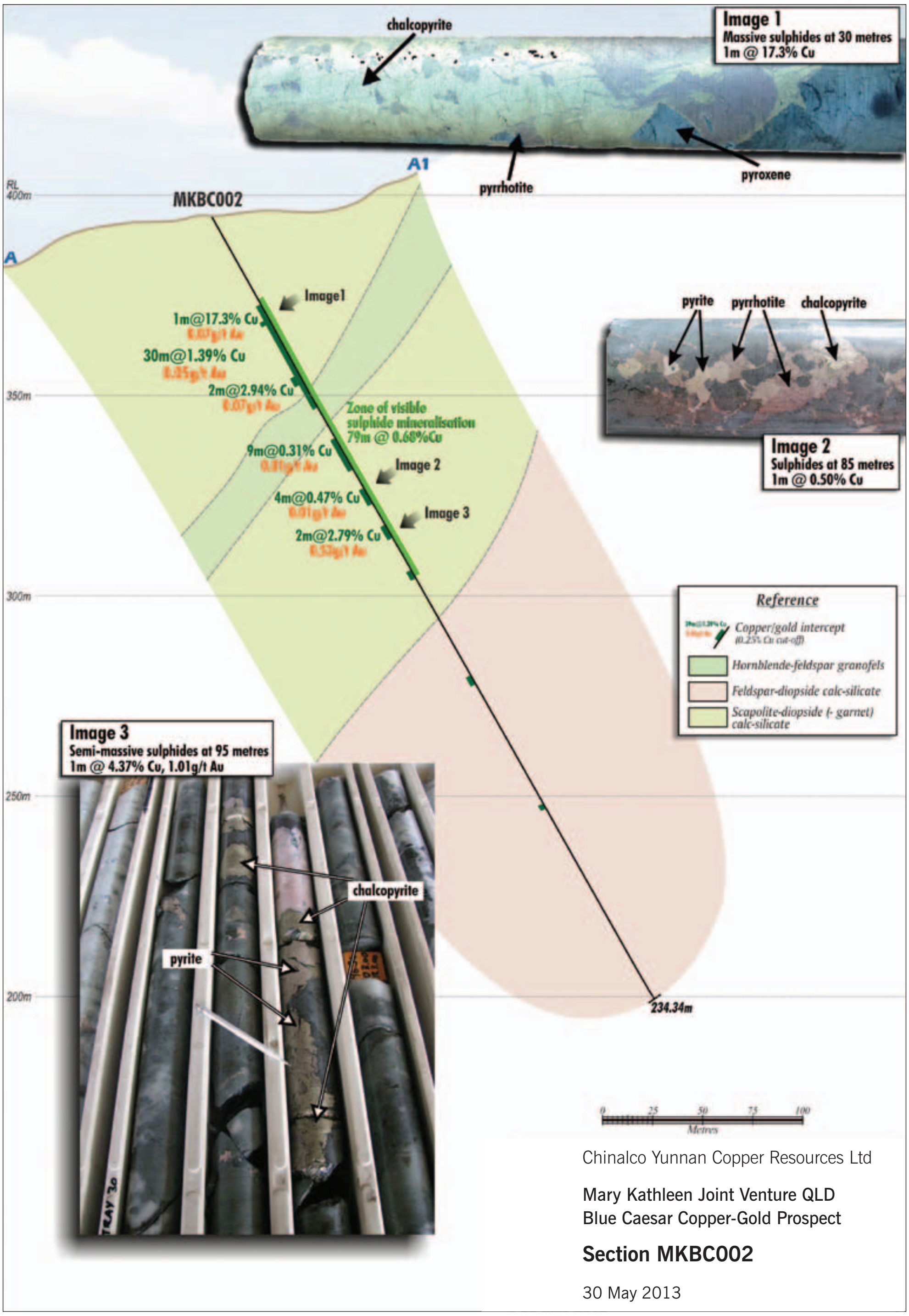

Figure 3 - Blue Caesar MKBC002 drillhole section

Having completed the initial evaluation of the Blue Caesar prospect, a Phase 2 1,000m drill program targeting the 400m untested strike of the Mary Kathleen Shear south-east to the Elaine prospect was commenced in early July 2013. Recent geological mapping has identified a series of copper stained gossan outcrops situated along this trend.

Another element of CYU's exploration activities during 2012-13 was the EH4 geophysical survey targeting the Mary Kathleen Shear Zone north of the Blue Caesar prospect. The EH4 technology produces high-resolution 2D images of geological structures by detecting and mapping variations in subsurface conductivity/resistivity to depths of up to 1.2kms below the land surface. Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX) utilises the EH4 technology extensively in China, but has recently been engaged by CYU to conduct surveys as part of the Elaine/Blue Caesar exploration program. It is intended that this survey will better enable CYU to establish future drillhole target locations along the Mary Kathleen Shear Zone.

Cloncurry North

In 2011 CYU farmed out the Cloncurry North projects to YEX and under the terms of that Farm-in Agreement YEX could earn up to a 55% interest in the Cloncurry North project.

Late in 2012 YEX received the analytical results from their drilling of the FC4 prospect which targeted a number of anomalies defined by the deep-penetrating EH4 geophysical survey undertaken in late 2011. FC4 is located approximately six kilometres north of the Ernest Henry mine. Two deep diamond core holes, ZK01 and ZK02, were drilled for a total if 1,519m. The best result from these holes was in ZK01 which returned 104m @ 0.1% copper from 474m.

In May 2013, YEX issued a notice to CYU formally withdrawing from this Farm-in Agreement and electing to retain the 10% interest in the Cloncurry North Project which it had earned up to the time of withdrawal.

Mt Isa East

In June 2013, CYU farmed out the Mt Isa East prospects to YEX and under the terms of that Farm-in Agreement YEX could earn up to a 45% interest in the those tenures. As at the date of this report, YEX has earned a 20% interest in the Mt Isa East projects.

YEX mobilised its field crew to site during July to commence field activities following geophysical anomalies generated last season and on additional regional targets in the project. YEX will be focusing activities on the Mount Colin West prospect with drill targets already defined targeting the extension of the Mount Colin Mine.

Chile Projects

Humito (CYU 100%)

The Humito project is located 10km south of PanAust's and Codelco's Inca de Oro project in the Chanaral Province, Atacama Region (Region III), Chile.

During the year detailed mapping and a deep penetrating 3D IP/MT (Induced Polarization/Magnetotelluric) geophysical survey program were completed. The survey targeted the potential for a deep-seated porphyry body for drill testing. When used in conjunction with the previous ground magnetics survey, CYU has now defined coincidental anomalies of low magnetics and high chargeability, which could indicate a mineralised porphyry core being overprinted by a later stage alteration assemblage.

Final processed images have been received, and drill targeting has been finalised. However, CYU does not intend to carry out further activities at Humitos until satisfactory commercial and access arrangements can be established with an adjoining tenure-holder and CYU has sufficient funds available in Chile to undertake a detailed drill program.

Candelabro (CYU earning in, Rio Tinto 100%)

CYU completed a six drillhole program on this prospect in July 2012, based on geological and geophysical targets identified by Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration). The assay results that were received from this program were disappointing. The most encouraging intersection was in drillhole CAND0007, 29m @ 0.17% Cu from 30 metres. After further data review, 3D modelling and detailed mapping, CYU determined that the potential for economic mineralization was low. As a result, Rio Tinto was formally advised by CYU in June 2013 of its intention to withdraw from this farm-in agreement.

Caramasa (CYU earning in, Rio Tinto 100%)

In the latter part of 2012, CYU completed a three drillhole scout drilling program for a total depth of 1618m. These drillholes were designed to test geological and geophysical targets outlined by Rio Tinto Exploration. No previous drilling had been undertaken on this prospect. Completion of this drilling program at Caramasa identified an environment considered to be peripheral to a potential deep-seated porphyry system but did not intersect any significant copper-bearing geology.

After further data review, 3D modelling and further detailed mapping, CYU determined that the potential for economic mineralization was low. As a result, Rio Tinto was formally advised by CYU in June 2013 of its intention to withdraw from this farm-in agreement.

Figure 4 - Location of CYU's existing tenures in Chile

Palmani (CYU earning in, Rio Tinto 100%)

The Palmani project is located in the porphyry copper belt of northern Chile in the Arica Province, Arica–Parinacota Region (Region XV) approximately 56km northeast from the regional centre Arica.

During the year, CYU investigated suitable site access to this tenure (which overlays rugged mountainous terrain) and obtained the necessary approvals to conduct a deep-penetrating 3D IP geophysical survey. That survey commenced with the aim of identifying any anomalous zones associated with a porphyry body. CYU will undertake a thorough review of the final conductivity and resistivity images before making an assessment about future activity on this prospect.

Sulfato (CYU earning in, Codelco 100%)

The Sulfato project is located in the porphyry copper belt of northern Chile, near the 5+ billion tonne copper Collahuasi deposit in the El Tamarugal Province, Tarapaca Region (Region I), 150km southeast from the main regional centre Iquique.

Chile's Codelco worked on this prospect (and surrounding areas) for more than 10 years and defined a porphyry system through mapping, geochemical sampling and drilling, with the best drillhole intersecting a 92m zone @ 0.65% Cu.

In April 2013 CYU undertook an IP/MT geophysical survey, as no geophysics had previously been conducted at the site. In addition, CYU representatives undertook a detailed review of core samples and assays derived from the earlier Codelco exploration programs.

CYU has commenced a maximum four drillhole program at Sulfato. Drillhole targeting was driven by a close correlation between chargeability and conductivity anomalies, of which the principal ones have not been drill tested by the previous exploration drilling programs conducted by Codelco.

Laos Projects

San Mu Mining

Yunnan Copper San Mu Mining Co. Ltd (San Mu Mining), a China incorporated entity, is now 51% owned by CYU with 49% ownership by Yunnan Copper Industry (Group) Co., Ltd (CYCI). San Mu Mining holds a 100% interest in four prospects in northern Laos.

The results obtained from exploration activities during the year on the northern Laos prospects did not meet the commercial expectations or requirements of San Mu Mining and, as a result, the board of San Mu Mining resolved to dispose of the northern Laos prospects and appointed the firm The Beijing Axis to act as agent for the purpose of identifying potential buyers and assisting to complete a sale transaction.

Representatives of San Mu Mining are continuing to identify and assess other project opportunities in the region – with targets in Cambodia and mainland China being reviewed and, where appropriate, pursued.

Competent Person's Statement

The information regarding to exploration activities in this report that relates to all prospects and to the Elaine Inferred Resource is based on information compiled by Mr Trevor Leahey, who is CYU's Exploration Manager, a Chartered Professional Geologist and a Member of the Australasian Institute of Mining and Metallurgy. Mr Leahey 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 Leahey has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

In September 2013, CYU entered into respective agreements that will provide the basis for significant exploration activity over the next few years in the Mt Isa Inlier region. These agreements enable CYU to acquire up to 70% of the mining tenure across an area of more than 1000 km^2 over the next 5 years.

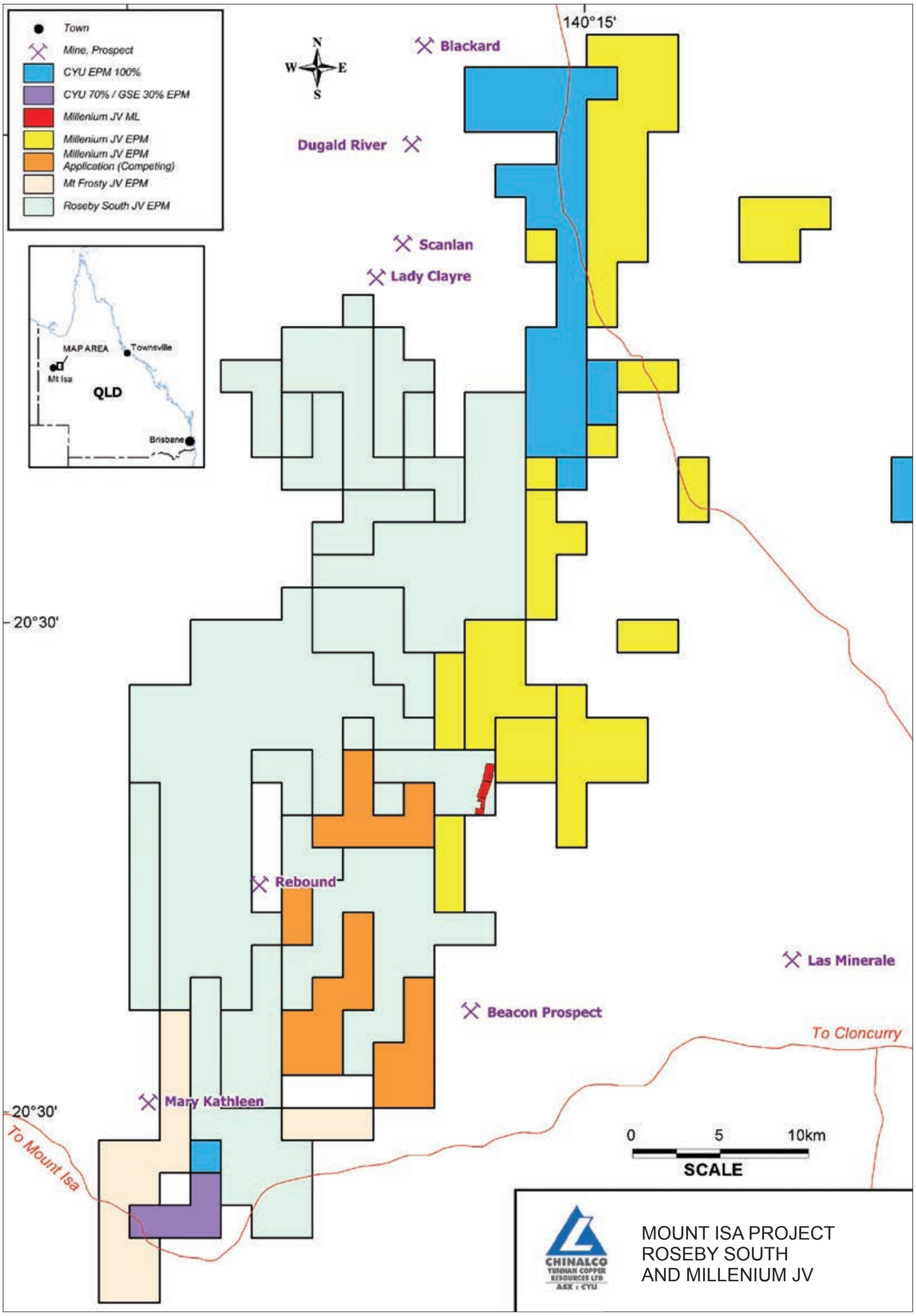

Figure 5 - Roseby South and Millenium tenures, now subject to CYU farm-in agreements

The terms of these agreements are summarized as follows:

Roseby South Joint Venture

On 17 September 2013, CYU entered into a binding term sheet to create a joint venture with Altona Mining Limited (Altona) to explore for copper and gold and ultimately earn a majority interest in the Roseby South Project, near Mt Isa in Queensland.

The terms of the earn-in joint venture between CYU and Altona are:

- The term of the earn-in is 5 years;
- CYU must spend at least $1m on exploration at Roseby South during the next 2 years;
- CYU has the right to earn a 30% interest upon the expenditure of $2m (inclusive of the $1m noted above);
- CYU has the right to earn a further 30% of the project by investing an additional $2 million; and
- At any time CYU may elect to sole fund exploration and feasibility studies on a proposed mining development. By incurring all costs up to completion of a positive bankable standard feasibility study and to the point of a decision to mine being made by the parties, CYU shall be entitled to earn a further 10% interest in the Roseby South tenures (taking its total interest to 70%).

Once CYU earns its 60% interest, (and subject to CYU making an election to sole fund a feasibility study to go to 70%), an unincorporated joint venture will be formed between CYU and Altona with each party then obliged to contribute to ongoing project development or dilute according to an agreed formula and work program.

Millenium Project Joint Venture

On 17 September 2013, CYU also entered into a binding term sheet to create a joint venture with Elementos Limited (ELT) to explore for copper, cobalt and gold and ultimately earn a majority interest in the Millenium Project. Millenium, situated near Cloncurry in the world-class Mt Isa Inlier in north-west Queensland, includes the following tenements:

- Mining Leases totalling 134 hectares;
- Exploration Permits totalling 254 km2; and
- Exploration Permit applications (including areas that involve contested applications) totalling 74 km2.

The terms of the earn-in joint venture between CYU and ELT are:

- CYU will make a payment of a $100,000 cash option fee for the exclusive right to explore the properties subject to the joint venture;
- CYU will have the right to earn 51% of the project by investing $1.2 million over 3 years; and
- CYU may increase its interest by a further 19% of the project, by investing an additional $1.3 million over a further 2 years.

Once CYU earns its 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the 10% interest immediately converts to a 1% net smelter royalty. The agreement is subject to finalisation of a full joint venture agreement and the transfer of the Millenium Mining Leases to ELT, which are currently the subject of an option to purchase agreement with Forte Energy NL.

The combination of the Roseby South and Millenium tenure provides CYU and its exploration team with the opportunity to carry out targeted activities across a large area of contiguous mining tenure in an area of known (and extensive) mineralization.

Financial Results

Capital structure

At 30 June 2013 the Company had 247,994,183 ordinary shares and 2,800,000 unlisted options on issue.

Financial position

The net assets of the Consolidated Entity have increased from $16,198,440 at 30 June 2012 to $19,273,855 at 30 June 2013.

During the year the Consolidated Entity has invested in the advancement of its exploration permits held. The Company's working capital, being current assets less current liabilities has increased from $1,576,950 in 2012 to $2,885,347 at 30 June 2013.

Dividends Paid or Recommended

There were no dividends paid or recommended during the year (2012: $nil).

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 $2,885,347 at 30 June 2013.

The Consolidated Entity incurred a net loss of $7,808,248 (2012: $2,894,339) for the year ended 30 June 2013 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.

Based on one or more of the following:

1. The success of future 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 are confident of securing funds as and when necessary to meet CYU's obligations as and when they fall due.

Operating Results

Revenue

As an early stage exploration company, CYU does not generate any income other than interest on its cash holdings. CYU generated $103,943 in interest revenue during the period.

Expenses

CYU's main expenses are as follows:

	2013
	$
Employment and consultancy expenses	1,185,295
Depreciation expense	106,575
Finance costs	181
Impairment of exploration expenditure	4,715,551
Project generation expenditure	352,132
Administration expenses	1,505,982
Total expenses	**7,865,716**

Impairment of exploration expenditure relates to write down of the Caramasa ($1,286,320), Palmani ($385,831) and Candelabro ($2,491,247) projects in Chile, and the Cloncurry Clonagh ($552,153) project in Australia. Drilling and other geological assessments did not support further expenditure on these prospects.

These impairment charges can be regarded as one-off items to the extent they will not be incurred in future periods unless additional prospects are written down in future periods.

Comparison with Prior Year

For the year ended 30 June 2013, the loss for the Consolidated Entity after providing for income tax was $7,808,248 (2012: loss of $2,894,339):

	2013	2012
	$	$
Revenue	103,943	287,979
Employment and consultancy expenses	(1,185,295)	(1,018,274)
Depreciation expense	(106,575)	(100,959)
Finance costs	(181)	(2,463)
Impairment of exploration expenditure	(4,715,551)	(767,957)
Project generation expenditure	(352,132)	(194,259)
Administration expenses	(1,505,982)	(1,337,864)
Share of equity accounted associate's profit/(loss)	(46,475)	239,458
Loss before income tax	(7,808,248)	(2,894,339)

Excluding the impact of impairment charges and the share of equity accounted associate's profit/(loss), both of which are not recurring in nature nor comparable, the adjusted loss for the 2013 financial year is approximately $0.68M higher than the adjusted loss of 2012. This increase is attributable to:

	$M
Reduced interest income resulting from falling interest rates and lower cash holdings	0.18
Consolidation of Yunnan Copper San Mu Mining Industry Co Ltd resulting in the recognition of 100% of its losses for the period 14 December 2012 to 30 June 2013	0.21
Increased project generation expenditure resulting from the review of project acquisition opportunities	0.16
Other increases in administrative and employee costs	0.13
	0.68

Drilling at Blue Caesar drillhole MKBC008

Directors and Officers

The following persons were directors or officers of CYU of during the whole of the financial year and up to the date of this report, unless stated:

Mr Zhihua Yao
Appointed 23/12/2010

Non-Executive Chairman, 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 29 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 has a PhD degree of mining engineering from China South University. His responsibilities include the investment and project development.

Mr Paul Williams
Appointed 6/3/2013

Managing Director, BA LLB

Mr Williams holds both Bachelor of Arts and Law Degrees from the University of Queensland and practised as a corporate and commercial lawyer with Brisbane legal firm Hopgood Ganim for 17 years. He ultimately became an equity partner of that firm before joining Eastern Corporation as their Chief Executive Officer in August 2004. In mid-2006 Mr Williams joined Mitsui Coal Holdings in the role of General Counsel, participating in the supervision of the coal mining interests and business development activities within the multinational Mitsui & Co group.

Mr Williams is a non-executive director of Brisbane Lions Australian Football Club and Brisbane Racing Club which owns and operates the Eagle Farm and Doomben race clubs. He is also a founding member of Equine Learning for Futures Inc, a charitable organization based in SE Queensland which provides horse-based workshops and programs for disadvantaged children and youths.

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 20 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) Co Limited since March 2004.

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

FORMER DIRECTORS

Mr Richard Hatcher
Appointed 12/12/2012,
Resigned 27/8/2013

Executive Director, BAppSc – Geology (Hons), MAIG, MSEG

Mr Hatcher was previously Exploration Manager for Chinalco Yunnan Copper Resources before his appointment to the board on 12 December 2012.

Mr Jason Beckton
Appointed 31/7/2007,
Resigned 6/3/2013

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

Mr Beckton is a professional geologist with over 19 years' experience in exploration, project development, production and management both in Australia and internationally.

Mr Norman Zillman
Appointed 27/1/1998,
Resigned 12/12/2012

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

Mr Zillman is a professional geologist with over 46 years' experience in exploration and production in the petroleum, coal and mineral industries in Australia and internationally.

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
Zhihua Yao*	106,183,175	200,000
Paul Williams	-	-
Zewen Yang*	106,183,175	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 106,183,175 ordinary shares.

COMPANY SECRETARY

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

Mr 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.

Remuneration Report

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

Remuneration Policy

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

Remuneration Committee

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

The Board 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;
- investigating other potential acquisition opportunities and negotiating the completion of those acquisitions;
- expanding the level of mineral resources under the control of the company;
- carrying out exploration programs in a timely and cost effective manner; and
- liaising with stockbrokers, investment banks and market participants generally.

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 2013 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.

Employment contracts

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

The current employment agreement with the Managing Director has a six month notice period and in the case of the Executive Directors and with the CFO, there is a three month notice period.

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

No retirement allowances for non-executive directors are paid.

Managing Director

The Managing Director, Mr Paul Williams is employed under an executive services contract entered into in March 2013. The contract has a three year period. Under the terms of the current contract Mr Williams' current remuneration package includes the following:

- Base salary of $300,000 per annum, inclusive of superannuation;
- Short term bonus of $50,000, payable upon the sucessful capital raising on the following terms:
    - Minimum of $5,000,000 raised;
    - Price no less than $0.20 per share;
    - Capital raising completed by 31 December 2013.
- Subject to CYU shareholder approval, 5,000,000 long term incentive performance shares, comprising 1,000,000 A, B and C Class shares and 2,000,000 D Class performance shares respectively.

  These performance shares are convertible into ordinary shares in the Company (on the basis of one ordinary share for each performance share) upon the occurrence of the following events:

    - A Class shares – successful completion of a capital raising by the Company in 2013;
    - B Class shares – the 5 business day weighted average share price of the Company's shares on the ASX being at least 25c;
    - C Class shares - the 5 business day weighted average share price of the Company's shares on the ASX being at least 50c; and
    - D Class shares – the company achieving a positive EBITDA in respect of mining operations (either from current projects or a susbsequently acquired project) for at least 3 consectutive months of operation.

If any of the events applicable to the Class B, C and D shares do not occur before March 2016, the applicable tranche (or tranches) of performance shares will lapse.

Executive Directors

An 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 2013. Under the terms of the current contract Mr Yang's current remuneration package includes the following:

- Base salary of $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;

Another Executive Director, Mr Richard Hatcher, was employed, until his resignation on 27 August 2013, under an employment agreement entered into in August 2011. The contract has no fixed term of service. Under the terms of the current contract Mr Hatcher's current remuneration package included the following:

- Base salary of $184,000 per annum, inclusive of superannuation;

Mr Hatcher was 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

- Zhihua Yao — Chairman
- Paul Williams — Managing Director (appointed 6 March 2013)
- Zewen Yang — Executive Director
- Richard Hatcher — Executive Director (appointed as Director 12 December 2012, resigned 27 August 2013)
- Jason Beckton — Former Managing Director (resigned 6 March 2013)
- Norm Zillman — Former Co-Chairman (resigned 12 December 2012)

Key Management Personnel

- Paul Marshall — Company Secretary and CFO
- Richard Hatcher — Exploration Manager (appointed as Director 12 December 2012)

(b) Remuneration of Directors and other Key Management Personnel

2013	Short Term			Post-Employment		Share-based Payments [1]			
	Salary & Fees	Cash Bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
Specified Directors									
Zhihua Yao	36,000	-	-	-	-	3,411	39,411	-	8.65%
Paul Williams[2]	84,686	-	-	7,622	-	-	92,308	-	-
Zewen Yang	155,520	-	-	-	-	3,411	158,931	-	2.15%
Richard Hatcher[3]	92,497	-	-	8,325	-	1,707	102,529	-	1.66%
Jason Beckton[4]	125,898	-	-	-	-	3,725	129,623	-	2.87%
Norm Zillman[5]	16,158	-	-	-	-	(875)	15,283	-	(5.73%)
Key Management Personnel									
Richard Hatcher[3]	76,310	-	-	6,868	-	1,408	84,586	-	1.66%
Paul Marshall	52,000	-	-	-	-	3,115	55,115	-	5.65%
	639,069	-	-	22,815	-	15,902	677,786		

(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.
(2) Mr Williams was appointed as Managing Director on 6 March 2013.
(3) Mr Hatcher was appointed as Technical Director on 12 December 2012. His remuneration prior to this date relates to his services as Exploration Manager. Mr Hatcher resigned on 27 August 2013.
(4) Mr Beckton resigned as Managing Director on 1 January 2013 and remained on the Board as a non-executive Director until his resignation from the Board on 6 March 2013. $6,000 of his remuneration relates to his services as a non-executive Director.
(5) Mr Zillman resigned from the Board on 12 December 2012. The reduction of $875 in his share based remuneration relates to cancellation of 100,000 options which did not vest due to service conditions not being met.

2012	Short Term			Post-Employment		Share-based Payments [1]			
	Salary & Fees	Cash Bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
Specified Directors									
Norm Zillman	36,000	-	-	-	-	7,147	43,147	-	16.56%
Zhihua Yao	36,000	-	-	-	-	5,475	41,475	-	13.20%
Jason Beckton	239,796	-	-	-	-	15,509	255,305	-	6.07%
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.

(c) Options issued as part of remuneration for the year ended 30 June 2013

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								
Zhihua Yao	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	100%
Zewen Yang	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	100%
Richard Hatcher	12/08/2011	100,000	0.0505	0.30	5,050	12/08/2014	12/08/2012	100%
Jason Beckton	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	100%
Norm Zillman	21/11/2011	100,000	0.0460	0.30	4,600	12/08/2014	12/08/2012	100%
Key Management Personnel								
Paul Marshall	12/08/2011	100,000	0.0505	0.30	5,050	12/08/2014	12/08/2012	100%

(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.

On 21 November 2011, after receiving approval from shareholders, the Company issued options to directors and key management personnel 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 above options had a vesting/exercise date of 12 August 2012 and an expiry date of 12 August 2014.

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

2013	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed or expired during the year $
Director			
Zhihua Yao	-	-	-
Paul Williams	-	-	-
Zewen Yang	-	-	87,000
Richard Hatcher	-	-	21,750
Jason Beckton	-	-	130,500
Norm Zillman	-	-	26,350
Key Management Personnel			
Paul Marshall	-	-	21,750

(e) Shares issued on exercise of remuneration options

There were no shares issued on the exercise of compensation options in the 2012 or 2013 financial years.

(f) Additional Information

The factors that are considered to affect shareholder return since over the last 5 years is summarised below:

Measures	2013 $	2012 $	2011 $	2010 $	2009 $
Share price at end of financial year	0.045	0.11	0.19	0.09	0.17
Market capitalisation at end of financial year ($M)	11.16	19.07	32.94	9.78	13.20
Loss for the financial year	7,808,248	2,894,339	2,029,707	3,259,584	781,333
Cash spend on exploration programs	3,673,171	5,300,693	2,585,850	2,780,615	2,182,762
Director and Key Management Personnel remuneration	677,786	757,562	773,992	897,281	748,818

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 directors key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of directors and key management personnel with those of the Company's shareholders.

End of Remuneration Report

OPTIONS

As at the date of this report there were 2,800,000 unissued ordinary shares under options as follows:

Terms	1 July 2012	Additions	Exercised	Expired/ forfeited	30 June 2013
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 – 20/08/12	1,000,000	-	-	(1,000,000)	-
Joint venture partner options $0.40 – 20/12/12	1,000,000	-	-	(1,000,000)	-
Employee options $0.30 – 12/08/14	2,400,000	-	-	(300,000)	2,100,000
Director options $0.30 – 12/08/14	800,000	-	-	(100,000)	700,000
	16,200,000	-	-	(13,400,000)	2,800,000

During the year ended 30 June 2013 no shares were issued following the exercise of options.

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.

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**
Zhihua Yao	2	3
Zewen Yang	3	3
Paul Williams	2	2
Richard Hatcher	2	2
Jason Beckton	1	1
Norm Zillman	1	1

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

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

The Board of Directors has considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, KPMG and its related practices:

Corporate finance services	$10,000

Auditor’s Independence Declaration

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 2013 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 2013

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 23 September 2013.

(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	218
5,001 to 10,000	338
10,001 to 100,000	684
100,001 and over	226
	1,554
Number of shareholders holding less than a marketable parcel of shares	**554**

(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	106,183,175	42.82%
2	MR NORMAN JOSEPH ZILLMAN	10,200,000	4.11%
3	ELLIOTT NOMINEES PTY LTD	7,150,000	2.88%
4	PREMAR CAPITAL NOMINEES PTY LIMITED	3,633,333	1.47%
5	KIMBRIKI NOMINEES PTY LTD	2,955,153	1.19%
6	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,708,514	1.09%
7	BANNERBLOCK PTY LTD	2,500,000	1.01%
8	YUNNAN & HONG KONG METAL CO. LTD	2,400,000	0.97%
9	JP MORGAN NOMINEES AUSTRALIA LIMITED	2,346,925	0.95%
10	JOIN VICTORY INVESTMENTS LIMITED	2,083,334	0.84%
11	CR INVESTMENTS PTY LTD	2,083,333	0.84%
12	BIGSON PTY LTD	1,850,895	0.75%
13	PACIFIC CAPITAL SECURITIES PTY LTD	1,725,997	0.70%
14	FLATOAK PTY LTD	1,711,113	0.69%
15	ROCK MASTER PTY LTD	1,700,000	0.69%
16	DEPOND AUSTRALIA PTY LIMITED	1,666,667	0.67%
17	KING FAITH GROUP LIMITED	1,600,000	0.65%
18	HIPETE PTY LIMITED	1,300,000	0.52%
19	MR SIMON JOHN CAIRNS	1,300,000	0.52%
20	MR ROSS THOMAS	1,200,000	0.48%
		158,298,439	**63.83%**

(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 25 September 2013:

QUEENSLAND

Type	Project	Grant / Application Date	Expiry Date	CYU Interest
EPM 12205	Cloncurry North	6/09/2004	5/09/2011*	90%
EPM 15248	Mt Isa	25/09/2007	24/09/2017	80%
ML 1631	Pentland	9/06/1988	30/06/2024	100%
EPM 14019	Mary Kathleen JV	18/07/2003	17/07/2015	70%
EPM 14022	Mary Kathleen JV	31/07/2003	30/07/2016	70%
EPM 14467	Mount Frosty	16/03/2006	15/03/2015	Nil – earning in

* renewal lodged.

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%
Palmani				
MAIPU 1 - 22	Palmani	Arica	6,600 ha	Nil – earning in
Sulfato				
QUET11, 1:40	Sulfatos	Pozo Almonte	373 ha	Nil – earning in
CHOJ 23	Sulfatos	Pozo Almonte	600 ha	Nil – earning in

Corporate Governance Statement

The Board of Directors of Chinalco Yunnan Copper Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company's Corporate Governance Statement is structured with reference to the Australian Securities 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.
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
Zhihua Yao	Chairman	Mr Yao is an executive within the Yunnan Copper Industries Group which is a substantial shareholder of the Company.
Paul Williams	Managing Director	Mr Williams is employed in an executive capacity
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
Zhihua Yao	2 years 9 months
Paul Williams	6 months
Zewen Yang	6 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
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	20%
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 2013.

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.

Depco Drilling rig at the location of drillhole MKBC002

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013 $	2012 $
Revenue	2	103,943	287,979
Employment and consultancy expenses		(1,185,295)	(1,018,274)
Depreciation expense	11	(106,575)	(100,959)
Finance costs		(181)	(2,463)
Impairment of exploration expenditure	12	(4,715,551)	(767,957)
Project generation expenditure		(352,132)	(194,259)
Administration expenses		(1,505,982)	(1,337,864)
Share of equity accounted associate's profit/(loss)	13	(46,475)	239,458
Loss before income tax		(7,808,248)	(2,894,339)
Income tax expense	4	-	-
Loss for the year		(7,808,248)	(2,894,339)
Other comprehensive income/(loss)			
Items that subsequently may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		608,683	29,251
Income tax		-	-
Other comprehensive income/(loss) for the year, net of tax		608,683	29,251
Total comprehensive loss		(7,199,565)	(2,865,088)
Loss after income tax attributable to:			
Owners of the Parent Entity		(7,705,404)	(2,894,339)
Non-Controlling Interest		(102,844)	-
		(7,808,248)	(2,894,339)
Total comprehensive income attributable to:			
Owners of the Parent Entity		(7,393,185)	(2,865,088)
Non-Controlling Interest		193,620	-
		(7,199,565)	(2,865,088)
		Cents	Cents
Earnings per share			
Basic loss per share	6	(3.58)	(1.67)
Diluted loss per share	6	(3.58)	(1.67)

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 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	3,590,147	2,061,499
Trade and other receivables	8	269,931	541,972
Financial assets	10	1,091	1,091
Other current assets	9	23,059	36,718
TOTAL CURRENT ASSETS		3,884,228	2,641,280
NON-CURRENT ASSETS			
Other receivables	8	61,966	61,052
Plant and equipment	11	394,807	261,628
Exploration expenditure	12	15,931,735	12,193,250
Investments in equity-accounted investee	13	-	2,105,560
TOTAL NON-CURRENT ASSETS		16,388,508	14,261,490
TOTAL ASSETS		20,272,736	17,262,770
CURRENT LIABILITIES			
Trade and other payables	14	916,845	1,001,749
Interest bearing liabilities	15	-	7,345
Short-term provisions	16	82,036	55,236
TOTAL CURRENT LIABILITIES		998,881	1,064,330
TOTAL LIABILITIES		998,881	1,064,330
NET ASSETS		**19,273,855**	**16,198,440**
EQUITY			
Share capital	17	32,601,079	25,206,229
Reserves	18	789,678	444,072
Accumulated losses		(17,157,265)	(9,451,861)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT ENTITY		16,233,492	16,198,440
Non-controlling interest		3,040,363	-
TOTAL EQUITY		**19,273,855**	**16,198,440**

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

Consolidated Entity	Share Capital $	Reserves $	Accumulated Losses $	Total Parent Equity $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2011	25,169,630	280,970	(6,557,522)	18,893,078	-	18,893,078
Transactions with owners in their capacity as owners						
Issue of share capital	-	-	-	-	-	-
Recovery of share issue costs*	36,599	-	-	36,599	-	36,599
Share-based payment expense	-	133,851	-	133,851	-	133,851
Comprehensive income						
Loss after income tax	-	-	(2,894,339)	(2,894,339)	-	(2,894,339)
Other comprehensive income	-	29,251	-	29,251	-	29,251
Balance at 30 June 2012	25,206,229	444,072	(9,451,861)	16,198,440	-	16,198,440
Balance at 1 July 2012	25,206,229	444,072	(9,451,861)	16,198,440	-	16,198,440
Transactions with owners in their capacity as owners						
Issue of share capital	7,463,588	-	-	7,463,588	-	7,463,588
Share issue costs	(68,738)	-	-	(68,738)	-	(68,738)
Share-based payment expense	-	33,387	-	33,387	-	33,387
Comprehensive income						
Loss after income tax	-	-	(7,705,404)	(7,705,404)	(102,844)	(7,808,248)
Other comprehensive income	-	312,219	-	312,219	296,464	608,683
Initial recognition of non-controlling interest on acquisition	-	-	-	-	-	2,846,743
Balance at 30 June 2013	32,601,079	789,678	(17,130,265)	16,233,492	3,040,363	19,273,855

* Represents GST recovered on capital raising costs incurred in the 2010 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 2013

	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(3,213,979)	(2,502,962)
Interest received		98,894	285,843
Interest paid		(181)	(2,463)
Net cash used in operating activities	20	(3,115,266)	(2,219,582)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit refunds/(payments)		(4,920)	(18,261)
Payments for property, plant & equipment		(2,568)	(141,721)
Proceeds from the disposal of plant & equipment		2,540	-
Acquisition of an equity accounted investee	13	-	(1,866,102)
Net inflow of cash on acquisition of subsidiary	29	810,476	-
Payments for exploration and evaluation		(4,386,179)	(6,550,986)
Exploration expenditure amounts reimbursed by joint venture partners		713,008	1,250,293
Net cash used in investing activities		(2,867,643)	(7,326,777)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,463,588	-
Capital raising costs refunded/(paid)		(68,738)	36,599
Receipts from finance lease receivable		28,114	21,530
Payment of finance leases		(7,345)	(25,045)
Net cash provided by financing activities		7,415,619	33,084
Net increase/(decrease) in cash and cash equivalents		1,432,710	(9,513,275)
Net foreign exchange differences		95,938	29,251
Cash and cash equivalents at the beginning of the year		2,061,499	11,545,523
Cash and cash equivalents at the end of the year	7	3,590,147	2,061,499

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 2013.

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 Consolidated Entity incurred a net loss of $7,808,248 (2012: $2,894,339) for the year ended 30 June 2013 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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)

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.

<u>Restoration and rehabilitation</u>
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

<u>Recognition and initial measurement</u>
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.

<u>Classification and subsequent measurement</u>
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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 and the impact of its adoption will not have a material impact on 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.

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 will adopt this standard from 1 July 2013 and the impact of its adoption will not have a material impact on the Consolidated Entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 will adopt this standard from 1 July 2013 and the impact of its adoption will not have a material impact on the Consolidated Entity.

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.

	2013 $	2012 $
NOTE 2 REVENUE		
Interest revenue	103,785	287,979
Other revenue	158	-
	103,943	287,979

NOTE 3 EXPENSES

Loss before income tax includes the following specific expenses:		
Superannuation expense	25,894	48,893
Rental expense from operating leases	246,993	162,702

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 2013 and 2012 is as follows:

Accounting loss before income tax	(7,808,249)	(2,894,339)
Tax at the Australian tax rate of 30%	(2,342,475)	(868,302)
Adjustment of overseas losses taxed at different rates	614,598	68,116
Non-deductible expenses	10,016	270,570
Deductions arising from capital raising expenses	(65,800)	(40,201)
Deferred tax assets not bought to account	1,783,660	569,817
Income tax expense	-	-

Unrecognised temporary differences and tax losses

Tax losses	6,203,970	3,684,949

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	(1,654,630)	(2,084,283)
Provisions	24,611	16,571
Other	24,432	122,417
Tax losses carried forward	1,605,587	1,945,295
Net deferred tax liability/(asset)	-	-

	2013 $	2012 $
NOTE 5 AUDITORS' REMUNERATION		
Remuneration paid to KPMG for:		
Auditing and reviewing the financial report		
- Australia	39,000	39,000
- Chile	12,000	6,500
- Laos	18,000	-
Other services		
- Corporate finance	10,000	-
	79,000	45,500

NOTE 6 EARNINGS PER SHARE

Losses used to calculate basic and dilutive EPS	(7,808,248)	(2,894,339)

	2013 Number	2012 Number
Weighted average number of ordinary shares outstanding during the year	218,344,315	173,358,308
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating EPS and dilutive EPS	218,344,315	173,358,308

	2013 $	2012 $
NOTE 7 CASH & CASH EQUIVALENTS		
Cash on hand and at bank	1,237,252	1,275,357
Cash on deposit	2,352,895	786,142
	3,590,147	2,061,499

NOTE 8 TRADE & OTHER RECEIVABLES

CURRENT		
Finance lease receivable	4,943	28,115
Other receivables	264,988	513,857
	269,931	541,972
NON-CURRENT		
Finance lease receivable	-	4,943
Security bonds	61,966	56,109
	61,966	61,052

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 is for 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.

	2013 $	2012 $
NOTE 9 OTHER CURRENT ASSETS		
Prepayments	23,059	36,718
NOTE 10 FINANCIAL ASSETS		
Gold nugget	1,091	1,091

NOTE 11 PLANT & EQUIPMENT

	2013 $	2012 $
Plant and equipment		
At cost	407,773	184,177
Accumulated depreciation	(109,375)	(62,928)
	298,398	121,249
Motor Vehicles		
At cost	166,411	166,411
Accumulated depreciation	(86,382)	(61,724)
	80,029	104,687
Computers and office equipment		
At cost	124,581	182,087
Accumulated depreciation	(108,201)	(146,395)
	16,380	35,692
Total plant and equipment	394,807	261,628

Movements in carrying amounts

	Plant and equipment $	Motor vehicles $	Computers and office equipment $	Total $
Balance at 1 July 2011	97,393	111,646	66,416	275,455
Additions	56,138	24,878	6,116	87,132
Depreciation expense	(32,282)	(31,837)	(36,840)	(100,959)
Balance at 30 June 2012	121,249	104,687	35,692	261,628
Balance at 1 July 2012	121,249	104,687	35,692	261,628
Additions	-	-	2,567	2,567
Additions – business combinations	199,197	-	-	199,197
Disposals	-	-	(2,382)	(2,382)
Foreign exchange movements	40,372	-	-	40,372
Depreciation expense	(62,420)	(24,658)	(19,497)	(106,575)
Balance at 30 June 2013	298,398	80,029	16,380	394,807

	2013	2012
	$	$

NOTE 12 EXPLORATION EXPENDITURE

Exploration expenditure capitalised		
Opening balance	12,193,250	7,243,081
Net current year expenditure	3,859,853	7,164,776
Additions – business combinations	4,620,678	-
Foreign exchange movements	471,439	-
Amounts reimbursed by Joint Venture partners	(497,934)	(1,446,650)
Impairment of exploration expenditure	(4,715,551)	(767,957)
	15,931,735	12,193,250

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.

Impairment of exploration expenditure

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

EPM 15248 Mt Isa	-	575,913
EPM 15257 Mary Kathleen	-	134,722
EPM 16393 Cloncurry North	-	57,322
EPM 12205 Cloncurry Clonagh	552,153	-
Caramasa - Chile	1,286,320	-
Candelabro - Chile	2,491,247	-
Palmani - Chile	385,831	-
	4,715,551	767,957

NOTE 13 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEE

On 28 January 2011, the Company entered into an agreement with Yunnan Copper Industry (Group) Co Ltd (CYCI) 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 copper silver projects in Northern Laos.

The acquisition occurred in three stages over a 12 month period. On 14 December 2012, the Company acquired its final 10% equity interest for the AUD$ equivalent of RMB6,000,000. The Company has a registered interest of 51% in San Mu at 31 December 2012.

From 14 December 2012, the Company is deemed to control San Mu. The Company has a majority equity interest in Sanmu and is represented by three of the five directors on San Mu's Board.

On 14 December 2012 the Company's investment in San Mu was reclassified from an equity-accounted investee to a subsidiary of the Consolidated Group.

Details of the financial information of San Mu from 1 July 2012 to 14 December 2012 are as follows:

	14 Dec 2012	30 June 2012
	$	$
Carrying Amount Of Investments In Equity-Accounted Investee		
Opening balance	2,105,560	-
Acquisition of equity-accounted investments	-	1,866,102
Share of net profit/(loss) of equity-accounted investee	(46,475)	239,458*
Reclassification of equity-accounted investee to a subsidiary	(2,059,085)	-
	-	2,105,560

NOTE 13 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEE (continued)

* $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.

<u>Further details of San Mu at 30 June 2012:</u>

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

	2013 $	2012 $
NOTE 14 TRADE & OTHER PAYABLES		
Trade payables	428,505	163,254
Other payables and accrued expenses	392,865	725,533
Payable to directors	95,475	112,962
	916,845	1,001,749

NOTE 15 INTEREST BEARING LIABLITIES

Current		
Finance lease	-	27,459

2012: 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 (2012: Nil).

NOTE 16 PROVISIONS

Employee benefits	82,036	55,236

	$	$

NOTE 17 SHARE CAPITAL

Fully paid ordinary shares	32,601,076	25,206,229

Ordinary Shares

	2013 $	2012 $	2013 Number	2012 Number
At the beginning of the year	25,206,229	25,169,630	173,358,308	173,358,308
Rights issue [1]	7,463,588	-	74,635,875	-
Share issue (expenses)/reimbursement [2]	(68,738)	36,599	-	-
At reporting date	32,601,079	25,206,229	247,994,183	173,358,308

[1] A total of 74,635,875 shares were issued during the prior year through a rights issue at 10 cents per share.
[2] 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.

	2013 $	2012 $

NOTE 18 RESERVES

Share based payment reserve	520,496	487,108
Foreign currency translation reserve	565,646	(43,036)
	1,086,142	444,072
Share based payment reserve movements during the year		
Opening balance	487,108	353,257
Share based payments	33,388	133,851
Closing balance	520,496	487,108
Foreign currency translation reserve movements during the year		
Opening balance	(43,036)	(72,287)
Foreign exchange differences	608,683	29,251
Closing balance	565,646	(43,036)
Total reserves attributable to:		
Owners of the Parent Entity	789,678	444,072
Non-Controlling Interest	296,464	-
	1,086,142	444,072

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

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

NOTE 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.

	2013	2012
	$	$

NOTE 20 CASH FLOW INFORMATION

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

	2013 $	2012 $
Loss after income tax	(7,808,248)	(2,894,339)
Non-cash items in loss after income tax		
Depreciation	106,575	100,959
Share based payments expense	33,387	133,851
Impairment of exploration expenditure	4,715,551	767,957
Share of equity accounted associate’s (profit)/loss	46,475	(239,458)
Gain on disposal of plant and equipment	(158)	-
Movements in assets and liabilities		
Other receivables	208,640	(304,219)
Interest revenue accrued	(4,891)	(2,136)
Other assets	13,659	18,015
Trade payables and accruals	(453,056)	201,155
Provisions	26,800	(1,367)
Cash flow from operations	(3,115,266)	(2,219,582)

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:

	2013 $	2012 $
Cash and cash equivalents	3,590,147	2,061,499

NOTE 21 SHARE BASED PAYMENTS

At 30 June 2013 there are 2,800,000 unlisted options to take up one ordinary share in Chinalco Yunnan Copper Resources Ltd at an issue price of 30 cents. The options expire on 12 August 2014.

Movements in options

	2013		2012	
	No. of options	Weighted average exercise price	No. of options	Weighted average exercise price
		$		$
Outstanding at beginning of year	16,200,000	0.40	15,400,000	0.40
Granted(1)	-	0.30	3,200,000	0.30
Forfeited	(400,000)	0.30	-	-
Exercised	-	-	-	-
Expired	(13,000,000)	0.40	(2,400,000)	0.40
Outstanding at year-end	2,800,000	0.30	16,200,000	0.38
Exercisable at year-end	1,900,000	0.30	13,000,000	0.40

(1) The weighted average fair value of the options granted during the 2012 year was $0.0494.

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

Issue	Tranche	Entitlement Date	Vesting Date	Expiry Date	Exercise Price	Number
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	900,000
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	300,000
Total						**2,800,000**

No options were exercised during the year ended 30 June 2013.

The options outstanding at 30 June 2013 have an average exercise price of $0.30 and weighted average remaining life of 1.12 years. Included under Employee Benefits Expense in the Statement of comprehensive income is $33,387 (2012: $133,851) that relates to equity-settled share-based payment transactions. The value of options outstanding 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	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

NOTE 21 SHARE BASED PAYMENTS (continued)

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

					Movements during the year				
Note	Issue	Exercise Price	Exercise and Vesting Date	Expiry Date	1 July 2012	Additions	Exercised	Expired/ forfeited	30 June 2013
1	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)	-
2	GSE joint venture options	0.40	30/12/10	20/08/12	1,000,000	-	-	(1,000,000)	-
3	AIV joint venture options	0.40	30/12/10	20/12/12	1,000,000	-	-	(1,000,000)	-
4	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	-	-	(300,000)	900,000
5	Director options	0.30	12/08/12	12/08/14	400,000	-	-	-	400,000
		0.30	12/08/13	12/08/14	400,000	-	-	(100,000)	300,000

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 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.

These options have now expired.

2 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.

These options have now expired.

NOTE 21 SHARE BASED PAYMENTS (continued)

3 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.

These options have now expired.

4 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. 300,000 options lapsed upon the resignation of former employees.

5 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. 100,000 options lapsed upon the resignation of Norm Zillman.

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.

NOTE 22 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

	2013 $	2012 $
Summary		
Short-term employee benefits	639,069	685,583
Post-employment benefits	22,815	14,964
Share-based payments	15,902	57,015
	677,786	757,562

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

2013	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Zhihua Yao	-	-	-	-	-
Paul Williams	-	-	-	-	-
Zewen Yang	-	-	-	-	-
Richard Hatcher	-	-	-	-	-
Norm Zillman (1)	12,647,195	-	-	(12,647,195)	-
Jason Beckton (1)	570,600	-	-	(570,600)	-
Key Management Personnel					
Paul Marshall	636,002	-	-	364,000	1,000,002
Total	13,853,797	-	-	-	1,000,002

(1) Net change other on resignation as director.

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

NOTE 22 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

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

2013	Opening Balance	Granted as remuneration	On Exercise of Options	Net Change Other	Closing Balance
Directors					
Zhihua Yao	200,000	-	-	-	200,000
Paul Williams	-	-	-	-	-
Zewen Yang	3,200,000	-	-	(3,000,000)	200,000
Richard Hatcher	950,000	-	-	(750,000)	200,000
Norm Zillman [(1)]	950,000	-	-	(950,000)	-
Jason Beckton [(1)]	4,700,000	-	-	(4,700,000)	-
Key Management Personnel					
Paul Marshall	950,000	-	-	(750,000)	200,000
Total	10,950,000	-	-	(10,150,000)	800,000

[(1)] Net change upon resignation as director

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

Vested Options

	2013			2012		
	Vested and exercisable	Vested and unexercisable	Vested at end of year	Vested and exercisable	Vested and unexercisable	Vested at end of year
Directors						
Zhihua Yao	100,000	-	100,000	-	-	-
Paul Williams	-	-	-	-	-	-
Zewen Yang	100,000	-	100,000	3,000,000	-	3,000,000
Richard Hatcher	100,000	-	100,000			
Norm Zillman	-	-	-	750,000	-	750,000
Jason Beckton	-	-	-	4,500,000	-	4,500,000
Key Management Personnel						
Richard Hatcher	-	-	-	750,000	-	750,000
Paul Marshall	100,000	-	100,000	750,000	-	750,000
Total	400,000	-	400,000	9,750,000	-	9,750,000

Amounts owed to Key Management Personnel

$95,475 is owed to Directors for unpaid director fees (2012: $112,962). These amounts are at call and do not bear interest.

NOTE 22 RELATED PARTY AND KEY MANAGEMENT PERSONNEL (continued)

Transactions with Director related parties

In the prior period 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 25 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 mineralisation within the Mount Isa Inlier of northwest Queensland.

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

Mount Frosty

On 3 February 2012, the Company signed a binding agreement with Xstrata Mount Isa Mines Limited (Xstrata Copper) to farm-in to the Mt 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.
- 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.

Under the terms of the Mary Kathleen Joint Venture, GSE has the right to earn a 30% interest in the participating interests that CYU is entitled to earn under the Mt Frosty agreement. At the date of this report CYU has yet to earn an interest in the Tenement.

Cloncurry North

CYU previously entered into a Farm-in Agreement with Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX), whereby CYU granted YEX the exclusive right to earn at least a 55% participating interest in the Cloncurry North tenements, free of all encumbrances, by incurring expenditure of A$5,000,000 on the tenements. Having earned a 10% interest in these tenements, YEX issued a notice to CYU in May 2013 advising of its intention to withdraw from the farm-in arrangements, and remaining with its 10% holding. At the date of this report, YEX had yet to earn any interest in these tenements.

Mt Isa East

CYU entered into a Farm-in Agreement with YEX in June 2013, whereby CYU granted YEX the exclusive right to earn at least a 45% participating interest in the Mt Isa East tenements, free of all encumbrances, by incurring expenditure of A$800,000 on the tenements.

Rio Tinto Exploration - Chile

China Yunnan Copper Australia Limitada, a Chilean subsidiary of CYU has previously signed three agreements with Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration) to create joint venture interests in copper porphyry exploration properties in northern Chile: Palmani, Caramasa and Candelabro.

NOTE 23 JOINT VENTURES (continued)

In June 2013, CYU issued notices to Rio Tinto exercising its rights to withdraw from the Caramasa and Candelabro projects. In the case of the Palmani Joint Venture the key terms are:

- 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).
- 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 Palmani tenements.

Sulfato - Chile

On 8 August 2012, China Yunnan Copper Australia Chile Limitada a Chilean subsidiary of CYU signed an 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 Sulfato in northern Chile.

The key components of the potential Joint Venture are:

- Minimum expenditure commitment for first year US$500,000. (Note that Codelco has agreed to a three-month extension of time to incur this commitment until November 2013).
- 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.

At the date of this report CYU 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 $1,629,997. 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 2013.

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.

Maximum exposure to credit risk

	2013 $	2012 $
Non-trade receivables	264,988	513,857
Security deposits	61,966	56,109
Finance lease receivable	4,943	33,058
Cash and cash equivalents	3,590,147	2,061,499
	3,922,044	2,664,523

Ageing of receivables

	2013	2012
Not past due	331,897	514,791
Past due 0-90 days	-	88,233
Past due >90 days	-	-
Impaired	-	-
	331,897	603,024

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

(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:

	2013 $	2012 $
Less than one year		
Trade and other payables	916,845	1,001,749
Finance leases	-	7,500

(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 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2013 $	2012 $	2013 $	2012 $
+1.00% (100 basis points)	12,373	12,749	12,373	12,749
-1.00% (100 basis points)	(12,373)	(12,749)	(12,373)	(12,749)

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 2013, the Consolidated Entity had the following exposure to foreign currency:

NOTE 24 FINANCIAL RISK MANAGEMENT (continued)

	2013 Foreign Currency	2012 Foreign Currency	2013 AUD	2012 AUD
Financial Assets:				
Cash and cash equivalents	USD -	USD 137,218	-	137,218
Cash and cash equivalents	RMB 5,365,859	RMB 4,371,369	951,748	674,844
Cash and cash equivalents	CLP 4,632,185	CLP -	10,011	-
Trade and other receivables	USD -	USD 22,336	-	21,986
Trade and other receivables	RMB 369,423	RMB -	65,525	-
Trade and other receivables	CLP 9,990,721	CLP -	21,592	-
Financial Liabilities:				
Trade and other payables	USD -	USD 607,703	-	598,192
Trade and other payables	RMB 2,934,403	RMB -	520,478	-
Trade and other payables	CLP 19,680,678	CLP -	42,533	-

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) 2013 $	Post Tax Profit Higher/(Lower) 2012 $	Equity Higher/(Lower) 2013 $	Equity Higher/(Lower) 2012 $
+10.00%	48,587	23,585	48,587	23,585
-10.00%	(48,587)	(23,585)	(48,587)	(23,585)

(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 2013.

	2013 $	2012 $
NOTE 26 COMMITMENTS		
Operating leases		
Minimum lease payments:		
Payable within one year	78,297	58,040
Total contracted at balance date	78,297	58,040

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

Finance leases payable

	2013 $	2012 $
Future minimum lease payments:		
Payable within one year	-	7,500
Payable between one year and five years	-	-
	-	7,500
Less future interest payments	-	(155)
	-	7,345
Present value of minimum lease payments:		
Current (Note 15)	-	7,345

2012: 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.

Finance leases receivable

	2013 $	2012 $
Future minimum lease payments receivable:		
Receivable within one year	5,000	30,000
Receivable between one year and five years	-	5,000
	5,000	35,000
Less future interest payments	(57)	(1,942)
	4,943	33,058
Present value of minimum lease payments receivable:		
Current (Note 8)	4,943	28,115
Non-Current (Note 8)	-	4,943
	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.

	2013 $	2012 $
Exploration obligations to be undertaken:		
Payable within one year	1,314,997	305,453
Payable between one year and five years	1,765,000	-
	3,079,997	305,453

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 2013	Laos $	Chile $	Australia $	Consolidated $
Revenue:				
Interest revenue	13,165	-	90,621	103,785
Other revenue	-	-	-	158
Expenses:				
Interest expense	-	-	(181)	(181)
Other expenses	(223,051)	(4,646,949)	(2,995,378)	(7,865,378)
Other:				
Share of equity accounted associate's profit/(loss)	(46,475)	-	-	(46,475)
Segment result	(256,361)	(4,646,949)	(2,904,938)	(7,808,248)
Income tax	-	-	-	-
Net Loss	(256,361)	(4,646,949)	(2,904,938)	(7,808,248)
Non-cash items included in loss above:				
Depreciation and amortisation	16,624	8,375	81,576	106,575
Share based payments	-	-	33,387	33,387
Impairment of exploration expenditure	-	4,163,398	552,153	4,715,551
Share of equity accounted associate's loss	(46,475)	-	-	(46,475)
Assets:				
Segment assets	6,725,301	1,383,471	12,163,964	20,272,736
Unallocated corporate assets	-	-	-	-
Consolidated Total Assets	6,725,301	1,383,471	12,163,964	20,272,736
Liabilities:				
Segment liabilities	520,478	42,533	435,870	998,881
Unallocated corporate liabilities	-	-	-	-
Consolidated Total Liabilities	520,478	42,533	435,870	998,881
Segment acquisitions:				
Acquisition of property, plant and equipment	-	-	2,567	2,567
Capitalised exploration expenditure	398,388	1,687,579	1,773,886	3,859,853
Details on non-current assets:				
Trade and other receivables	-	16,071	45,895	61,966
Plant and equipment	220,437	46,316	128,054	394,807
Exploration expenditure	5,487,591	1,295,145	9,148,999	15,931,735
	5,708,028	1,357,532	9,322,948	16,388,508

NOTE 27 SEGMENT REPORTING (continued)

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 28 EVENTS AFTER BALANCE SHEET DATE

Roseby South Joint Venture

On 17 September 2013, CYU entered into a binding term sheet to create a joint venture with Altona Mining Limited (Altona) to explore for copper and gold and ultimately earn a majority interest in the Roseby South Project, near Mt Isa in Queensland.

The terms of the earn-in joint venture between CYU and Altona are:

- The term of the earn-in is 5 years;
- CYU must spend at least $1m on exploration at Roseby South during the next 2 years;
- CYU has the right to earn a 30% interest upon the expenditure of $2m (inclusive of the $1m noted above);
- CYU has the right to earn a further 30% of the project by investing an additional $2 million; and
- At any time CYU may elect to sole fund exploration and feasibility studies on a proposed mining development. By incurring all costs up to completion of a positive bankable standard feasibility study and to the point of a decision to mine being made by the parties, CYU shall be entitled to earn a further 10% interest in the Roseby South tenures (taking its total interest to 70%).

Once CYU earns its 60% interest, (and subject to CYU making an election to sole fund a feasibility study to go to 70%), an unincorporated joint venture will be formed between CYU and Altona with each party then obliged to contribute to ongoing project development or dilute according to an agreed formula and work program.

Millenium Project Joint Venture

On 17 September 2013, CYU also entered into a binding term sheet to create a joint venture with Elementos Limited (ELT) to explore for copper, cobalt and gold and ultimately earn a majority interest in the Millenium Project. Millenium, situated near Cloncurry in the world-class Mt Isa Inlier in north-west Queensland, includes the following tenements:

- Mining Leases totalling 134 hectares;
- Exploration Permits totalling 254 km^2; and
- Exploration Permit applications (including areas that involve contested applications) totalling 74 km2.

The terms of the earn-in joint venture between CYU and ELT are:

- CYU will make a payment of a $100,000 cash option fee for the exclusive right to explore the properties subject to the joint venture;
- CYU will have the right to earn 51% of the project by investing $1.2 million over 3 years; and
- CYU may increase its interest by a further 19% of the project, by investing an additional $1.3 million over a further 2 years.

Once CYU earns its 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the 10% interest immediately converts to a 1% net smelter royalty. The agreement is subject to finalisation of a full joint venture agreement and the transfer of the Millenium Mining Leases to ELT, which are currently the subject of an option to purchase agreement with Forte Energy NL.

There have been no other significant events since 30 June 2013 that impact upon the financial report.

NOTE 29 BUSINESS COMBINATIONS

On 14 December 2012, the Company acquired an additional 10% of the issued capital Yunnan Copper San Mu Mining Co Ltd (San Mu), a Chinese registered company holding subsidiaries that own copper silver projects in Northern Laos, bringing its interest in San Mu to 51%.

Prior to 14 December 2012, the Company owned 41% of the equity in San Mu and the investment in San Mu was classified as an equity accounted investment (refer Note 13).

Details of the purchase consideration and net assets acquired

	2013 $
Purchase consideration	
Cash paid (3rd tranche of 6,000,000RMB)	903,852
Acquisition-date fair value of previously held equity accounted investment	2,059,085
Total purchase consideration	2,962,937
Fair value of net assets acquired	
Cash and cash equivalents	1,714,328
Trade and other receivables	169,955
Plant and equipment	199,197
Exploration expenditure	4,620,678
Trade and other payables	(894,479)
	5,809,680
Less 49% non-controlling interests	(2,846,743)
Fair value of net assets acquired attributable to owners of the Parent Entity	2,962,937

Non-Controlling Interests

The Consolidated Entity has elected to recognise the non-controlling interests at their proportionate share (49%) of the fair value of the acquiree's identifiable net assets at the acquisition date.

Revenue and Profit Contribution

San Mu contributed $13,165 revenue and $209,866 net loss to the Consolidated Entity for the period 14 December 2012 to 30 June 2013.

If the acquisition had occurred on 1 July 2012, consolidated revenue and consolidated loss for the year ended 30 June 2013 would have been $13,165 and $325,060 respectively.

Casfhlow impact of purchase consideration

	2013 $
Outflow of cash to acquire final 10% interest in San Mu	(903,852)
Cash balances acquired on San Mu’s reclassification to subsidiary	1,714,328
Net inflow of cash from acquisition	810,476

NOTE 30 PARENT ENTITY INFORMATION

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

	2013 $	2012 $
Parent Entity Financial Information		
Current assets	2,841,016	2,458,189
Non-current assets	18,918,536	14,808,333
Total assets	21,759,552	17,266,522
Current liabilities	435,871	466,140
Non-current liabilities	-	-
Total liabilities	435,871	466,140
Net assets	21,323,681	16,800,382
Share capital	32,601,076	25,206,229
Share based payment reserve	520,496	487,108
Accumulated losses	(11,797,891)	(8,892,955)
Total equity	21,323,681	16,800,382
Loss after income tax	(2,904,936)	(2,609,832)
Other comprehensive income	-	-
Total comprehensive loss	(2,904,936)	(2,609,832)

Controlled Entities of the Parent Entity

	Percentage Owned		
	2013 %	2012 %	Country of Incorporation
Humitos Pty Ltd	100%	100%	Australia
China Yunnan Copper Australia Chile Limitada	100%	100%	Chile
Yunnan Copper San Mu Mining Industry Co Ltd	51%	41%	China

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 $489,997 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.

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 2013 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.

Paul Williams
Director

26 September 2013

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 2013, 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 Note 1, 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 2013 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 – material uncertainty in respect of going concern

Without modifying our opinion, we draw attention to Note 1 in the financial report which sets out why the directors consider the going concern basis used in the preparation of the financial report is appropriate. As disclosed in the 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 sales 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 and therefore realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Mark Epper
Partner

Sydney

26 September 2013

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