



China Yunnan Copper Australia Limited (CYU)

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CYU FARM-IN TO HIGHLY PROSPECTIVE RIO TINTO COPPER EXPLORATION PROJECTS IN CHILE.

China Yunnan Copper Australia Limitada a Chilean subsidiary of China Yunnan Copper Australia Limited (ASX code CYU) has signed two agreements with Rio Tinto Mining and Exploration Chile (Rio Tinto Exploration) for options to joint venture covering copper porphyry exploration properties, Palmani and Caramasa, in northern Chile.

The Palmani porphyry copper and molybdenum prospect is located in the Palaeocene Porphyry Copper Belt of Northern Chile, 60km northeast of Arica, approximately 5km west of the Palaeocene aged La Mancha porphyry copper system, which was drilled by Rio Tinto in 1997 and 1998. It lies within the same belt of rocks that host the Cerro Colorado porphyry copper deposit and the Toquepala porphyry copper deposit in Southern Peru.

The Caramasa porphyry copper and molybdenum prospect is located in the Palaeocene Porphyry Copper Belt of Northern Chile, 80km north of BHP Billiton's Cerro Colorado mine.

These targets represent potential large Palaeocene age porphyry copper, molybdenum and gold deposits, similar to the Tier 1 porphyries of Southern Peru.

Jason Beckton, Managing Director of CYU, said:

“These options to joint venture agreements in the world’s best copper jurisdiction are very important to the stated objective of company maker style exploration in parallel with cash flow initiatives recently announced for Laos.

CYU has had exploration success previously in Chile and operations will move quickly toward drilling. Initially some field checking and environmental baseline work will be completed in line with best practice exploration procedure. Subsequent to this within the next quarter, deep drilling on both Caramasa and Palmani will commence.”

“CYU is very excited to work with Rio Tinto Exploration, a Tier 1 partner, in the world’s premier copper district. “

Key components of the two Joint Venture are:

1. **Palmani:** Minimum expenditure commitment for first year US\$250,000. Total expenditures (over five years) of US\$10 million and 5000 metres of drilling to earn a 40% interest. After exercise of the first option Rio Tinto to have 90 days to elect to resume management of the project or grant a second option for a further 3 years with expenditures of US\$15 million for China Yunnan to gain a further 20% (to a 60% total).
2. **Caramasa:** Minimum expenditure commitment for first year US\$250,000. Total expenditures (over five years) of US\$8 Million and 5000 metres of drilling to earn a 40% interest. After exercise of the first option Rio Tinto to have 90 days to elect to resume management of the project or grant a second option for a further 3 years with expenditures of US\$15 million for China Yunnan to gain a further 20% (to a 60% total).

If CYU exercise the first option for 40% and Rio Tinto decides to take over management and remain at 60% then a joint venture company will be formed and each party will have to contribute its share of expenditure according to its equity share. There will be no “free carry” for either party. Only if one party does not contribute it will be diluted. CYU can withdraw at any time after meeting the first year expenditure commitment.

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.

Other Current initiatives include;

Australia: REE Copper discovery in the Mount Isa region with the growing Mt Dorothy prospect and Elaine Dorothy Resource extension of the existing REE Uranium deposit. Both are to be drilled during May.

Chile: Humito project is being modelled to allow drilling of covered copper sulphide targets in the current operational year.

Laos/China: The recently announced Copper Silver Development JV Laos. Subject to regulatory approvals, CYU will purchase a controlling stake in Sanmu Mining which controls four exploration projects in Northern Laos. Some of these projects are targeting near term production.

About Chinalco Yunnan Copper

Chinalco Yunnan (YCI) is China's third largest copper producer and produced 286,000 tonnes of copper cathodes in 2010 for revenue of US\$5 billion. YCI has copper resources and reserves of around 8 million tonnes metal in situ. Chinalco holds a 51% interest in YCI. Chinalco has confirmed its strategic alliance with YCI and reiterated their ongoing support for China Yunnan Copper Australia to become YCI's international investment arm and mining house.

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Location Diagram of Palmani and Caramasa and existing property Humito.