



CHINA YUNNAN COPPER

AUSTRALIA

LIMITED

ABN 29 070 859 522



PROSPECTUS

For the issue of 16,000,000 shares
at an issue price of 25 cents each
to raise a total of A\$4,000,000.

UNDERWRITER TO THE OFFER:
Martin Place Securities Pty Ltd
ABN 30 094 927 947





Photos on Front Cover

1. Fountain Range Fault near EPMA 15248

2. YCI Smelter and Refinery at Kunming, China

This photo

Decline of Dehongshan Copper Mine of YCI Yunnan, China

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Norman Zillman (Co Chairman)

Dr Shaolu Zou (Co Chairman)

Dr Mark Elliott (Managing Director)

Jason Beckton (Executive Director)

Zewen Yang (Non-Executive Director)

Dr Weiping Yu (Non-Executive Director)

Paul Marshall (Company Secretary)

Registered Office

Level 5
Santos House,
60 Edward Street,
Brisbane QLD 4000

Telephone: 07 3303 0653
Facsimile: 07 3303 0601
Email: admin@cycal.com.au
Website: www.cycal.com.au

Underwriter and Broker to the Issue

Martin Place Securities Pty Ltd ABN 30 094 927 947
Level 3,
14 Martin Place,
Sydney, NSW 2000

Telephone: 02 9222 9111
Facsimile: 02 8224 9699
Website: www.mpssecurities.com.au

Independent Accountant

William Buck Securities Limited
Level 16, William Buck Centre
120 Edward Street
Brisbane QLD 4000

Telephone: 07 3233 3555
Facsimile: 07 3210 6183
Email: info@williambuckqld.com.au
Website: www.williambuck.com.au

Proposed Auditor

William Buck Business Advisors & Chartered Accountants
Level 16, William Buck Centre
120 Edward Street
Brisbane QLD 4000

Telephone: 07 3233 3555
Facsimile: 07 3210 6183
Email: info@williambuckqld.com.au
Website: www.williambuck.com.au

Independent Geological Consultants

Minnelex Pty Ltd
283 Huntingdale Street
Pullenvale QLD 4069

Telephone: 07 3374 2443
Facsimile: 07 3374 2443

Share Registry

Link Market Services Limited
Level 12
300 Queen Street
Brisbane QLD 4000

Telephone: 1300 554 474
Facsimile: 02 9287 0303
Website: www.linkmarketservices.com.au

Tenement Consultant

Hetherington Exploration & Mining Title Services Pty Ltd
1st Floor, 503 Willoughby Road
Willoughby NSW 2068

Telephone: 02 9967 4844
Facsimile: 02 9967 4614
Website: www.hemts.com.au

Solicitors To The Issue

Hopgood Ganim Lawyers
Level 8 Waterfront Place
1 Eagle Street Brisbane QLD 4000
Brisbane QLD 4000

Telephone: (07) 3024 0000
Facsimile: (07) 3024 0300
Website: www.hopgoodganim.com.au

INVESTMENT HIGHLIGHTS

Exploration Projects

- More than 2,000 km² of highly prospective tenements focused on copper, gold and uranium in Queensland, Australia.
- The projects are located in areas with established mining history with some projects close to previous or current operating mines.
- Extensive exploration land position with potential for discovery of new deposits from known targets.
- Farm-in agreement with Australian wholly owned subsidiary Newmont Exploration Pty Ltd of Newmont Inc and partner Sipa Gold Limited to fund exploration at one of our key projects.

Chinese Mining Industry Company Partnership

- \$2.3 million cornerstone investment by China Yunnan Copper (Australia) Investment & Development Co. Ltd a subsidiary of Yunnan Copper Industry (Group) Co Ltd which is China's third largest copper producer and it's largest silver and bismuth producer.
- Yunnan Copper Industry (Group) Co Ltd's Chairmen and two other Chinese representatives appointed to the China Yunnan Copper Australia Limited board.
- Access to technical expertise, new projects, project funding and competitive off-take agreements from Yunnan Copper Industry (Group) Co Ltd.

Management

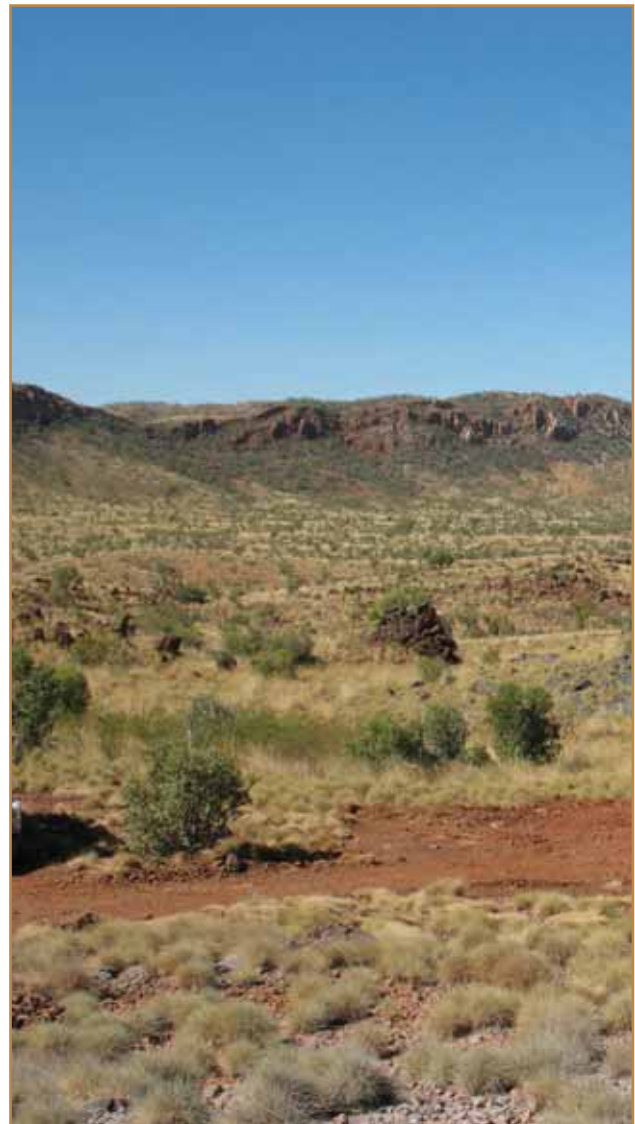
- Australian and Chinese Board and management with a wide range of resource and corporate experience capable of advancing this portfolio of highly prospective projects to discovery and development.
- Major shareholder Yunnan Copper Industry (Group) Co Ltd via its subsidiary brings exploration, mining, production, smelting and refining expertise to the Company.
- Management team has extensive collective experience and expertise in the exploration, evaluation, feasibility studies, financing, development and operation of mineral projects.

Future

- Potential for exploration success combined with the active support of Yunnan Copper Industry (Group) Co Ltd provides the Company with the opportunity of rapidly expanding its business in Australia and Asia.

Fully Underwritten

- The Issue is fully underwritten.



Cloncurry terrain.

LETTER FROM THE CHAIRMEN

Dear Investors,

On behalf of the Board of Directors of China Yunnan Copper Australia Limited (CYCAL), we take pleasure in presenting this Prospectus for the Company's Initial Public Offering and invite you to become a Shareholder.

CYCAL has assembled a portfolio of Queensland based tenements in the Cloncurry, Mt Isa, Pentland, Ravenswood and Clermont districts and we believe that through our executives and consultants we have the right team to succeed in our endeavours to discover and develop significant copper, gold and uranium deposits.

Support for CYCAL's objectives has come from Yunnan Copper Industry (Group) Co Ltd of China who through it's local Australian subsidiary China Yunnan Copper (Australia) Investment & Development Co. Ltd (CYC) has invested \$2.3 million to secure a 26.7 % stake prior to the Prospectus. CYCAL welcomes this investment and believes the association leaves the company well placed to access mineral projects in China and elsewhere in Asia and secure product off-take agreements in one of the worlds largest markets in China, should the company be successful in its exploration programmes.

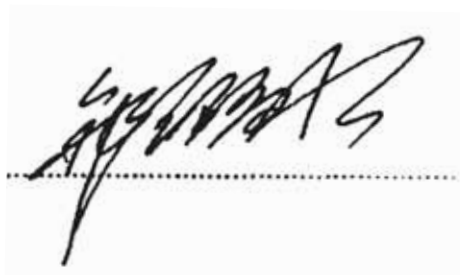
Under this Prospectus, the Company is offering an opportunity for the public to subscribe for up to 16,000,000 Shares at an issue price of \$0.25 per Share.

On behalf of the Board, we invite you to subscribe for shares in CYCAL and look forward to a successful and exciting future together as shareholders.

Yours faithfully,



NORMAN ZILLMAN
Co Chairman



DR SHAOLU ZOU
Co Chairman



Signing Ceremony of Share Subscription Agreement at Kunming, Yunnan, China

IMPORTANT INFORMATION

This Prospectus seeks to raise A\$4.0 million by offering for subscription 16,000,000 Shares at an issue price of 25 cents (A\$0.25) each, payable in full on application.

Additionally, 16,428,571 Options to subscribe for Shares are being issued to China Yunnan Copper (Australia) Investment and Development Co. Ltd each exercisable on or before 3 years from the listing of the Company on ASX at A\$0.40 each.

This Prospectus is dated 27 August 2007 and was lodged with the ASIC on 27 August 2007. Neither the ASIC nor ASX takes any responsibility for the contents of this Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person has been authorised to provide information or to make any representation in connection with the Offer. Any such information or representation that is not contained in this Prospectus may not be relied upon as having been authorised by the Company.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Applications can only be made by completing the Application Form in full, in accordance with instructions contained on the reverse of the form.

Glossary

Certain words and terms used in this Prospectus have defined meanings which appear in Section 12. A glossary of technical terms used in this Prospectus also appears in Section 12.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement of the Prospectus with the ASIC. The 7 day Exposure Period may be extended by the ASIC by a further period of up to 7 days.

The purpose of providing an Exposure Period is to enable examination of this Prospectus by market participants prior to the raising of funds.

Applications received during the Exposure Period will receive no priority and will not be processed until after the Exposure Period, when they will be treated as having been received simultaneously on the Opening Date.

A paper copy of this Prospectus will be made available upon request during the Exposure Period. The Prospectus (without the Application Form) may also be viewed online at www.cycal.com.au during the Exposure Period and on the Underwriter's website at www.mpssecurities.com.au. Alternatively, the Prospectus may be obtained from the Underwriter by telephoning 02 9222 9111.

After the Exposure Period, the Prospectus with an accompanying Application Form may be viewed online. Investors who wish to apply for Shares using the electronic version of the Application Form must download and read the entire Prospectus. The Offer is only available to persons receiving an electronic version of this Prospectus in Australia. Persons who receive a copy of this Prospectus in electronic form are entitled to obtain a paper copy of the Prospectus which will be provided free of charge upon request by contacting the Company on 07 3303 0653 or by email at admin@cycal.com.au.

How To Use This Prospectus

This Prospectus provides information for investors who wish to invest in CYCAL. It should be read in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of CYCAL and the rights and liabilities attaching to the Shares. The Company is at an early stage of its development, accordingly there are significant risks associated with investing in the Company. Potential investors should take these factors into account and consider whether this is an appropriate investment in view of their personal circumstances. If in doubt investors should seek advice from their professional advisor before deciding whether to invest. There is no guarantee that the Shares offered under this Prospectus will make a return on capital investment, that dividends will be paid on the Shares, or that there will be any increase in the value of the Shares in the future.

Investors who wish to subscribe for Shares should complete the Application Form included in this Prospectus.

CYC is not required to complete an Application Form to be issued the CYC Options.

The Shares offered under this Prospectus should be considered speculative.

Forward-looking Statements

Certain statements in this Prospectus constitute forward-looking statements. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. These risks, variables and factors include, but are not limited to, the matters described in Section 8. CYCAL gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

Disclaimer

The Offer does not take into account the investment objectives, financial situation and particular needs of investors. It is important that investors read this Prospectus in its entirety before deciding to invest in the Company and, in particular, in considering the prospects for the Company, that they consider the risk factors that could affect the performance of the Company. Investors should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional guidance from their stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest. Some risk factors that investors should consider are outlined in Section 9.

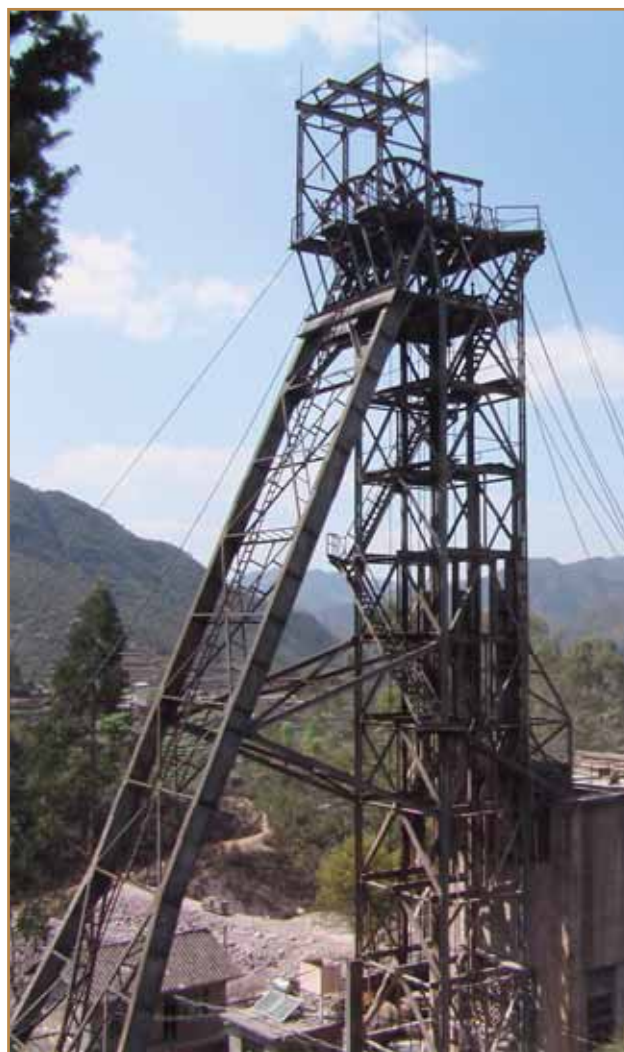
No person is authorised to give any information or to make any representation in connection with the Offer and issue of the Shares described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer. Neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or of its Shares, including those offered by this Prospectus, will be achieved.

Privacy

The privacy obligations and policy relating to this Prospectus are contained in the privacy disclosure statement in Section 11.

Photographs

The assets shown in the photographs in this Prospectus are NOT owned by the Company.



Shaft at Luzhi Copper Mine of YCI

1. DETAILS OF THE OFFER

1. DETAILS OF THE OFFER

This section is intended as an introduction and not as a summary of this Prospectus. It should be read in conjunction with the remainder of this Prospectus.

1.1. THE OFFER

This Prospectus constitutes an offer by CYCAL of 16,000,000 Shares for subscription at an issue price of 25 cents per Share payable in full on application to raise A\$4.0 million. The Shares offered by this Prospectus will be issued as fully paid shares and, when issued, will rank equally in all respects with the existing Shares. The Offer is fully underwritten by Martin Place Securities Pty Ltd.

The Prospectus also constitutes an offer of 16,428,571 Options to subscribe for Shares to China Yunnan Copper (Australia) Investment and Development Co. Ltd, each exercisable on or before 3 years from the listing of the Company on ASX at A\$0.40 each. No consideration is payable by China Yunnan Copper (Australia) Investment and Development Co. Ltd for the issue of the CYC Options.

For further details in relation to these CYC Options see Section 10.

1.2. KEY TERMS

Offer Price	A\$0.25
Number of Shares to be offered under this Prospectus	16,000,000
Shares on issue prior to this Offer	61,616,073
Total Issued Shares to be listed on ASX*	77,616,073
Market Capitalisation of Shares at Offer Price	A\$19.4 m
*N.B. Some of the existing Shares may be classified as restricted securities	See Section 10



ISA Smelter Control Room at Kunming, China

1.3. KEY DATES

Applications Open	14 September 2007
Applications Close	19 October 2007
Allotment of Shares under this Prospectus	26 October 2007
Dispatch of Statements of Shareholder Entitlements	31 October 2007
Anticipated Date of trading of Shares listed for quotation on ASX	16 November 2007

These dates are indicative only. The Company reserves the right to vary the closing date of the Issue, which may have a consequential effect on other dates. As such, the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date.

1.4. MINIMUM SUBSCRIPTION

The minimum subscription to the Issue is A\$4.0 million. If the minimum subscription is not reached within 3 months after the date of this Prospectus, the Directors will not allot any Shares and the Company will within 7 days thereafter repay all application monies received, without interest.

The issue of Shares and the CYC Options will proceed as soon as possible after the Closing Date and after ASX permission for Official Quotation of the Shares is received.

There is no minimum subscription to the issue of the CYC Options. For details of the CYC Options see Section 10.

1.5. APPLICATION AND PAYMENT FOR SHARES

An application constitutes an offer by you to subscribe for Shares on the terms and conditions as contained in the Offer. An application to subscribe for Shares can only be made on the Application Form contained in this Prospectus. Applications must be for a minimum of 8,000 Shares representing a minimum investment of \$2,000 and thereafter in multiples of 2,000 Shares.

If you decide to apply for Shares, you must:

1. Complete the enclosed Application Form; and
2. Pay the application monies by cheque drawn on and payable at any Australian bank in Australian dollars.

An application for Shares can only be made by completing and lodging the Application Form for Shares contained at the end of this Prospectus; or completing a paper copy of the relevant Application Form which accompanies the electronic version of this Prospectus, both of which can be downloaded from **www:cycal.com.au**

The Application Form contains detailed instructions on how it is to be completed. An Application Form must be accompanied by a cheque in Australian dollars, crossed "not negotiable" and made payable to "China Yunnan Copper Australia Limited". Payment for the Shares must be made in full at the issue price of 0.25 cents for each Share subscribed. Applications for Shares must be for a minimum of 8,000 Shares and then in multiples of 2,000 Shares. Applications received by the Company that do not meet these requirements may be refused at the discretion of the Directors.

Subject to the minimum subscription of the Issue being achieved for the Shares as well as permission of the ASX for the Shares to be listed for official quotation, the Directors will allot the Shares as soon as possible after the closing date of the Issue.

An application for Shares may be accepted in full, for any lesser number or rejected by the Company. If any application is rejected, in whole or in part, the relevant application moneys will be repaid without interest.

Completed Application Forms and accompanying cheques should be lodged with the Share Registry, at the following address:

Link Market Services Limited
Locked Bag A14
Sydney NSW 1235

Completed Application Forms and cheque(s) must be received at the above address before 5.00pm (Brisbane time) on the closing date of the Issue.

Completed Application Forms and cheque(s) should be sent to the required address as soon as possible after the Issue opens as the Directors may elect to close the Issue early.

1.6. CAPITAL STRUCTURE POST ISSUE

Upon completion of the Issue and allotment of Shares pursuant to this Prospectus, the Company's capital will be as follows:

Share Capital
Minimum Subscription (\$4.0 million raised)

Shareholder	Number of Shares	%
Existing Shareholders	61,616,073	79.39 ¹
Public	16,000,000	20.61
TOTAL	77,616,073	100

Notes

¹ These securities may be subject to ASX escrow conditions governing their resale.

Directors' Interests in CYCAL

The interests of Directors and officers and of any associates of them in the securities of the Company are as follows:

Name	Number of Shares	Number of Options
Norman Zillman	8,000,000	nil
Dr Mark Elliott	7,000,000	nil
Jason Beckton	100,000	nil
Dr Shaolu Zou	16,428,571 ¹	16,428,571 ²
Dr Weiping Yu	16,428,571 ¹	16,428,571 ²
Zewen Yang	16,428,571 ¹	16,428,571 ²

NB:

1. The registered holder of these shares is CYC.
2. CYC is entitled to be issued the CYC Options pursuant to the Prospectus. See Section 10 for details.

1.7. PURPOSE OF THE OFFER AND PLANNED EXPENDITURE

The purpose of the Offer is to raise funds to:

- Explore the Company's mineral interests as described in this Prospectus; and
- Assess new projects and opportunities; and
- Pay the expenses of the Issue; and
- Meet the ongoing administration costs of the Company; and
- Provide additional working capital.

Assuming the Offer is fully subscribed, the directors are satisfied that upon completion of the Offer, China Yunnan Copper Australia Limited will have sufficient funds to meet its stated objectives.

1.8. OPENING AND CLOSING DATE OF THE ISSUE

The opening date of the Issue will be 14 September 2007 at 9.00am (Brisbane time), and the closing date will be 19 October 2007 at 5.00pm (Brisbane time).

The Directors, subject to the requirements of the Listing Rules and the Corporations Act, reserve the right to:

- close the Issue early without prior notice; or
- vary any of the important dates set out in this Prospectus, including extending the Issue.

1.9. ALLOTMENT

Allotment of the Shares under this Prospectus will take place as soon as practicable after the closing date of the Issue. Application moneys will be held in a subscription account until allotment.

This account will be established and kept by the Company in trust for each applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place.

Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque within 30 days of the closing date for applications. Where no allotment is made, the amount tendered on application will be returned in full by cheque within 30 days of the closing date for applications. Interest will not be paid on monies refunded.

The Shares will be allotted and Share entitlement notices dispatched to holders as soon as possible after determination by the Company of entitlements.

1.10. ASX LISTING OF SHARES

Application will be made within 7 days of the date of this Prospectus to the ASX for the Shares issued pursuant to this Prospectus, as well as all other existing issued ordinary shares in the Company, to be granted official quotation by the ASX.

The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or of the Shares now offered for subscription. Quotation, if granted, of the Shares offered by this Prospectus will commence as soon as practicable after the issue of holding statements to allottees. The ASX takes no responsibility for the contents of this Prospectus including the experts' reports which it contains.

In the event that the ASX does not grant permission for the official quotation of the Shares within 3 months after the date of issue of this Prospectus, none of the Shares offered by this Prospectus will be allotted or issued unless the ASIC grants the Company an exemption permitting the allotment or issue.

If no allotment or issue is made, all moneys paid on application for the Shares will be refunded without interest within the time period set out under the Corporations Act.

1.11. DIVIDEND POLICY

It is the present intention of the Directors to apply surplus cash flow to fund the exploration of the Company's project portfolio and any resultant development or production and generate new opportunities, rather than distributing these moneys in the form of dividends.

It is the Directors' intention to review this policy from time to time and commence the payment of a regular dividend once the Company is able to generate a substantial and sustainable level of cash flow, after allowing for capital expenditure and other commitments.

The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by the Company. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of the Company.

1.12. CHESS AND ISSUER SPONSORED REGISTER

The Company will apply to be admitted to participate in CHESS, in accordance with the ASX Listing Rules and the ASTC Settlement Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of Shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold the Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide Shareholders with a holding statement that confirms the number of Shares held.

A holding statement (whether issued by CHES or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHES sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares changes.

1.13. UNDERWRITING

The Offer is fully underwritten by Martin Place Securities Pty Ltd.

The Company will pay commission of 5% and has agreed to issue 2,000,000 Options to subscribe for Shares each exercisable on or before 3 years from the listing of the Company on ASX at \$0.40 per Share.

Details of the Underwriting Agreement are set out in Section 10.

1.14. RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Prospectus is not intended to, and does not, constitute an offer of securities in any place which, or to any person to whom, the making of such offer would not be lawful under the laws of any jurisdiction outside Australia.

Applicants resident in countries outside Australia should consult their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed to enable them to apply for Shares. The failure to comply with any applicable restrictions may constitute a violation of securities law in those jurisdictions.

1.15. ELECTRONIC PROSPECTUS

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus within Australia.

Persons who receive a copy of this Prospectus in electronic form at: www.cycal.com.au are entitled to obtain a paper copy of the Prospectus (including any relevant accompanying Application Form) free of charge, during the Offer period, by contacting the Company on 07 3303 0653 or by email at admin@cycal.com.au.

1.16. RESTRICTED SECURITIES

The ASX may, as a condition of granting the Company's application for official quotation of its Shares, classify certain Shares of the Company as restricted securities. If so, prior to official quotation of the Company's Shares, the holders of the Shares that are to be classified as restricted securities will be required to enter into appropriate restriction agreements with the Company.

1.17. SUMMARY OF INVESTMENT RISKS

Prior to making an investment decision with regard to the resource, mining and exploration industry, investors should carefully consider the risk factors, all of which may affect the Company and the industry in which it operates.

The business and exploration activities of the Company are subject to normal business risks and uncertainties and there may be many factors that could affect the future performance of the Company. Some of these risks and uncertainties may be mitigated by the use of safeguards, appropriate systems and contingencies. However, some risks may be outside the control of the Company and not able to be mitigated. Additionally, there are also a number of risk factors that are specific to the Company.

Details of the risk factors of which investors should be aware are described in more detail in Section 9 of this Prospectus.

This section is intended as an introduction and not as a summary of this Prospectus. It should be read in conjunction with the remainder of this Prospectus.

2. BOARD OF DIRECTORS AND MANAGEMENT

2. BOARD OF DIRECTORS AND MANAGEMENT

2.1. BOARD OF DIRECTORS



Norman Zillman

Non-Executive Co-Chairman
BSc, BSc(Hons), MAusIMM, MPESA

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 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 responsible for the initial public offering and listing of Queensland Gas Company Limited on the ASX, Chairman of Great Artesian Oil and Gas Limited and a Director of Planet Gas Limited. He is presently Chairman of ASX listed Blue Energy Limited and a director of Enterprise Energy NL.

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.



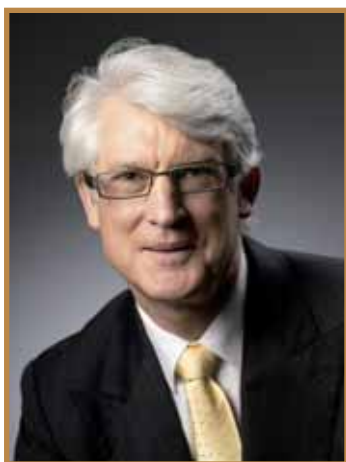
Dr Shaolu Zou

Non-Executive Co-Chairman
Dip Management, Post Grad Cert Econ Management, PhD

Dr Zou is Chairman of Yunnan Copper Industry (Group) Co. Ltd and Chairman of Yunnan Copper Corporation Ltd, a corporation listed on the Shenzhen Stock Exchange in China.

Dr Zou has had 38 years of experience in the mining and metallurgical industry in China working for major companies including Yunnan Tin Corporation Limited, China Non-ferrous Metals Industry Co. Ltd. and Yunnan Copper Industry (Group) Co. Ltd. Since 1996 he has been chairman of the board of Yunnan Copper Industry (Group) Co. Ltd.

He has a diploma in Management from Yunnan Administration Institute, China, a Post Graduate Certificate in Economic Management from Yunnan University, China, and a PhD in Enterprise Management from the Business School of Central South University, Hunan Province, China.



Dr Mark Elliott

Managing Director
Dip App Geol., PhD, FAICD, FAusIMM (CPGeo), FSEG, FAIG

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 was a founding director of Burdekin Resources NL and Zirtanium Limited. He is currently a non-executive director of Hemisphere Resources Limited, Hawk Resources Limited, Enterprise Energy NL and managing director of Hot Rock Ltd.

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, Australasian Institute of Mining and Metallurgy, Society of Economic Geologists and Australian Institute of Geoscientists.



Jason Beckton

Executive Director
BSc(Hons), MEcon Geol, MAIG

Mr Beckton is a professional geologist with over 15 years experience in exploration, project development, production and management both in Australia and internationally.

Mr Beckton commenced his career with Pancontinental and Goldfields Ltd throughout Australia from the early 1990s before moving to a senior role with Gympie Gold in 2001. Subsequently Mr Beckton was Project Manager for the Palmarejo silver gold project in Mexico and managed the program that grew the resource base from zero to 3.1 million ounces gold equivalent during 2004. More recently Mr Beckton was Manager – Chile for Exeter Resource Corporation, and led the team that was responsible for the commercial discovery at the Caspiche Porphyry prospect in the Maricunga Gold Copper Belt of Chile.

Mr Beckton holds a Bachelor of Science (Honours) in Geology from Melbourne University, and a Masters in Economic Geology from the ARC Centre of Excellence in Ore Deposits at the University of Tasmania, and is a member of the Australian Institute of Geoscientists, a Competent Person for resource estimates for ASX-JORC codes and Qualified Person under Canadian Securities Administrators National Instrument 43-101.



Dr Weiping Yu

**Non Executive Director
Dip (Mining Machinery), Post Grad Cert, PhD**

Dr Yu is Executive Deputy General Manager of Yunnan Copper Industry (Group) Co. Ltd, Vice Chairman of Yunnan Copper Corporation Ltd, a corporation listed on the Shenzhen Stock Exchange, China and Chairman of Yunnan International Economic and Technological Cooperation Corporation, which is responsible for Yunnan Provincial Government overseas investment and contracting projects.

Dr Yu has had 33 years experience in the mining and metallurgical industry in China working for major companies including Yunnan Tin Corporation Limited, China National Non-ferrous Metals Import and Export Corporation and Yunnan Copper Industry (Group) Co. Ltd. He is currently Chairman of Yunnan Provincial Institute of International Trade and China Yunnan Copper (Australia) Investment and Development Co. Ltd. Since 2001 he has been Vice Chairman of the Board of Yunnan Copper Corporation Ltd.

He has a Diploma specializing in design and operation of Mining Machinery from Kunming University of Science and Technology, China, a Post Grad Certificate in Enterprise Management from Yunnan University, China and a PhD in Economic Management from Central South University in China.



Zewen Yang

**Non Executive Director
BA**

Mr Yang is the General Manager of China Yunnan Copper (Australia) Investment and Development Co. Ltd based in Sydney.

Mr Yang has had 15 years experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China National Non-Ferrous Metals Import and Export Company and has been with the Yunnan Copper Industry (Group) Co. Ltd. since March 2004.

He has a Bachelor of Arts degree majoring in Economics and specializing in International Business from Sichuan University, China. He is currently undertaking a Masters Degree in International Business at the University of New South Wales.

2.2. MANAGEMENT

The Company has secured the services of Dr Mark Elliott as Managing Director and Jason Beckton as an Executive Director of the Company. Details of their appointments are set out in Section 10 of this Prospectus.

Presently, the Company has no other employees. As a resource exploration company, it proposes to supplement the existing management team with appropriate consultants, as and when required.

The Company has appointed Paul Marshall as Chief Financial Officer and Secretary.



Paul Marshall

Company Secretary and Chief Financial Officer LLB, Grad Dip Acc & Fin, MCA

Paul Marshall is a Chartered Accountant. He holds a Bachelor of Law degree from Liverpool University, England, a post Graduate Diploma in Accounting and Finance from the London School of Economics, England and is a member of the Institute of Chartered Accountants in England and Wales.

He has more than 20 years in the accountancy profession both in England and Australia, having worked for the accountancy firm Ernst and Young for ten years, and subsequently over ten years spent in commercial roles as Company Secretary and CFO for a number of listed and unlisted companies mainly in the resources sector. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal, due diligence, capital raising and company listings and company secretarial responsibilities.

3. PROJECT SUMMARY

3. PROJECT SUMMARY

3.1. INTRODUCTION

China Yunnan Copper Australia Limited (CYCAL) is an Australian company formed to explore for and develop minerals in Australia and overseas. The Company was incorporated on the 24 August 1995 and recently changed its name to China Yunnan Copper Australia Limited, reflecting the strong relationship with its cornerstone investor, Yunnan Copper Industry (Group) Co Ltd.

Yunnan Copper Industry (Group) Co Ltd is China's third largest copper producer. In 2006, they produced 360,000 tonnes of copper cathode.

CYCAL has targeted high quality copper, gold and uranium projects and has eleven 100% owned Exploration Permit for Minerals (EPM's) tenements located in the Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier in Queensland, Australia. The Cloncurry project in the Mt Isa Inlier contains wide intercepts of low grade copper (46m at 0.1%Cu) associated with feldspar- magnetite alteration similar to the nearby Xstrata's Ernest Henry Cu-Au deposit.

The technical team has designed an aggressive exploration program with targets identified on the Cloncurry and Pentland projects ready for drilling within 6 months of listing.

The Ravenswood area south-east of Charters Towers is the subject of a major farm-in agreement with Newmont Exploration Pty Ltd as operator and Sipa Gold Limited who are committed to spend up to \$2 million to earn a 70 percent interest. The farm-in partners at their discretion can elect to increase their equity to 80% by meeting all costs up to the bankable feasibility stage.

The Directors consider the attraction of a major international mining group to this project as farm-in partner is indicative of the inherent merit of this area and of the processes which CYCAL has employed in gathering its portfolio of properties.

The Mt Isa, Cloncurry and Pentland project areas are also prospective for uranium with the Malakoff uranium prospect located in the Cloncurry project area.

There is potential for economic deposits of copper, gold, uranium and other minerals to occur within the CYCAL project areas.

The Independent Geologist's Report in Section 5 of this Prospectus contains a comprehensive examination and review of the exploration interests held by the Company. An overview of these exploration interests is set out below.

3.2. CLONCURRY PROJECT EPM'S 12205,15084 & 15095

The Cloncurry project is divided into two parts. The eastern part consists of EPM's 12205 and 15095 which contain the prospective Proterozoic aged sequence that hosts the Ernest Henry Cu-Au deposit and is overlain by younger Mesozoic aged sediments that host roll front uranium mineralization.

Several prominent aeromagnetic features are present in basement rocks within the eastern part of the project area. They are prospective for iron oxide copper gold (IOCG) mineralisation similar to the nearby Ernest Henry deposit, and several anomalies justify further investigation. For example, low-grade copper mineralisation was intersected in holes drilled by WMC and MIM to test a large magnetic anomaly within the tenements. The copper mineralisation covers an area of about 500m by 400m and it has not been tested at depth or fully closed off along strike, and therefore follow-up investigations including deeper drilling below 300m are warranted.

In the western part of the project area (EPM 12205 and 15084), CRA located a series of soil copper anomalies at the One Tree Hill Prospect that are coincident with a major northeast trending magnetic high that marks the contact between basement rocks and the Naraku Granite. The anomalous soil geochemistry ranges up to 810 ppm Cu and has not been tested by drilling despite being present discontinuously along a 12 km strike length and associated with rock-chip samples containing up to 7g/tAu.



Open Pit of Lala Copper Mine of YCI, Sichuan, China

There is potential for fault and breccia controlled copper deposits similar to Universal Resources Ltd's Roseby project along the western boundary of EPM 12205. South trending mineralized faults from the Bedford mineralization owned by Universal Resources are interpreted to trend into CYCAL's ground.

Apart from the copper-gold mineralisation, there is potential for uranium deposits in sedimentary paleochannels within the Mesozoic cover in the eastern section of the project area. At the Malakoff Prospect, a narrow intersection of low-grade uranium (0.3m at 320ppm U308) was discovered by Chevron during 1974 at the base of the Gilbert River Formation at a depth of 35m.

This occurrence was likely formed by uranium mobilising from older uranium enriched rocks such as the Naraku Granite under low temperature oxidising conditions, and precipitated by oxidation-reduction (redox) reactions in the overlying sediments.

Later investigations by MINAD-Teton identified several possible paleochannels east and southeast of the Malakoff Prospect. Additional geophysical surveys and shallow drilling are required to confirm the presence of these paleochannels which are prospective for roll-front type uranium mineralisation.

3.3. MT ISA PROJECT - EPMA 15248

The project area covers parts of the highly mineralised Kalkadoon-Ewen and Eastern Fold Belt Provinces of the Mount Isa Inlier and there is potential for the discovery of buried iron oxide copper gold deposits similar to the magnetite bearing Ernest Henry Cu-Au or the hematite bearing Roxby Downs Cu-Au-U deposits.

Potential also exists for the discovery of shear-hosted uranium deposits associated with Corella Formation rocks and the emplacement of the Burstall Granite and in the highly radioactive Argylla Formation, as well as stratabound uranium in metamorphosed basic volcanics and sediments of the Eastern Creek Volcanics.

There is potential for small to medium sized low-grade oxidised and supergene copper-gold resources, mainly as extensions of known mineralisation. These types of deposits are fault or shear controlled and often amenable to heap and vat leaching, using solvent extraction and electrowinning treatment methods.

A compilation of previous exploration results shows there are many regions in the project area with highly significant copper-gold stream geochemistry. A few of the anomalous areas drain abandoned mines and workings, but most cannot be adequately explained and may be due to geochemical haloes or leakage around buried or poorly exposed copper-gold occurrences.

The project area could potentially host copper, gold and uranium mineralization.

3.4. PENTLAND PROJECT EPM'S 11487, 12900 & 12901

Historical gold production from the project area has mainly come from narrow high-grade quartz-gold veins and small structurally controlled intrusive breccia bodies. This type of mineralisation is of interest, but the main target is intrusive related gold associated with Carboniferous to Permian aged subvolcanic intrusions. Similar age rocks host the Mount Leyshon (48Mt at 1.3g/t Au) and Kidston (80Mt at 1.3g/t Au) gold deposits which have been previously mined in the region.

Mineralised subvolcanic intrusions have been recognised at Ralph's Ridge, Dead Horse Breccia and The Gap prospects. At The Gap prospect 9 major individual quartz veins were identified and returned up to 48.9g/tAu. A shallow 10 hole percussion drill program along a 100m section of quartz veining intersected gold in every hole with the best intersection being 5m at 2.54g/tAu. Mineralised intrusive systems have been identified and require further evaluation.

Additionally, a plot of stream sediment results obtained by earlier explorers show other areas within the tenements with significant stream geochemistry. Many of these areas have not been adequately investigated or followed up and merit closer examination.

The tenements contain high radiometric responses associated with some intrusions and also require investigation for its uranium potential.

3.5. RAVENSWOOD PROJECT EPM'S 11602, 11982 & 15057

The tenements contain Permo-Carboniferous aged intrusive complexes associated with collapse caldera centres.

High grade gold bearing quartz veins at Lionel Diggings, mineralised breccia at McGain's Gossan Prospect and anomalous stream sediment samples, indicate the potential for large tonnage intrusive breccia gold mineralization in the tenements. At Lionel Diggings rock-chip values up to 21g/t Au have been recorded. No drilling has been carried out over the prospect. Poseidon and later Normandy carried out mapping, soil sampling and IP geophysical surveys over the McGain's Gossan prospect. At McGain's Gossan prospect BHP later completed drilling four RC holes over the prospect intersecting weak gold mineralization.

Newmont Exploration and Sipa Gold identified the tenements as highly prospective for high level gold mineralized intrusive deposits.

Little drilling has been carried out in the tenement and it remains highly prospective for gold. Our farm-in partners are undertaking mapping, stream sediment, rock-chip and soil sampling programs to determine drill targets.

3.6. CLERMONT PROJECT EPM 12928

The project area is under explored and is prospective for structurally controlled Belyando-style quartz-vein gold mineralisation in the Scurvy Creek Meta-arenite and the Hurley's Metamorphics. Within the tenement, these units host numerous abandoned small hard rock and alluvial gold workings.

Most are alluvial workings in residual gravels (0.3-1.5m thick) that formed during weathering of auriferous quartz veining in the underlying rocks.

The possible source rocks north of Birimgan Homestead have not been assessed in recent times despite their potential to host small to moderate sized quartz-vein gold deposits. The area has not been drill tested and is under explored.

3.7. CORNERSTONE INVESTMENT BY CHINA YUNNAN COPPER (AUSTRALIA) INVESTMENT AND DEVELOPMENT CO. LTD

The Company has secured the benefit of a cornerstone investment by China Yunnan Copper (Australia) Investment & Development Co Ltd (CYC) the Australian subsidiary of the China Yunnan Copper Industry Group Co. Ltd (YCI).

YCI is China's second largest copper concentrates producer and third largest copper cathode producer in 2006. YCI produced 130,000 tonnes of copper metal in concentrate and 360,000 tonnes of copper cathode in the 2006 calendar year. Projected copper cathode production for 2007 is 420,000 tonnes and this is projected to increase to 800,000 tonnes in 2010.

YCI has significant copper resources in China, which currently exceed 7.5 million tonnes of copper metal. By 2010 YCI is expecting to increase the global in situ resources of copper to more than 15 million tonnes of copper metal.

YCI is the largest silver producer in China with production exceeding 550 tonnes (17.68 million ounces) in 2006. Projected silver production for 2007 is 600 tonnes (19.29 million ounces). YCI is in the top 7 gold producers in China with production of 10 tonnes (321,507 ounces) in 2006. Projected gold production for 2007 is 12 tonnes (385,809 ounces). The total output of nonferrous metals of YCI in 2006 exceeded 450,000 tonnes, which also includes lead, zinc, nickel, bismuth and other metals.

YCI's turnover in 2006 exceeded RMB32.69 billion and profit before tax exceeded RMB 3.8 billion. YCI is currently undertaking a major expansion program and is actively investigating mining and trading opportunities throughout China and the world. This has led to the establishment of ventures in Inner Mongolia, Peru, Zambia, Laos and Australia.

In 2006 CYC sourced copper concentrate for YCI with a value of around USD200 million. It is anticipated that this amount will increase as new sources of supply are identified and as YCI increases its smelting capacity.

CYC will consider directing future business opportunities to China Yunnan Copper Australia Limited as well as providing technical and financial assistance where required.

CYC has subscribed a total of \$2,300,000 ahead of this prospectus and has been issued 16,428,571 Shares at an issue price of 14 cents each and will be issued pursuant to this Prospectus 16,428,571 free attaching Options to subscribe for Shares, each exercisable at 40 cents on or before 3 years from the date of grant.

CYC is considered a promoter of the Company.

For full details in respect of this investment see Section 10.4 of the Prospectus.

Additionally, CYC has also requested and been granted, a first right of refusal in respect of all of the Company's share in future mineral production from any of the tenements disclosed in the Prospectus.

At the time of completion of the Prospectus, assuming CYC maintains its current shareholding, CYC will hold 16,428,571 Shares in the Company representing 21.17% of the total voting shares in the Company.

In the event that CYC having been issued 16,428,571 CYC Options, were to exercise all of the CYC Options, assuming no other change in the issued share capital of the Company, CYC would at that time hold 32,857,142 Shares in the Company out of a total of 94,044,644, representing approximately 34.94% of the total voting shares in the Company.

Reflecting its substantial investment in the Company, CYC has appointed 3 representatives to the Board.



Drilling Operation at Dahongshan Copper mine of YCI, Yunnan, China

4. EXPLORATION OBJECTIVES & BUDGETS

4. EXPLORATION OBJECTIVES & BUDGETS

4.1. OBJECTIVES

CYCAL's broad objectives are to:

- Utilise its technical and corporate team to explore our tenements using modern exploration techniques to lead to discoveries suitable for major profitable development and production; and
- Drill test shallow and deep targets within its tenements from the significant funds raised in this Offer; and
- Investigate and evaluate new opportunities as and when they arise with the objective of rapidly growing our business in Australia and overseas.

4.2. ACHIEVING THESE OBJECTIVES

The Company believes it can achieve these objectives by carrying out the proposed exploration program and expenditure of \$3.47 million for the first two years as summarised in Table 1 below.

Expenditure following this period will be result governed and dependent on ongoing results and on any new projects acquired by the Company.

4.3. PURPOSE OF THE OFFER AND PLANNED EXPENDITURE

The purpose of the Offer is to raise funds to:

1. Explore the company's mineral interests as described in this Prospectus; and
2. Meet the ongoing administration costs of the Company and provide working capital.

Pursuant to the offer, CYCAL will raise up to A\$4.0 million. It is proposed that these funds will be utilised as follows along with the funds already held by the Company. Actual expenditure incurred on the projects may vary and will depend on the merits of results progressively achieved.

Programme and Budget

On completion of the Issue the Company has budgeted a program to expend up to \$3.47m over the next two years as presented in Table 1. No expenditure is proposed for the Ravenswood project as Newmont and Sipa are earning a farm-in for \$2million to earn 70% equity.



Smelter and Refinery of YCI at Kunming, China

Table 1 Proposed Expenditure

Work Programme	Year 1	Year 2	Total \$
Exploration, development and evaluation			
Cloncurry	625,000	925,000	1,550,000
Mt Isa	345,000	335,000	680,000
Pentland	330,000	350,000	680,000
Clermont	265,000	295,000	560,000
Sub-total	1,565,000	1,905,000	3,470,000
Administration costs and other expenses	600,000	660,000	1,260,000
Issue Costs	400,000		400,000
Total Expenditure	2,565,000	2,565,000	5,130,000

A breakdown of expenditure for proposed project exploration activities in the projects is summarised in Table 2

Table 2 Breakdown of expenditure for proposed project exploration activities

Exploration Activity	Cloncurry		Mt Isa		Pentland		Clermont	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Geological Studies	60,000	45,000	55,000	45,000	70,000	60,000	70,000	45,000
Geophysical Studies	190,000	180,000	80,000	90,000	45,000	40,000	30,000	
Geochemical Studies	75,000		60,000		65,000		65,000	
Drilling Activities	300,000	700,000	150,000	200,000	150,000	250,000	100,000	250,000
Total	625,000	925,000	345,000	335,000	330,000	350,000	265,000	295,000

General

The Directors are satisfied that on completion of the Issue, the Company will have sufficient working capital to carry out its stated objectives.

5. INDEPENDENT GEOLOGIST'S REPORT

5. INDEPENDENT GEOLOGIST'S REPORT

MINNELEX PTY. LTD.**GEOLOGICAL CONSULTING SERVICES & VALUATIONS****ABN 99 096 513 276**

283 Huntingdale St.
 Pullenvale
 Qld 4069
 July 23, 2007

The Directors
 China Yunnan Copper Australia Limited
 Level 5, 60 Edward Street
 Brisbane
 Qld 4000.

Dear Sirs

**Independent Geological Report On The Exploration
 Tenements Of China Yunnan Copper Australia Limited**

Minnelex Pty Ltd (Minnelex), was engaged by China Yunnan Copper Australia Limited (CYCAL) to prepare an Independent Geological Report relating to the mineral exploration interests of CYCAL for inclusion in a Prospectus prepared by CYCAL relating to the issue of up to 16 million shares at twenty-five cents per share. This report provides an independent geological appraisal and review of the exploration properties.

Tenement Summary

The exploration interests described in this report are as listed below. The tenements are held 100% by CYCAL.

CYCAL Tenements

Project	EL number	Principal Minerals
Cloncurry	12205, 15084, 15095	Au, Cu, U
Mt Isa	15248 (Application)	Au, Cu, U
Pentland	11487, 12900, 12901	Au, Cu
Ravenswood	11602, 11982, 15057	Au, Cu
Clermont	12928	Au, Cu

The status and tenure of the tenements have been independently reviewed and reported on in the Independent Tenement Report prepared by Hetherington Exploration and Mining Title Services Pty Ltd, whose report is included in the Prospectus. The locations of the tenement boundaries as defined are shown in the project maps accompanying this report.

INDEPENDENT GEOLOGIST'S REPORT

The report has been prepared by R C Pyper, BSc. FAusIMM, GAICD. Consultant Geologist.

The information used to prepare the report is drawn from discussion with the management of CYCAL and from reports prepared by them. We do not doubt the authenticity or substance of investigative reports and we have not carried out a total audit of the available information. Three days were spent in the project areas to review the geology and mineralisation.

This report is prepared in accordance with the relevant requirements and listing rules of the Australian Stock Exchange Limited, the Valmin Code of the Australasian Institute of Mining & Metallurgy and the Australian Securities Investment Commission [ASIC] Practice Note 42. The Valmin Code sets out the principles and matters, which should be taken into account in preparation of an expert report concerned with mining assets. Practice Note 42 provides guidance to ensure that the expert report is independent of the commissioning party and that the assessments contained within the report is in accordance with professional standards.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R Pyper', is positioned above the printed name.

R C W Pyper

Principal Minnelex Pty Ltd

INDEPENDENT GEOLOGIST'S REPORT

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INTRODUCTION

CYCAL holds five project areas prospective for copper and gold; the Cloncurry – Mt Isa tenements are also prospective for uranium. Four of the project areas are located in north Queensland and one, Clermont, in central Queensland.

CYCAL's Cloncurry - Mount Isa projects are located in the Proterozoic Mount Isa Inlier of northwest Queensland (Figure 1). The Mount Isa Inlier contains the Mary Kathleen uranium deposit and several other world-class metal deposits including Mount Isa (Cu and Pb-Zn-Ag), Century (Zn-Pb-Ag), Cannington (Pb-Zn-Ag) and Ernest Henry (Cu-Au).

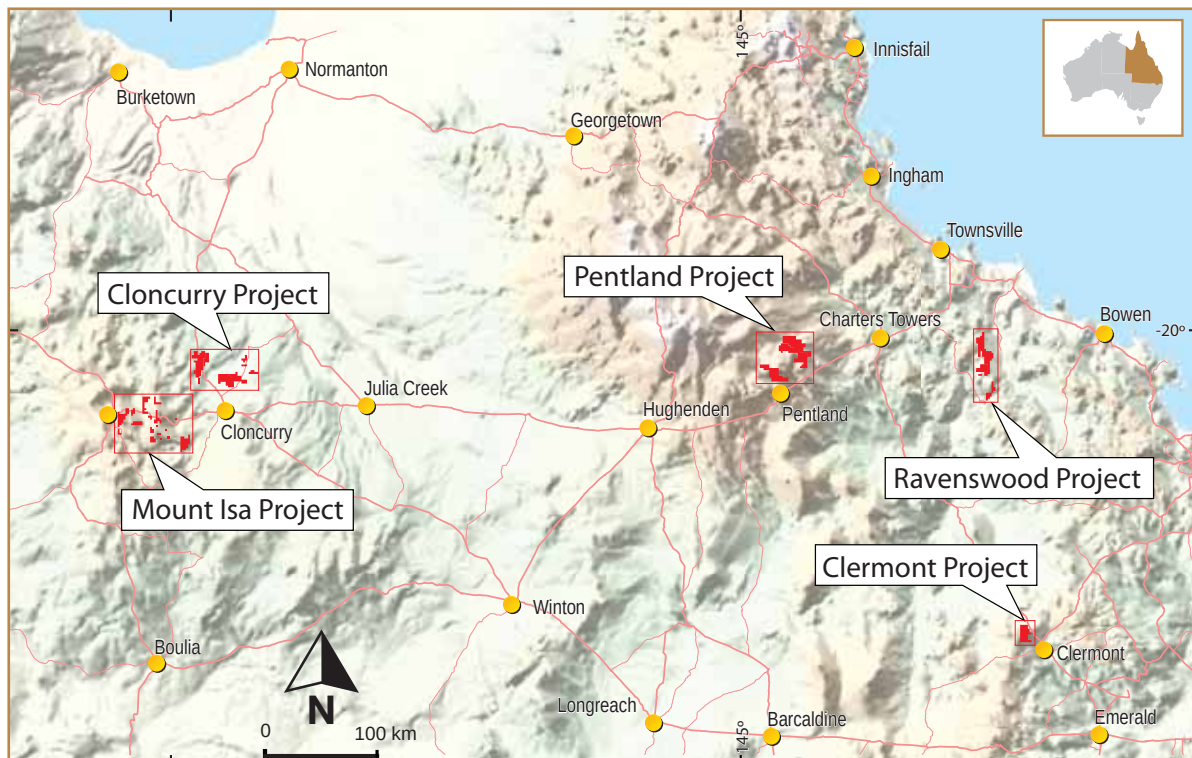


Figure 1: Project Location Map

Regional Geology

The Mount Isa Inlier covering 50,000 sq km has been divided into three broad tectonic units: the Western and Eastern Fold Belt Provinces separated by the older Kalkadoon-Ewen Province (Figure 2). The Western Fold Belt Province is subdivided into the Lawn Hill Subprovince in the west and the Leichhardt River Subprovince in the east separated by the Mount Gordon Fault zone. The Eastern Fold Belt Province is subdivided from west to east into the Wonga Subprovince, Quamby-Malbon Subprovince and the Cloncurry Subprovince.

Within the Mount Isa Inlier, two major Proterozoic age tectonostratigraphic cycles have been recognised. The early cycle is basement comprising sedimentary, volcanic and intrusive rocks that were deformed and metamorphosed at around 1870Ma by the Barramundi Orogeny. The second cycle is represented by three cover sequences that were deposited during extensional tectonism and terminated by the compressional 1590-1500Ma Isan

Orogeny (Queensland Department of Mines and Energy et. al., 2000).

The three cover sequences are major volcano-sedimentary packages separated by regional unconformities. Cover sequence 1 consists predominantly of 1870-1810Ma felsic rocks that are largely confined to the Kalkadoon-Ewen Province. Cover sequence 2 consists of widely distributed shallow water sedimentary rocks and bimodal volcanic rocks, and range in age from 1800 to 1740Ma. Cover sequence 3 contains mainly finer grained sedimentary and carbonate rocks with subordinate volcanic rocks, dated at 1700 to 1590Ma. These rocks are found mainly in the Western Fold Belt Province and the western part of the Kalkadoon-Ewen Province.

At about the same time the rocks of Cover sequence 3 were deposited in the Western Fold Belt Province, clastic and siliciclastic sediments and mafic volcanics of the Soldiers Cap Group were deposited in the Eastern Fold Belt Province.

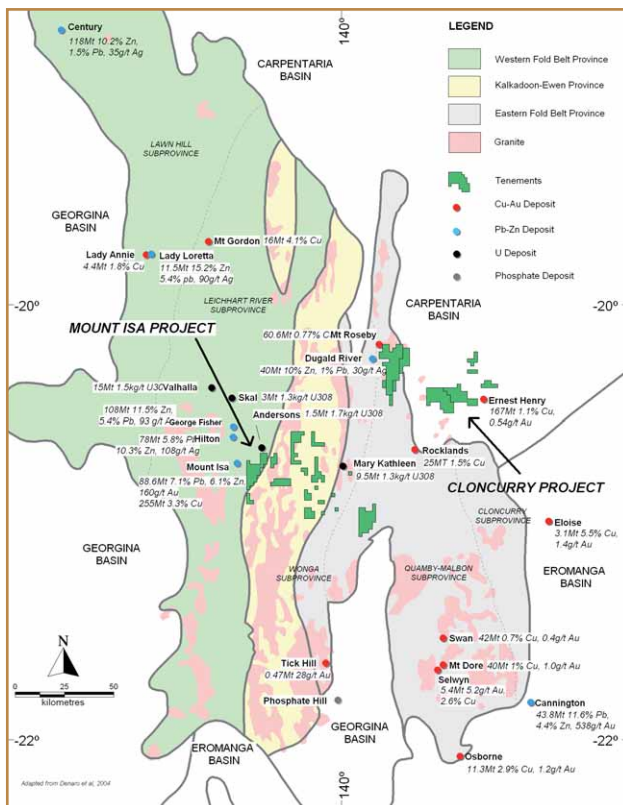


Figure 2: Mount Isa Inlier Tectonic Map Showing Major Deposits

These rocks have been subjected to more intense deformation than the rocks in the west.

The main granite batholiths exposed in the Mount Isa Inlier, from west to east, are the Sybella (1670Ma) in the Western Fold Belt Province, the Kalkadoon and Ewen (1879-1850Ma) in the Kalkadoon-Ewen Province, the Wonga (1750-1725Ma) in the Wonga Subprovince, and the Williams and Naraku Batholiths (1550 to 1495Ma) in the Quamby-Malbon and Cloncurry Subprovinces.

Regional Mineralisation

The Mount Isa Inlier is a highly mineralised province and a major producer of copper, lead, zinc and silver, and has also produced substantial amounts of gold, uranium and cobalt. Five main styles of mineralisation and some lesser styles account for most of the mineral resources within the rocks of the Mt Isa Inlier. These are represented by known deposits and include:

1. Intrusion related iron oxide-copper-gold deposits hosted within high-grade metamorphic rocks of Cover Sequence 2 in the Soldiers Cap Group in the Eastern Fold Belt. They are associated with relatively high temperature iron-rich alteration systems that are spatially and temporally related to the emplacement of the Williams and Naraku Batholiths. This style of mineralisation is often localised in dilation zones active during granite emplacement. Examples include magnetite-rich (oxidised) variants such as Ernest Henry (166 Mt at 1.1% Cu and 0.54 g/t Au).
2. Uranium mineralisation at the Mary Kathleen deposit (9.8Mt at 1.3kg/t U₃O₈) is hosted by metasediments of the Corella Formation. This skarn-hosted mineralisation was possibly formed by infiltration of metamorphic fluids along the Mary Kathleen Shear Zone. Minor amounts of uranium mineralisation have also been reported within sedimentary rocks of the Mesozoic Gilbert River Formation. This mineralisation occurs as roll-front style deposits.
3. Brecciated sediment-hosted copper deposits occur mainly within rocks of Cover Sequence 2 and these include the Mount Isa copper ore bodies and the Esperanza/Mammoth deposits at Gunpowder. Mineralisation is commonly hosted by brecciated dolomitic, pyritic and carbonaceous sedimentary rocks or brecciated sandstone proximal to regional fault/shear zones.
4. Sediment-hosted silver-lead-zinc deposits occur mainly within fine-grained sedimentary rocks of Cover Sequence 3 in the Western Fold Belt and include the Mount Isa Pb-Zn, Century, Hilton, George Fisher and Lady Loretta deposits. Sediment-hosted base metal mineralisation also occurs within Cover Sequence 3 equivalents at Dugald River in the Eastern Fold Belt.
5. Broken Hill style silver-lead-zinc deposits occur within high-grade metamorphic rocks near the base of Cover Sequence 2 in the Eastern Fold Belt. Cannington is the only major example. Mineralisation at Cannington is hosted by a garnetiferous psammite sequence within a migmatitic quartzo-feldspathic gneiss sequence.

Other significant mineral deposits within the Mount Isa Inlier include the Roseby copper project and the recently discovered Rocklands copper-cobalt-gold deposit, all of which are located in the Eastern Fold Belt. Structurally controlled fault and shear zone-hosted copper±gold mineralisation is common throughout the Kalkadoon-Ewen and Eastern Fold Belt Provinces. This style of mineralisation has provided the bulk of historical copper production in the Mount Isa Inlier and is spatially associated with fault and shear systems. Deposits are typically small with oxide and supergene enrichment zones that maybe high-grade. Examples of this style include the Blockade and Wee MacGregor mines.

The Roseby copper project comprises seven deposits located immediately west and north of EPM 12205. Native copper mineralisation is hosted within quartz-biotite-scapolite calc-silicate schists, and has formed by weathering processes within the regolith. Individual deposits are up to 2,000m long and 40m thick. They represent a reduced style of deposit that is typically magnetite poor and pyrrhotite rich, and generally associated with country rocks containing carbonaceous metasediments, such as Mount Roseby (60.6Mt at 0.77% Cu).

Wide intersections of low-grade copper-cobalt-gold mineralisation have been reported from the Rocklands project held by CuDeco Limited located 25km to the south of CYCAL's Cloncurry tenements. Mineralisation is hosted by metavolcanics and dolerites within major northwest trending shear zones. Native copper mineralisation is common and is hosted within the regolith overlying the primary mineralisation.

CLONCURRY PROJECT (EPMS 12205, 15084 AND 15095)

Location and Access

The Cloncurry Project comprises Exploration Permits for Minerals (EPMs) 12205, 15084 and 15095 which are located between 20km and 40km north and northwest of Cloncurry in northwest Queensland (Figure 1). Access to the project is via the sealed Cloncurry-Quamby and Burke Development Road, and the sealed Cloncurry-Ernest Henry Road. Numerous well-maintained secondary roads and station tracks provide good access to most parts of the Project.

Geology

The Cloncurry Project lies in the Quamby-Malbon zone of the Eastern Fold Belt Province of the Proterozoic Mt Isa Inlier (Figure 2).

The oldest rocks in the western part of the Project belong to the Middle Proterozoic Soldiers Cap Group (Figure 3). These rocks comprise feldspathic quartzite, orthoquartzite, amphibolite, schist and minor calc-silicates, and crop out as a north trending belt (Boomara Horst) east of the Mt Rosebee Prospect. The Soldiers Cap Group is overlain by the Middle Proterozoic Corella Formation which comprises amphibolite facies calcareous, clastic and micaceous metasediments with granofels, and calc-silicate breccia. The Corella Formation is exposed west and south of Quamby, and is conformably overlain by the Middle Proterozoic Knapdale Quartzite which comprises mainly feldspathic and calcareous sandstone. The Knapdale Quartzite is overlain by the Middle Proterozoic Lady Clayre Dolomite which consists of well bedded to laminated dolomite and pyrrhotitic dolomitic siltstone.

The Upper Proterozoic Quamby Conglomerate rests unconformably on the Corella Formation and is exposed in two elongated fault-bounded grabens, west and southwest of Quamby.

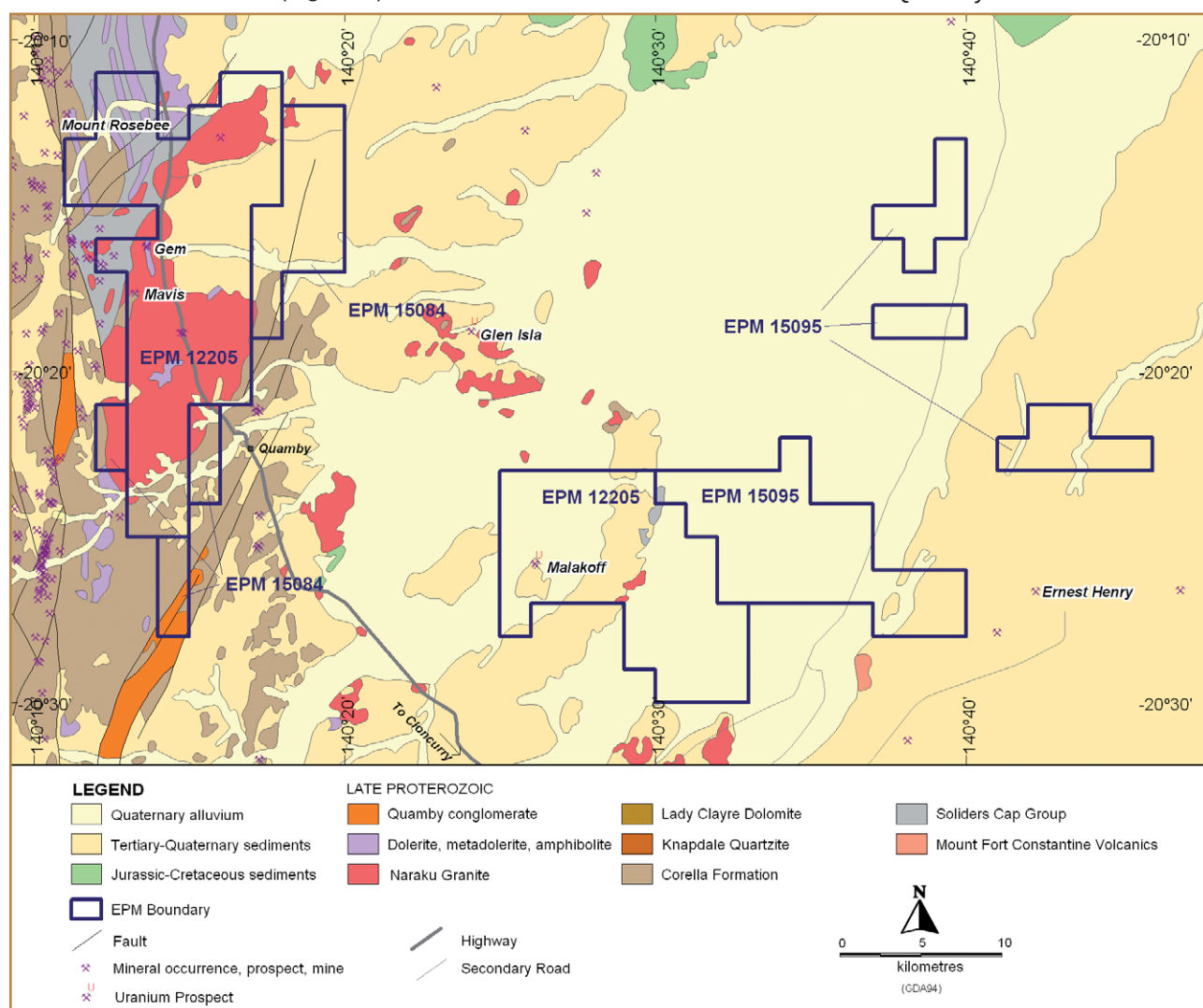


Figure 3: Cloncurry Project Geology

The main rock types are conglomerate, arkose, quartz sandstone and greywacke.

The Naraku Granite (1500 Ma) which forms part of the Williams Supersuite is mainly exposed in the western part of the Project area where it intrudes the Soldiers Cap Group and the Corella Formation. The largest exposure is an elongated pluton northwest of Quamby. The Naraku Granite is highly fractionated and enriched in incompatible elements.

The Proterozoic rocks in the central and eastern parts of the Project are overlain by Mesozoic and Cainozoic sediments which form part of the Carpentaria Basin. The Mesozoic rocks are poorly exposed, with the main rock types being mudstone, calcareous shale, limestone, sandstone and siltstone.

The Proterozoic geology underlying the Mesozoic cover is largely inferred from geophysical datasets, supported by scattered outcrop and drilling. The basement rocks comprise meta-sedimentary and metavolcanic sequences thought to correlate with the Corella and Argylia Formations and Soldiers Cap Group. Large granitoid plutons and smaller stocks and cupolas intrude these units, correlating with the outcropping Naraku Granite to the southwest and west.

An outcrop of metavolcanics near Mount Fort Constantine is thought to be equivalent to the Middle Proterozoic Argylia Formation.

Quaternary and Tertiary sediments form alluvial, colluvial, residual (including silcrete and ferricrete) and lacustrine deposits blanketing outcrop throughout most of the central and eastern parts of the Project.

Previous Exploration

Many companies have explored the area since the 1950s targeting gold, base metals (Cu, Pb, Zn) and uranium. Most of the early work focussed on the nearby Mount Rosebee Prospect and other copper prospects west of the Mount Rosebee Fault (Figure 4). At the same time several companies explored for roll-front type uranium deposits within palaeochannels in the Mesozoic cover. The exploration emphasis changed in the early 1990s when several companies began targeting magnetic features in outcropping and concealed Proterozoic rocks for Ernest Henry style copper-gold deposits. A summary of the most relevant work is given below.

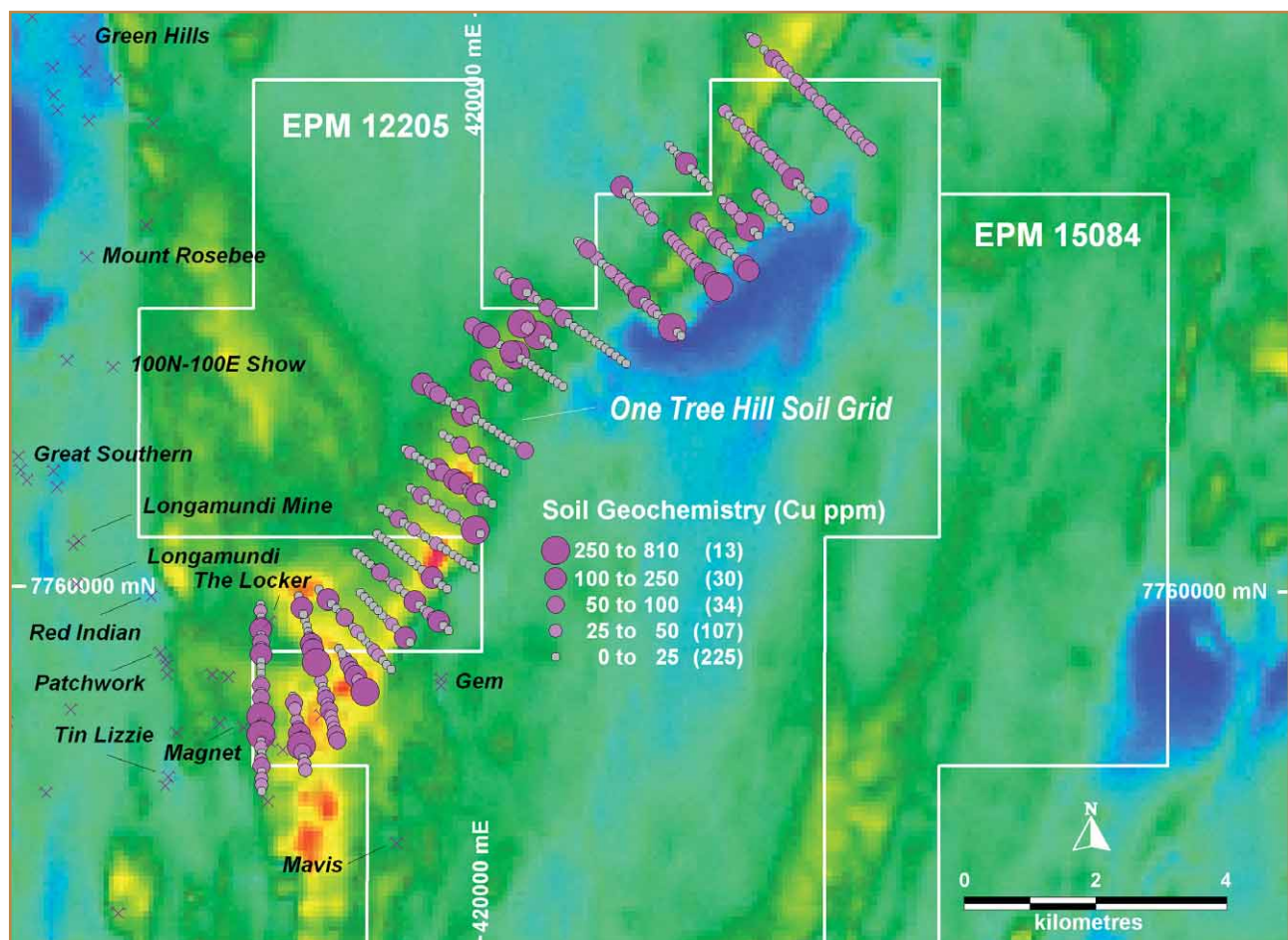


Figure 4: One Tree Hill Prospect Soil Copper Geochemistry Over Magnetic Image

Chevron Exploration Corporation (Chevron) explored ATP 1441M during 1974 for uranium deposits in sedimentary palaeochannels. At the Malakoff prospect (Figures 3 & 8) a narrow intersection (0.3m at 320ppm U308) was discovered at the base of the Gilbert River Formation at a depth of 35m (Morgan and Walker, 1975).

The Malakoff area was later investigated by Mines Administration Pty Ltd (MINAD) under ATP 1781 and MINAD and Teton Exploration Drilling Company Pty Ltd (Teton) under ATP 1832 during 1977-80.

Further drilling programmes and down-hole geophysics and ground IP-Resistivity surveys were completed. This work identified several possible palaeochannels east and southeast of the Malakoff Prospect which could represent favourable sites for roll-front type uranium mineralisation (Figure 8).

The most extensive exploration was undertaken by Western Mining Corporation (WMC) and MIM Exploration Pty Ltd (MIM) during 1990-2005 while

exploring EPM 8648. Both companies tested magnetic responses at seven prospects for Ernest Henry-style copper-gold mineralisation using various methods including regional aeromagnetic, gravity, ground magnetic, IP-Resistivity and MIMDAS geophysical surveys. They also completed low-detection soil sampling and diamond, RC, percussion and aircore drilling programmes. The most significant results were obtained at the FC4 Prospect (FC4-Rhea Extended and FC4NW) where broad spaced drilling intersected low-grade copper-cobalt mineralisation in tuffaceous metasilstone and metavolcanic rocks associated with a 1.2 x 1.2km alteration system (Kiekniacz et al., 2005).

A summary of significant drill hole results is shown in Table1. Drill hole locations are shown in Figure 5 and a simplified cross section in Figure 6.

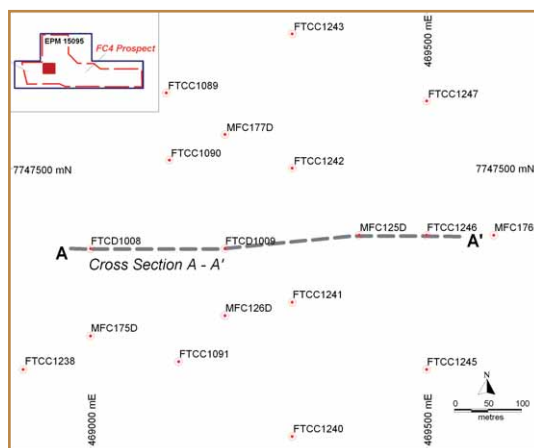


Figure 5: FC4 Prospect Drill Hole Locations

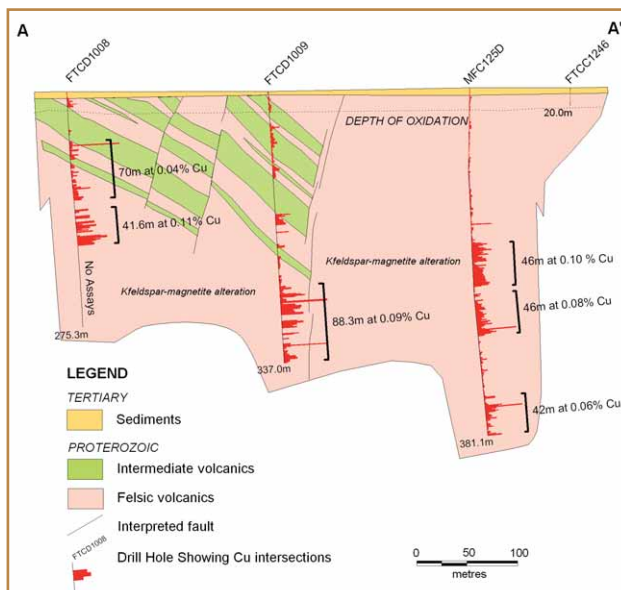


Figure 6: FC4 Prospect Simplified Cross Section

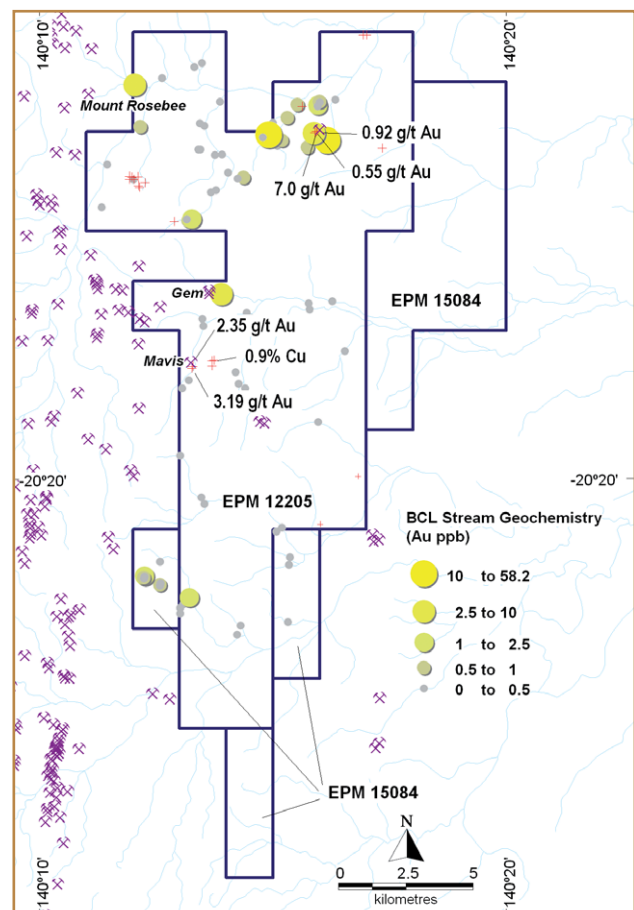


Figure 7: Significant Stream Sediment and Rock Chip Results

Table 1: Summary of Significant Drill Hole Intersections (>1,000ppm Cu)

Hole ID	Company	Hole Type	From (m)	To (m)	Interval (m)	Cu (ppm)	Co (ppm)	Au g/t
FTCC1091	WMC	RC	24	34	10	1,053	168	<0.01
FTCC1243	WMC	RC	22	28	6	1,230	230	<0.01
FTCD1008	WMC	Diamond	57	63	6	1,053	-	<0.01
FTCD1008	WMC	Diamond	151.2	163.6	12.4	1,219	-	<0.01
FTCD1008	WMC	Diamond	166.7	178.6	11.9	1,837	-	<0.01
FTCD1009	WMC	Diamond	210	255	45	1,035	72	<0.01
FTCD1009	WMC	Diamond	262	270	8	1,569	94	0.03
FTCD1009	WMC	Diamond	288	294	6	1,207	60	<0.01
FTCD1009	WMC	Diamond	302	308	6	1,407	115	<0.01
MFC00106R	MIM	RC	4	32	28	1,008	68	0.04
MFC00106R	MIM	RC	100	112	12	1,032	144	<0.01
MFCC00124R	MIM	RC	64	70	6	1,075	104	<0.01
MFCC125D	MIM	Diamond	171	194	23	1,003	163	<0.01
MFCC125D	MIM	Diamond	194	219	25	1,018	167	<0.01
MFCC125D	MIM	Diamond	248	272	24	1,011	155	<0.01
MFCC125D	MIM	Diamond	348	363	15	1,029	130	<0.01
MFC126D	MIM	Diamond	239	244	5	1,030	298	<0.01
MFC126D	MIM	Diamond	248	254	6	1,045	172	<0.01
MFC126D	MIM	Diamond	257	271	14	1,085	187	<0.01
MFC126D	MIM	Diamond	282	297	15	1,003	170	<0.01
MFC126D	MIM	Diamond	317	335	18	1,014	166	<0.01
MFC126D	MIM	Diamond	336	344	8	1,079	177	<0.01
MFC126D	MIM	Diamond	352	358	6	1,108	212	<0.01
MFC98087RC	MIM	RC	162	172	10	1,039	196	<0.01

During 1992-9, Hunter Resources Limited (Hunter), MIM and Eagle Corporation NL (Eagle) explored EPM 8585 for Ernest Henry style mineralisation along the western contact of the Naraku Granite near the Mount Rosebee Fault. They undertook regional and follow-up stream sediment sampling (BCL and -80#) which defined several drainages with anomalous values up to 58.2ppb Au (Figure 7).

A summary of significant stream sediment results is shown in Table 2. Anomalous rock chip values up to 7 g/t Au and 0.89% Cu were also returned (Table 3).

Table 2: Summary of Significant Stream Sediment Results (>5ppb Au)

Sample No	Sample type	Easting	Northing	Au (ppb)
E6136	BCL	421520	7764160	12.1
E6140	BCL	423710	7763989	58.2
E6141	BCL	423220	7764240	8.9
N-NBL6609	BCL	416517	7766016	6.9

Table 3: Summary of Significant Rock Chip Results

Sample No	Sample type	Easting	Northing	Au (g/t)	Cu (%)
NKL-04	Rock Chip	423220	7764320	7.00	0.89
8585-002	Rock Chip	419500	7755860	0.10	0.88
8585-004	Rock Chip	418700	7755640	2.35	-
8585-005	Rock Chip	418680	7755560	3.19	-

Exploration Potential

Several prominent aeromagnetic features are present in basement rocks (Figure 8). These are prospective for iron oxide copper gold mineralisation similar to the nearby Ernest Henry deposit, and several justify further investigation.

- For example, low-grade copper mineralisation was intersected in holes drilled by WMC and MIM to test a large magnetic anomaly at the FC4 Prospect (Figure 8). The copper mineralisation covers an area of about 500m X 400m and it has not been tested at depth or fully closed off along strike, and therefore follow-up investigations including deeper drilling are warranted.
- In the western part of the Project, CRA located a series of soil copper responses at the One Tree Hill Prospect which are coincident with a major northeast trending magnetic high (Figure 4) that marks the contact between basement rocks and the Naraku Granite. The anomalous soil geochemistry ranges up to 810ppm Cu and has not been tested by drilling despite being present discontinuously along a 12km strike length.

Apart from the copper-gold mineralisation, there is potential for uranium deposits in sedimentary palaeochannels within the Mesozoic cover.

- At the Malakoff Prospect, a narrow intersection of low-grade uranium (0.3m at 320ppm U308) was discovered by Chevron during 1974 at the base of the Gilbert River Formation. The occurrence was likely formed by uranium mobilising from older uranium enriched rocks such as the Naraku Granite under low temperature oxidising conditions, and precipitated by oxidation-reduction (redox) reactions in the overlying sediments. A typical drill section of the Malakoff Prospect is shown in Figure 9.
- Later investigations by MINAD-Teton identified several possible palaeochannels east and southeast of the Malakoff Prospect. Additional ground geophysical surveys and shallow drilling are required to confirm the presence of these palaeochannels which are prospective for roll-front type uranium mineralisation.

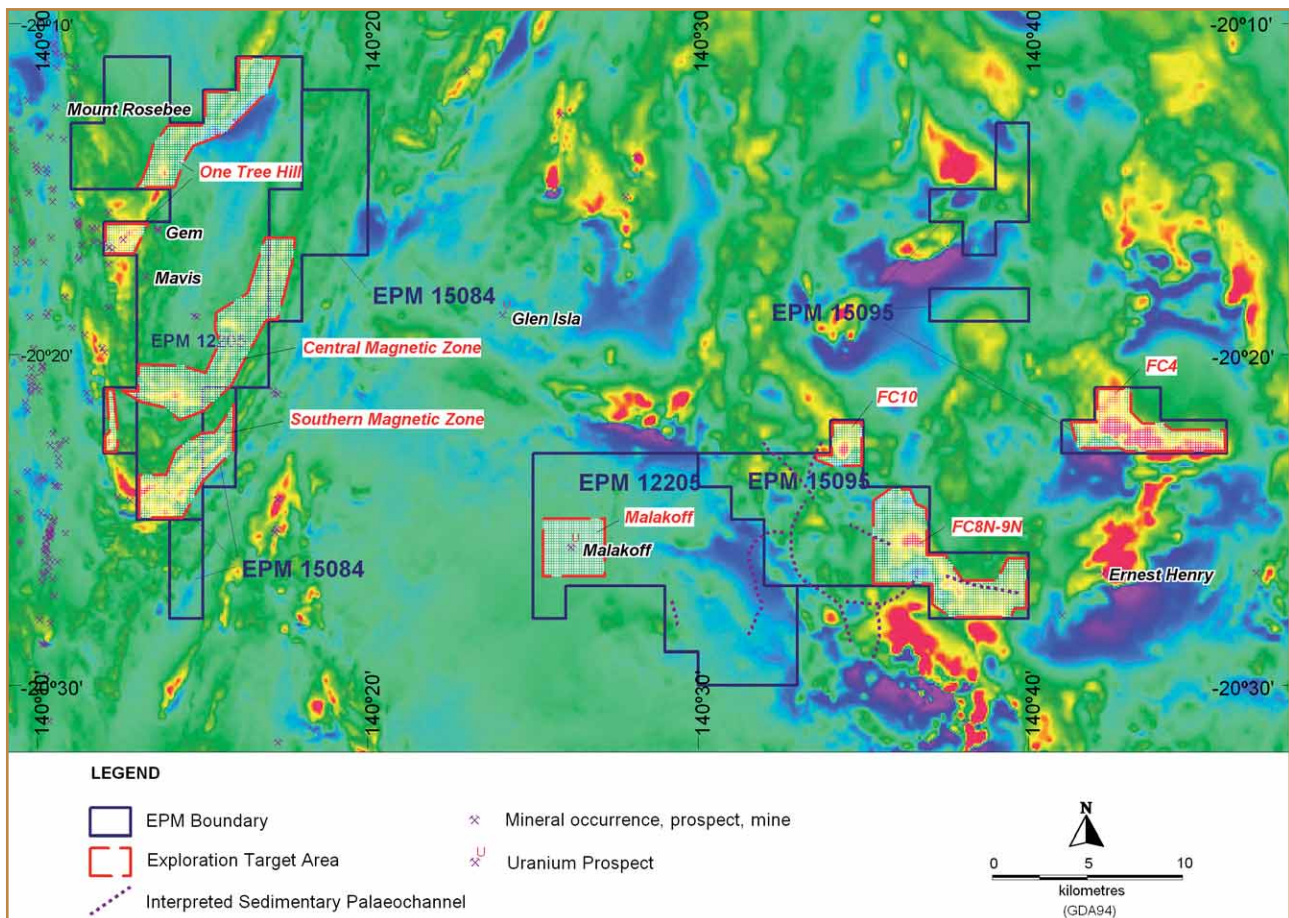


Figure 8: Airborne Magnetic Map Showing Target Areas

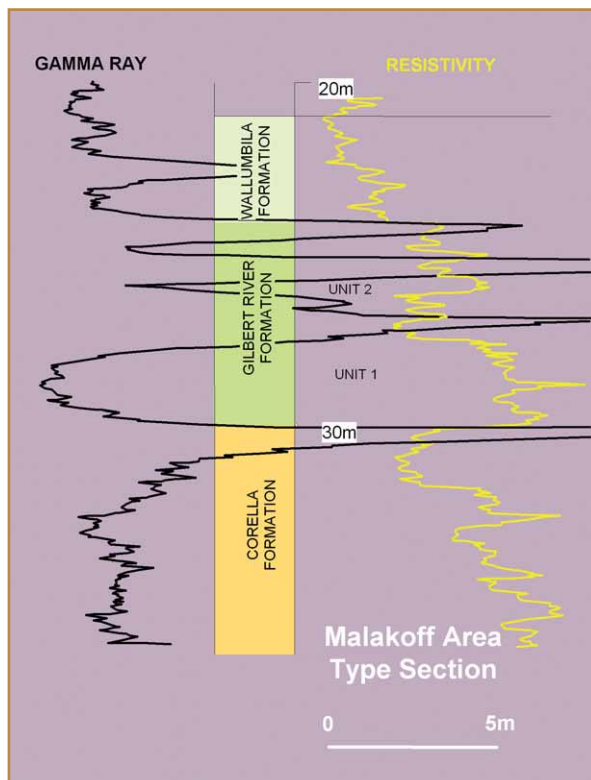


Figure 9: Malakoff Area Typical Drill Section

Proposed Exploration Programme and Budget

The Company plans to explore the Cloncurry Project for both Ernest Henry-style copper-gold mineralisation and roll-front type uranium. It will investigate the FC4 and One Tree Hill Prospects and other targets related to the emplacement of the Naraku Granite using one or more geophysical methods such as ground magnetics or sub audio magnetics (SAM), IP or EM. RC and possibly diamond drilling will be used to test the most promising geophysical responses.

Priority areas that have outcrop or minimal cover like the One Tree Hill Prospect will be geologically mapped and sampled, and covered by wide-spaced low-detecting soil sampling prior to undertaking geophysical surveys. At the same time the Company will investigate the Malakoff Uranium Prospect and confirm the existence of palaeochannels in the Mesozoic cover by undertaking IP-Resistivity surveys and shallow RC drilling. Palaeochannels identified will be tested with further RC drilling and down-hole geophysics to test for the presence of uranium mineralisation.

The two-year programme will cost up to \$1,550,000.

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MOUNT ISA PROJECT (EPMA15248)

Location and Access

EPMA 15248 is located between 5km and 70km east and east southeast of Mount Isa in north-western Queensland (Figure 1). Access from Mount Isa is via the Barkly Highway which connects to numerous secondary roads and station tracks which transect the Project area.

Geology

The EPMA lies within the Leichhardt River Subprovince of the Western Fold Belt of the Mount Isa Inlier, and within the Kalkadoon–Ewen Province, and the Wonga and Quamby-Malbon Subprovinces of the Eastern Fold Belt (Figure 2).

The oldest rocks in the Project area belong to the Kurbayai Migmatite which is intruded by the Kalkadoon Granite and crops out on the western side of the Kalkadoon-Ewen Province near the Gorge Creek Fault (Figure 10). The Kurbayai Migmatite is overlain by volcanic and metamorphic rocks of the Tewinga Group (Leichhardt Metamorphics, Mega Lynn Metabasalt and the Argylla Formation).

In the eastern part of the Project, the Tewinga Formation is overlain by the volcanics and sediments of the Malbon Group, Bottletree Formation and Haslingden Group.

These units are in turn overlain by the Quilalar Formation and Mary Kathleen Group sediments which have been intruded by granites of the Wonga and Burstall Suites. These granites intruded the Kalkadoon-Ewen Province and the Eastern fold Belt Province during a major extensional event between 1750-1725Ma (Wonga igneous event). Coeval with the Burstall Suite is the Lunch Creek Gabbro, which crops out east of Mary Kathleen uranium mine.

Fluvial and shallow marine sediments and subordinate bimodal volcanics of the Surprise Creek Formation and Mount Isa Group crop out in the Western Fold Belt Province, and Mount Albert Group (Knapdale Quartzite) in the Wonga Subprovince. The Naraku Granite (1500Ma) is exposed in the Eastern Fold Belt where it intrudes Mary Kathleen Group rocks, which are unconformably overlain by the Quamby Conglomerate. The Quamby Conglomerate is exposed in the north-eastern part of the area in an elongated fault-bounded graben.

Georgina Basin sediments of Cambrian age overly the Tewinga Group (Argylla Formation and Magna Lynn Metabasalt) along the faulted margin of the Burke River Structural Belt in the south-eastern part of the area. In the eastern part of the area, the Proterozoic rocks are overlain by a thin veneer of Mesozoic and Cainozoic sediments.

Several occurrences of shear and fault controlled copper-gold mineralisation are recorded in EPMA 15248. These deposits are generally hosted in shales, calc-silicates or metabasalts, and less commonly in felsic igneous rocks and metadolerite. They are characterised by small tonnages, but relatively high grades, especially in the oxidised zone. Ore minerals are typically chalcopryrite, chalcocite, bornite, malachite, azurite and pyrite in a gangue of quartz or calcite.

Previous Exploration

More than 40 companies have explored the area since the late 1940s targeting a wide variety of commodities including uranium, phosphate, tin, tungsten, base metals and gold. Most of the early work focussed on base metals and then uranium following the easing of Government restrictions in 1954.

The exploration emphasis later changed mainly to copper. During the 1970s to 1990s this led to the renewed mining of many of the major historical copper deposits, when open pit mining and heap leach technologies made lower grade ore profitable. Exploration increased markedly in the early 1990s with the discovery of the Ernest Henry copper-gold mine.

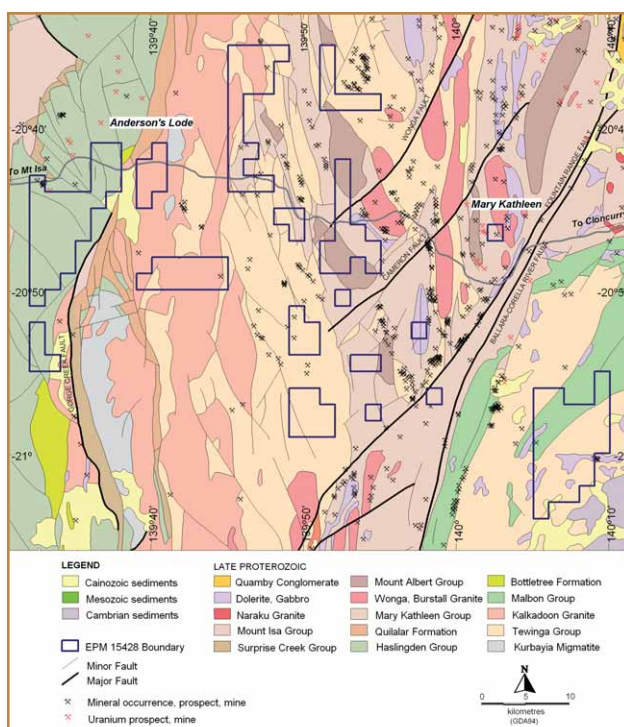


Figure 10: Mount Isa Project Geology

Previous exploration undertaken in the tenement has been comprehensive and mainly consisted of regional stream sediment programmes (-80#, BCL) and numerous rock chip sampling, mapping and soil sampling programmes around known workings and mines to test for possible extensions. Regional airborne magnetic and radiometric surveys have been flown by several companies and ground geophysical surveys such as IP and magnetics have been undertaken at some prospects. A few of the old mines and workings in the area have been tested by shallow drilling with limited success.

Exploration Potential

- The EPMA covers parts of the highly mineralised Kalkadoon-Ewen and Eastern Fold Belt Provinces of the Mount Isa Inlier and has potential for the discovery of buried oxide copper gold deposits similar to Ernest Henry or the non magnetic Roxby Downs deposits.
- Potential exists for the discovery of shear-hosted uranium deposits associated with Corella Formation rocks and the emplacement of the Burstall Granite and in the highly radioactive Argylla Formation, as well as stratabound uranium in metamorphosed basic volcanics and sediments of the Eastern Creek Volcanics. The Eastern Creek Volcanics are exposed in the western part of the Project area and host the nearby Anderson's uranium deposit (1.5Mt at 1.7kg/t U₃O₈).
- There is potential for small to medium sized low-grade oxidised and supergene copper-gold resources, mainly as extensions of known mineralisation. These types of deposits are fault or shear controlled and often amenable to heap and vat leaching, using solvent extraction and electrowinning treatment.

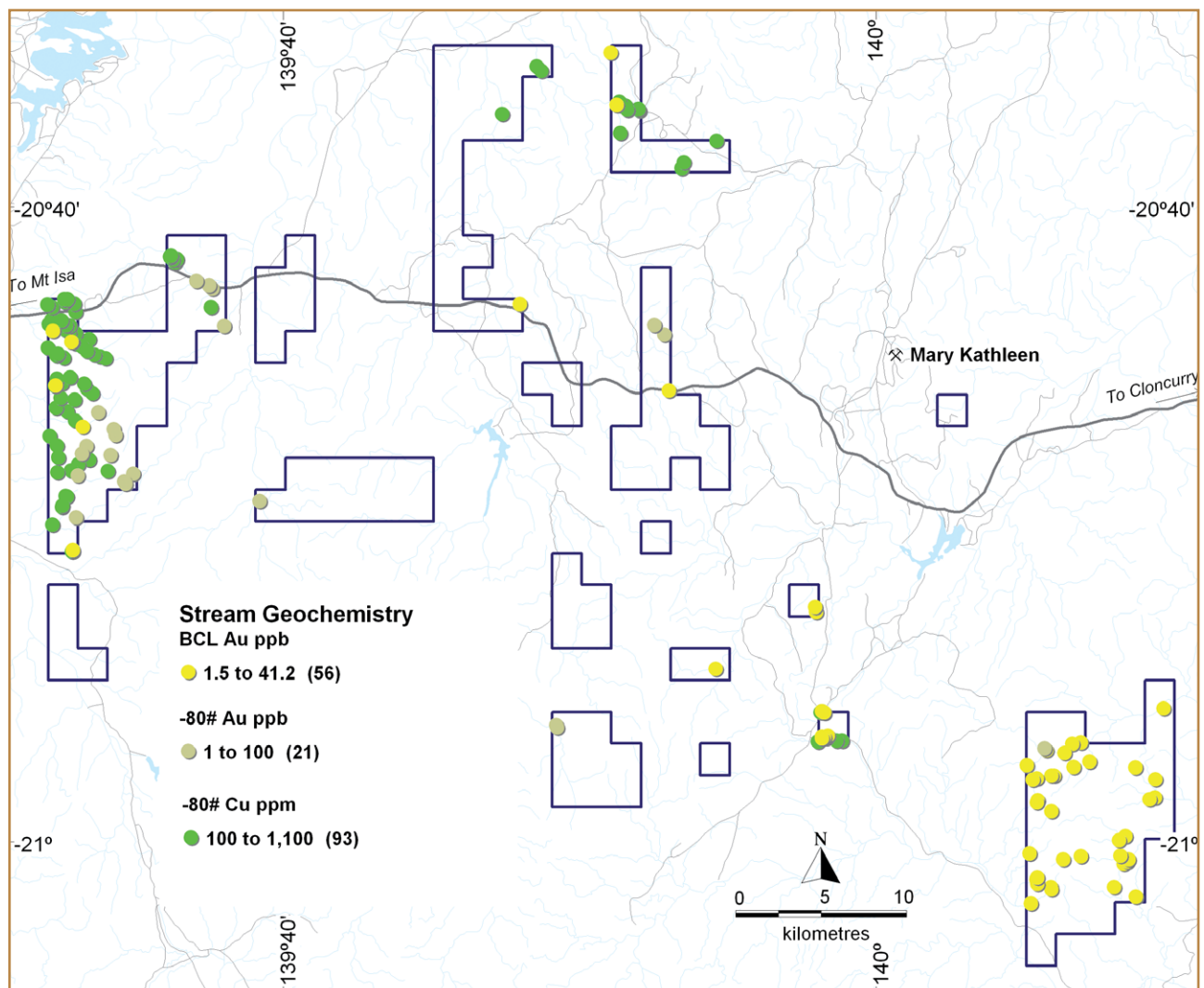


Figure 11: Mount Isa Project Anomalous Stream Geochemistry

- A compilation of previous exploration results shows there are many areas within the EPMA with highly significant copper-gold stream geochemistry (Figure 11). A few of the anomalous areas drain abandoned mines and workings, but most cannot be adequately explained and maybe due to geochemical haloes or leakage around buried or poorly exposed copper-gold occurrences.

Proposed Exploration Programme and Budget

The Company will be exploring its Mount Isa Project for both copper-gold and uranium deposits and has proposed a two-year programme amounting to \$680,000.

A large amount of previous exploration has been undertaken and the initial focus will be on reviewing this work and compiling a GIS database along with a structural interpretation and study of airborne magnetic and radiometric data. Targets generated will be assessed using a variety of exploration methods including stream sediment, low-detection soil and rock chip sampling programmes and geological mapping. It is expected that priority areas will be further explored with one or more ground geophysical surveys such as ground magnetics and radiometrics, IP or EM. Favourable responses will be drill tested in the first and second year.

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PENTLAND PROJECT (EPMS 11487, 12900 AND 12901)

Location and Access

The Pentland Project comprises EPMS 11487, 12900 and 12901 and is located between 8.5km and 25km north and northeast of the small township of Pentland in north Queensland (Figure 1). Access to the southern and south-western parts of the Project is via the Flinders Highway and then by 4WD track along the Campaspe River or Mundic Creek (Pentland–Cornelia Road). The northern section of the project area is rugged and vehicle access via Myola, Mount Hope and Bodala Stations is limited. Access to the eastern part of the project from Homestead is via Allandale Station.

Geology

The oldest rocks are the Late Proterozoic to Early Cambrian Cape River Beds, which consist of schist, gneiss and quartz, and crop out in the southern part of the Project area. Strongly deformed granites of probable Proterozoic age are exposed adjacent to the Cape River Beds (Figure 12). Both of these units were intruded by the Lolworth Batholith in the Late Silurian to Early Devonian.

The Lolworth Batholith has been divided into three main magmatic suites, the Amarra Suite which

comprises muscovite-biotite granite and is the largest pluton in the Batholith, the Grasstree suite which includes all of the layered leucocratic-aplite-pegmatite sheets and dykes, and the Hodgon Suite which included the hornblende-biotite granite to granodiorite.

A subvolcanic complex called the Mundic Igneous Complex intrudes the Lolworth Batholith in the central and southern parts of EPM 12900 and is of Late Carboniferous to Permian age. Coeval with the Mundic Igneous Complex is an extensive swarm of northwestern trending dykes which range in composition from dolerite/microdiorite to rhyolite.

Large areas of Tertiary age Campaspe Formation piedmont deposits fringe the Lolworth Batholith. These sediments have been subject to intense weathering resulting in the development of ferricrete and silcrete horizons. Widespread flows of olivine basalt occur in the north of the area and are of Pliocene to Recent age. The youngest flow is the Toomba Basalt which is characterised by lack of soil development and vegetation.

There are three major centres of historical gold mining activity and several scattered smaller mining areas in the area of interest. The major centres are the Upper Cape Group Diggings, Mount Stewart Group and Lolworth Diggings (Figure 12). The Upper Cape Group Diggings are located near the southern edge of the Lolworth Batholith.

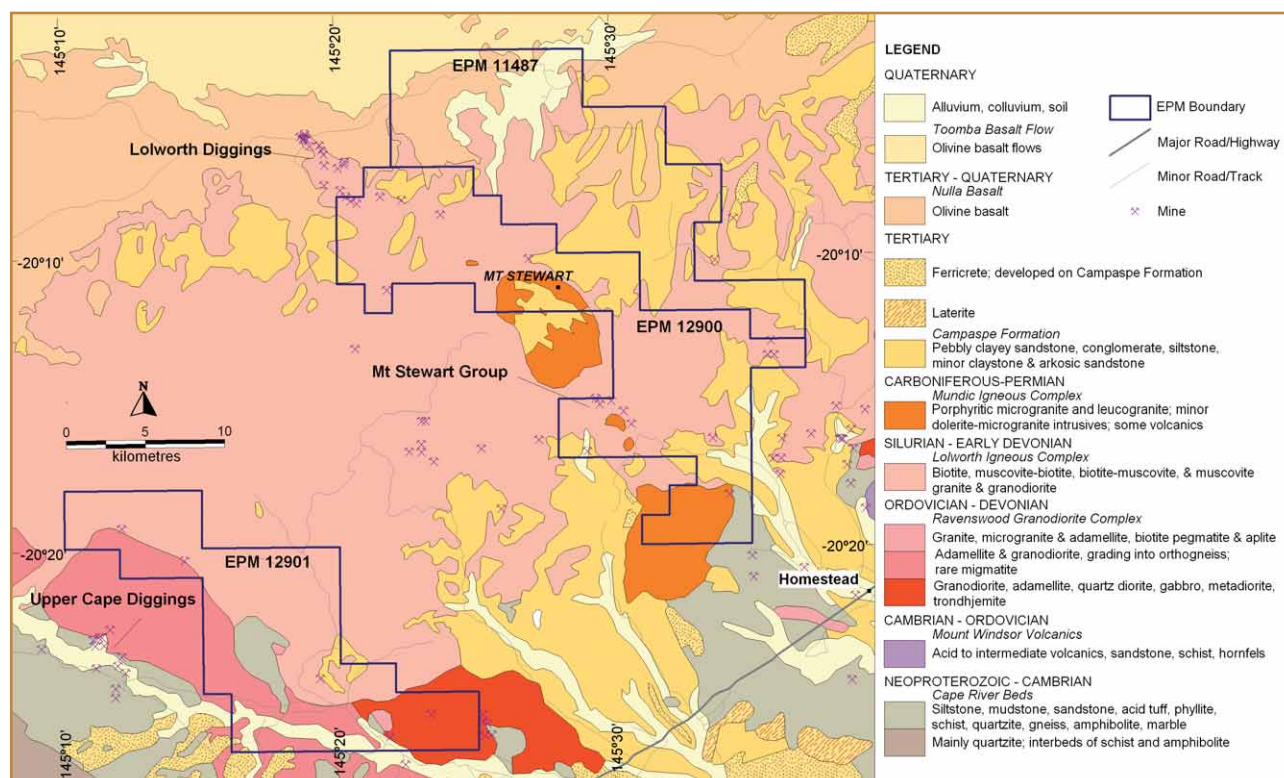


Figure 12: Pentland Project Geology

Gold is found mainly in Tertiary deep leads within palaeochannels of the present Cape River. In the northern part of the Batholith gold-silver-copper mineralisation at the Lolworth Diggings and Mount Stewart Group is thought to be related to late stage Permian and Carboniferous intrusions, including the Mundic Igneous Complex.

Previous Exploration

Numerous companies have explored the area since the late 1960s, initially for base metals and uranium, with gold being the main target after the early 1980s. Most of the work has consisted of regional stream sediment sampling (BCL, -80# and pan concentrate) and various rock chip sampling programmes around known working and mines. In most cases limited follow-up of anomalous results was undertaken primarily because of difficult access. The most significant exploration relevant to the Project area is summarised below:

Australian Overseas Mining Limited (AOM) investigated ATPs 5112M and 5913M during 1988-9 for intrusive related gold deposits. They followed up previous stream sediment geochemistry and located a 3km x 1.5km area of mineralised quartz veining at The Gap Prospect. The quartz veining is hosted in sericite altered granite that is intruded by two generations of northwest trending dykes. Nine major veins were identified and are 0.2-7m

wide and 50-300m long. Sampling returned highly anomalous values up to 48.9g/t Au and 145 g/t Ag (Dudgeon & Beams, 1989). AOM completed a soil sampling programme (-80#) over a 300m x 300m grid and drilled 10 percussion holes totalling 453m along a 100m section of the quartz veining. All holes intersected Au, with the best intersection being 5m at 2.54g/t Au. Other significant drilling results include 8m at 1.9g/t Au and 2m at 3.41g/t Au.

Mount Stewart Gold Pty Ltd investigated EPMs 10859 and 10877 during 1995-8. They compiled previous exploration results and undertook stream sediment sampling (-80#, quartz lag) which located anomalous drainages at seven areas. Only the Ralph's Ridge and Dead Horse Breccia Prospects were investigated. At Ralph's Ridge, mapping and soil sampling was completed. The soil sampling outlined three main gold zones (Figure 13) associated with variably altered, brecciated and quartz veined granite (Colville, 1999).

Mapping was undertaken at the Dead Horse Breccia Prospect to investigate two significant stream sediment anomalies (341ppb Au, 50ppb Au). However, no mineralisation was found and the source(s) of the stream sediment anomalies remain unresolved. Further exploration was recommended but never carried out.

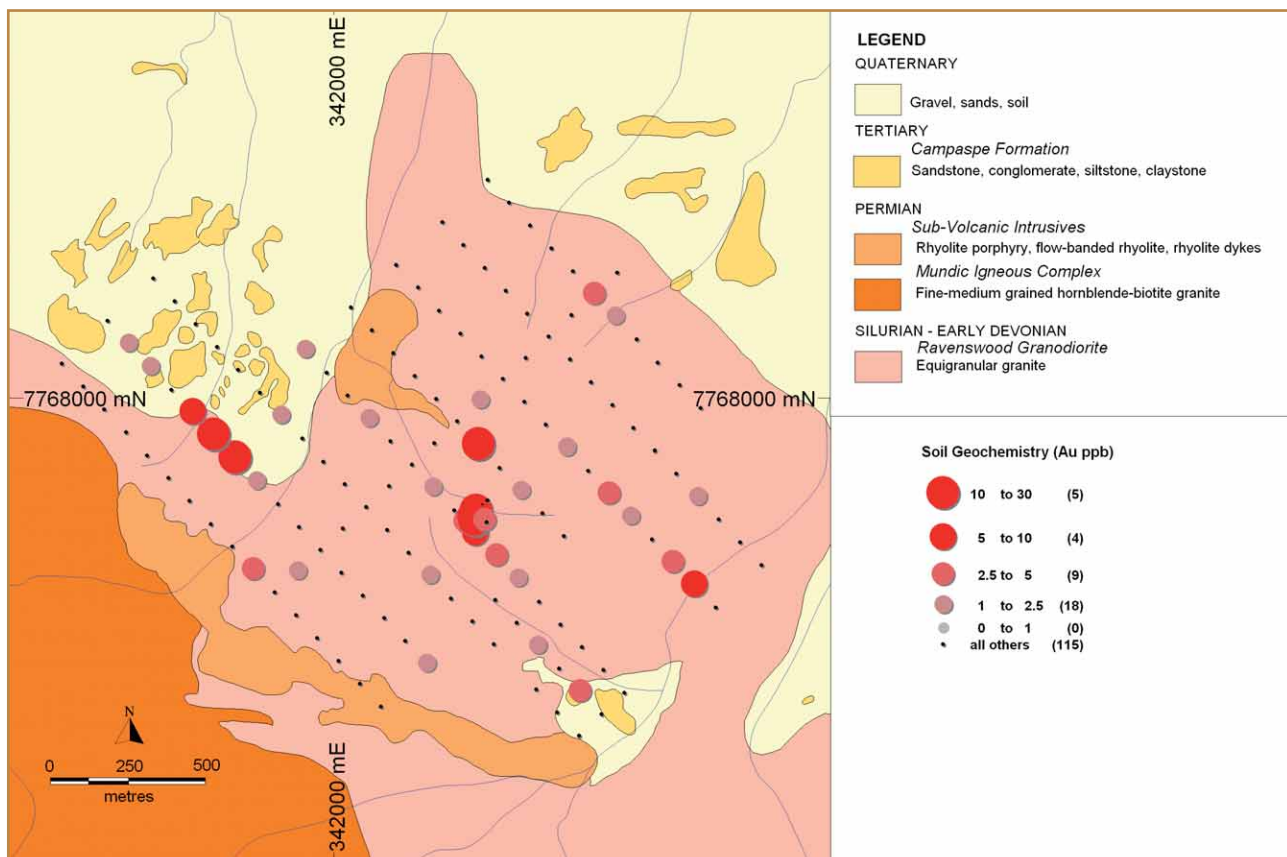


Figure 13: Ralph's Ridge Prospect Soil Geochemistry

Exploration Potential

Historical gold production from the area has mainly come from narrow high-grade quartz veins and small structurally controlled intrusive breccia bodies. This type of mineralisation is of interest, but the main target is intrusive related gold associated with Carboniferous to Permian subvolcanic intrusives. Similar age rocks host the Mount Leyshon (48Mt at 1.3g/t Au) and Kidston (80Mt at 1.3g/t Au) gold mines.

Subvolcanic intrusives have been recognised at Ralph's Ridge, Dead Horse Breccia and The Gap Prospect. These areas are anomalous in gold and warranted further investigation. As well, a plot of stream sediment results obtained by earlier explorers shows other areas within the EPM with significant stream geochemistry (Figure 14). Many of these areas have not been adequately investigated or followed up and therefore merit closer examination. The EPM contains high radiometric responses associated with some intrusives and requires investigation for uranium exploration.

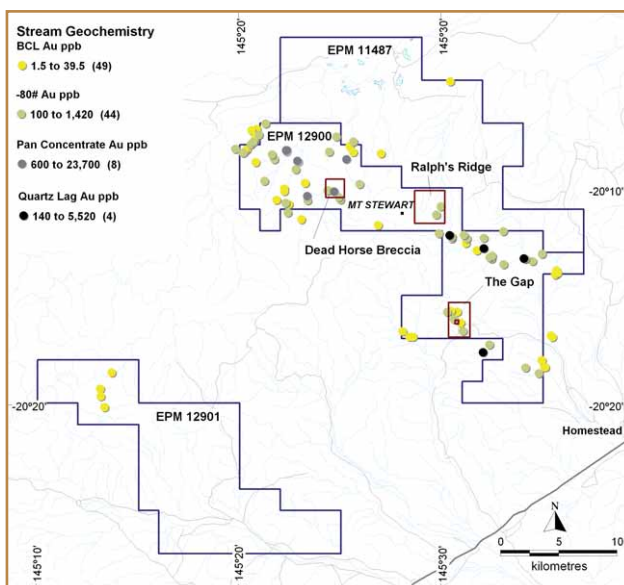


Figure 14: Pentland Project anomalous Stream Geochemistry

Proposed Exploration Programme and Budget

CYCAL has proposed a two-year exploration programme to investigate the Pentland Project for Mount Leyshon and Kidston style gold deposits associated with sub volcanic intrusive centres and intrusive style uranium deposits. The programme will cost up to \$680,000 and focus on airborne uranium anomalies and the Ralph's Ridge, Dead Horse Breccia and The Gap Prospect as well as anomalous gold drainages located by earlier explores but not followed up. It will mainly involve infill stream sediment sampling to better define the anomalous drainages as well as detailed mapping and rock chip sampling, and grid-based low-detection soil sampling programmes. Priority areas are likely to be tested by a variety of ground geophysical programmes (ground magnetics, IP) and drilling.

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RAVENSWOOD (EPMS 11602, 11982 AND 15057)

Location and Access

The Ravenswood Project is located between 18.5km east and 31.5km southeast of the old mining centre of Ravenswood in north-eastern Queensland. Access to the southern part of the project is by the sealed Ravenswood to Burdekin Fall Dam Road, and then by graded road to Rangeview Homestead. Access to the northern and north-eastern parts of the project is by Millaroo Township which is approximately 63km by road south-south west of Ayr. From Millaroo, stations tracks provide limited access due to the rugged terrain.

Geology

The Project is located within the eastern section of the Lolworth-Ravenswood Block and partly within the northern part of the Drummond Basin.

The oldest rocks outcrop in the western part of the Project area as a narrow north-northeast trending

belt of Cambrian micaceous schists and gneiss, with minor amphibolite and quartzite. These rocks form basement and are overlain by the Cambrian to Ordovician Mount Windsor Volcanics which comprise metasediments and volcanics. These rocks have been intruded by Ordovician to Devonian granodiorite and subordinate diorite and during the Silurian to Devonian were intruded by granitic and adamellite phases comprising the Ravenswood Granodiorite Complex.

Uplift and erosion of the granite-intruded block was accompanied by subsidence and the deposition of marine and terrestrial sediments and volcanics of the Devonian to Lower Carboniferous Drummond Basin. These rocks were intruded by granites during the Carboniferous and covered by a thick sequence of volcanics ranging from rhyolite to dacite and lesser andesite. In the south-western part of the Project additional sediments and volcanics were laid down in the Drummond Basin. The area was again intruded by granites during the Carboniferous to Permian, and during the Quaternary alluvial deposits including clay, sand, silt and gravels was laid down within major drainage depressions, particularly in the eastern part of the Project.

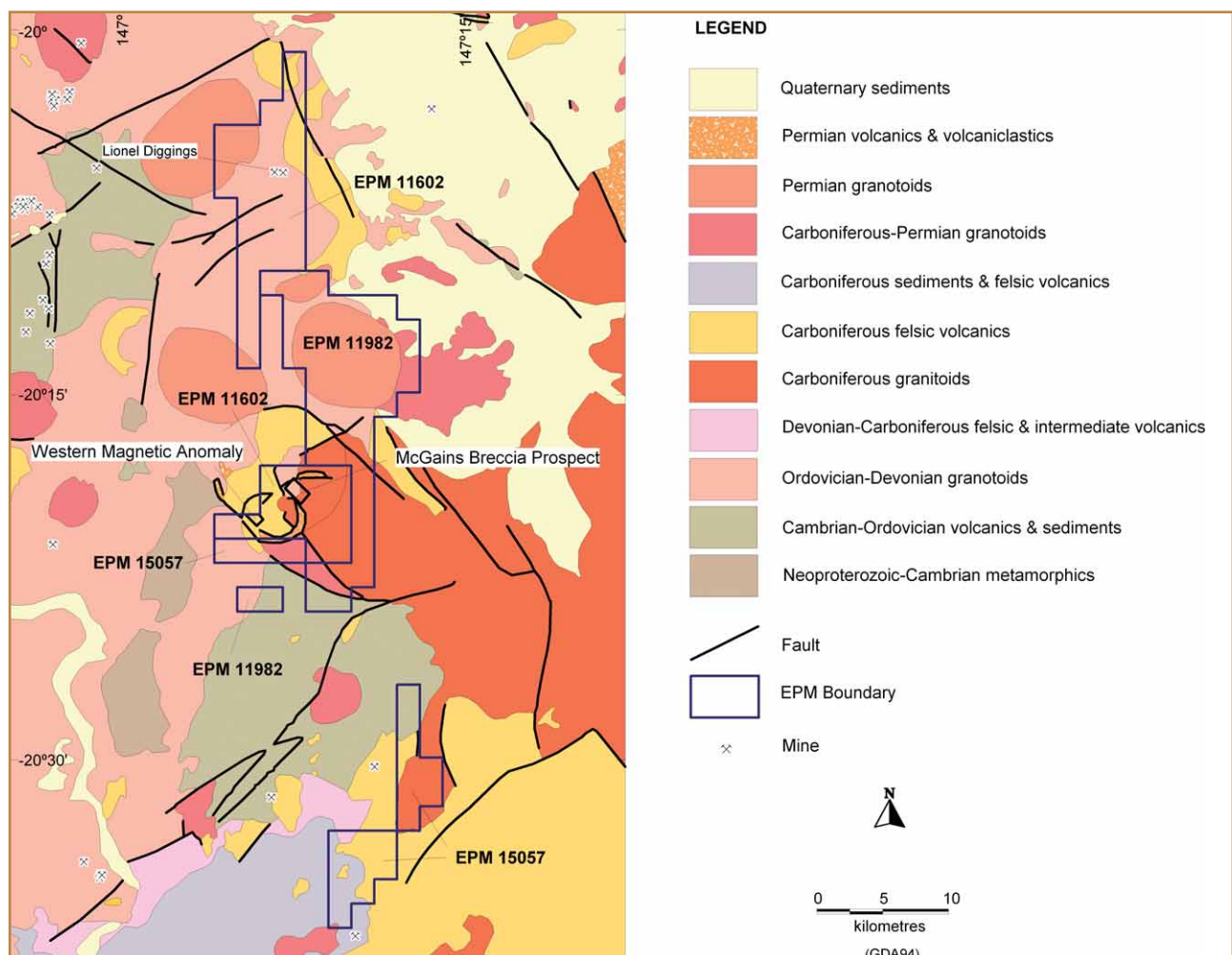


Figure 15: Ravenswood Project Geology

The main structural feature of the area is the Rangeview Ring Complex. It comprises a sequence of dacitic welded tuff, rhyolitic flows, rhyolitic-andesitic tuffs and agglomerate, commonly pyritic, with adamellite and granodiorite intruding the eastern side. This high level late stage intrusive is an attractive exploration target for large tonnage gold deposits, similar to Mt Leyshon and Kidston style deposits.

Little previous mining activity has occurred within the Project. The Strathalbyn Goldfield also known as the Lionell Diggings, is located in the northern part of the EPM on the eastern slope of the Leichhardt Range. Minor production of gold occurred from narrow high grade quartz veins to a depth of 30m.

Previous Exploration

More than 12 companies have explored the area for gold and base metals since the mid 1960s with most undertaking regional stream sediment (-80# and BLEG) and rock chip sampling programmes. Several geochemical anomalies were located and after follow-up considered to have limited economic potential.

Argold Pty Ltd and Dominion Mining Limited investigated the Strathalbyn Goldfield or Lionel Diggings in the northern part of the Project area. They undertook stream sediment and rock chip geochemistry. In 1986, Argold recorded anomalous rock chip values from the quartz veins at Lionel Diggings ranging from 1.3g/tAu to 21g/tAu (Barron, 1987). Although Argold proposed to follow up these results with costeaning and diamond drilling it was not carried out. Dominion Mining completed stream sediment sampling over the area followed up by soil and rock chip sampling in order to determine the source of the gold anomalies. They concluded that the anomalies were related to rare narrow quartz veins hosted in the microgranite.

The most recent work was undertaken by Normandy Exploration Limited (formerly Poseidon Exploration Limited) and BHP Minerals Ltd during 1990-5 while exploring EPM 7175 for breccia host gold within Permo-Carboniferous intrusives. Poseidon carried out a large amount of work including regional stream sediment and rock chip sampling, and an airborne magnetic and radiometric survey. They investigated several prospects and carried out detailed work.

At the McGain's Gossan Prospect, originally delineated by Pan Australian Mining Ltd, lies on the northeastern side of the Rangeview Ring Complex (Figure 15). Normandy completed soil sampling (BLEG and -80#) over a 500m x 400m grid, a small costeaning programme, geological mapping and both gradient array and dipole-dipole IP-Resistivity surveys. The area was later investigated by BHP. They completed further rock chip and soil sampling, and a ground magnetic survey before drilling four RC holes totalling 642m. The drilling intersected weak gold values.

Exploration Potential

The tenement contains Permo-Carboniferous intrusive complexes associated with collapse caldera centres. High grade gold bearing quartz veins at Lionel Diggings, mineralised breccia at McGain's Gossan Prospect and anomalous stream sediment samples, indicates potential for large tonnage intrusive breccia gold mineralisation. Little drilling has been carried out in the tenement.

Proposed Exploration Programme and Budget

EPM's 11602, 11982 and 15057 are joint ventured to Newmont Exploration Pty Ltd and Sipa Gold Limited with Newmont being the operator of the joint venture. They are required to spend \$2 million over 5 years to earn a 70% interest in the tenements. Their work program will cost up to \$350,000 over the first two years and includes follow up stream sediment sampling, geological mapping, rock chip sampling and soil sampling of prospective stream sediment anomalism. This may be followed by electrical geophysical surveys and drilling.

References

- Barron, P, 1987, Six monthly report for the period ending 21 December 1986 for Argold Pty Ltd (CR 16776), unpubl.
- Northcott, M. J, 1991, Annual Report for EPM 7175, Rangeview Ring for the Period ending 3 July 1991 for Poseidon Exploration Limited (CR 22852), unpubl.
- Washburn, C, 1996, Final Report for EPM 7175, Rangeview Ring for the Period 4 July 1990 to 18 May 1995, for Normandy Exploration Limited (CR 27871), unpubl.

CLERMONT PROJECT (EPM 12928)

Location and Access

EPM 12928 is located 14km northwest of Clermont in central Queensland (Figure 1). Access from Clermont to the eastern and north-eastern parts of the tenement is by the Gregory Development Road and to the southern part of the tenement by the well-formed dirt Clermont to Laglan Road which leads to Birimban Homestead. Numerous well-maintained secondary roads and station tracks provide good access to most parts of the tenement.

Geology

The EPM lies in the Anakie Inlier, an elongated, north-northwest trending basement ridge composed of Early Cambrian Anakie Metamorphics, Middle Devonian volcanics and sediments including the Ukalunda Beds, and the Late Devonian Retreat Granite.

The oldest rocks in the EPM are the Early Cambrian Anakie Metamorphics.

These have been subdivided into several mappable units (Figure 16) which include the Bathampton Metamorphics, Hurley's Metamorphics and the Scurvy Creek Meta-arenite.

The Bathampton Metamorphics are exposed in the south-western part of the tenement, and mainly comprise fine-grained mica schist grading to phyllite, with minor laminated greenstone and calc-silicates interlayered with mica schist. Foliated quartzite is common; particularly near the thrust contact with the Scurvy Creek Meta-arenite which crops out as a northwest belt in the south-western and central parts of the tenement. It comprises well-foliated, green chloritic labile meta-arenite interlayered with phyllite and fine-grained mica schist. The Scurvy Creek Meta-arenite overlies the Hurley's Metamorphics which is a foliated quartzite-rich unit containing fine-grained quartz-mica schist that grades to phyllite.

The Anakie Metamorphics are overlain by Permian sediments belonging to the Birimban Formation and the Blair Athol Coal Measures. Tertiary basalt flows and minor clastic sediments rest unconformably on the Permian sediments and Early Cambrian metamorphics. Widespread silcrete and Tertiary and Quaternary sediments and black soil cover the older rocks, mainly in the northern part of the EPM.

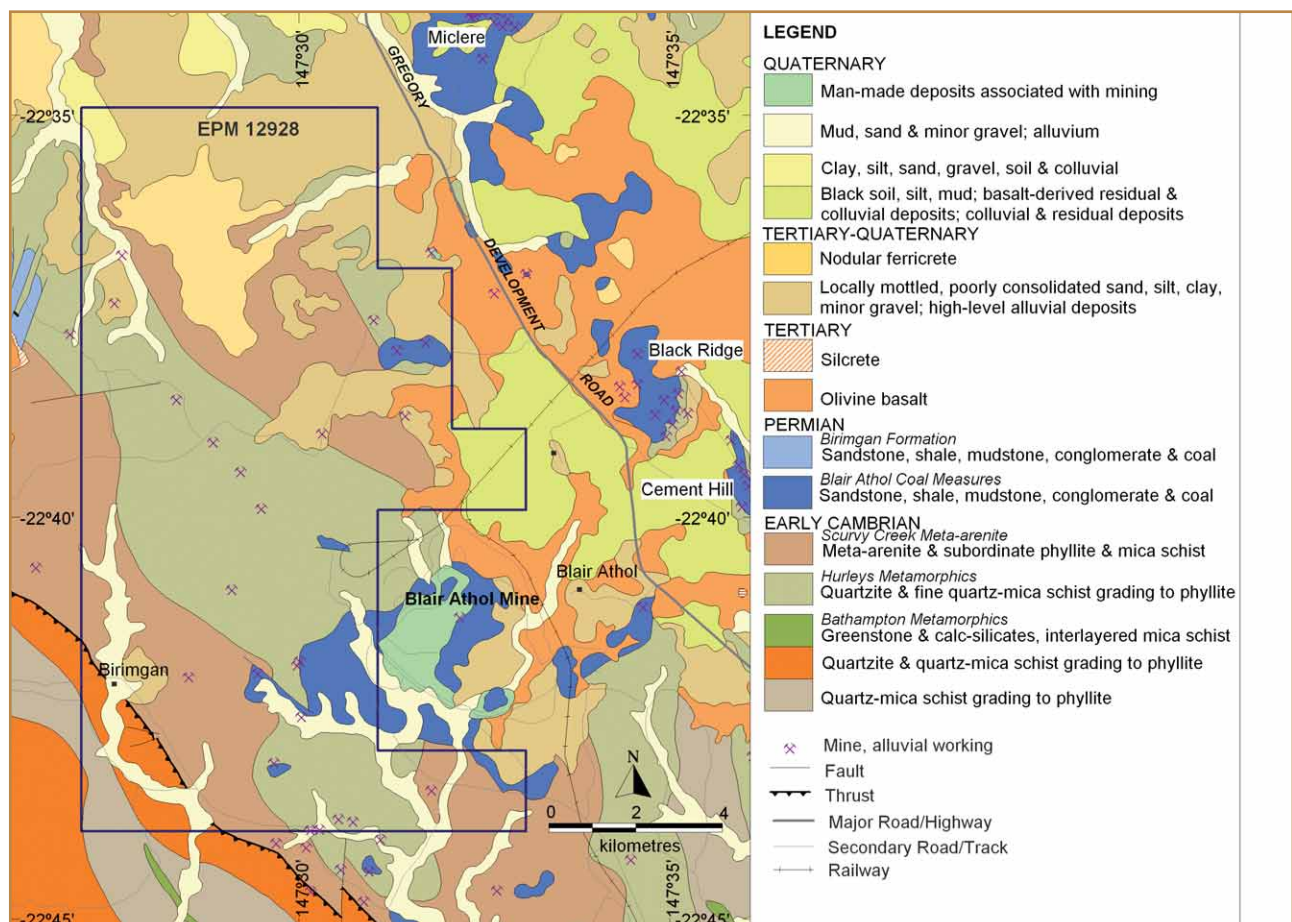


Figure 16: Clermont Project Geology

Gold is the most important economic mineral (excluding coal) to have been mined in the area. The main centres of historic gold production have been at Miclere, Black Ridge and Cement Hill (Figure 16), where auriferous Permian and Tertiary gravels were mined. Alluvial mining for gold has been widespread in the district, including on the EPM. Total gold production for these areas is estimated at about 250,000 oz. Quartz veins in the Anakie Metamorphics have also been mined on a small scale. The only sizeable deposit of this type is at the Belyando mine (85,000 oz Au) which is located 50km north of EPM 12928.

Previous Exploration

Minor exploration has been undertaken in the area since it was included in Mineral Reserve RA102. The most significant work was undertaken by Straits Resources NL (Straits) during 1993-7 while exploring EPM 9539 for Girilambone style supergene and oxide copper-gold resources within the Anakie Metamorphics. While most of their efforts focussed on prospects outside the area of interest, they did complete a regional stream sediment sampling programme (BLEG) over the southern part of the Project area. The sampling was undertaken to test an interpreted silicified shear or mylonite zone near the faulted contact between the Scurvy Creek Metarenite and the Hurley's Metamorphics and older, underlying Bathampton Metamorphics.

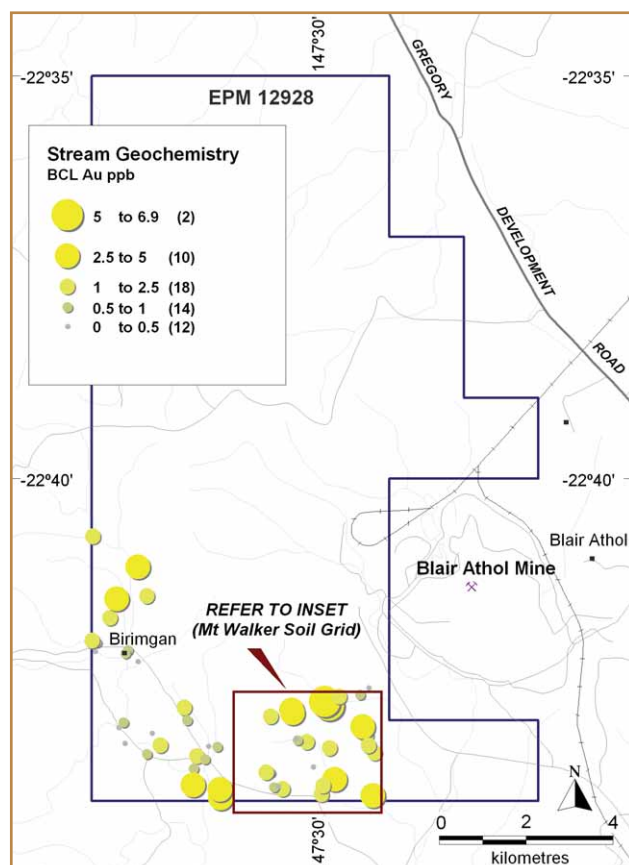


Figure 17: Clermont Project Stream Geochemistry

Several anomalous drainages near the southern boundary of the EPM (up to 6.9ppb Au) and north of Birimban Homestead (up to 4.27ppb Au) were located (Figure 17). A summary of significant stream sediment results is shown in Table 4.

The only follow-up was at Mount Walker where mapping and grid based soil and rock chip sampling was completed. This work delineated a series of low-order soil gold anomalies ranging up to 17.5ppb Au (Figure 18) that are associated with two generations of quartz veining. No further exploration was undertaken despite recommendations that additional work may be warranted.

Exploration Potential

The EPM is under explored and is prospective for structurally controlled Belyando-style quartz-vein gold mineralisation in the Scurvy Creek Metarenite and the Hurley's Metamorphics. Within the tenement, these units host more than 22 abandoned gold mines and alluvial workings. Most are alluvial workings in residual gravels (0.3-1.5m thick) that formed during weathering of auriferous quartz veining in the underlying rocks. These source rocks north of Birimban Homestead have not been systematically accessed in recent times despite their potential to host small to moderate sized quartz-vein gold deposits.

Table 4: Summary of Significant Stream Sediment Results (>2.5ppb Au)

Sample No	Sample Type	Easting	Northing	Au (ppb)
MWSS058B	BCL	551820	7486364	3.24
MWSS059B	BCL	551511	7486039	2.14
MWSS066B	BCL	550834	7487959	4.83
MWSS067B	BCL	551682	7488059	5.25
MWSS068B	BCL	551592	7488141	6.9
MWSS084B	BCL	552698	7485994	3.49
MWSS118B	BCL	552539	7487380	2.44
MWSS119B	BCL	552471	7487570	3.14
MWSS133B	BCL	550856	7487887	2.63
MWSS138B	BCL	551552	7486234	2.28
MWSS078B	BCL	548649	7486926	2.02
MWSS081B	BCL	549198	7485945	3.88
MWSS082B	BCL	549177	7486143	3.1
MWSS083B	BCL	548560	7486244	3.92
MWSS107B	BCL	546247	7489573	2.46
MWSS112B	BCL	547304	7491250	4.27
MWSS115B	BCL	546817	7490513	2.73

Proposed Exploration Programme and Budget

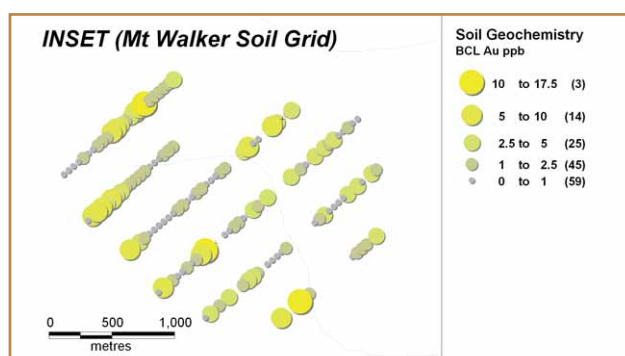


Figure 18: Mt Walker Prospect Soil Sampling Results

CYCAL has proposed a two-year programme costing \$560,000, with a significantly higher expenditure if exploration results prove encouraging. The Company will explore the tenement for economic amounts of oxide and sulphide gold mineralisation associated with quartz-veining in the Scurvy Creek Meta-arenite and Hurley's Metamorphics. The programme will initially rely heavily on regional soil sampling for gold and gold indicator elements. It is expected anomalous soil samples will be followed up with geological mapping, rock-chip sampling and infill grid-based low-detection soil sampling programmes. Priority areas are likely to be further assessed with ground geophysical surveys such as magnetics and IP-Resistivity, and promising responses tested by drilling.

References

Garrad, P.D., and Ramsden, C.R., 2006, Queensland Minerals, A summary of Major Mineral Resources, Mines and Projects, Queensland Government, Natural Resources, Mines and Water.

Rutherford, N., and Daneel, G., 1997, Final and Relinquishment Report for EM 9539, Peak Downs Area, Clermont, Straits Resources Limited, (CR 28994), unpubl.

Opinion of Exploration Programmes

The company's exploration programmes for each of the tenements has been designed to meet the requirements of the geological environments and exploration methodologies which have been outlined in this Prospectus. The exploration budget for the two-year proposed programme is tabulated in the project summaries. A total expenditure of \$3,470,000 is planned for the minimum capital raising on the four tenements not in joint venture; Newmont-Sipa will spend up to \$2 million over a five year period on the Ravenswood tenement.

We consider that the planned exploration programme is satisfactory and clearly defined and that the expenditure budgets are reasonable, having regard to the stated objectives of the Company, the prospectivity of the individual exploration areas and the exploration database already available. We are of the opinion that sufficient work has taken place on the CYCAL tenements in the last two years to justify the planned exploration and the budgeted expenditure programmes.

Qualifications

Minnelex is a long-established and reputable geological consulting group.

The person responsible for the preparation of this report is:

R C Pyper - BSc, FAusIMM, MAICD. Consultant Geologist

Mr Pyper is a geologist with 45 years of industry experience and 24 years of consulting practice in precious metals, basemetals, bauxite, gemstones, industrial minerals and mineral sands. He has had extensive experience in the valuation of mineral exploration properties. The person responsible for preparing and issuing this report has the appropriate relevant qualifications, experience and competence to be considered as an "Expert" as defined in ASIC Release 42, and as a Competent Person as defined in the JORC Code for the Reporting of Identified Mineral Resources and Ore Reserves.

Declaration

The statements and opinions contained in this report are given in good faith but, in the preparation of this report, Minnelex has relied substantially on information derived from open file reports. We do not have reason to doubt the information so provided.

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Robert Pyper, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Minnelex consents to the inclusion of this report in the form and context in which it is included. Apart from that, neither the whole nor any part of this report, nor any references thereto, may be included in or with or attached to any document, circular, resolution, letter or statement without the prior written consent of Minnelex.

Disclaimer of Interests

At the date of this report, Minnelex do not have, nor have had any relationship with CYCAL other than as may have occurred as a result of providing consultancy services in the ordinary course of business.

Minnelex and R C Pyper have neither relevant interest in, nor any interest in the acquisition or disposal of any securities of CYCAL. Minnelex has no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the acquisition of the mineral interests of CYCAL.

Neither Minnelex nor R C Pyper has received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R Pyper'.

R C W PYPER

Principal

Minnelex Pty Ltd

6. INDEPENDENT REPORT ON TENEMENTS



Exploration & Mining Title Services Pty Ltd
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CHINA YUNNAN COPPER AUSTRALIA LIMITED INDEPENDENT EXPLORATION TITLES REPORT

1. INTRODUCTION

1.1 *Scope of Instructions*

The following report has been prepared in compliance with the Valmin Code.

Hetherington Exploration & Mining Title Services Pty Ltd ("HEMTS") has been instructed by China Yunnan Copper Australia Limited ("the Company") to prepare a report explaining the rights conferred by various titles and one application (collectively referred to as "the Tenements"), as set out in the attached schedule ("the Schedule").

Formerly, the Company was named Mt Stewart Gold Ltd however effective from 26 July 2007, Mt Stewart Gold Ltd changed its name to that of the Company and that name change was registered at the Australian Securities and Investment Commission.

1.2 *Qualifications*

Russell Hetherington has approximately 31 years of experience in exploration and mining tenement management across Australia. Russell Hetherington is a member of the Australian Mining and Petroleum Law Association and a member of the Business Law Section of the Law Council of Australia.

1.3 *Independence*

HEMTS is independent from the Company within the meaning of the Valmin Code. HEMTS' costs of preparing this report have been calculated at its normal charge out rate.

2. COMMENTARY ON THE TENEMENTS

The following information was obtained from the Queensland Department of Mines and Energy ("the DME"), the Queensland Environmental Protection Agency ("the EPA") and the National Native Title Tribunal ("NNTT").

2.1 *General*

The Tenements consist of

- Exploration Permits for Minerals ("EPM") No's 11487, EPM 11602, EPM 11982, EPM 12205, EPM 12900, EPM 12901, EPM 12928, EPM 15057, EPM 15084 and EPM 15095, collectively referred to as "the granted EPMs";
- Application for EPM 15248 ("EPMA 15248").

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The Company holds a 100 per cent legal interest in all of the Tenements. It will be necessary for the Company to make application to the DME to record the recent change of name, so that the Company is noted as the holder and applicant of the granted EPMs and EPMA 15248 on the Register maintained by the DME.

Basic details of the Tenements are set out in the Schedule.

2.2 Exclusions

Approximately five per cent of the total area within the perimeter of EPM 11487 is subject to National Park and is therefore excluded from EPM 11487.

EPM 12928 excludes areas subject to Mining Leases No's 1871, 1952, 1804, 1869, 6715, 1668, 1881, 1870, 1866 and 1867. These Mining Leases collectively apply to 3508 hectares.

EPM 12205 excludes the areas subject to Restricted Area No 251 (Quamby Gem Site) and Mining Lease No 2768. Restricted Area No 251 applies to a small area (less than one sub-block) and Mining Lease No 2768 applies to 20.2 hectares.

2.3 Exploration Permit Conditions

All of the Tenements are, or will be upon grant, subject to the following:

- General Conditions
- Specific Conditions
- Conditions of the Environmental Authorities ("EAs") issued in respect to the granted EPMs (see Section 2.5 below)
- Conditions imposed in respect to Native Title obligations (see Section 2.4 below).

The General Conditions address issues such as notification of landowners before commencing exploration, other matters concerning relationships with landowners, reporting, the provision of samples to the State and payment of rental (see Section 2.8 below).

The Specific Conditions require the holders of the relevant EPMs to follow a specific program of works and expenditure commitments and contains a relinquishment schedule (see Section 2.11 below).

The conditions arising out of the EAs and Native Title obligations are explained below.

2.4 Native Title

The issue of whether or not a Native Title Claim applies to the land subject to the Tenements is irrelevant to the requirement to comply with the Native Title processes prescribed by the Native Title Act 1993 if the relevant land is land where Native Title exists or may exist ("Native Title land"). The threshold question when considering Native Title issues is therefore whether or not the relevant land is Native Title land or, in other words, whether or not Native Title has been extinguished. If Native Title has been extinguished, then it is not necessary to consider whether or not there is a Native Title Claim in respect to the relevant land before carrying out exploration.

All of the Tenements contain small areas of what appears to be Native Title land, although it must be understood that the status of any Native Title in land cannot be determined with certainty until a thorough search of each parcel of land is carried out. Such searches are beyond the scope of this report.

All of the Tenements are wholly or partially subject to the Native Title Claims listed in the following table:

<i>Tenement</i>	<i>Native Title Claim Number</i>	<i>Claim Name</i>
EPM 11487	QC 05/06 (registered) QC 06/08 (unregistered)	Gudjala People Gudjala People 2
EPM 11602	QC 98/12 (registered)	Birri People
EPM 11982	QC 98/12 (registered)	Birri People
EPM 12205	QC 96/101 (registered) QC 05/12 (registered)	Mitakoodi and Mayi People Kalkadoon People 4
EPM 12900	QC 05/06 (registered)	Gudjala People
EPM 12901	N/A	N/A
EPM 12928	QC 04/06 (registered) QC 05/04 (unregistered)	Wangan and Jagalingou People Wangan / Jagalingou People
EPM 15057	QC 98/12 (registered)	Birri People
EPM 15084	QC 05/12 (registered)	Kalkadoon People 4
EPM 15095	QC 96/101 (registered) QC 05/12 (registered)	Mitakoodi and Mayi People Kalkadoon People 4
EPMA 15248	QC 05/12 (registered)	Kalkadoon People 4

Procedural rights under the Native Title Act 1993 are only given to Native Title Claimants whose Claims have passed the registration test set out in that legislation. No procedural rights are therefore generated by the unregistered Native Title Claims referred to in the table above.

EPM 11487, EPM 12205, EPM 12900, EPM 12901, EPM 12928, EPM 15084 and EPM 15095

EPM 11487, EPM 12205, EPM 12900, EPM 12901, EPM 12928, EPM 15084 and EPM 15095 were granted over Native Title land and non-Native Title land. The holders must comply with the Native Title Protection Conditions ("NTPCs") when conducting exploration on Native Title land within these EPMs.

The NTPCs require that when conducting exploration activities on Native Title land, the holder must serve a copy of the proposed program of works on any registered Native Title Claimants before commencing those exploration activities. The registered Native Title Claimants are entitled to a period of time to review the program of works. If the Native Title Claimants do not have any amendments to the program of works and do not require a site clearance to be conducted, exploration can commence without delay.

EPM 11602 and EPM 11982

EPM 11602 and EPM 11982 have been granted over both Native Title land and non-Native Title land. EPM 11602 is subject to the Indigenous Land Use Agreement ("ILUA") known as ILUA QI 2003/039 Birri and Kudjala People Joint ILUA Exploration Permit Backlog Project. EPM 11982 is subject to the same ILUA and also ILUA QI 2003/032 Birri ILUA for Backlog Exploration Permits. The Company is required to comply with all terms and conditions of the relevant ILUAs when conducting exploration activities on Native Title land within EPM 11602 and EPM 11982.

Both of the abovementioned ILUAs were entered into by the State of Queensland and various parties on behalf of the Birri and Kudjala peoples. The ILUAs require the Company to comply with the NTPCs when carrying out exploration.

EPMA 15248

EPMA 15248 applies to both Native Title land and non-Native Title land. As such the Company is required to progress the Application to grant through the expedited procedure of the Right to Negotiate process, as prescribed by the Native Title Act 1993. The Application has undergone the expedited procedure. The Kalkadoon People objected to the grant of the Application pursuant to this procedure and as such the Company and the Kalkadoon People have negotiated a Section 31 and Ancillary Agreement for the grant of the Application. Upon grant of EPMA 15248, the Company will be required to comply with all terms and conditions of the Ancillary Agreement when conducting exploration activities on Native Title land within the area of EPMA 15248.

2.5 Environmental Authorities

The conditions of the EAs issued in respect to the granted EPMs form part of the EPM conditions. The EPA has issued a code-compliant EA for all Tenements. It is a condition of the EA that the holder complies with all conditions contained in the Code of Environmental Compliance for Exploration Permits and Mineral Development Projects 2001 ("the Environmental Code").

The EAs issued and securities currently lodged in respect to the granted EPMs are set out in the table below. All EAs referred to in the table are Level 2 Code Compliant EAs and therefore the Company must comply with all conditions of the Environmental Code when conducting exploration activities within the relevant EPMs.

The Environmental Code imposes various exclusion zones around Category A and Category B Environmentally Sensitive Areas ("ESAs"), within which exploration activities involving the use of machinery cannot be performed (1,000 metres for Category A and 500 metres for Category B). The Environmental Code also refers to Category C ESAs within which exploration activities cannot be performed unless the Company has obtained consent from the relevant administrative authority.

As stated above, EPM 11487 contains a section of a gazetted National Park within its perimeter. This National Park is classified as Category A area and has been automatically excluded from EPM 11487. Pursuant to the conditions of the Environmental Code, no exploration activities involving the use of machinery can occur within a one kilometre buffer zone of the National Park boundary. This condition imposing the buffer zone can be removed if a specific application is made to the EPA. Should the EPA approve this request, it will result in a Level 2 non-Code Compliant EA (with additional conditions) being imposed on EPM 11487.

EPM 11602, EPM 11982, EPM 12928 and EPMA 15248 contain Endangered Regional Ecosystems ("EREs") within their boundaries. The EREs are classified as Category B ESAs and as such no exploration activities can occur within these areas. It should also be noted that no exploration activities involving the use of machinery can occur within a 500 metre radius of the relevant ERE boundary. The condition imposing the buffer zone and excluding exploration activities involving the use of machinery within the ERE can be removed if a specific application is made to the EPA. Should the EPA approve this request it will result in a Level 2 non-Code Compliant EA (with additional conditions) being issued. The percentage of areas subject to EREs within the abovementioned EPMs are 10 per cent for EPM 11602, two per cent for EPM 11982, 15 per cent for EPM 12928 and 10 per cent for EPMA 15248.

EPM 12928 contains areas which are identified as State Forest. Under the Environmental Code, these areas are classified as Category C ESAs and as such no exploration activities can occur within these areas without the Company first obtaining the consent of the relevant administrative authority. In this case, the administrative authority is the Department of Natural Resources and Water ("the DNRW"), and if the Company wishes to conduct exploration activities within these areas, a specific request must be submitted to the DNRW for assessment. Any such request would

require specific details of the activities to be conducted and propose additional actions to minimise any environmental impact within the area in question. Upon approval of any such application, it is possible that the DNRW will impose additional conditions upon the current EA. This will result in the issue of a Level 2 non-Code Compliant EA with additional conditions. These additional conditions will have to be complied with by the Company when conducting any exploration activities within the Category C ESAs. Approximately 60 per cent of EPM 12928 is subject to Category C ESAs.

TENEMENT	ENVIRONMENTAL AUTHORITY NUMBER	REQUIRED SECURITY DEPOSIT
EPM 11487	MIM500018602	\$2,500.00
EPM 11602	M6313	\$2,500.00
EPM 11982	MIM500025502	\$2,500.00
EPM 12205	M6591	\$2,500.00
EPM 12900	M6785	\$2,500.00
EPM 12901	M6784	\$2,500.00
EPM 12928	M6862	\$5,000.00
EPM 15057	MIM500335305	\$5,000.00
EPM 15084	MIM500339605	\$5,000.00
EPM 15095	MIM500340705	\$5,000.00
EPMA 15248	MIM500372805	\$2,500.00 (proposed)

2.6 Expenditure and Reporting Requirements

It is a condition of all the granted EPMs that the Company complies with the relevant expenditure commitments attached to each EPM. The expenditure commitments for all of the Tenements, current and proposed, are set out in the Schedule.

Annual reports must be lodged in respect to the granted EPMs within one month of the anniversary date. A Statement of Expenditure is also due at the same time.

There are no outstanding expenditure or reporting requirements for any of the Tenements as at the date of this report.

2.7 Access and Compensation

A Notice of Intention of Initial Entry on Occupied Land must be served on each affected landowner at least seven days before the intended entry for exploration purposes. No compensation is normally payable to landowners for exploration pursuant to an Exploration Permit for Minerals although land must be rehabilitated at the conclusion of operations and compensation may be payable if that rehabilitation is not properly completed.

2.8 Rent

The Company is required to make annual rental payments in respect to the granted EPMs.

The rental obligations set out in the Schedule are subject to annual DME increases commensurate with appropriate price indices. The current rent rate is \$121.50 per sub-block.

As at the date of this report, there are no outstanding rental payments in respect to any of the Tenements.

2.9 Other Titles and Applications

Mining Leases No's 1871, 1952, 1804, 1869, 6715, 1668, 1881, 1870, 1866 and 1867 are excluded from the EPM 12928 area.

EPM 12205 excludes the areas subject to Restricted Area No 251 Quarry Gem Site and ML 2768.

There are no other Mining Leases, Mining Claims or Mineral Development Licenses located within the perimeters of any of the other Tenements.

2.10 Encumbrances

The Register maintained by the DME in respect to the Tenements does not record any agreements, arrangements, dealings or interests.

Section 156 of the Mineral Resources Act 1989 ("the MRA") deals with recording of agreements, arrangements, dealings or interests in the Tenements and provides that an agreement, arrangement, dealing or interest recorded under this section shall, subject to being otherwise legally enforceable, take priority over other unrecorded or any subsequently recorded agreement, arrangement, dealing or interest.

The Company advises it has entered into the Strathalbyn Farmin Agreement dated 5 November 2006 ("the Strathalbyn Farmin Agreement") with Newmont Exploration Pty Ltd ("Newmont"), Sipa Gold Limited ("Sipa Gold") and Sipa Resources Limited in respect to EPM 11602, EPM 11982 and EPM 15057 ("the Joint Venture Tenements"). Under the terms of the Strathalbyn Farmin Agreement, Newmont and Sipa Gold (which are in turn parties to a joint venture between themselves) are able to collectively acquire a 70 per cent interest in the Joint Venture Tenements by progressively incurring exploration expenditure of \$2 million up until 5 November 2011.

If Newmont and Sipa Gold do not incur this expenditure by the due date, those companies are deemed to have withdrawn from the Strathalbyn Farmin Agreement without having acquired an interest in the Joint Venture Tenements.

If they have acquired a 70 per cent interest, Newmont and Sipa Gold may then elect to collectively acquire another 10 per cent interest in the Joint Venture Tenements by meeting all expenditure commitments on those Tenements until the Joint Venture Managing Committee makes a decision to mine ("the Decision to Mine").

If Newmont and Sipa Gold do not elect to acquire the further 10 per cent interest, those companies will still retain their 70 per cent interest.

Subsequent to the Decision to Mine, Newmont and Sipa Gold must then sole fund all expenditure on the area subject to the decision to mine for a period of 6 months ("Preliminary Mining Expenditure").

Within 7 days of the end of the 6 months period, the Company may then elect to not contribute to the mining operation which is the subject of the Decision to Mine and may sell its remaining interest in the Strathalbyn Farmin Agreement to Newmont and Sipa Gold. If the Company does not elect to sell its interest, it must then compensate Newmont and Sipa Gold for the Preliminary Mining Expenditure in proportion to its interest in the Strathalbyn Joint Venture.

Newmont and Sipa Gold may withdraw from the Strathalbyn Farmin Agreement at any time but in doing so will forfeit any interest they may have held in the Joint Venture Tenements. If Newmont and Sipa Gold withdraw without having incurred expenditure of \$200,000, they must pay the shortfall to the Company.

The Company also advises that pursuant to the terms of a letter of agreement between the Company and Clyde Doxford dated 16 February 2007 ("the Letter of Agreement"), which supersedes prior unsighted agreements, that Clyde Doxford is entitled to be paid \$20,000 (paid on 2 July 2007), be issued with 600,000 fully paid ordinary shares in the Company and, subject to the rights of the Company to explore and develop any area within EPM 12928, exercise rights to alluvial gold to a depth of seven (7) metres below the land surface within EPM 12928.

2.11 *Future Obligations*

Rehabilitation of any current and future exploration disturbances will be necessary and the relevant requirements are set out in the Environmental Code.

The activities conducted under the authority of the Tenements are likely to result in the creation of environmental liabilities for the holders. The environmental liabilities will commence when exploration causes on-site ground disturbance. When any disturbed area has been satisfactorily rehabilitated, the environmental liability in respect to that area will cease.

If exploration is ultimately conducted on Native Title land, additional costs in respect to Native Title consultation, negotiation and compensation payments and cultural heritage site clearances should be anticipated.

The holder of the granted EPMs may apply to renew the granted EPMs for further terms. The renewal applications should be lodged between six months and three months prior to the relevant expiry date.

The MRA requires the holder of an Exploration Permit for Minerals to periodically reduce the area of the Exploration Permit for Minerals. Reference should be made to the Schedule for details of the reduction requirements applicable to the Tenements. The holder of the granted EPMs may make application to the DME to vary these reduction requirements.

The expedited procedure must be completed in respect to EPMA 15248 prior to grant (see Section 2.4 above). The Applicant must then accept the Exploration Permit for Minerals conditions and lodge the required security deposit with the DME. An Exploration Permit for Minerals will then be granted in satisfaction of EPMA 15248.

Yours faithfully,



RUSSELL HETHERINGTON

13 July 2007

CHINA YUNNAN COPPER AUSTRALIA LIMITED

TENEMENT SCHEDULE

TENEMENT	HOLDER	STATUS	APPLICATION DATE	GRANT DATE	EXPIRY DATE	AREA (SUB BLOCKS)	EXPENDITURE COMMITMENT	SECURITY	REGISTERED ENCUMBRANCES	MINERALS
EPM 11487	MT STEWART GOLD LTD (100%)	GRANTED	-	31/08/04	30/08/09	YEAR 1 – 99 YEAR 2 – 99 YEAR 3 – 49 YEAR 4 – 24 YEAR 5 – 12	YEAR 1 – \$30,000 YEAR 2 – \$80,000 YEAR 3 – \$35,000 YEAR 4 – \$35,000 YEAR 5 – \$35,000	\$2,500 CASH	NONE	All Minerals other than Coal
EPM 11602	MT STEWART GOLD LTD (100%)	GRANTED	-	14/03/05	13/03/2010	YEAR 1 – 45 YEAR 2 – 45 YEAR 3 – 45 YEAR 4 – 11 YEAR 5 – 5	YEAR 1 – \$40,000 YEAR 2 – \$50,000 YEAR 3 – \$25,000 YEAR 4 – \$25,000 YEAR 5 – \$25,000	\$2,500 CASH	NONE	All Minerals other than Coal
EPM 11982	MT STEWART GOLD LTD (100%)	RENEWAL PENDING	-	30/03/05	29/03/07 ^A	YEAR 1 – 46 YEAR 2 – 46 YEAR 3 – 46 YEAR 4 – 23 YEAR 5 – 12 ^B	YEAR 1 – \$25,000 YEAR 2 – \$45,000 YEAR 3 – \$50,000 YEAR 4 – \$50,000 YEAR 5 – \$50,000 ^C	\$2,500 CASH	NONE	All Minerals other than Coal
EPM 12205	MT STEWART GOLD LTD (100%)	GRANTED	-	06/09/04	05/09/09	YEAR 1 – 100 YEAR 2 – 100 YEAR 3 – 90 YEAR 4 – 25 YEAR 5 – 12	YEAR 1 – \$34,000 YEAR 2 – \$76,000 YEAR 3 – \$100,000 YEAR 4 – \$50,000 YEAR 5 – \$50,000	\$2,500 CASH	NONE	All Minerals other than Coal
EPM 12900	MT STEWART GOLD LTD (100%)	GRANTED	-	02/09/04	01/09/09	YEAR 1 – 85 YEAR 2 – 85 YEAR 3 – 76 YEAR 4 – 21 YEAR 5 – 10	YEAR 1 – \$20,000 YEAR 2 – \$70,000 YEAR 3 – \$60,000 YEAR 4 – \$60,000 YEAR 5 – \$60,000	\$2,500 CASH	NONE	All Minerals other than Coal
EPM 12901	MT STEWART GOLD LTD (100%)	GRANTED	-	02/09/04	01/09/09	YEAR 1 – 64 YEAR 2 – 64 YEAR 3 – 58 YEAR 4 – 16 YEAR 5 – 8	YEAR 1 – \$22,000 YEAR 2 – \$50,000 YEAR 3 – \$25,000 YEAR 4 – \$25,000 YEAR 5 – \$25,000	\$2,500 CASH	NONE	All Minerals other than Coal
EPM 12928	MT STEWART GOLD LTD (100%)	GRANTED	-	19/05/06	18/05/08	YEAR 1 – 42 YEAR 2 – 42	YEAR 1 – \$25,000 YEAR 2 – \$50,000	\$5,000 CASH	NONE	All Minerals other than Coal

TENEMENT	HOLDER	STATUS	APPLICATION DATE	GRANT DATE	EXPIRY DATE	AREA (SUB BLOCKS)	EXPENDITURE COMMITMENT	SECURITY	REGISTERED ENCUMBRANCES	MINERALS
EPM 15057	MT STEWART GOLD LTD (100%)	GRANTED	-	20/10/06	19/10/11	YEAR 1 – 21 YEAR 2 – 21 YEAR 3 – 10 YEAR 4 – 5 YEAR 5 – 3	YEAR 1 – \$50,000 YEAR 2 – \$55,000 YEAR 3 – \$65,000 YEAR 4 – \$65,000 YEAR 5 – \$80,000	\$5,000 CASH	NONE	All Minerals other than Coal
EPM 15084	MT STEWART GOLD LTD (100%)	GRANTED	-	11/08/06	10/08/11	YEAR 1 – 22 YEAR 2 – 22 YEAR 3 – 11 YEAR 4 – 5 YEAR 5 – 3	YEAR 1 – \$40,000 YEAR 2 – \$65,000 YEAR 3 – \$75,000 YEAR 4 – \$75,000 YEAR 5 – \$90,000	\$5,000 CASH	NONE	All Minerals other than Coal
EPM 15095	MT STEWART GOLD LTD (100%)	GRANTED	-	11/08/06	10/08/11	YEAR 1 – 44 YEAR 2 – 44 YEAR 3 – 22 YEAR 4 – 11 YEAR 5 – 5	YEAR 1 – \$45,000 YEAR 2 – \$55,000 YEAR 3 – \$60,000 YEAR 4 – \$70,000 YEAR 5 – \$90,000	\$5,000 CASH	NONE	All Minerals other than Coal
EPMA 15248	MT STEWART GOLD LTD (100%)	APPL'N	-	-	-	YEAR 1 – 143 YEAR 2 – 143 YEAR 3 – 71 YEAR 4 – 35 YEAR 5 – 17	YEAR 1 – \$85,000 YEAR 2 – \$95,000 YEAR 3 – \$100,000 YEAR 4 – \$110,000 YEAR 5 – \$200,000	\$2,500 CASH (PROPOSED)	NONE	All Minerals other than Coal

A. Renewal application for a further term of 3 years lodged with DME.

B. Sub block retention as requested in recently submitted renewal application.

C. Expenditure committed as detailed in recently submitted renewal application.

7. FINANCIAL INFORMATION

7. FINANCIAL INFORMATION

7.1. INTRODUCTION

This section provides historical and pro-forma financial information for CYCAL. All information contained in this section should be read in conjunction with the Independent Accountant's Report (section 8) and the Risk Factors (section 9) and other information included in this Prospectus.

The financial information set out in this section includes:

- Historical balance sheet as at 30 June 2007;
- Pro-forma balance sheet as at 30 June 2007, assuming the Offer and the pro-forma transactions outlined in this section of this Prospectus had occurred at that date.

The historical information has been extracted from the audited financial statements of CYCAL for the year ended 30 June 2007.

7.2. HISTORICAL AND PRO-FORMA BALANCE SHEETS

	Note	Actual 30 June 2007	Pro-forma 30 June 2007
Current Assets			
Cash and cash equivalents	2	64,938	6,552,398
Trade and other receivables		3,157	3,157
Other assets	3	65,551	31,091
Total Current Assets		133,646	6,586,646
Non-current Assets			
Deferred exploration and evaluation costs	4	313,777	373,777
Total Non-Current Assets		313,777	373,777
Total Assets		447,423	6,960,423
Liabilities			
Trade and other payables		3,993	3,993
Total Liabilities		3,993	3,993
Net Assets		443,430	6,956,430
Equity			
Issued capital	5	505,402	7,018,402
Accumulated losses		(61,972)	(61,972)
Total Equity		443,430	6,956,430

7.3. PRO-FORMA ASSUMPTIONS

The pro-forma balance sheet has been prepared based on the audited Balance Sheet of CYCAL as at 30 June 2007, and on the basis that the following transactions and adjustments (the pro-forma transactions) had occurred at that date:

- The issue of Shares under this Prospectus raising gross cash funds of \$4,000,000 from the issue of 16,000,000 shares at 25 cents each;

- The purchase of EPM 12928 for \$60,000 with the issue of 600,000 shares at 10 cents each;
- The issue of 8,500,000 shares to seed capital investors raising \$553,000;
- The issue of 16,428,571 shares at 14 cents to China Yunnan Copper (Australia) Investment and Development Co Ltd in accordance with the Share Subscription Agreement raising \$2,300,000; and

- The payment of the balance of the issue costs with respect to this Prospectus and the Share Subscription Agreement which are estimated to be \$365,540 i.e. total cost of \$400,000 less \$34,460 already paid at 30 June 2007.

7.4. NOTES TO THE HISTORICAL AND PRO-FORMA STATEMENT BALANCE SHEET

Note 1 - Summary of Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the company in the preparation of the historical and pro-forma financial information.

Basis of Accounting

The financial information in this section has been prepared in accordance with the measurement and recognition (but not all of the disclosure) requirements of Australian Accounting Standards, including Australian Accounting Interpretations, using the accrual basis of accounting including the historical cost convention and the going concern assumption.

Income Tax

The charge for current income tax expense is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation

that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Investments

Investments are brought to account at cost or at directors' valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated.

Dividends are brought to account in the profit and loss account when received.

Interests in Joint Ventures

The company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the respective items of the consolidated Balance Sheet and Income Statement.

Trade Creditors

A liability is recorded for the goods and services received prior to balance date, whether invoiced to the company or not. Trade creditors are normally settled within 30 days.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the

asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Contributed Equity

Share capital in respect of ordinary shares is recognised at the fair value of the consideration received by the company. Any transaction costs arising from the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Equity Settled Compensation

Shares and options issued to employees as part of a share-based compensation arrangement are recognised as an employee expense with a corresponding increase in equity. The cost of these equity settled transactions with employees is measured by reference to the fair value of the shares or options at the date at they are granted and is recognised over the vesting period of the equity instrument.

Shares or options issued to other suppliers in return for goods and services provided are measured at the fair value of the goods/services provided or, if the fair value of the goods or services cannot be estimated reliably, at the fair value of the equity instruments granted.

Note 2 - Cash and cash equivalents

	\$
Reconciliation of movement in pro-forma cash assets	
Cash and cash equivalents at 30 June 2007	64,938
Proceeds from the issue of shares pursuant to this prospectus	4,000,000
Shares issued to seed investors	553,000
Shares issued to CYC	2,300,000
Payment of the balance of the estimated costs associated with share issue	(365,540)
Pro-forma cash and cash equivalents	6,552,398

Note 3 - Other Current Assets

Other current assets comprise the following:

	Actual 30 June 2007 \$	Transfer to Issued Capital \$	Pro-forma 30 June 2007 \$
Prepaid capital raising costs	34,460	(34,460)	-
Gold Nugget	1,091		1,091
Tenement Security Bonds			
- EPM 11487 Pentland East	2,500		2,500
- EPM 12205 Cloncurry Roseby East	2,500		2,500
- EPM 12900 Pentland Mt Stewart	2,500		2,500
- EPM 12901 Pentland	2,500		2,500
- EPM 12928 Clermont	5,000		5,000
- EPM 15057 Ravenswood Glenroy	5,000		5,000
- EPM 15084 Cloncurry Quamby	5,000		5,000
- EPM 15084 Cloncurry Clonagh	5,000		5,000
Total Other Current Assets	65,551	(34,460)	31,091

Note 4 - Deferred Exploration and Evaluation Costs

Deferred exploration and evaluation costs comprise the following exploration tenements (EPMs).

Tenement	Interest %	Actual 30 June 2007 \$	Value of Shares issued \$	Pro-forma 30 June 2007 \$
EPM 11487 Pentland East	100%	40,661		40,661
EPM 11602 Ravenswood SE	100%	20,699		20,699
EPM 11982 Ravenswood	100%	18,427		18,427
EPM 12205 Cloncurry Roseby East	100%	41,150		41,150
EPM 12900 Pentland Mt Stewart	100%	37,712		37,712
EPM 12901 Pentland	100%	31,554		31,554
EPM 12928 Clermont	100%	40,840	60,000	100,840
EPM 15057 Ravenswood Glenroy	100%	13,190		13,190
EPM 15084 Cloncurry Quamby	100%	20,438		20,438
EPM 15095 Cloncurry Clonagh	100%	26,727		26,727
EPMA 15248 Mt Isa	100%	22,379		22,379
Total Deferred Exploration & Development Costs		313,777	60,000	373,777

The ultimate recoupment of exploration and evaluation costs carried forward is dependent on the successful development and commercial exploitation or sale of the areas of interest at an amount at least equal to the carrying value.

Note 5 - Contributed Equity

	No
Reconciliation of pro-forma issued capital	
Shares issued at 30 June 2007	36,087,502
Shares issued on acquisition of exploration tenements	600,000
Shares issued to seed investors	8,500,000
Shares issued to CYC per Share Subscription Agreement	16,428,571
Shares issued pursuant to this prospectus	16,000,000
Pro-forma issued capital	77,616,073

	\$
Reconciliation of pro-forma issued capital	
Issued capital at 30 June 2007	505,402
Value of shares issued as consideration for the acquisition of exploration tenements	60,000
Proceeds from shares issued to seed investors	553,000
Proceeds from shares issued to CYC	2,300,000
Proceeds from the issue of shares pursuant to this prospectus	4,000,000
Payment of estimated costs associated with share issue	(400,000)
Pro-forma issued capital	7,018,402

8. INDEPENDENT ACCOUNTANT'S REPORT

William Buck

Securities Ltd

Australian Financial Services Licence Number: 247427
ABN: 91 010 208 107

23 August 2007

The Directors
China Yunnan Copper Australia Limited
Level 5, Santos House
60 Edward Street
BRISBANE QLD 4000

Dear Directors

Independent Accountant's Report on Historical Financial Information

We have prepared this Independent Accountant's Report (report) at the request of the Directors of China Yunnan Copper Australia Limited ("CYCA" or "the company") for inclusion in a Prospectus to be dated on or about 27 August 2007.

Expressions defined in the Prospectus have the same meaning in this report.

8.1 SCOPE

You have requested William Buck Securities Ltd prepare a report covering the following historical financial information which is included in Section 7 of the Prospectus:

- (a) The historical balance sheet of CYCA as at 30 June 2007; and
- (b) The pro forma balance sheet as at 30 June 2007, which assumes completion of the post balance date transactions as set out in Section 7 of the Prospectus ("the pro forma transactions").

The historical financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

The Directors are responsible for the preparation and presentation of the historical financial information. The balance sheet of the company as at 30 June 2007 has been extracted from the audited financial statements.

This report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for reliance on this report or on the historical financial information to which it relates other than the purpose for which it was prepared.

8.2 REVIEW OF HISTORICAL FINANCIAL INFORMATION

We have conducted our review of the historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- (a) analytical procedures on the financial performance of the company for the relevant historical period;
- (b) a review of work papers, accounting records and other documents;
- (c) a comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards including Australian Accounting Interpretations, and the accounting policies adopted by the company; and

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(d) enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

8.3 REVIEW STATEMENT ON HISTORICAL FINANCIAL INFORMATION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe:

- (a) The historical financial information does not present fairly the balance sheet of CYCA as at 30 June 2007 in accordance with:
 - i. the accounting policies of the company; and
 - ii. the recognition and measurement principles prescribed in Australian Accounting Standards including Australian Accounting Interpretations.
- (b) The pro-forma transactions do not form a reasonable basis for the pro-forma financial information;
- (c) The pro-forma balance sheet as at 30 June 2007 has not been prepared on the basis of the pro-forma transactions;
- (d) The pro-forma balance sheet is not presented fairly in accordance with:
 - i. the accounting policies of the company and the basis of preparation set out in section 7; and
 - ii. the recognition and measurement principles prescribed in Australian Accounting Standards including Australian Accounting Interpretations.

8.4 SUBSEQUENT EVENTS

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of CYCA have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

8.5 INDEPENDENCE OR DISCLOSURE OF INTEREST

William Buck Securities Ltd does not have any interest in the outcome of this issue other than the payment of normal professional fees for the preparation of this report and participation in due diligence procedures. It is proposed that William Buck will be appointed auditors of the company and will receive normal professional fees in this capacity in the future.

Yours faithfully

WILLIAM BUCK SECURITIES LIMITED

ABN 91 010 208 107

Australian Financial Services Licence No: 247427



D W LANGDON

Authorised Representative No: 270576

William Buck

9. RISK FACTORS

9. RISK FACTORS

9.1. INTRODUCTION

An investment in the Shares being offered under this Prospectus is not risk free. Exploration and evaluation for minerals is generally considered a high-risk activity, and the worst case scenario is that most or all of the investment could be lost.

The future performance of CYCAL and the future investment performance of the Shares and CYC Options may be influenced by a range of factors. Many are outside the control of the Board. Prior to making any decision to accept the Offer, investors should carefully consider the following risk factors applicable to the Company.

Some of the risks may be mitigated by the Company using safeguards and appropriate systems and taking certain actions. Some of the risk may be outside the control of CYCAL and not capable of mitigation. There are also general risks associated with any investment in Shares.

The risks described below are not to be taken as exhaustive. The specific risks considered and others not specifically referred to may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

9.2. GENERAL RISKS

Share Market Risk

The market price of Shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resources sector and exploration companies in particular.

There are a number of factors (both national and international) that may affect the share market price and neither the Company nor its Directors have control of those factors.

General Economic Conditions

Changes in the general economic climate in which CYCAL operates may adversely affect the financial performance of the Company. Factors that may contribute to that economic climate include the general level of economic activity, interest rates, inflation and other economic factors. The price of commodities and level of activity within the mining industry will also be of particular relevance to CYCAL.

Legislative Change

Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of the Company. CYCAL is not aware of any current or proposed material changes in relevant regulations or policy.

Unforeseen Expenses

While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were subsequently incurred, the expenditure proposals of the Company may be adversely affected.

9.3. RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

Investors should also be aware of the risks specific to an investment in the Company. The major risks are described below.

Changes in Commodity Price

CYCAL's possible future revenues will probably be derived mainly from copper and gold and/or from royalties gained from potential joint ventures or from mineral projects sold. Consequently, CYCAL's potential future earnings could be closely related to the price of either of these commodities.

Mineral prices fluctuate and are affected by numerous industry factors including demand for minerals, forward selling by producers, production cost levels in major producing regions and macroeconomic factors, eg inflation, interest rates, currency exchange rates and global and regional demand for, and supply of minerals. If the market price of minerals sold by CYCAL were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, CYCAL would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

Exploration and Evaluation Risk

Potential investors should understand that mineral exploration and development are high-risk undertakings. While the Company has attempted to reduce this risk by selecting projects that have identified advanced mineral targets, there is still no guarantee of success. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Operational Risk

If the Company is successful in its exploration efforts and decides to develop and commission a mine, the operations of the Company including mining and processing may be affected by a range of factors. These include failure to achieve predicted grade in exploration, mining and processing, technical difficulties encountered in commissioning and operating plant and equipment, mechanical failure, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increase in the costs of consumables, spare parts, plant and equipment.

Sustainability of Growth and Margins

The sustainability of growth and the level of profit margins from operations are dependent on a number of factors outside of the Company's control. Industry margins in all sectors of the Company's activities are likely to be subject to continuing but varying pressures, including competition from other current or potential suppliers.

Financing

CYCAL's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures.

Reliance on Key Personnel

Whilst CYCAL has few executives and senior personnel, its progress in pursuing its exploration and evaluation programmes within the time frames and within the costs structure as currently envisaged could be dramatically influenced by the loss of existing key personnel a failure to secure and retain additional key personnel as the Company's exploration programme develops. The resulting impact from such loss would be dependent upon the quality and timing of the employee's replacement.

Although the key personnel of CYCAL have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring and evaluating mineral projects, there is no guarantee or assurance that they will be successful in their objectives pursuant to this Prospectus.

Exchange Rate Risk

The revenues, earnings, assets and liabilities of CYCAL may be exposed adversely to exchange rate fluctuation.

Industrial Risk

Industrial disruptions, work stoppages and accidents in the course of CYCAL's operations could result in losses and delays, which may adversely affect profitability.

Environmental Risk

The Company's operations and projects are subject to State and Federal laws and regulation regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on the Company for damages, clean up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by the Company or its subsidiaries, or non compliance with environmental laws or regulations. The Company proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

Insurance Arrangements

The Company intends to ensure that insurance is maintained within ranges of coverage that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.



Smelter of YCI, Kunming, China

Contractual Risks

CYCAL is a party to various contracts, including the Ravenswood Farm-in Agreement and the CYC Share Subscription Agreement. Whilst CYCAL will have various contractual rights thereunder in the event of non compliance by a contracting party, no assurance can be given that all contracts to which CYCAL is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, that CYCAL will be successful in securing compliance.

Management Actions

Directors of the Company will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for the same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its security.

Land Access Risk

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which propriety knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act 1993 (Commonwealth). These land ownership rights and obligations are set out further in Section 6 of this Prospectus. Rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

Government Policy

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of the Company.

The Queensland Minister for Natural Resources, Mines and Energy does conduct reviews from time to time of policies in connection with the granting and administration of mining tenements. At present the Company is not aware of any proposed changes to policy that would affect its tenements.

In Queensland, the Aboriginal Cultural Heritage Act 2003 and the Torres Strait Islander Cultural

Heritage Act 2003 (which commenced on 16 April 2004) impose duties of care which require persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires the Company to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Changing attitudes to environmental, land care, cultural heritage and indigenous land rights issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect the Company's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

Uranium Mining

Uranium Mining in Australia is regulated by State and Federal governments. Currently there is no official policy document that exists to restrict the grant of mining leases for uranium in Queensland. Neither the Federal Labor Party nor the Nuclear Facilities Prohibition Act 2007 (QLD) expressly prohibits uranium exploration or mining. At the ALP National Conference in April 2007, Labor's policy prohibiting new uranium mines was discarded, and states were left to make their own decision regarding uranium mining. As a result, the Queensland State Government seems intent on maintaining its policies that prohibit uranium mining but generally permit exploration.

Based on existing policies there is no guarantee that any economic deposits of uranium will be able to be developed into operating mines.

Even if successful in its exploration activities, in order for the Company to be successful in achieving mine production, changes to the existing statutory and regulatory regime would be required. There is much political debate over the issue of Uranium mining in Australia as evidenced by the Queensland State Government's renewed opposition to uranium mining in Queensland. No guarantee can be given that the outcome of such debate will be favourable to the Company.

Native Title Risk

The effect of the Native Title Act 1993 (Commonwealth) (NTA) is that existing and new tenements held by the Company may be affected by native title claims and procedures. The Company has not undertaken the historical, legal or anthropological research and investigations at the date of this Prospectus that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement.

There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held or to be held by the Company which may affect the operation of the Company's business and development activities. In the event that it is determined that native title does exist or a native title claim is registered, the Company may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights such as a Mining Lease. Such procedures may take considerable time, involve the negotiation of significant agreements, may involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming native title in the land which is the subject of a tenement. The administration and determination of native title issues may have a material adverse impact on the position of the Company in terms of cash flows, financial performance, business development, ability to pay dividends and the Share price.

The Directors believe that the impact of Native Title with respect to land access on the project for the purpose of exploration, other than causing delays, is likely to be minimal. These Native Title and land access rights and obligations are set out further in Section 6. The Native Title status of each tenement held by CYCAL and the land access rights and obligations are set out in Section 6.

9.4. GENERAL

Any combination of the above factors may materially affect any individual mineral project assets, operations or the financial performance of CYCAL and the value of its securities. To that extent the Shares offered in this Prospectus are subject to significant risk and uncertainty with respect to return or preservation of capital, the price (if any) at which the Shares may trade and the payment of dividends in any future time.

10. SUMMARY OF MATERIAL CONTRACTS

10. SUMMARY OF MATERIAL CONTRACTS

A summary of the material agreements to which the Company is a party is set out below:

10.1. UNDERWRITING AGREEMENT

The Company has entered into an underwriting agreement dated 24 August 2007 (Underwriting Agreement) with Martin Place Securities Pty Ltd (Underwriter).

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter an underwriting fee equal to 5% of the total amount raised by the Offer and grant to the Underwriter 2,000,000 options to subscribe for Shares each exercisable on or before 3 years from the listing of the Company on ASX at 40c each. (Underwriter's Options)

Each of the Underwriters Options are issued on the same terms as the CYC Options, details of which are set forth in Section 10 below.

The Company has also agreed to reimburse the Underwriter for all reasonable costs and expenses incurred in connection with the underwriting and the Underwriting Agreement.

The Underwriting Agreement contains standard termination clauses that relieve the Underwriter of its obligations if certain events occur. These termination provisions will be enlivened, if:

1. The All Ordinaries Index Number or the Dow Jones Industrial Average is at any time more than 10.0% below its level as at the close of business on the Business Day immediately preceding the date of the Agreement;
2. A material new circumstance has arisen since the Prospectus was lodged that would in the reasonable opinion of the Underwriter have been required by sections 710 or 711 of the Corporations Act to be included in the Prospectus if it had arisen before the Prospectus was lodged;
3. The Company makes default under or is in breach of any of its material obligations under the Agreement and following consultation between the Company and the Underwriter, that failure is not remedied within 5 Business Days afterwards;
4. Any warranty or representation by the Company in this Agreement ceases to be true in any material respect and, following consultation between the Company and the Underwriter, the matters rendering the warranty untrue are not remedied within 5 Business Days afterwards;

5. Any material adverse change occurs in the financial position of the Company or any subsidiary.
6. Any director or Officer of the Company named in the Prospectus dies or is charged with or convicted of an indictable offence;
7. Any material statement in the Prospectus is found to be or becomes misleading or deceptive or there is found to be a material omission from the Prospectus of material required by sections 710 or 711 of the Corporations Act;
8. The adoption or announcement by or on the authority of the government of the Commonwealth of Australia of:
 - i. Any future change in fiscal or monetary or taxation policy which would materially and adversely affect companies generally or the Company in particular or investment in stocks and shares in Australia including but not limited to any change which is likely to materially and adversely affect interest rates (to a degree of a change of 1% or more in Reserve Bank interest rates) not already announced or anticipated as at the date of the Agreement; or
 - ii. Any law or prospective law or other measure having the effect of restraining capital issues, corporate profits or foreign investment, and which, in either case, would materially and adversely affect the Issue;
9. Any person who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
10. Any information supplied at any time by the Company (or any person on its behalf) to the Underwriter in respect of any aspect of the Issue is or becomes false or misleading;
11. Any of the results of investigations of the Company or of any subsidiary conducted pursuant to the Company's due diligence program and verification material is or becomes false or misleading;
12. Any material contravention by the Company or an Officer of any of them of any provision of the Corporations Act, or the Listing Rules or any requirement of ASX or the ASIC or any governmental agency;

13. A resolution is passed or an order made by a Court of competent jurisdiction for the winding up of the Company or any subsidiary, other than an order for the purpose of reconstruction or amalgamation made with the prior consent of the Underwriter;
14. A receiver or receiver and manager is appointed to all or any part of the assets or undertaking of the Company or any subsidiary;
15. The Company or any subsidiary enters into any scheme of arrangement with its creditors or any class of them or indicates its intentions to do so;
16. The Company or any subsidiary suspends payments of its debts or is unable to pay its debts within the meaning of the Corporations Act;
17. The Company or any subsidiary is placed under official management or an official manager is appointed;
18. A liquidator or provisional liquidator is appointed to the Company or any subsidiary;
19. An inspector is appointed pursuant to the Corporations Act to investigate all or any part of the affairs of the Company or any subsidiary;
20. The Company fails to furnish any certificate in accordance with the requirements of Clause 7.1 of the Underwriting Agreement;
21. There is an outbreak of hostilities (whether or not war has been declared) not presently existing or a major escalation in existing hostilities occurs involving any one or more of the Commonwealth of Australia, the United Kingdom, the United States of America, European Union, the Peoples Republic of China, Taiwan, Japan, Indonesia, Chile, Ecuador, Venezuela, Bolivia, Brazil, Argentina, Peru or Colombia.
22. The Company or any party having power to do so appoints a voluntary administrator to the Company or any subsidiary or any part of the business or asset of the Company becomes subject to any form of administration.
23. Any waiver or exemption to the Listing Rules granted by the ASX being illegal, improper or ultra vires the ASX power to grant such waiver or exemption.
24. Premar Capital fails to lodge Applications from its clients with the Company for not less than \$2,000,000 by the Closing Date of the Issue

The occurrence of any events listed above will not entitle the Underwriter to terminate the Agreement unless, in the opinion of the Underwriter reached in good faith and acting reasonably, the event has or could have a materially adverse effect on the success of the Issue.

10.2. EXECUTIVE SERVICES AGREEMENT

The Company has entered into a Consultancy Agreement with Elliott Exploration Co Pty Ltd and Dr Mark Elliott, a Director of the Company dated 20 August 2007 under which Elliott Exploration Co Pty Ltd has agreed to provide certain services to the Company. Additionally, Elliott Exploration Co Pty Ltd has agreed to cause Dr Mark Elliott to assist Elliott Exploration Co Pty Ltd in providing the services and Dr Mark Elliott has agreed to act as an Executive Director of the Company.

The agreement is conditional on the successful listing of the Company on ASX.

Elliott Exploration Co Pty Ltd is obliged to provide a minimum average of 20 hours per week in performance of the services and will receive a base fee of \$175 per hour.

The Company is obliged to reimburse Elliott Exploration Co Pty Ltd for all reasonable and necessary expenses incurred by it in the performance of its duties. Both the Company and Elliott Exploration Co Pty Ltd are entitled to terminate the Agreement upon giving not less than 1 months written notice.

Further, the Company is entitled to terminate the Agreement upon the happening of various events in respect of Elliott Exploration Co Pty Ltd's solvency or other conduct or if Dr Mark Elliott ceases to be a director.



YCI Yunnan Bulls, China

10.3. EXECUTIVE EMPLOYMENT AGREEMENT WITH JASON BECKTON

The Company has entered into an Executive Services Agreement with Jason Beckton dated 20 August 2007 under which Jason Beckton has agreed to provide certain services to the Company and be appointed as an Executive Director of the Company.

The agreement is conditional on the successful listing of the Company on ASX.

Mr Beckton will receive a base remuneration totalling \$180,000 per annum (exclusive of superannuation).

The Company is obliged to reimburse Mr Beckton for all reasonable and necessary expenses incurred by him in the performance of his duties.

The Company is entitled to terminate the agreement upon giving three (3) months written notice. Further, the Company is entitled to terminate the agreement upon the happening of various events in respect of Mr Beckton's solvency or other conduct or if he ceases to be a Director.

The agreement provides for a renewal of the initial three (3) year term of the agreement if the parties mutually agree to such an extension.

10.4. CYC SHARE SUBSCRIPTION AGREEMENT

By an agreement dated 13 July 2007, China Yunnan Copper (Australia) Investment & Development Co Ltd subscribed a total of \$2.3 million for shares in the Company at an issue price of 14 cents for each share.

CYC will also receive, pursuant to this Prospectus, 16,428,571 free attaching options each exercisable at 40 cents on or before 3 years from the issue date.

Under the terms of this agreement, the subscription moneys will not be released to the Company until the company has satisfied the conditions to listing that may be imposed by ASX. (Listing Approval)

CYC has agreed that if Listing Approval is not obtained by 31 December 2007 then CYC or the Company may elect to cancel the Shares and the Options and the subscription price will be refunded to CYC in full.

Additionally, the Company has agreed to provide CYC with a first right of refusal in respect of the Company's share in all mineral production which may arise from any of the tenements disclosed in the Prospectus.

The Company and CYC will progress finalisation of a Deed of Pre-emption in respect of Mineral Production.

10.5. JOINT VENTURE AGREEMENT

The Company has entered into a farm-in with Sipa Gold Ltd, Sipa Resources Ltd and Newmont Exploration Pty Ltd which affords Sipa Gold Ltd (Sipa) with a right to farm into EPM's 11602 and 11982 and EPA 15057 (Tenements) held by the Company.

Under the agreement Sipa has a right over a 5 year period if it spends a total of \$2 million to earn a 70% interest in each of the Tenements.

It must spend:

- Not less than \$200,000 in the first 12 months;
- Not less than \$500,000 within 24 months;
- Not less than \$900,000 within 36 months;
- Not less than \$1.4 million within 48 months; and
- Not less than \$2 million within 60 months.

If Sipa fails to make any of those expenditures it is deemed to have withdrawn from the joint venture.

At any time after Sipa has earned its 70% interest, the Management Committee established under the Joint Venture terms set forth in the document, may commission a Feasibility Study. The parties will then determine whether a Decision to Mine will be made. This requires a decision of the management committee.

Sipa may, after earning its 70% interest, earn a further 10% interest by meeting all expenditure from that time up to when the Management Committee makes a decision to mine.

If Sipa does elect to sole fund to earn the further 10% interest, it must meet all expenditure in the period up to when the management committee makes a decision to mine.

Sipa is obliged to sole fund all exploration after the making of a Decision to Mine by the Management Committee for a six month period (Financing Period).

At the end of that Financing Period, the Company may elect by notice not to contribute which shall then constitute an offer to sell its 20% interest to Sipa for a price agreed and failing agreement, as determined by an Independent Expert.

If the Company makes such an election, Sipa is obliged to complete the purchase within 60 days of receiving the notice of offer from the Company.

If the Company does not elect to not contribute, then the Company is obliged to pay its proportion of the expenditure effected by Sipa in the requisite period up to the Financing Period upon receipt of an invoice from Sipa for the same. In other words, it is

obliged to make good its non-contribution.

Sipa is appointed the manager during the earn-in period.

The agreement is expressed to be subject to obtainment of any requisite approvals required under the Mineral Resources Act.

10.6. NON-EXECUTIVE DIRECTOR LETTERS OF APPOINTMENT

The Company has entered into letters of appointment with each of the non-executive Directors in respect of their appointment as non-executive Directors of the Company. The letters of appointment are each in standard form and detail the nature of each Director's appointment, their duties and the remuneration entitlements (as set out in Section 11.13 of this Prospectus).

10.7. ACCESS DEEDS

Each of the Directors of the Company and the Company Secretary have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those directors and secretary to effect and maintain insurance in respect of directors and officers liability and provide certain indemnities to each of the directors and secretary, to the extent permitted by law.

10.8. COMPANY SECRETARIAL AGREEMENT

The Company has entered into a Consultancy Agreement with Downshire Investments Pty Ltd (Downshire) and Paul Marshall, the Secretary of the Company dated 1 July 2007 under which Downshire has agreed to provide certain corporate secretarial and other services to the Company. Additionally, Downshire has agreed to cause Paul Marshall to assist Downshire in providing the services and Paul Marshall has agreed to act as the Secretary and Chief Financial Officer of the Company.

Downshire will receive a base fee of \$3,300 per month, with provision for adjustment based on semi-annual review by the Board and in accordance with CPI.

The Company is obliged to reimburse Downshire for all reasonable and necessary expenses incurred by it in the performance of its duties. Both the Company and Downshire are entitled to terminate the Agreement upon giving not less than 3 months written notice.

Further, the Company is entitled to terminate the Agreement upon the happening of various events in respect of Downshire's solvency or other conduct.

The Agreement provides for a renewal of the initial one (1) year term of the Agreement by either the Company or Downshire.

10.9. DOXFORD LETTER AGREEMENT

By a letter agreement evidenced by an exchange of letters between the Company and Clyde Doxford (Doxford), the Company acquired EL 12928 from Doxford for a total consideration comprising \$20,000 cash and the issue of 600,000 Shares each credited as fully paid. Additionally, the Company has agreed to grant to Doxford the rights to alluvial gold to a depth of 7 metres below the land surface.

11. ADDITIONAL INFORMATION

11. ADDITIONAL INFORMATION

11.1. CORPORATE GOVERNANCE

General

The Board of the Company have considered and established various board policies with particular emphasis on the policies for the governance of the Company. This statement outlines the main corporate governance policies which the Directors have adopted.

Co- Chairmen

The Company has appointed co-chairmen being Norman Zillman and Dr Shaolu Zou.

The Board has adopted certain protocols in light of this appointment which include :

- Mr Zillman will chair all shareholder and Board meetings of the Company ; and
- At any Board meetings, despite a chairman having a casting vote in the event of an equality of votes, Mr Zillman has undertaken not to exercise his casting vote without the agreement of Dr Zou.

Committees

The Company does not have any formally constituted committees of the Board of Directors. The Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of special or separate committees. The Board as a whole is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards. This statement outlines the main corporate governance policies which the Directors have adopted.

Composition of the Board

The Board comprises six Directors. The names, qualifications and relevant experience of each Director are set out in Section 2 of this Prospectus. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to supervise adequately the Company's activities determined within the limitation imposed by the Constitution.

Board Membership

The Board acts as a nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.

Appointment and Retirement of Directors

The Company's Constitution provides that Directors are subject to retirement by rotation, by order of length of appointment. Retiring Directors are eligible for re-election by shareholders at the annual general meeting of the Company.

Duties of Directors

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company and to carry out their duties and responsibilities with due care and diligence.

Directors are required to take into consideration conflicts when accepting appointments to other Boards. Accordingly, Directors wishing to accept appointment to other Boards must first seek approval from the Board, approval of which will not be unreasonably withheld.

Independent Professional Advice

The Board has determined that individual Directors may, in appropriate circumstances engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which will not be unreasonably withheld.

Compensation Arrangements

The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

Audit Committee

The Board does not presently have an audit committee. All matters which might be dealt with by such a committee are reviewed by the Directors meeting as a Board.

Internal Management Controls

The Company's assets are located in Australia. Control over the operations is exercised by senior management .

The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

Identifying Significant Business Risks

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's Shares, however, the Directors recognise that mineral exploration and evaluation is inherently risky.

Proposed actions following ASX Listing

Following the Company listing on the ASX, the Directors intend to expand its corporate governance charter to define policies relating to:

1. Shareholder communication;
2. Share trading by Directors and executives;
3. Code of conduct for Company employees.

Level of Compliance with ASX Best Practice Policies on Corporate Governance

The Company does not presently comply with all of the ASX Best Practice Policies on Corporate Governance and by virtue of its size and the composition of the Board is unlikely to do so in the foreseeable future.

The following table outlines the areas where the Company has departed from ASX Best Practice Policies on Corporate Governance and the reasons for so doing:

Principle 2 Recommendation 2.1

Notification of Departure

The Board does not have a majority of independent directors. It is comprised of five non-independent directors and one independent director.

Explanation for Departure

The existing structure is considered appropriate given the small scale of the Company's enterprise and the associated economic restrictions this places on the Company. The existing structure is aimed at maximising the financial position of the Company by keeping its operating costs to a minimum.

Principles 2 and 9 Recommendations 2.4 and 9.2

Notification of Departure

Separate nomination and remuneration committees have not been formed. However, the Company has adopted Nomination and Remuneration Committee Charters.



Copper Cathode from Refinery of YCI at Kunming, China

Explanation of Departure

The role of the nomination and remuneration committees is carried out by the full Board in accordance with the appropriate charters. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing separate committees.

Principle 4 Recommendation 4.2 and 4.3

Notification of Departure

A separate audit committee has not been formed.

Explanation for Departure

The role of the audit committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate audit committee.

11.2 RIGHTS ATTACHING TO SHARES IN THE COMPANY

A summary of the rights which relate to all Shares which may be issued pursuant to this Prospectus are set out below. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

Voting

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

Dividends

The Shares will rank equally with all other issued Shares in the capital of the Company and will participate in dividends out of profits earned by the Company from time to time. Subject to the rights of holders of Shares of any special preferential or qualified rights attaching thereto, the profits of the Company are divisible amongst the holders of Shares in proportion to the Shares held by them irrespective of the amount paid up or credited as paid up thereon. The Directors may from time to time pay to Shareholders such interim dividends as in their judgement the position of the Company justifies.

Winding Up

Upon paying the application moneys, shareholders will have no further liability to make payments to the company in the event of the company being wound up pursuant to the provisions of the Corporations Act.

Transfer of Securities

Generally, the Shares and Options in the Company will be freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The Directors may decline to register any transfer of Shares but only where permitted to do so under its Constitution or the ASX Listing Rules.

Sale of Non-Marketable Holdings

The Company may take steps in respect of non-marketable holdings of Shares in the Company to effect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non-marketable holdings in accordance with the Constitution and the ASX Listing Rules.

For more particular details of the rights attaching to Shares in the Company, investors should refer to the Constitution of the Company.

11.3 CYC SHARES

The Company has issued on completion under the Share Subscription Agreement (SSA) 16,428,571 ordinary shares to CYC (CYC Shares) upon the following terms;

1. The CYC Shares were issued in the name of China Yunnan Copper (Australia) Investment & Development Co. Ltd .
2. The CYC Shares are subject to forfeiture as set forth in point 7 below.
3. Prior to listing on ASX, so long as CYC is not in breach of the SSA or the Constitution, it has a voting entitlement at any general meeting or extraordinary general meeting of the Company of one vote for each of the CYC Shares.
4. In the event that CYC is in breach of the SSA, until CYC has remedied the breach, CYC shall not be entitled to vote.
5. The CYC Shares shall entitle CYC to nominate 3 board members.
6. On the Completion Date under the SSA, CYC paid to the Company the Subscription price under the Agreement to the Solicitors for the Company Hopgood Ganim who shall only release the Subscription price to the Company upon the satisfaction by the Company of the ASX conditions to listing. (Listing Approval)

7. CYC agrees that if the Listing Approval has not been obtained for any reason by 31 December 2007 then CYC or the Company may elect to:
 - i. Forfeit the CYC Shares cancel the issue of the CYC Shares by having shareholders in general meeting approve the same at a meeting convened for that purpose pursuant to s 258D Corporations Act at which CYC shall vote in favour of cancellation and cancel the Options;
 - ii. Refund the Subscription price in full to CYC; and
 - iii. Cancel any Off-take Agreement.
8. CYC agrees to not deal in any manner whatsoever with the CYC Shares and the CYC Options until either the Listing Approval has been obtained or an election made by the Company and agrees that if for any reason whatsoever the CYC Shares and Options cannot be it will agree to have the CYC Shares and Options cancelled in such other manner as may be required by the Company (including by way of a share buy-back or capital reduction) in consideration of the Subscription price being refunded to CYC.
6. The Option Exercise Period shall be the period commencing on the Commencement Date of the relevant Options and expiring on the Expiry Date of the relevant Options.
7. The Options will be freely transferable.
8. 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 to the Company at any time during the Option Exercise Period.
9. The number of Options that may be exercised at one time must be not less than 1,000.
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 then issued ordinary shares of the Company.
11. The Option holder will be permitted to participate in new issues of securities of the Company on the prior exercise of the Options, in which case the holder of the Options will be afforded the period of at least 14 days notice prior to and inclusive of the books closing date (to determine entitlements to the issue) to exercise the Options.

11.4. CYC OPTIONS

The Company has agreed subject to the successful completion of the Prospectus and listing of the Company on ASX, to issue to China Yunnan Copper (Australia) Investment and Development Co. Ltd 16,428,571 Options to subscribe for ordinary shares in the Company upon the following terms:

1. The Options shall be on the basis of one (1) Option for each Share subscribed for by CYC under the SSA.
2. The Options shall be issued for nil consideration.
3. The commencement date (Commencement Date) for the exercise of the Options shall be the date of the Company listing on the ASX.
4. The Options will, except to the extent earlier exercised, expire on the date being 3 years from the Commencement Date (Expiry Date).
5. The exercise price for each Option shall be \$0.40 (Exercise Price).
12. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - i. 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, 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 share-holders; and
 - ii. 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.

13. 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:

$$O_n = O - E [P - (S + D)]$$

$$N + 1$$

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.

14. The Company does not intend to apply for listing of the Options on the ASX.
15. The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.
16. 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.
17. 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.

11.5. LIMITATION ON FOREIGN OWNERSHIP

The only limitations under Australian law on the rights of non-Australian residents to hold or vote the Shares of an Australian company are set forth in the Foreign Acquisitions and Takeovers Act (the FATA). The FATA regulates acquisitions giving rise to ownership of substantial amounts of a company's shares.

The FATA prohibits:

- any natural person not ordinarily resident in Australia; or
- any corporation in which either a natural person not ordinarily resident in Australia or a foreign corporation (as defined in the FATA); or
- two or more such persons or corporations;

from entering into an agreement to acquire Shares if after the acquisition such person or corporation would hold a substantial interest in a corporation, or where two or more persons or corporations would hold an aggregate substantial interest (defined below), without first applying in the prescribed form for approval thereof by the Australian Treasurer and receiving such approval or receiving no response in the 40 days after such application was made.

A holder will be deemed to hold a substantial interest in a corporation if the holder alone or together with any associates (as defined in the FATA) is in a position to control not less than 15 percent of the voting power in the corporation or holds interests in not less than 15 percent of the issued Shares in that corporation. Two or more holders hold an aggregate substantial interest in a corporation if they, together with any associates (as so defined), are in a position to control not less than 40 percent of the voting power in that corporation or hold not less than 40 percent of the issued Shares in that corporation. The Constitution of the Company contains no limitations on a non-resident's right to hold or vote the Company's Shares.

11.6. LITIGATION

The Company is not engaged in any litigation which has or would be likely to have a material adverse effect on either the Company or its business.

11.7. SUBSEQUENT EVENTS

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- the operations of the Company;
- the results of those operations; or
- the state of affairs of the Company.

11.8. LIABILITY OF OTHER PERSONS NAMED IN THIS PROSPECTUS

Notwithstanding that they may be referred to elsewhere in this Prospectus:

Hopgood Ganim Lawyers are named in the Corporate Directory as Solicitors to the Issue. They have been involved in the process of reviewing this Prospectus for consistency with the material contracts. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus. Hopgood Ganim will be paid for work performed in accordance with usual time based charge out rates and estimate their professional costs at \$85,000, at the date of this Prospectus.

Minnelex Pty Ltd is named in the Corporate Directory the Independent Geological Consultant to the Company. Minnelex Pty Ltd was involved in the preparation of the Independent Geologist's Report, an outline of which is set out in Section 5 of this Prospectus. In doing so Minnelex Pty Ltd, has placed reasonable reliance upon information provided to Minnelex Pty Ltd by the Company and other third parties. Minnelex Pty Ltd does not make any other statement in this Prospectus. Minnelex Pty Ltd will be paid for work performed in accordance with usual time based charge out rates and estimates its professional costs at \$14,223 at the date of this Prospectus.

William Buck Securities Limited are named in the Corporate Directory as Investigating Accountants to the Company. They were involved in the preparation of the Investigating Accountants Report set out in Section 7 of this Prospectus. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus. William Buck will be paid for work performed in accordance with usual time based charge out rates and estimate their professional costs at \$20,000, at the date of this Prospectus.



Transporting of Copper Ore at YCI mine

Martin Place Securities Pty Ltd have given their written consent to be named in this Prospectus as Underwriter to the Issue in the form and context in which it is named and have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC. Martin Place Securities Pty Ltd has not authorised or caused the issue of the Prospectus and does not make or purport to make any statement in the Prospectus other than a statement or a report included in the Prospectus with its consent. To the extent permitted by law, they disclaim any responsibility for any misleading statements or material omissions in this Prospectus. During the two years prior to the date of this Prospectus, Martin Place Securities Pty Ltd have not received any other fees from the Company.

Link Market Services Limited has given its written consent to be named as the Share Registrar in the form and context in which it is named and has not withdrawn its consent prior to lodgement of this Prospectus within ASIC. Link Market Services Limited has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.

Hetherington Exploration & Mining Titles Services Pty Ltd is named in the Corporate Directory as Tenement Consultant to the Company. Hetherington Exploration & Mining Titles Services Pty Ltd was involved in the preparation of the Tenement Report, an outline of which is set out in Section 6 of this Prospectus. In doing so, has placed reasonable reliance upon information provided to Hetherington's by the Company and other third parties. Hetherington Exploration & Mining Titles Services Pty Ltd does not make any other statement in this Prospectus. Hetherington Exploration & Mining Titles Services Pty Ltd will be paid for work performed in accordance with usual time based charge out rates and estimates its professional costs at \$8200 at the date of this Prospectus.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

11.9. CONSENT OF EXPERTS

Hopgood Ganim Lawyers, Minnelex Pty Ltd, Hetherington Exploration & Mining Titles Services Pty Ltd, Martin Place Securities and William Buck Securities Limited have acted as experts and have given, and have not before the lodgement of this Prospectus, withdrawn their written consent to the issue of this Prospectus, with the statement purporting to be made by them or to be made on a statement by them, included in the

form and context in which it is included. To the extent permitted by law, they each disclaim any responsibility for any misleading statements or omissions in this Prospectus.

11.10. INSPECTION OF DOCUMENTS

Copies of following documents may be inspected free of charge at the registered office of the Company and at the offices of Hopgood Ganim Lawyers, Level 8, 1 Eagle Street, Brisbane during normal business hours:

- the Material Contracts in Section 10 of this Prospectus;
- the Constitution of the Company; and
- the consents referred to in this Prospectus

11.12. COSTS OF THE ISSUE

If the Issue proceeds, the total estimated costs of the Issue including capital raising fees and commissions, advisory, ASIC and ASX fees, prospectus printing and miscellaneous expenses will be approximately \$400,000.

11.13. DIRECTOR'S FEES

The Constitution of the Company provides that the non-executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the directors agree and, in default of agreement, equally. The aggregate maximum remuneration currently determined by the Company is \$250,000 per annum. Additionally, non-executive Directors will be entitled to be reimbursed for properly incurred expenses.

At present, the Board of the Company is constituted by two executive Directors and four non-executive Directors. The executive Directors have been engaged by the Company pursuant to agreements, the terms of which are summarised in Section 10 of this Prospectus. The Board has agreed that executive Directors shall not be paid Director's fees in addition to their salary packages set forth in their respective service contracts and that the Co-Chairmen shall each be paid \$36,000 and the other non-executive directors shall be paid a fee of \$24,000 per annum.

If a non-executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to non-executive Directors. A non-

executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of any executive Director may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits but may not be by commission on, or a percentage of, operating revenue. Except as disclosed in Section 10, no remuneration will be payable to executive Directors.

11.14. INTERESTS OF EXPERTS AND ADVISERS

The nature and extent of the interests (if any) that:

- a person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
- a promoter of the Company; or
- a stockbroker or underwriter (but not a sub-underwriter) to the Issue;

holds, or held at any time during the last two years in:

- the formation or promotion of the Company;
- property acquired or to be acquired by the Company in connection with:
 - i. its formation or promotion; or
 - ii. the Offer,

is set out in Section 10 and 11.

The amount that anyone has paid or agreed to pay, or the nature and value of any benefit anyone has given or agreed to give for services provided by:

- a person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus;
- a promoter of the Company; or
- a stockbroker or underwriter (but not a sub-underwriter) to the Issue;

in connection with:

- the formation or promotion of the Company; or
- the Offer,

is set out in Section 10 and 11.

11.15. DIRECTOR'S INTERESTS

The nature and extent of the interest (if any) that the Directors of the Company hold, or held at any time during the last two years in:

- the formation or promotion of the Company;
- property acquired or to be acquired by the Company in connection with:
 - i. its formation or promotion; or
 - ii. the Offer,

is set out in Section 10 and 11.

The amount (if any) that anyone has paid or agreed to pay, or the nature and the value of any benefit anyone has given or agreed to give to a Director of the Company, or proposed Director of the Company:

- to induce them to become, or to qualify as, a Director of the Company; or
- for services provided by a director in connection with:
 - i. the formation of the Company; or
 - ii. the Offer,

is set out in Section 10 and 11.

11.16. PRIVACY

By submitting an Application Form for Shares you are providing to the Company personal information about you. If you do not provide complete and accurate personal information, your application may not be able to be processed.

The Company maintains the register of members of the Company through Link Market Services Limited, an external service provider. The Company requires Link Market Services Limited to comply with the National Privacy Principles while performing these services. The Company's register is required by law to contain certain personal information about you such as your name and address and number of Shares and Options held. In addition the Company collects personal information from members including contact details, bank accounts, membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform members of new initiatives concerning the Company.

The Company understands how important it is to keep your personal information private. The Company will only disclose personal information we have about you:

- when you agree to the disclosure;
- when used for the purposes for which it was collected;
- when disclosure is required or authorised by law;
- to other members of the CYCAL group of companies;
- to your broker;
- to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

Shareholders have the right to access, update and correct personal information held by the Company and Link Market Services Limited except in limited circumstances. Shareholders wishing to access, update or correct personal information held by Link Market Services Limited or by the Company should contact our respective offices.

If you have any questions concerning how the Company handles your personal information please contact the Company.

11.17. ELECTRONIC PROSPECTUS

An electronic version of this Prospectus is available from the Company at World Wide Web URL address www.cycal.com.au on the Internet.

The Application Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

The Company will not accept a completed Application Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Application Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Issue period the electronic version of the Prospectus will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus should immediately request a paper copy of the Prospectus directly from the Company or a financial adviser.

11.18. CONSENT TO LODGEMENT

Each of the Directors of the Company has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Company by:

A handwritten signature in black ink, reading "n.g. Zillman", is written over a horizontal line of small, repeating rectangular marks.

Norman Zillman (Co-Chairman)

12. GLOSSARY OF DEFINED TERMS

12. GLOSSARY OF DEFINED TERMS

Applicants	a person applying for Shares offered by this Prospectus.
Application Form	the application form enclosed with and forming part of this Prospectus for use by investors.
ASIC	Australian Securities and Investments Commission.
ASTC Settlement Rules	the operating rules of the ASX Settlement and Transfer Corporation Pty Limited which apply while the Company is an issuer of CHESS-approved securities, each as amended or replaced from time to time..
ASX	ASX Limited ABN 98 008 624 691.
Board	the board of Directors of the Company from time to time.
Business Day	has the meaning ascribed to it in the ASX Listing Rules.
CHESS	Clearing House Electronic Sub-registry System operated by ASX.
Closing Date	19 October 2007 (subject to the right of the Directors to close the Offer earlier or to extend this date without notice).
Company or CYCAL	China Yunnan Copper Australia Limited ABN 29 070 859 522
Constitution	the Constitution of the Company.
Corporations Act	the Corporations Act 2001 (Commonwealth).
CYC	China Yunnan Copper (Australia) Investment and Development Co. Ltd
CYC Options	The 16,428,571 options to subscribe for Shares to be issued pursuant to this Prospectus to CYC
Directors	the Directors of the Company.
EST	Australian Eastern Standard Time.
Existing Shareholders	all holders of Shares in the Company at the date of this Prospectus.
Exposure Period	the 7 day period from the date of lodgement of the Prospectus.
Issue and Offer	the issue and offer, respectively, of 16,000,000 Shares at \$0.25 cents each.
Official List	the Official List of ASX.
Official Quotation	quotation on the Official List of ASX.
Opening Date	14 September 2007
Options	Options to subscribe for Shares.
Prospectus	this Prospectus which is dated XXX August 2007
Shareholders	holders of Shares in the Company.
Shares	fully paid ordinary shares in the capital of the Company.
USD	US dollars

References in this Prospectus to Sections and paragraphs are to Sections and paragraphs of this Prospectus.

References in this Prospectus to dollars (\$) are to the currency of Australia unless stated otherwise.

12.1. GLOSSARY OF TECHNICAL TERMS

AAS

Atomic absorption spectroscopy. A technique for testing the amount of an element in a sample

Acid volcanic

Volcanic rock with high content of quartz.

Adularia

Alkali feldspar of low temperature origin.

Aeromagnetic

Magnetic survey by aircraft

Alluvium

Waterlain sediments

Alteration

Change in mineral composition of a rock, usually from weathering or hydrothermal solutions

Alunite

Hydrothermally altered feldspar, K rich

Andesite

A fine grained igneous rock with intermediate silica content.

Anomaly

Usually soil or rock assay or geophysical result considered to be different from the norm.

Argillic

Clay alteration products, smectite-dickite-quartz-pyrite.

Arsenopyrite

A sulphide of arsenic and iron.

Ash tuff

Consolidated rock derived from fine airborne volcanic particles.

Auriferous

Gold bearing.

AusIMM

The Australian Institute of Mining and Metallurgy.

Basalt

A fine grained dark basic igneous rock.

Base metal

A term generally confined to copper, lead and zinc.

Basement

The igneous and metamorphic crust of the earth, often underlying sedimentary rocks.

Basic

An igneous rock with a low silica content.

BLEG

Bulk leach extractable gold; gold that can be extracted by cyanide.

Breccia

Rock fragments in a finer grained matrix.

Calc silicates

A rock or mineral in which calcium and silica are dominant.

Carbonate

Carbon and oxygen in the ratio 1:3

Chalcopyrite

Copper and iron sulphide

Chlorite

A green platy iron-magnesium rich silicate mineral

Costean

Trench dug to aid geological mapping and sampling

Country rock

Rocks surrounding mineralisation which in themselves are of no economic value.

Cretaceous

The final period of the Mesozoic, 135 - 65 million years ago.

Dacite

A volcanic rock intermediate between andesite and rhyolite.

Devonian

The period 400 - 345 million years ago.

Diorite

A plutonic rock intermediate in composition between acid and basic

Dyke

A tabular igneous intrusion which cuts through a body of rock.

Elements

As, arsenic. Au, gold. Ba, barium. Cu, copper. F, fluorine. Hg, mercury. Mo, molybdenum. Pt, platinum. Pb, lead. Sb, antimony. Tl, tellurium.

EM.

Electromagnetic. Measures magnetic fields from artificially introduced currents.

Epiclastic

Mechanically deposited sediments formed of fragments of other rocks, eg sandstone

Epithermal

Low temperature hydrothermal processes.

EPM

Exploration permit for minerals.

Fault

A fracture in a rock mass, with the movement of one side past the other.

Feldspar

Abundant rock forming mineral, principally aluminium silicate

Ferruginous

Iron rich

Gabbro

A group of dark coloured basic intrusive igneous rocks

Gangue

Waste rock or mineral associated with ores.

Geochemistry

Study of the values and relationships of elements in soils and rocks

Geophysics

Study of the earth by quantitative physical methods.

Grade

The quantity of ore or metal present relative to other constituents

Granite

Coarse grained acid igneous rock containing quartz and feldspar

Granodiorite

Similar rock to granite but with less silica

Hematite

Iron oxide

Hydrothermal

Circulation of hot water through rocks with leaching and deposition of minerals

Igneous

Rocks formed from a molten state.

In-situ

In place

Intrusive

A body of hot igneous rock which invades the overlying rocks

IP

A geophysical technique which measures the induced potential between two electrodes.

Kaolinised

Turned to clay

Kuroko

massive and disseminated sulphides formed around submarine vents during the waning stages of an acid eruptive cycle

Limonite

Hydrous iron oxide.

Lineament

A linear topographical feature of regional extent thought to reflect crustal structure.

Magnetic low

Magnetic readings which are low compared to nearby areas.

Magnetite

A magnetic oxide of iron.

Massive sulphide

A body of rock with >40% sulphides. It may not be ore.

Mesothermal

Deep hydrothermal mineralisation formed between 200C - 300C

Mesozoic

An era of geological time from 225 - 65 million years

Meta-

Refers to alteration

Metallurgical

Concerned with the production of raw metals from ores

Metamorphic

Alteration of rocks by heat and pressure

Micro-

Small

Miocene

An early Tertiary epoch

Ore

Material which can be mined and treated at a profit

Percussion

Rock drilling using a pneumatically driven drill bit

Permian

The period after the Carboniferous era, 280 -225 million years ago

Petrology

Examination of rocks by microscope

PH

The negative log of the hydrogen ion activity in solution. It determines acidity.

Phyllic

Alteration with sericite and chlorite present

Propylitised

Alteration with calcite, quartz, chlorite, pyrite and other minerals

Porphyritic

Large crystals set in a fine groundmass

Ppb

Parts per billion

Ppm

Parts per million

Proterozoic

The period of time prior to the Pre-Cambrian

Pyritic

Containing pyrite.

Quartz

Crystalline silica.

Radiometric

Measurement of uranium, thorium and potassium radiation.

RC drilling

Reverse circulation drilling. Gives less contamination than open hole drilling.

Resource

Inferred Resource. That part of a mineral resource for which tonnage, grade and mineral content can be estimated with only a low level of confidence. Mineralisation has been identified but continuity of grade can not be confidently interpreted.

Rhyolite

Light coloured extrusive volcanic rock

Sericitisation

The presence of fine potassium mica through alteration

Specific gravity

The ratio of the weight of a volume of substance to the weight of an equal volume of water.

Stock

An igneous intrusion <100 sq km in area

Stockworks

Three dimensional network of irregular veinlets.

Stream sediment

Sample taken of stream gravels and assayed.

Sulphide

A mineral compound linked to sulphur.

Tenement

Ground granted for exploration or mining purposes.

Tertiary

The period from 65 to 2 million years.

Tholeiitic

A variety of basalt

VHMS

Volcanic hosted massive sulphide

Volcanic

Related to volcanoes or volcanism.

INSTRUCTIONS TO APPLICANTS FOR SHARES

Applications must be made on the coloured application form attached to this Prospectus. Please complete all parts of the application form using BLOCK LETTERS.

Use correct forms of registrable name (see back page). Applications using the wrong form of name will be rejected. Current CHES participants should complete their name and address in the same format as they are presently registered in the CHES system.

Insert the number of Shares you wish to apply for. The application must be for a minimum of 8,000 Shares and thereafter in multiples of 2,000 Shares. The applicant(s) agree(s) upon and subject to the terms of the Prospectus to take any number of Shares equal to or less than the number of Shares indicated in box A that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details of statements made are complete and accurate. It is not necessary to sign the Application Form.

No notice of acceptance of the application will be provided by the Company prior to the allotment of Shares. Applicants agree to be bound upon acceptance by the Company of the application.

Payment

Applications for Shares must be accompanied by the application money of \$0.25 cents per Share (in Australian currency). Cheques should be made payable to China Yunnan Copper Australia Limited ABN 29 070 859 522 and crossed "Not Negotiable".

Declarations By Applicants

Each applicant makes the following declarations and statements by submitting this Application Form:

- All details and statements on the application are complete and accurate and the application complies with the terms of the Prospectus.
- The applicant is not a minor.
- The applicant is not, as a result of the law of any place, a person to whom this Prospectus should not be given.
- The applicant received personally the complete and unaltered Statement (or a printed copy if received electronically) attached to the application form before applying for Shares.

Correct Forms Of Registrable Name

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Securities cannot be registered in the name of a trust and no trust can be implied.

Lodging Of Applications

Completed Application Forms and cheques must be lodged at the Company's Share Registry or with the Company.

Applications must be received by no later than 5:00pm Brisbane time on 19 October 2007.

Chess System

The Company intends to become an Issuer Sponsored participant in the Australian Stock Exchange CHES System. This enables a holder to receive a statement of holding rather than a Share certificate. If you are already a Broker Sponsored participant in this system, you may complete this Section or forward a signed Application Form to your sponsoring broker for completion prior to lodgement. Otherwise, leave the boxes in Section D blank and your Shares will automatically be Issuer Sponsored on allotment.

Tax File Numbers

The collection of tax file number ("TFN") information is authorised and its use and disclosure are strictly regulated by the tax laws and the Privacy Act. Please note that it is not against the law not to provide your TFN or claim an exemption, however, if you do not provide your TFN or claim an exemption, you should be aware that tax will be taken out of any unfranked dividend distribution at the maximum tax rate.

If you are completing the application with one or more joint applicants, and you do not wish to disclose your TFN or claim an exemption, a separate form may be obtained from the Australian Taxation Office to be used by you to provide this information to the Company. Certain persons are exempt from providing a TFN. For further information, please contact your taxation adviser or any Taxation office.

INSTRUCTIONS TO APPLICANTS FOR SHARES

Correct Form Of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to China Yunnan Copper Australia Limited ABN 29 070 859 522. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable title below:

Type of investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	John Alfred Brown Use given names, not initials	JA Brown
Company	ABC Pty Ltd Use company title, not abbreviations	ABC P/L or ABC Co
Trusts	Sue Brown Sue Brown Family A/c Use trustee(s) personal name(s)	Sue Brown Family Trust Do not use the name of the trust
Deceased Estates	Jane Brown Est John Brown A/C Use executor(s) personal name(s)	Estate of late John Brown
Partnerships	John Brown and Son A/c John Brown and Michael Brown Use partners' personal names	John Brown and Son Do not use the name of the partnership.
Clubs/Incorporated Bodies/ Business Names	ABC Tennis Association A/C Michael Brown Use office bearer(s) personal name(s)	ABC Tennis Association Do not use the names of the clubs etc.
Superannuation Funds	Jane Brown Pty Ltd Super Fund A/c Use name of trustee of fund	Jane Brown Pty Ltd Superannuation Fund Do not use the name of the fund.

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated space(s) at Section C on the Application Form. Joint Applications must be signed by each Applicant.

TABLE OF AMOUNTS PAYABLE

The application money payable for some common Share quantities is shown below:

Shares	Amount	Shares	Amount	Shares	Amount
10,000	\$2,500	30,000	\$7,500	250,000	\$62,500
20,000	\$5,000	50,000	\$12,500	500,000	\$125,000
25,000	\$6,250	100,000	\$25,000	1,000,000	\$250,000

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form:

The shares to which this Application Form relates are China Yunnan Copper Australia Limited (CYCAL) shares. Further details about the shares are contained in the Prospectus dated [27 August 2007] issued by China Yunnan Copper Australia Limited. The Prospectus will expire on [19 October 2007]. While the Prospectus is current, China Yunnan Copper Australia Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the shares. You should read the Prospectus before applying for shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 8,000 Shares and thereafter in multiples of 2,000. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, China Yunnan Copper Australia Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from China Yunnan Copper Australia Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to China Yunnan Copper Australia Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B. Make your cheque or bank draft payable to "A/c name" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque or bank draft to the Application Form where indicated. If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (Brisbane time) on [19 October 2007] at:

China Yunnan Copper Australia Limited Share Offer
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

China Yunnan Copper Australia Limited Share Offer
C/- Link Market Services Limited
Level 12, 680 George Street
Sydney New South Wales
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*** IP0001 ***

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Photos on Back Cover
Copper Cathode from YCI Refinery at Kunming, China
This photo
Open pit of Yangjie Copper Mine of YCI at Yunnan, China

