



DECEMBER 2016 QUARTERLY ACTIVITIES REPORT

27 January 2017

CYU is a resource exploration and development company seeking to become a mid-tier copper/gold producer.

Issued Capital:

886,914,837
Ordinary shares

2,000,000
Performance shares

Directors:

Dr Huaisheng Peng
Chairman
Paul Williams
Managing Director
Zewen (Robert) Yang
Executive Director
Qinghai Wang
Non-Executive Director

Company Secretary:

Paul Marshall

CHINALCO YUNNAN COPPER RESOURCES LTD

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Activities during the three months to 31 December 2016 included:

- Successfully completed a one (1) for two (2) non-renounceable entitlement offer to existing CYU shareholders, raising approximately \$1.8M.
- Implemented changes to the existing Board of Directors.
- Entered into an agreement with Hammer Metals for the sale of CYU's existing Mount Isa exploration tenements.
- Ongoing assessment of copper, gold and other base metal project opportunities in Australia, the Democratic Republic of Congo (DRC) and other regions.
- Limited exploration activity across the Mount Isa tenure portfolio leading up to CYU entering the Hammer Metals sale agreement.

The Board of Chinalco Yunnan Copper Resources Ltd (ASX:CYU) continues to focus on transforming the Company into a substantial mid-tier mining group, with a primary focus on acquiring and developing near-term copper, gold and other base metal production activities (both locally and overseas), with a focus on the significant copper and gold opportunities in Australia, and parts of Africa, including the Democratic Republic of Congo.

The activities of CYU during the three months to 31 December 2016 were as follows:

Entitlement Offer to Existing CYU Shareholders

On 20 September 2016, CYU announced a non-renounceable entitlement offer to existing shareholders (“the Offer”). The main features of the Offer included the following:

- One (1) new fully paid ordinary share for every two (2) shares held;
- Issue price of 0.6 cents (\$0.006) per new share;
- To raise up to \$1.77M before costs of the offer (if fully subscribed);
- Offer underwritten up to a maximum of \$1.384M by the Company’s second-largest Shareholder, Bienitial International Industrial Co., Ltd (“Bienitial”); and
- Offer also partially underwritten by Managing Director, Paul Williams, to a maximum \$100k.

The Offer closed on Friday, 14 October 2016. Together with the additional subscriptions from the Offer’s Underwriters (Bienitial and Paul Williams), a total of 295,638,362 new shares were issued by CYU, creating a new total issued capital for CYU of 886,914,837 ordinary shares. CYU raised a total of \$1,773,830 from the Offer.

As a consequence of completion of the Offer, the holdings of CYU’s two substantial shareholders changed as follows:

- Bienitial International Industrial Co Ltd – increased from 118,249,000 (19.9%) to 349,018,230 (39.35%); and
- China Yunnan Copper (Australia) Investment and Development Co Ltd – shareholding of 299,922,326 did not change but percentage reduced from 50.72% to 33.82%.

Board Changes

On 6 December 2016 CYU announced certain changes to the composition of its Board of Directors. These changes were as follows:

- Mr Zhihua Yao resigned as non-executive Chairman and a Director of CYU;
- Dr Huaisheng Peng was appointed a new Director and assumed the role of non-executive Chairman; and
- Mr Xiancheng Wang resigned as a Director and was be replaced by his son (and existing alternate Director) Mr Qinghai Wang as a non-executive Director.

Both Paul Williams and Robert Yang continue in their existing executive roles at CYU.

Dr Peng and Mr Qinghai Wang are very experienced mining industry professionals and currently hold senior executive roles with Shanghai Stock Exchange-listed JCHX Mining Management Co Ltd (“JCMM”). A short summary of their respective CV’s is set out below.

Dr Huaisheng Peng

Dr Peng is a Chinese citizen and professional senior mining engineer with over 25 years’ experience in the mining sector. He was born in 1964 and obtained a Mining Engineering

Bachelor degree from the Northeast University in Shenyang, Liaoning, an EMBA degree from Tsinghua University, Beijing, and a PhD in Science from Central South University at Changsha, China. He is also a supervisor of PhD degree applicants.

From August 1984 to December 2007, Dr Peng served in the China Nonferrous Engineering and Research Institute successively as Engineer, Senior Engineer, Vice Director, Vice President, and Deputy General Manager of China ENFI Engineering Corporation (China's largest engineering firm).

Between 2008 and mid-2014 Dr Peng served in various roles with Aluminium Corp of China ("Chinalco") including Executive Director and CEO of Hong Kong Stock Exchange-listed Chinalco Mining International Ltd ("CMI"). During this period, Dr Peng oversaw construction and development of the large Toromocho copper mine in Peru as well as the stock market listing of CMI in Hong Kong.

Dr Peng is currently President of JCHX Group Co Ltd and a Director of JCMM.

Mr Qinghai Wang

Mr Wang is a Chinese citizen, 35 years of age and holds a Master Degree in Management and Finance from the University of Bath in the United Kingdom.

Mr Wang is currently Vice President and Director of JCMM and also the sole Director of CYU's largest shareholder, Bienitial International Industrial Co Ltd.

Mr. Wang previously served at JCMM in the roles of Auditor, Vice Manager of Legal & Securities Department, General Manager of HR Management Centre, and Assistant President. In his current capacity, Mr Wang supervises the Human Resources and Information Technology divisions within JCMM.

Sale of Mount Isa Tenements

On 15 December 2016 CYU announced that it had entered into an agreement with Hammer Metals Ltd (ASX Code - HMX) relating to that company's acquisition of all of CYU's existing mining tenement holdings in the Mount Isa region.

These tenement holdings comprise CYU's 100% interest in EPMs 12205, 14019 and 14022, together with a 51% joint venture interest in EPM 14467 (under the Mt Frosty Joint Venture with Mount Isa Mines Ltd – a Glencore Group company). All mining information, data, core samples and other materials relating to these mining tenements are also be sold to HMX.

Under the sale, CYU will receive 1,500,000 ordinary shares in HMX which will be capable of being traded on the ASX, save for a voluntary escrow commitment by CYU until October 2017. The sale is conditional upon the following:

- Completion of due diligence by HMX in relation to the tenures;
- Indicative approval being obtained from the Department of Natural Resources and Mines for the transfer of these interests to take place; and

- Consent being secured from Mount Isa Mines in respect of the proposed transfer of the 51% interest in EPM 14467 and to certain changes requested by HMX to be made to the existing Mt Frosty Joint Venture agreement.

It is expected that these conditions will be satisfied in early 2017 and financial close to occur shortly afterwards. In the event that the Mount Isa Mines consent cannot be obtained, the sale will still proceed but on the basis that the 51% of EPM 14467 is excluded and the total purchase price is reduced to 1,250,000 ordinary HMX shares.

CYU has previously advised shareholders and the ASX of its intentions to pursue other project interests in Africa and potentially elsewhere and these intentions are inconsistent with continuing to hold these tenures. If the sale is completed this will bring an end to CYU's activities in Mount Isa.

Mount Isa Exploration Activities

During the Quarter, CYU management was focussed almost entirely on the assessment of other copper and gold project opportunities and the proposed sale of its Mount Isa tenements to HMX. As a consequence, very limited exploration activities were conducted for the three months to 31 December 2016.

Exploration Expenditure for December 2016 Quarter

Across CYU's various exploration projects, a total of \$3,000 of expenditure was incurred for the December 2016 Quarter, a summary of which is as follows:

- ***Mary Kathleen JV*** - \$500 on tenure admin fees;
- ***Mt Frosty JV*** – \$500 on tenure admin fees;
- ***Cloncurry North (EPM 12205)*** – \$2,000 on tenure admin fees.

Corporate Update

Proposed Acquisition Activities

The CYU Board is working closely with JCHX Group in the ongoing assessment and acquisition of new project opportunities – not just limited to copper projects but also gold and other base metals. The CYU Board continues to hold a view that the current resources market conditions remain suitable for business development and acquisition activities. Further news about these activities will be made available to the market as soon as possible.

Board Composition

Dr Huaisheng Peng, Chairman
Mr Paul Williams, Managing Director
Mr Robert Yang, Executive Director
Mr Qinghai Wang, Non-Executive Director
Mr Paul Marshall, Company Secretary

Financial Position

As at 31 December 2016, CYU had cash reserves of \$2.091M. These funds will provide more than sufficient funding to enable CYU to carry out project assessment review and transaction activities for the foreseeable future. In the event of CYU securing a project opportunity, additional funding will likely be required. Details of these requirements will be provided to shareholders and the market at the first available opportunity.

Further details of CYU's financial activities during the December 2016 quarter are set out in the Appendix 5B Quarterly Cashflow Statement which accompanies this Report.

Top 10 shareholders of CYU as 31 December 2016:

Rank	Name	Number of Shares	%
1	Bienitial International Industrial Co Ltd	349,018,230	39.35
2	China Yunnan Copper (Australia) Investment and Development Co Ltd	299,922,326	33.82
3	Mr Paul Williams & Ms Jill Strachan <Paul R Williams Super A/C>	10,357,173	1.17
4	Mr Peter Tighe & Mrs Patricia Tighe <The Peter Tighe S/F A/C>	9,033,333	1.02
5	Elliott Nominees Pty Ltd Elliott Exploration Co S/F	7,150,000	0.81
6	Mr Norman Joseph Zillman	6,980,343	0.79
7	Citicorp Nominees Pty Limited	6,422,556	0.72
8	Mr Ianaki Semerdziew	5,750,000	0.65
9	Mr Barry Edward Tanton & Mrs Elizabeth Mary Tanton	5,733,300	0.65
10	Mr Mark Tkocz	5,100,000	0.58
TOTAL		705,467,261	79.54

Denotes Substantial Shareholder

Share Information – December 2016 Quarter

Issued share capital of 886,914,837 ordinary shares and 2 million performance shares.

Quarter high traded price of \$0.009 (7 & 15 December 2016) and low of \$0.005 (18 November 2016).

Market capitalization – high \$7.982M, low \$4.345M.

Average daily volume of shares traded – 133,651 shares (\$1,019 average daily volume value).

Other Details:

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On behalf of the Board

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CYU's mining tenement interests as at 31 December 2016

Project/Location	Tenement Reference	CYU % Interest	Comment
AUSTRALIA			
Cloncurry North	EPM 12205	90	Refer Note 1
Pentland	ML 1631	100	
Mary Kathleen JV	EPMs 14019, 14022	100	Refer Note 2
Mt Frosty	EPM 14467	51	Refer Note 3

Notes:

- 1. The other 10% is held by Yunnan Copper Mineral Resources Exploration & Development Co., Ltd (YEX). Pursuant to the sale agreement with Hammer Metals Ltd announced on 15 December 2016, this EPM interest is to be sold.*
- 2. Pursuant to the sale agreement with Hammer Metals Ltd announced on 15 December 2016, this EPM interest is to be sold.*
- 3. Pursuant to the sale agreement with Hammer Metals Ltd announced on 15 December 2016, this EPM interest is to be sold.*