



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:

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ACQUISITION OF MEXICAN GOLD/SILVER PROJECT INTEREST

27 April 2017

Summary:

- CYU has entered into a binding term sheet to acquire an initial 30% interest in Bonito Minerals Pty Ltd (“Bonito”).
- Bonito holds an option to purchase the “La Dura” project area across five (5) mining concessions located in Durango State, Mexico. The La Dura concessions sit in the highly mineralised Sierra Madre Occidental – a region that has seen approximately 40M ounces of gold and 1.2Bn ounces of silver and other base metals produced over the past 400 hundred years.
- La Dura has been the subject of small scale mining operations since the 1920’s, with the current owner reporting that 400,000t of ore have been mined producing 100,000oz Au and 5.5Moz Ag.
- CYU will pay a total of A\$1M to acquire the initial 30% Bonito shareholding by way of a combination of cash (A\$750k) and CYU shares (to a value of A\$250k).
- Despite previous small-scale mining activities, La Dura has never been the subject of previous drilling or significant exploration activities. Accordingly, there is potential that the La Dura concessions may host a significant gold/silver resource.
- Bonito’s representatives have undertaken an initial survey of the La Dura project with some rock chip samples grading 40.9g/t Au and 1,280g/t Ag and 12.9g/t Au and 517g/t Ag respectively.
- CYU has a due diligence period (expiring 31 May 2017) before proceeding with the Bonito acquisition.

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).

Introduction

The CYU Board has advised previously that with the disposal of its Mount Isa tenure holdings, the Company was actively involved in the ongoing assessment and acquisition of new project opportunities – not just limited to copper projects but also gold and other base metals. Certain areas in Africa (especially the Democratic Republic of Congo and Zambia) remain of particular interest to the Board. However, CYU was recently presented with the opportunity to secure an initial investment in Bonito Minerals Pty Ltd (“Bonito”) and to assist that company to develop its La Dura concessions in Durango, Mexico.

The founders of Bonito were involved in the successful management and development of the Palmarejo silver/gold mine before it was acquired by Coeur Mining back in 2007 for US\$1.1Bn. (In 2016 Palmarejo produced 4.4Moz Ag and 74koz Au). These founders have recently secured an option to purchase the five (5) mining concessions that comprise the La Dura project.

Under the terms of a binding term sheet that has now been signed by CYU and Bonito, CYU proposes to work with Bonito management as they seek to establish a substantial gold/silver resource at La Dura. The binding term sheet also has provisions enabling CYU to acquire a much larger interest in Bonito, as the project develops.

La Dura Project

(a) Location

The La Dura project is located approximately 275kms NW of the city of Durango, Durango State and locally about 2.3km E of the village of El Duranzo. Average altitude of the project area is 2,200m above sea level. The project sits within the famous Sierra Madre Occidental – a belt that has historically produced approximately 40 million ounces of gold and 2 billion ounces of silver over the last 400 years. The significant resources and production activities from the Sierra Madre Occidental help Mexico to become the largest producer of silver in the world, with 189.5Moz of silver produced in 2015 (20% of world production).



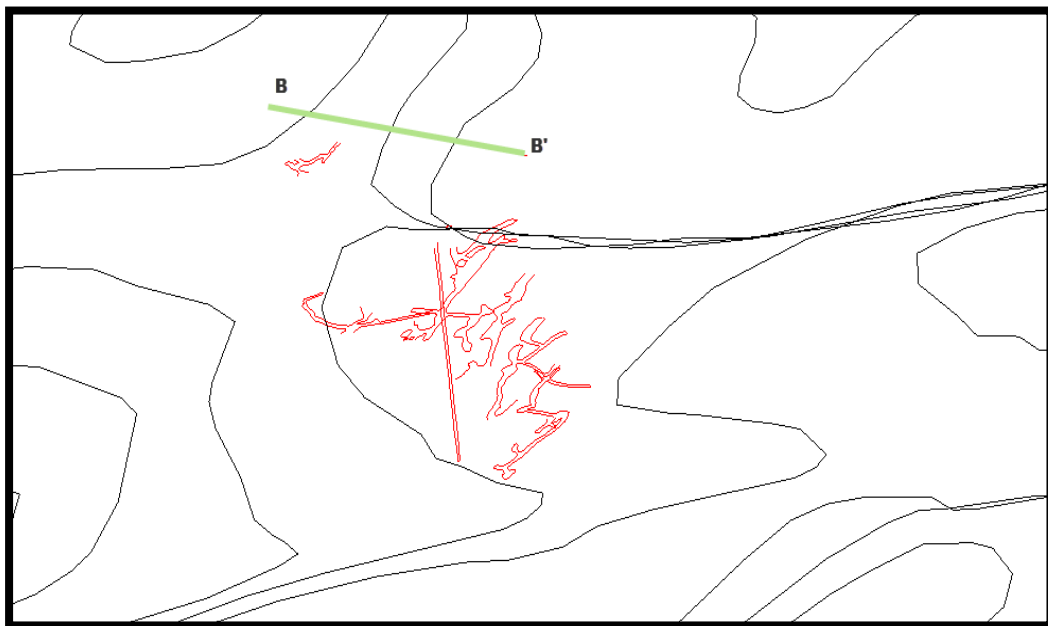
There are many epithermal gold-silver projects/mines in the region nearby La Dura. Endeavour Silver's Guanacevi mine is located about 100km NE of La Dura. Last year the Guanacevi mine produced 2.4Moz of silver and 5,328oz of gold. Other large projects in the region include:

- La Cienego (Fresnillo plc) – 2016 production of 5.1Moz Ag and 73koz Au
- Topia (Great Panther Silver) – 2016 production of 547koz Ag and 612oz Au
- Telson Resources' Tahuahueto project has a published probable reserves estimate of 3.3Mt @ 3.4g/t Au and 41.8g/t Ag (plus Cu, Pb and Zn)
- Minera Alamos' La Fortuna project has a published resource estimate of 4.8Mt @ 1.98g/t Au
- (350km to the NW) 2016 production at Palmarejo was 4.4Moz Ag and 74koz Au.

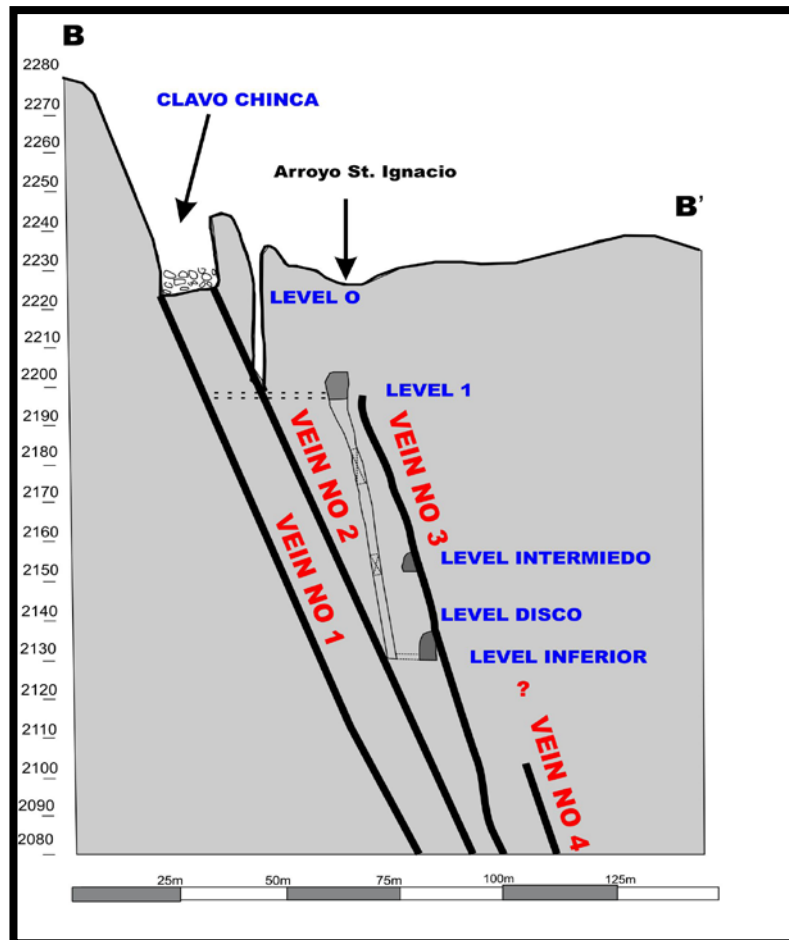
(b) Geology

The La Dura project is located in an area consisting of Cretaceous to Quaternary plutonic and volcanic rocks which host many epithermal Au-Ag vein deposits. Guanacevi for example, is a low sulphidation epithermal vein deposit hosted within a fault structure. The vein structure at Guanacevi has been traced for 5km along the trend and averages about 3m in width. Mineralisation in the system (vein structure) is not continuous but occurs in steeply-dipping ore shoots up to 200m in strike length.

As illustrated in the diagram below, information obtained by Bonito about previous production at La Dura indicated a focus on the dominant "Vein No 1" which has been worked to a depth of 180m. But then, after underground mining commenced, with cross-cuts on Level 1, "Vein No 2" was discovered, with similar strong Au/Ag mineralisation levels. Years later, with deeper mining activities, another nearly parallel system was discovered – "Vein No 3", which has only been partially worked. A further cross-cut from Vein No 3 identified "Vein No 4" but that system has not been exploited by previous workings.



Plan view of the existing underground workings at La Dura, looking north



Cross-section of existing La Dura underground workings showing the B to B' line looking north

These previous mining activities have identified a series of highly mineralised parallel systems that point to a potentially larger target that is open at depth and width. Further, the vein system can be seen (from surface outcropping) to continue along a SE-NW trend for 4km. Bonito is unaware of any other drilling or exploration activities having previously been conducted at La Dura.

Initial rock chip samples taken by Bonito representatives included:

- sample collected from large underground stope – **40.9g/t Au and 1,280 g/t Ag**
- sample collected from an adit trend along the fault face (about 200m from the mine site) - **12.9g/t Au and 517g/t Ag.**

(c) Previous Mining Activities

Small scale mining activities have been carried out at the La Dura site intermittently since the 1920's. In 1979 a beneficiation plant was installed at site with the processing capacity of 60 tonnes per day and this plant operated reasonably consistently until 1999. The operation resumed in 2009 but again ceased due to low prevailing metal prices.

The current owner has reported approximately 400,000 tonnes of ore has been mined from La Dura during this period – producing 100,000oz Au and 5.5Moz Ag. A concentrate has been sold to the nearby smelter operated by Industrias Peñoles at Torreon, some 650 kms away via the national highway. Concentrate sale documents

show that the concentrates produced at La Dura were very high grade with minimal impurities. Paid gold and silver content was 95%.

(d) Bonito Option

Bonito has entered into an Option to Purchase agreement with the holder of the La Dura mining concessions. The option is for a four (4) year period during which Bonito can purchase the concessions for USD4M. In addition, the current holders will be entitled to a 2% net smelter royalty, which can also be bought out by Bonito during the option period for USD3M.

During the course of the La Dura option period, Bonito is obliged to make payments of USD50k every 6 months in order maintain the option in good standing.

(e) Local Infrastructure

The La Dura project is located in a region that has been familiar with (and to a large extent) relied upon, mining operations for many, many years. In addition, features of the project include:

- located about 8 hours by bitumen road from Chihuahua City
- airstrip nearby, with commercial light aircraft flights operating from Culiacan 3 times daily
- 5km by road from a population centre of approx. 2000 people
- electricity and water to the site (secured for previous mining operations).

CYU Acquisition Terms

The binding term sheet between CYU and Bonito provides, in summary, the following:

- CYU will conduct a due diligence review until 31 May 2017, including a site visit by technical advisors. In the event of the successful completion of due diligence a more formal agreement is to be entered into between CYU and Bonito;
- CYU has a two-staged process to acquire an initial 30% shareholding in Bonito as follows:
 - Payment of A\$350k and the issue of A\$125k in CYU shares (on signing the formal agreement mentioned above) to acquire an initial 14.2% shareholding in Bonito;
 - Payment of A\$400k and the issue of A\$125k in CYU shares by 31 October 2017 to acquire a further 15.8% shareholding in Bonito;
- During the due diligence period Bonito is obliged to present a work program and budget for proposed activities at La Dura over the next 6 month period;
- CYU has a two-staged option to purchase a further 20% of the Bonito shares upon payment of a total A\$1.5M on or before 31 October 2018 – the first stage is payment of A\$500k by 31 January 2018 and the balance A\$1M by 31 October 2018;
- CYU will have the immediate right to appoint a director to the Bonito Board and, if its future shareholding in Bonito exceeds 50% then additional Board members can be appointed by CYU;
- The number of CYU shares to be issued as part of the initial 30% acquisition will be calculated by reference to a 15% discount to the 20 day VWAP prior to issue;
- CYU has a pre-emptive right to participate in future issues of securities by Bonito (should there be any);
- CYU and Bonito also have an agreed process (by way of independent valuation) in the event that Bonito wishes to sell the La Dura project at some future time.

CYU Managing Director, Paul Williams, said the agreement with Bonito Minerals was part of the Board's deliberate strategy of transitioning CYU to a mid-tier mining group with a range of project interests in highly prospective regions. "The Bonito acquisition presents CYU with an opportunity to work on a project located in a well-known mining region and with a group of people that successfully developed the Palmarejo mine. This is an important first acquisition (with others planned to follow in the future) as CYU transitions away from its previous activities in the Mount Isa region."

On behalf of the Board

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