



ABN 27 099 098 192

CYU is a resource exploration and development company with a primary focus on project interests in the Mt Isa region of north Queensland.

Issued Capital:

473,027,475
Ordinary shares

4,000,000
Performance shares

Directors:

Zhihua Yao
Chairman
Paul Williams
Managing Director
Zewen (Robert) Yang
Executive Director

Company Secretary:

Paul Marshall

**CHINALCO YUNNAN
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LTD**

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DECEMBER 2014 QUARTERLY ACTIVITIES REPORT

23 JANUARY 2015

Activities during the three months to 31 December 2014 included:

- Significant ongoing focus on acquisition opportunities designed to transform CYU into a mid-tier mining company in accordance with the 2014 Business Plan.
- Conduct of an initial 6 hole exploration drilling program at Native Companion, which achieved impressive copper and gold (and in some cases, zinc) assay results.
- Conduct of an 8 hole Phase 3 exploration drilling program at Jubilee.
- Confirmation from Glencore's Mount Isa Mines that CYU's earn-in of the first 51% interest in the Mt Frosty prospect had been achieved.
- CYU to increase its interest in the Mary Kathleen joint venture to an effective 100% (subject to a 1.75% net smelter royalty) as JV partner Goldsearch (ASX:GSE) pursues other opportunities outside of the mining sector.
- Appointment of David A-Izzeddin as Exploration Manager.
- Approval has been obtained to change the financial year for CYU's reporting periods from a 30 June end date to a 31 December year-end.

The Board of Chinalco Yunnan Copper Resources Ltd (ASX:CYU) continues to focus on transforming the Company into a substantial mid-tier mining group, with a primary exploration focus in the Mt Isa region and the ongoing pursuit of project acquisition opportunities currently under review and negotiation – both locally and in overseas jurisdictions.

2014 Business Plan

In accordance with the Business Plan endorsed in early 2014, CYU's stated corporate objective is to become a mid-tier mining company by acquiring project opportunities that are either in production or with the capacity to be in significant production within two years. CYU's management team believes that the current difficult market conditions for resource companies and projects is an ideal acquisition environment. As a result, CYU is continuing detailed financial and technical due diligence of certain existing projects that may lead to the formal pursuit of a commercial opportunity in the coming months.

Exploration Activities

In early 2014, the CYU Board approved a total proposed exploration expenditure budget of \$2 million across a combination of regional-scale data collection and prospect delineation activities. These are designed to further define existing copper, gold and other mineralisation at prospects such as Jubilee and Native Companion, and to create a pipeline of drill targets into 2015 and 2016.

The CYU Mt Isa project covers more than 1000km², centred in an area 75km northeast of Mt Isa and 40km northwest of Cloncurry in north western Queensland (see Annexure A for a diagram of tenure holdings). The project area comprises a number of farm-in agreements (Mount Isa Mines – a Glencore company, Altona/Roseby Copper South, Elementos and Goldsearch), together with tenure held directly by CYU.

Native Companion

The Native Companion/Brolga trend is characterised by numerous historic workings over a 5km strike parallel to the Rosebee Fault. The zone was previously RAB (rotary air blast drilled) by Altona Mining Ltd on nominal 500m line spacing to identify discrete copper geochemical anomalies in excess of 1000m of strike length and 100m width. CYU has completed infill sampling on 100m line spacing using mobile metal ion (MMI) technology that successfully reproduced and delineated these geochemical anomalies.

CYU's exploration team undertook an initial 6 RC drill hole program at Native Companion. These 100m drill holes were planned as an initial test of the Native Companion/Brolga geochemical trends and were designed to test the source of the geochemical anomalism 50m below surface.

This initial drilling program at Native Companion was completed in November 2014 and all assay results from the 6 holes received from the laboratory. The results of this program have identified a mineralised zone over the full 5km length of strike at Native Companion with the following features:

- The presence of a large anomalous zinc zone to the north
- Shallow (close to surface) copper mineralisation in all other five holes
- Strong copper mineralisation in some of those holes.

The highlight results of the Native Companion program are summarised as follows:

- Q-032** **61m @ 0.18% Zn from 12m including**
 6m @ 0.37% Zn from 24m and
 5m @ 0.33% Zn from 56m
- Q-033** **4m @ 0.19% Cu from 20m and**
 4m @ 0.30% Cu from 27m
- Q-034** **26m @ 0.68% Cu from 63m including**
 15m @ 1.15% Cu from 64m
- Q-035** **18m @ 0.35% Cu from surface including**
 4m @ 0.84% Cu and 0.41g/t Au from 11m

 21m @ 0.31% Cu from 35m and
 14m @ 0.31% Cu from 63m
- Q-036** **6m @ 0.29% Cu from 33m and**
 4m @ 0.23% Cu from 49m
- Q-037** **2m @ 0.51% Cu from 27m and**
 18m @ 0.37% Cu from 33m including
 8m @ 0.69% Cu from 33m

Based on the above initial results at Native Companion, potential exists down dip of these shallow intersections and along the 5kms of strike identified by CYU's MMI soil survey to delineate further mineralization during the proposed follow-up drilling in 2015.

Jubilee

The Jubilee prospect is located approximately 900m to the west of CYU's Blue Caesar prospect and 5.5km south of the historic Mary Kathleen uranium mine. The prospect consists of a north-trending linear zone of historic shear-controlled workings that is associated with a strong copper anomaly. The target is a Barbara or Mount Colin style shear deposit with steeply plunging lodes of economic grade copper mineralisation.

After the successful drilling at Jubilee in May and August/September this year, a Phase 3 program of 8 additional reverse circulation (RC) drill holes was carried out during December 2014 to extend the zone defined over the 500 metre strike length of the historic workings and to test at depths beyond 150m down dip.

This Phase 3 program at Jubilee experienced delays due to weather and drill rig maintenance and was only completed in late December. Assay results for this program have just been received and are currently being assessed. Details of these assay results will be announced to the market as soon as they are finalised.

Other Mt Isa Prospects

Millennium

Shallow RC drilling in late 2013 and some deeper drill holes in May 2014 identified broad zones (up to 90m wide) of low-grade mineralisation carrying 5-10m wide lodes of higher grade mineralisation within a steep westerly-dipping structural zone. This style of mineralisation is analogous to the Elaine and Kalman deposits (also in the Mt Isa Inlier region) both in terms of structural control and complex multi-element geochemistry.

The Millennium prospect has a strike length over a 3km and hosts a highly prospective system. Due to the focus on Jubilee and Native Companion during the latter part of 2014, CYU's exploration team will take some further time to assess the geological features at Millennium in more detail before establishing the targets for additional exploration in 2015. As part of the Pilgrim Fault geochemical survey that CYU conducted throughout the year, a strong copper/gold anomalous zone was identified at the northern end of the original Millennium drilling locations.

Pilgrim Fault

The Pilgrim Fault program was the primary exploration program for CYU during 2014. The Pilgrim Fault is a major, north-northeast trending fault zone located approximately 70km east of Mt Isa. The intention of this large program was to establish the geological and geochemical potential on this major long-lived fault structure. The Pilgrim Fault potentially represents the primary conduit for deep crustal fluids to access the upper crust and deposit ore-grade deposits. These fluids will have left characteristic geochemical and alteration signatures in the host rocks.

CYU has exploration access to 60km of strike along the Pilgrim Fault system. Phase 1 sampling on 800m line spacing along this structure has been completed and infilled to 400m over significant portions of the strike extent. Initial results are encouraging with broad zones of copper anomalism associated with discrete gold, cobalt, lanthanum and neodymium anomalies. Mapping, undertaken in association with the geochemical sampling, has identified a number of copper oxide and gossan occurrences that will be followed up with further infill sampling over the next few months to identify possible targets for drill testing in 2015.

Cameron Fault

The Cameron Fault is the second regional structure being targeted for geochemical mapping by CYU's exploration team in 2015. The Cameron Fault is another major, regional structure that strikes northeast and is located approximately 55km east of Mt Isa. The exploration target and work program developed for the Pilgrim Fault (as summarised above) will be duplicated for the Cameron Fault and will potentially provide multiple targets for geophysical definition and/or drill testing in 2015.

Other Prospects

CYU's exploration team has identified several other prospects within its tenure holding portfolio that will be the subject of future exploration and drilling. Prospects such as King Solomon, Pindora and other highly prospective zones identified in the Pilgrim Fault and Cameron Fault geochemical surveys will continue to be assessed and prepared for possible drilling in 2015.

Mt Isa Corporate Matters

Mt Frosty Farm-In

The Blue Caesar and Jubilee prospects form part of CYU's Mt Frosty farm-in/joint venture with Glencore's Mount Isa Mines, which in turn is part of the Mary Kathleen Joint Venture with Goldsearch Ltd (ASX: GSE) in which CYU has an 80% participating interest. Under the terms of the Mt Frosty farm-in agreement, in order to secure an initial 51% interest in the underlying tenure (EPM 14467) the Mary Kathleen Joint Venture needed to incur exploration expenditure of at least \$1.5m and to have drilled more than 3000m prior to February 2015.

CYU and Mount Isa Mines have reached agreement that the initial 51% Mt Frosty farm-in criteria have been satisfied and arrangements are being made to have the 51% interest in EPM 14467 transferred to CYU. A formal Joint Venture agreement is in preparation.

Mary Kathleen JV

In June 2014, CYU received notice of the election of its partner in the Mary Kathleen joint venture, Goldsearch Limited (ASX:GSE) to dilute its participating interest from 30% to 20%, with immediate effect. CYU's participating interest accordingly increased to 80%.

Goldsearch advised the ASX in the latter part of 2014 of its intention to pursue a significant acquisition opportunity outside of the mining sector. As this activity is not consistent with mineral exploration in Mt Isa, Goldsearch advised CYU of its intention to refrain from incurring any further expenditure in the Mary Kathleen Joint Venture, and has agreed with CYU to dilute its Joint Venture interest to a 1.75% net smelter royalty (NSR). Subject to that NSR, CYU will become the 100% holder of the tenure interests that fall within the Mary Kathleen JV portfolio namely, EPMs 14019, 14022 and 14467. EPM 14022 is the tenure where CYU's Elaine prospect is situated and EPM 14467 is the Mt Frosty prospect area.

Exploration Expenditure for December 2014 Quarter

Across CYU's different exploration projects, a total of \$532,000 of expenditure was incurred for the December 2014 Quarter, a summary of which is as follows:

- **Mary Kathleen JV** - \$13,000 on mostly tenure administration, geological consulting and related fees;
- **Mt Frosty JV** – \$257,000 on drilling, assaying, geological consultants and other costs associated with the November drilling at Jubilee;

- **Elementos farm-in** – \$65,000 on desk top geological review, on-site soil sampling and mapping, assays, landowner and tenure administration fees; and
- **Altona/Roseby Copper South farm-in** – \$197,000 on desk top geological review, on-site soil sampling and mapping, assays and analysis, landowner and tenure administration fees together with drilling, assaying, geological consultants and other costs associated with the November drilling at Native Companion.

Laos Projects Update

CYU and its 51% Chinese-registered subsidiary, Yunnan Copper San Mu Mining Co. Ltd (San Mu), continued to seek offers for the purchase of the project interests held by San Mu in Laos. This exercise has now ceased and, as a consequence, steps are being taken to abandon the Laos projects and to dissolve the companies involved, a process that may take several months to finalise with the Laos mining authorities. CYU will not be incurring any further financial liability in relation to the San Mu entity.

New Exploration Manager – Mr David A-Izzeddin

Late in December 2014, CYU appointed a new Exploration Manager, Mr David A-Izzeddin, replacing Trevor Leahey in that role.

David is a geologist with over 24 years' experience in exploration, project assessment, feasibility studies, mine development and business development across a broad range of commodities including gold, base metals, iron, uranium, phosphate and bauxite. David has worked in Australia, Asia-Pacific, Europe, North and South America and has extensive experience working in the Mount Isa Inlier. He has operated in a number of operational and management roles and played a major role in the discovery and development of a number of ore deposits in Australia, Fiji and Serbia. David has also coordinated project generation activities for Xstrata Copper and has been directly involved in the successful negotiation of project acquisitions and joint venture agreements within Australia and internationally. Since leaving Glencore Xstrata in 2012 David has been running a successful consulting company, assisting private and public mining companies and private equity funds.

One of David's first tasks will be to complete a review of the prospectivity of CYU's existing tenure holdings in the Mt Isa region as well as provide suggestions for other opportunities in the region. David's extensive knowledge of the Mt Isa region and his strong network of contacts will be of significant benefit to CYU as it strives to identify commercial-scale mining deposits in Mt Isa.

Corporate Update

Issue of Performance Shares

At the Company's annual general meeting on 26 November 2014, shareholders of CYU approved the issue of a further 2,000,000 performance shares to the Company's Managing Director Paul Williams. These shares formed part of Mr Williams' remuneration package.

Details of the specific terms attaching to these performance shares can be found in the ASX announcement made on 26 November 2014. However, a key condition of these shares (before they can be converted into ordinary CYU shares) is that the Company must achieve a positive EBITDA in respect of operations for a consecutive period of 3 months from an asset of the Company.

Change of Financial Year End

CYU has applied and obtained approval to change its financial year end to 31 December. This step was taken in order to streamline the internal financial reporting requirements of CYU with respect to its major shareholders Chinalco and Yunnan Copper Industry (Group) Co Ltd. As a result of this change, the Company will shortly issue an “annual” report for the six month period ending 31 December 2014, hold an annual general meeting before the end of May 2015 and proceed with its annual financial requirements in future years on the same time periods.

Board Composition

Mr Zhihua Yao, Chairman
Mr Paul Williams, Managing Director
Mr Robert Yang, Executive Director
Mr Paul Marshall, Company Secretary

Financial Position

As at 31 December 2014, CYU had cash reserves of \$3.17m. Further details of CYU’s financial activities during the December 2014 quarter are set out in the Appendix 5B Quarterly Cashflow Statement which accompanies this Report.

Share Information – December 2014 Quarter

Issued share capital of 473,027,475 ordinary shares and 4 million performance shares
Quarter high traded price of \$0.038 (2 October 2014) and low of \$0.024 (28 November and several days in December 2014)
Market capitalization – high \$17.975m, low \$11.353m
Average daily volume of shares traded – 55,245 shares (\$1,671.00 average daily volume value)

Top 10 shareholders of CYU as 31 December 2014 were:

Rank	Name	Number of Shares	%
1	China Yunnan Copper (Australia) Investment and Development Co Ltd	299,922,326	63.40
2	Mr Norman Zillman	10,200,000	2.16
3	Elliott Nominees Pty Ltd (Elliott Exploration Co S/F)	7,150,000	1.51
4	Kimbriki Nominees Pty Ltd (Kimbriki Hamilton SF A/C)	7,000,000	1.48
5	Premar Capital Nominees Pty Ltd	3,633,333	0.77
6	Mr Lawrence Chi-Yun Lee	3,069,988	0.65
7	UBS Wealth Management Australia Nominees P/L	2,708,514	0.57
8	Citicorp Nominees Pty Limited	2,502,960	0.53
9	Bannerblock Pty Ltd Super Fund	2,500,000	0.53
10	Yunnan & Hong Kong Metal Co Ltd	2,400,000	0.51
TOTAL		341,087,121	72.11

Other Details:

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On behalf of the Board

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About CYU

Chinalco Yunnan Copper Resources Ltd (CYU) is a resource exploration and development company with project interests in the Mt Isa region of north Queensland and northern Laos.

CYU's largest shareholder is China Yunnan Copper (Australia) Investment and Development Co Ltd ("CYC"), owning 63.4% of the total issued shares in CYU. CYC is a wholly-owned subsidiary of Kunming-based Yunnan Copper Industry (Group) Co Ltd, which is the third largest producer of smelted copper product in China. In turn, Yunnan Copper Group is a subsidiary of Aluminium Corporation of China (Chinalco) which is the largest producer of aluminium product in China and the second largest world-wide.

CYU has offices in Brisbane and Mt Isa. The Company is listed on the ASX under the symbol "CYU".

CYU's mining tenement interests as at 31 December 2014

Project/Location	Tenement Reference	CYU % Interest	Comment
AUSTRALIA			
Cloncurry North	EPM 12205	90	Refer Note 1
Mt Isa East	EPM 15248	80	Refer Note 2
Pentland	ML 1631	100	
Mary Kathleen JV	EPMS 14019, 14022	100	Refer Note 3
Mt Frosty	EPM 14467	51	Refer Note 4
Roseby South	EPMS 9056, 10833, 11004, 11611, 14365 and 14535	Nil – earning in	Refer Note 5
Millennium	EPMS 18402, 18773, 18793, 18982, 19014, 19036, MLs 2512, 2761, 2762, 7506,7507	Nil – earning in	Refer Note 6
LAOS			
	Xinzhai, Jiuzhai, Nadao, Modeng	51	Refer Note 7

Notes:

- 1. The other 10% is held by Yunnan Copper Mineral Resources Exploration & Development Co., Ltd (YEX).*
- 2. The other 20% is held by YEX.*
- 3. The CYU 100% interest is subject to a 1.5% net smelter royalty held by Goldsearch Limited.*
- 4. CYU farming-in up to a 75% interest from Mount Isa Mines Limited subject to Mount Isa Mines having a buy back right so as to retain a 51% interest, under agreement dated 3 February 2012. CYU completed earning the first stage 51% interest in Mt Frosty during the December 2014 Quarter. The Goldsearch net smelter royalty also applies in respect of any interest of CYU in this tenement.*
- 5. CYU farming-in up to a 70% interest from Altona Mining Ltd and Roseby Copper (South) Pty Ltd, under agreement dated 16 September 2013*
- 6. CYU farming-in up to a 70% interest from Elementos Ltd and Element Minerals Australia Pty Ltd, under agreement dated 17 September 2013*
- 7. Owned by 51% CYU subsidiary Yunnan Copper San Mu Mining Co. Ltd, and projects are being abandoned.*

ANNEXURE A (Location of CYU's Mt Isa Tenure Holdings)

