

## CHINA YUNNAN COPPER AUSTRALIA

### HIGHLIGHTS

#### **COPPER**

**MOUNT ISA – SHALLOW SULPHIDE DISCOVERY – MOUNT DOROTHY  
CHILE - HUMITO PORPHYRY – DRILL READY**

#### **RARE EARTH ELEMENT - URANIUM**

**ELAINE DOROTHY – DRILL READY**

#### **GOLD**

**STANLEYS HOPE – TARGET DEFINITION**

# Copper-Gold - Mt Isa - Mary Kathleen JV

CYU completed a 586 metre RC drill programme in four holes testing a >500 metre zone of surficial copper mineralisation between the Wee Wyeems and Three Threes prospects (collectively referred to as “**Mount Dorothy**”), part of the Mary Kathleen Joint Venture with Goldsearch Limited (ASX: GSE), in the Mt Isa district, northwest Queensland.

Traditionally, the Mount Dorothy prospect has been referred to by the names of its two outcropping lodges: 'Three Threes' and 'Wee Wyeems'. The copper mineralisation occurs in these two outcrops as malachite staining on gossans in fault quartz breccias and as disseminations in adjacent sheared porphyry. The mineralisation appears to be controlled by a northwest striking fault.

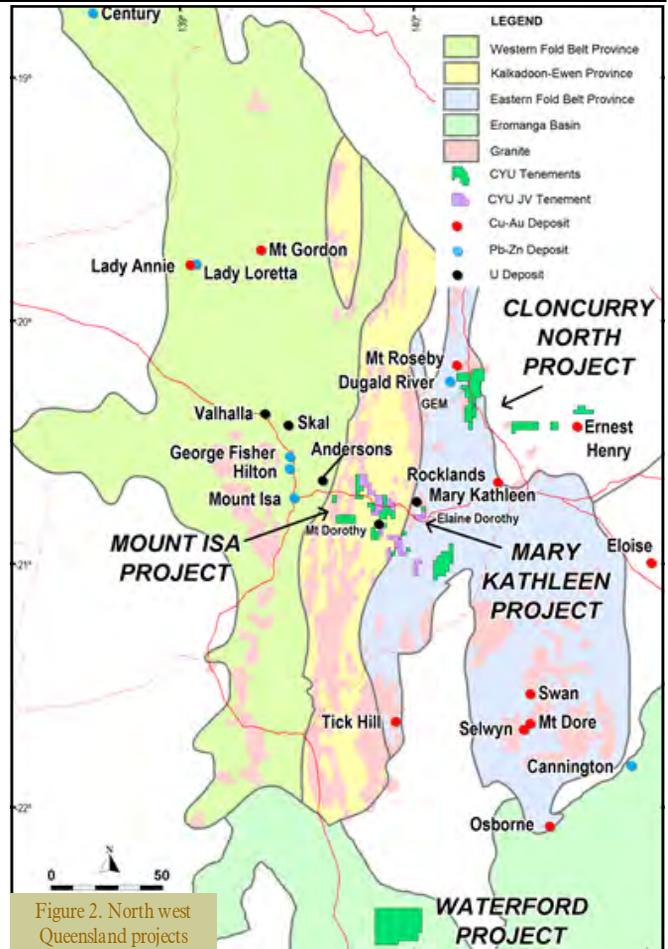


Figure 2. North west Queensland projects

Table 1. Mount Dorothy Drill Results

Hole ID	East*	North*	RL	Azimuth**	Dip	Depth
MDR001	380,720	7,694,999	449	278	-60	193
MDR002	380,623	7,695,016	449	119	-60	163
MDR003	380,621	7,695,021	447	224	-60	100
MDR004	380,293	7,695,296	429	160	-60	130

\* Datum GDA94 zone 54 \*\* UTM Grid Azimuth

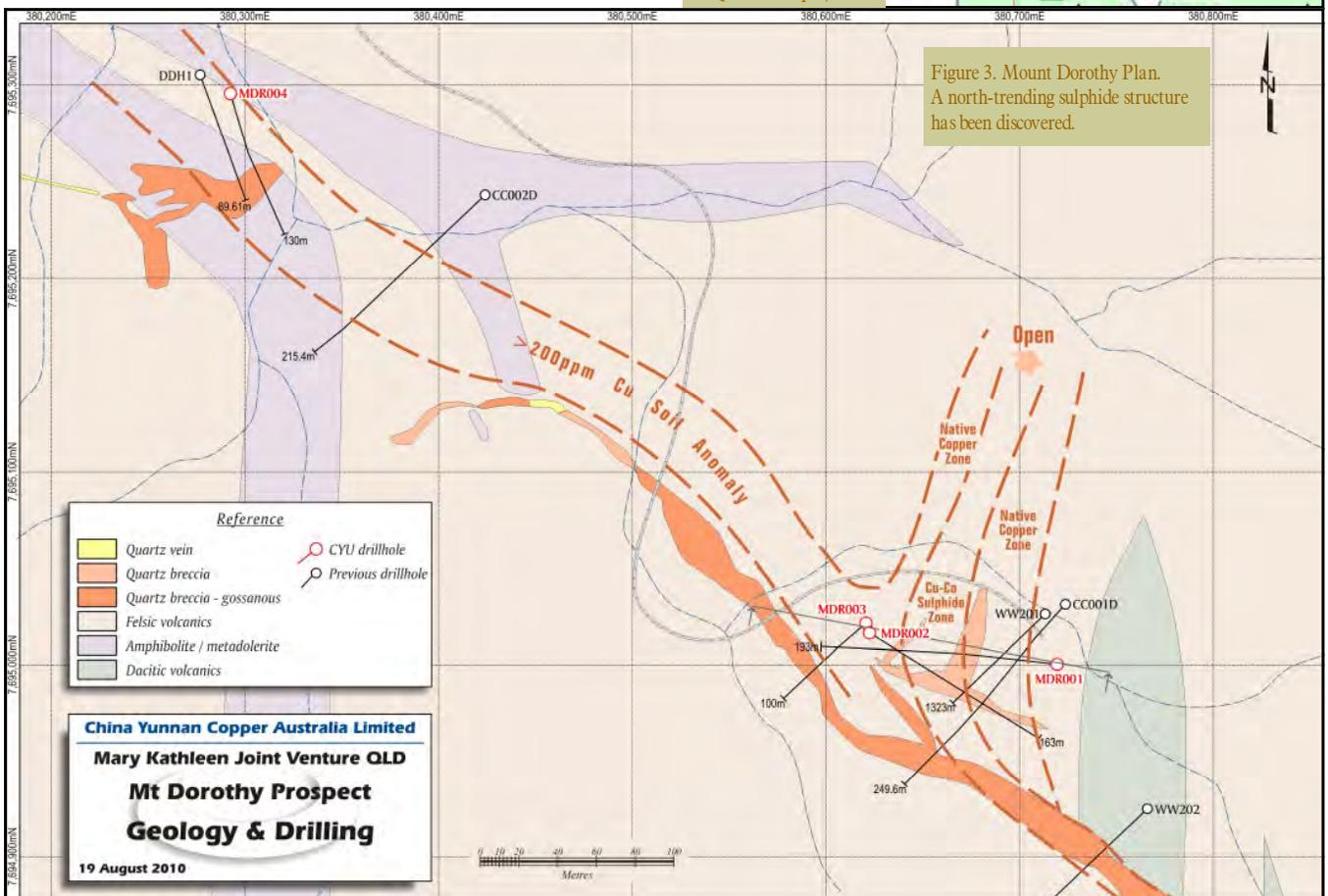


Figure 3. Mount Dorothy Plan. A north-trending sulphide structure has been discovered.

# Quarterly Overview

## COPPER GOLD – CLONCURRY - MOUNT ISA (MARY KATHLEEN JV WITH GOLD SEARCH LTD)

Significant copper-cobalt sulphide mineralisation assays returned from the recently completed Mount Dorothy RC drill program, include:

MDR002:

35m @ 1.52% copper, 397ppm cobalt from 17m, incl. 22m @ 2.03% copper, 591ppm cobalt from 17m.

High grade intersection in MDR002 forms part of a lower grade mixed oxide-sulphide mineralised zone of: 89m @ 0.74% copper, 190ppm cobalt from 17m.

Additional significant cobalt mineralisation intersected includes:

MDR002:

7m @ 1,449ppm cobalt, 2.55% copper from 18m.

MDR003:

10m @ 411ppm cobalt, 0.04% copper from 81m.

MDR004:

28m @ 385ppm cobalt, 0.12% copper from 35m, 8m @ 315ppm cobalt, 0.02% copper from 122m (Open).

Mineralisation remains open at depth and along strike.

### **Gem Resource**

Inferred JORC Resource Estimate completed for 490,000t @ 0.5% copper and 0.2g/t gold. This resource remains open at depth.

## COPPER GOLD – CHILE

Mapping and ground magnetic program at Humito completed to refine drill targets to be tested in the coming year. Magnetics combined with collation and field checking of previous work has resulted in a direct drilling target.

## URANIUM - REE- Mt ISA (MARY KATHLEEN JV)

**Elaine Dorothy.**

Mapping and surface scintillometer and Niton XRF sampling program for not only radioactive species but also a newly defined footwall copper mineralized zone with no previous sampling or drilling.

An historic intercept of 28% sulphide over 42 metres was assayed for Uranium and Thorium Oxide only in the early 80's. A hole is designed to replicate this zone but will be assayed for all metals.

## GOLD – PENTLAND (INCLUDING PENTLAND JV)

**Stanley's Hope Mining Lease** (100% CYU) - epithermal gold Pajingo style mineralisation. Drilling included 1,016 metres drilled in 2 diamond holes on granted mining lease ML1631, 100km west of Charters Towers, Queensland.

An extensional drill program has been proposed based on the results and will take place in 2010. Key points for Stanley's Hope are: shallow mineralisation, granted mining lease and close to infrastructure. Additional drilling, required to grow the prospect, will be shallow level reverse circulation drilling.



Figure 1. Location of CYU's projects. Operational offices are at Mt Isa and Townsville, Queensland and Santiago, Chile. The China Copper MOU continues to provide CYU with projects for review and ranking in Yunnan Province, China and the Peoples Republic of Lao.



The mineralised zone, as defined by a >200ppm copper soil geochemical anomaly, was partially tested, concentrating on the Wee Wyeems area by five drill holes in the 1990's returning a best intercept of **110m @ 0.57% Cu from 22m** in drill hole WW201 including **26m @ 1.05% Cu from 106m (Open at Depth)**.

Table 2. Summary of all the significant copper intersections from the Mount Dorothy Drill Program						
Hole ID	From (m)	To (m)	Width (m)	Cu (%)	Co (ppm)	Comment
MDR001	35	36	1.00	0.14	63	
MDR001	43	50	7.00	0.16	23	
MDR001	54	55	1.00	0.13	62	
MDR001	61	73	12.00	0.19	32	
MDR001	79	81	2.00	0.12	36	
MDR001	87	88	1.00	0.10	39	
MDR001	107	110	3.00	0.22	60	
MDR001	114	115	1.00	0.13	40	
MDR001	122	154	32.00	0.18	44	
Including	137	138	1.00	0.87	35	0.50% Cu cut-off
MDR001	158	164	6.00	0.12	57	
MDR001	181	193	12.00	0.19	301	Open at depth
MDR002	17	106	89.00	0.74	190	
including	17	52	35.00	1.52	397	
including	17	39	22.00	2.03	591	main sulphide zone
Including	46	52	6.00	1.27	81	0.50% Cu cut-off
MDR002	119	120	1.00	0.10	16	
MDR002	123	124	1.00	0.10	9	
MDR002	126	128	2.00	0.11	26	
MDR002	130	131	1.00	0.11	21	
MDR002	134	135	1.00	0.15	24	
MDR002	139	154	15.00	0.28	32	
Including	142	144	2.00	0.79	77	0.50% Cu cut-off
MDR003	45	47	2.00	0.32	232	
MDR003	59	70	11.00	0.30	116	
MDR003	83	84	1.00	0.18	1,390	
MDR004	44	45	1.00	0.10	526	
MDR004	48	49	1.00	0.36	562	
MDR004	52	53	1.00	0.28	334	
MDR004	56	63	7.00	0.28	509	
MDR004	69	70	1.00	0.12	293	
MDR004	79	80	1.00	0.15	294	
MDR004	83	84	1.00	0.12	67	
MDR004	96	97	1.00	0.24	46	
MDR004	111	112	1.00	0.18	37	

**Table 2:** Summary of significant copper intersections for Mount Dorothy RC drill program - July 2010, using a nominal 0.10% copper cut-off w/- max 3m internal dilution. All depths are reported in down-hole depths.

Significant broad anomalous cobalt intersections were also returned from assays in all four holes with a peak value of 2,100ppm cobalt. MDR002 returned the best intersection, at a 500ppm cobalt cut-off, of **19m @ 674ppm cobalt, 2.31% copper** from 17m including **7m @ 1449ppm cobalt, 2.55% copper** from 18m. MDR003 and MDR004 returned the two broadest intersections of **34m @ 214ppm cobalt, 0.09% copper** from 62m and **52m @ 278ppm cobalt, 0.08% copper** from 28m respectively. MDR004 remains open with **8m @ 315ppm cobalt, 0.02% copper** from 122m (open at depth) with the last sample returning **857ppm cobalt, 0.03% copper**.

Table 3. Summary of all the significant cobalt intersections from the Mount Dorothy Drill Program						
Hole ID	From (m)	To (m)	Width (m)	Co (ppm)	Cu (%)	Comment
MDR001	56	57	1.00	106	0.09	
MDR001	83	84	1.00	103	0.09	
MDR001	90	91	1.00	128	0.08	
MDR001	109	112	3.00	101	0.11	
MDR001	153	155	2.00	105	0.10	
MDR001	157	158	1.00	113	0.07	
MDR001	166	193	27.00	223	0.09	Open at depth
Including	187	188	1.00	1,600	0.93	
MDR002	17	36	19.00	674	2.31	
including	18	25	7.00	1,449	2.55	500ppm Co cut-off
MDR002	55	56	1.00	110	0.28	
MDR002	71	72	1.00	110	0.09	
MDR002	111	113	2.00	113	0.08	
MDR003	6	7	1.00	106	0.05	
MDR003	15	22	7.00	136	0.02	
MDR003	27	56	29.00	185	0.05	
including	32	48	16.00	262	0.06	200ppm Co cut-off
MDR003	62	96	34.00	214	0.09	
including	81	91	10.00	411	0.04	200ppm Co cut-off
including	82	84	2.00	1,166	0.13	500ppm Co cut-off
MDR004	1	4	3.00	110	0.01	
MDR004	28	80	52.00	278	0.08	
including	35	63	28.00	385	0.12	200ppm Co cut-off
MDR004	122	130	8.00	315	0.02	Open at depth
including	126	130	4.00	512	0.02	200ppm Co cut-off
including	129	130	1.00	857	0.03	500ppm Co cut-off

**Table 3:** Summary of significant cobalt intersections for the Mount Dorothy RC drill program - July 2010, using a nominal 100ppm cobalt cut-off w/- max 3m internal dilution. All depths are reported in down-hole depths.

CYU is currently compiling all the new drill data into the existing 3D model for re-interpretation and planning of a second phase of drilling, targeting depth and strike potential along the Mount Dorothy northwest and northeast structures. A number of untested Sirotem anomalies identified during a 1990's ground geophysical survey will also be re-evaluated for drill targeting.

# Copper Gold - Cloncurry North

As previously reported, independent consultants Hellman and Schofield Pty Ltd have worked with CYU to complete an initial resource estimate of **492,000 tonnes @ 0.5% copper, 0.2 g/t gold** at a 0.2% copper cut-off for its 100% owned Gem copper-gold prospect in northwest Queensland. This resource is reported as inferred using the JORC Code and Guidelines. It incorporates all drilling results completed by CYU.

## Copper-REE-Uranium - Queensland - Mt Isa

### MARY KATHLEEN JOINT VENTURE - GOLDSEARCH LIMITED

#### Elaine Dorothy - Rare Earth Element Uranium Resource with Copper Prospectivity

Compilation of historic data for Elaine Dorothy - mapping and surface scintillometer and Niton XRF sampling program for not only radioactive species but also a newly defined footwall copper mineralized zone with no previous sampling or drilling.

An historic intercept of 28% sulphide over 42 metres was assayed for Uranium and Thorium Oxide only in the early 80's. A hole is designed to replicate this zone but will be assayed for all metals.

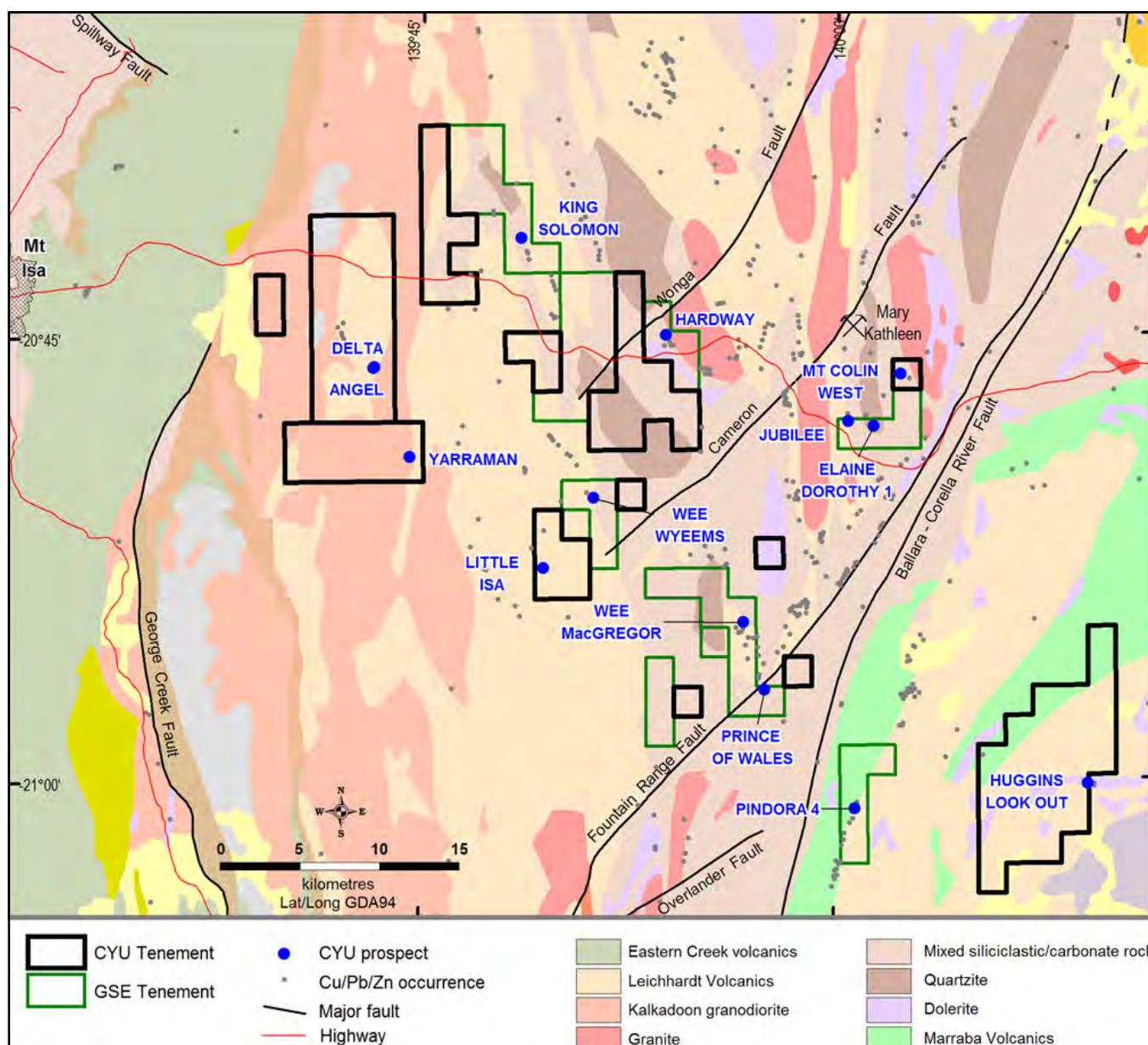


Figure 5. Elaine Dorothy - Rare Earth Element Uranium Resource with Copper Prospectivity.

# Copper – Chile - Humitos



In February, for the first time, a Chinalco or Yunnan Group related company in the form of CYU, has entered the world leading Chilean copper industry as a direct participant.

At Cerro Humito, hydrothermal alteration occupies a discontinuous zone of 10km x 2km extent characterised by a massive vuggy silica core centred over Cerro Humito surrounded by intense quartz sericite alteration.

Magnetics and geochemistry, along with detailed mapping, has been completed and drill targets proposed. Magnetics is known in Chile to regularly identify mineralised centres of this vertical 'cylinder' style of target and it is unusual that this property has not been previously tested by this technique.

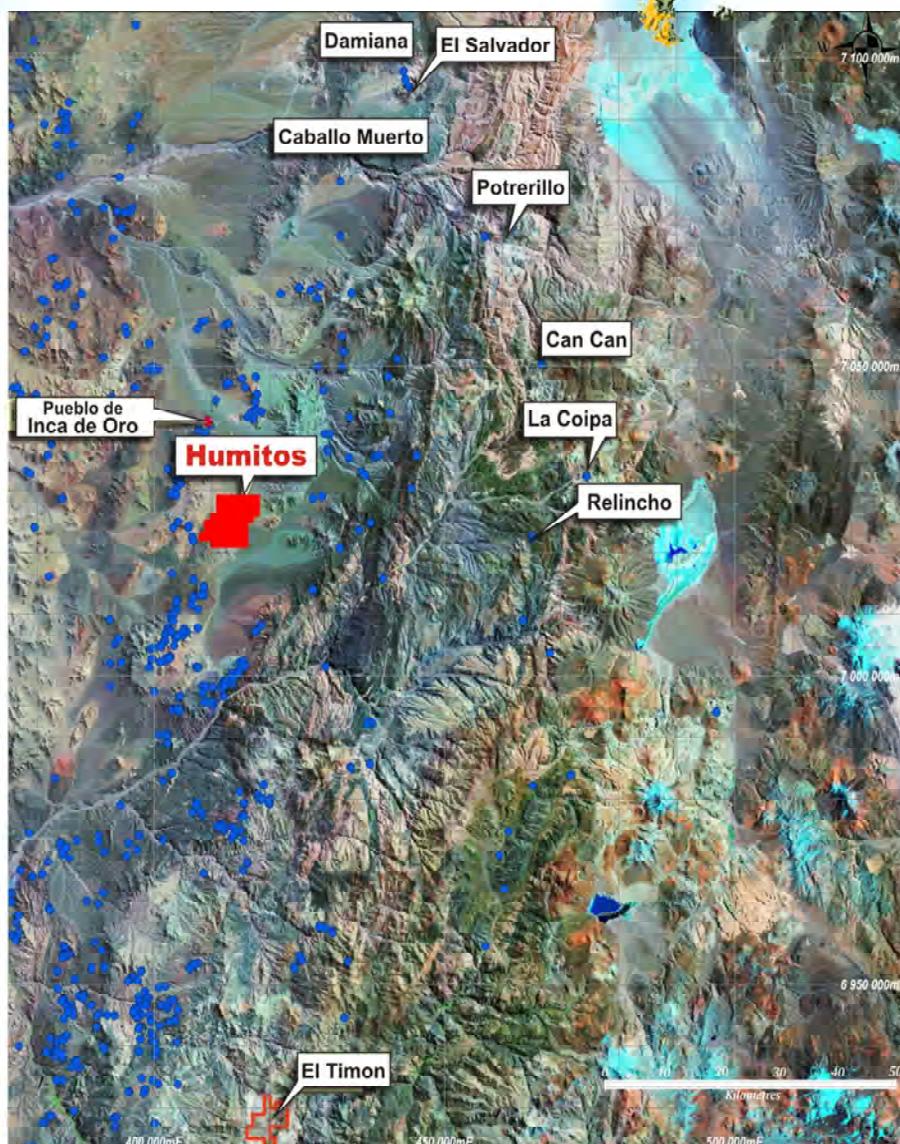


Figure 6. The Humito project is a copper porphyry project located 90km north of Copiapo, approximately 10km to the south of the village of Inca de Oro.

# Gold - Queensland - Pentland

## PENTLAND JOINT VENTURE – ACTIVEX LIMITED

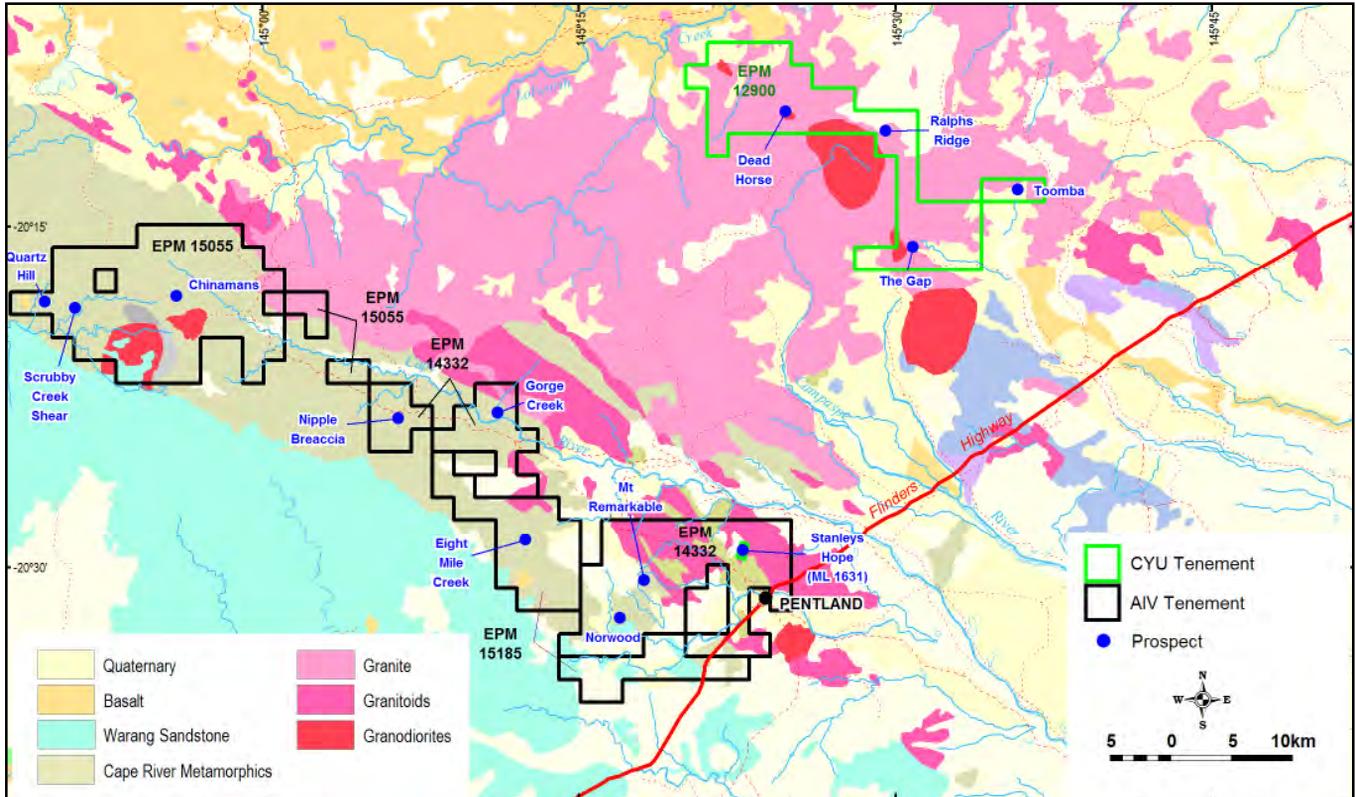


Figure 7. Location of AIV's JV tenure approximately 100 kilometres west of Charters Towers. Mt Remarkable and Norwood are defined porphyry gold targets on which drilling was completed.

A program of target mapping Quartz Hill and Nipple Breccia areas will be completed in November 2010. Potential for Gold porphyry targets of large tonnage will be evaluated.

### STANLEY'S HOPE (ML 1631 – 100% CYU)

Drilling has confirmed the tenor and geological orientation of the mineralisation allowing the use of previous historic campaigns to support the view that Stanley's Hope hosts shallow, flat dipping gold mineralisation.

Following interpretation of May 2010 drilling, a revised geological model has been completed, with south west dipping sulphide structures identified as feeders for shallow, flat oxide mineralisation. A JORC Exploration Target between 700,000 and 800,000 tonnes at a grade of between 1.3 and 1.4g/t gold is interpreted to exist from a vertical depth based on historic information and two previous CYU diamond holes drilled. A step-out drilling program of the shallow gold target is now planned for early 2011 following the wet season.

Stanley's Hope information is presented as an Exploration Target as per the JORC code and is expressed so that it cannot be misrepresented or

misconstrued as an estimate of Mineral Resources or Ore Reserves. The statement referring to potential quantity and grade of the target was expressed as ranges, as required under the JORC code. The potential quantity and grade is conceptual in nature since there has been insufficient exploration to define a Mineral Resource on the property and it is uncertain if further exploration will result in discovery of a Mineral Resource on the property.

Stanley's Hope is located in north east Queensland, well known for Intrusive Related Gold/Copper styles (IRGS) and epithermal Pajingo style of gold mineralisation.

The township of Pentland is located 5km south of the tenement area. The area is well serviced by road, rail, water and electricity infrastructure. The ML is held 100% by CYU and lies within Exploration Licences subject of our Pentland Joint Venture with ActivEx Limited (AIV:ASX).

CYU are in Joint Venture with ActivEx Limited on the surrounding tenements ensuring growth potential for this discovery is secure beyond the granted mining lease.

Table 4. CYU Significant Drill Intersections (nominal 0.25g/t gold cut-off)					
Hole Id	From (m)	To (m)	Width (m)	Au (g/t)	Comment
SHD001 including	161.00	175.00	14.00	1.13	1g/t Au cut-off
	172.00	174.00	2.00	5.30	
	259.00	260.00	1.00	1.10	
SHD002	158.00	161.00	3.00	3.00	
	176.00	178.00	2.00	2.06	
	234.00	235.00	1.00	1.29	
	287.00	289.00	2.00	1.70	
	350.00	351.00	1.00	1.82	

**Table 4.** CYU Significant Drill Intersections – nominal 0.25g/t gold cut-off. All of the diamond intercepts are in the sulphide zone under the flat oxide blanket. Refer Figure 2.

Gold mineralisation in the area is related to post-metamorphic intrusives thought to be of Permo-Carboniferous age which equates to the age of Mt Leyshon, Mt Wright and other significant gold bearing breccias of the region and the epithermal gold deposits at Pajingo, Wirrallee, Yandan and Mt Coolon.

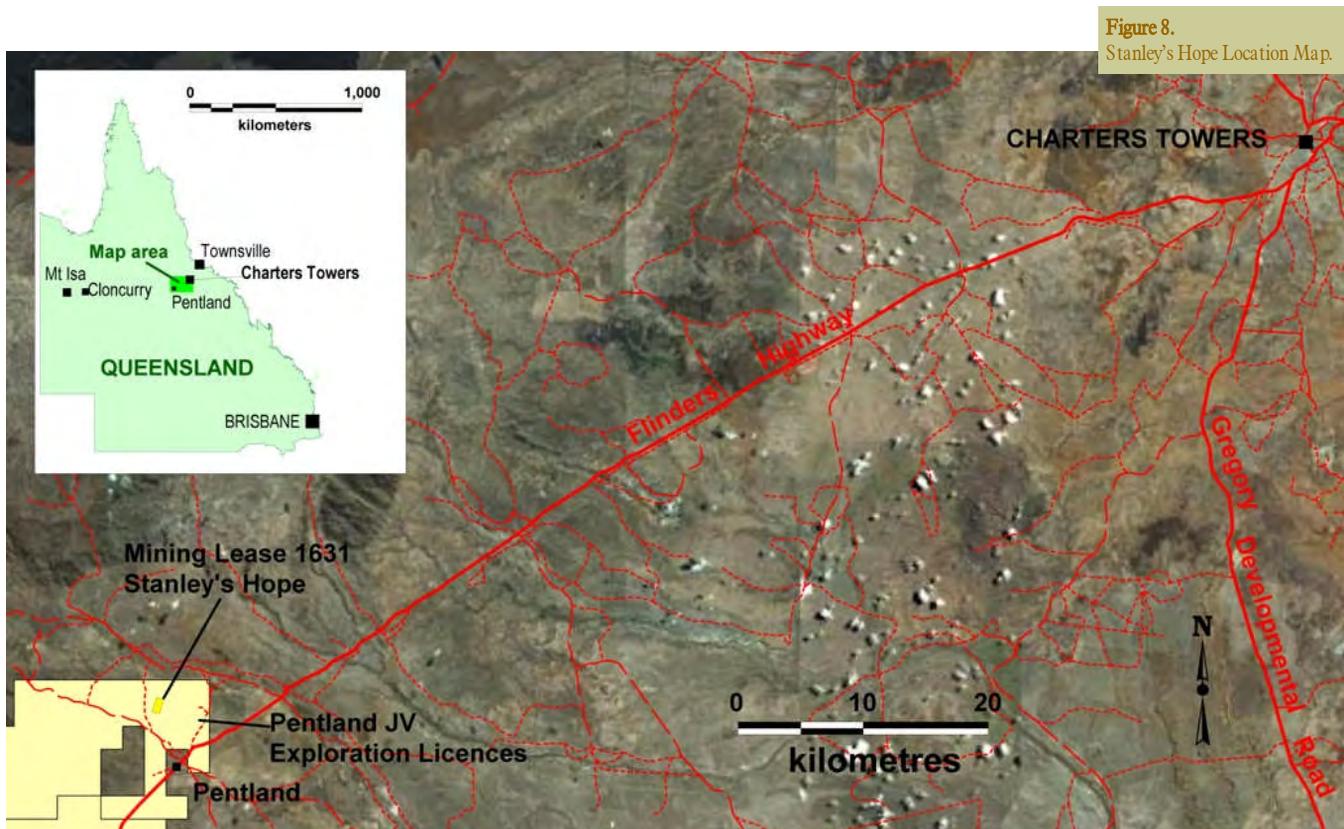
Gold mineralisation at Stanley's Hope, in the form of low sulphidation quartz sulphide, is hosted in granitic gneiss as well as within and adjacent to dacite dykes. Both zones contain chalcedonic quartz + sulphide veins and stringers with associated intense alteration halos.

Table 5. CYU Significant Drill Intersections (nominal 0.25g/t gold cut-off)				
Hole ID	From (m)	To (m)	Width (m)	Comment
PD04	14	18.3	1.09	4.3m @ 1.09g/t Au
PD04	47.2	50.6	5.2	3.4m @ 5.24g/t Au
PSAC317	60	62	2.27	2m @ 2.27g/t Au
PSRC335	21	23	5.74	2m @ 5.74g/t Au
PSRC344	24	32	2.06	8m @ 2.06g/t Au
PSRC344	111	126	1.77	15m @ 1.77g/t Au E.O.H.
PSRC349	145	153	0.80	8m @ 0.8g/t Au
SPD07	16	17	4.40	1m @ 4.4g/t Au
SPD11	12	26	2.38	14m @ 2.38g/t Au
SPD14	12	30	0.47	18m @ 0.47g/t Au
SPD14	56	64	2.96	8m @ 2.96g/t Au
SPD19	22	26	1.03	4m @ 1.03g/t Au

**Table 5.** Significant Mineralisation drilled by previous explorers as depicted below.

**Future work includes:**

- Drill three RC holes testing the western extension of the mineralisation under shallow cover.
- Bulk density measurements on mineralised and unmineralised drill core.
- Increased QA QC to allow definition of future resources.



**Figure 8.** Stanley's Hope Location Map.

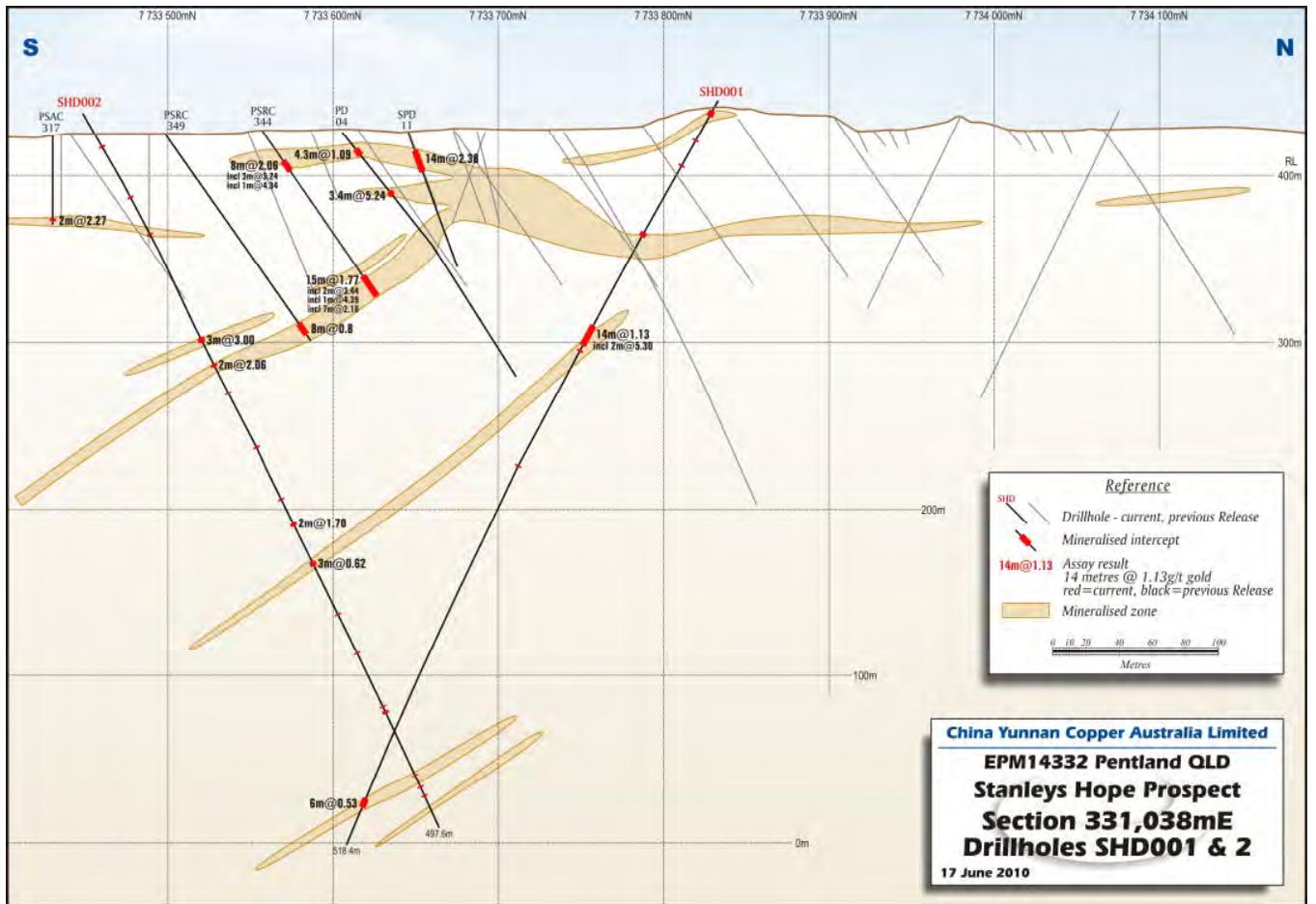


Figure 9. Section of SDH001 and SDH002. This interpretation of flat lying epithermal quartz sulphide has been confirmed after geological reinterpretation of previous drilling that is facilitated by the oriented scout diamond drilling completed by CYU in May 2010.

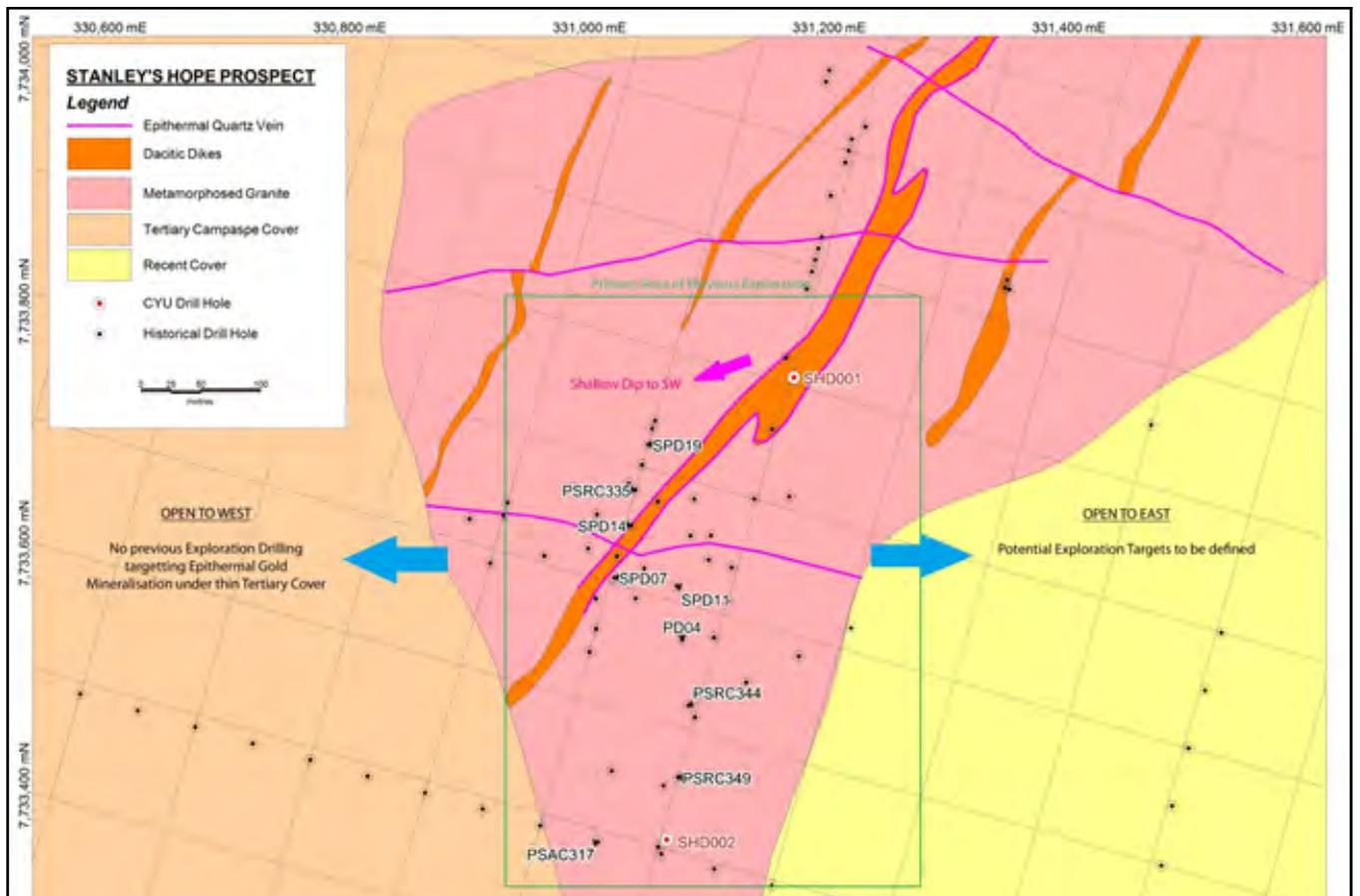


Figure 10. Geology Map and location of SDH001 and SDH002. This interpretation has been revised after geological reinterpretation of previous drilling that is facilitated by the scout diamond drilling completed by CYU.

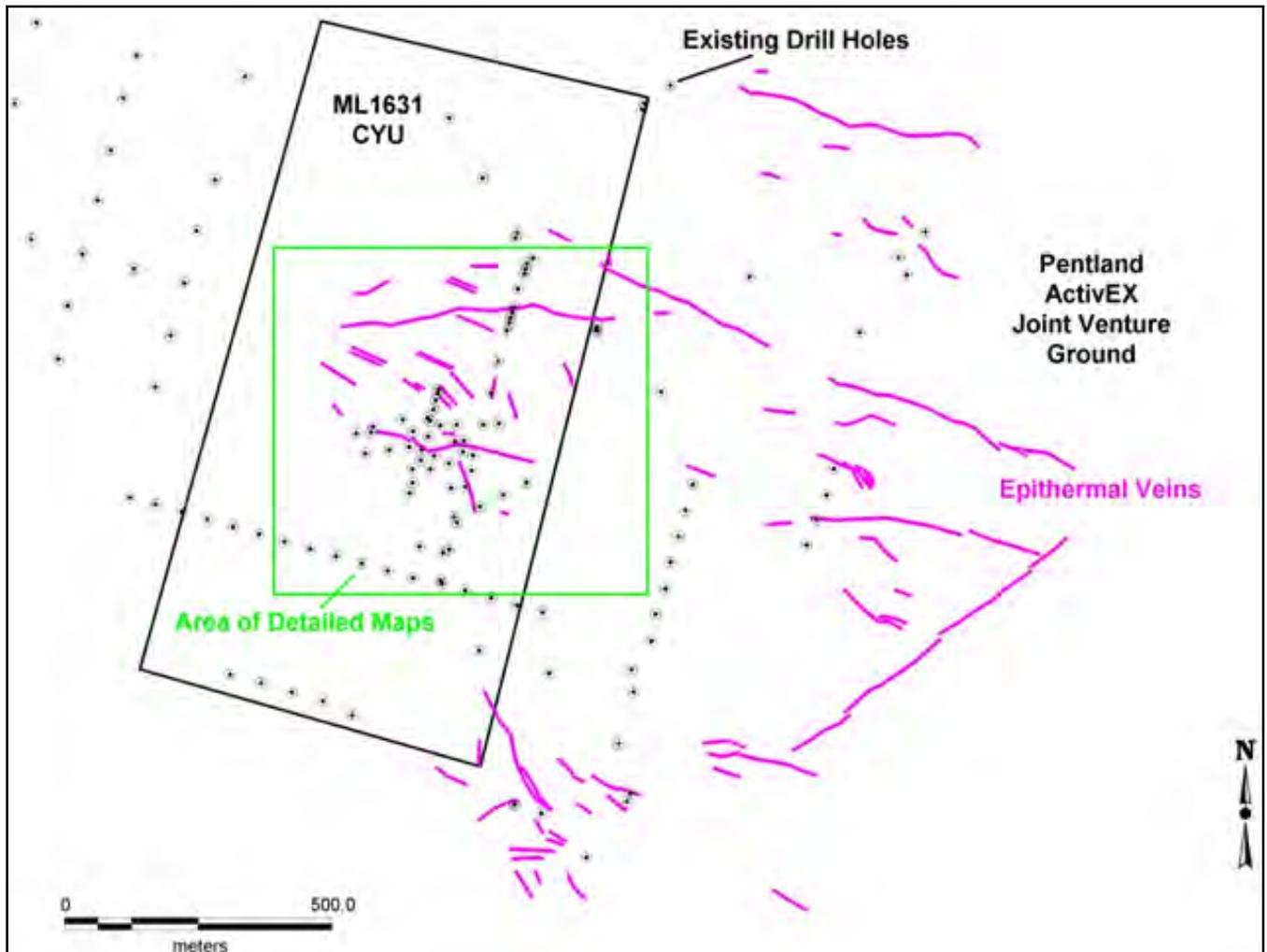


Figure 11. Diagram of epithermal veins which have not been systematically drilled out on either ML1631 nor the Pentland JV, both under CYU management.

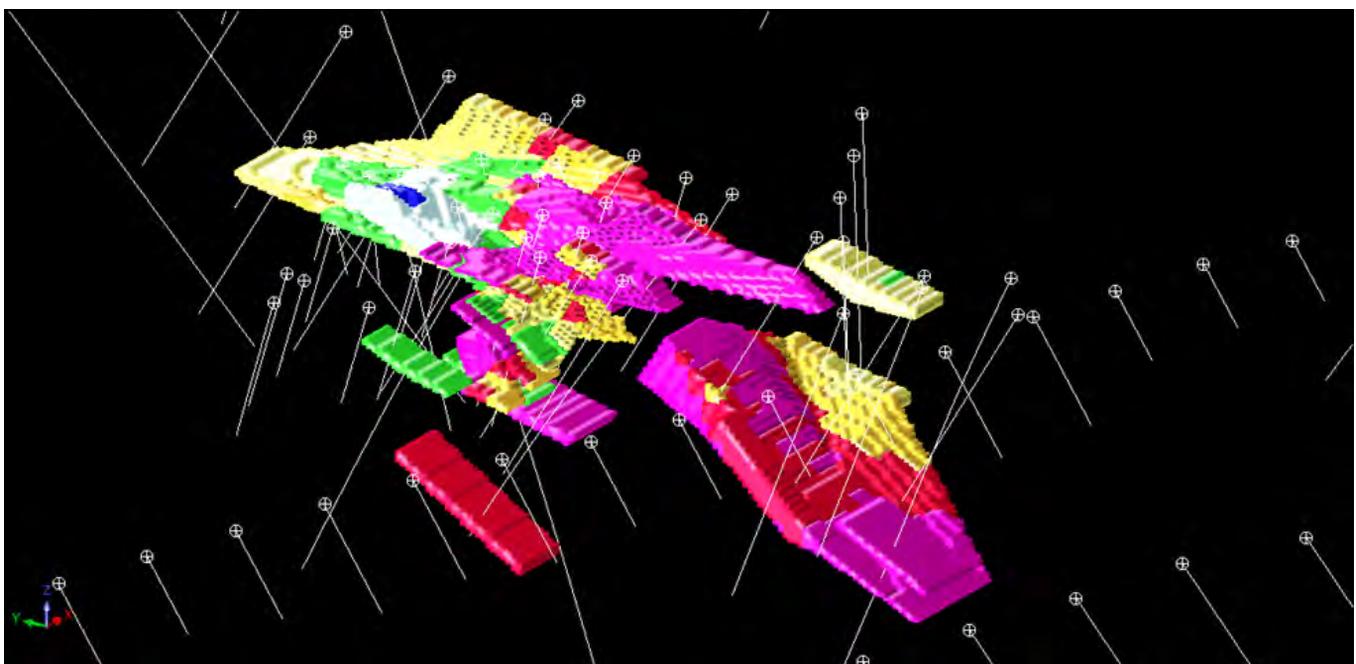


Figure 12. Three dimensional view looking North East of the block modelled grades of zones of continuity. Shallow drilling in the foreground did not test to the correct depth the shallow dipping south west epithermal vein sets.

# Corporate

CYU has been conducting a greenfields exploration program and generating exploration success as per the Mount Dorothy copper sulphide discovery. A new exploration program in Chile is well underway targeting large scale copper deposits. This is the first time a Chinalco related enterprise has directly invested in the global premier copper market, Chile. In concert with CYU's cornerstone investor, Chinalco Yunnan Copper, CYU is reviewing development opportunities in China and Laos.

## Highlights 2010

### Exploration Projects

- Ground position refined to 1500km<sup>2</sup> of highly prospective tenure in Queensland and Chile.
- Discovery of new copper sulphide zone at Mount Dorothy as part of the new Mary Kathleen Joint Venture with Goldsearch Ltd.

## 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

## Further Information

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- Discovery and estimation of inferred resources at Gem in Copper and definition of a revised JORC inferred resource at Elaine Dorothy in Uranium and Rare Earth Elements.
- Significant shallow mineralisation encountered at Stanley's Hope.
- Initial surface work completed at Humito in Chile, drill targets identified.

## Chinalco Yunnan Copper Partnership

CYU has maintained a partnership with its largest shareholders, Chinalco Yunnan Copper Group Ltd for over three years. In this time, exploration properties have been explored and more advanced opportunities evaluated. During the year, a memorandum of understanding was signed to evaluate and explore opportunities in Laos and China jointly with

Chinalco Yunnan Exploration companies. This has resulted in the Laos Copper Silver Exploration JV. This is expected to result in short term resource growth in a series of projects in which CYU is farming into on excellent terms.

## The Future

CYU will continue to test and add value to exploration targets of greenfields nature. Applying best geological science and ground selection criteria, CYU has turned over 80% of original tenure since IPO in 2007 which has been dropped. This approach has resulted in discoveries in the past at Gem, a new copper discovery north of Cloncurry and Mount Dorothy, between Cloncurry and Mt Isa.

Offshore activities include an active program on the Humitos Copper Porphyry property with additional Chilean copper partnerships expected in the future.

## Registered Office

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Fax: (61 7) 3228 4999  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Issued Share Capital

China Yunnan Copper Australia has 108.66 million ordinary shares currently on issue and 18.4 million options.

Quarterly Share Price Activity			
Quarter	High	Low	Last
Jun 2008	\$0.43	\$0.19	\$0.19
Sep 2008	\$0.25	\$0.12	\$0.12
Dec 2008	\$0.19	\$0.07	\$0.07
Mar 2009	\$0.10	\$0.07	\$0.068
Jun 2009	\$0.20	\$0.16	\$0.17
Sep 2009	\$0.35	\$0.16	\$0.24
Dec 2009	\$0.35	\$0.17	\$0.20
Mar 2010	\$0.35	\$0.205	\$0.205
Jun 2010	\$0.23	\$0.091	\$0.15
Sep 2010	\$0.225	\$0.091	\$0.165

## Competent Persons Statement

The information in this report that relates to the Inferred Resources for Gem, Elaine Dorothy and the Exploration Results is based on information compiled by Jason Beckton, who is a Member of the Australian Institute of Geologists and is fulltime Managing Director of China Yunnan Copper Australia Ltd. Mr Beckton 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 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 Exploration Target, Stanley's Hope, is based on information compiled by Tim Callaghan, who is a Member of the Australian Institute of Geologists and is consultant of Resource and Exploration Geology Pty Ltd. Mr Callaghan 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 Callaghan consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Cautionary Statement

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