

24 October 2007

RE: CHINA YUNNAN COPPER AUSTRALIA LTD

Martin Place Securities Pty Ltd (**MPS**) has been issued 2 million options at a strike price of A\$0.40 with an expiry date of 3 years from the date of listing (**Options**). China Yunnan Copper (Australia) Investment and Development Co. Ltd was also issued 16,428,571 options at a strike price of A\$0.40 with an expiry date of 3 years from the date of listing.

The terms and conditions of these options are the same as those granted to China Yunnan Copper (Australia) Investment and Development Co. Ltd.

The terms are set forth in section 11.4 of the Prospectus and are as follows:

- (a) MPS has been granted 2,000,000.
- (b) The Options were issued pursuant to the underwriting agreement between the China Yunnan Copper Australia Ltd and MPS.
- (c) The commencement date (**Commencement Date**) for the exercise of the Options shall be the date of the Company listing on the ASX.
- (d) The Options will, except to the extent earlier exercised, expire on the date being 3 years from the Commencement Date (**Expiry Date**).
- (e) The exercise price for each Option shall be \$0.40 (**Exercise Price**).
- (f) The Option Exercise Period shall be the period commencing on the Commencement Date of the relevant Options and expiring on the Expiry Date of the relevant Options.
- (g) The Options will be freely transferable.
- (h) The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the exercise price to the Company at any time during the Option Exercise Period.
- (i) The number of Options that may be exercised at one time must be not less than 1,000.
- (j) Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares of the Company.

PARTNERS

Joe Ganim Paul Hopgood Tony Baldwin Bruce Humphrys Brian Moller Mark Peacock Paul Cullen Bruce Prescott James Bottomley
Darrell Jardine Geoff Wilson Don Battams Martin Klapper David Nicholls Nicole Radice Meryl Show Michael Smith Freda Wigan
Michael Hansel Adam Carlton-Smith

- (k) The Option holder will be permitted to participate in new issues of securities of the Company on the prior exercise of the Options, in which case the holder of the Options will be afforded the period of at least 14 days notice prior to and inclusive of the books closing date (to determine entitlements to the issue) to exercise the Options.
- (l) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
- (i) the number of Options, the exercise price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on share-holders; and
 - (ii) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- (m) If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - E \frac{[P - (S + D)]}{N + 1}$$

Where:

O^n = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying securities into which one Option is exercisable;

P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;

S = the subscription price for a security under the pro rata issue;

D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- (n) The Company does not intend to apply for listing of the Options on the ASX.
- (o) The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.
- (p) If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (q) The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the exercise price, increase the number of Options or change any period for exercise.

Yours faithfully

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