

China Yunnan Copper Australia Limited (CYU)  
Yunnan Copper Mineral Resources Exploration and Development Co. Ltd (YEX).

**3rd February 2011**

## **Farmout of Cloncurry North and Waterford Projects**

- Yunnan Copper Mineral Resources Exploration and Development Co. Ltd to invest \$5 million dollars to earn 55% in CYU Cloncurry Projects
- YEX are to farm in to Cloncurry North projects, Queensland (epm12205, epm15084, epm15095 and epm 16393)

A Letter of Intent ("LOI"), between China Yunnan Copper Australia Ltd (CYU) and Yunnan Copper Mineral Resources Exploration and Development Co. Ltd. (YEX) has been signed in Kunming, China. The LOI proposes that subject to the related government and shareholder approvals, YEX will execute the Cloncurry North Projects Joint Venture Agreement ("Agreement") in order to farm in and subsequently obtain the opportunity of earning up to a 55% and potentially higher interest under standard dilution formulas. Subject to the Agreement being executed by the Parties, the Agreement is intended to create binding and enforceable obligations on CYU and YEX.

**CYU investors' funds can now be focussed in on the Rare Earth Element (REE) Copper Exploration Program currently being completed on the Mary Kathleen Joint Venture** with Goldsearch Limited, in Australia. CYU also has an active exploration program in Chile and a Memorandum of Understanding for project review in Laos and China.

YEX personnel will participate in field operations in the Cloncurry district to test a series of targets including the previously announced Gem deposit which remains open to the south.

CYU will grant YEX the exclusive right to earn at least 55% participating interest in the Tenements, free of all Encumbrances (**Farm-in Interest**), by incurring Expenditure of A\$5,000,000 (AUD) on the Tenements, which is approved and confirmed by a Management Committee.

For YEX to be granted the Farm-in Interest, YEX must make a minimum expenditure of:

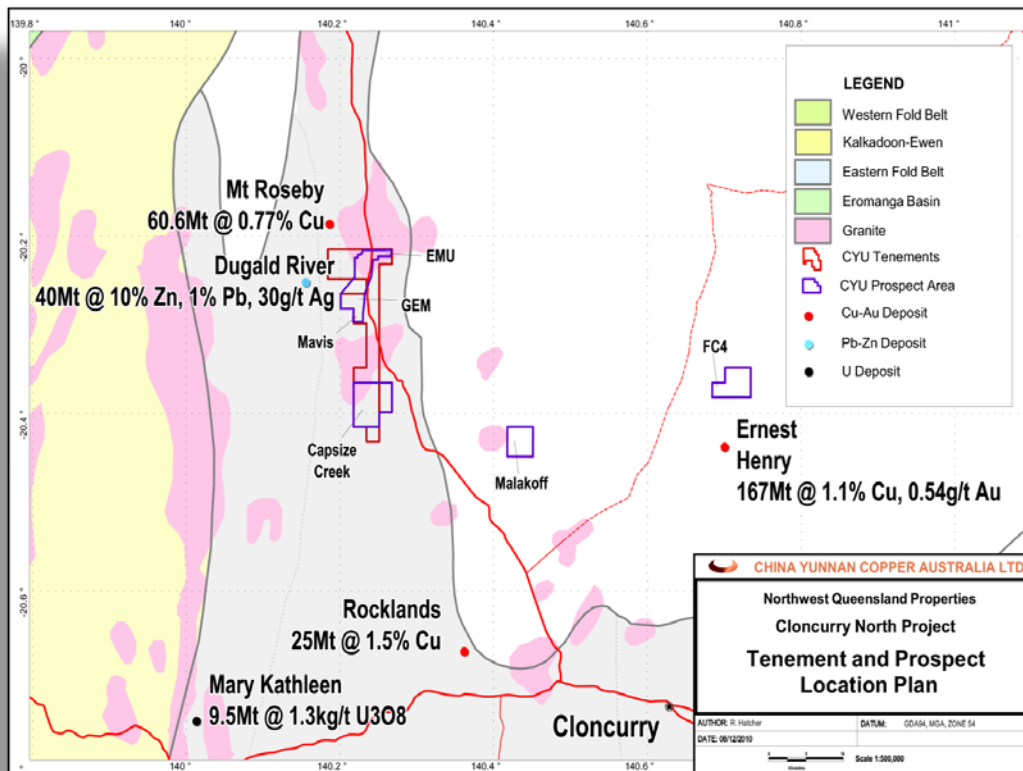
- (a) Not less than A\$1,200,000.00 of Expenditure before the first anniversary of the Agreement Date earning 10% participating interest in the Properties;
- (b) Additional A\$1,800,000.00 of Expenditure before the second anniversary of the Agreement Date earning extra 20% participating interest in the Properties;
- (c) Additional A\$2,000,000.00 of Expenditure before the third anniversary of the Agreement Date earning extra 25% participating interest in the Properties;

The execution of the CYU Cloncurry North Projects Joint Venture Agreement is subject to the related regulatory approvals and any shareholder approvals required.

YEX and CYU have an initial 60 day period in which to acquire their related regulatory approvals.



**Figure 1. Australian Projects of CYU. Cloncurry North and Waterford Projects consist Ernest Henry style copper gold targets and sedimentary uranium targets at Malakoff and Waterford.**



**Figure 2. After a short period of technical evaluation from the CYU Mount Isa office, YEX will attempt to grow the Gem Copper Inferred Resource (currently 492,000 tonnes @ 0.5% copper and 0.2g/t gold), review possibilities for the Uranium Malakoff prospect and test at depth the FC4 and Emu prospects north of Ernest Henry.**

### **Competent Persons Statement**

The data in this report that relates to Mineral Resources for the Gem Deposit is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Tear is a full-time employee of Hellman & Schofield Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

## **About YCI**

YCI is China's third largest copper producer and produced 286,000 tonnes of copper cathodes in 2009 for revenue of US\$2.75 billion. YCI has copper resources and reserves of around 8 million tonnes metal in situ. Chinalco holds a 51% interest in YCI.

## **About CYU**

CYU is an Australian company formed to explore for and develop minerals in Australia and overseas. Cornerstone investor (21.2%), Yunnan Copper Industry (Group) Co Ltd (YCI), is one of China's largest copper producers. YCI's 51% shareholder is Chinalco.

Current initiatives include;

- Completed one diamond hole for Elaine REE Copper prospect, staff are currently sampling core and results due in February. Drilling is also due to commence at Mount Dorothy weather permitting. CYU will also investigate the Hardway prospect with previous drill intercepts of over 500ppm Yttrium. Where practical, previously drilled holes are being analysed for the first time for Heavy REE.
- RC Drilling concluded in January at the Humitos Copper Porphyry project in Copiapo district, Chile. Drilling is concluded at report date and results will be reported in late February.
- Continued review of projects under Memorandum of Understanding with CYU's cornerstone investor Yunnan Copper Industries (YCI) to undertake regional exploration and project generation work in Yunnan Province, China and Laos.
- Proposed Reverse Circulation drilling in early 2011 at Stanley's Hope Gold and the Pentland JV with Activex Ltd, Pentland, North East Queensland.

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