

MEDIA COVERAGE



Australian Copper Backed By Chinese Muscle

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By Greg Peel

It is a general market assumption that the area around the great Australian mining hub of Mt Isa in Queensland must by now have been drilled, scraped, poked and prodded often enough over the past 100 years that there couldn't possibly be any great mineral source left that no one has yet found. However, veteran geologists will tell you this is far from the case. The area around Mt Isa, nearby Cloncurry, and right across to Charters Towers and Ravenswood nearer the coast remains potentially rich in mineralisation, including many a prospect abandoned in earlier times ahead of more recent steps forward in mining and surveying techniques.

China Yunnan Copper (CYU) listed on the Australian stock exchange in late 2007 in its current form as an Australian exploration and mining development company with a cornerstone investment from the Yunnan Copper Industry (YCI) Group, China's third largest copper producer. In a time when the global commodities boom was reaching a fatal crescendo, CYU raised \$4m at 25c per share on IPO and saw its shares debut on the exchange at 65c. CYU had little more than a promise and some tenements behind its listing, but the China connection was enough to have investors, ready to snap up shares of anything tagged a resource company, salivating.

Alas, the world changed rather rapidly in 2008, and as commodity prices tumbled investors quickly jettisoned anything junior and merely prospective. Post-Lehman, CYU shares bottomed at 2.5c. A copper price rally has since reignited some interest, at least to a share price of 16.5c. What might also interest Australian investors is that CYU's 22% cornerstone investor, YCI, is now 49% owned by Chinalco. As we know, Chinalco means business in Australia.

CYU's management and board have undergone changes since 2007. New managing director Jason Beckton boasts 17 years in the game, originally in Australia but more recently in Mexico and Chile. General manager Robert (Zewen) Yang was educated in both China and Australia and has 16 years mining experience in total in both countries. The Board is loaded with veteran miners and geologists from Australia and from YCI.

FN Arena lunched with the managers last week to learn of the company's progress. Mr Beckton explained that while CYU was an explorer/developer, the company was not in the game of simply playing spotter for a quick turnaround on some successful exploration work, as is the goal of many an explorer junior. The cornerstone investor was not there to muck around, and

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was happy to patiently wait for extensive and meticulous assessment of various prospects to yield something worth taking to further development. The Chinese are not in it for a quick buck, they want to mine.

In April this year The Australian's Robin Bromby included CYU in his "Companies to Watch" column, suggesting the company had "run the ruler over 51 producing copper and gold projects, yet none had come up to scratch. It is still looking in Australia, Latin America, Africa and Asia. No hints are given in the last quarterly, but the intensity of the search should bear fruit soon".

CYU has since updated the market on its progress, roadshowing its recent results and growth strategy. Of interest in Australia are projects in the aforementioned Mt Isa region, in Cloncurry (copper, gold, uranium), Mt Isa (copper, gold, uranium), Pentland (gold, uranium), Ravenswood (gold) and Clermont (gold). Of those, a Cloncurry gem discovery has proven the most promising to date, and most time was dedicated at lunch to singing the praises of the Cloncurry project.

One note - while the Cloncurry project is in the vicinity of Paladin Energy's valuable Valhalla and Skal uranium deposits, for which that company holds great hope, CYU is not placing any stake in uranium at present given the simple political issue of Queensland currently maintaining a uranium mining ban. The day might come, but currently CYU's focus is on a promising copper deposit along with copper's usual companion, gold.

For the geologically minded, the Cloncurry gem discovery has returned initial test results of 38m at 1.25% copper and 0.20g/t gold from 33m, including 22m at 1.96% copper and 0.29g/t gold from 45m from the first hole, with five holes intended to be drilled.

The Cloncurry results have management excited, but Cloncurry is only one project of many in the CYU stable across the globe. With the backing of YCI, CYU intends to become a significant copper/gold producer. While CYU provides exploration and operational success, the introduction to projects and robust due diligence, YCI provides access to project finance, to Chinese equipment, and to operational expertise. And Chinalco is hanging around in the background.

For more information visit CYU's website at www.cycal.com.au.