

CHINA YUNNAN COPPER AUSTRALIA LIMITED

A.B.N. 29 070 859 522

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

# CHINA YUNNAN COPPER AUSTRALIA LIMITED

| <b>CORPORATE DIRECTORY</b>  |  |
|---|--|
| <b>DIRECTORS</b><br>Chao Yang (Co Chairman)<br>Norman Zillman (Co Chairman)<br>Jason Beckton (Managing Director)<br>Mark Elliott<br>Zewen Yang<br>Liang Zhong   | <b>STOCK EXCHANGE LISTING</b><br>Australian Stock Exchange Ltd<br>ASX Code: CYU  |
| <b>SECRETARY</b><br>Paul Marshall   | <b>AUSTRALIAN BUSINESS NUMBER</b><br>ABN 29 070 859 522  |
| <b>ADMINISTRATION AND REGISTERED OFFICE</b><br>Level 5<br>60 Edward Street<br>Brisbane QLD 4000<br><br>Telephone: 07 3303 0653<br>Facsimile: 07 3303 0601<br>Email: <a href="mailto:admin@cycal.com.au">admin@cycal.com.au</a><br>Website: <a href="http://www.cycal.com.au">www.cycal.com.au</a> | <b>SHARE REGISTRY</b><br>Link Market Services<br>Level 12<br>300 Queen St<br>Brisbane Qld 4000<br><br>Telephone: (02) 8280 7454<br>Facsimile: (02) 9287 0303<br><a href="http://www.linkmarketservices.com.au">www.linkmarketservices.com.au</a> |
| <b>SOLICITORS</b><br>Hopgood Ganim<br>Level 8<br>Waterfront Place<br>1 Eagle Street<br>Brisbane QLD 4000  | <b>AUDITORS</b><br>WHK Horwath<br>Level 16<br>WHK Horwath Centre<br>120 Edward Street<br>Brisbane QLD 4000   |

# CHINA YUNNAN COPPER AUSTRALIA LIMITED

## DIRECTORS' REPORT

Your directors present their report on China Yunnan Copper Australia Ltd for the half-year ended 31 December 2007.

### Directors

The names of persons who were directors of China Yunnan Copper Australia Ltd, during the whole of the half-year and up to the date of this report, unless otherwise stated, are:

Chao Yang (Co Chairman) - appointed 30/1/08  
Norman Zillman (Co Chairman)  
Jason Beckton (Managing Director)  
Mark Elliott  
Zewen Yang  
Liang Zhong - appointed 30/1/08  
Shaolu Zou - resigned 30/1/08  
Weiping Yu - resigned 30/1/08

### Review of Operations

China Yunnan Copper Australia Limited ('CYU' or 'Company') is an Australian company formed to explore for and develop minerals in Australia and overseas. Cornerstone investor China Yunnan Copper (Australia) Investment & Development Co. Ltd, who hold a 21% interest, is a subsidiary of Yunnan Copper Industry (Group) Co Ltd which is China's third largest copper producer and their largest silver and bismuth producer. CYU is targeting high quality copper, gold and uranium projects with eleven wholly owned Exploration Permits for Minerals (EPM's) in the Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier in Queensland.

For the half year ended 31 December 2007 the Company made a loss of \$140,900 (2006: \$10,914).

### Corporate

In July 2007 the Company completed a placement of 16,428,571 shares and 16,428,571 \$0.40 29/10/10 options that raised \$2.3 million as the cornerstone investment by China Yunnan Copper (Australia) Investment & Development Co. Ltd. Yunnan Copper Industry (Group) Co Ltd's Chairman and two other Chinese representatives were appointed to the China Yunnan Copper Australia Limited board. The relationship with YCI will provide access to technical expertise, new projects, project funding and competitive off-take agreements from Yunnan Copper Industry (Group) Co Ltd. In January 2008, Dr Shaolu Zou and Dr Weiping Yu resigned and Mr Chao Yang and Mr Liang Zhong were appointed as Directors to reflect Chinalco gaining a 49% equity in Yunnan Copper Industry (Group) Co Ltd.

The company completed its listing on the Australian Securities Exchange on 29 October 2007 following its Initial Public Offer of 16,000,000 25c shares that raised \$4 million (before costs).

### Projects

Exploration commenced on the Company's projects shortly after completion the listing on the ASX. To date the following activities have been completed or are scheduled to be completed.

### Cloncurry

- Significant anomalies generated by 292 line km of a Ground Magnetics survey and 20 line km of a broad spaced Induced Polarisation (IP) survey completed and interpreted over the prospective margin of Naraku Granite.
- Encouraging copper soil results from 392 samples returned for the prospective margin of the Naraku Granite. Copper soil anomalies coincident with the geophysical anomalies indicating the possible presence of concealed sulphide bodies.
- In March 2008, RC drill rig has commenced testing the new geochemical and geophysical anomalies at One Tree Hill and Capsize Creek targets areas along the margins of the Naraku Granite.
- Diamond drilling commenced in mid January to test the FC4 target 6km north of the Ernest Henry copper-gold mine.

# CHINA YUNNAN COPPER AUSTRALIA LIMITED

## DIRECTORS' REPORT

### Mt Isa

- Mapping of mineralised structures has commenced on EPM15248 starting with Argylla Creek where a soil sampling program commenced in early January.

### Pentland

- Reconnaissance mapping has been completed in preparation for a soil sampling program over The Gap gold prospect.

### Clermont

- An exploration program has been planned to rank the numerous quartz gold occurrences in this project. Mapping and sampling to determine drill targets is to take place in the January quarter of 2008.

### **Auditors Independence Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2007.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Jason Beckton  
Director

Brisbane  
Date: 13 March 2008

**AUDITOR'S INDEPENDENCE DECLARATION IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CHINA YUNNAN COPPER AUSTRALIA LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2007 there has been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

**WHK HORWATH**

**DON LANGDON  
PRINCIPAL**

Dated at Brisbane this 13<sup>th</sup> day of March 2008

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*Total Financial Solutions*

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CHINA YUNNAN COPPER AUSTRALIA LIMITED

INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

|   | Note | Half Year        |                 |
|---|------|------------------|-----------------|
|   |      | 2007             | 2006            |
|   |      | \$               | \$              |
| Revenue                                   |      | 101,885          | -               |
| Borrowing costs                           |      | (162)            | -               |
| Employment/Consulting                     |      | (90,552)         | -               |
| Depreciation                              |      | (810)            | (713)           |
| Other expenses                            |      | (151,261)        | (10,201)        |
| <b>Profit/(Loss) before income tax</b>    |      | <b>(140,900)</b> | <b>(10,914)</b> |
| Income tax expense                        |      | -                | -               |
| <b>Net Profit/(Loss) after income tax</b> |      | <b>(140,900)</b> | <b>(10,914)</b> |
|   |      | <b>Cents</b>     | <b>Cents</b>    |
| Basic earnings/(loss) per share           |      | (0.22)           | (0.03)          |
| Diluted earnings/(loss) per share         |      | (0.22)           | (0.03)          |

The Income Statement should be read in conjunction with the notes to the financial statements.

CHINA YUNNAN COPPER AUSTRALIA LIMITED

BALANCE SHEET  
AS AT 31 DECEMBER 2007

|                                  | Note | 31 December<br>2007<br>\$ | 30 June<br>2007<br>\$ |
|----------------------------------|------|---------------------------|-----------------------|
| <b>Current Assets</b>            |      |                           |                       |
| Cash and cash equivalents        |      | 6,099,036                 | 64,938                |
| Trade and other receivables      |      | 63,830                    | 3,157                 |
| Financial assets                 |      | 1,091                     | 1,091                 |
| Other current assets             |      | 29,783                    | 34,460                |
| <b>Total Current Assets</b>      |      | <u>6,193,740</u>          | <u>103,646</u>        |
| <b>Non-Current Assets</b>        |      |                           |                       |
| Trade and other receivables      |      | 40,098                    | 30,000                |
| Property, plant & equipment      |      | 16,644                    | -                     |
| Exploration expenditure          |      | 807,916                   | 313,777               |
| <b>Total Non-Current Assets</b>  |      | <u>864,659</u>            | <u>343,777</u>        |
| <b>TOTAL ASSETS</b>              |      | <u>7,058,399</u>          | <u>447,423</u>        |
| <b>Current Liabilities</b>       |      |                           |                       |
| Trade and other payables         |      | 307,862                   | 3,993                 |
| Short term provisions            |      | 473                       | -                     |
| <b>Total Current Liabilities</b> |      | <u>308,335</u>            | <u>3,993</u>          |
| <b>TOTAL LIABILITIES</b>         |      | <u>308,335</u>            | <u>3,993</u>          |
| <b>NET ASSETS</b>                |      | <u>6,750,064</u>          | <u>443,430</u>        |
| <b>Equity</b>                    |      |                           |                       |
| Issued capital                   | 5    | 6,678,350                 | 505,402               |
| Reserves                         |      | 274,586                   | -                     |
| Accumulated losses               |      | (202,872)                 | (61,972)              |
| <b>TOTAL EQUITY</b>              |      | <u>6,750,064</u>          | <u>443,430</u>        |

The Balance Sheet should be read in conjunction with the notes to the financial statements.

**CHINA YUNNAN COPPER AUSTRALIA LIMITED**

**CASHFLOW STATEMENT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

|   | Note | Half Year        |                 |
|---|------|------------------|-----------------|
|   |      | 2007             | 2006            |
|   |      | \$               | \$              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |      |                  |                 |
| Payments to suppliers and employees                                 |      | (237,654)        | (5,700)         |
| Interest received   |      | 101,885          | -               |
| Interest paid   |      | (162)            | -               |
| <b>Net cash inflow/(outflow) from operating activities</b>          |      | <b>(135,931)</b> | <b>(5,700)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |      |                  |                 |
| Payments for property plant and equipment                           |      | (17,454)         | (5,363)         |
| Payments for exploration and development                            |      | (224,413)        | (66,747)        |
| Payments for security deposits                                      |      | (10,098)         | (15,000)        |
| <b>Net cash inflow/(outflow) from investing activities</b>          |      | <b>(251,965)</b> | <b>(87,111)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |      |                  |                 |
| Proceeds from issue of shares                                       |      | 6,853,000        | 107,000         |
| Payment of share issue costs  |      | (431,006)        | -               |
| <b>Net cash inflow/(outflow) from financing activities</b>          |      | <b>6,421,994</b> | <b>107,000</b>  |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>         |      | <b>6,034,098</b> | <b>14,189</b>   |
| Cash and cash equivalents at the beginning of the financial period  |      | 64,938           | 16,966          |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b> |      | <b>6,099,036</b> | <b>31,156</b>   |

The Cashflow Statement should be read in conjunction with the notes to the financial statements.



CHINA YUNNAN COPPER AUSTRALIA LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

|                              | Issued Capital | Share Option Reserve | Accumulated Losses | Total     |
|------------------------------|----------------|----------------------|--------------------|-----------|
|                              | \$             |                      | \$                 | \$        |
| At 1 July 2006               | 298,402        | -                    | (25,824)           | 272,578   |
| Share issues                 | 107,000        | -                    | -                  | 107,000   |
| Profit/(loss) for the period | -              | -                    | (10,914)           | (10,914)  |
| At 31 December 2006          | 405,402        | -                    | (36,738)           | 368,664   |
| At 1 July 2007               | 505,402        | -                    | (61,972)           | 443,430   |
| Shares issued                | 6,913,000      | -                    | -                  | 6,913,000 |
| Expenses of share issues     | (740,052)      | -                    | -                  | (740,052) |
| Share options issued         | -              | 274,586              | -                  | 274,586   |
| Profit/(loss) for the period | -              | -                    | (140,900)          | (140,900) |
| At 31 December 2007          | 6,678,350      | 274,586              | (202,872)          | 6,750,064 |

The Statement of Changes in Equity should be read in conjunction with the notes to the financial statements.

# CHINA YUNNAN COPPER AUSTRALIA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

### 1. BASIS OF PREPARATION

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Equivalent to International Reporting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board including the Australian Accounting Interpretations.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by China Yunnan Copper Australia Ltd and its controlled entities during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the company and are consistent with those applied in the 30 June 2007 annual report.

The half-year report does not include all notes of the type normally included in an annual financial report.

### 2. SEGMENT INFORMATION

The Company operates predominantly in one business and geographical segment being in the minerals exploration industry in Australia. No revenue from this activity has been earned to date as the Company is still in the exploration and evaluation stage.

### 3. CONTINGENT ASSETS AND LIABILITIES

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2007.

### 4. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events since 31 December 2007 that impact upon the financial report as at 31 December 2007.

### 5. ISSUED CAPITAL

|   | Half Year         |                   | Half Year        |                |
|---|-------------------|-------------------|------------------|----------------|
|   | 2007              | 2006              | 2007             | 2006           |
|   | Shares            | Shares            | \$               | \$             |
| Opening Balance 1 July                        | 35,887,502        | 23,837,502        | 505,402          | 295,402        |
| Issue of Ordinary Shares during the Half-Year |                   |                   |                  |                |
| Seed capital                                  | 8,700,000         | 11,250,000        | 553,000          | 110,000        |
| Placement to YCI                              | 16,428,571        | -                 | 2,300,000        | -              |
| Acquisition of tenement                       | 600,000           | -                 | 60,000           | -              |
| IPO share issue                               | 16,000,000        | -                 | 4,000,000        | -              |
| Share issue expenses                          | -                 | -                 | (740,052)        | -              |
| Closing Balance 31 December                   | <u>77,616,073</u> | <u>35,087,502</u> | <u>6,678,350</u> | <u>405,402</u> |

# CHINA YUNNAN COPPER AUSTRALIA LIMITED

## DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 10:
  - (a) comply with Australian Equivalents to International Reporting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
  - (b) give a true and fair view of the Company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

**Jason Beckton**  
Director

**Brisbane**  
Date: 13 March 2008

## **INDEPENDENT AUDITORS' REVIEW REPORT**

To the members of China Yunnan Copper Australia Limited

We have reviewed the accompanying half-year financial report of China Yunnan Copper Australia Limited that comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration of the company

### **Directors' Responsibility for the Half-Year Financial Report**

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

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of China Yunnan Copper Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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### **Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of China Yunnan Copper Australia Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**WHK HORWATH**

**DON LANGDON  
PRINCIPAL**

Dated at Brisbane this 13th day of March 2008