

Chinalco Yunnan Copper Resources Limited
ACN 070 859 522

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY MEMORANDUM

Date of Meeting: 21 November 2011
Time of Meeting: 10.00am (Brisbane time)
Place of Meeting: Level 5, 60 Edward St, Brisbane

This Notice of Annual General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

NOTICE OF GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of **CHINALCO YUNNAN COPPER RESOURCES LIMITED** ACN 070 859 522 (**Company**) will be held at Level 5, 60 Edward St, Brisbane, on Monday 21 November 2011, at 10.00am (Brisbane time).

AGENDA

ORDINARY BUSINESS

Financial Reports

To receive and consider the Company's Annual Report comprising the Directors' Report and Auditors' Report, Directors' Declaration, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to and forming part of the financial statements for the Company and its controlled entities for the financial year ended 30 June 2011.

Resolution 1 - Re-Election of Norman Joseph Zillman as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Article 38.1(c) of the Company's Constitution, Norman Joseph Zillman, who retires in accordance with the Company's Constitution and, being eligible for re-election offers himself for re-election, be re-elected as a Director of the Company."

Resolution 2 - Re-Election of Zhihua Yao as a Director

To consider and, if thought fit, pass the following resolution, as an Ordinary Resolution of the Company:

"That in accordance with Article 38.1(b) of the Company's Constitution, Zhihua Yao, who retires in accordance with the Company's Constitution and, being eligible for re-election offers himself for re-election, be re-elected as a Director of the Company."

Resolution 3 – Adoption of Remuneration Report

To consider and, if thought fit, pass the following Advisory Resolution:

"That, the Remuneration Report for the year ended 30 June 2011 (as set out in the Directors' Report) is adopted."

The vote on this Resolution 3 is advisory only and does not bind the Directors of the Company.
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Voting Restriction pursuant to Section 250R(4) of the Corporations Act

<i>Terms used in this Notice of Meeting are defined in the Interpretation section of the accompanying Explanatory Memorandum.</i>

<i>A vote on Resolution 3 must not be cast (in any capacity) by or on behalf of either of the following persons:</i>
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|---|
| <i>(a) a member of the Key Management Personnel ("KMP") details of whose remuneration are included in the Remuneration Report; or</i> |
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- (b) a Closely Related Party of a KMP.

However, a vote may be cast on Resolution 3 by a KMP or a Closely Related Party of a KMP, if:

- (a) the KMP or a Closely Related Party of a KMP does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 3; and
- (b) the vote is not cast on behalf of a member of the KMP details of whose remuneration are included in the Remuneration Report or a Closely Related Party of a KMP.

ASIC Relief

The Company has obtained relief from ASIC allowing the Chairman to vote undirected proxies on the conditions set out in the Explanatory Memorandum.

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the resolutions the subject of this Meeting, including Resolution 3.

SPECIAL BUSINESS

Resolution 4 - Issue of options to Jason Beckton

To consider and, if thought fit, pass the following Ordinary Resolution:

*"That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) ("**Corporations Act**") and for all other purposes, the Company be authorised to issue 200,000 Options to subscribe for ordinary shares in the Company ("**Options**") to Jason Beckton being a Director of the Company or his nominee ("**Jason Beckton**") exercisable at \$0.30 on the terms described in the Explanatory Memorandum."*

Note:

- (a) A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.
- (b) The Company intends to issue the Options as soon as practicable following the Meeting and in any event no later than one (1) month from the date of the Meeting.
- (c) Detailed summary of the proposed Terms of the Options is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT

- (d) The Company will disregard any votes cast on this Resolution by:
 - (i) Mr Jason Beckton; and
 - (ii) any associate of Mr Jason Beckton.
- (e) However, the Company need not disregard a vote if:
 - (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as required by the direction on the proxy form to vote as the proxy decides.

Resolution 5 - Issue of options to Norman Joseph Zillman

To consider and, if thought fit, pass the following Ordinary Resolution:

*"That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 200,000 Options to Norman Joseph Zillman being a Director of the Company or his nominee ("**Norman Zillman**") exercisable at \$0.30 on the terms described in the Explanatory Memorandum."*

Note:

- (a) A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.
- (b) The Company intends to issue the Options as soon as practicable following the Meeting and in any event no later than one (1) month from the date of the Meeting.
- (c) Detailed summary of the proposed Terms of the Options is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT

- (a) The Company will disregard any votes cast on this Resolution by:
 - (i) Mr Norman Zillman; and
 - (ii) any associate of Mr Norman Zillman.
- (b) However, the Company need not disregard a vote if:
 - (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as required by the direction on the proxy form to vote as the proxy decides.

Resolution 6 - Issue of options to Zhihua Yao

To consider and, if thought fit, pass the following Ordinary Resolution:

*"That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 200,000 Options to Zhihua Yao being a Director of the Company or his nominee ("**Zhihua Yao**") exercisable at \$0.30 on the terms described in the Explanatory Memorandum."*

Note:

- (a) A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.
- (b) The Company intends to issue the Options as soon as practicable following the Meeting and in any event no later than one (1) month from the date of the Meeting.
- (c) Detailed summary of the proposed Terms of the Options is contained within the Explanatory Memorandum.

VOTING EXCLUSION STATEMENT

- (d) The Company will disregard any votes cast on this Resolution by:
 - (i) Mr Zhihua Yao; and
 - (ii) any associate of Mr Zhihua Yao.
- (e) However, the Company need not disregard a vote if:
 - (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as required by the direction on the proxy form to vote as the proxy decides.

Resolution 7 - Issue of options to Zewen Yang

To consider and, if thought fit, pass the following Ordinary Resolution:

*"That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act and for all other purposes, the Company be authorised to issue 200,000 Options to Mr Zewen Yang being a Director of the Company or his nominee ("**Zewen Yang**") exercisable at \$0.30 on the terms described in the Explanatory Memorandum."*

Note:

- (a) *A copy of this Notice and the Explanatory Memorandum which accompanies this Notice has been lodged with the Australian Securities & Investments Commission in accordance with Section 218 of the Corporations Act.*
- (b) *The Company intends to issue the Options as soon as practicable following the Meeting and in any event no later than one (1) month from the date of the Meeting.*
- (c) *Detailed summary of the proposed Terms of the Options is contained within the Explanatory Memorandum.*

VOTING EXCLUSION STATEMENT

- (d) *The Company will disregard any votes cast on this Resolution by:*
 - (i) *Mr Zewen Yang; and*
 - (ii) *any associate of Mr Zewen Yang.*
- (e) *However, the Company need not disregard a vote if:*
 - (i) *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
 - (ii) *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as required by the direction on the proxy form to vote as the proxy decides.*

GENERAL BUSINESS

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

BY ORDER OF THE BOARD

Paul Marshall
Company Secretary
21 October 2011

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum is provided to Shareholders of **CHINALCO YUNNAN COPPER RESOURCES LIMITED ACN 070 859 522 (Company)** to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at Level 5, 60 Edward Street, Brisbane, on Monday 21 November 2011, at 10.00am (Brisbane time).

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

This Explanatory Memorandum provides Shareholders with all information known to the Company that is material to the decision on how to vote on the Resolutions to be put to the Meeting, other than such information that has been previously disclosed by the Company to its Shareholders.

Terms used in this Explanatory Memorandum are defined on page 16.

RESOLUTION 1 - RE-ELECTION OF NORMAN JOSEPH ZILLMAN AS A DIRECTOR

Mr Zillman was appointed to the Board of Directors on 27 January 1998. In accordance with the Company's Constitution, Mr Zillman will retire at the Annual General Meeting, and will stand for re-election.

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, namely 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 of Queensland Gas Company Limited (**QGC**) (being responsible for the initial public offering and listing of QGC on the ASX), Chairman of Great Artesian Oil and Gas Limited and a Director of Planet Gas Limited. Mr Zillman is currently Non-Executive Chairman of ASX listed Hot Rock Limited and Burleson Energy Limited.

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.

The Directors (with Mr Zillman abstaining) recommend that you vote in favour of this Ordinary Resolution.

RESOLUTION 2 - RE-ELECTION OF ZHIHUA YAO AS A DIRECTOR

Mr Yao was appointed to the Board of Directors on 23 December 2010. In accordance with the Company's Constitution, Mr Yang will retire at the Annual General Meeting, and will stand for re-election.

Mr Yao has been the Deputy General Manager of Chinalco Yunnan Copper Industry (Group) Co Ltd (**CYCI**) since November 2010. He is responsible for exploration, M&A and project development of CYCI.

My Yao has over 28 years experience in mining and exploration in China. He has worked in different positions, mainly in mining and exploration within CYCI. Mr Yao started his career as a mining technician at a copper mine for Yimeng Mining Co Ltd, a major mining subsidiary of CYCI. In July 1998 he was appointed Vice General Manager of Yimeng Mining Co Ltd, and was responsible for the company's planning, development, R&D, QC and construction.

From 2003 to 2010, Mr Yao was employed as the Director General of Mineral Resource Department and Vice Chief Engineer of CYCI. He was responsible for project generation, M&A, exploration and project development of the whole group. In November 2010, he was assigned to the post of Deputy General Manager of CYCI.

My Yao has a Bachelor of Science with specialisation in Mining Engineering and Post Graduate Diploma in Mining Management from Kunming University of Science and Technology, China. He is currently undertaking his PhD study in mining engineering at China South University. His responsibilities include the financial control and investment activities of CYCI.

The Directors (with Mr Yao abstaining) recommend that you vote in favour of this Ordinary Resolution.

RESOLUTION 3 - REMUNERATION REPORT

The Board has submitted its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding Advisory Resolution.

The Remuneration Report is set out in the Directors' Report section of the Annual Report. The Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior executive of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive directors and senior executives of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

As a result of amendments to the Corporations Act which came into effect on 1 July 2011, members of Key Management Personnel and their proxies and Closely Related Parties are restricted from voting on a resolution (**Voting Restriction**) put to Shareholders that the remuneration report of the Company be adopted. Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Voting Restriction does not apply where the Chairman or any other member of the Key Management Personnel is appointed in writing (by a shareholder who is not a member of the Key Management Personnel) as a proxy (**Management Proxy**) with specific instructions on how to vote on a resolution to adopt the remuneration report of the Company. It is not clear in the amendments to the Corporations Act whether the Management Proxy will be able to vote where the proxy appointment does not give specific instructions on how to vote on a resolution to adopt the remuneration report. In order to resolve this, during 2011, the Federal Government proposes to amend the Corporations Act to make clear that a chairperson is permitted to vote undirected proxies on remuneration report resolutions.

In order to ensure strict compliance with the relevant provisions of the Corporations Act in relation to the Voting Restriction, the Company has obtained from ASIC relief allowing the Chairman to vote undirected proxies. The relief applies to the casting of a vote of the Chairman in the following circumstances:

- (a) Mr Norman Zillman or, in the alternative, Mr Jason Beckton has been elected, by either the directors or the members of the Company, to be the chair of the AGM of the Company to be held on 21 November 2011 and at any adjournment or postponement of that meeting;
- (b) the chair has been appointed by a member of the Company who is not a person mentioned in paragraph (a) or (b) of subsection 250R(4) as the member's proxy to attend and vote for the member at the meeting in relation to the resolution;
- (c) the appointment does not specify the way the chair is to vote on the resolution;
- (d) the appointment expressly authorises the chair to exercise the proxy in relation to the resolution even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, which includes the Chair;
- (e) the notice of the meeting and the proxy form which accompanies the notice of meeting contains a statement as to how the chair, if appointed as the member's proxy and the appointment does not specify the way the chair is to vote on the resolution, intends to vote on the resolution; and
- (f) the proxy form which accompanies the notice of meeting is substantially in the form of the draft proxy form provided to ASIC on 19 October 2011.

Shareholders should be aware that any undirected proxies given to the Chairman will be cast by the Chairman and counted in favour of the resolutions the subject of this Meeting, including this Resolution 3.

Noting that each director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

A vote on this Resolution 3 is advisory only and does not bind the Directors of the Company.

RESOLUTIONS 4 to 7 – ISSUE OF OPTIONS TO DIRECTORS OF THE COMPANY

Introduction

The Directors have proposed the issue of options to the directors of the Company.

The issue of options to directors requires approval of shareholders and these Resolutions are to seek approval for the proposed grant of options (in the numbers specified below) to:

- (a) Resolution 4: 200,000 options to Mr Jason Beckton as director or his nominee;
 - (b) Resolution 5: 200,000 options to Mr Norman Joseph Zillman as director or his nominee;
 - (c) Resolution 6: 200,000 options to Mr Zhihua Yao as director or his nominee; and
 - (d) Resolution 7: 200,000 options to Mr Zewen Yang as director or his nominee
- (together "**Recipients**").

It is proposed that these options that are issued to the Recipients, will be exercisable at \$0.30 in two equal tranches ("**Options**") on or after the Vesting Date (as defined below):

- (a) in respect of the First Tranche Options – on or after 12 August 2012; and
- (b) in respect of the Second Tranche Options – on or after 12 August 2013.

Approval for the issue of the Options is sought in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001. If approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

In order for the Options to be granted to directors, the requirements of Chapters 2E of the Corporations Act need to be observed.

Options Terms

A summary of the material terms of the Options is set out below:

- The securities to be issued to each Recipient are options to subscribe for ordinary shares in the capital of the Company;
- Each Tranche of Options (described below) will expire on 12 August 2014 (**Expiry Date**).
- The Options shall be issued for no consideration.
- The exercise price of each Option is \$0.30 (**Exercise Price**);
- The options may not be exercised or disposed of for exercise restriction periods (**Exercise Restriction Period**) as follows:
 - (a) in respect of the First Tranche Options (50%) which can be exercised on or after 12 August 2012; and
 - (b) in respect of the Second Tranche of Options (50%) which can be exercised on or after 12 August 2013.
- The Recipient must still be engaged by the Company at the dates of the ending of the Exercise Restriction Periods otherwise the options will lapse.
- After the expiry of the Exercise Restriction Period the Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time on or before the Expiry Date;
- In the event of a **Change in Control** transaction all outstanding options will be able to be exercised.
- The Options issued to an Option Recipient will be forfeited in the event of fraud or gross misconduct on the part of the Option Recipient (or where the Option Recipient is a nominee, the person who nominated the Option Recipient).
- The number of Options that may be exercised at one time must be not less than 10,000.
- The Options shall be unlisted.
- Option holders do not participate in dividends unless the Options are exercised.
- Options Recipients do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- Following the issue of the Options, in the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - 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 shareholders; and
 - 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.
- 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:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

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.
- 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.
 - 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 of the Options.
 - The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.

Regulatory Requirements

Chapter 2E of the *Corporations Act 2001 (Cth)*

Chapter 2E of the *Corporations Act 2001 (Cth)* prohibits a public company from giving a financial benefit to a related party of a public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of that meeting have been met.

A “related party” for the purposes of the *Corporations Act 2001 (Cth)* is defined widely and it includes a director of the public company.

A “financial benefit” for the purposes of the *Corporations Act 2001 (Cth)* has a very wide meaning. It includes the public company paying money or issuing securities to the related party. In determining whether or not a financial benefit is being given, it is necessary to look to the economic and commercial substance and effect of what the public company is doing (rather than just the legal form). Any consideration which is given for the financial benefit is to be disregarded, even if it is full or adequate.

This proposed resolution, if passed, will confer financial benefits to the Recipients and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the *Corporations Act 2001 (Cth)* and for this reason and for all other purposes the following information is provided to shareholders.

(a) The related parties to whom Resolutions 4 to 7 would permit the financial benefit to be given.

The Recipients, as directors and officers of the Company are considered to be 'related parties'.

(b) The nature of the proposed financial benefit to be given is:

- the grant of 200,000 Options to each Recipient as referred to in Resolutions 4 to 7;
- the Options shall be granted for no cash consideration;
- the Options shall be exercisable into fully paid shares at such an exercise price of \$0.30 per share exercisable on or before the Expiry Date but subject to the Exercise Restriction Periods set out above; and
- The employee must still be engaged by the Company at the dates of the ending of the Exercise Restriction Periods otherwise the options will lapse.

(c) Directors' Recommendation

With respect to Resolutions 4 to 7 the Directors (with the exception of the resolution that applies to them personally or their nominee) recommend that shareholders vote in favour of these resolutions. The reasons for their recommendation include:

- the grant of the Options as proposed to the Recipients will provide them with reward and incentive for future services they will provide to the Company to further the progress of the Company;
- in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party; and
- the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered.
- As Mr Jason Beckton is interested in the outcome of Resolution 4 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Norman Zillman is interested in the outcome of Resolution 5 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Zhihua Yao is interested in the outcome of Resolution 6 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Zewen Yang is interested in the outcome of Resolution 7 he accordingly makes no recommendation to shareholders in respect of this resolution.

(d) Directors' Interest and other remuneration – Mr Beckton

Mr Beckton has a material personal interest in the outcome of Resolution 4, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 4.

Excluding the Options, Mr Beckton (and entities associated with him) holds 645,160 ordinary shares of the Company and 4,550,000 options to subscribe for ordinary shares in the Company at various prices and expiry dates. Please refer to the table below which indicates the holdings of Mr Beckton (and entities associated with him).

Other than the Options to be issued to Mr Beckton pursuant to Resolution 4, Mr Beckton shall receive director's remuneration of \$240,000 per annum from the Company for his services as Managing Director.

If all of the Options granted under Resolution 4 are exercised by Mr Beckton the following will be the effect on his holdings in the Company:

Director	Current Share Holding	% of Total Share Capital 173,358,308 shares on issue)	Share Holding Upon Exercise of new Options	% of Total Share Capital 173,558,308 shares on issue1)
Jason Beckton	645,160	0.37%	845,160	0.49%

Notes: Assuming that none of the other current options on issue are exercised.

(e) Directors' interest and other remuneration – Mr Norman Joseph Zillman

Mr Norman Zillman has a material personal interest in the outcome of Resolution 5, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 5.

Excluding the Options, Mr Norman Zillman (and entities associated with him) holds an interest in 12,647,195 shares and 750,000 options to subscribe for ordinary shares in the Company at various prices and expiry dates. Please refer to the table below which indicates the holdings of Mr Norman Zillman (and entities associated with him).

Other than the Options to be issued to Mr Norman Zillman pursuant to Resolution 5, Mr Norman Zillman shall receive director's remuneration of \$36,000 per annum from the Company for his services as Non-Executive Co-Chairman.

If all of the Options granted under Resolution 5 are exercised by Mr Norman Zillman the following will be the effect on his holdings in the Company:

Director	Current Share Holding	% of Total Share Capital 173,358,308 shares on issue)	Share Holding Upon Exercise of new Options	% of Total Share Capital 173,558,308 shares on issue1)
Norman Zillman	12,647,195	7.30%	12,847,195	7.40%

Notes: Assuming that none of the other current options on issue are exercised.

(f) Directors' Interest and other remuneration – Mr Zhihua Yao

Mr Zhihua Yao has a material personal interest in the outcome of Resolution 6, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 6.

Excluding the Options, Mr Zhihua Yao (and entities associated with him) holds nil ordinary shares of the Company and does not hold any options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Zhihua Yao (and entities associated with him).

Other than the Options to be issued to Mr Zhihua Yao pursuant to Resolution 6, Mr Zhihua Yao shall receive director's remuneration of \$36,000 per annum from the Company for his services as Non-Executive Co-Chairman.

If all of the Options granted under Resolution 6 are exercised by Mr Zhihua Yao the following will be the effect on his holdings in the Company:

Director	Current Share Holding	% of Total Share Capital 173,358,308 shares on issue)	Share Holding Upon Exercise of new Options	% of Total Share Capital 173,558,308 shares on issue1)
Zhihua Yao	nil	0.00%	200,000	0.12%

Notes: Assuming that none of the other current options on issue are exercised.

(g) Directors' Interest and other remuneration – Mr Zewen Yang

Mr Zewen Yang has a material personal interest in the outcome of Resolution 7, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 7.

Excluding the Options, Mr Zewen Yang (and entities associated with him) holds nil ordinary shares of the Company and 3,050,000 options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Zewen Yang (and entities associated with him).

Other than the Options to be issued to Mr Zewen Yang pursuant to Resolution 7, Mr Zewen Yang shall receive director's remuneration of \$171,072 per annum from the Company for his services as Executive Director.

If all of the Options granted under Resolution 7 are exercised by Mr Zewen Yang the following will be the effect on his holdings in the Company:

Director	Current Share Holding	% of Total Share Capital 173,358,308 shares on issue)	Share Holding Upon Exercise of new Options	% of Total Share Capital 173,558,308 shares on issue1)
Zewen Yang	nil	0.00%	200,000	0.12%

Notes: Assuming that none of the other current options on issue are exercised.

(f) Valuation

The Options are not currently quoted on the ASX and as such have no market value. The Options each grant the holder thereof a right of grant of one ordinary share in the Company upon exercise of the Option and payment of the exercise price of the Option described above. Accordingly, the Options may have a present value at the date of their grant.

The Options may acquire future value dependent upon the extent to which the shares exceed the exercise price of the Options during the term of the Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value. Various factors impact upon the value of options including things such as:

- the period outstanding before the expiry date of the options;
- the exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- the proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (ie whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- the value of the shares into which the options may be converted; and
- whether or not the options are listed (ie readily capable of being liquidated);

and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black-Scholes Model option valuation formula).

The Company has estimated the value of the Options and has done so using the Black-Scholes Model, which is the most widely used and recognised model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying share price.

Inherent in the application of the Black-Scholes Model are a number of inputs, some of which must be assumed. The data relied upon in applying the Black-Scholes Model was:

- The exercise price of the options being \$0.30;
- Exercise date being;
 - i. for 50% of the Options to subscribe for Shares may be exercised on or after 12 August 2012; and
 - ii. for 50% of the Options to subscribe for Shares may be exercised on or after 12 August 2013.
- Expiry Date of 12 August 2014.
- The share price (as at 4/10/11) of the Company's shares being \$0.17 per share;
- A volatility measure of 106%;
- A risk-free interest rate of 4.75%; and
- A dividend yield of nil%

(Assumed Data).

Some relatively minor variables were included in the calculation to estimate the value of Option as "American style" options (being exercisable at any time prior to the stated expiry date). Theoretically, the Black-Scholes Model prices "European style" options (being exercisable only on this exercise date).

Based on this information, the Company has adopted an indicative value for the Options of \$0.0904 for the options.

On that basis, the total value of the 800,000 Options to be issued pursuant to Resolutions 4 to 7 is \$72,320.

(g) Any other information that is reasonably required by shareholders to make a decision and that is known to the Company or any of its Directors

There is no other information known to the Company or any of its Directors save and except as follows:

Market Price movements

The option valuation noted above is based on a market price per Share of \$0.17.

There is a possibility that the market price of the Shares will change up to the date of the Meeting.

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to each of the Recipients is the potentially dilutionary impact on the issued share capital of the Company (in the event that the options are exercised). Until exercised, the issue of the

Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms.

It is also considered that the potential increase of value in the Options is dependent upon a concomitant increase in the value of the Company generally.

Taxation Consequences

No stamp duty will be payable in respect of the grant of the Options. No GST will be payable by the Company in respect of the grant of the Options (or if it is then it will be recoverable as an input credit).

AASB 2 "Share Based Payments" requires that these payments shall be measured at the more readily determinable fair value of the equity instrument. Under the accounting standards this amount will be expensed in the statement of comprehensive income. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

Dilutionary Effect

If all of the Options granted are exercised by the Recipients, the following will be the dilutionary effect on the current issued capital of the Company:

Shareholder	Current Shareholding	% of Total Share Capital	Share Capital Upon Exercise of new Options*	% of Total Share Capital
Current Shareholders (other than the Directors mentioned above)	123,172,101	71.05%	123,172,101	70.72%
Shares held by China Yunnan Copper Australia (Investment and Development Co Ltd ¹)	36,893,852	21.28%	36,893,852	21.18%
Mr Beckton	645,160	0.37%	845,160	0.48%
Mr Yang	nil	0.00%	200,000	0.12%
Mr Zillman	12,647,195	7.30%	12,847,195	7.38%
Mr Yao	nil	0.00%	200,000	0.12%
TOTAL	173,358,308	100%	174,158,308	100%

* Assuming that only the proposed director options are exercised and that none of the other current options on issue are exercised and no further securities are issued.

¹ Shares are held by China Yunnan Copper (Australia) Investment and Development Co Limited. Mr Yang and Mr Yao are executives in companies within the Chinalco Yunnan Copper Industry (Group) Co Ltd who are the ultimate parent company of China Yunnan Copper (Australia) Investment and Development Co Limited who hold the 36,893,852 ordinary shares though neither have the capacity to control the voting of the shareholding.

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by the proposed Resolutions 4 to 7.

Listing Rule 10.11

Listing Rule 10.11 requires an entity to obtain the approval of shareholders to an issue of securities to a related party. The Recipients, being Directors of the Company, are related parties. Accordingly, because the issue of the Options will result in the Company issuing securities to a related party, approval under Listing Rule 10.11 is required.

For the purposes of Listing Rule 10.13, the Company advises as follows:

- The maximum number of Options to be issued to Mr Jason Beckton is 200,000 Options.
- The maximum number of Options to be issued to Mr Zewen Yang is 200,000 Options.
- The maximum number of Options to be issued to Mr Norman Zillman is 200,000 Options.
- The maximum number of Options to be issued to Mr Zhihua Yao is 200,000 Options.
- The Options are intended to be granted as soon as possible following the Meeting, but in any event, within 1 month of the date of the Meeting.
- The Options are being issued for nil consideration.
- No funds are being raised by the grant of the Options.

In accordance with Listing Rule 7.2 (exception 14), as approval is being sought under Listing Rule 10.11, approval is not required to be obtained under Listing Rule 7.1.

DEFINITIONS

ASX means ASX Limited ACN 008 624 691.

ASIC means Australian Securities and Investment Commission.

Change in Control means:

- (a) the Company entering into a scheme of arrangement with its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- (b) a Takeover Event happening;
- (c) if at any time after the date of issue of the Options, any person (together with their associates) acquire a relevant interest in fifty (50%) percent or more of the Shares then on issue.

Closely Related Party (as defined in the Corporations Act) of a member of the Key Management Personnel for an entity means:

- (a) a spouse or child of the member; or
- (b) a child of the member's spouse; or
- (c) a dependant of the member or the member's spouse; or
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- (e) a company the member controls; or
- (f) a person prescribed by the regulations for the purposes of this paragraph.

Company means China Yunnan Copper Australia Ltd ACN 070 859 522.

Corporations Act means the Corporations Act 2001 (Cth) as amended from time to time.

Key Management Personnel or KMP has the definition given in the accounting standards as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any director (whether executive or otherwise) of that entity.

Listing Rules means the listing rules of the ASX.

Meeting means this meeting.

Shareholder means shareholder of the Company.

Shares means ordinary shares in the capital of the company.

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Any inquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Paul Marshall (Company Secretary):

60 Edward Street, Santos House, Level 5 Brisbane QLD
Telephone: 07 3303 0653

PROXY, REPRESENTATIVE AND VOTING ENTITLEMENT INSTRUCTIONS

PROXIES AND REPRESENTATIVES

Shareholders are entitled to appoint a proxy, being an individual or a body corporate, to attend and vote on their behalf. Where a shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under Section 250D of the *Corporations Act 2001 (Cth)*.

The proxy form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the *Corporations Act*.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the address listed below** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Chinalco Yunnan Copper Resources Limited
GPO Box 216, Brisbane QLD 4001
Facsimile: (07) 3212 6250 (for proxy voting)

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice.

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (Sydney time) on 19 November 2011. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

SIGNING INSTRUCTIONS

You must sign the proxy form as follows in the spaces provided:

- | | |
|--------------------|--|
| Individual: | Where the holding is in one name, the holder must sign. |
| Joint Holding: | Where the holding is in more than one name, all of the security holders should sign. |
| Power of Attorney: | To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it. |
| Companies: | Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the <i>Corporations Act 2001</i>) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. |

Chinalco Yunnan Copper Resources Limited

ACN 070 859 522

LODGE YOUR VOTE



By mail:

Chinalco Yunnan Copper Resources Limited
GPO Box 216
Brisbane QLD 4001



By fax: +61 7 3212 6250



All enquiries to: Telephone: +61 7 3212 6204



X99999999999

SHAREHOLDER VOTING FORM

I/We being a member(s) of Chinalco Yunnan Copper Resources Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **10:00am (Brisbane time) on Monday, 21 November 2011, at Level 5, 60 Edward St, Brisbane** and at any adjournment or postponement of the meeting.

If you appoint a proxy, we encourage you to direct your proxy how to vote on each item of business.

IMPORTANT NOTE - IF YOU HAVE APPOINTED THE CHAIRMAN AS YOUR PROXY

☐

RESOLUTION 5: If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default, and you do NOT wish to direct your proxy how to vote as your proxy in respect of Resolution 5, please place a mark in the box opposite.

By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 5 and that votes cast by the Chairman of the Meeting for Resolution 5 other than as proxy holder will be disregarded because of that interest.

If the Chairman of the Meeting is your proxy and you do not mark this box or direct the Chairman of the meeting how to vote below, the Chairman of the meeting will not cast your vote on Resolution 5 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 5.

RESOLUTIONS 3, 4, 6 AND 7: The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. If the Chairman of the Meeting is your proxy (or becomes your proxy by default), you authorise the Chairman to exercise your proxy on Resolution 3, that the Remuneration Report for the year ended 30 June 2011 (as set out in the Directors' Report) be adopted, and on resolutions 4, 6 and 7, concerning the issue of options to directors, even though these resolutions are connected directly or indirectly with the remuneration of a member of Key Management Personnel, which includes the Chairman.

If you do not wish to authorise the Chairman to vote in this way, you should direct your vote in accordance with Step 2 below.

You acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolutions (including but not limited to Resolution 3) and that votes cast by the Chairman of the Meeting for those resolutions other than as proxy holder will be disregarded because of that interest.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

VOTING DIRECTIONS

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Re-Election of Norman Joseph Zillman as a Director	☐	☐	☐	5 Issue of options to Norman Joseph Zillman	☐	☐	☐
2 Re-Election of Zhihua Yao as a Director	☐	☐	☐	6 Issue of options to Zhihua Yao	☐	☐	☐
3 Adoption of Remuneration Report	☐	☐	☐	7 Issue of options to Zewen Yang	☐	☐	☐
4 Issue of options to Jason Beckton	☐	☐	☐				

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

CYU PRX110



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

If a member of the Key Management Personnel of the company or their closely related parties (other than the Chairman) is your proxy, that person will not vote your shares on Resolution 3 (Remuneration Report) if you have not directed them how to vote on that item.

The Chairman intends to vote undirected proxies in favour of Resolutions 3, 4, 6 and 7. The Chairman also intends to vote undirected proxies in favour of Resolution 5 if you have marked the relevant box under the heading 'Important Note - If you have appointed the Chairman as your proxy' on page 1 on this Proxy Form.

Key Management Personnel of the company are the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The Remuneration Report identifies the company's Key Management Personnel for the financial year to 30 June 2011. Their closely related parties are defined in the *Corporations Act 2001* (Cth), and include certain of their family members, dependants and companies they control.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Brisbane time) on Saturday, 19 November 2011**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



by mail:

Chinalco Yunnan Copper Resources Limited
GPO Box 216
Brisbane QLD 4001



by fax:

+61 7 3212 6250



by hand:

delivering it to Chinalco Yunnan Copper Resources Limited, Level 5, 10 Market St, Brisbane, QLD 4000.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.
This will assist in registering your attendance.**