



DECEMBER 2008 QUARTERLY REPORT

ABOUT CHINA YUNNAN COPPER AUSTRALIA

CYU is an Australian resource company formed to explore and develop minerals in Australia and overseas.

Initially, the company is focused on exploring its tenements in Queensland for copper, gold and uranium but is actively evaluating other acquisition and joint venture opportunities to grow its business rapidly.

This strategy is supported and assisted by CYU's cornerstone shareholder, Yunnan Copper Industry (Group) Co Ltd. (YCI) which is China's third largest copper producer.

YCI provides ongoing support in CYU's role of becoming YCI's international investment arm and mining house.

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ONGOING DRILLING OF TARGETS GENERATING RESULTS - CONFIRMATION OF HIGH GRADE GOLD FROM PENTLAND

New Projects

- Review of project opportunities in Australia, Latin America, Asia and Africa with Yunnan Copper Industry support for a program for advanced project acquisition.

Pentland

- High Grade Gold - Toomba Prospect Drilling Results
- 4 metres at 13.9 g/t gold from 43 metres, PC005 (including 1 meter at 50.59g/t gold, 0.5% copper, 1.5% lead and 3.3 % zinc).
- 4 metres at 0.6 g/t gold from 82 metres, PC014 (including 1 meter at 1.6g/t gold, 0.14% copper, 0.6% lead and 0.5 % zinc).
- Track mounted diamond drill rig to be contracted for follow up drilling in Q1 2009.

Cloncurry

- Detailed ground magnetic program to commence to refine planning for follow up drilling after Emu results (6 metres at 0.34% copper, 0.08g/t gold from 105 metres including 1 metre at 1.02% copper, 0.38g/t gold from 106 metres).

Mt Isa

- New Application of Mt Isa East covering open ground. The application was submitted over the historic workings of Delta and Angel, two extensive shafts (greater than 20 metres depth) sunk over a northeast trending structure over a 500 metres strike length.
- Ongoing sampling and mapping of mineralised structures. Drill targets likely to be generated at Mt Colin, Huggins and Little Isa.

Clermont

- Field mapping to commence Q1 2009.

Ravenswood

- Project Review by end of January 2009.

Corporate

- Cash approximately \$2.9 million at 31 December 2008.

STRATEGY

CYU has a two pronged strategy of project generation and targeting operating current projects that comprise high quality copper, gold and uranium projects in eleven wholly owned Exploration Permit for Minerals (EPM's) in the highly mineralised Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier of Queensland, Australia (Figure 1).

Significant results have been generated from greenfields prospects after one year as a listed entity, with field programs conducted on the Cloncurry, Mt Isa, Clermont and Pentland projects. Details of these programs are outlined below. All tenements are 100% owned by the company.

The future of this company is secure with an existing exploration portfolio in Australia and a first class exploration team with three operational offices currently active in northern Queensland. This combined with an active project acquisition effort with the aim of progressing CYU from explorer to producer in the short term.

- **Careful management of the CYU treasury.** We have sufficient funds to ensure a robust exploration program for the next two calendar years that will test the potential of our existing exploration portfolio.
- **Focus on high quality copper and gold exploration targets.**
- **Increased value for CYU shareholders in future advanced project acquisitions.** CYU has been conducting an advanced project evaluation program since October 2007 and has prudently so far not acted by acquiring high quality but incorrectly priced assets that have been on the market. This project review program is on-going.
- **Maintenance of the world class exploration and evaluation team.** Although cost centres are subject to review in good times and bad, staff reduction is not on the agenda as we require the team to grow the business in this period of opportunity.
- **Utilisation of our financial strength within our partnership structure with Yunnan Copper Industries** to realise the commercial potential of assets in markets where we have a comprehensive understanding

PROJECT AQUISITION

CYU has continued active field operations on the Cloncurry, Mt Isa, Pentland and Clermont projects and will soon commence work on the Ravenswood Project. In parallel, CYU management is evaluating multiple acquisition opportunities in Australia and offshore. Although the current market conditions have reduced the premium required to enter into advanced projects, CYU will be prudent in any acquisition in terms of long term viability in the prevailing metals pricing regime.

CURRENT PROJECTS

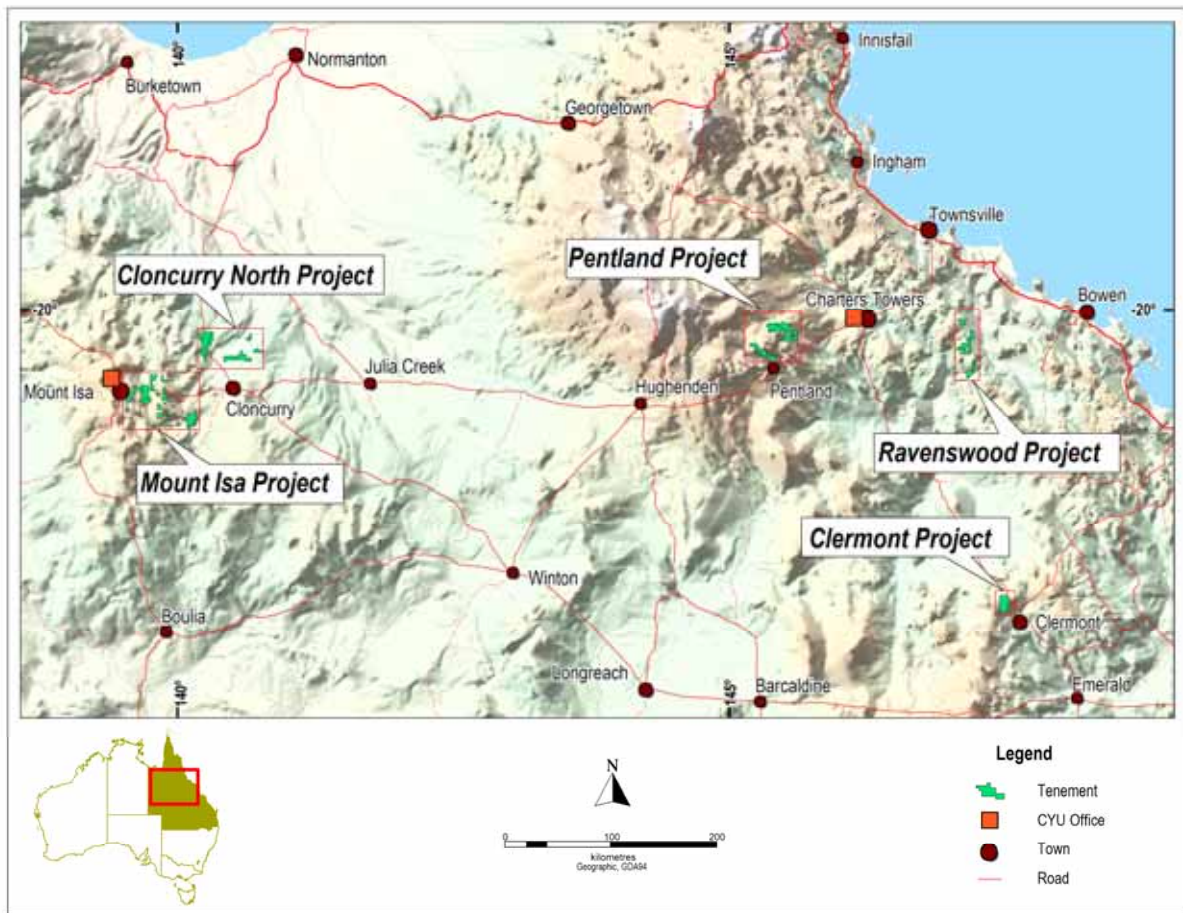


Figure 1. Location of CYU's North Queensland projects. Operational offices are now in place at Mt Isa, Cloncurry and Charters Towers which allows the efficient evaluation of current CYU projects.

NORTH EAST QUEENSLAND - PENTLAND (100% CYU)

The Toomba Prospect had not been previously drilled. The RC drilling programme was undertaken in October to November 2008 consisting of 16 holes for a total of 1887 metres. This program was undertaken after excellent surface results generated during the September 2008 Quarter. Further drilling is being planned for preparation of a maiden gold resource estimate during 2009.

The Toomba prospect (figure 2) has extensive historic workings and traces of mineralisation over an area of 1.5 kilometres by 1 kilometre. These early drill results will be extended at depth to test a link between structural mineralisation intercepted to date and potential high tonnage intrusive mineralisation at depth. Program details are detailed in Table 1 and were released to the ASX on the 5th of January. Results highlights included;

4 metres at 13.9 g/t gold from 43m, PC005 (including 1 meter at 50.59g/t gold, 0.5% copper, 1.5% lead and 3.3 % zinc).

4 metres at 0.6 g/t gold from 82 metres, PC014 (including 1 meter at 1.6g/t gold, 0.14% copper, 0.6% lead and 0.5 % zinc).

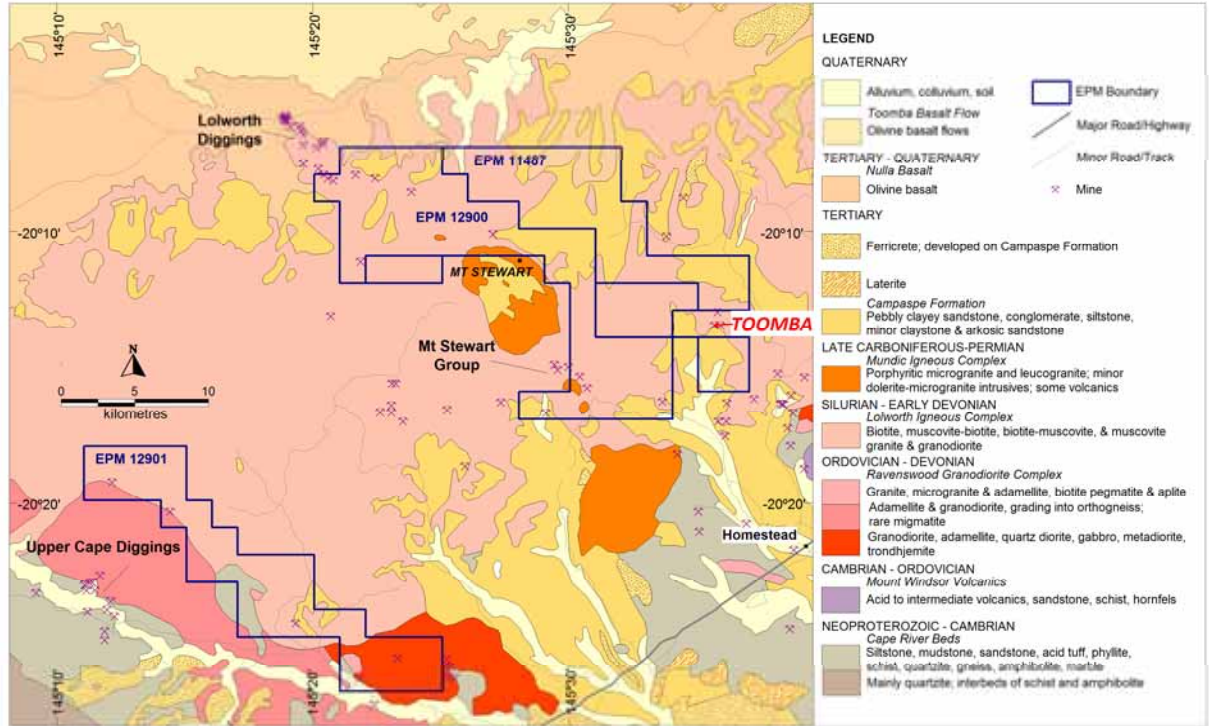


Figure 2: Toomba Prospect Location Map showing district geology.

Hole	From	To	Interval (m)	Au g/t	Comment
PC001	6	7	1	0.14	Surface enrichment
	8	9	1	0.27	Surface enrichment
	22	24	2	0.16	Minor Quartz Vein
	22	24	2	0.16	Minor Quartz Vein
PC002	30	31	1	0.21	Sericitic Alteration
	65	68	3	0.25	
PC005 including including	43	47	4	13.9	Major Quartz Sulphide vein Array
	43	45	2	27.5	
	43	44	1	50.5	0.5% Cu, 1.5% Pb and 3.3 % Zn
PC006	25	28	3	0.15	Sericitic Alteration
	46	48	2	0.28	
PC007 including	34	43	9	0.27	
	37	38	1	0.55	Quartz Vein - Sheeted Stockwork
	60	62	2	0.11	
	69	75	6	0.11	
PC009	107	109	2	0.3	
	184	189	5	0.24	Quartz Vein - Sheeted Stockwork
PC010	102	105	3	0.34	Quartz Vein - Sheeted Stockwork
PC011	38	40	2	0.19	Sericitic Alteration
PC012	58	60	2	0.15	Sericitic Alteration
	78	81	3	0.32	
PC014 including	41	44	3	0.14	
	82	88	4	0.58	Sericitic Alteration
	82	83	1	1.64	0.14% Cu, 0.62% Pb, 0.5% Zn

Table 1: Toomba Prospect , significant drill results. Significant results have been received from north-south trending structures (All results reported above 0.1 g/t gold and no more than 1 metre internal dilution in average intercepts).

Toomba was identified from reconnaissance mapping, sampling and data collation of previously collected samples.

Figure 3 below illustrates four parallel NNE-trending vein structures and zones of veinlets up to 500 metres long within an area 1 kilometre by 750 metres. Recently several further mineral occurrences have been discovered 800 metres north and along strike of the historical workings. Figure 4 is a section drawn through PC005 in the northern sector of the prospect.

A recent IP geophysical survey undertaken by CYU generated three distinct classes of anomalies over Toomba. A group of NW trending IP anomalies appear to correspond to the regional tectonic fabric seen clearly in aeromagnetic surveys. Weaker, high-angle, planar anomalies are coincident with the known vein structures, especially the Old Toomba Workings. A group of broad anomalies occur at 150 to 200 metres depth in the SW and nearer surface in the east. These may represent larger, disseminated or breccia-hosted mineralisation at depth.

The structures intercepted generally occur at relatively shallow depths (35 to 80 metres) from surface. This confirms the presence of potentially high-grade mineralisation continuing at depth. Detailed modeling of the grades and alteration will help target the potential bulk-volume breccia or stockwork type target proposed at depth.

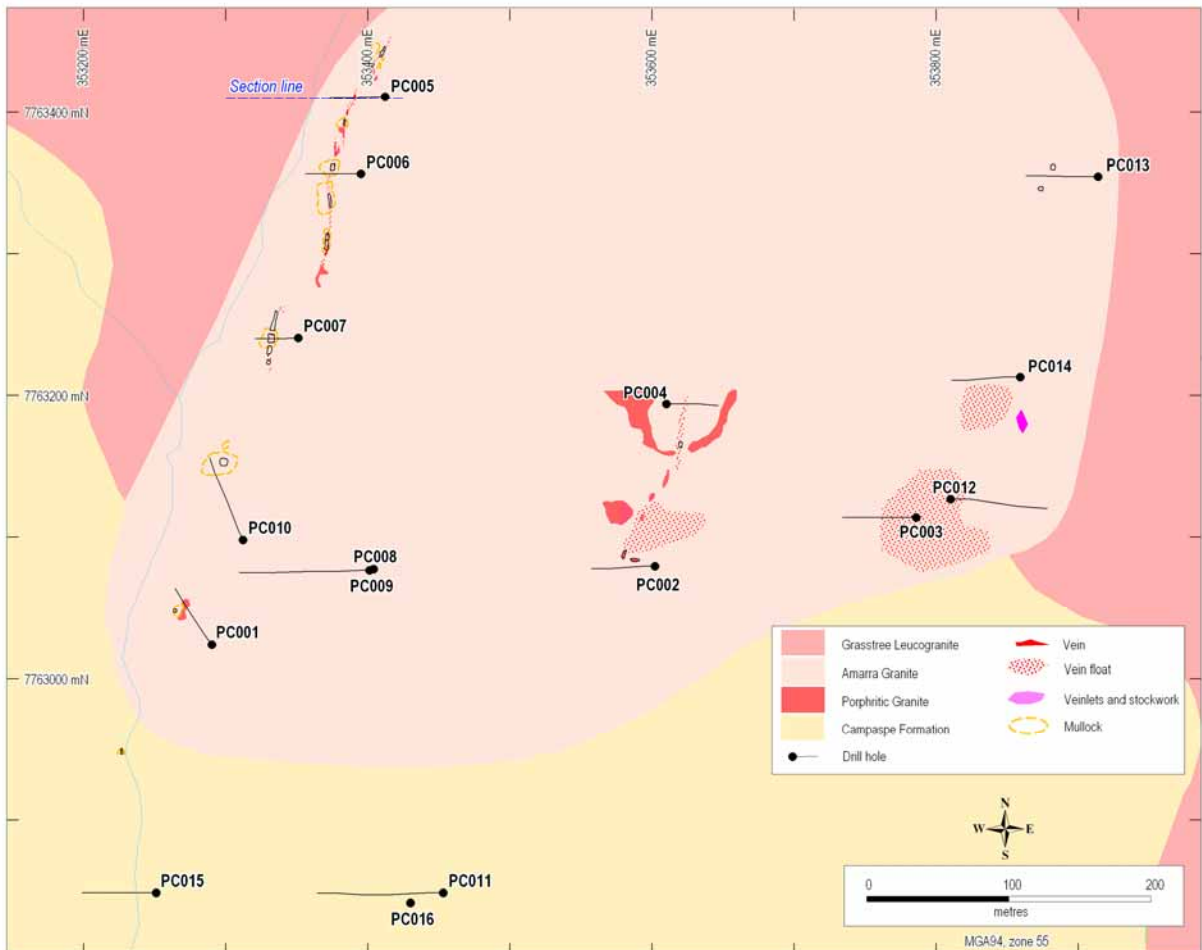


Figure 3: Toomba Prospect RC drillhole locations. Note the East-West separation from significant intercepts is 500 metres. Continuity in these structures is probably in a North-South orientation. Significant mineralisation has been returned from holes PC005 and PC014.

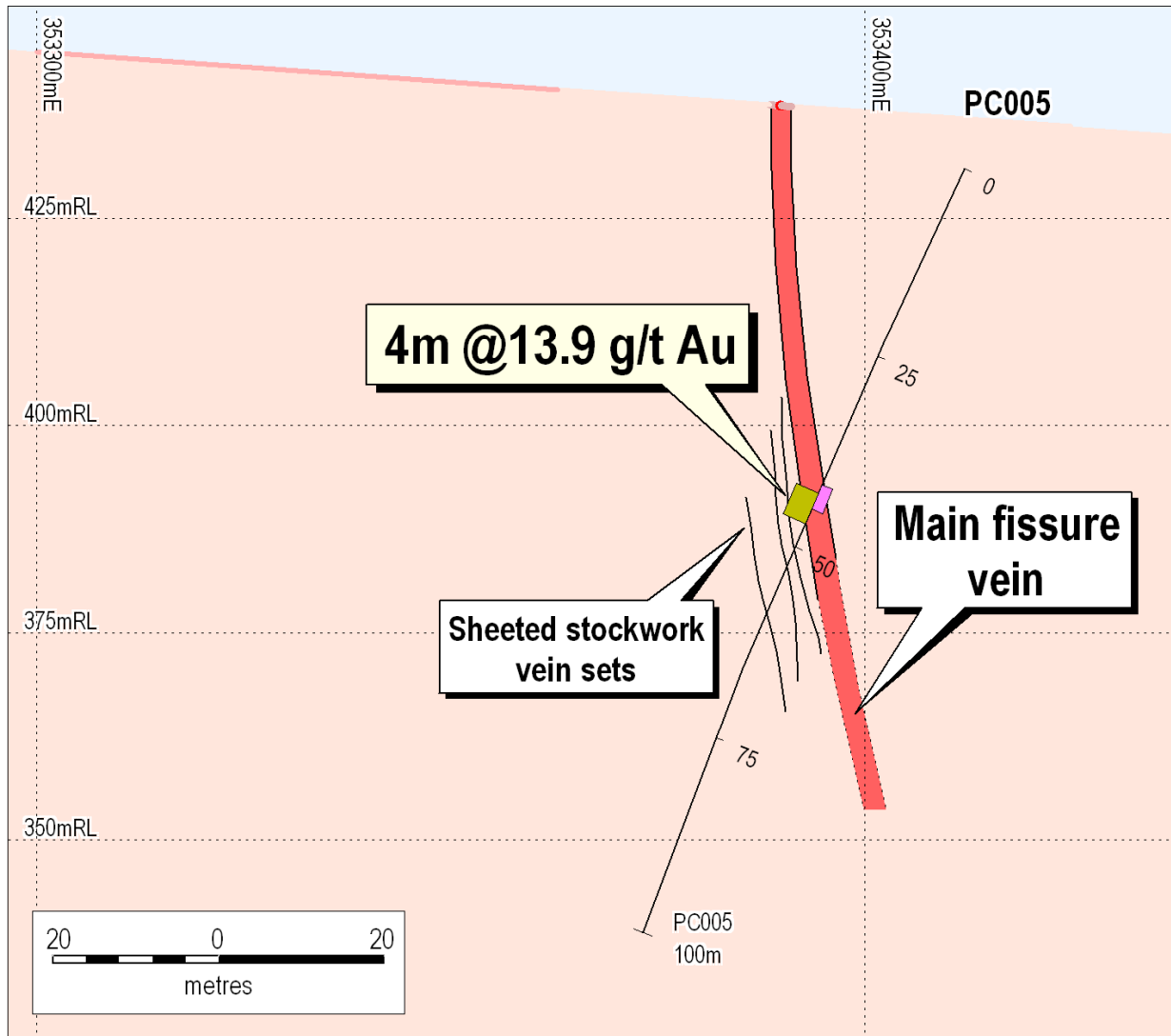


Figure 4: An example of a section from Toomba Prospect for PC005. Footwall sheeted vein sets are characterized by sericite alteration and minor mineralisation. Diamond drilling at depth and along strike will be proposed to improve geological confidence in this potential new gold discovery.

NOTH WEST QUEENSLAND - CLONCURRY (100% CYU)

The Cloncurry exploration program continued with the development of new and known prospects; Emu, Mavis, Gem and Cobb (**Figure 5**).

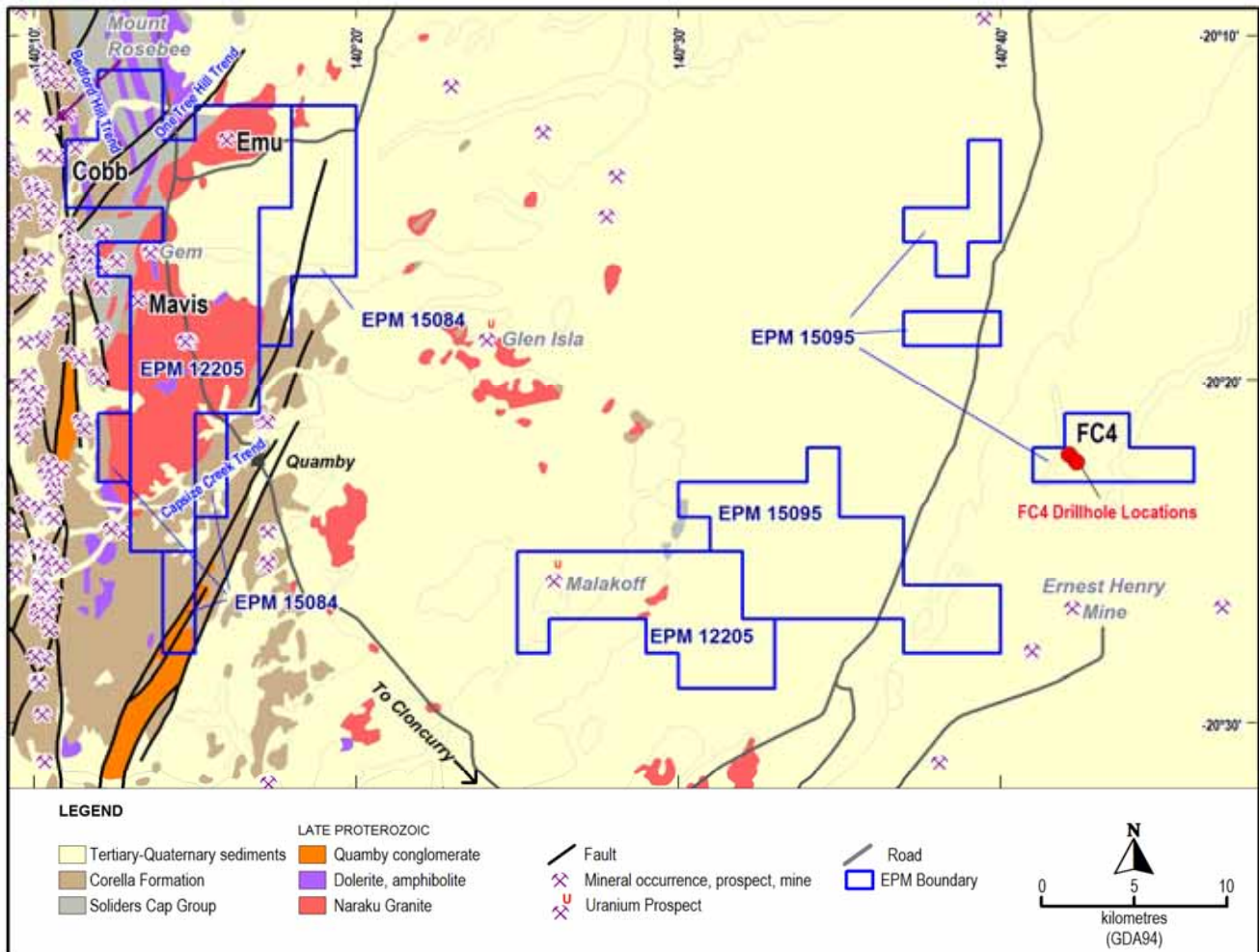


Figure 5. The Cloncurry Project targets investigated in the September 2008 Quarter.

CYU's Northwest Holding, comprising the Mount Isa and Cloncurry North projects (**Figure 1**) is located in the Proterozoic Mount Isa Inlier of northwest Queensland. The Mount Isa Inlier contains several world-class metal deposits including Mount Isa (copper and lead-zinc-silver), Century (Zinc-Lead-Silver), Cannington (lead-zinc-silver) and Ernest Henry (copper-gold). CYU is focusing on discovering iron oxide- copper-gold deposits similar to Ernest Henry, Eloise and Osborne within the Mount Isa Inlier.

The Cloncurry North Project is in a region prospective for gold and copper-gold mineralisation associated with magnetite. This relationship is seen at the Ernest Henry, Eloise and Osborne deposits.

Several prominent aeromagnetic features are present in basement rocks within the northwestern and eastern parts of the project area. These are prospective for iron oxide-copper-gold (IOCG) mineralisation similar to the nearby Ernest Henry Deposit, and several anomalies justify further investigation (Figure 6).

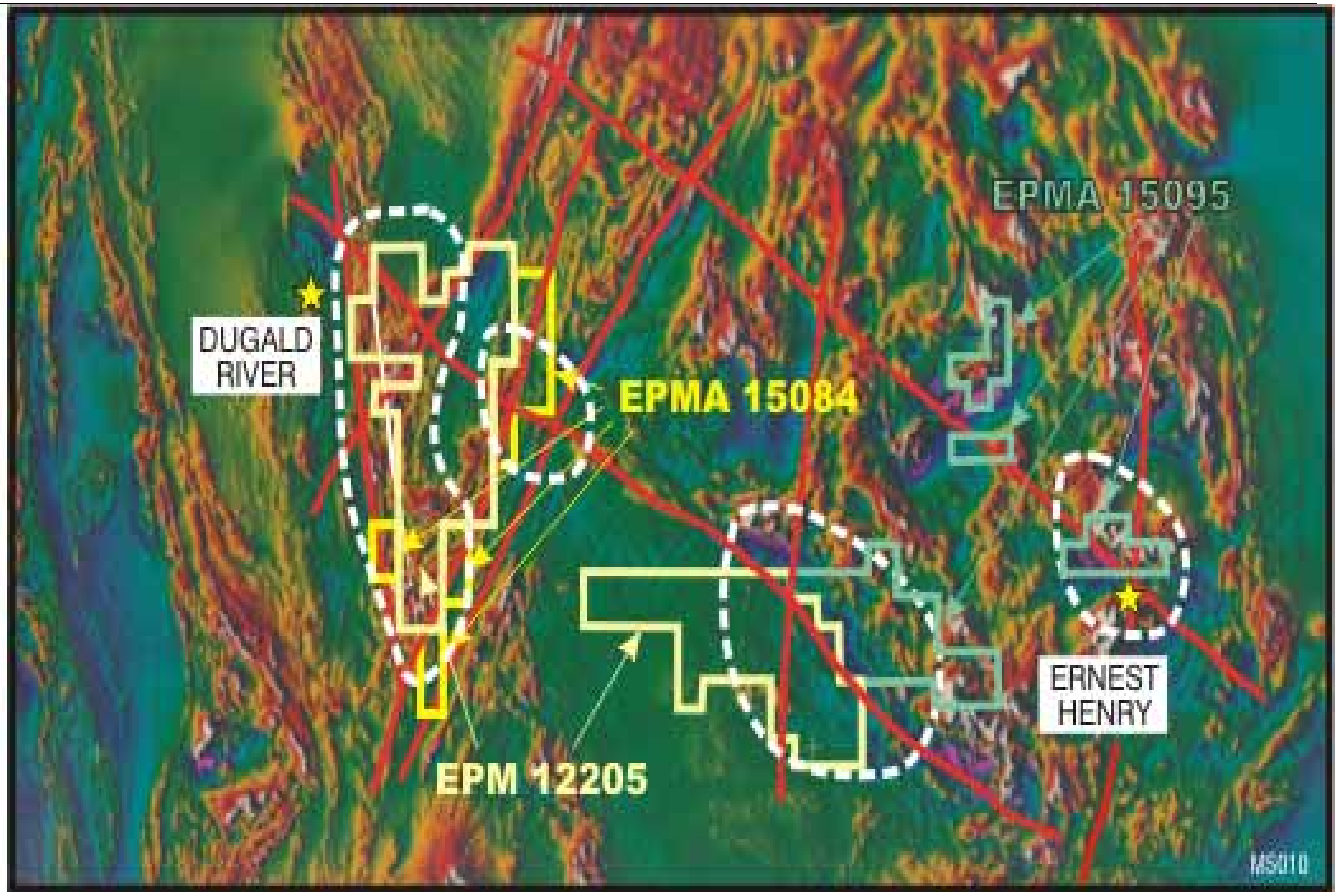


Figure 6: Aeromagnetic Map showing priority areas as dotted outlines.

For the Cloncurry North Project, the past 12 months CYU has completed prospect scale geological mapping and rock chip sampling at Emu and Mavis prospects, soil sampling at Emu, Cobb, Mavis and Gem prospects a ground magnetic survey at the One Tree Hill area, IP geophysical survey in the One Tree Hill and Capsize Creek areas, RC drilling at Capsize Creek, Emu, Cobb and Mavis prospects and diamond drilling at FC4 prospect. At present a detailed ground magnetic survey is being proposed for the Emu Prospect.

Encouraging drill results reported on the 23rd October 2008, are being followed up with deep drilling proposed at Emu and additional surface work for Mavis. Results to date include;

- 19 metres at 0.21% copper, 0.04g/t gold from 105 metres including 6 metres at 0.34% copper, 0.08g/t gold from 105 metres from the Emu Prospect (inc. 1 meter @ 1.02% copper, 0.38g/t gold from 106 metre).
- 6 metres at 0.31% copper, 0.04g/t gold from 15 metres including 5 metres at 0.36% copper, 0.05g/t gold from 15 metres from the Cobb Prospect.
- 11 metres at 0.11% copper, 0.05g/t gold from 89 metres including 3 metres at 0.22% copper, 0.04g/t gold from 89 metres from the Mavis Prospect.

The key aspect for the Cloncurry North project is lack of previous drilling on robust copper – gold targets which continue to be evaluated and ranked for future drill testing by CYU.

NORTH WEST QUEENSLAND - MT ISA (100% CYU)

Mapping of known mineralised structures has commenced on EPM15248. This project is relatively new, having been granted just one year ago. A number of undrilled copper occurrences are being developed to allow drilling in the current calendar year. An additional Exploration Permit Application (EPMA 17935) has been lodged to cover the Angel and Delta prospects. These prospects were available on open ground between Mt Isa and Cloncurry.

NORTH EAST QUEENSLAND - CLERMONT (100% CYU)

The Clermont Project is prospective for epithermal and mesothermal quartz-vein gold mineralisation. A reconnaissance of the project was completed during the quarter. This resulted in a recommendation to complete a surface regolith mapping program during the summer. Access to this project remains open in the current wet season.

NORTH EAST QUEENSLAND - RAVENSWOOD (100% CYU)

Newmont has elected to withdraw from exploring EPM11602, EPM11982 and EPM15057 and returned these to CYU for operations which commenced in mid November. A review of the data generated by the previous JV operators is being conducted and a decision on the next step for this project is to be taken by end of January 2009.

CORPORATE

Cash Position

As at 31 December 2008, the Company had approximately \$2.9 million cash and no debt. Cash exploration expenditure for the quarter was \$721,000.

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Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Jason Beckton, who is a Member of the Australian Institute of Geologists and a Member of the Australasian Institute of Mining and Metallurgy, and is the Managing Director of China Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the styles of mineralisation and type of deposits 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.

CORPORATE DIRECTORY

Board of Directors

Norm Zillman	Non-Exec Co-Chairman
Chao Yang	Non-Exec Co-Chairman
Jason Beckton	Managing Director
Zewen Yang	Executive Director
Liang Zhong	Non-Executive Director
Mark Elliott	Non Executive Director

Company Secretary

Paul Marshall

Issued Share Capital

China Yunnan Copper Australia has 77.6 million ordinary shares currently on issue and 19,478,571 million options.

Quarterly Share Price Activity

	High	Low	Last
Dec 2008 Qtr	\$0.19	\$0.07	\$0.07

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