

China Yunnan Copper Australia Ltd
ACN 070 859 522

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY MEMORANDUM

Date of Meeting: 24 November 2008
Time of Meeting: 10.00am (Brisbane time)
Place of Meeting: Brisbane Polo Club, 1 Eagle Street, Brisbane QLD

This Notice of Annual General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

NOTICE OF GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of **CHINA YUNNAN COPPER AUSTRALIA LTD** ACN 070 859 522 (**Company**) will be held at the Brisbane Polo Club, 1 Eagle Street, Brisbane, on Monday 24 November 2008, at 10.00am (Brisbane time).

AGENDA

ORDINARY BUSINESS

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2008.

Resolution 1 - Re-Election of Chao Yang as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with article 36.2 of the Company's Constitution, Chao Yang, having been appointed by the Directors as an additional Director since the last Annual General Meeting of the Company, retires and being eligible, offers himself for re-election, be appointed as a Director of the Company".

Resolution 2 - Re-Election of Liang Zhong as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with article 36.2 of the Company's Constitution, Liang Zhong, having been appointed by the Directors as an additional Director since the last Annual General Meeting of the Company, retires and being eligible, offers himself for re-election, be appointed as a Director of the Company".

Resolution 3 - Re-Election of Norman Joseph Zillman as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Article 38.1(c) of the Company's Constitution, Norman Joseph Zillman, who retires in accordance with the Company's Constitution and, being eligible for re-election offers himself for re-election, be re-elected as a Director of the Company."

Resolution 4 - Re-Election of Stanley Mark Elliott as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Article 38.1(c) of the Company's Constitution, Stanley Mark Elliott, who retires in accordance with the Company's Constitution and, being eligible for re-election offers himself for re-election, be re-elected as a Director of the Company."

Resolution 5 - Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

“That, the Remuneration Report for the year ended 30 June 2008 (as set out in the Directors’ Report) is adopted.”

The vote on this Resolution 5 is advisory only and does not bind the Directors of the Company.

SPECIAL BUSINESS

Resolution 6 – Adoption of Employee Share Option Scheme

To consider and, if thought fit, pass the following Ordinary Resolution:

“That for the purposes of Exception 9 in Listing Rule 7.2 of the ASX Listing Rules and for all other purposes, the Company be authorised to issue securities under the Employee Share Option Scheme as an exception to Listing Rule 7.1 of the ASX Listing Rules.”

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast in favour of this Resolution by:

- (a) a Director of the Company or a subsidiary of the Company (“Relevant Director”); and
- (b) any associate of any Relevant Director of the Company.

However, the entity need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 7 - Issue of options to Zewen Yang

To consider and, if thought fit, pass the following Ordinary Resolution:

“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“Corporations Act”) and for all other purposes, the Company be authorised to issue 150,000 Options to subscribe for ordinary shares in the Company (“Options”) to Zewen Yang being a Director of the Company or his nominee (“Zewen Yang”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”

Note:

- (a) A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.
- (b) The Company intends to issue the Options as soon as practicable following the Meeting and in any event no later than one (1) month from the date of the Meeting.
- (c) Detailed summary of the proposed Terms of the Options is contained within the Explanatory Statement.

VOTING EXCLUSION STATEMENT

(a) The Company will disregard any votes cast on this Resolution by:

- (i) Mr Zewen Yang; and
- (ii) any associate of Mr Zewen Yang.

(b) However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as required by the direction on the proxy form to vote as the proxy decides.

Resolution 8 - Issue of options to Jason Beckton

To consider and, if thought fit, pass the following Ordinary Resolution:

“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“Corporations Act”) and for all other purposes, the Company be authorised to issue 150,000 Options to subscribe for ordinary shares in the Company (“Options”) to Jason Beckton being a Director of the Company or his nominee (“Beckton”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”

Note:

- (a) *A copy of this Notice and the Explanatory Statement which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.*
- (b) *The Company intends to issue the Options as soon as practicable following the Meeting and in any event no later than one (1) month from the date of the Meeting.*
- (c) *Detailed summary of the proposed Terms of the Options is contained within the Explanatory Statement.*

VOTING EXCLUSION STATEMENT

- (d) *The Company will disregard any votes cast on this Resolution by:*
 - (i) *Mr Beckton; and*
 - (ii) *any associate of Mr Beckton.*
- (e) *However, the Company need not disregard a vote if:*
 - (i) *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
 - (ii) *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as required by the direction on the proxy form to vote as the proxy decides.*

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

BY ORDER OF THE BOARD

Paul Marshall
Company Secretary
22 October 2008

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum is provided to Shareholders of **CHINA YUNNAN COPPER AUSTRALIA LTD** ACN 070 859 522 (**Company**) to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at the Polo Club, 1 Eagle Street, Brisbane, on Monday 24 November 2008, at 10.00am (Brisbane time).

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

This Explanatory Memorandum provides Shareholders with all information known to the Company that is material to the decision on how to vote on the Resolutions to be put to the Meeting, other than such information that has been previously disclosed by the Company to its Shareholders.

Terms used in this Explanatory Memorandum are defined on page 15.

RESOLUTION 1 - RE-ELECTION OF CHAO YANG AS A DIRECTOR

Mr Chao Yang was appointed to the Board of Directors on 30 January 2008 as an addition to the Board. In accordance with the Company's Constitution, Mr Chao Yang will retire at the Annual General Meeting, and will stand for re-election.

Mr Chao Yang is Director and General Manager of Yunnan Copper Industry (Group) Co. Limited (**YCI**) responsible for the overall management and administration of the YCI Group.

Mr Chao Yang has 34 years experience in the mining and metallurgical industries in China. He worked for major companies including Yunnan Tin Corporation Limited and Gejiu Xidu Industrial Co. Limited. He began his resources career as a Secretary-General of a smelting division of Yunnan Tin Corporation and was then appointed General Manager and Director of the Company. His experience with Yunnan Tin Corporation ranged from daily management and administration of a division to strategy making and implementation for the entire group. Under his management, Yunnan Tin Corporation became one the most profitable state-owned companies in China and it remains the world's leading tin producer.

Mr Chao Yang holds a Diploma Certificate of Administrative Management and a Post Graduate Diploma in Administrative Management from Yunnan Normal University, China.

The Directors (with Mr Chao Yang abstaining) recommend that you vote in favour of this Ordinary Resolution.

RESOLUTION 2 - RE-ELECTION OF LIANG ZHONG AS A DIRECTOR

Mr Zhong was appointed to the Board of Directors on 30 January 2008 as an addition to the Board. In accordance with the Company's Constitution, Mr Zhong will retire at the Annual General Meeting, and will stand for re-election.

Mr Zhong is Vice General Manager and Chief Financial Officer of YCI. His responsibilities include financial control and investment activities of YCI.

Mr Zhong has 25 years experience in the mining and metallurgical industry in China. He worked for major companies including Yunnan Tin Corporation Limited and Shenzhen Tianyi Industry Co., Limited before being appointed to his current position with YCI in 1996. He has extensive knowledge and experience in corporate financing, equity raisings, management accounting and investment.

Mr Zhong has a degree in Economics from Yunnan University, China and a Masters degree in Economics from Xiamen University, China. He is a qualified Chinese Chartered Public Accountant and Chinese Senior Accountant.

The Directors (with Mr Zhong abstaining) recommend that you vote in favour of this Ordinary Resolution.

RESOLUTION 3 - RE-ELECTION OF NORMAN JOSEPH ZILLMAN AS A DIRECTOR

Mr Zillman was appointed to the Board of Directors on 27 January 1998. In accordance with the Company's Constitution, Mr Zillman will retire at the Annual General Meeting, and will stand for re-election.

Mr Zillman is a professional geologist with over 40 years experience in exploration and production in the petroleum, coal and mineral industries in Australia and internationally. His initial training was as a petroleum geologist with international companies, namely Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia and Australia. Mr Zillman has held the positions of Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach Petroleum NL. From 1994 to early 1998, Mr Zillman was Regional Manager of Northern Queensland for the Queensland Department of Mines and Energy, based in Charters Towers, where he supervised all aspects of mineral exploration and mining activities in that region including among others, the Ravenswood, Pajingo, Mt Leyshon and Thalanga mines.

More recently Mr Zillman has filled the positions of Managing Director of Queensland Gas Company Limited (**QGC**) (being responsible for the initial public offering and listing of QGC on the ASX), Chairman of Great Artesian Oil and Gas Limited and a Director of Planet Gas Limited.

Mr Zillman holds a Bachelor of Science degree in Geology and a Bachelor of Science (with Honours) in Botany from the University of Queensland and is a Member of the Australasian Institute of Mining and Metallurgy and the Petroleum Exploration Society of Australia.

The Directors (with Mr Zillman abstaining) recommend that you vote in favour of this Ordinary Resolution.

RESOLUTION 4 - RE-ELECTION OF STANLEY MARK ELLIOTT AS A DIRECTOR

Dr Elliott was appointed to the Board of Directors on 30 May 2006. In accordance with the Company's Constitution, Dr Elliott will retire at the Annual General Meeting, and will stand for re-election.

Dr Elliott is a chartered professional geologist with over 32 years experience in economic geology, exploration, mining, project development and corporate management. Dr Elliott commenced his career with Anaconda Inc in Eastern Australia before founding his own geological consulting firm in the early 1980s. He has extensive experience in managing companies and exploration/mining operations in a wide range of commodities including base metals and gold.

He has a diploma in Applied Geology from the Ballarat School of Mines and a Doctor of Philosophy degree from the University of New South Wales. He is a Fellow of the Australian Institute of Company Directors, the Australasian Institute of Mining and Metallurgy and the Society of Economic Geologists and Australian Institute of Geoscientists.

The Directors (with Dr Elliott abstaining) recommend that you vote in favour of this Ordinary Resolution.

RESOLUTION 5 - REMUNERATION REPORT

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report. A vote on this Resolution is advisory only and does not bind the Directors of the Company.

RESOLUTION 6 – ADOPTION OF EMPLOYEE SHARE OPTION SCHEME

Background

The Board of the Company has adopted an employee share option scheme as a means of rewarding and incentivising its employees. A summary of the terms of the Scheme are set out in Annexure A to this Explanatory Memorandum.

ASX Listing Rules

ASX Listing Rule 7.1 prohibits a company, except in certain cases, from issuing new shares equivalent in number to more than 15% of its capital in any 12 month period without the prior approval of its shareholders.

In order to preserve the maximum commercial flexibility of the Company to issue Shares under ASX Listing Rule 7.1, and in circumstances where the Company and the Directors of the Company believe that such issue of Shares is in the best interests of the Company, the Company is seeking the approval of Shareholders to issue shares under the Scheme.

Exception 9 of Listing Rule 7.2 however, allows the Company to issue "securities" without specific shareholder approval and without reducing the 15% capacity under Listing Rule 7.1, where shareholders of the Company have approved the issue of securities under the Scheme as an exception to Listing Rule 7.1, within three years prior to the issue of the securities. Resolution 6 is being put to shareholders for this purpose and will allow the Company to utilise Exception 9 to Listing Rule 7.2 for three years from the date of the Resolution being passed.

The effect of the shareholders approving the issue of these Options (and resultant Shares on exercise) will be that the issue will not be counted as part of the Company's 15% limit under ASX Listing Rule 7.1, and the Company will therefore retain a greater proportion of the 15% limit for any subsequent requirements that may arise.

- (a) In accordance with ASX Listing Rule 7.2, exception 9 the Company advises as follows: No securities have previously been issued under the Scheme.

A summary of the Scheme terms and conditions is contained in Annexure A.

Further Considerations

The Company believes that it will derive a significant benefit by incentivising its senior management and employees through the issue of shares and options under the Scheme. Additionally, the Company believes it to be in the best interests of the Company to preserve the maximum commercial flexibility to issue shares that is afforded to it by ASX Listing Rule 7.1.

RESOLUTIONS 7 & 8 – ISSUE OF OPTIONS TO ZEWEN YANG AND JASON BECKTON

Issue of Options to Zewen Yang and Jason Beckton

Introduction

The Directors have proposed the issue of options to the two executive directors of the Company in line with the options to be issued to employees as per Resolution 6 above. The issue of options to directors requires approval of shareholders and this Resolution is to seek approval for the proposed grant of options to:

- (a) Mr Zewen Yang or his nominee; and
(b) Mr Beckton or his nominee,

(together "**Recipients**")

of 150,000 options each, exercisable at \$0.40 in three tranches ("**Options**") on or after the Vesting Date (as defined below) but before:

- (a) in respect of the First Tranche Options – 19 December 2009;
(b) in respect of the Second Tranche Options – 19 December 2010; and
(c) in respect of the Third Tranche Options – 19 December 2011.

Approval for the issue of the Options is sought in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

In order for the Options to be granted to directors, the requirements of Chapters 2E of the Corporations Act need to be observed.

Options Terms

A summary of the material terms of the Options is set out below:

- The securities to be issued to each Recipient are options to subscribe for ordinary shares in the capital of the Company;
- Each Tranche of Options (described below) will expire one year after the Vesting Date (as defined below) for each relevant Tranche of Options (**Expiry Date**).
- The Options shall be issued for no consideration.
- The exercise price of each Option is \$0.40 (**Exercise Price**);

- The options will be issued in the tranches and with corresponding qualifying price (**Qualifying Price**) as follows:-

Tranche	Number of Options	Qualifying Price
First Tranche Options	50,000	\$0.40
Second Tranche Options	50,000	\$0.40
Third Tranche Options	50,000	\$0.40
Total	150,000	

Note:- The **Qualifying Price**:

- (a) will be determined as the weighted average closing price of shares over a 5 business day period; and
 - (b) will be adjusted in the event of a bonus issue.
- The options will vest (**Vesting Date**) for each Tranche of Options, as follows:
 - (i) in respect of the First Tranche Options – 20 December 2008;
 - (ii) in respect of the Second Tranche of Options – 20 December 2009; and
 - (iii) in respect of the Third Tranche of Options – 20 December 2010.
 - If the Vesting Date does not occur on or before the Expiry Date, the Options and the rights and obligations attaching to the Options shall lapse and shall have no further force or effect, and no consideration shall be payable to the Recipients (**Option Holder**) by reason of such lapsing.
 - The Options will not be transferable in whole or in part and may not be exercised by any other person (except, in the case of the Option holder's death, by his or her legal personal representative).
 - 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 per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date.
 - The number of Options that may be exercised at one time must be not less than 5,000 exercised at the one time.
 - 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.
 - While the Option holders do not have any right to participate in new issues of securities in the Company to shareholders generally, the Option Holders will be afforded the period of at least 10 business days' notice prior to and inclusive of the books record date (to determine entitlements to the issue) to exercise the Options.

- Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - 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 as applicable at the time of reconstruction, 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 shareholders; and
 - 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.
- 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:

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

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.
- 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.
 - 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 of the Options.
 - The Company does not intend to apply for listing of the Options on the ASX.
 - The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.

Regulatory Requirements

Chapter 2E of the *Corporations Act 2001 (Cth)*

Chapter 2E of the *Corporations Act 2001 (Cth)* prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first

obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A “related party” for the purposes of the *Corporations Act 2001 (Cth)* is defined widely and it includes a director of the public company.

A “financial benefit” for the purposes of the *Corporations Act 2001 (Cth)* has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed resolution, if passed, will confer financial benefits to Mr Zewen Yang and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the *Corporations Act 2001 (Cth)* and for this reason and for all other purposes the following information is provided to shareholders.

(a) **The related parties to whom Resolutions 7 and 8 would permit the financial benefit to be given**

Mr Zewen Yang (or his respective nominee), being a director of the Company.

Mr Beckton (or his respective nominee), being a director of the Company.

(b) **The nature of the financial benefit**

The nature of the proposed financial benefit to be given is:

- the grant of 150,000 Options to each Recipient as referred to in Resolutions 7 & 8;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares at such an exercise price of \$0.40 per share exercisable on or before the Expiry Date.

(c) **Directors’ Recommendation**

With respect to Resolutions 7 and 8 the Directors with the exception of Mr Zewen Yang (for Resolution 7) and Mr Beckton (for Resolution 8) recommend that shareholders vote in favour of these resolutions. The reasons for their recommendation include:

- the grant of the Options as proposed to the Recipients will provide them with reward and incentive for future services they will provide to the Company to further the progress of the Company;
- in the Company’s circumstances as they existed as at the date of this Explanatory Memorandum, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party; and
- the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered.

As Mr Zewen Yang is interested in the outcome of Resolution 7 he accordingly makes no recommendation to shareholders in respect of this resolution.

As Mr Beckton is interested in the outcome of Resolution 8 he accordingly makes no recommendation to shareholders in respect of this resolution.

(d) **Directors' interest and other remuneration – Mr Zewen Yang**

Mr Zewen Yang has a material personal interest in the outcome of Resolution 7, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 7.

Excluding the Options, Mr Zewen Yang (and entities associated with him) holds nil ordinary shares of the Company and nil options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Zewen Yang (and entities associated with him).

Other than the Options to be issued to Mr Zewen Yang pursuant to Resolution 7, Mr Zewen Yang shall receive director's remuneration of \$130,800 per annum from the Company for his services as an Executive Director.

If all of the Options granted are exercised by Mr Zewen Yang the following will be the effect on their holdings in the Company:

Director	Current Share Holding	% of Total Share Capital (77,616,073 shares on issue¹)	Share Capital Upon Exercise	% of Total Share Capital (77,766,073 shares on issue¹)
Zewen Yang	nil	nil	150,000	0.19%

Notes:

Assuming that none of the options on issue (being 18,428,571 options expiring 29 October 2010) are exercised.

(e) **Directors' Interest and other remuneration – Mr Beckton**

Mr Beckton has a material personal interest in the outcome of Resolution 8, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 8.

Excluding the Options, Mr Beckton (and entities associated with him) holds 250,000 ordinary shares of the Company and does not hold any options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Beckton (and entities associated with him).

Other than the Options to be issued to Mr Beckton pursuant to Resolution 8, Mr Beckton shall receive director's remuneration of \$239,796 per annum from the Company for his services as Managing Director.

If all of the Options granted are exercised by Mr Beckton the following will be the effect on their holdings in the Company:

Director	Current Share Holding	% of Total Share Capital (77,616,073 shares on issue¹)	Share Capital Upon Exercise	% of Total Share Capital (77,766,073 shares on issue¹)
Jason Beckton	250,000	0.32%	400,000	0.51%

Notes:

Assuming that none of the current options on issue (being 18,428,571 options expiring 29 October 2010) are exercised.

(f) **Valuation**

The Options are not currently quoted on the ASX and as such have no market value. The Options each grant the holder thereof a right of grant of one ordinary share in the Company upon exercise of the Option and payment of the exercise price of the Option described above. Accordingly, the Options may have a present value at the date of their grant.

The Options may acquire future value dependent upon the extent to which the shares exceed the exercise price of the Options during the term of the Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (ie readily capable of being liquidated);

and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has estimated the value of the Options and has done so using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- The exercise price of the options being \$0.40;
- Exercise and vesting date being;
 - i. for 1/3 of the Options to subscribe for Shares to vest on 20 December 2008 and be exercised on or before 19 December 2009;
 - ii. for 1/3 of the Options to subscribe for Shares to vest on 20 December 2009 and be exercised on or before 19 December 2010; and
 - iii. for 1/3 of the Options to subscribe for Shares to vest on 20 December 2010 and be exercised on or before 19 December 2011.
- The current share price of the Company's shares being \$0.10 per share;
- A volatility measure of 128%;
- A risk-free interest rate ranging between 4.43% to 5.08%; and
- A dividend yield of nil%.

(assumed data)

Some relatively minor variables were included in the calculation to estimate the value of Option as “American style” options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices “European style” options (being exercisable only on this exercise date).

Based on this information, the Company has adopted an indicative value for the Options of 3.8 cents for the options expiring 19 December 2009, 5.5 cents for the options expiring 19 December 2010 and 6.6 cents for the options expiring 19 December 2011.

On that basis, the respective value of the Options to be issued pursuant to Resolutions 7 and 8 is \$7,900 each.

(g) **Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors**

There is no other information known to the Company or any of its Directors save and except as follows:

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to each of the Recipients is the potentially dilutionary impact on the issued share capital of the Company (in the event that the options are exercised). Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms.

It is also considered that the potential increase of value in the Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

AASB 2 “Share Based Payments” requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the new accounting standards this amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management’s assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Dilutionary Effect

If all of the Options granted are exercised by Mr Zewen Yang and Mr Beckton, the following will be the dilutionary effect on the current issued capital of the Company:

Shareholder	Current Shareholding	% of Total Share Capital	Shareholding Upon Exercise of Options¹	% of Total Share Capital
Current Shareholders (other than Mr Zewen Yang and Mr Beckton)	77,366,073	99.68	77,366,073	99.30
Mr Zewen Yang	nil	nil	150,000	0.19
Mr Beckton	250,000	0.32	400,000	0.51
TOTAL	77,616,073	100%	77,916,073	100%

* Assuming that none of the current options on issue are exercised and no further securities are issued.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by the proposed Resolutions 7 and 8.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. Mr Zewen Yang, being an Executive Director of the Company, is a related party. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Zewen Yang is 150,000 Options.
- The maximum number of Options to be issued to Mr Beckton is 150,000 Options.
- The Options are intended to be granted as soon as possible following the Meeting, but in any event, within 1 month of the date of the Meeting.
- The Options are being issued for nil consideration.
- No funds are being raised by the grant of the Options.

In accordance with Listing Rule 7.2, as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

DEFINITIONS

ASX means ASX Limited ACN 008 624 691.

ASIC means Australian Securities and Investment Commission.

Company means China Yunnan Copper Australia Ltd ACN 070 859 522.

Corporations Act means the Corporations Act 2001 (Cth) as amended from time to time.

Scheme means the Employee Share Option Scheme of the Company.

Listing Rules means the listing rules of the ASX.

Meeting means this meeting.

Shareholder means shareholder of the Company.

Shares means ordinary shares in the capital of the company.

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Each of the directors of the Company commend the resolution to all of the shareholders for their approval.

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Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Paul Marshall (Company Secretary):

60 Edward Street, Santos House, Level 5 Brisbane QLD
Telephone: 07 3303 0653

PROXY, REPRESENTATIVE AND VOTING ENTITLEMENT INSTRUCTIONS

PROXIES AND REPRESENTATIVES

Shareholders are entitled to appoint a proxy, being an individual or a body corporate, to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001 (Cth)*.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

China Yunnan Copper Australia Limited
GPO Box 5268, Brisbane QLD 4001
Facsimile: (07) 3303 0601 (for proxy voting)

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm 22 November 2008. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

SIGNING INSTRUCTIONS

You must sign the proxy form as follows in the spaces provided:

- Individual: Where the holding is in one name, the holder must sign.
- Joint Holding: Where the holding is in more than one name, all of the security holders should sign.
- Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone.
Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary.
Please indicate the office held by signing in the appropriate place.

PROXY FORM

I/WE _____
of _____
being shareholder(s) of China Yunnan Copper Australia Ltd ACN 070 859 522 ("Company")
hereby appoint _____ of:
or failing him/her _____ of:

or failing him/her the Chairman as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at Brisbane Polo Club, 1 Eagle Street, Brisbane, on Monday 24 November 2008, at 10.00am (Brisbane time) and at any adjournment thereof in respect of all of my/our shares in the Company unless otherwise specified below.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.

If the Chairman is appointed as your proxy, or may be appointed by default, and if you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box:

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution/s and votes cast by the Chairman of the meeting other than as proxy holder will be disregarded because of that interest.

If you do not wish to mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

The Chairman advises that it is his/her intention to vote in favour of all resolutions in respect of any undirected proxies which may be granted in favour of the Chairman.

If two proxies are appointed, the proportion of voting rights this proxy is authorised to exercise is [.....]%. (An additional proxy form will be supplied by the Company on request.)

If you wish to appoint the proxy to exercise voting power over only some of your shares, the number of shares in respect of which this proxy is to operate is shares (Note: proxy will be over all shares if left blank).

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. By signing this appointment you acknowledge that the Proxy (whether voting in accordance with your directions or voting in their discretion under an undirected Proxy) may exercise your proxy even if he/she has an interest in the outcome of the resolution and even if votes cast by him/her other than as proxy holder will be disregarded because of that interest.

I/we direct my/our proxy to vote as indicated below:

RESOLUTION	For	Against	Abstain
Resolution 1 – Re-election of Director (Chao Yang)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Director (Liang Zhong)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Director (Norman Joseph Zillman)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Re-election of Director (Stanley Mark Elliott)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Employee Share Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Issue of options to Zewen Yang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of options to Jason Beckton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Individual or Security holder 1

**Sole Director and
Sole Company Secretary
(If appointed)**

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

ANNEXURE A

CHINA YUNNAN COPPER AUSTRALIA LTD ACN 070 859 522

EMPLOYEE SHARE OPTION SCHEME SUMMARY OF TERMS AND CONDITIONS OF THE SCHEME

1. The Scheme is to extend to Eligible Employees of China Yunnan Copper Australia Limited ACN 070 859 522 (**the Company**) or an associated body corporate of the Company as the Board may in its discretion determine.
2. The total number of Shares to be issued by the Company to Eligible Employees in respect of which Options have been issued under the Scheme shall not at any time exceed five percent (5%) of the Company's total issued ordinary Share capital in that class at that time when aggregated with:
 - (a) the number of Shares in the same class which would be issued with each outstanding offer with respect to Shares or Options under any share option scheme of the Company accepted and exercised; and
 - (b) the number of Shares in the same class issued during the previous five (5) years pursuant to:
 - (i) the Scheme to an Eligible Employee; or
 - (ii) any employee share option scheme of the Company,but excluding for the purposes of the calculation, any offer made, or Option acquired or Share issued by way of or as a result of:
 - (iii) any offer to a person situated at the time of receipt of the offer referred to in paragraph 2(a) and 2(b) outside of this jurisdiction; or
 - (iv) an offer that did not require disclosure to investors because of Section 708 of the *Corporations Act 2001 (Cth)*; or
 - (v) an offer that did not require the giving of a product disclosure statement because of Section 1012D of the *Corporations Act 2001 (Cth)*; or
 - (vi) an offer made under a disclosure document or product disclosure statement within the meaning of those terms in the *Corporations Act 2001 (Cth)*.
3. The Options are to be issued at a price determined by the Board.
4. The exercise price of an Option is to be determined by the Board at its sole discretion.
5. The Vesting Date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board from time to time.
6. The Option Commencement Date will be the date to be determined by the Board prior to the issue of the relevant Options.

7. The Option Exercise Period commences on the Option Commencement Date and ends on the earlier of:
 - (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than 2 years; or
 - (b) the Business Day after the expiration of three months, or any longer period which the Board may determine, after the Eligible Employee ceases to be employed by the Company or an associated body corporate of the Company; or
 - (c) the Eligible Employee ceasing to be employed by the Company or an associated body corporate of the Company due to fraud or dishonesty.
8. An option may be exercised at any time during the Option Exercise Period wholly or in part by lodging with the Company a duly completed written notice of exercise of option (**Option Exercise Notice**) together with a cheque, electronic transfer or such other method of payment as approved by the Board for the Exercise Price multiplied by the number of Shares in respect of which Options are being exercised on a Business Day within 30 days of delivery of the Option Exercise Notice.
9. Options must be exercised so as to result in the allotment in a marketable parcel and in multiples of 5,000 Options, unless the Board otherwise determines.
10. 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 Company's Shares.
11. Eligibility to participate is determined by the Board. Eligibility is restricted to Eligible Employees of the Company or an associated body corporate of the Company. The Board is entitled to determine:
 - (a) subject to paragraph 2, the total number of Options to be offered in any 1 year to Eligible Employees;
 - (b) the Eligible Employees to whom offers will be made; and
 - (c) the terms and conditions of any Options granted, subject to the Scheme.
12. Participants do not participate in dividends or in bonus issues unless the Options are exercised.
13. While the Option holders do not have any participating rights in new issues of securities in the Company during the term of any Options held, the Option holders shall be afforded a period of at least 10 Business Days before the record date to determine entitlements to the issue, to exercise the Options and it shall be a condition of the Options that any entitlements to bonus issues of securities are only available to Option holders in the event of a prior exercise of the Options.
14. In the event that a rights issue is made by the Company during the term of the Options at a discount to the independently ascertained value of the Shares, then the Company shall be obliged to adjust the exercise price for the Options in accordance with a specific formula.
15. The Board has the right to vary the entitlements of all participants to take account of the effective capital reconstructions, bonus issues or rights issues.
16. Options allotted under this Scheme may not be dealt with by a Participant at any time until they become Unrestricted Options. The Board may impose as a condition of any offer of Options under the Scheme any restrictions on the transfer or encumbrance of such Options as it determines.

17. The Board may vary the Scheme.
18. The Scheme is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of a participant under the terms of his or her employment or arrangement.
19. At any time from the date of an Offer until the Acceptance Date of that Offer, the Board undertakes that it shall provide information as to:
 - (a) the Current Market Price of the Shares; and
 - (b) the Exercise Price of the Options where this is calculated as at the date of the Offer,

to any Participant by mail (or such other form of notification as agreed by the Company and the Participant) within 3 Business Days of a written request to the Company from that Participant to do so.

20. The Company will not apply for listing of Restricted or Options Restricted Shares on ASX. Following an Option becoming an Unrestricted Option, or a Share becoming an Unrestricted Share, the Board may in its discretion, at the expense of the Company, apply for those Unrestricted Options or Unrestricted Shares to be quoted and listed on the Official List of the ASX.