



DECEMBER 2009 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.

CYU has executed two joint ventures, one outright property purchase and signed a Memorandum of Understanding in the past four months.

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.

CYU is working to fulfill a role of becoming YCI's international investment arm and mining house.

China Yunnan Copper Australia Limited
ABN:29 070 859 522
Level 5
60 Edward Street
Brisbane 4000 Australia

Phone (61 7) 3303 0653
Fax (61 7) 3303 0601

www.cycal.com.au

Norm Zillman, Co-Chairman
Liang Zhong, Co-Chairman
Jason Beckton, MD
Zewen Yang, Exec. Dir

COPPER - GEM RESOURCE DEFINITION DRILLING UNDERWAY

URANIUM - ELAINE DOROTHY - RESOURCE ESTIMATE UNDERWAY

GOLD - ACTIVEX JV AND STANLEYS HOPE - DRILLING FEB 2010

COPPER GOLD - Cloncurry

- 2009 results confirm intrusive style of copper mineralisation at the Gem prospect. A 2600 metre RC drill program to define an inferred resource is now underway.

URANIUM - REE- Mt Isa (including Mary Kathleen Joint Venture)

- Significant Diamond Drilling results returned from Uranium REE target Elaine Dorothy.
- High grade uranium and rare earth element (REE) mineralisation intersected in MKED003 of 3 metres @ 1.32kg/t uranium oxide (U₃O₈), 1.17% cerium (Ce) and 0.59% lanthanum (La) from 27.50 metres.
- Encouraging intercept of 1 metre @ 0.62% copper (Cu) and 1,740ppm molybdenum (Mo) from MKED003 at 72 metres at the end of hole.
- CYU has commissioned independent resource estimate to be completed in current quarter to quantify grade distribution of not only U₃O₈ but also Rare Earth Elements (REE).

GOLD - Pentland (Including Pentland JV)

- Stanley's Hope Mining Lease - epithermal gold Pajingo style mineralisation. Data collation complete, drilling first quarter 2010.
- Pentland JV - Mt Leyshon - Kidston Style Targets to be drilled at Norwood and Mt Remarkable first quarter 2010.

PROJECT GENERATION

- Signed China Copper Alliance in partnership with Yunnan Copper Industries and Chinalco.
- Continuing review of advanced projects in conjunction with Yunnan Copper Industries.

CORPORATE

- Cash approximately \$4.1 million.
- Board reduced from six to four members. Resignation of Non Executive Director Dr Mark Elliott and Co Chairman Chao Yang.
- Appointment of YCI Vice General Manager, Liang Zhong as Co Chairman.

STRATEGY

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

This strategy has been justified with the 2009 exploration success at Gem which is currently being drilled. In late 2009 CYU entered into the Mary Kathleen Joint Venture with Goldsearch Limited in the Mt Isa district which resulted in drilling success at the Elaine Dorothy U REE prospect.

Gold exploration is entering a new phase with a Purchase Agreement for the Stanley's Hope mining lease and a Joint Venture with Activex Ltd both in the Pentland district. Both will be drill tested in the current quarter. CYU also announced in late 2009 a China Copper Alliance with Yunnan Copper Industries in order to evaluate advanced copper gold opportunities in Yunnan Province, China.

CURRENT PROJECTS

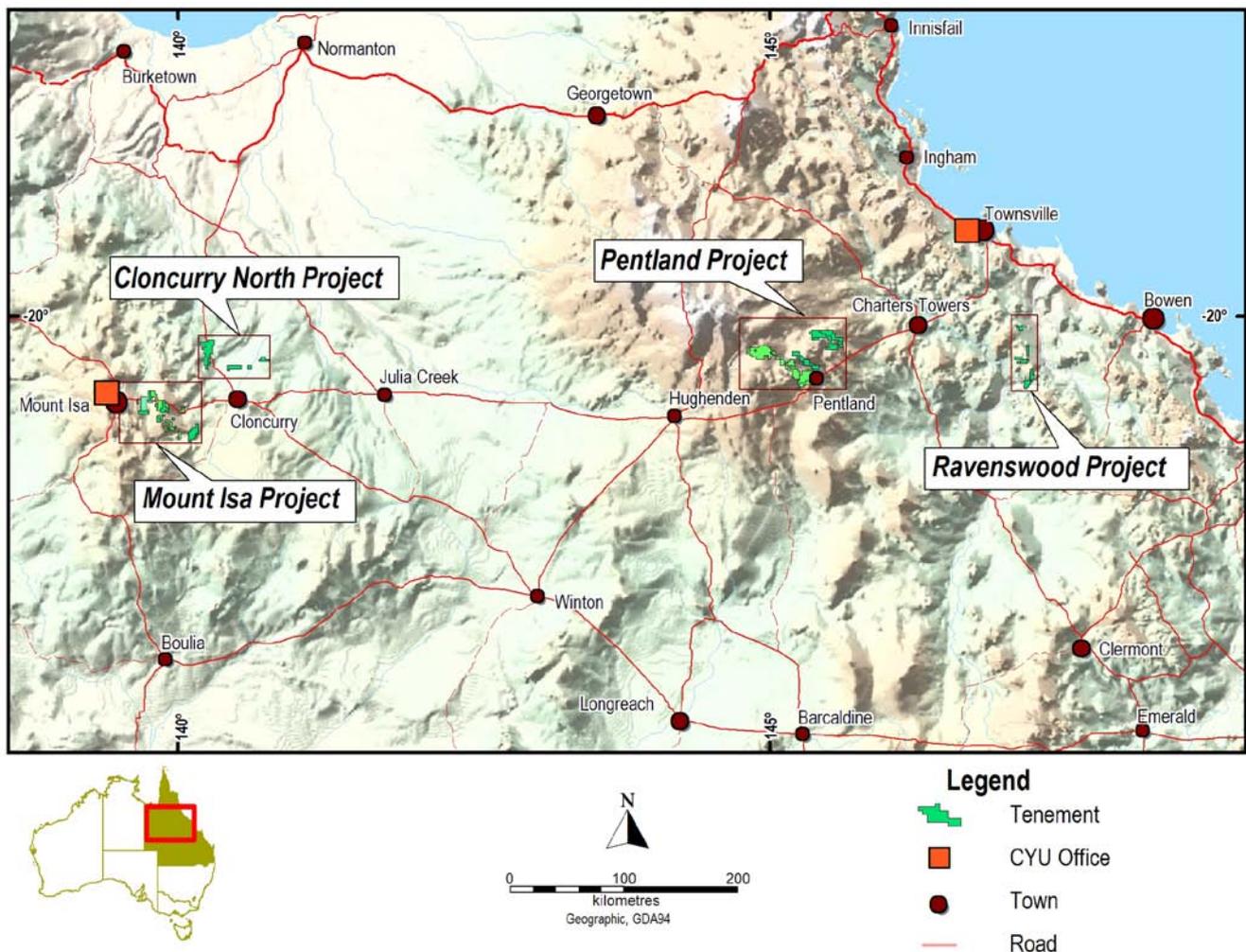


Figure 1. Location of CYU's North Queensland projects. Operational offices are at Mt Isa and Townsville.

NOTH WEST QUEENSLAND - CLONCURRY NORTH

For **Gem**, results to date indicate a series of intrusive centres which are mineralised. These centres have in turn been overprinted by late copper quartz veins in the same style as historically exploited in the district. On completion of the current drilling program of 22 RC holes, an initial inferred resource estimate for the Gem prospect is planned by end of March 2010.

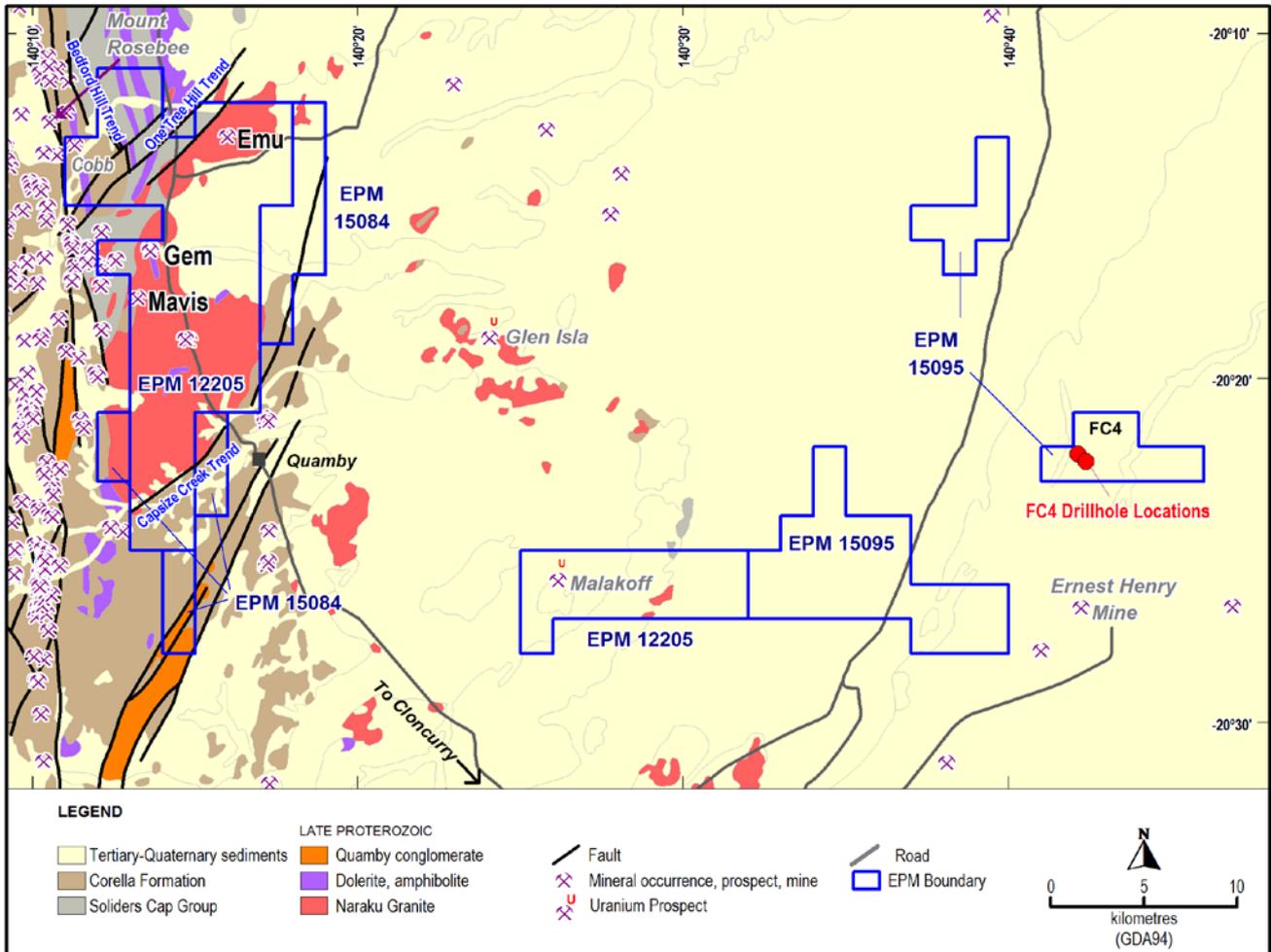


Figure 2. For the Cloncurry prospect Gem was the primary target investigated in the December 2009 Quarter.

The Gem Prospect is interpreted to consist of a series of sub-parallel mineralised zones trending northwest. These structural zones probably interact with intrusive centres related to a mineralised intrusive labeled the ‘aplite’ dyke.

Following the success and information generated from the previous three drilling campaigns at the Gem Prospect (including **previously reported 38m @ 1.25% copper and 0.20 g/t gold from 33m, GR003; 8m @ 0.89% copper and 0.25g/t gold from 183m, GR-015 and 6m @ 1.57% copper and 0.19g/t gold from 53m, GR-021**), CYU completed a fixed loop Time domain Electro Magnetic (TEM) geophysical program to confirm the sub surface geology of the prospect area.

The proposed drilling programme plans to extend the current identified mineralised zones but also to provide infill information of these mineralised zones which occur under cover between the two main areas of drilling.

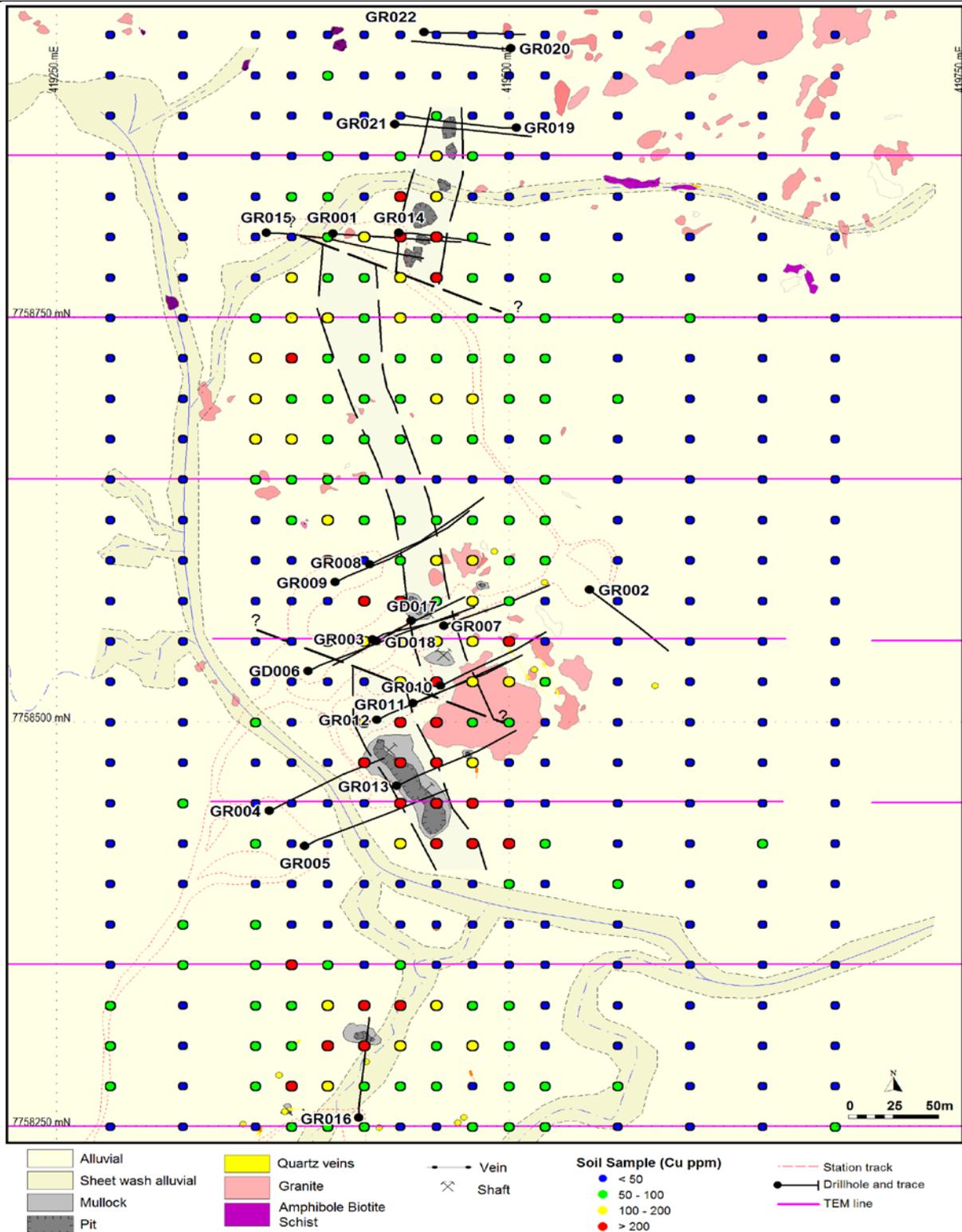


Figure 3. Gem interpretive prospect scale map. Gem appears to have closed off to the north but remains open along strike to the south and remains open at depth. A program of 22 RC holes commenced January 19th.

NORTH WEST QUEENSLAND - MT ISA
MARK KATHLEEN JOINT VENTURE – GOLDSEARCH LIMITED

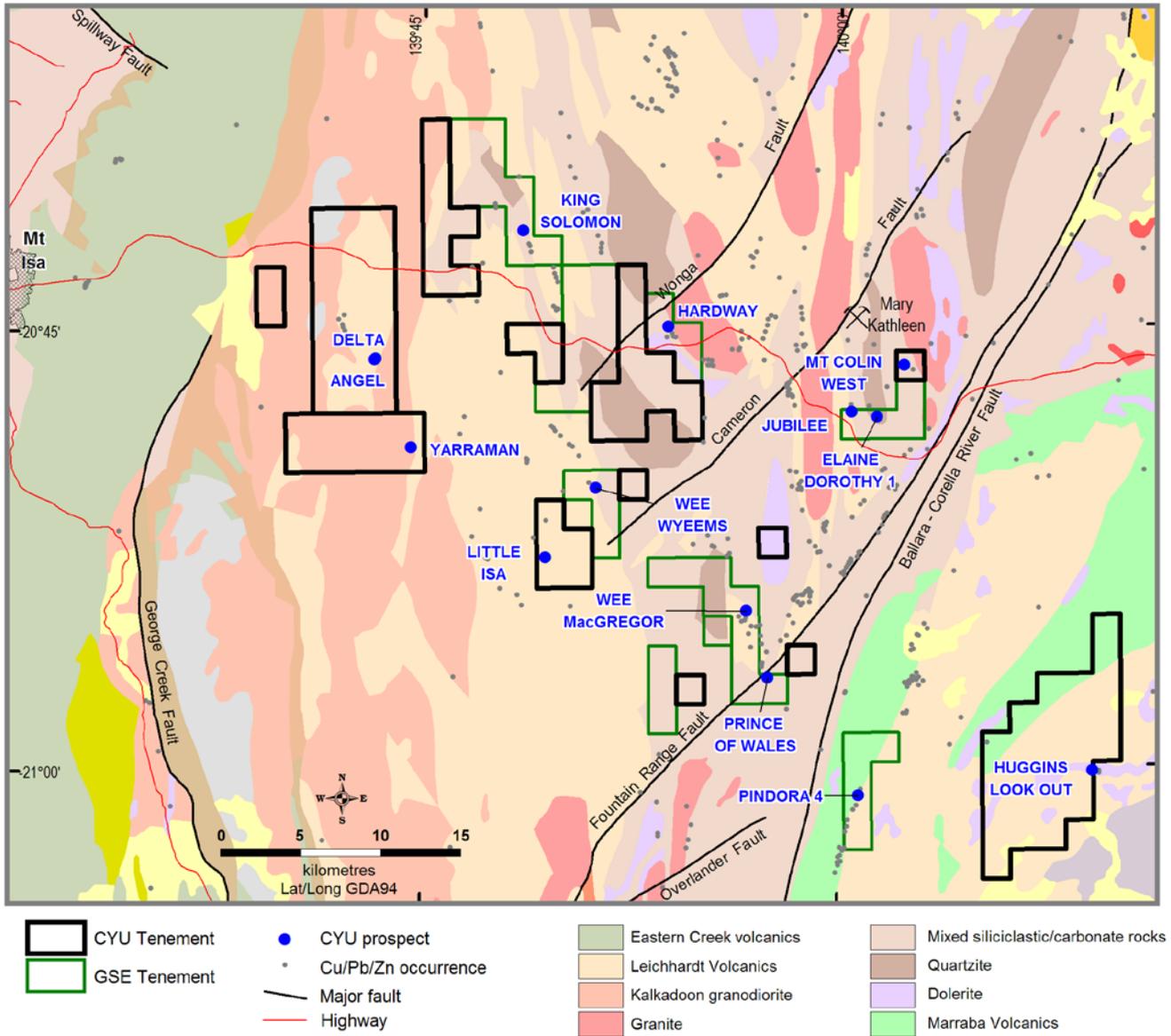


Figure 4. The Mt Isa Project has highly prospective drill targets 50km across strike from Mt Isa.

During the March quarter, mapping will be finalised at the Wee Wyeems and Little Isa prospects with drilling planned to follow up previous intercepts from Wee Wyeems including 26m @ 0.86% copper.

Elaine Dorothy

At Elaine Dorothy previous exploration by Mary Kathleen Uranium (formerly operators of the Mary Kathleen Mine) and GSE (“GoldSearch Limited”) has highlighted significant Mary Kathleen-style uranium and rare earth element (REE) mineralisation.

In late 2009 CYU completed drilling three HQ diamond holes totaling 344 metres as part of a HQ diamond drill programme at the Elaine Dorothy uranium exploration target, one of the Mary Kathleen Joint Venture prospects considered prospective for uranium and REE mineralisation (Figures 4 and 7).

Hole ID	Twin ID	E (GDA 94)	N (GDA94)	Azimuth	Dip	Depth (m)
MKED001	ED011	398,260	7,699,448	0	-90	133.69
MKED002	ED003	398,298	7,699,439	0	-90	125.00
MKED003	ED002	398,315	7,699,401	0	-90	75.33
						334.02

Table 1. Drill hole collar locations completed by CYU in November 2009.

Samples were submitted to ALS – Mount Isa for assaying. Final results have been returned for all the radioactive zones. Significant intersections are summarised below:

Hole ID	From (m)	To (m)	Width (m)	U ₃ O ₈ (kg/t)	Ce (%)	La (%)	Cu (%)	Comment
MKED001	40.5	41.5	1.0	<0.01	0.01	<0.01	0.43	
MKED001	74.0	75.0	1.0	0.20	0.47	0.25	<0.01	
MKED001	84.5	85.5	1.0	0.15	0.15	0.08	0.02	
MKED002	14.5	15.5	1.0	0.01	0.01	0.01	0.22	
MKED002	24.0	25.0	1.0	<0.01	0.03	0.02	0.11	
MKED002	34.0	37.0	3.0	<0.01	0.02	0.01	0.23	
MKED002	74.0	75.0	1.0	0.36	0.31	0.16	0.02	
MKED002	82.0	83.5	1.5	0.17	0.38	0.21	<0.01	
MKED003	20.0	21.0	1.0	<0.01	<0.01	<0.01	0.11	
MKED003	24.0	25.0	1.0	<0.01	<0.01	<0.01	0.13	
MKED003	27.5	30.5	3.0	1.32	1.17	0.59	<0.01	
Including	28.5	29.5	1.0	2.85	1.67	0.81	<0.01	
MKED003	33.5	34.5	1.0	0.41	0.45	0.24	<0.01	
MKED003	44.0	45.5	1.5	0.27	0.32	0.17	<0.01	
MKED003	54.5	56.5	2.0	0.34	0.28	0.14	0.01	
MKED003	72.0	73.0	1.0	<0.01	<0.01	<0.01	0.62	1740ppm Mo

Table 2. Summary of significant intersection from the Elaine Dorothy drilling program at a nominal 0.15kg/t U₃O₈ cut-off and a 0.40% copper (Cu) cut-off for MKED-001 and MKED-003 where no uranium mineralisation intersected. Note should be made of MKED-003 bottom of hole results of >0.6% Cu and ~0.10% molybdenum (Mo). Historic holes were not assayed either for REE or Cu. The assay technique is ME-MS61 a four acid 'near total' digestion and fire assay AA25 (Atomic Absorption finish) for gold.



Figure 5. : MKED003, 28.0 to 29.4 metres - Strong disseminated allanite-uraninite bands +calcite+pyrite in a diopside calc-silicate.

Elaine Dorothy (continued)

All holes intersected significant mineralisation with MKED003 returning the better intersection. MKED003 located near a surface prospecting pit returned a near surface high grade intersection of **3 metres @ 1.32kg/t U₃O₈, 1.17% Ce and 0.59% La** from 27.5 metres down hole depth including a higher grade zone of **1m @ 2.85kg/t U₃O₈, 1.67% Ce and 0.81% La** from 28.5 metres down hole depth. At the base of MKED003 a zone of intense potassic alteration (71.71 metres to 73.38 metres) with massive pyrite, patchy chalcopyrite and molybdenite mineralisation was intersected. This zone returned an intersection of **1 metre @ 0.62% Cu and 1,740ppm Mo (refer Figure 6)** from 72 metres down hole depth.

Comparing with previously drilled holes (ED series) to date;

- 3m @ 1.32kg/t U₃O₈ in MKED003 is equivalent to the 2.3m @ 2.62kg/t U₃O₈ in ED2.
- 9.5m @ 0.09kg/t U₃O₈ in MKED002 is equivalent to 9.2m @ 0.31kg/t U₃O₈ in ED3.
- 11.5m @ 0.07kg/t U₃O₈ in MKED001 is equivalent to 6.9m @ 0.49kg/t in ED11.

The intersections are slightly broader and significantly lower grade in the new holes but broadly confirm the zones of mineralisation identified in previous drill campaigns in the 1980's and 1950's. It is unclear if the differences in grade between the old and new holes are due to some bias in the assay results or due to the erratic and discontinuous nature of the mineralisation. All holes (old and new) are diamond core.

Copper mineralisation has been observed in the core as both patchy chalcopyrite within calcite veining and disseminated chalcopyrite within the calc-silicates, and is usually associated with pyrite ± pyrrhotite mineralisation above the uranium-rich zones except in MKED003 where it was observed below. Field investigations have identified a number of surface copper occurrences in the vicinity of Elaine Dorothy which are planned to be followed up.



Figure 6. Elaine Dorothy: MKED003 intercept of 1 metre @ 0.62% Cu and 1,740ppm Mo from 72 metres. Molybdenum sulphide is reflective grey associated with copper sulphide (chalcopyrite). This mineralisation is open at depth.

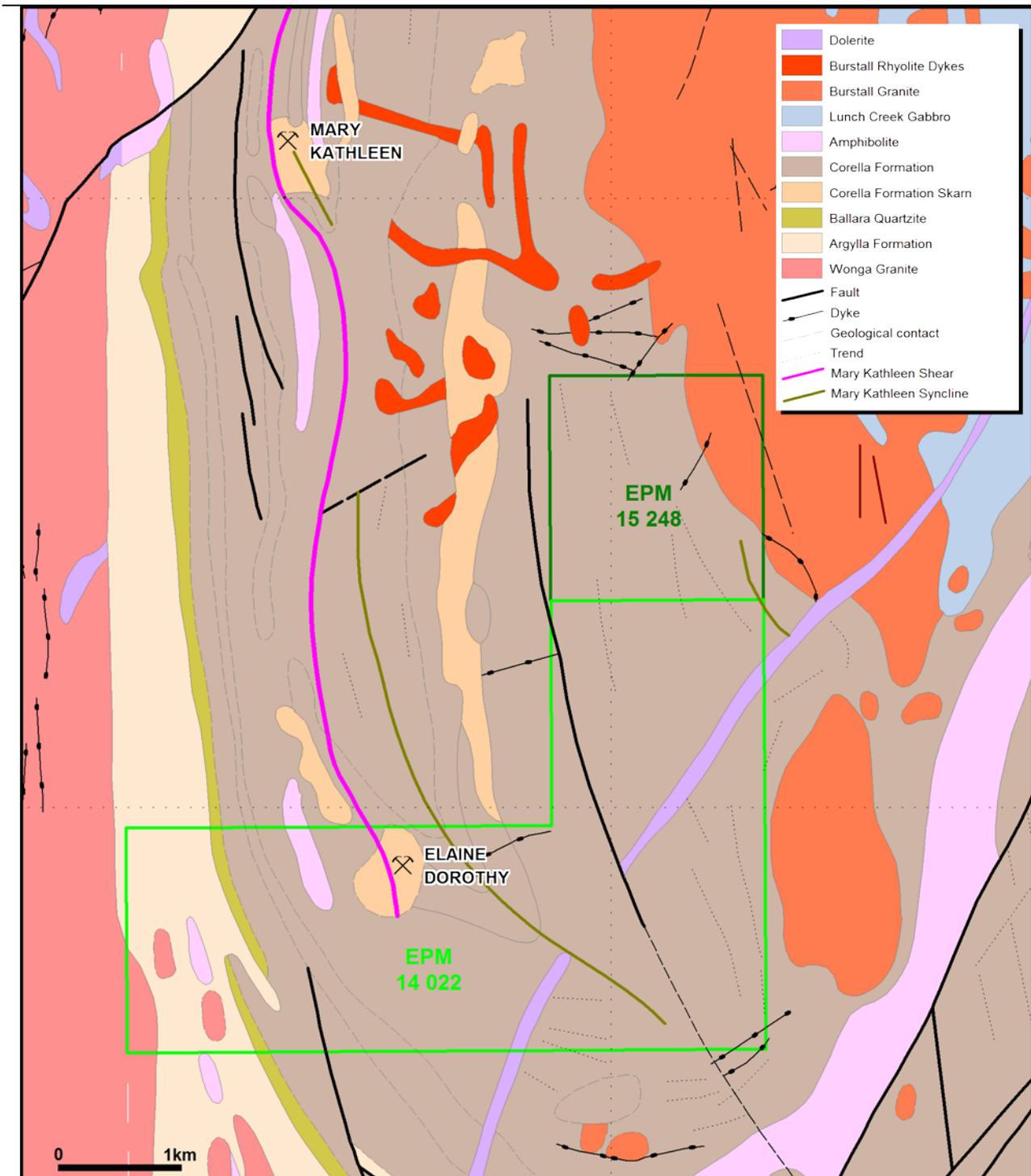


Figure 7. Elaine Dorothy is approximately 6 kilometres south of the previously mined Mary Kathleen deposit. As for Mary Kathleen it is located between the Mary Kathleen Shear and the Mary Kathleen Syncline. Mary Kathleen was worked as a Uranium mine but also had a grade of 3% Rare Earth Elements (REE).

NORTH EAST QUEENSLAND - PENTLAND

PENTLAND JOINT VENTURE – ACTIVEX LIMITED

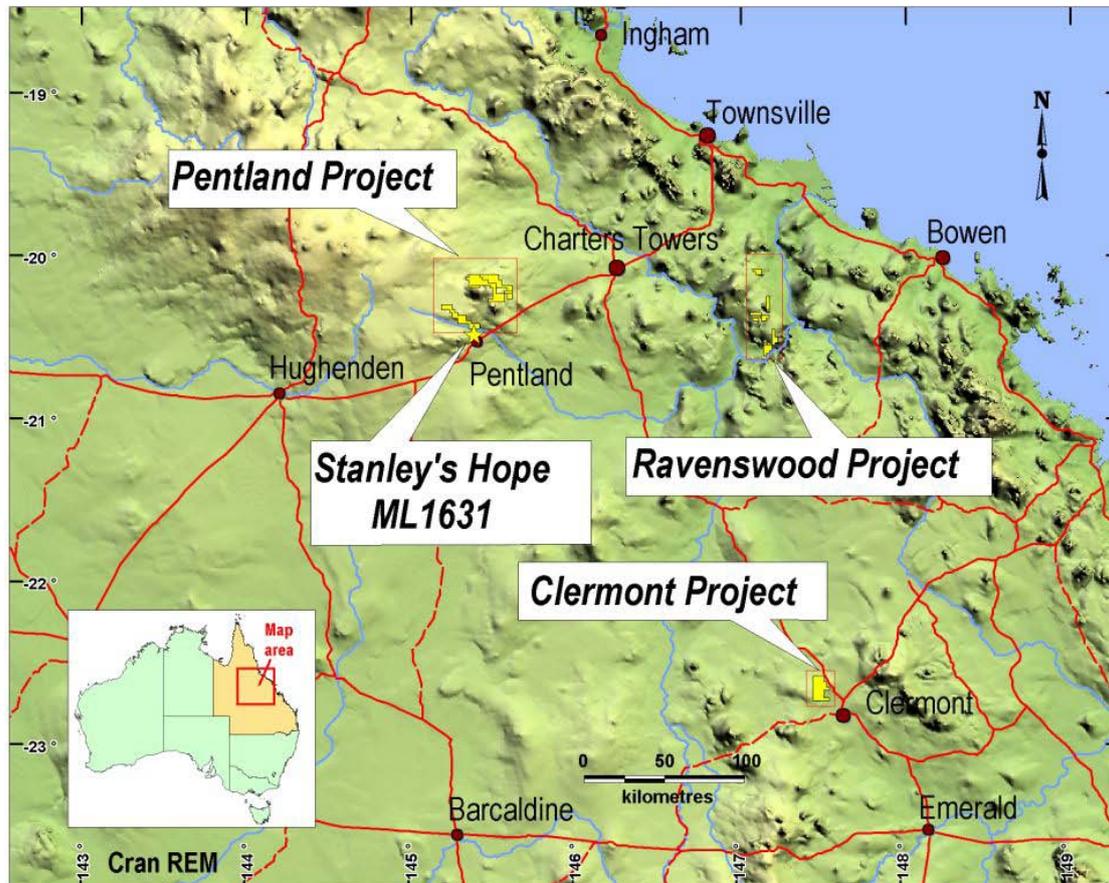


Figure 8. CYU North East projects Ravenswood, Stanley's Hope and Pentland location. Clermont is no longer an active project.

China Yunnan Copper Australia Limited announced on 25th of November it had entered into a farm-in and joint venture agreement with ActivEX Limited (ASX: AIV) to explore ActivEX's Pentland Project for large tonnage, intrusive style gold mineralisation. The joint venture will lead to early drilling of the Mt Remarkable and Norwood prospects in the March Quarter of 2010.

Joint Venture

China Yunnan has agreed to farm-in to the Pentland Project area and can earn up to a 70% interest in the project area by spending \$3 million over the next 5 years in a two stage earn-in. In the first stage, China Yunnan can earn up to 51% of the project by spending \$1.25 million within 3 years including carrying out a drilling program at the Mt Remarkable and Norwood prospects which must commence in the March Quarter of 2010. If China Yunnan elects to continue, it can earn an additional 19% by spending a further \$1.75 million within 5 years from commencement. China Yunnan's minimum commitment to the project is the first year's expenditure commitment on the tenements, including the drilling program.

In addition, if China Yunnan elects to continue earning after the first year it will grant ActivEX one million unlisted options to acquire shares in China Yunnan exercisable at \$0.40 before December 2012.

Pentland JV Project

ActivEX's Pentland Project is located in the highly prospective north Queensland region. It consists of three Exploration Permits (14332, 15055 and 15185) covering an aggregate 549 km² located 100 kilometres west of Charters Towers.

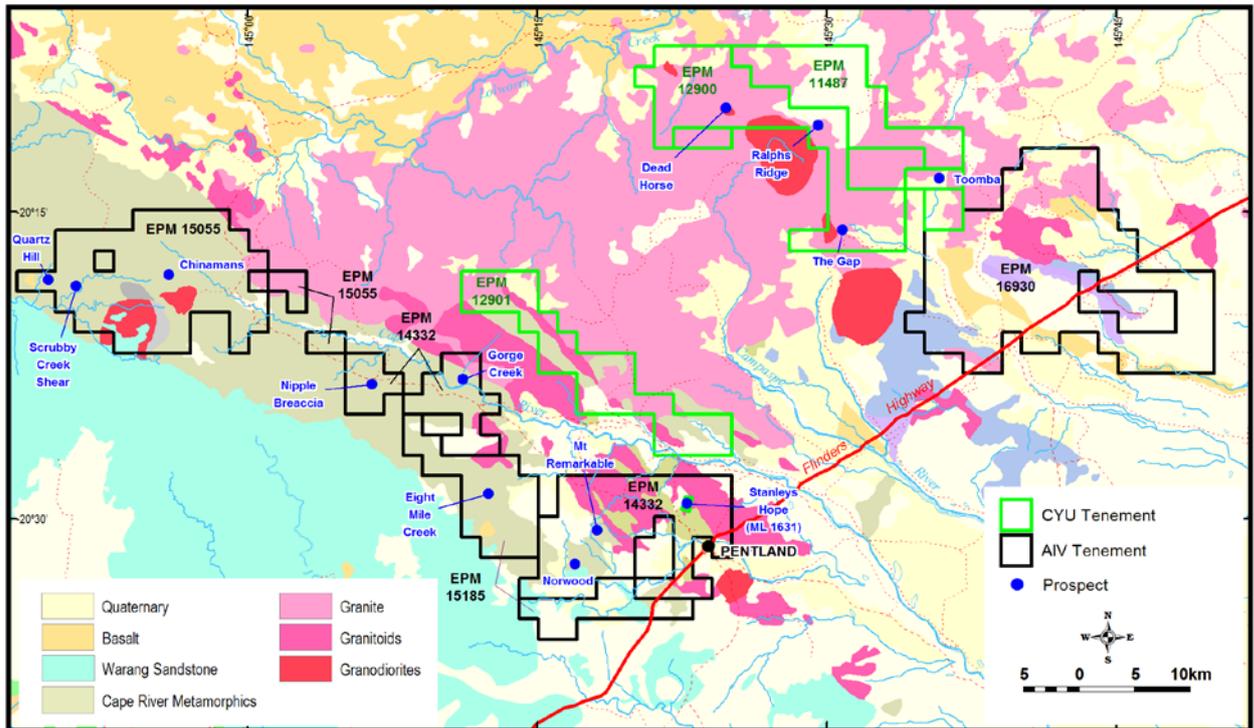


Figure 9. Location of AIV's JV tenure approximately 100 kilometres west of Charters Towers. Mt Remarkable and Norwood are defined porphyry gold targets and will be drilled within the March 2010 Quarter. EPM16930 is not included in the JV.

The principal prospects in the area are Mt Remarkable and Norwood which will be the targets for early drilling. In addition, there are numerous prospects that have had little exploration activity in the past and these will be developed during the proposed program to establish priorities for further drilling.

At **Mt Remarkable**, shallow drilling by previous explorers has encountered gold-copper-molybdenum mineralisation of porphyry style associated with an altered, de-magnetised zone within a strongly mineralised, north-east trending gold bearing structure. Work by ActivEX has identified a strong Induced Polarisation (electrical geophysics) anomaly close to the previously identified mineralisation but at a deeper level. The closest drill hole, from previous explorers, to the anomaly (DDH1) has intersected **47 metres of 0.92g/t gold** to 306 metres. The target anomaly for drilling is 800 metres long and 400 metres wide and is strengthening at depth.

The anomalous zone is interpreted to be caused by an increase in sulphide content associated with increased vein density as the zone is also characterised by increased resistivity. Other holes drilled around the anomaly (DDH3 and RED004) have intersected some encouraging gold-copper-molybdenum mineralised stockwork veins.

At **Norwood**, gold workings occur at surface, which were historically worked by the Chinese. Shallow drilling by previous explorers looking for oxide gold, intersected scattered gold mineralisation with better intersections of **18 metres of 0.98g/t gold and 8 metres of 2.28g/t gold**.

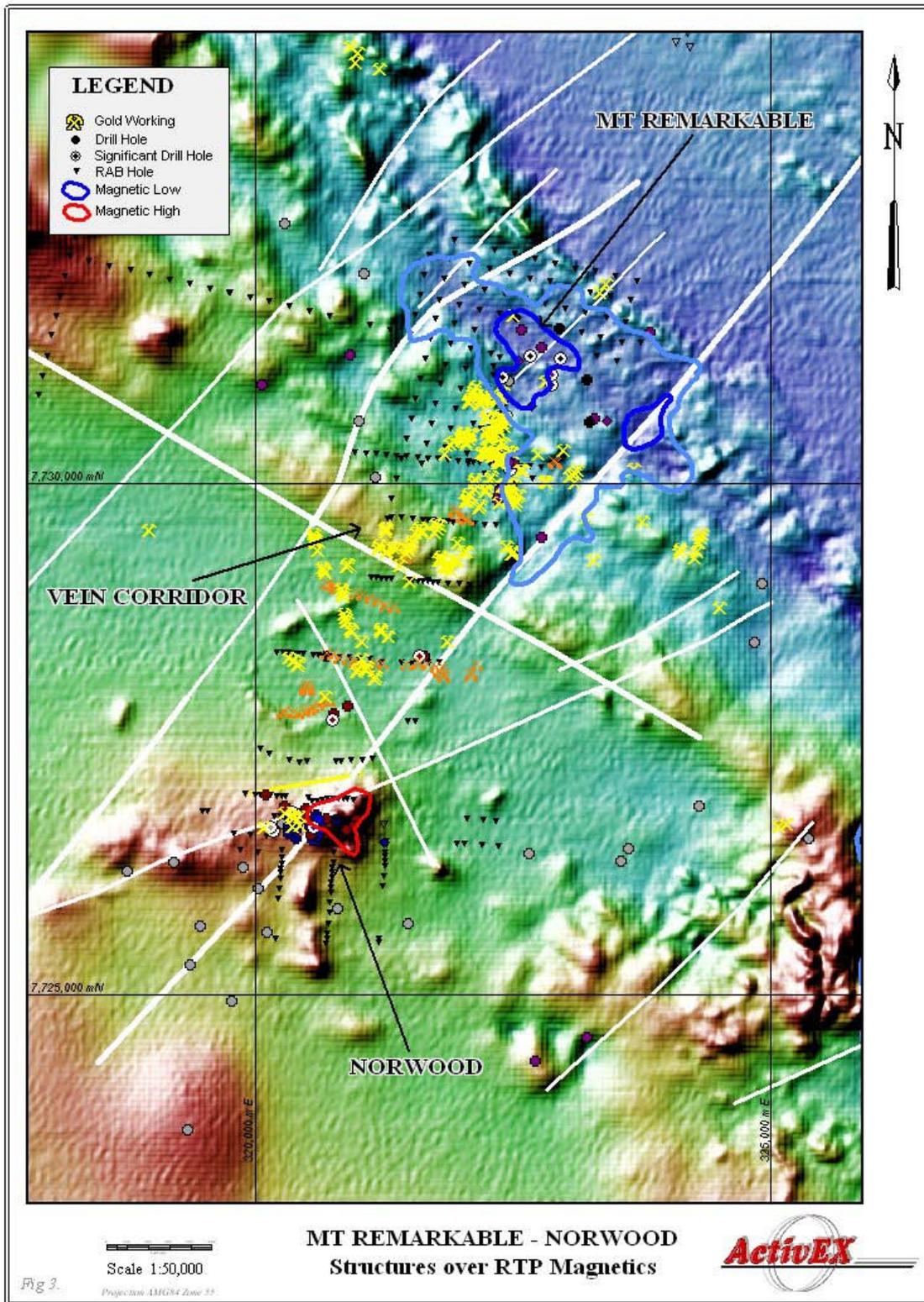


Figure 10. Magnetics depicting intrusive style Mt Remarkable and Norwood targets to be drilled. All target preparation work has been completed so the Pentland JV will commence with operational drilling.

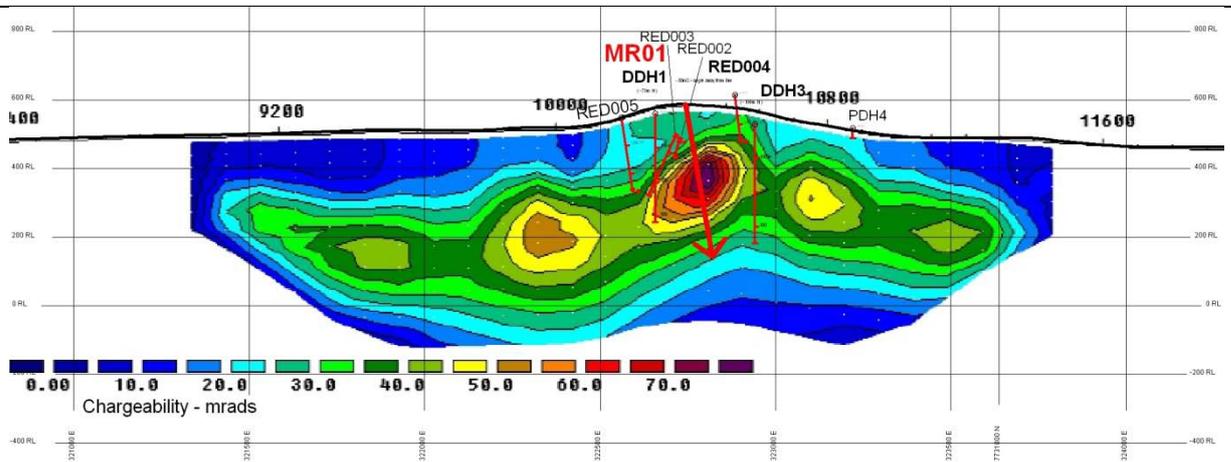


Figure 11. Mt Remarkable IP section showing chargeability anomalies, previous drilling and proposed drilling.

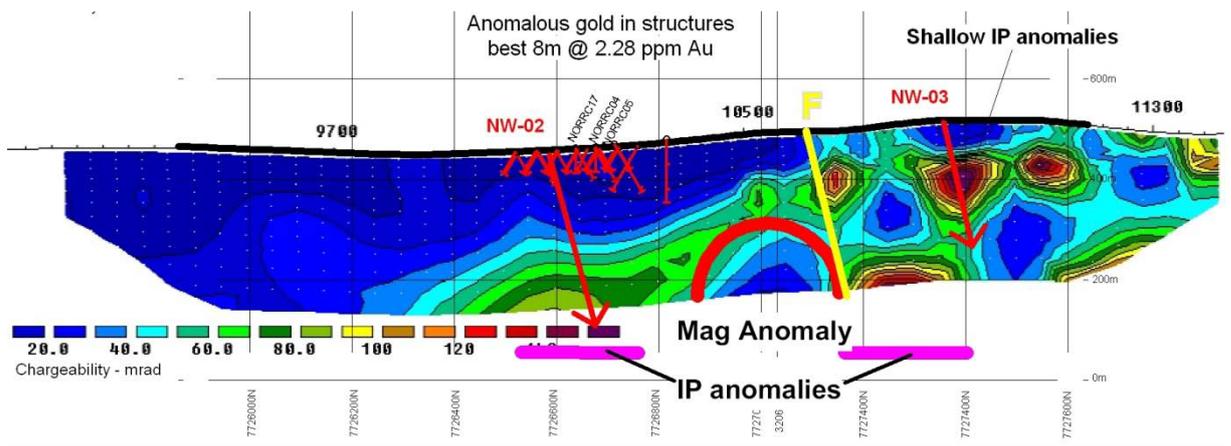


Figure 12. Norwood IP section showing chargeability anomalies, targets and proposed drilling.

Stanley's Hope - CYU entered into a purchase agreement with the owner of Mining Lease 1631 in the Pentland District of northern Queensland. Stanley's Hope consists a number of undrilled structures of epithermal gold affinity, potentially similar in style to Pajingo and other epithermal gold deposits.

CYU consider the targets and fertile structures identified from field inspections to be a high priority for exploration. CYU has completed data collation and mapping and is currently designing a drill program to be completed in the March 2010 Quarter.

NORTH EAST QUEENSLAND - RAVENSWOOD (100% CYU)

The project lies in the Ravenswood Block which comprises Palaeozoic volcano-sedimentary strata that are extensively intruded by Ordovician, Siluro-Devonian and Permo-Carboniferous granitoids. Permo-Carboniferous magmatic-hydrothermal systems are abundant throughout north east Queensland. These gave rise to major gold deposits including Mount Leyshon, Pajingo, Ravenswood (Sarsfield, Nolans and Mt Wright), Kidston and Red Dome. A mapping and prospect ranking program was completed during the quarter.

In November 2009, traverses and rock chip sampling were completed on the Ravenswood Project to follow up low order stream sediment gold anomalies. The areas were Breakfast Creek, Lone Hill and Stones Creek. Twenty-five rock chip samples were collected with results in Table 3 below.

Significant results were returned from the Stones Creek area follow up of anomalous drainages has located an area of intense epithermal quartz veining whose location is shown as a yellow star on Figure 2. Veins are exposed in the creek beds in small dykes and in out crop covering a large area on a hill top (Lynn Maree Hill). The veins in the creeks (at lower elevation) commonly contain very fine grained sulphide. Those at high elevation show no evidence of sulphides. Figures 14 and 15 are photos of the area of interest. Follow up mapping is planned for late in the current quarter.

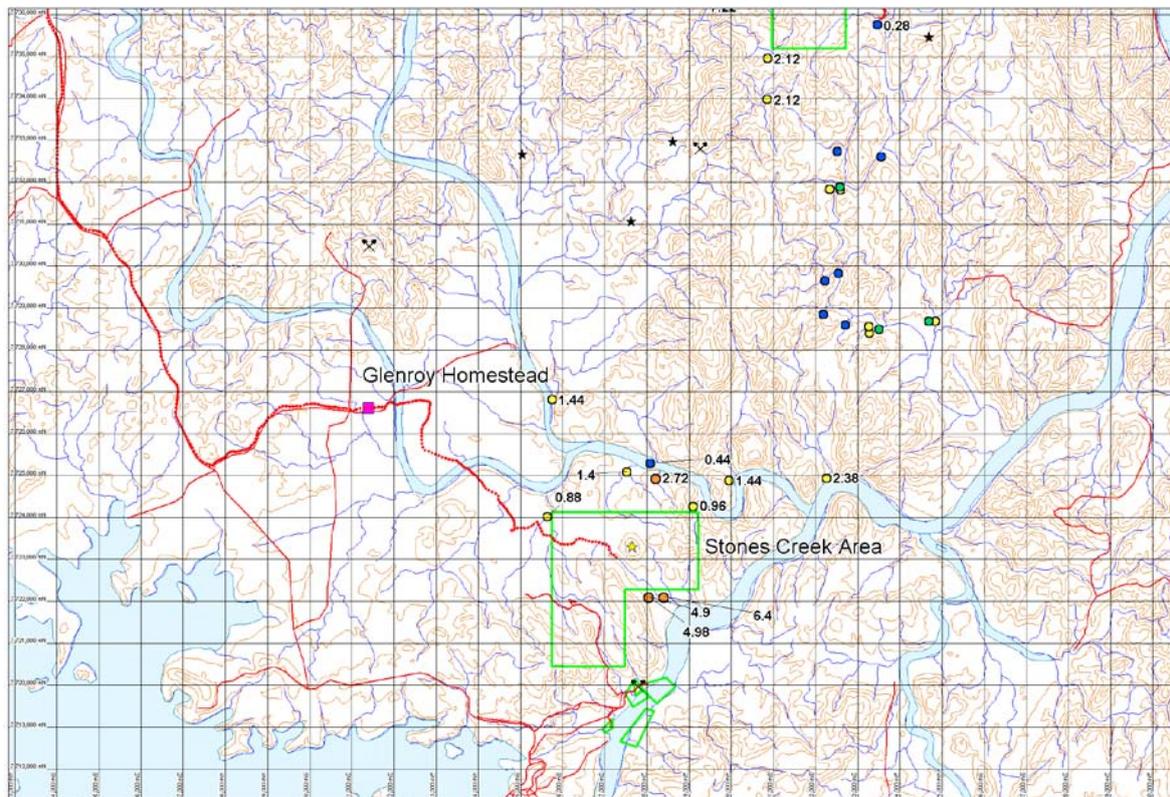


Figure 13. Stones Creek BLEG Anomaly and location of low sulphidation mineralisation mapped during the December quarter.

SAMPLE NUMBER	Au ppm	Ag ppm	As ppm	Ba ppm	Pb ppm	Sb ppm
373978	0.02	0.2	21	50	3	<2
373979	<0.01	0.2	51	30	4	<2
373980	0.08	0.6	113	240	13	2
373981	8.25	14.2	4330	240	2980	34
373982	0.03	0.2	83	90	21	<2
373983	0.02	<0.2	60	70	47	<2
373984	<0.01	0.2	81	70	10	<2
373985	0.28	0.7	224	80	122	3
373986	0.01	<0.2	32	60	2	<2
373987	0.03	0.2	44	40	3	<2
373988	0.01	0.3	46	60	4	<2
373989	0.02	0.2	51	170	8	<2
373990	0.3	0.2	85	60	4	<2
373991	0.07	0.2	42	40	3	<2
373992	0.25	0.2	83	60	3	<2
373993	<0.01	<0.2	3	10	5	<2

Table 3. Assays of epithermal quartz from the Lynn Maree Hill area at Ravenswood. Sixteen rock chip samples were submitted for gold and multi-element assay for the Lynn Maree Hill area.

The veining is intense and widespread but alteration is weak and evidence of sulphides occurs only at lower altitudes. The assays indicate anomalous gold in most samples and ore grade in one outcrop at low altitude. The low altitude samples contain higher metal content indicating vertical zonation. Pathfinder elements are also highly anomalous particularly at lower altitude and geological mapping, systematic soil and rock chip sampling is planned.



Figure 14. Epithermal veining in rhyo-dacite at Lynn Maree Hill in the Stones Creek area.



Figure 15. Banded, saccharoidal and drusy quartz veining in the Stones Creek area.

CORPORATE

About CYU

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

CYU has goals of resource definition and development for its three target commodities Copper, Gold and Uranium and to achieve this is targeting high quality copper, gold and uranium projects in the Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier in Queensland. CYU also is also farming into the Mary Kathleen Project in Mt Isa with Goldsearch Limited and the Pentland Gold Project with ActivEX limited. CYU has recently signed a Memorandum of Understanding for Project generation in Yunnan Province, China with cornerstone investor YCI.

Cash Position

As at 31 December 2009, the Company had approximately \$4.1 million cash and no debt. Cash exploration expenditure for the quarter was \$816,000 with projected expenditure \$550,000 for the March quarter. The company completed a fully underwritten rights issue in October. The rights issue comprised a 2 for 5 offer at 15 cents and raised a total of \$4.65 million (before issue costs).

Competent Persons Statement

The information in this report that relates all prospects 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.

The information in this report that relates to the Exploration Target for the Elaine One Anomaly is based on information compiled by Arnold van der Heyden, who is a Member of the Australasian Institute of Mining and Metallurgy is a Consulting Geologist for Hellman and Schofield Pty Ltd. Mr van der Heyden has sufficient experience relevant to the style of mineralisation and type of deposit 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 van der Heyden 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
Liang Zhong	Non-Exec Co-Chairman
Jason Beckton	Managing Director
Zewen Yang	Executive Director

Company Secretary

Paul Marshall

Issued Share Capital

China Yunnan Copper Australia has 108.66 million ordinary shares currently on issue and 30.27 million options.

Quarterly Share Price Activity

	High	Low	Last
Dec 2009 Qtr	\$0.35	\$0.17	\$0.28

Registered Office

China Yunnan Copper Limited
Level 5
60 Edward Street
Brisbane QLD 4000
Australia
Phone (61 7) 3303 0653
Fax (61 7) 3303 0601
www.cycal.com.au

Share Registry

Link Market Services Limited
Level 12
300 Queen Street
Brisbane QLD 4000
Phone 1300 554 474
Fax (61 7) 3228 4999
www.linkmarketservices.com.au

For further information please contact;

Jason Beckton
Managing Director
CYU
0438 888 612

Kevin Kartun
Account Director
Financial & Corporate Relations
(02) 8264 1003