ANNUAL REPORT
For the year ended 31 December 2016

CORPORATE DIRECTORY
Chinalco Yunnan Copper Resources Limited A.C.N 070 859 522

Board of Directors Huaisheng Peng (Non-Executive Chairman) Paul Williams (Managing Director) Zewen Yang (Executive Director) Qinghai Wang (Non-Executive Director) **Company Secretary** Paul Marshall **ASX Code: CYU**	**Head Office** Suite 11, Level 4 320 Adelaide Street Brisbane QLD 4000 Telephone: 07 3041 1306 Email: admin@cycal.com.au Website: www.cycal.com.au
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CONTENTS

COMPANY OVERVIEW AND STRATEGY

The principal activities of the Company and its controlled entities during the year comprised:

- Re-assessment of the Company's future direction in view of the decision (in January 2016) of Aluminium Corp of China (Chinalco) to withdraw from future financial support and co-operation with CYU;
- Commencement of a strategic engagement with Beijing-based JCHX Group;
- Review of the Company's mineral exploration tenures in the Mount Isa region of north-western Queensland; and
- Ongoing Identification and assessment of copper and gold project opportunities for acquisition – especially in the Democratic Republic of Congo, Africa (DRC) and other parts of Africa.

There were no significant changes in the nature of CYU's principal activities during the year.

REVIEW OF OPERATIONS

Projects

As a result of the Chinalco decision in January 2016, CYU management placed all of the Company's exploration activities in the Mount Isa region under review. Very little exploration expenditure was incurred by CYU on the Mount Isa tenures during the course of 2016. CYU ultimately entered into respective sale agreements with ASX-listed Hammer Metals Ltd ("HMX") for the disposal of the Mount Isa exploration tenures – one agreement in May 2016 relating to the Millennium JV tenures and the other in December 2016 relating to CYU's remaining Mount Isa tenures. Details of these agreements are set out below.

CYU management continued to review and assess (in conjunction with JCHX Group management) various new copper and gold project opportunities for potential acquisition. These projects were situated in the DRC and other parts of Africa, as well as in Australia. No concluded agreement has yet been achieved and the review activities are ongoing.

Australian Projects

Sale of Millennium JV Interests

On 4 May 2016, CYU announced an agreement had been reached with HMX and Elementos Ltd ("ELT") whereby HMX would acquire all of CYU's interests in the Millennium Joint Venture. These interests comprised five mining leases. As part of the sale of CYU's interest to HMX, both CYU and ELT agreed to terminate the Millennium Joint Venture with no party having any further right or claim against the other in relation to that JV. CYU was issued 500,000 ordinary shares in HMX in exchange for surrendering its rights at Millennium.

Under the terms of the Joint Venture agreement that CYU entered into in September 2013 with ELT, CYU still had approximately $400,000 of exploration expenditure to be committed to these mining lease areas (by September 2016) in order to earn an initial 51% interest in the leases.

CYU's exploration team had carried out exploration drilling and modelling of the mineralisation within these mining lease areas over the past 2 years and formed the view that while the mineralisation may extend along the strike zone and at depth, there remains significant uncertainty that a resource of the size of CYU's stated exploration target (1 million tonnes of copper or copper equivalent) can be established at Millennium. Furthermore follow-up drilling would be deep (+300m) and at significant additional cost. In these circumstances, the CYU's Board believed that retirement from the Millennium Joint Venture was a prudent approach as the Company continues with its focus on other project opportunities.

Variations to the Mary Kathleen Joint Venture

On 26 February 2016, CYU and Goldsearch Ltd ("Goldsearch") agreed to vary the terms of the existing Mary Kathleen Joint Venture. [Note that this Joint Venture related to the tenure holdings comprising EPMs 14019, 14022 and 14467 (Mt Frosty)]. The principal agreed variation terms were to:

- Confirm that CYU was the holder of a 100% interest in the Joint Venture tenures, subject only to a 1.75% net smelter royalty back in favour of Goldsearch; and
- Terminate the existing Mary Kathleen Joint Venture, with neither party having any further rights or obligations in relation to that activity.

Under the previously agreed arrangements with Goldsearch, CYU had to incur a further $1.5m of exploration expenditure before it could secure the final 20% interest in this tenure that it did not already hold. This latest variation effected a final transfer of the 20% interest from Goldsearch to CYU, but subject to the net smelter royalty arrangement.

Furthermore, on 20 September 2016 CYU entered into a variation deed with Goldsearch which effectively terminated the Mary Kathleen Joint Venture between the two companies and to secure for CYU an unencumbered 100% interest in the EPMs that were subject to this Joint Venture. Under this further variation deed, Goldsearch agreed to waive its future 1.75% net smelter royalty entitlement. The position of Goldsearch was consistent with their stated objective to pursue other opportunities outside of the resource sector.

Sale of Remaining Mount Isa Tenure Interests

On 15 December 2016 CYU announced that it had entered into an agreement with HMX relating to that company's acquisition of all of CYU's existing mining tenement holdings in the Mount Isa region. These tenement holdings comprised CYU's 100% interest in EPMs 12205, 14019 and 14022, together with a 51% joint venture interest in EPM 14467 (under the Mt Frosty Joint Venture with Mount Isa Mines Ltd – a Glencore Group company). All mining information, data, core samples and other materials relating to these mining tenements are also be sold to HMX.

Under the sale, CYU will receive 1,500,000 ordinary shares in HMX which will be capable of being traded on the ASX, save for a voluntary escrow commitment by CYU until November 2017. The sale is conditional upon the following:

- Completion of due diligence by HMX in relation to the tenures;
- Indicative approval being obtained from the Department of Natural Resources and Mines for the transfer of these interests to take place; and
- Consent being secured from Mount Isa Mines in respect of the proposed transfer of the 51% interest in EPM 14467 and to certain changes requested by HMX to be made to the existing Mt Frosty Joint Venture agreement.

The conditions relating to the sale of EPMs 12205, 14019 and 14022 have now been finalised and completion of the sale occurred on 27 March 2017. The sale of CYU's Mt Frosty JV interest is conditional upon consent being secured from Mount Isa Mines in respect of the proposed transfer of the 51% interest in EPM 14467 and to certain changes requested by HMX to be made to the existing Mt Frosty Joint Venture agreement. CYU, HMX and Glencore are still working on these matters, but a positive outcome is likely within the next few weeks. As soon as this occurs, completion of the sale of this interest to HMX will take place.

CYU has previously advised shareholders and the ASX of its intentions to pursue other project interests in Africa and potentially elsewhere and these intentions are inconsistent with continuing to hold these tenures. If the sale is completed this will bring an end to CYU's activities in Mount Isa.

Corporate Activities

JCHX Share Placement

As part of the establishment of a new strategic relationship with Beijing-based JCHX Group Co., Ltd ("JCHX Group"), CYU announced on 4 March 2016 the signing of a share placement agreement with that firm. The primary intention of the agreement is for JCHX Group to participate with CYU in its proposed development and acquisition of copper opportunities in the DRC.

Founded in 1997, the privately-owned JCHX Group controls one of China's largest mining service companies, JCHX Mining Management Co., Ltd which currently manages more than 30 mining operations throughout China, and other parts of the world, including 4 mining projects in Zambia, Africa. JCHX Mining Management Co., Ltd was listed on the Shanghai Stock Exchange in June 2015 after the company successfully raised ￥1.633 billion (A$360million).

JCHX Group, through a 100% subsidiary, Bienitial International Co., Ltd ("BIC") agreed to provide initial funding to CYU of an amount of A$1,182,490, which was in the form of a share placement of 118,249,000 ordinary CYU shares at an issue price of A$0.01per share.

As part of the initial JCHX Group funding, the Chairman of JCHX Group, Mr Xiancheng Wang joined the Board of CYU. Mr Wang is a well-known and highly regarded Chinese businessman and his skills and expertise are of significant benefit to CYU as it pursues its activities in the DRC and other parts of Africa.

Entitlement Offer to Existing CYU Shareholders

On 20 September 2016, CYU announced a non-renounceable entitlement offer to existing shareholders ("the Offer"). The main features of the Offer included the following:

- One (1) new fully paid ordinary share for every two (2) shares held;
- Issue price of 0.6 cents ($0.006) per new share;
- To raise up to $1.77M before costs of the offer (if fully subscribed);
- Offer underwritten up to a maximum of $1.384M by the Company's second-largest Shareholder, Bienitial International Industrial Co., Ltd ("Bienitial"); and
- Offer also partially underwritten by Managing Director, Paul Williams, to a maximum $100k.

The Offer closed on Friday, 14 October 2016. Together with the additional subscriptions from the Offer's Underwriters (Bienitial and Paul Williams), a total of 295,638,362 new shares were issued by CYU, creating a new total issued capital for CYU of 886,914,837 ordinary shares. CYU raised a total of $1,773,830 from the Offer.

As a consequence of completion of the Offer, the holdings of CYU's two substantial shareholders changed as follows:

- Bienitial International Industrial Co Ltd – increased from 118,249,000 (19.9%) to 349,018,230 (39.35%); and
- China Yunnan Copper (Australia) Investment and Development Co Ltd – shareholding of 299,922,326 did not change but percentage reduced from 50.72% to 33.82%.

Changes to CYU Board of Directors

On 6 December 2016 CYU announced certain changes to the composition of its Board of Directors. These changes were as follows:

- Mr Zhihua Yao resigned as non-executive Chairman and a Director of CYU;
- Dr Huaisheng Peng was appointed as a new Director and assumed the role of non-executive Chairman; and
- Mr Xiancheng Wang resigned as a Director and was replaced by his son (and existing alternate Director) Mr Qinghai Wang as a non-executive Director.

Both Paul Williams and Robert Yang continue in their existing executive roles at CYU.

Dr Peng and Mr Qinghai Wang are very experienced mining industry professionals and currently hold senior executive roles with JCHX Mining Management Co Ltd.

ANNUAL MINERAL RESOURCE STATEMENT

In accordance with ASX Listing Rule 5.21, the Company reviews and reports its Mineral Resources at least annually. The date of reporting is 31 December each year, to coincide with the Company's end of financial year balance date. If there are any material changes to its Mineral Resources over the course of the year, the Company is required to promptly report these changes.

Elaine Prospect

The Company has previously reported an Inferred Resource for the Elaine prospect as follows:

Resource Classification	Tonnes	Cu %	Au g/t
Inferred	27.7Mt	0.53	0.08
Total Resource	**27.7Mt**	**0.53**	**0.08**

This Inferred Resource was calculated independently in 2012 by Mr Steven Ristorcelli, Principal Geologist with Mine Development Associates of Reno, Nevada, USA pursuant to the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the "JORC Code") 2004 Edition and detailed in the Company's releases to the ASX on 29 June 2012 (and updated on 18 October 2012).

The Elaine Mineral Resource was last reported by the Company in October 2014. There has been no change to the Elaine Inferred Resource Statement reported in 2014. In completing the review for the period ended 31 December 2016, the historical resource factors were reviewed and found to be relevant and current. The Elaine Prospect has not been converted to an active operation yet and hence no material resource depletion has occurred for the review period.

Material Changes and Resource Statement Comparison

There have been no changes to the Mineral Resource during the review period from 1 January 2016 to 31 December 2016.

The information in this Annual Report that relates to Mineral Resources was prepared and first disclosed under the JORC Code 2004 Edition and has not been updated since to comply with the JORC Code 2012 Edition on the basis that the information has not materially changed since it was last reported. The Company is not aware of any new information or data that materially affects the information as previously released in 2012 and all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Governance Arrangements and Internal Controls

The Company has ensured that the Mineral Resources quoted are subject to good governance arrangements and internal controls. The Mineral Resources reported were generated by suitably qualified personnel (who were employed or contracted by the Company at the time) that were experienced in best practices in modelling and estimation methods, and also in undertaking reviews of the quality and suitability of the underlying information used to determine the resource estimate.

Competent Person's Statement

This Mineral Resources Statement for the Elaine prospect has been approved by Mr Steven Ristorcelli, who is a Certified Professional Geologist with the American Institute of Professional Geologists, a "Recognised Overseas Professional Organisation". Mr Ristorcelli has sufficient experience to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ristorcelli is a Principal Geologist with Mine Development Associates of Reno, Nevada, USA. Mr Ristorcelli has approved the Statement as a whole and consents to its inclusion in this Annual Report in the form and context in which it appears.

DIRECTORS AND OFFICERS

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

Dr Huaisheng Peng (Appointed 6/12/2016)

Non-Executive Chairman, BE (Mining), Executive MBA, PhD (Science)

Dr Peng is a Chinese citizen and professional senior mining engineer with over 25 years' experience in the mining sector. He was born in 1964 and obtained a Mining Engineering Bachelor degree from the Northeast University in Shenyang, Liaoning, an EMBA degree from Tsinghua University, Beijing, and a PhD in Science from Central South University at Changsha, China. He is also a supervisor of PhD degree applicants.

From August 1984 to December 2007, Dr.Peng served in the China Nonferrous Engineering and Research Institute successively as Engineer, Senior Engineer, Vice Director, Vice President, and Deputy General Manager of China ENFI Engineering Corporation (China's largest engineering firm).

Between 2008 and mid-2014 Dr Peng served in various roles with Aluminum Corp of China ("Chinalco") including Executive Director and CEO of Hong Kong Stock Exchange-listed Chinalco Mining International Ltd ("CMI"). During this period Dr Peng oversaw construction and development of the large Toromocho copper mine in Peru as well as the stock market listing of CMI in Hong Kong.

Dr Peng is currently President of JCHX Group Co Ltd and a Director of Shanghai Stock Exchange-listed JCHX Mining Management Co Ltd.

Mr Paul Williams (Appointed 6/3/2013)

Managing Director, LLB, BA.

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 well known in the Brisbane investment community as well as in Sydney and Melbourne and brings to the CYU Board a broad range of commercial and legal expertise – especially in the context of mining and exploration activities. He also has a strong focus on corporate governance and the importance of clear and open communication of corporate activity to the investment markets.

Mr Williams is 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 has more than 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.

Mr Qinghai Wang (Appointed 6/12/2016)

Non-Executive Director, MMGT and Fin

Mr Wang is a Chinese citizen, 35 years of age and holds a Masters Degree in Management and Finance from the University of Bath in the United Kingdom.

Mr Wang is currently Vice President and Director of JCMM and also the sole Director of CYU's largest shareholder, Bienitial International Industrial Co Ltd.

Mr. Wang previously served at JCMM in the roles of Auditor, Vice Manager of Legal & Securities Department, General Manager of HR Management Centre, and Assistant President. In his current position Mr Wang supervises the Human Resources and Information Technology divisions within JCHX Mining Management Co Ltd.

Mr Xiancheng Wang (Appointed 16/3/2016, Resigned 1/12/2016)

Former Non-Executive Director

Mr Xiancheng Wang was born in August 1958 in China. He is of Chinese nationality with no permanent residence abroad. He holds a university diploma in engineering and now has a senior engineering qualification in China. He is the Chairman of JCHX Group Co., Ltd and JCHX Mining Management Co., Ltd.

Mr Wang served as a General Manager of JCHX Group Co., Ltd from December 1997 to May 2000. From March 1999 to now he served as the Chairman of the Company. From October 2010 to May 2011, Mr Wang served as the Chairman and General Manager of JCHX Mining Management Co., Ltd. From May 2011 to December 2014, he served as Chairman and President of JCHX Mining Management Co., Ltd.

Mr Wang is also involved in some activities with various social organizations and holds different titles in the organizations such as Adjunct Professor of Central South University and Beijing University of Science and Technology; specialist of Expert Committee of China Association of Work Safety Expert Group; member of leadership team of "Large scale ultradeep metal mining safety key technology research projects" of State Administration of Work Safety; Vice president of China Association of Productivity; Vice President of Zambia and China Chamber of Commerce; Vice President of Beijing and Zhejiang Chamber of Commerce; and Academician (Mining) of World Productivity Academy.

Mr Zhihua Yao (Appointed 23/12/2010, Resigned 1/12/2016)

Former 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 30 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, Mr Yao 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 and recently secured official recognition from AusIMM to certify JORC resource and reserve statements, being one of only a handful of Chinese professionals to achieve this status.

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	Class D Performance Shares
Huaisheng Peng	-	-
Qinghai Wang *	349,018,230	-
Paul Williams	10,707,173	2,000,000
Zewen Yang	-	-

* Shares are held by Biential International Industrial Co Ltd. Mr Wang is a Director of Biential International Industrial Co Ltd.

COMPANY SECRETARY

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

Paul Marshall

Company Secretary and Chief Financial Officer, LLB, ACA

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Law degree, and a post Graduate Diploma in Accounting and Finance. He has 30 years professional experience having worked for Ernst and Young for ten years, and subsequently twenty years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

PRINCIPAL ACTIVITIES

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

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the period (2015: $nil).

FINANCIAL RESULTS

Capital structure
At 31 December 2016 the Company had 886,914,837 ordinary shares, and 2,000,000 Class D performance shares on issue.

Financial position
The Consolidated Entity had net assets and working capital of $2,261,578 at 31 December 2016. The majority of the Consolidated Entity's assets was cash reserves of $2,092,169.

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
At 31 December 2016 the Consolidated Entity had cash reserves of $2,092,169 and working capital of $2,261,578.

Operating Results

Revenue
As an early stage exploration company, Chinalco Yunnan Copper Resources Limited does not generate any recurring income other than interest on its cash holdings.

Expenses
The Consolidated Entity's main expenses, excluding project impairments, are as follows:

	December 2016 $
Employment and consultancy expenses	571,226
Depreciation expense	24,430
Project generation and other exploration expenditure	82,561
Administration expenses	387,458
Total	1,065,675

Comparison with Prior Year
For the 12 months ended 31 December 2016, the loss for the Consolidated Entity after providing for income tax was $5,059,394.

After excluding the impact of the following non-recurring items:

- Impairment charges;
- Refund of previously incurred project generation costs;
- Forgiveness of director fees; and
- Gains on disposal of equipment and exploration expenditure

the loss for the year ended December 2016 was $326,901 less than the loss for the year ended December 2015:

	December 2016 $	December 2015 $
Loss after income tax	(5,059,394)	(9,112,524)
Adjustments for non-recurring items		
Impaired projects	4,340,000	7,929,624
Refund of previously incurred project generation costs	(234,086)	-
Forgiveness of director fees	(218,475)	-
Gains on disposal of equipment and exploration expenditure	(82,567)	-
Gain on deconsolidation of Laos subsidiary	-	(373,885)
Adjusted Loss after income tax*	(1,254,522)	(1,556,785)

** Adjusted Loss after income tax is a non-IFRS measure however the Directors believe that it is a readily calculated measure that is appropriate to the circumstances of the Group.*

This adjusted loss reduced 19.4% compared with prior year and is in line with measures made by the Company to refocus its activities and reduce costs where possible. All else being equal, the Company expects a similar level of operating costs in 2017 with additional expenditure on project generation focusing on the significant copper and gold opportunities in Australia, and parts of Africa, including the Democratic Republic of Congo.

OPTIONS

As at the date of this report there were no options on issue. During the period no shares were issued following the exercise of options.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of CYU's principal activities during the year.

AFTER BALANCE DATE EVENTS

There have been no events since 31 December 2016 that impact upon the financial report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

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

- Exploration and development of early-stage (but prospective) prospects that are secured by way of joint venture and farm-in arrangements; and
- Acquisition of interests in projects that are either in production or close to production,

both of which are aimed at CYU having significant holdings in operating (and therefore cashflow-generating) projects within the next two years as well as a pipeline of projects capable of becoming mining operations over the medium term.

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.

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT (AUDITED)

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

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

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

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

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 calibre, 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.

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.

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. The contract continued on the same terms and conditions for the year ended 31 December 2016 and remains current at the date of this report. 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 successful 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.

These terms were not met and the bonus was not paid.

- 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 of at least $5M by the Company in 2013. These shares were issued on 6 December 2013 and subsequently lapsed on 31 December 2013 as the performance condition was not met;
- B Class shares – the 5 business day weighted average share price of the Company's shares on the ASX being at least 25c. These shares were issued on 6 December 2013 and subsequently lapsed on 6 December 2015 as the performance condition was not met;
- C Class shares - the 5 business day weighted average share price of the Company's shares on the ASX being at least 50c. These shares were issued on 6 December 2013 and subsequently lapsed on 6 December 2015 as the performance condition was not met; and
- D Class shares – the company achieving a positive EBITDA in respect of mining operations (either from current projects or a subsequently acquired project) for at least 3 consecutive months of operation. These shares were issued on 26 November 2014 and remain outstanding at 31 December 2016.

If any of the events applicable to the Class D shares do not occur within 3 years of issue 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 2017. 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. 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

- Huaisheng Peng — Non-Executive Chairman
- Qinghai Wang — Non-Executive Director
- Paul Williams — Managing Director
- Zewen Yang — Executive Director

- Xiancheng Wang — Former Non-Executive Director
- Zhihua Yao — Former Non-Executive Chairman

Key Management Personnel

- Paul Marshall — Company Secretary and CFO

(b) Remuneration of Directors and other Key Management Personnel

31 December 2016	Short Term			Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Forgiveness of fees	Superan-nuation	Retirement benefits	Options and performance shares	Total	Performance Related %	% consisting of equity
Directors									
Huaisheng Peng [1]	2,564	-	-	-	-	-	2,564	-	-
Qinghai Wang [2]	2,137	-	-	-	-	-	2,137	-	-
Paul Williams	273,973	-	-	26,027	-	-	300,000	-	-
Zewen Yang	155,520	-	-	-	-	-	155,520	-	-
Xiancheng Wang [3]	21,250	-	-	-	-	-	21,250	-	-
Zhihua Yao [4]	33,000	-	(218,475)	-	-	-	(185,475)	-	-
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	-	52,000	-	-
	540,444	-	(218,475)	26,027	-	-	347,996	-	-

[1] Huaisheng Peng receives annual fees of $36,000 per annum. Dr Peng was appointed as Chairman on 6 December 2016.

[2] Qinghai Wang receives annual fees of $30,000 per annum. Mr Wang was appointed as Non-Executive director on 6 December 2016.

[3] Xiancheng Wang received annual fees of $30,000 per annum. Mr Wang was appointed as Non-Executive director on 16 March 2016 and resigned on 1 December 2016.

[4] Zhihua Yao received annual fees of $36,000 per annum. Mr Yao resigned from the Board on 1 December 2016. Upon resignation Mr Yao waived his right to unpaid director fees totalling $218,475.

31 December 2015	Short Term			Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Non-cash benefits	Superan-nuation	Retirement benefits	Options and performance shares	Total	Performance Related %	% consisting of equity instruments
Directors									
Zhihua Yao	36,000	-	-	-	-	-	36,000	-	-
Paul Williams	273,973	-	-	26,027	-	-	300,000	-	-
Zewen Yang	155,520	-	-	-	-	-	155,520	-	-
Key Management Personnel									
Paul Marshall	52,000	-	-	-	-	-	52,000	-	-
	517,493	-	-	26,027	-	-	543,520	-	-

(c) Performance shares issued as part of remuneration for the period ended 31 December 2014

During a prior period, there were 2,000,000 Class D long term incentive performance shares issued to Mr Paul Williams.

These performance shares are convertible into ordinary shares in the Company (on the basis of one ordinary share for each performance share) upon the Company achieving a positive EBITDA in respect of operations for a consecutive period of 3 months from an asset of the Company.

If this event does not occur before 26 November 2017, the performance shares will lapse.

Details on performance shares in the Company that were granted as compensation to Mr Paul Williams in the prior reporting period are as follows:

	Grant date	No. of shares	Fair value at grant date $	Total value of shares $	Expiry date	Conversion price $	% of performance shares converted
Performance Shares							
D Class	26/11/2014	2,000,000	0.0038	7,500	26/11/2017	NA	-

(d) Shares issued on exercise of remuneration options or performance shares

There were no shares issued on the exercise of compensation options or performance shares during the period

(e) Director and Key Management Personnel Equity Holdings

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

December 2016	Opening Balance	Granted as remuneration	Purchased	Net change on appointment/ resignation	Closing Balance
Directors					
Huaisheng Peng	-	-	-	-	-
Qinghai Wang [1]	-		-	349,018,230	349,018,230
Paul Williams	350,000	-	10,357,173	-	10,707,173
Zewen Yang [2]	299,922,326	-	-	(299,922,326)	-
Xiancheng Wang [3]	-	-	230,769,230	(230,769,230)	-
Zhihua Yao [4]	299,922,326	-	-	(299,922,326)	-
Key Management Personnel					
Paul Marshall	1,500,002	-	3,499,998	-	5,000,000

1 Shares are held by Bienitial International Industrial Co Ltd. Mr Wang is a Director of Bienitial International Industrial Co Ltd.

2 Shares are held by China Yunnan Copper (Australia) Investment and Development Co Limited. During the period Mr Yang resigned as an executive from China Yunnan Copper (Australia) Investment and Development Co Limited, the former parent company of the Consolidated Entity.

3 Shares are held by Bienitial International Industrial Co Ltd. Mr Wang is an ultimate beneficiary of Bienitial International Industrial Co Ltd. Net change resulted from Mr Wang's resignation as a director of CYU.

4 Shares are held by China Yunnan Copper (Australia) Investment and Development Co Limited. Mr Yao is an executive in companies within the Chinalco Yunnan Copper Industry (Group) Co. Ltd who were the former ultimate parent company of China Yunnan Copper (Australia) Investment and Development Co Limited who hold the 299,922,326 ordinary shares. Net change resulted from Mr Yao's resignation as a director of CYU.

Performance shares

Paul Williams	D Class
Outstanding at beginning of period	2,000,000
Granted	-
Forfeited	-
Converted	-
Expired	-
Outstanding at period end	2,000,000
Convertible at period end	-

(f) Additional Information

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

Measures	December 2016 $	December 2015 $	June 2014 $	June 2013 $	June 2012 $
Share price at end of financial period	0.008	0.026	0.025	0.045	0.11
Market capitalisation at end of financial period ($M)	7.10	12.30	6.96	11.16	19.07
Loss for the financial period	5,059,394	9,112,524	11,331,155	7,808,248	2,894,339
Cash spend on exploration programs	82,561	1,431,528	2,630,260	3,673,171	5,300,693
Director and Key Management Personnel remuneration	347,996	543,520	675,296	677,786	757,562

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

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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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 period.

DIRECTORS' MEETINGS

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

	Directors' Meetings	
	A	B
Huaisheng Peng	1	1
Qinghai Wang	2	1
Paul Williams	5	5
Zewen Yang	5	5
Xiancheng Wang	3	3
Zhihua Yao	4	4

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

NON-AUDIT SERVICES

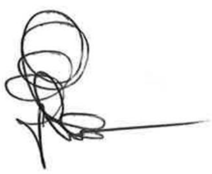
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

No non-audit services were provided by the auditor of the parent entity, Ernst & Young and its related practices.

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.



Paul Williams
Director
29 March 2017

Ernst & Young
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Auditor's Independence Declaration to the Directors of Chinalco Yunnan Copper Resources Limited

As lead auditor for the audit of Chinalco Yunnan Copper Resources Limited for the financial year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Chinalco Yunnan Copper Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Carrick
Partner
29 March 2017

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 20 March 2017.

(a) Distribution of equity securities

CYU – Ordinary Fully Paid Shares

Range	Securities	No. of holders	%
100,001 and Over	862,835,677	271	19.54
50,001 to 100,000	10,494,929	136	9.81
10,001 to 50,000	10,677,713	406	29.27
5,001 to 10,000	2,359,707	289	20.84
1,001 to 5,000	511,383	157	11.32
1 to 1,000	35,428	128	9.23
Total	**886,914,837**	**1,387**	**100.00**
Unmarketable Parcels	17,195,624	1,039	74.91

(b) Twenty largest holders

Rank	Name	No. Shares	%
1	BIENITIAL INTERNATIONAL INDUSTRIAL CO LTD #	349,018,230	39.35
2	CHINA YUNNAN COPPER (AUSTRALIA) INVESTMENT AND DEVELOPMENT CO LTD #	299,922,326	33.82
3	MR PAUL ROBERT WILLIAMS & MS JILL CAROLINE STRACHAN	10,357,173	1.17
4	MR PETER GERARD TIGHE & MRS PATRICIA JOAN TIGHE	9,033,333	1.02
5	MR BARRY EDWARD TANTON & MRS ELIZABETH MARY TANTON	7,500,000	0.85
6	ELLIOTT NOMINEES PTY LTD	7,150,000	0.81
7	MR NORMAN JOSEPH ZILLMAN	6,980,343	0.79
8	CITICORP NOMINEES PTY LIMITED	6,422,556	0.72
9	MR IANAKI SEMERDZIEV	5,750,000	0.65
10	MR MARK TKOCZ	5,100,000	0.58
11	MR JONATHAN PAUL KERSHAW MARSHALL	5,000,000	0.56
12	KIMBRIKI NOMINEES PTY LTD	4,920,000	0.55
13	LEMUEL INVESTMENTS LIMITED	4,000,000	0.45
14	PREMAR CAPITAL NOMINEES PTY LIMITED	3,633,333	0.41
15	MR GREGORY JOHN BURTON & MRS CATHERINE BEATRICE BURTON	3,525,000	0.40
16	EASTWOOD FINANCIAL & INVESTMENT SERVICES PTY LTD	3,500,000	0.39
17	MR JEFFREY HOWARD LATIMER & MRS JUDITH ANN LATIMER	3,500,000	0.39
18	MR LAWRENCE CHI-YUN LEE	3,069,988	0.35
19	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,983,514	0.34
20	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,537,147	0.29
	Total	**743,902,943**	**83.88**
	Balance of register	**143,011,894**	**16.12**
	Grand Total	**886,914,837**	**100.00**

Substantial Shareholder

(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 31 December 2016:

Project/Location	Tenement Reference	CYU % Interest	Comment
AUSTRALIA			
Cloncurry North	EPM 12205	90	Refer Note 1
Pentland	ML 1631	100	
Mary Kathleen JV	EPMs 14019, 14022	100	Refer Note 2
Mt Frosty	EPM 14467	51	Refer Note 3

Notes:

1. *The other 10% is held by Yunnan Copper Mineral Resources Exploration & Development Co., Ltd (YEX). Pursuant to the sale agreement with Hammer Metals Ltd announced on 15 December 2016, this EPM interest is to be sold.*

2. *Pursuant to the sale agreement with Hammer Metals Ltd announced on 15 December 2016, this EPM interest is to be sold.*

3. *Pursuant to the sale agreement with Hammer Metals Ltd announced on 15 December 2016, this EPM interest is to be sold.*

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	Note	2016 $	2015 $
Finance income		7,610	43,372
Gain on disposal of plant and equipment		52,567	-
Gain on disposal of exploration expenditure		30,000	-
Refund on previously incurred project generation costs		234,086	-
Other income		22,018	15,547
Employment and consultancy expenses		(571,226)	(657,424)
Depreciation expense		(24,430)	(42,104)
Impairment of exploration expenditure	2	(4,340,000)	(7,929,624)
Project generation and other exploration costs expensed		(82,561)	(368,267)
Administration expenses		(387,458)	(547,909)
Gain recognized on deconsolidation of subsidiary	21	-	373,885
Loss before income tax		(5,059,394)	(9,112,524)
Income tax expense	6	-	-
Loss for the period		(5,059,394)	(9,112,524)
Loss after income tax		(5,059,394)	(9,112,524)
Other comprehensive income/(loss)			
Items that subsequently may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		-	(213,437)
Loss on available for sale financial assets		(10,000)	-
Income tax		-	-
Other comprehensive income/(loss) for the period, net of tax		(10,000)	(213,437)
Total comprehensive loss		(5,069,394)	(9,325,961)

	Note	Cents	Cents
Earnings per share			
Basic and diluted loss per share	10	(0.80)	(1.93)

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

Consolidated Balance Sheet
As at 31 December 2016

	Note	2016 $	2015 $
CURRENT ASSETS			
Cash and cash equivalents	2	2,092,169	156,882
Trade and other receivables		15,433	21,264
Other current assets		28,192	40,123
Non-current assets held for sale	3	60,000	-
TOTAL CURRENT ASSETS		2,195,794	218,269
NON-CURRENT ASSETS			
Other receivables		20,257	20,257
Available for sale financial assets		20,000	-
Plant and equipment	4	25,527	66,571
Exploration expenditure	3	-	4,400,000
TOTAL NON-CURRENT ASSETS		65,784	4,486,828
TOTAL ASSETS		2,261,578	4,705,097
CURRENT LIABILITIES			
Trade and other payables	5	67,132	309,724
Employee benefit provisions	6	25,846	45,028
TOTAL CURRENT LIABILITIES		92,978	354,752
TOTAL LIABILITIES		92,978	354,752
NET ASSETS		**2,168,600**	**4,350,345**
EQUITY			
Share capital	7	42,380,609	39,492,960
Reserves	8	379,457	389,457
Accumulated losses		(40,591,466)	(35,532,072)
TOTAL EQUITY		**2,168,600**	**4,350,345**

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

Consolidated Entity	Note	Share Capital $	Reserves $	Accumulated Losses $	Total Parent Equity $	Non-Controlling Interest $	Total Equity $
Balance at 1 January 2015		39,492,960	602,894	(26,419,548)	13,676,306	(154,064)	13,522,242
Transactions with owners in their capacity as owners							
Issue of share capital		-	-	-	-	-	-
Share issue costs		-	-	-	-	-	-
Comprehensive income							
Loss after income tax		-	-	(9,112,524)	(9,112,524)	-	(9,112,524)
Other comprehensive income		-	(213,437)	-	(213,437)	-	(213,437)
Deconsolidation of subsidiary							
De-recognition of Non-Controlling Interest	21	-	-	-	-	154,064	154,064
Balance at 31 December 2015		39,492,960	389,457	(35,532,072)	4,350,345	-	4,350,345
Balance at 1 January 2016		39,492,960	389,457	(35,532,072)	4,350,345	-	4,350,345
Transactions with owners in their capacity as owners							
Issue of share capital		2,956,320	-	-	2,956,320	-	2,956,320
Share issue costs		(68,671)	-	-	(68,671)	-	(68,671)
Comprehensive income							
Loss after income tax		-	-	(5,059,394)	(5,059,394)	-	(5,059,394)
Other comprehensive income		-	(10,000)	-	(10,000)	-	(10,000)
Balance at 31 December 2016		42,380,609	379,457	(40,591,466)	2,168,600	-	2,168,600

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 31 December 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Refund on previously incurred project generation costs		234,086	-
Payments to suppliers and employees		(1,285,258)	(1,573,997)
Interest received		7,610	73,541
Other income received		22,018	15,547
Net cash used in operating activities	2	(1,021,544)	(1,484,909)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security deposit refunds/(payments)		-	13,000
Payments for property, plant & equipment		-	(40,586)
Proceeds from the disposal of plant & equipment		69,182	9,091
Payments for exploration and evaluation		-	(1,431,528)
Net outflow of cash on deconsolidation of subsidiary	21	-	(79,402)
Net cash provided by/(used in) investing activities		69,182	(1,529,425)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,956,320	-
Capital raising costs paid		(68,671)	-
Net cash provided by financing activities		2,887,649	-
Net increase/(decrease) in cash and cash equivalents		1,935,287	(3,014,334)
Cash and cash equivalents at the beginning of the period		156,882	3,171,216
Cash and cash equivalents at the end of the period	2	2,092,169	156,882

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.

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 24 March 2017.

Comparative figures
When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial period.

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.

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.

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.

Going Concern

As at 31 December 2016, the Consolidated Entity had more than sufficient cash reserves to carry out its planned activities including due diligence in respect of the identification and assessment of copper and gold project opportunities for potential acquisition and ongoing administration costs for a period of not least 12 months from the date the directors authorise the financial statement issue.

The Group does not generate revenue to fund operations and ongoing investment in exploration activities. The ability of the Group to continue as a going concern is dependent on its ability to raise additional equity.

If a project is acquired, the Consolidated Entity will need to conduct further capital raising activities, with both existing shareholders (by way of an entitlement offer) and to new investors, to fund the acquisition and evaluation of the project. Depending on the nature of the acquisition and project, debt financing may also be secured. As at the date of this report, no firm funding facilities are in place. If there are delays in sourcing equity funding for planned activities when the need arises, the Company has plans in place to scale back its activities and budgeted expenditure until adequate funding is obtained.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern (continued)

Based on the success of previous capital raisings, the Directors have prepared the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

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

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) New accounting standards and interpretations

The Consolidated Entity has adopted the new Accounting Standard and Interpretations which commenced during the period. The adoption of these standards did not have an impact on the Group's financial position, financial performance or disclosures.

(b) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 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:

Reference	Title	Summary
AASB 9	*Financial Instruments*	AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. ***Classification and measurement*** AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. ***Financial assets*** a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. ***Financial liabilities*** Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is

Reference	Title	Summary
		ever repurchased at a discount. **Impairment** The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. **Hedge accounting** Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after **1 January 2015**.
AASB 15	*Revenue from Contracts with Customers*	AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments).The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted. AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15. AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.

Reference	Title	Summary
IFRS 16	Leases	The key features of IFRS 16 are as follows: **Lessee accounting** • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • IFRS 16 contains disclosure requirements for lessees. **Lessor accounting** • IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes: (a) IAS 17 Leases; (b) IFRIC 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]]	This standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: • The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments • Share-based payment transactions with a net settlement feature for withholding tax obligations • • A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

Reference	Title	Summary
Annual Improvements to IFRS Standards 2014–2016 Cycle	Annual Improvements to IFRS Standards 2014–2016 Cycle	This amending standard addresses the following: • IFRS 12 Disclosure of Interests in Other Entities Clarification of the scope of the Standard (effective date 1 January 2017) • IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters (effective date 1 January 2018) • • IAS 28 Investments in Associates and Joint Ventures - Measuring an associate or joint venture at fair value. (effective date 1 January 2018)

The adoption of these standards is not expected to have a material impact on the Group's financial assets or financial position, financial performance or disclosures.

In particular, as the group does not presently generate revenues, outside of interest on bank deposits, we do not expect the impact of AASB 15 to be material on the Group

NOTE 2 CASH AND CASH FLOW INFORMATION

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.

	December 2016 $	December 2015 $
Reconciliation of cash flows used in operations with loss after income tax		
Loss after income tax	(5,059,394)	(9,112,524)
Non-cash items in loss after income tax		
Depreciation	24,430	42,104
Share based payments expense	-	-
Impairment of exploration expenditure	4,340,000	7,929,624
Gain recognized on deconsolidation of subsidiary	-	(373,885)
Gain on disposal of plant and equipment	(52,567)	(7,250)
Gain on disposal of exploration expenditure	(30,000)	-
Movements in assets and liabilities		
Other receivables	5,831	105,370
Other assets	11,931	(7,973)
Trade payables and accruals	(242,593)	(54,343)
Provisions	(19,182)	(6,032)
Cash flow from operations	(1,021,544)	(1,484,909)

Reconciliation of cash

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

Cash on hand and at bank	2,051,140	115,853
Cash on deposit	41,029	41,029
	2,092,169	156,882

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.

NOTE 3 EXPLORATION 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 or 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 3 EXPLORATION EXPENDITURE (continued)

	December 2016 $	December 2015 $
Exploration expenditure movements		
Opening balance	4,400,000	10,898,096
Net current period expenditure	-	1,431,528
Impairment of exploration expenditure	(4,340,000)	(7,929,624)
Transfer to non-current asset held for sale	(60,000)	-
	-	4,400,000

Impairment of exploration expenditure

During the year, the Consolidated Entity entered into an agreement with Hammer Metals Ltd (HMX) to sell all of CYU's existing mining tenement holdings in the Mount Isa region.

These tenement holdings comprise CYU's 100% interest in EPMs 12205, 14019 and 14022, together with a 51% joint venture interest in EPM 14467 (under the Mt Frosty Joint Venture with Mount Isa Mines Ltd – a Glencore Group company). All mining information, data, core samples and other materials relating to these mining tenements will also be sold to HMX.

Under the sale, CYU will receive 1,500,000 ordinary shares in HMX which will be capable of being traded on the ASX, save for a voluntary escrow commitment by CYU until October 2017. The value of the HMX shares at year end was $60,000.

Consequently, the Consolidated Entity has impaired the value of the exploration expenditure by $4,340,000 down to a recoverable value of $60,000. The remaining balance has been reclassified as a non-current asset held for sale.

NOTE 4 PLANT & 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 cost of disposal 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.

NOTE 4 PLANT & EQUIPMENT (continued)

	December 2016 $	December 2015 $
Plant and equipment		
At cost	-	123,268
Accumulated depreciation	-	(120,592)
	-	2,676
Motor Vehicles		
At cost	25,000	136,944
Accumulated depreciation	(17,135)	(105,264)
	7,865	31,680
Computers and office equipment		
At cost	42,568	165,166
Accumulated depreciation	(24,996)	(132,951)
	17,662	32,215
Total plant and equipment	25,527	66,571

NOTE 5 TRADE & OTHER PAYABLES

Trade payables	38,123	58,324
Other payables and accrued expenses	24,308	65,925
Payable to directors	4,701	185,475
	67,132	309,724

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

NOTE 6 EMPLOYEE BENEFITS PROVISIONS

Employee benefits	25,527	45,028

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.

NOTE 7 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.

	December 2016 $	December 2015 $
Fully paid ordinary shares	42,380,609	39,492,960

Ordinary Shares

	December 2016 $	December 2015 $	December 2016 Number	December 2015 Number
At the beginning of the period	39,492,960	39,492,960	473,027,475	473,027,475
Share placement at $0.010 per share	1,182,490	-	118,249,000	-
Rights issue at $0.006 per share	1,773,830	-	295,638,362	--
Share issue expenses	(68,671)	-	-	-
At reporting date	42,380,609	39,492,960	886,914,837	473,027,475

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.

	December 2016 $	December 2015 $
NOTE 8 RESERVES		
Share based payment reserve	559,903	559,903
Foreign currency translation reserve	(170,356)	(170,356)
Available for sale financial asset reserve	(10,000)	-
	379,547	389,547

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.

Available for sale financial asset reserve
The available for sale financial asset reserve is used to record changes in the market value of the Consolidated Entity's HMX shares.

NOTE 9 DIVIDENDS & FRANKING CREDITS

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

NOTE 10 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.

NOTE 10 EARNINGS PER SHARE (continued)

	December 2016 $	December 2015 $
Total losses used to calculate basic and dilutive EPS	(5,059,395)	(9,112,524)
	2016 Number	**2015 Number**
Weighted average number of ordinary shares outstanding during the period	632,473,198	473,027,475
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the period used in calculating EPS and dilutive EPS	632,473198	473,027,475

NOTE 11 SHARE BASED PAYMENTS

Performance Shares

During prior years 2,000,000 Class D long term incentive performance shares were issued to Mr Paul Williams.

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:

- D Class shares - the Company achieving a positive EBITDA in respect of operations for a consecutive period of 3 months from an asset of the Company.

Details of performance shares as at period end

	Grant date	No. of shares	Fair value at grant date $	Total value of shares $	Expiry date	Conversion price $	% of performance shares converted
Performance Shares							
D Class	26/11/2014	2,000,000	0.0038	7,500	26/11/2017	NA	-

No performance shares were converted to ordinary shares during the period.

The D Class performance shares outstanding at 31 December 2016 have a remaining life of 0.92 years. Included under Employee Benefits Expense in the Statement of comprehensive income is $Nil (December 2015: $Nil) that relates to these performance shares.

The value of performance shares is the fair value calculated at grant date using a binominal pricing model. The following table lists the inputs to the model:

Inputs	D Class
Grant Date	26/11/2014
Underlying Share Price	0.025
Time to Maturity (Yrs.)	3
Nominal value of D Class share	0.025
Non-market performance condition	Company achieving a positive EBITDA in respect of operations for a consecutive period of 3 months from an asset of the Company
Assessed probability of achieving non-market performance condition	15%
Fair value at grant date	0.0038

	December 2016 $	December 2015 $

NOTE 12 INCOME TAX

Income tax expense

The income tax expense for the period 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.

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 periods ended 31 December 2015 and 31 December 2014 is as follows:

	December 2016 $	December 2015 $
Accounting loss before income tax	(5,059,395)	(9,112,524)
Tax at the Australian tax rate of 30%	(1,517,819)	(2,733,757)
Adjustment of overseas losses taxed at different rates	214	970
Non-deductible/(assessable) items	(66,084)	82,283
Deductions arising from capital raising expenses	(18,669)	(40,139)
Deferred tax assets not bought to account	1,602,358	2,690,643
Income tax expense	-	-

Current tax liabilities

Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority. The Consolidated Entity did not have any current tax liabilities at 31 December 2016 (2015: Nil).

Deferred tax balances

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period 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 have not brought to account at this stage as it is not probable the benefit will be utilised. The temporary differences and tax losses do not expire under current tax legislation.

	December 2016 $	December 2015 $
Unrecognised temporary differences and tax losses		
Tax losses	28,349,076	24,038,921

	December 2016 $	December 2015 $
Recognised temporary differences and tax losses		
Deferred tax assets and liabilities are attributable to the following:		
Exploration expenditure	-	(1,320,000)
Provisions	7,754	13,508
Other	(16,590)	394
Tax losses carried forward	8,836	1,306,098
Net deferred tax liability/(asset)	-	-

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.

NOTE 13 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.

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.

	December 2016 $	December 2015 $
Summary		
Short-term employee benefits	321,969	517,493
Post-employment benefits	26,027	26,027
Share-based payments	-	-
	347,996	543,520

Detailed remuneration disclosures are provided in the remuneration report on pages 13 to 18.

Amounts owed to Key Management Personnel

$4,701 is owed to Directors for unpaid director fees (December 2015: $185,475). These amounts are at call and do not bear interest.

NOTE 14 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 31 December 2016.

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

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

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

NOTE 14 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 Consolidated Entity does not have any material exposure to liquidity risk.

(c) Market Risk

Market risk arises from the use of interest bearing, tradeable 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).

The Consolidated Entity does not have any material exposure to market risk.

(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. 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 15 SEGMENT REPORTING

Reportable Segments

The Consolidated Entity has identified its operating segment based on internal reports that are reviewed and used by the executive team in assessing performance and determining the allocation of resources. The Consolidated Entity does not yet have any products or services from which it derives an income.

For the current period, management currently identifies the Consolidated Entity as having only one reportable segment during the period, being exploration for minerals in Australia.

NOTE 16 COMMITMENTS

	December 2016 $	December 2015 $
Operating leases		
Minimum lease payments:		
Payable within one year	5,500	113,880
Payable between one year and five years	-	5,500
Total contracted at balance date	5,500	119,380

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

Future exploration

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. During the year, the Consolidated Entity entered into an agreement with Hammer Metals Ltd (HMX) to sell all of CYU's existing mining tenement holdings in the Mount Isa region. As a consequence the expenditure obligations in respect of these tenements will be assumed by HMX under the proposed transaction. In the unlikely event the transaction does not proceed, CYU's intention would be to relinquish the tenements and in so doing avoid any future expenditure obligations. On this basis no future expenditure obligations have been disclosed at 31 December 2016.

Exploration obligations to be undertaken:		
Payable within one year	-	1,437,159
Payable between one year and five years	-	2,006,000
	-	3,443,159

NOTE 17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or contingent assets at 31 December 2016 (31 December 2015: Nil).

	December 2016 $	December 2015 $
NOTE 18 AUDITORS' REMUNERATION		
Remuneration paid for:		
Auditing and reviewing the financial report		
- Ernst & Young	35,000	43,000

NOTE 19 EVENTS AFTER BALANCE SHEET DATE

There have been no other events since 31 December 2016 that impact upon the financial report.

NOTE 20 PARENT ENTITY INFORMATION

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

	December 2016 $	December 2015 $
Parent Entity Financial Information		
Current assets	2,176,422	199,261
Non-current assets	65,784	4,487,420
Total assets	2,242,206	4,686,681
Current liabilities	90,478	354,759
Non-current liabilities	-	-
Total liabilities	90,478	354,759
Net assets	2,151,728	4,331,922
Share capital	42,380,609	39,492,960
Reserves	549,903	559,903
Accumulated losses	(40,778,784)	(35,720,941)
Total equity	2,151,728	4,331,922
Loss after income tax	(5,057,843)	(9,505,228)
Other comprehensive income	(10,000)	-
Total comprehensive loss	(5,067,843)	(9,505,228)

Controlled Entities of the Parent Entity

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

NOTE 20 PARENT ENTITY INFORMATION

	Percentage Owned		
	2016	2015	
	%	%	Country of Incorporation
China Yunnan Copper Australia Chile Limitada	100%	100%	Chile

China Yunnan Copper Australia Chile Limitada is currently in the process of being wound up.

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

NOTE 21 BUSINESS COMBINATIONS – DECONSOLIDATION OF SANMU

On 1 January 2015, CYU relinquished all and any control of Yunnan Copper San Mu Mining Industry Co Ltd (Sanmu) to Yunnan Copper Industry (Group) Co Ltd (YCI).

All of the representative directors of CYU that were appointed to the Board of Sanmu were removed as directors earlier last period and, since 1 January 2015, YCI has controlled all activities and the direction of Sanmu, and its Laos subsidiaries at both an operational and corporate level.

CYU is not under any future obligation to contribute additional funds towards Sanmu as part of the dissolution process or for any other purpose.

Based on the above, CYU was deemed to have lost control of on 1 January 2015, and the Company's investment was reclassified to an *Investment accounted for using the equity method* on that date.

Details of the net assets deconsolidated on loss of control

	1 January 2015 $
Fair value of Sanmu's net assets/(liabilities)	
Cash and cash equivalents	79,402
Trade and other receivables	117,172
Plant and equipment	152,648
Trade and other payables	(663,639)
Sanmu's net (liabilities)	(314,417)
Less 49% non-controlling interests	154,064
Parent entity's interest in net liabilities deconsolidated	(160,353)
Foreign currency reserve transferred to income statement on deconsolidation	(213,532)
(Gain) recognized on deconsolidation of subsidiary to owners of the Parent Entity	(373,885)

Reclassification of investment

CYU's 51% equity interest Sanmu was reclassified to an *Investment accounted for using the equity method* on 1 January 2015.

Sanmu had a net asset deficiency of $314,417 on that date. CYU's share of that deficiency was $160,353. At the time of the loss of control and consistent with Sanmu's net asset deficiency, the fair value of the equity accounted investment was determined to be $Nil. As CYU is not under any future obligation to contribute additional funds towards Sanmu, it has not recorded its interest in Sanmu's loss for the period ended 31 December 2015 or the period ended 31 December 2016.

DIRECTORS' DECLARATION

In the Directors opinion:

(a) the attached consolidated financial statements and notes that are set out on pages 23 to 43 and the remuneration report set out on pages 13 to 18 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 31 December 2016 and of its performance for the financial period ended on that date; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1 to the consolidated financial statements; 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

29 March 2017

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Independent auditor's report

To the Shareholders of Chinalco Yunnan Copper Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Chinalco Yunnan Copper Resources Limited ("the Company"), including its subsidiary ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion the accompanying 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 consolidated financial position as at 31 December 2016and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the Group will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of capitalised exploration expenditure

Why significant	How our audit addressed the key audit matter
Note 3 – Exploration Expenditure to the financial statements the Group's accounting policy in respect of exploration expenditure and identifies that; • During the year the Group elected to dispose of all of its existing exploration tenements, and associated mining information; • The sale consideration for the tenements, under the Hammer Metals Limited agreement for the Millennium JV tenements was lower than the carrying amount of the capitalised exploration expenditure at 31 December 2016 and as such this represented an impairment indicator; and • The carrying amount of the capitalised exploration expenditure was impaired to the fair value implied by the Hammer Metals Limited transaction for the Mary Kathleen and Mt Frosty tenements.	We evaluated the Group's assessment of the carrying value of exploration and evaluation assets. In obtaining sufficient audit evidence, we performed the following: • Considered the application of the Group's accounting policy at 31 December 2016 given the Group's decision to dispose of all of its exploration tenements; • Reviewed the sale agreement with Hammer Metals Limited to understand the terms and conditions; • Given the existence of an impairment indicator, we assessed that the carrying amount of the Group's tenements was impaired to the fair value implied by the Hammer Metals Limited transactions; and • Given the advanced stage of the disposal process, we assessed the adequacy of the exploration tenements to be disclosed as "non-current assets held for sale" at 31 December 2016.

Information Other than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 16 of the Directors' Report for the year ended31 December 2016.

In our opinion, the Remuneration Report of Chinalco Yunnan Copper Resources Limited for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Andrew Carrick
Engagement Partner
Brisbane
29 March 2017