



CHINA YUNNAN COPPER  
**AUSTRALIA**  
LIMITED

# QUARTERLY REPORT

for the three months ending  
**31 December 2010**

CHINA YUNNAN COPPER  
**AUSTRALIA**

## HIGHLIGHTS

### EXPLORATION PROJECTS

Discovery of new Rare Earth Element Copper Cobalt sulphide zone at Mt Dorothy as part of the new Mary Kathleen Joint Venture with Goldsearch. CYU expects to have 70% equity in the project in the first half of 2011.

### CHINALCO YUNNAN COPPER PARTNERSHIP

CYU has maintained a partnership with its largest shareholder, Chinalco Yunnan Copper Group Ltd for over three years. In this time, exploration properties have been explored and more advanced opportunities evaluated.

### FUTURE

CYU will continue to test and add value to exploration targets of greenfields' nature. Applying best geological science and ground selection criteria CYU has relinquished over 90% of original tenure since IPO in 2007.

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ASX : CYU

Jason Beckton, MD

27 January 2011

# Current Projects

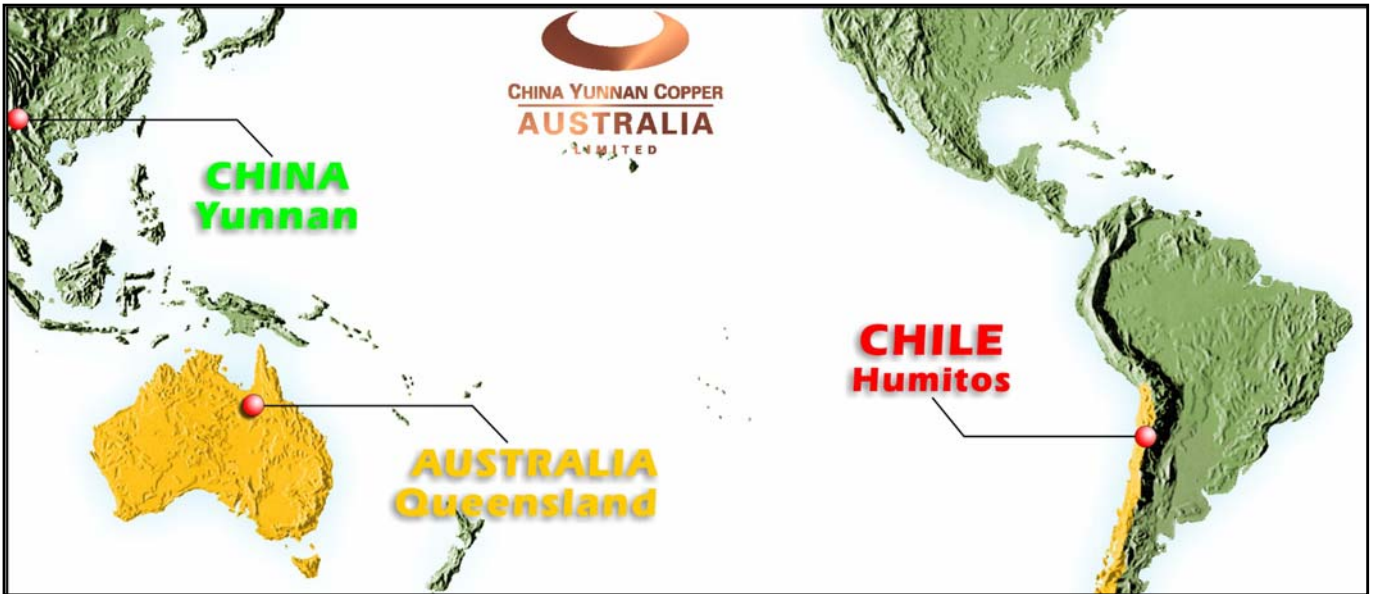


Figure 1. Location of CYU's projects. Operational offices are at Mt Isa and Townsville, Queensland and Santiago, Chile. The China Copper MOU continues to provide CYU with projects for review and ranking in Yunnan Province, China and the Peoples Republic of Lao.



Drilling at Mt Dorothy in 2010, Mary Kathleen Joint Venture with Goldsearch Limited

# Managing Director's Review of Operations

*CYU has been conducting a greenfields exploration program and generating exploration success as the Mt Dorothy REE Copper Cobalt discovery. A first pass drill program in Chile is complete with results still to come, targeting large scale copper deposits for the Humito Property. CYU expects to add to its Chilean Exploration portfolio with increased management presence in the globe's premier copper exploration location. CYU is also reviewing development opportunities in China and Laos.*

## RARE EARTH ELEMENT – COPPER – COBALT – MOUNT ISA DISCOVERY – MT DOROTHY

A Heavy Rare Earth Element (HREE) Discovery at Mt Dorothy on the Mary Kathleen JV with Goldsearch Limited. China Yunnan Copper Australia is currently earning 70% from the joint venture partner Goldsearch Limited's 30% (ASX: GSE).

A broad zone of Yttrium (Y) and Heavy Rare Earth Element (HREE):

MDD005: 16m @ 1249ppm (1.24 kg/tonne) Total HREE+Y from 71m,

In addition, copper/cobalt was reported from MDD006.

MDD006: 36m @ 1.54% Cu and 198ppm Co from 50m;

MDD006 is now comparable in width and copper content to MDR002, 50 metre higher and previously reported, which returned an intercept of 35m @ 1.52% copper and 397ppm cobalt from 17 metres downhole

These results support earlier RC results, reported in the previous quarter, as per below;

MDR002: 35m @ 1.52% copper, 397ppm cobalt from 17m,  
incl. 22m @ 2.03% copper, 591ppm cobalt from 17m,

MDR003: 10m @ 411ppm cobalt, 0.04% copper from 81m,

MDR004: 28m @ 385ppm cobalt, 0.12% copper from 35m,  
and 8m @ 315ppm cobalt, 0.02% copper from 122m (OPEN).

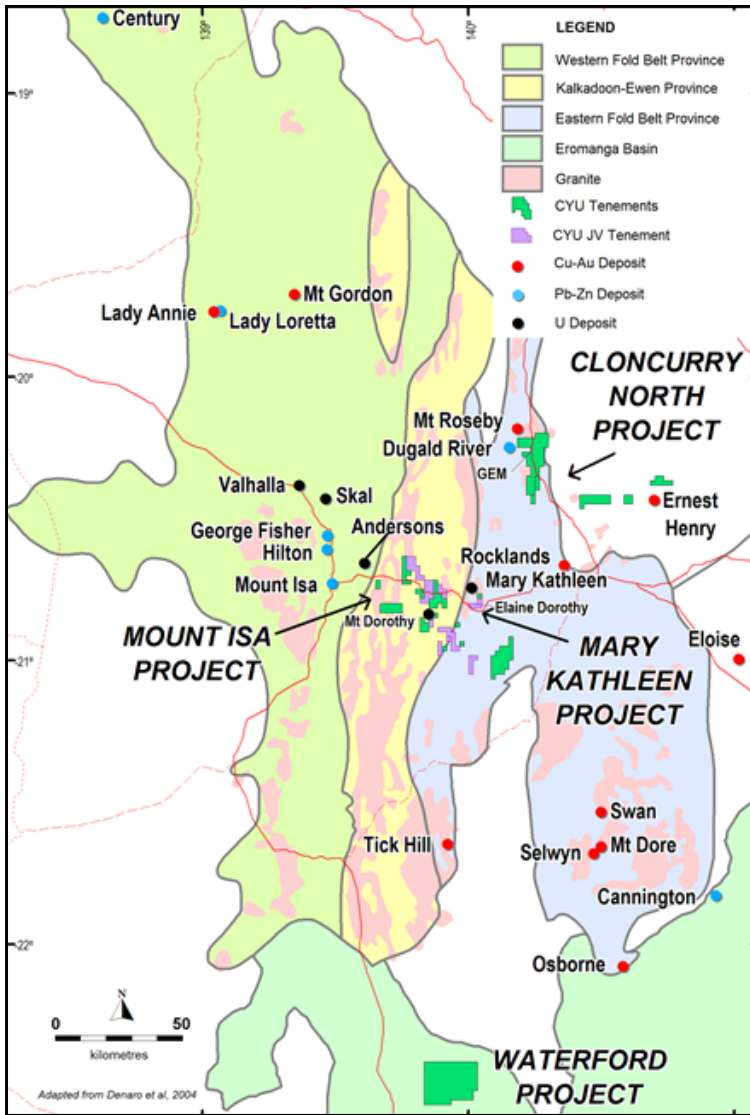
Mineralisation remains open at depth and along strike.

## COPPER – CHILE – HUMITO PORPHYRY – DRILLING PHASE1 COMPLETE

To date, drilling of 2000 metres completed; mapping and ground magnetic program at Humito completed with results due in the March quarter. Additional projects are being actively sought in Chile.

## RARE EARTH ELEMENT – URANIUM – COPPER – ELAINE SULPHIDE TARGET DRILLING

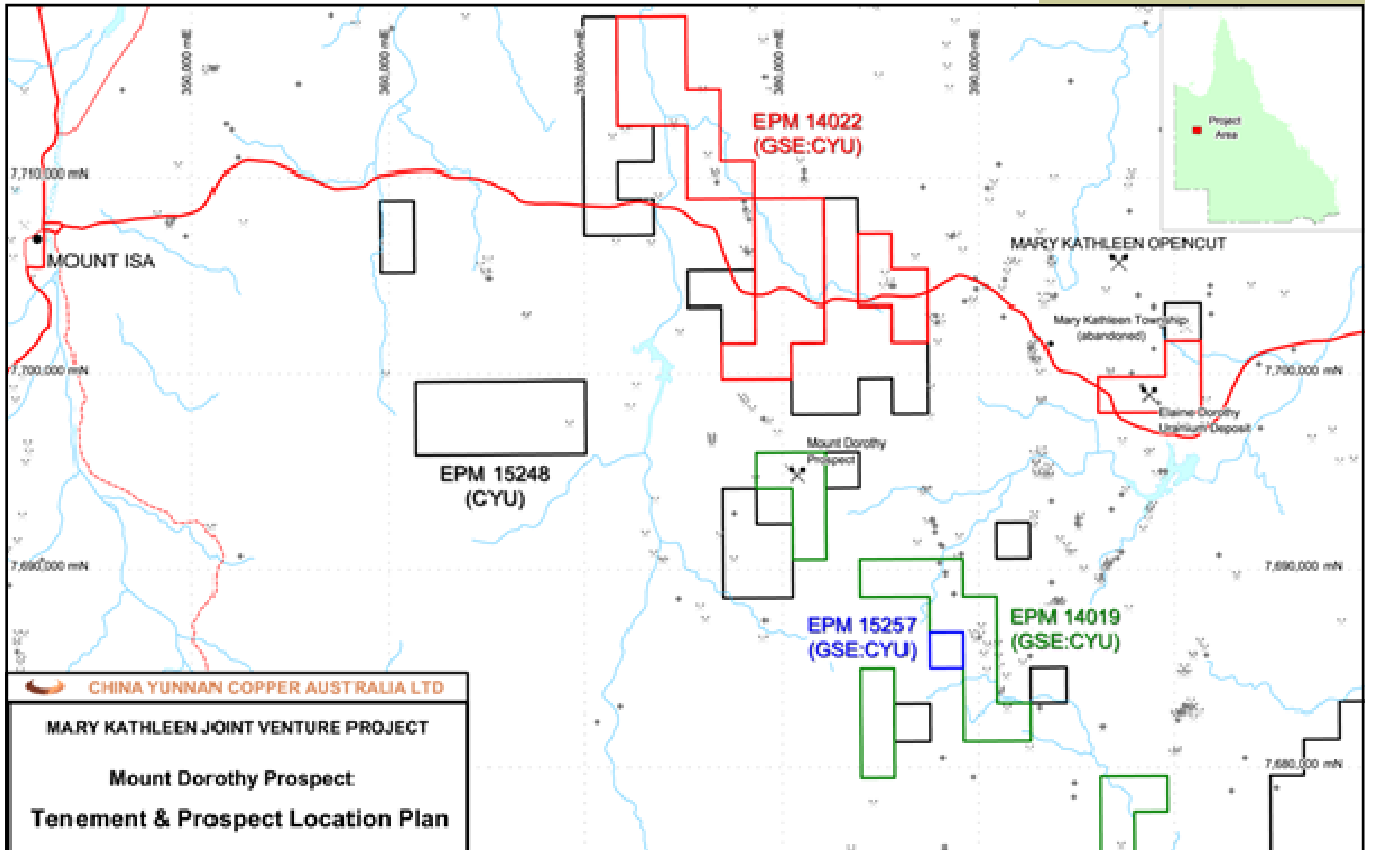
At the Elaine Dorothy Project, a review of historic results showed an historic intercept of 28% sulphide over 42 metres was assayed for only uranium and thorium oxide in the early 1980's. A hole is currently being drilled to replicate this zone as it was not previously assayed for REE, copper or gold.



Drilling the Elaine Dorothy REE-U-Cu Inferred Resource, 23<sup>rd</sup> January

Figure 2. Projects within the Mount Isa district including the Mary Kathleen JV located an average of 50 kilometres southeast of Mount Isa.

Figure 3. Mary Kathleen JV tenure is contiguous with CYU 100% tenure in the Mount Isa district.



# Copper-Gold - Mt Isa - Mary Kathleen JV

The Mary Kathleen Joint Venture is currently targeting Rare Earth Elements (REE), copper and cobalt at Mount Dorothy, REE and copper at Elaine Dorothy Resource, REE and copper at Hardway and copper at Prince of Wales.

China Yunnan Copper Australia has entered a Farm-In/ Joint Venture agreement with Goldsearch Limited (ASX:GSE) over three exploration permits (EPM 14019, EPM 14022 and EPM 15257) comprising the Mount Isa East Project (Mary Kathleen Joint Venture). These tenements, which are contiguous with CYU's EPM 15248 of the Mount Isa Project, are located approximately 60km to the west of Mount Isa with the groups of tenement blocks effectively straddling the main Barkly Highway between Mount Isa and Cloncurry.

Under the terms of the agreement, CYU is obligated to carry out exploration programs to investigate a number of high priority targets identified by GSE and previous tenement holders within a period of 3 years. Upon sole funding expenditure of \$750,000, CYU will have gained the right to earn an initial 49% participating interest in the tenements.

By contributing additional expenditure to a cumulative amount of \$1.5 million within a 3 year period from the commencement of the farm-in and joint venture agreement, CYU will have gained the right to earn a 70% participating interest in the tenements. During the farm-in period, CYU will solely fund and manage the exploration for all minerals within the tenement area.

The project area covers a portion of the Kalkadoon-Leichhardt, Mary Kathleen (Wonga Belt) and Quamby-Malbon Tectonic Belts within the Eastern Succession of the Mt Isa Inlier.

The Mount Isa Inlier is a world class mineral region, hosting numerous major deposits of copper, gold, lead, zinc, silver and uranium. The Inlier has yielded two significant new mineral discoveries in recent years, Merlin (Mo, Cu, Au) and Kalman (Mo, Cu, Au).

Exploration to date undertaken by Goldsearch has targeted fertile structures for Cu-Au+U mineralisation emplaced as indicated by surficial historic copper workings, geochemical Cu and U anomalism and limited shallow drilling. A number of high priority targets with potential for the discovery of significant deposits of copper, gold, uranium and rare earth elements (REE) have been defined.

Results to date indicate the main focus of mineralisation is the Wee Wyeems zone of Mt Dorothy (refer Table 1 and Figures 3 and 4).



*Figure 4. MDD006 core recovered in the target breccia from 50 metres and continues at depth to 78 metres. Yellow brown rock in bottom metres is supergene chalcocite (copper sulphide) breccia from 60.5 metres and confirms the extension at depth of the Mt Dorothy sulphide breccia. The top metre is green pseudomalachite in breccia. The brown metres at the bottom of the tray average 10.5 % copper.*

**Table 1. Mount Dorothy Drill Results**

Hole ID	East* (m)	North* (m)	RL (m)	Azimuth** (°)	Dip (°)	Depth (m)	
MDR002	380,623	7,695,016	449	119	-60	163	35m @ 1.52% copper, 397ppm cobalt from 17m, including 22m @ 2.03% copper, 591ppm cobalt from 17m.
MDR003	380,621	7,695,021	447	224	-60	100	10m @ 411ppm cobalt, 0.04% copper from 81m.
MDR004	380,293	7,695,296	429	160	-60	130	28m @ 385ppm cobalt, 0.12% copper from 35m, including 8m @ 315ppm cobalt, 0.02% copper from 122m (OPEN).
MDD005	380,625	7,695,065	448	119.0	-60.0	150.10	16m @ 1249ppm (1.24 kg/tonne) Total HREE+Y from 71m.
MDD006	380,604	7,695,027	448	120.5	-59.5	128.90	36m @ 1.54% Cu and 198ppm Co from 50m, including 9m @ 5.5% Cu and 205ppm Co from 55m, including 2m @ 10.5% Cu and 732ppm Co from 61m.
	<i>MDD006 is comparable in width and copper content to MDR002, 50 metres higher and previously reported, which returned an intercept of 35m @ 1.52% copper and 397ppm cobalt from 17m down hole.</i>						
MDD007	380,605	7,695,029	449	113.5	-85.0	136.70	15m @ 0.35% Cu and 43ppm Co from 65m, 35m @ 0.26% Cu and 126ppm Co from 96m.
MDD008	380,368	7,695,152	438	134.0	-60.0	150.00	2m @ 0.12% Cu and 217ppm Co from 52m.

\* Datum GDA94 zone 54 \*\* UTM Grid Azimuth

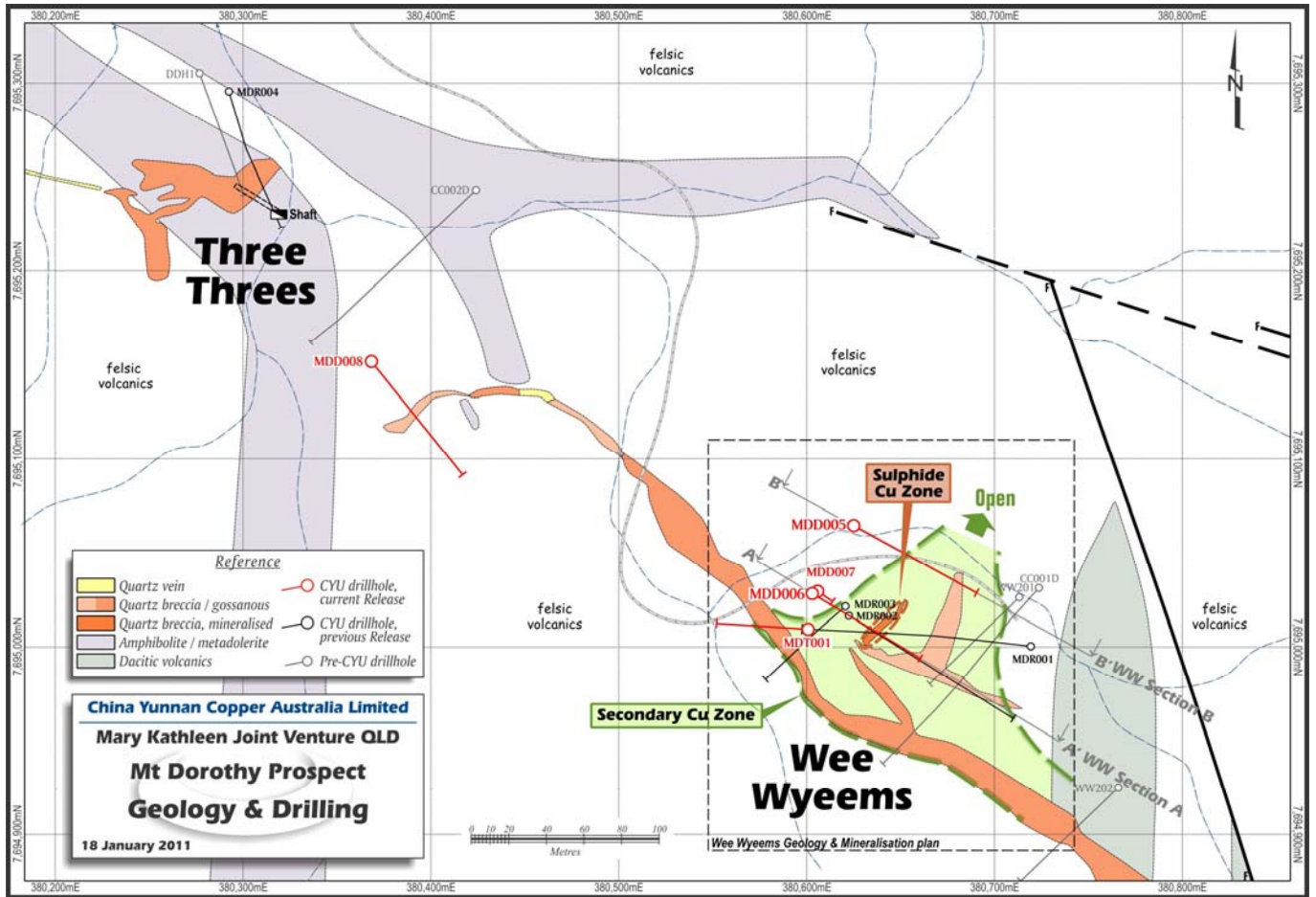
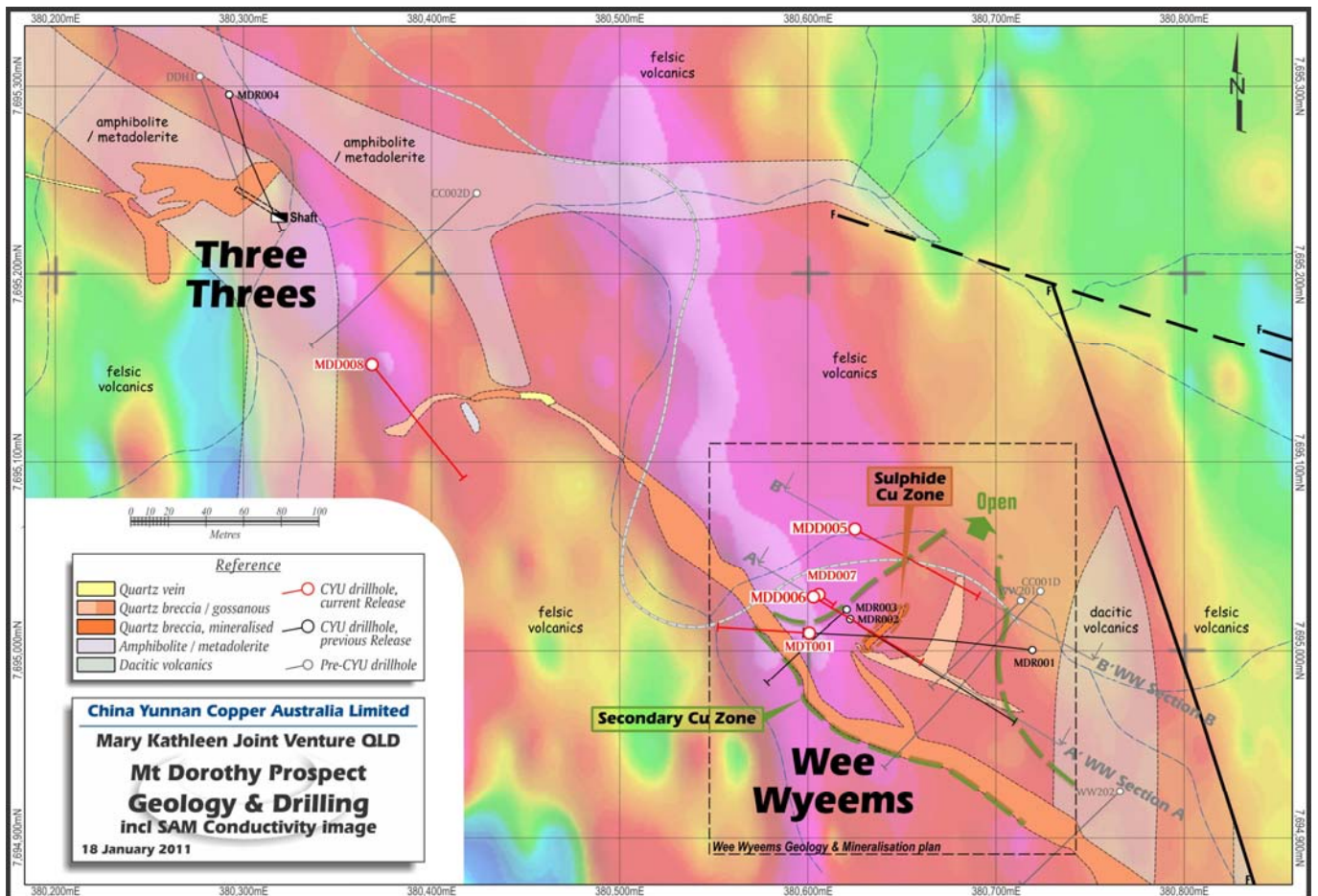


Figure 5 and 6. Map of the Mount Dorothy Project to January 2011. Sub Audio Magnetics (SAM) has defined a conductive zone running north - south, adjacent to the sulphide copper zone and REE Y Zone, open to the north east as depicted.



## MOUNT DOROTHY (WEE WYEEMS/THREE THREES)

Drilling results have been returned for all 2010 drilling. The main zone of mineralisation appears to be the Wee Wyeems area.

For background, and to indicate possible economic implications, the prices of HREE+Y are detailed below.

The interval is strongly oxidised with abundant Fe oxides and clays. Intervals from other previously drilled RC holes further to the west are being assessed as no historic drilling was analysed for REE. All other CYU holes have been analysed for REE with full results due at the end of January 2011. To date, MDD005 is the most significant intercept with results due for MDD006, MDT001 and MDD008. Also, CYU will resample former MIM Exploration drillholes in the government core storage facility in Mount Isa.

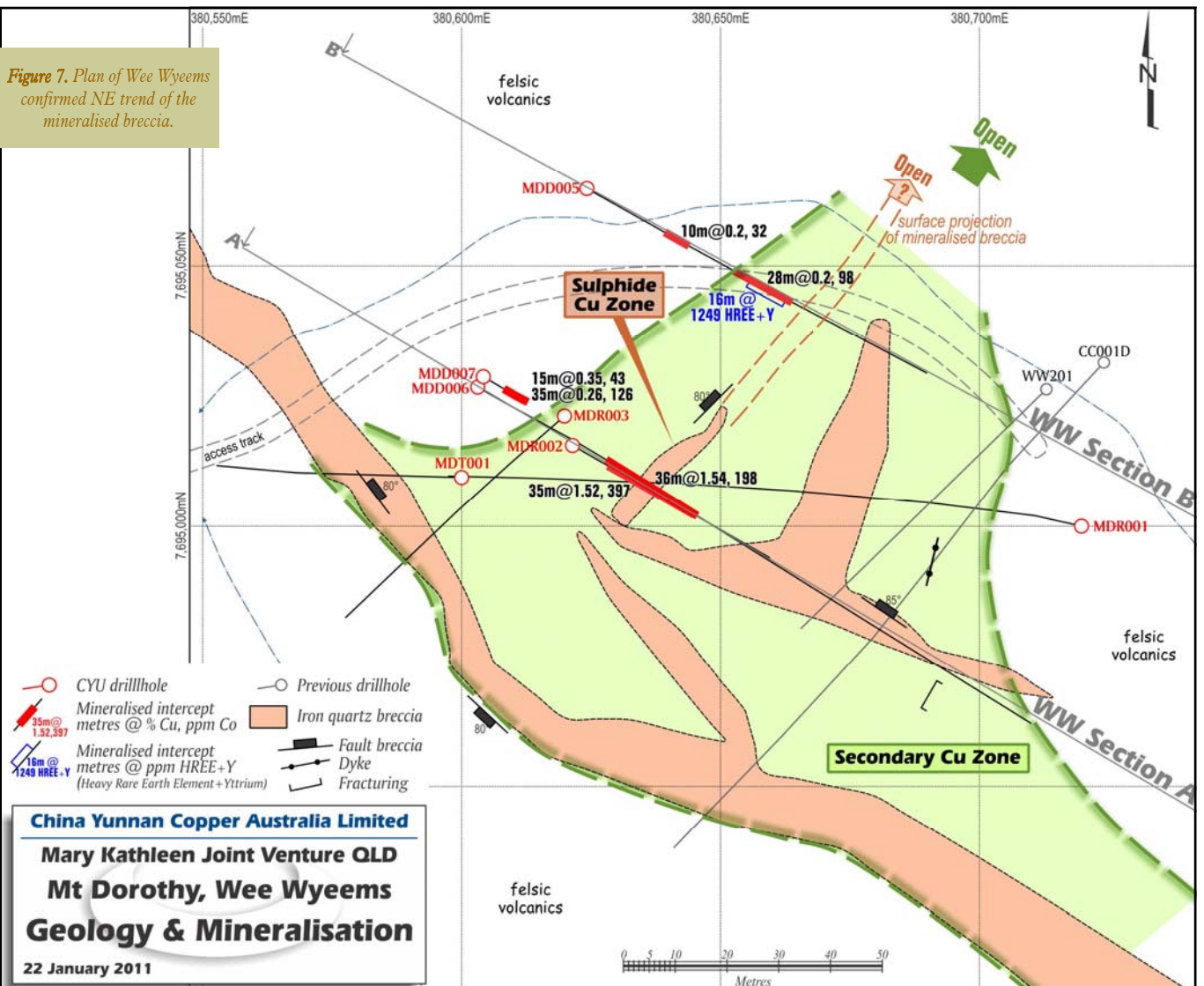
Table 2 reflects total HREE+Y of 1.24kg/tonne. Market Prices for HREE+Y's are as follows:  $Y_2O_3$  \$82/kg,  $Dy_2O_3$  \$300/kg,  $Er_2O_3$  \$640/kg,  $Gd_2O_3$  \$55/kg,  $Nd_2O_3$  \$110/kg. These are prices for the oxides of these Heavy Rare Earth elements. In early 2011, geochemical studies will be completed to determine the nature of the HREE mineralogy as some may be also phosphates. For comparison the price of copper approximates \$8/kg.

The high mean percentage of HREE+Y to Total REE -Y in these samples at 75% is noteworthy and the variation inside the intercept is likely to be the result of unknown mineral species to be determined in the current quarter.

Traditionally, the Mount Dorothy prospect has been referred to by the names of its two outcropping lodes: 'Three Threes' and 'Wee Wyeems'. The copper mineralisation occurs in these two outcrops as malachite staining on gossans in fault quartz breccias and as disseminations in adjacent sheared porphyry. The mineralisation appears to be controlled by a northwest striking fault.

The mineralised zone, as defined by a >200ppm copper soil geochemical anomaly, is centred on the Wee Wyeems area by five drill holes in the 1990's returning a best intercept of 110m @ 0.57% Cu from 22m in drill hole WW201 including 26m @ 1.05% Cu from 106m (Open at Depth).

3D interpretation undertaken by CYU in January 2011 suggests a mineralised northeast splay breccia at Wee Wyeems coming off the main Mount Dorothy North West Structure. Drilling will continue to grow the dimension of the current intercepts along strike and at depth.

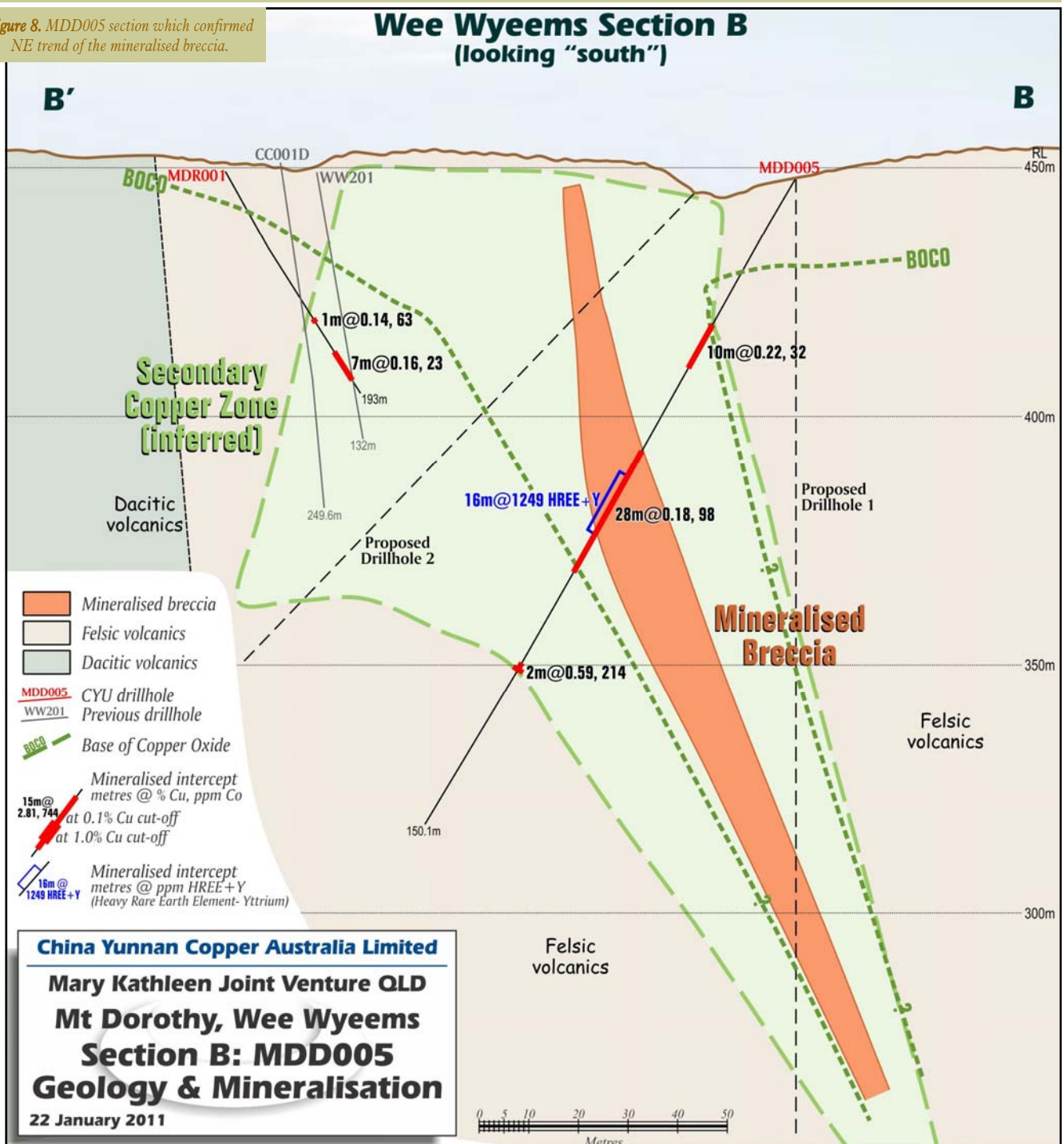


mFrom	mTo	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Y	Total REE Y	Total HREE Y	TREEY/HREEY	HREE%
71	72	117	259	33	128	33	7	50	11	73	18	50	7	39	480	1303	727	1.8	55.8
72	73	56	146	23	113	48	13	110	26	196	48	137	18	103	1350	2387	1988	1.2	83.3
73	74	25	76	11	62	34	11	95	25	188	49	141	19	108	1355	2197	1978	1.1	90.0
74	75	23	60	9	48	22	7	56	14	105	27	78	11	61	786	1305	1137	1.1	87.1
75	76	33	81	12	54	21	6	47	11	84	21	59	8	47	588	1070	864	1.2	80.7
76	77	40	87	14	59	21	5	43	10	72	18	50	7	40	487	951	725	1.3	76.2
77	78	42	101	15	73	30	8	72	18	129	32	90	12	68	871	1559	1290	1.2	82.8
78	79	34	80	13	58	24	7	56	13	101	25	73	10	57	704	1253	1038	1.2	82.9
79	80	40	92	13	63	24	7	59	14	108	27	80	11	65	818	1421	1183	1.2	83.2
80	81	32	89	16	83	43	13	113	29	219	58	172	24	143	1700	2732	2457	1.1	89.9
81	82	81	218	33	167	69	18	152	36	263	65	181	25	143	1795	3244	2659	1.2	81.9
82	83	44	134	24	125	51	12	108	26	183	45	131	19	123	1245	2267	1878	1.2	82.8
83	84	12	34	6	25	9	2	20	5	33	9	27	4	28	260	474	385	1.2	81.2
84	85	102	179	22	81	18	3	21	4	26	6	18	3	19	173	674	269	2.5	40.0
85	86	119	331	50	197	43	6	35	6	31	6	17	3	17	154	1015	270	3.8	26.6
86	87	50	141	22	99	36	7	63	15	104	26	79	12	78	751	1483	1129	1.3	76.1

Table 2: REE & Yttrium Mineralised drill intercept from MDD005 (ppm – parts per million)

\*HREE (Gd to Y)

Figure 8. MDD005 section which confirmed NE trend of the mineralised breccia.





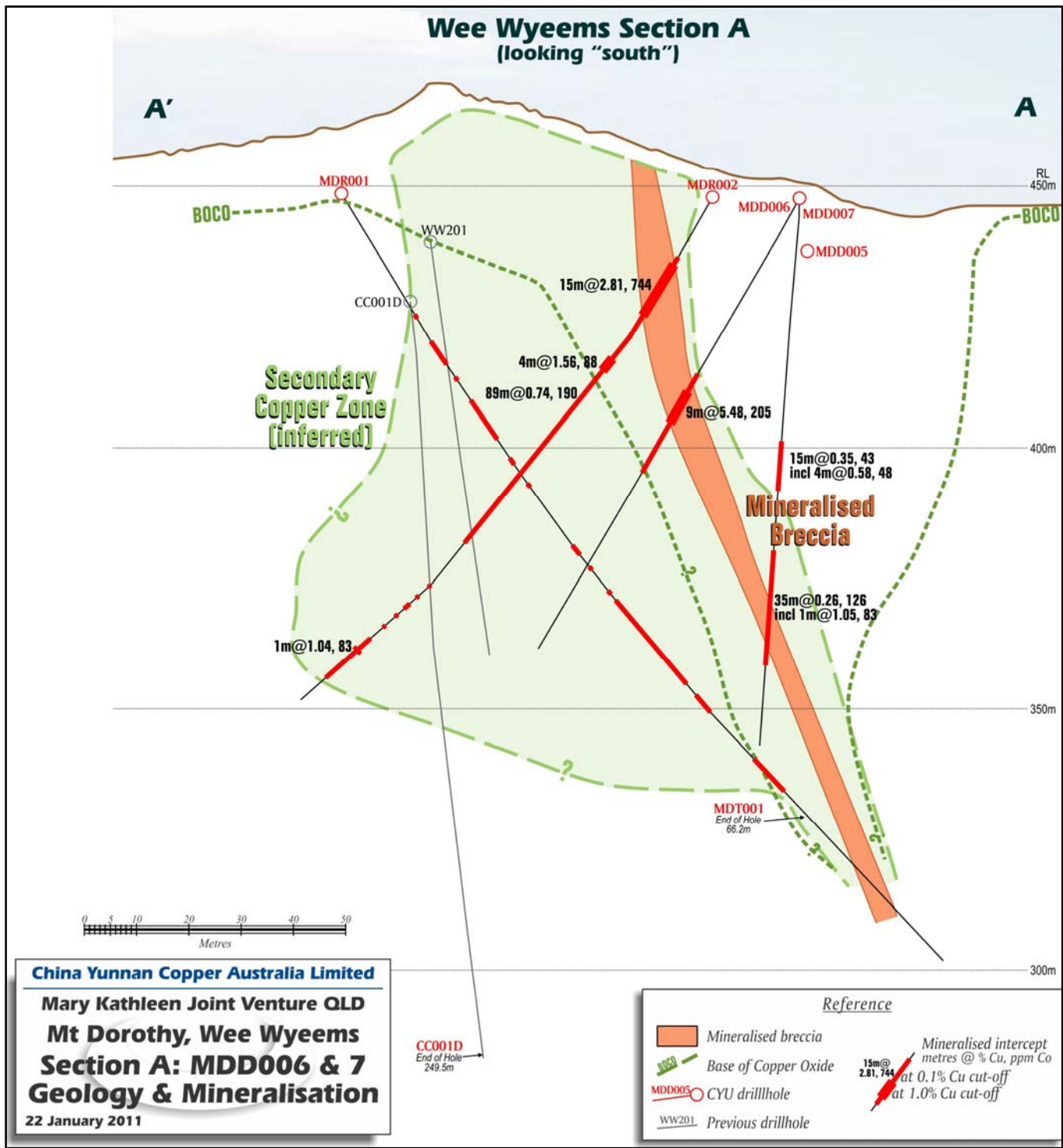


Figure 9. MDD006 result at a non-geological lower cut of 0.5% copper is 36m @ 1.54% copper and 198 ppm cobalt, very similar in copper content to MDR002 (50 metres above) which returned an intercept of 35m @ 1.52% copper and 397ppm cobalt from 17m. MDD005 collar position is shown from reference although occurs on Section B, 50m to the north east. Mineralisation remains open along strike.

Table 3. Mount Dorothy Prospect Drill Collars							
Hole ID	East*	North*	RL (m)	Azimuth (°)**	Dip (°)	Depth (m)	Comments
MDR001	380,720	7,694,999	449	278	-60	193	
MDR002	380,623	7,695,016	449	119	-60	163	Section A
MDR003	380,621	7,695,021	447	224	-60	100	
MDR004	380,293	7,695,296	429	160	-60	130	
MDD005	380,625	7,695,065	448	119.0	-60.0	150.10	HREE Zone, Section B
MDD006	380,604	7,695,027	448	120.5	-59.5	128.90	Section A
MDD007	380,605	7,695,029	449	113.5	-85.0	136.70	Section A
MDT001	380,601	7,695,010	304	271.9	-42.4	66.20	Core tail to MDR001
MDD008	380,368	7,695,152	438	134.0	-60.0	150.00	Testing a splay to NW

\* Datum GDA94 zone 54    \*\* UTM Grid Azimuth

**ELAINE INFERRED RESOURCE (REE URANIUM COPPER)**

A JORC Inferred Resource of 83,000 tonnes @ 280ppm U<sub>3</sub>O<sub>8</sub> and 3,200ppm Total Rare Earth Oxides (TREO) at a lower cut-off of 200ppm U<sub>3</sub>O<sub>8</sub>, was estimated in March 2010.

Three diamond holes for only 334 metres allowed historic drilling to upgrade from an exploration target to CYU’s maiden Inferred Resource. Next step is resource growth; both at surface and down plunge.

Independent consultants, Hellman and Schofield Pty Ltd, completed the initial resource estimate. This initial resource is reported as Inferred using JORC Code guidelines and incorporates both historic and recent drilling results.

Elaine grades for REE have not been previously quantified due to absence of assaying for REE prior to 2005. The 1980 estimate is broadly comparable to the CYU estimate although Hellman and Schofield opted for a conservative SG (reducing tonnage) for this early stage of defining an Inferred Resource.

Exploratory drilling is currently underway on the eastern side of the resource to grow the extent of known REE, Copper and Uranium mineralization. For targeting, CYU has undertaken a follow up program of petrographic studies of selected diamond core as well as field check mapping and ground scintillometer/soil geochemical surveys to track the potential surface expression of the uranium+REE mineralisation and follow up on a significant copper–molybdenite

intersection returned from the bottom of CYU’s 2009 diamond hole MKED003 of 2m @ 0.32% copper and 964ppm molybdenum from 71m.

Petrographic studies on 15 samples selected from MKED003 were undertaken by Dr Nick Oliver of JCU–ERGU and confirms the mineralization at Elaine Dorothy uranium deposit is dominated by an allanite (REE silicate mineral)–uraninite–titanite–garnet± calcite–apatite–pyrite–pyrrhotite association overprinting a skarn body.

The copper potential for this area has never been targeted. A prime example is the exposed drill pad cuttings for historic percussion hole EP004 (130m depth – drilled 1979), located in the centre of the copper anomaly, which is dominated by malachite stained calc-silicates and biotite schist. Review of the geological drill log for EP004 (QDEX Company Report: CR 9295) also identifies a visible sulphide mineralisation intersection of >42 metres averaging ~30% sulphides.

The sulphides are generally termed “sulphides” but where identified are dominated by pyrite +/- pyrrhotite +/- chalcopyrite. This hole was only assayed for uranium and thorium and not for copper despite the surface mineralisation and sulphide intercepts downhole. CYU is currently compiling the data and generating drill targets to test these anomalies with a proposed diamond core program (~500 metres) to be undertaken following on from the September 2010 Mount Dorothy drilling program.

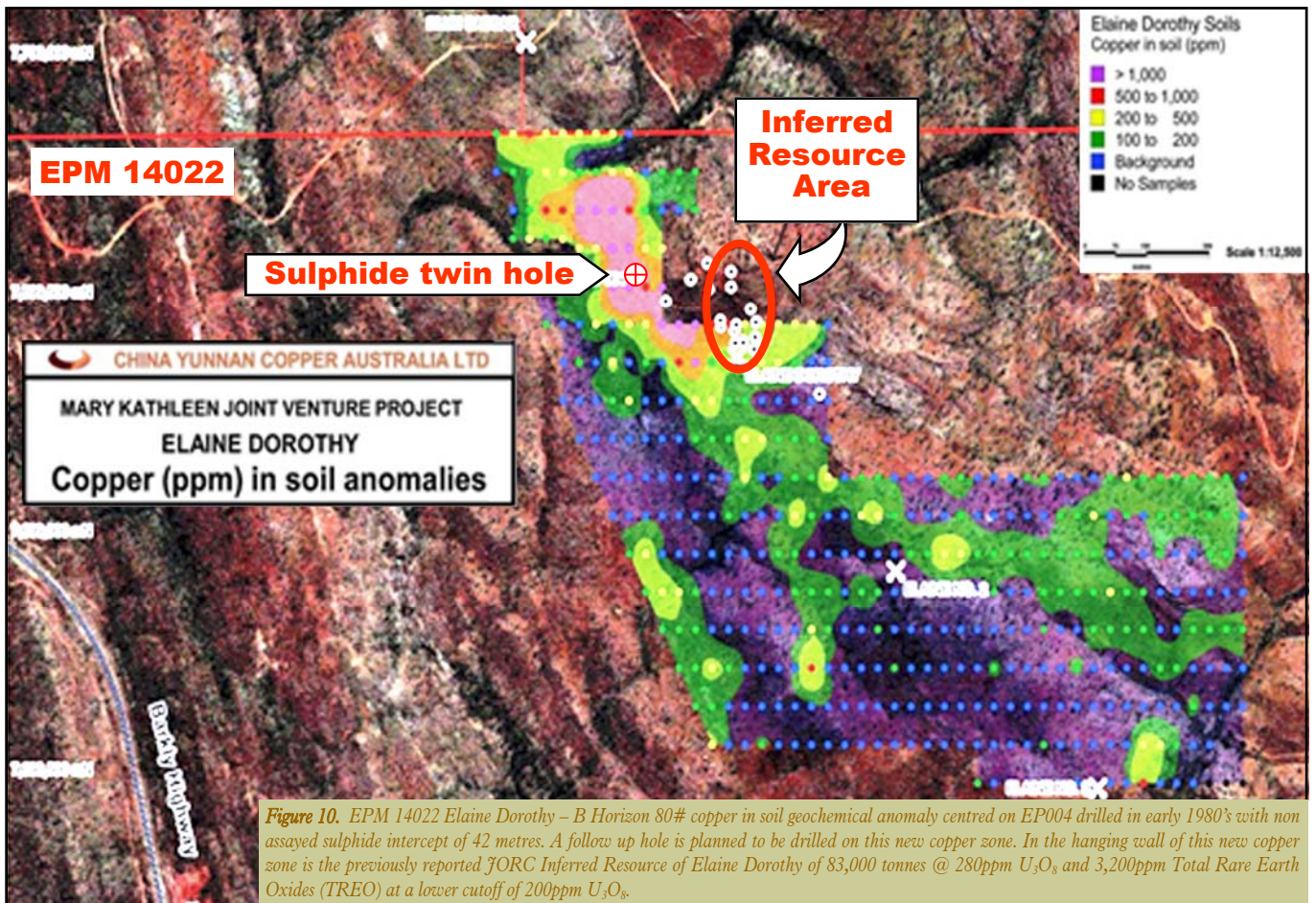


Figure 10. EPM 14022 Elaine Dorothy – B Horizon 80# copper in soil geochemical anomaly centred on EP004 drilled in early 1980’s with non assayed sulphide intercept of 42 metres. A follow up hole is planned to be drilled on this new copper zone. In the hanging wall of this new copper zone is the previously reported JORC Inferred Resource of Elaine Dorothy of 83,000 tonnes @ 280ppm U<sub>3</sub>O<sub>8</sub> and 3,200ppm Total Rare Earth Oxides (TREO) at a lower cutoff of 200ppm U<sub>3</sub>O<sub>8</sub>.



*Elaine Prospect drill core from 23rd January drilling*

*Left. Pyrrhotite-pyrite stringer zone through garnetite skarn (around 48m).*



*Right. Strong pyrrhotite-chalcopyrite-pyrite zone through garnetite skarn (around 58 – 60m).*

*Below. Close up of strong pyrrhotite-chalcopyrite-pyrite zone through garnetite skarn.*



## HARDWAY (COPPER / GOLD / URANIUM / REE)

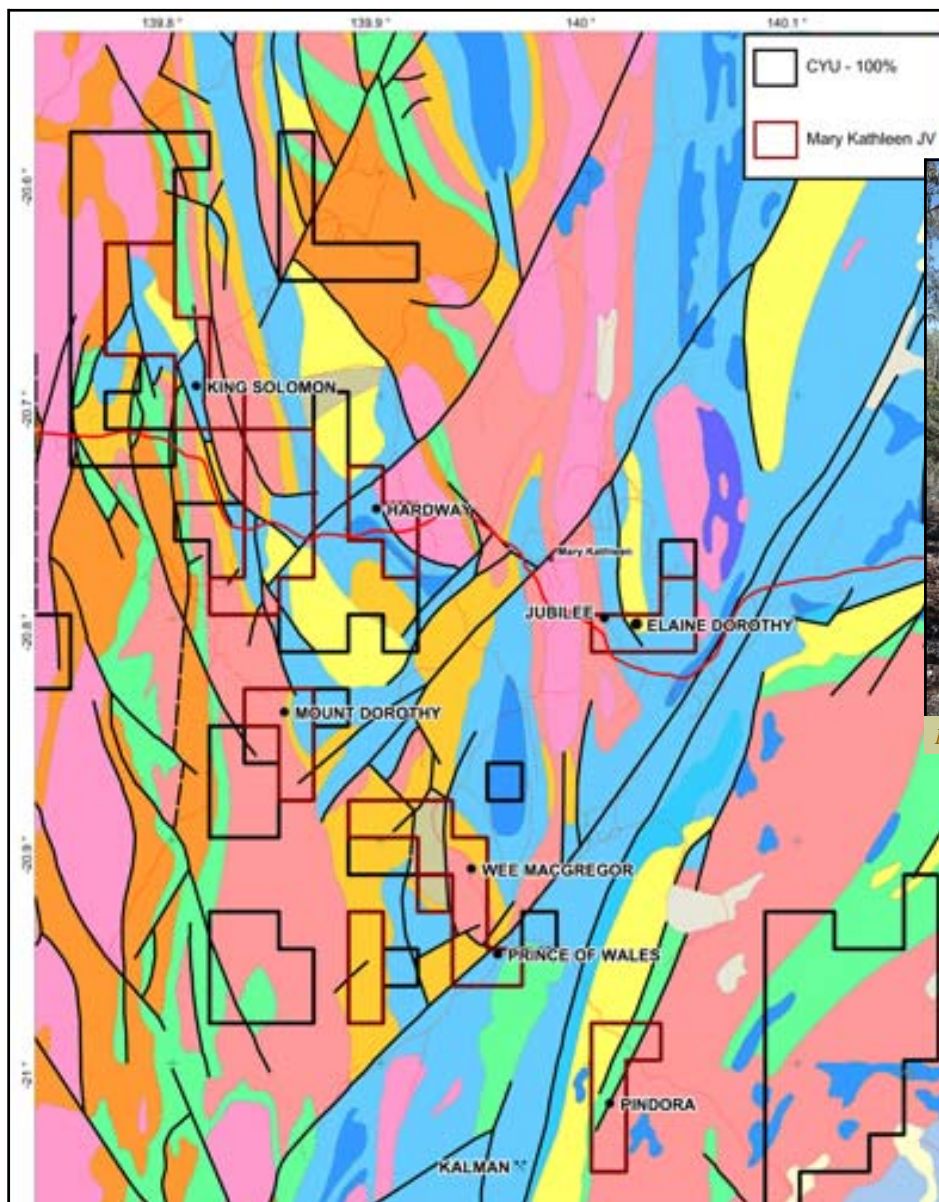
Drilling is planned to test the Hardway trend which extends for several kilometres as defined by previous open pit mining of oxide copper, soil geochemistry and RC drilling. The mineralisation is generally hosted by re-crystallised limestones, calcareous siltstones and dolerite and is associated in places with silicification and silica/carbonate veining. Goldsearch has defined potential multiple zones of shallow copper mineralisation over a 250m width within the 2.8km long soil geochemical Hardway zone. Drilling intercepted multiple zones of greater than 0.2% copper with a significant intersection of 49m @ 0.26% Cu. The mineralisation is associated with both extensive disseminated sulphides along with minor quartz carbonate veining and minor stock works.

The carbonate dominated host rocks of the Corella Formation at Hardway represent an attractive exploration target and elevated cobalt, uranium, gold, yttrium and phosphorus are of considerable interest given the metal association at the nearby Mary Kathleen Mine.

At Hardway, high copper values in drilling are associated with elevated cobalt (up to 0.24% Co), uranium (up to 74ppm U), phosphorus (>1% P) and yttrium (>500ppm Y). The phosphorus and yttrium values suggest possible associated rare earth element (REE) mineralisation, most likely as the mineral xenotime. The association of copper, uranium and rare earth element mineralisation has similarities to the nearby Mary Kathleen deposit where high grade uranium was associated with high REE mineralisation and copper.

## PRINCE OF WALES (COPPER +/- GOLD)

At Prince of Wales, soil sampling and review of previous drill intercepts including 9m @ 3% copper from 21 metres, has defined a zone of anomalous copper associated with outcropping iron stones and minor historical copper workings. This area is thought to have significant potential for iron oxide copper gold (IOCG) mineralisation given the nearby development of the large body of iron oxide at Mount Philp. A short RC program is also planned for the current quarter.



*Figure 11. Locations of additional drill targets of Hardway (REE-Copper) and Prince of Wales (Copper).*



*Drilling Elaine Prospect, Mary Kathleen JV, 23<sup>rd</sup> Jan.*

### **Competent Person's Statement**

The information regarding to Exploration Activities in this report that relates to the Mount Dorothy (EPM 14019) prospect and the Elaine Inferred Resource is based on information compiled by Jason Beckton, who is a Member of the Australian Institute of Geologists and is Managing Director of China Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# Copper Gold - Cloncurry North

No activity in the reporting quarter. Partners are being sought for this peripheral project.

# Copper - Chile - Humitos

Drilling has been completed for 1900 metres at Humitos and results will be reported in the next month.



Figure 12. The Humito project is a copper porphyry project located 90km north of Copiapo, approximately 10km to the south of the village of Inca de Oro.

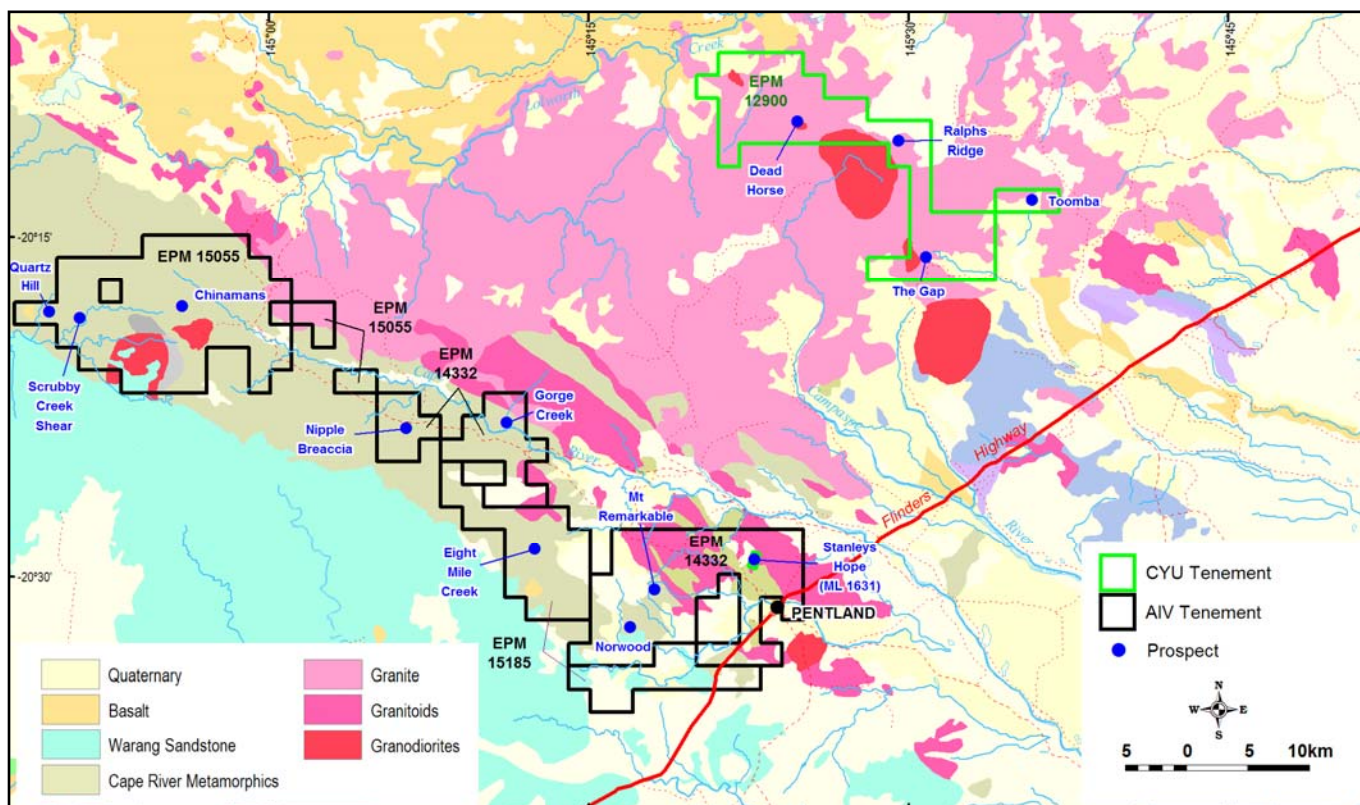
# Gold - Queensland - Pentland

## PENTLAND JOINT VENTURE – ACTIVEX LIMITED

No activity in the reporting quarter.

An extensional drill program has been proposed for Stanley's Hope Mining Lease (100% CYU), and will take place in 2011 at the end of the wet season.

Key points for Stanley's Hope are: shallow, epithermal gold Pajingo style mineralisation; granted mining lease; close to infrastructure.



*Figure 13. Location of AIV's JV tenure approximately 100 kilometres west of Charters Towers. Mt Remarkable and Norwood are defined porphyry gold targets on which drilling was completed.*

# Corporate

## Board of Directors

Norm Zillman, Non-Exec Co-Chairman  
Zhihua Yao, Non-Exec Co-Chairman  
Jason Beckton, Managing Director  
Zewen Yang, Executive Director

## Company Secretary

Paul Marshall

## Further Information

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Fax: (61 7) 3228 4999  
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## Quarterly Share Price Activity

Quarter	High	Low	Last
Jun 2008	\$0.43	\$0.19	\$0.19
Sep 2008	\$0.25	\$0.12	\$0.12
Dec 2008	\$0.19	\$0.07	\$0.07
Mar 2009	\$0.10	\$0.07	\$0.068
Jun 2009	\$0.20	\$0.16	\$0.17
Sep 2009	\$0.35	\$0.16	\$0.24
Dec 2009	\$0.35	\$0.17	\$0.20
Mar 2010	\$0.35	\$0.205	\$0.205
Jun 2010	\$0.23	\$0.091	\$0.15
Sep 2010	\$0.225	\$0.091	\$0.165
<b>Dec 2010</b>	<b>\$0.20</b>	<b>\$0.15</b>	<b>\$0.175</b>

## Issued Share Capital

China Yunnan Copper Australia has 118.66 million ordinary shares currently on issue and 15.55 million options. During the quarter, the company completed a share purchase plan that raised \$1.5 million with the issue of 10 million shares at 15 cents.



Mt Dorothy REE Copper Cobalt prospect—drilling MDD008, December 2010



*Drilling Elaine Prospect , Mary Kathleen JV, 23<sup>rd</sup> January 2011.*