



**China Yunnan Copper Australia Limited (CYU)  
Yunnan Copper Industry (Group) Co. Ltd (YCI).**

**Joint Press Release 3<sup>rd</sup> February 2011**

## **Acquisition of Chinese Copper Silver Resources Company**

**CYU signs agreement to purchase 51% interest in a Chinese registered Resource Company to explore for and develop existing mineral deposits in Laos and Asia.**

Key components of the Joint Venture are:

CYU to invest AUD\$2.8 million (in 3 equal stages over the 12 months following final approvals for the transaction) to acquire a 51% percent interest in Yunnan Copper Sanmu Mining Limited, a Chinese registered company holding near development copper silver projects in northern Laos within transport distance of existing processing centres in southern Yunnan Province, Peoples Republic of China, subject to regulatory and shareholder approvals.

An existing resource suite, based on trenching and underground adits will be grown through immediate drilling operated by the experienced YCI team under supervision of the CYU controlled JV committee. Geological mapping, geophysics and geochemical sampling has rendered project areas ready for expansionary drilling campaigns during 2011.

One of the projects **Xinzhai has had preliminary economic studies (to Official Chinese Standards but not JORC standard) completed suggesting an SXEW (Solvent eXtraction Electro Winning) operation can be constructed for revenues in the near term. Confirmatory drilling to allow full reporting to JORC standards will be undertaken.** This study will be enhanced by growing the existing Chinese certified reserve with planned drilling at depth beyond current underground workings used to control the base of the reserves.

To be factored into future economic studies subsequent to resource growth drilling will be that YCI have a processing facility at Mohan 20 kilometres to the north on the Chinese border as per figures 2 and 3 below.



**Figure 1. CYU Co Chairman Norm Zillman and Yunnan Copper Mineral Resources Director Mr Li sealing the Laos Copper Silver development Joint Venture in Kunming China.**

Sanmu Mining Limited holds 100% of four properties in northern Laos, within the Mohan development Zone (refer to figure 2). Deposit has preliminary economic studies (not to JORC standard) which are Chinese certified. They are similar in style to sediment hosted Zambian Copper Silver deposits.

The Joint Venture is targeting a deposit with a grade of 1% copper and 150 g/t silver. These grades are indicated from trench and underground sampling with drilling to be completed with invested funds during 2011. A feasibility study to Chinese government standards will then be completed to allow possible mining operations to commence within the next two years.

This agreement is subject to obtaining government approvals in China and Australia and also CYU shareholder approval.

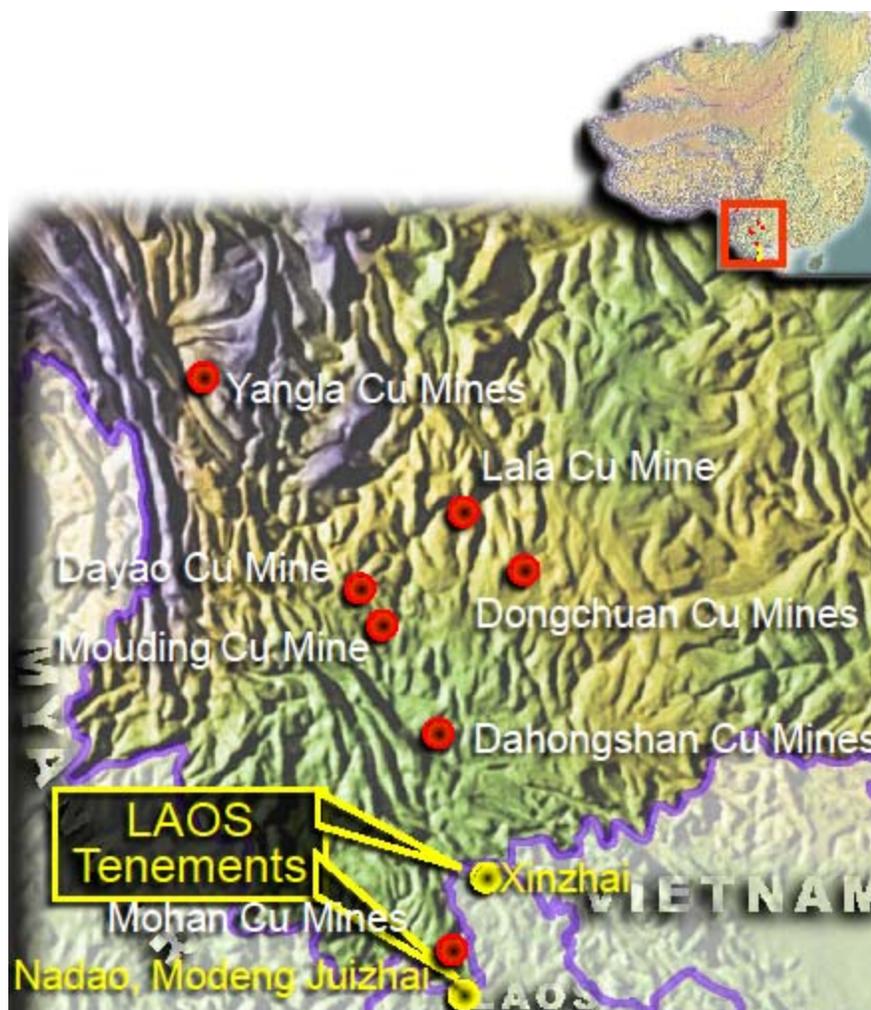


Figure 2. The Copper Silver Development JV properties are adjacent to the Mohan Economic Development zone on the Lao border with China. Currently Chinese government investment is facilitating a transport link from southern China to the Lao capital of Vientiane and further south to Bangkok and Singapore.

Information on the four Projects is set out below;

**Xinzhai**, 140km<sup>2</sup>, Phongsali Province, Laos. Copper sulphide chalcocite hosted in limestone and brecciated by cross cutting faults. Current Chinese certified deposit base is based on surface trenching and underground sampling and mapping, all accurately surveyed. In addition, surface geochemistry has been completed on the project. A drill program will extend the current deposit at depth and along strike and the **current modelled operational cash flows from a probable SXEW operation based on current oxide material, will be enhanced with the corresponding sulphide zone to be tested at depth.**

**Jiuzhai**, 31 km<sup>2</sup>, Oudumaxai Province, Laos. Current Chinese standard deposit base is based on surface trenching and underground sampling and mapping, all accurately surveyed. Currently the confirmed **mineralised structure is 2000 metres long by 50 deep and on average 3 metres wide.**



**Figure 3. Prospects are defined by trenching and level underground adits and are Chinese Government certified. The intention is for them to be proved up to reportable JORC in 2011 in preparation for Chinese Government standard feasibility studies.**

At **Xinzhai and Juizhai** silver grades of between 30 and 200 grams per tonne silver and 1.3% copper occur on average in all trench and underground adit workings completed by Yunnan Exploration as part of the recent exploration program. Deposit style is sediment hosted copper silver similar to Zambia with some probably optimising as silver mines with copper credits. The standard of the deposit base are Chinese Government Resource categories 332 and 333 which are indicated and inferred standard but not reported to ASX JORC standards. YCI currently operates six mines in Yunnan province including the nearby Mohan operation which will feature prominently in future economic studies.

**Nadao** is a sediment hosted copper silver deposit of 1000 metres strike, proven to 50 metres down dip and width averaging 2.6 metres based on

surface sampling. Further drilling is planned for this project. Copper sulphide in all prospects in generally Cu<sub>2</sub>S (chalcocite) and CuS (covellite).

**Modeng** is an earlier stage project with similar surface expression but with no modern drilling having been undertaken.

Norm Zillman, Co Chairman of CYU, said:

“The acquisition of a controlling interest in Sanmu Mining Ltd with its holding in the Laos Copper Silver Development JV represents a unique opportunity to operate in one of the most prospective copper-silver belts in the world with an operating partner under CYU supervision. YCI can provide production facilities and importantly permitting and operational expertise in this area. This opportunity will also allow CYU to undertake joint operations in other parts of Asia.”

“CYU has a previously stated goal of acquiring near term cash flow projects. CYU has the expertise to bring projects to JORC compliance status and in partnership with YCI, in its operational backyard, can facilitate rapid commissioning of any promising projects. There has been no drilling on these Zambian style copper silver deposits and we are aiming to increase existing Chinese certified resources in the short term and to complete Australian JORC certifications. These drilling programs will be completed by the existing YCI Chinese team which will be subject to CYU oversight.”

Mr Zhihua Yao the Deputy General Manager of YCI and Co Chairman of CYU, said:

“We are happy with the co-operation between YCI and CYU since becoming a cornerstone investor of CYU over three years ago and are pleased to enter an alliance to grow known resources with CYU in Laos and Asia generally. YCI is a large organization of over 20,000 employees but we do not have the resources and expertise to advance all of our projects.”

“We believe an alliance such as this will benefit both CYU and YCI shareholders. It is critical for YCI to expand its Chinese production base through the partnership with CYU to bring some exploration projects into production. CYU provides YCI with an experienced exploration and evaluation team to deploy on some of our projects near the production centres.”

Two examples of the type of project that CYU is targeting in Laos are as follows:

## **Mohan Example**

As an example of what CYU is seeking to replicate, the nearby (20km north) YCI Mohan operation (not an asset of the Company) completed 11 diamond drill holes to a maximum depth of 200m. A new decline was subsequently emplaced based on the 11 drill holes commenced production from an resource of 2 Mt @ 1.47% copper almost all sediment hosted, disseminated CuS (covellite).. Some other metrics of Mohan summarised below;

- Sulphide is Chalcocite (CuS) and responds well to existing processing technology of standard flotation.
- Processes 200 t/day @ 1.5% copper, annual production 4000t of concentrate.
- Approximately AU \$9 million revenue per annum on total revenue of approx \$ 120 million with anticipated life of mine of 15 years.

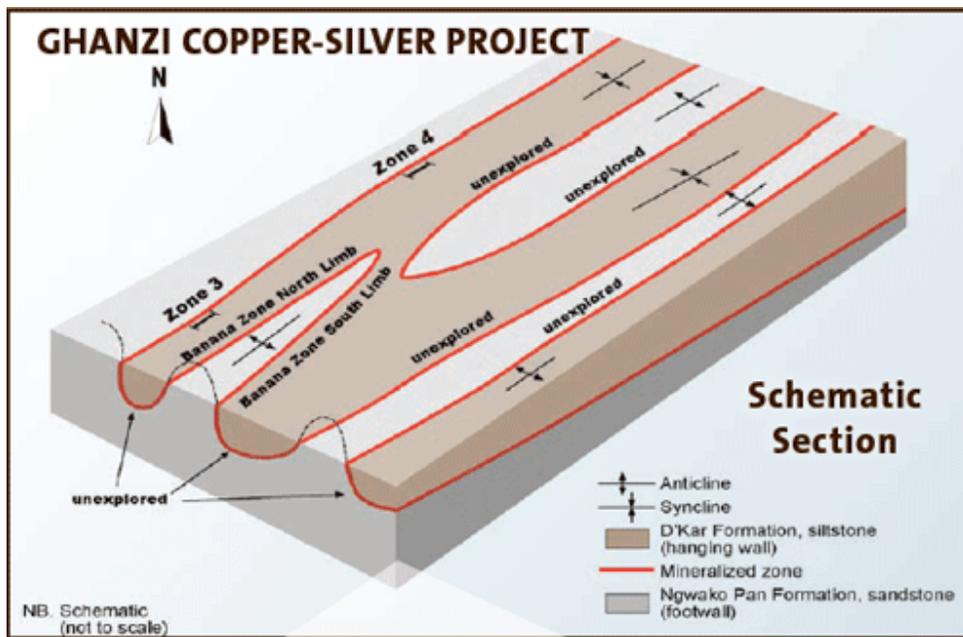
The recent ASEAN Countries Overall Economic Cooperation Framework Goods and Trade Agreement in which Laos, Cambodia, Myanmar will cancel all tariffs of normal tax items no later than January 1, 2013. After January 1, 2013 the import and export tariffs between China and Laos shall be zero.

YEX work to date on the projects includes mapping, trenching and most importantly, adit excavation. This mode of operation is understandable given the cost of drilling and the relatively low cost of labour. It has resulted in conservative resource estimates.

## **Example - Ghanzi Copper Silver Sediment Deposit – Botswana**

Hana Mining's Ghanzi Copper-Silver Project in Botswana:

The Ghanzi Project (not an asset of the Company) is located in the center of the Kalahari copper belt in northwestern Botswana. Hana Mining on 21<sup>st</sup> April, 2010, announced an inferred resource of 1.7 Mt copper metal of copper and 62.1 million oz of silver from 177 million tonnes.



**Figure 4. Mapping of the contact and its relationship to mineralisation is key and resource base will continue to grow in an almost exact situation at Laos. More structural control is inferred in the Laos examples.**

### **About YCI**

YCI is China's third largest copper producer and produced 286,000 tonnes of copper cathodes in 2009 for revenue of US\$2.75 billion. YCI has copper resources and reserves of around 8 million tonnes metal in situ. Chinalco holds a 51% interest in YCI. Chinalco has confirmed its strategic alliance with YCI and reiterated their ongoing support for China Yunnan Copper Australia to become YCI's international investment arm and mining house.

### **About CYU**

CYU is an Australian company formed to explore for and develop minerals in Australia and overseas. Cornerstone investor (21.2%), Yunnan Copper Industry (Group) Co Ltd (YCI), is one of China's largest copper producers. YCI's 51% shareholder is Chinalco.

Current initiatives include;

- Completed one diamond hole for Elaine REE Copper prospect, staff are currently sampling core and results due in February. Drilling is also due to recommence at Mount Dorothy weather permitting. CYU will also investigate the Hardway prospect with previous drill intercepts of over 500ppm Yttrium. Where practical, previously drilled holes are being analysed for the first time for Heavy REE.

- RC Drilling concluded in January at the Humitos Copper Porphyry project in Copiapo district, Chile. Drilling is concluded at report date and results will be reported in late February.
- Continued review of projects under Memorandum of Understanding with CYU's cornerstone investor Yunnan Copper Industries (YCI) to undertake regional exploration and project generation work in Yunnan Province, China and Laos.
- Proposed Reverse Circulation drilling in early 2011 at Stanley's Hope Gold and the Pentland JV with Activex Ltd, Pentland, North East Queensland.

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