

**Chinalco Yunnan Copper Resources Limited**  
**ACN 070 859 522**

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**NOTICE OF ANNUAL GENERAL MEETING**  
**AND**  
**EXPLANATORY MEMORANDUM**

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Date of Meeting: 27 November 2013  
Time of Meeting: 9.30am (Brisbane time)  
Place of Meeting: HopgoodGanim  
Level 7 Waterfront Place  
1 Eagle 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 HopgoodGanim Level 7 Waterfront Place, 1 Eagle St, Brisbane, on Wednesday 27 November 2013, at 9.30am (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 2013.

##### Resolution 1 – 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 2013 (as set out in the Directors' Report) is adopted.”*

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| The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company. |
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| Terms used in this Notice of Meeting are defined in the “Definitions” section of the accompanying Explanatory Memorandum. |
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| <b>Voting Restriction pursuant to Section 250R(4) of the Corporations Act</b> |
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| <i>A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:</i> |
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| <ul style="list-style-type: none"><li>(a) <i>a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report;</i></li><li>(b) <i>a Closely Related Party of such a member.</i></li></ul> |
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| <i>However, the above persons may cast a vote on Resolution 1 if:</i> |
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| <ul style="list-style-type: none"><li>(a) <i>the person does so as a proxy; and</i></li><li>(b) <i>the vote is not cast on behalf of a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report or a Closely Related Party of such a member; and</i></li><li>(c) <i>either:</i><ul style="list-style-type: none"><li>(i) <i>the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or</i></li><li>(ii) <i>the voter is the chair of the meeting and the appointment of the chair as proxy:</i><ul style="list-style-type: none"><li>- <i>does not specify the way the proxy is to vote on the resolution; and</i></li><li>- <i>expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company or, if the Company is part of a consolidated entity, for the entity.</i></li></ul></li></ul></li></ul> |
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| <b>Voting Intention of the Chair:</b> <i>Shareholders should be aware that any undirected proxies given to the Chair will be cast by the Chair and counted in favour of the Resolutions subject to this Meeting, including Resolution 1, subject to compliance with the Corporations Act.</i> |
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## **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 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 - Election of Paul Williams as a Director**

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

*"That in accordance with the Company's Constitution, Paul Williams, who retires in accordance with rule 36.2 of the Company's Constitution and, being eligible for re-election offers himself for re-election, be re-elected as a Director of the Company."*

## **SPECIAL BUSINESS**

### **Resolution 4 - Issue of performance shares to Paul Williams**

To consider and, if thought fit, pass the following resolution with or without modification, as an Ordinary Resolution of the Company:

*"That in accordance with section 208(1) of the Corporations Act and Listing Rule 10.11 and for all other purposes, the Company be authorised to issue 3,000,000 Performance Shares to Paul Williams, being an Executive Director of the Company, or his nominee on the terms set out in the Explanatory Memorandum."*

#### **Voting Exclusion Statement**

- A. The Company will disregard any votes cast on this Resolution by:
- (a) Paul Williams (or his nominee); and
  - (b) any associate of Paul Williams (or his nominee).
- B. However, subject to the Key Management Personnel voting exclusion statement below, the Company need not disregard a vote if:
- (a) 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
  - (b) 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 the proxy decides.

#### **Voting Restriction pursuant to Section 250BD of the Corporations Act**

- A. The Company will disregard any votes cast on this Resolution by:
- (a) any Key Management Personnel (which includes the Chairman) of the Company or if the Company is part of a consolidated entity, of the entity; or
  - (b) a Closely Related Party of Key Management Personnel, who is appointed as a Shareholder's proxy and where the Shareholder does not direct in writing the way the proxy is to vote on the resolution.
- B. However, the Company need not disregard a vote if it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, where the Shareholder does not direct in writing the way the proxy is to vote on the Resolution, on the condition that the appointment of proxy expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company or if the Company is part of a consolidated entity, of the entity.

**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  
28 October 2013

## 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 HopgoodGanim Level 7 Waterfront Place, 1 Eagle St, Brisbane, on Wednesday 27 November 2013, at 9.30am (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.

### RESOLUTION 1 - REMUNERATION REPORT

#### *Remuneration Report*

In accordance with section 250R of the Corporations Act, 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 for the period ending 30 June 2013.

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 executives 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.

#### *The "Two Strikes Rule"*

The Corporations Act requires that listed companies must put their remuneration report to a non-binding advisory shareholder vote at the AGM (**Remuneration Report Resolution**). The "Two Strikes Rule" was introduced by the *Corporations Legislation (Improving Accountability on Director and Executive Remuneration) Act 2011* and commenced on 1 July 2011. Under the "Two Strikes Rule" if the Remuneration Report Resolution receives a "no" vote of 25% or more (a **Strike**) at two consecutive AGMs, a resolution to spill the board and hold Director re-elections, in accordance with Part 2G.2, Division 9 of the Corporations Act (**Spill Resolution**) must be put to Shareholders.

#### *Recommendation*

The Board unanimously recommends that Shareholders vote in favour of adopting the Remuneration Report.

A vote on this Resolution is advisory only and does not bind the Directors of the Company, except in relation to the "Two Strikes Rule".

#### *Voting restrictions on Key Management Personnel and their Closely Related Parties and their proxies*

Members of the Key Management Personnel (**KMP**) and their Closely Related Parties (**CRP**) (**Restricted Voters**) and proxies of Restricted Voters are restricted from voting on a resolution which is connected directly or indirectly with the remuneration of a member of the Key Management Personnel (**Voting Restriction**).

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 applies to Resolutions 1 and 4. However, it does not apply where:

- (a) the member of the Key Management Personnel is appointed in writing (by a Shareholder who is not a Restricted Voter) as a proxy where the appointment specifies the way the proxy is to vote on the resolution; or
- (b) the Chairperson is appointed in writing (by a Shareholder who is not a Restricted Voter) as a proxy where the appointment does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairperson to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Shareholders should be aware that any undirected proxies given to the Chairperson will be cast by the Chairperson and counted in favour of the resolutions the subject of this Meeting (including Resolutions 1 and 4) subject to compliance with the Corporations Act.

The Proxy Form attached to this Notice has been prepared on this basis.

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

### **Mr Zhihua Yao (Appointed 23/12/2010)**

Non-Executive Chairman, BSc, GradDip

Mr Zhihua 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.

Mr Yao has over 29 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.

Mr Yao has a Bachelor of Science with specialization 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 - ELECTION OF PAUL WILLIAMS AS A DIRECTOR**

In accordance with the Company's Constitution Paul Williams, who was appointed as a Director since the last Shareholders' Meeting, holds office until the Annual General Meeting and being eligible, has offered himself for re-election.

### **Mr Paul Williams (Appointed 6/3/2013)**

Managing Director, LLB, BA.

Mr Williams holds both Bachelor of Arts and Law Degrees from the University of Queensland and practised as a corporate and commercial lawyer with Brisbane legal firm Hopgood Ganim for 17 years. He ultimately became an equity partner of that firm before joining Eastern Corporation as their Chief Executive Officer in August 2004. In mid-2006 Mr Williams joined Mitsui Coal Holdings in the role of General Counsel, participating

in the supervision of the coal mining interests and business development activities within the multinational Mitsui & Co group. He was appointed as Managing Director of the Company in March 2013.

Mr Williams is a non-executive director of Brisbane Racing Club which owns and operates the Eagle Farm and Doomben race clubs. He is also a founding member of Equine Learning for Futures Inc, a charitable organization based in SE Queensland which provides horse-based workshops and programs for disadvantaged children and youths.

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

#### **RESOLUTION 4 - ISSUE OF PERFORMANCE SHARES TO PAUL WILLIAMS**

Paul Williams commenced as Managing Director in March 2013. One of the components of his employment contract was for the issue to him of Performance Shares. As he is a Director of the Company, Shareholder approval is required for the issue of the Performance Shares. This AGM is the first meeting of shareholders since his appointment and so Shareholder approval is being sought at the meeting for the issue of the Performance Shares.

Approval is now sought for the issue of a total of three million (3,000,000) "performance shares" in accordance with the terms and conditions set out in Annexure A, comprising one million A, B and C Class shares. The Company has also agreed to issue to Paul Williams under his employment contract a further two million (2,000,000) D Class performance shares, which will be issued at a later date and a separate approval at a later meeting will be sought in respect of the D Class Shares.

Approval for the issue of the Performance Shares is sought in accordance with the Listing Rule 10.11 and Part 2E of the Corporations Act. As approval is being sought under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

In order for the Performance Shares to be granted to a Director, the requirements of Chapter 2E of the Corporations Act need to be observed.

Further, prior to the Performance Shares being issued, the Company must obtain from ASX approval or confirmation of the terms of the Performance Shares for the purposes of Listing Rules 6.1 and 6.2. If this ASX approval is not received within one (1) month of the date of the AGM, the Performance Shares will not be issued under this Resolution 4 and any approval under Resolution 4 will lapse.

#### **Regulatory Requirements**

##### **Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act 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 (including where shareholder approval is obtained).

Resolution 4 if passed, will confer a financial benefit on the recipient of the Performance Shares (being a related party of the Company) and the Company seeks to obtain member approval in accordance with the requirements of Chapter 2E of the Corporations Act and for this reason, and for all other purposes, the following information is provided to Shareholders.

#### **The related parties to whom Resolution 4 would permit the financial benefit to be given**

Paul Williams (or his nominee) being a Director of the Company.

#### **The nature of the financial benefit**

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

- the issue of a total of three million (3,000,000) "performance shares" in accordance with the terms and conditions set out in Annexure A, comprising one million A, B and C Class shares to Paul Williams (or nominee) as referred to in Resolution 4;
- the performance shares shall be granted for nil consideration;

- the Performance Shares shall vest and be capable of conversion into fully paid ordinary Shares on and from the date that the milestone targets for the Performance Shares are met;
- Each Class A Performance Share will automatically convert into one Share upon the completion of a Capital Raising by the Company of at least \$5 million by 31 December 2013;
- Each Class B Performance Share will automatically convert into one Share upon the Market Value of the Shares being at least twenty five cents (\$0.25);
- Each Class C Performance Share will automatically convert into one Share upon the Market Value of the Shares being at least fifty cents (\$0.50);
- The events noted above are each considered a "Milestone";
- If a Milestone is not achieved by the Expiry Date, then the applicable Performance Shares will be automatically redeemed by the Company for the sum of \$0.000001;
- The expiry date for in relation to the Class A Performance Shares is 31 December 2013; and in relation to Classes B and C Performance Shares is 2 years from the date of issue; and
- there is no conversion price for the Performance Shares.

The practice of the Board is to have a combination of short term incentives in the form of cash bonuses and long term incentives by the issue of Options or Shares as a component of the Managing Director's remuneration. The intention of this practice being that the Managing Director is incentivised to act to improve the performance of the Company in the longer term.

### **Directors' Recommendation**

With respect to Resolution 4, all Directors other than Paul Williams recommend that Shareholders vote in favour of this resolution. Paul Williams is interested in the outcome of Resolution 4 and accordingly makes no recommendation to Shareholders in respect of Resolution 4.

The reasons for the recommendations by the Directors include:

- the grant of the Performance Shares as proposed to Paul Williams will provide him with reward and incentive for future services he will provide to the Company to further the progress of the Company;
- the Performance Shares are not intended as a substitute for salary or wages or as a means for compensation for past services rendered; and
- in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Performance Shares provide a cost-effective and efficient incentive as opposed to alternative forms of incentives (e.g.; 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 Performance Shares to a third party.

### **Directors' Interest and other remuneration**

#### **Paul Williams**

Paul Williams has a material personal interest in the outcome of Resolution 4, as it is proposed that Performance Shares be granted to him (or his nominee).

Paul Williams (and entities associated with him) currently hold no Shares or Options in the Company.

Paul Williams is the Managing Director of the Company and is considered a key member of the Company's management team. Mr Williams's contract with the Company commenced on 6 March 2013 and is for a three year term, terminable by Mr Williams on three months' notice and with six months (without cause) notice by the Company. The base total amount (including superannuation and non-cash benefits) payable to Paul Williams is \$300,000 per annum. In addition, Mr Williams would be entitled to a short term bonus payment of \$50,000 if the Company was to complete a capital raising by 31 December 2013 with a minimum issue price for each Shares of \$0.20.

### **Effect of Performance Shares on Directors' Shareholding in the Company**

If all of the Performance Shares granted are issued to Mr Williams the following will be the effect on his holding in the Company:

| Director      | Current Share Holding | % of Total Share Capital <sup>1</sup> | Maximum Number of Performance Shares proposed to be issued <sup>2</sup> | Shares Held Upon Vesting of all Performance Shares | % of Total Share Capital <sup>3</sup> |
|---------------|-----------------------|---------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------|
| Paul Williams | 0                     | -                                     | 3,000,000                                                               | 3,000,000                                          | 1.21%                                 |

#### Notes

1. This assumes that there are currently 247,994,183 Shares on issue and no other Shares are issued.
2. The Company has also agreed to issue to Paul Williams a further 2,000,000 performance shares, which will be issued at a later date and a separate approval at a later meeting will be sought in respect of the further Performance Shares.
3. This assumes that there will be 250,994,183 Shares on issue upon the conversion of all of the Performance Shares.

#### Valuation

The proposed Performance Shares are not quoted on the ASX and as such have no market value. The Performance Shares each grant the holder a right of grant of one Share in the Company upon the achievement of specific milestones. Accordingly, the Performance Shares may have a present value at the date of their grant.

As a general proposition, Performance Shares for ordinary fully paid shares in a company have a value. Various factors impact upon the value of the Performance Shares including:

1. the period outstanding before the expiry date of the Performance Shares;
2. any conditions that are required to be met before the Performance Shares vest;
3. the conversion price (if any) to acquire the Shares relative to the underlying price or value of the securities into which they may be converted;
4. the proportion of the issued capital as expanded consequent upon conversion represented by the Shares issued upon conversion (i.e. whether or not the Shares that might be acquired upon the vesting of the Performance Shares represent a controlling or other significant interest); and
5. the value of the Shares at the date of issue of the Performance Shares.

The Company has undertaken a valuation of the Performance Shares, for the purposes of disclosing to Shareholders such information required to decide whether or not it is in the Company's interest to pass Resolution 4 and disclosing expenses in the Company's Financial Statements in accordance with AASB 2 Share Based Payments, using a trinomial barrier pricing model, which is the most appropriate model for pricing Performance Shares. The value of a Performance Share calculated by the trinomial barrier pricing model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the vesting price, the time to expiry, the risk-free interest rate, the volatility of the Company's underlying Share price and expected dividends.

Inherent in the application of the trinomial barrier pricing model are a number of inputs, some of which must be assumed. The data relied upon in applying the model was:

| Inputs                                                             | Class A Performance Shares                                          | Class B Performance Shares | Class C Performance Shares |
|--------------------------------------------------------------------|---------------------------------------------------------------------|----------------------------|----------------------------|
| Expiry Date                                                        | 31 December 2013                                                    | 29 November 2015           | 29 November 2015           |
| Underlying Share Price                                             | 0.042                                                               | 0.042                      | 0.042                      |
| Time to Maturity (Days)                                            | 32                                                                  | 730                        | 730                        |
| Risk Free Rate (%)                                                 | 2.82%                                                               | 2.82%                      | 2.82%                      |
| Volatility (%)                                                     | 100%                                                                | 100%                       | 100%                       |
| Nominal value                                                      | \$42,000                                                            | \$19,000                   | \$10,200                   |
| Non-market performance condition                                   | Completion of a capital raising of at least \$5 million by 31/12/13 | NA                         | NA                         |
| Assessed probability of achieving non-market performance condition | 0%                                                                  | NA                         | NA                         |
| Assessed value                                                     | -                                                                   | \$19,000                   | \$10,200                   |

Based on the valuation of the all the Performance Shares, the Board considers that the value of the Performance Shares to be issued pursuant to Resolution 4 is - \$29,200.

**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 Performance Share valuation noted above is based on a market price per Share of \$0.042. There is a possibility that the market price of the Shares will change up to the date of the Meeting.

**Trading History**

The Company does not intend to apply for listing of the Performance Shares on the ASX. However, the Company shall apply for listing of the resultant shares of the Company issued upon vesting of any Performance Share.

In the 12 months prior to 18 October 2013, the Company's trading history is as follows:

- the highest trading price was 10.5 cents on 1 November 2012; and
- the lowest trading price was 3.6 cents on 21, 25, 26, 28 June and 1, 2, and 3 July 2013; and
- The VWAP per Share was 7.3 cents.

The most recent trading price of the Shares on the close of trading on 25 October 2013 was 4 cents.

**Opportunity Costs**

The opportunity costs and benefits foregone by the Company issuing the Performance Shares to the Director is the potentially diluted impact on the issued Share capital of the Company (in the event that the Performance Shares vest). Until vesting, the issue of the Performance Shares will not impact upon the number of Shares on issue in the Company. To the extent that upon their vesting the dilutionary impact caused by the issue of the Shares may be detrimental to the Company, if at all, 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 Performance Shares 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 Performance Shares. No GST will be payable by the Company in respect of the grant of the Performance Shares.

AASB 2 "Share Based Payments" requires that these payments shall be measured at fair value of the equity instrument on the grant date. 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**

There are currently 247,994,183 Shares on issue and there are currently 2,800,000 Options on issue which have vested (**Current Options**) of which none are held by Mr Williams.

There will be 250,994,183 Shares on issue upon the conversion of all of the Performance Shares assuming that no further securities are issued and no Current Options are exercised.

The assumption that no Current Options will be exercised has been made on the basis that because:

- the Current Options all have an exercise price of \$0.30;
- the Company's Share price is currently significantly below the Exercise Prices (the 12 month VWAP to 17 October 2013 was \$0.073 with a highest price of 10.5 cents in this period); and
- all of the Current Options will expire on or before 12 August 2014,

the Board considers that it is highly unlikely that any of the Current Options will be exercised. Accordingly, it would not provide an accurate depiction of the potential effect of the issue of the Performance Shares on the dilutionary effect if the Current Options were included in this calculation.

If all of the Performance Shares granted vest with Paul Williams and there are no other securities issued or Options exercised, then the effect of his holdings in the Company will dilute existing shareholders' interest by 1.21%.

### **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. Paul Williams as a Director of the Company is a Related Party of the Company. Accordingly, because the issue of the Performance Shares 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 Performance Shares to be issued is 3,000,000 Performance Shares to Paul Williams;
- The Performance Shares are intended to be granted as soon as possible following the Meeting, but in any event, within one (1) month of the date of the Meeting;
- The Performance Shares are being issued for nil consideration; and
- No funds are being raised by the grant of the Performance Shares.

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

There are restrictions on voting on Resolution 4, by Paul Williams and his associates and Key Management Personnel and their Closely Related Parties, for additional details please refer to the Voting Exclusion Statements in Resolution 4 in the Notice of Meeting.

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 Resolution 4.

### **DEFINITIONS**

**ASX** means ASX Limited ACN 008 624 691.

**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 Chinalco Yunnan Copper Resources Ltd ACN 070 859 522.

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

**EBITDA** means earnings before interest, tax, depreciation and amortisation.

**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.

**Market Value** means the volume weighted average of the actual prices at which Shares were traded on the ASX, during the immediately preceding period of twenty (20) business days where trading in the Shares has occurred.

**Meeting** means this meeting.

**Performance Shares** means the converting redeemable preference shares to be issued to Mr Paul Williams on the terms set out in Annexure A.

**Shareholder** means shareholder of the Company.

**Shares** means ordinary shares in the capital of the Company.

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

Telephone: 07 3212 9212 or by email to [paul@cycal.com.au](mailto:paul@cycal.com.au)

## Annexure A - Performance Shares

### Terms and Conditions of Performance Shares

#### Rights attaching to the Performance Shares

- (a) Each Performance Share is a share in the capital of Chinalco Yunnan Copper Resources Limited ABN 29 070 859 522 (**the Company**).
- (b) The Performance Shares shall confer on the holder (**the Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**the Shareholders**). Holders have the right to attend general meetings of Shareholders.
- (c) The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of Shareholders.
- (d) The Performance Shares do not entitle the Holder to any dividends.
- (e) The Performance Shares participate in the surplus or assets of the Company upon a winding up of the Company only to the extent of \$0.000001 per Performance Share.
- (f) The Performance Shares are not transferable.
- (g) If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changes to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganization.
- (h) The Company shall allot and issue Shares immediately upon conversion of Performance Shares for no consideration and shall record the allotment and issue in the manner required by the Corporations Act.
- (i) The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (the Shares), the Shares will (as and from 5pm EST on the date of allotment) rank equally with and confer rights identical with all other Shares then on issues and the Company must within 2 Business Days after the conversion, apply for official quotation of the Shares arising from the conversion on ASX.
- (j) Shares issued on conversion of the Performance Shares must be free from all encumbrances, securities and third party interests. The Company must ensure that Shares issued on conversion of the Performance Shares are freely tradeable, without being subject to on-sale restrictions under section 707 of the Corporations Act, on and from their date of issue.
- (k) Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Shares such as bonus shares and entitlement issues.
- (l) For the purposes of these terms and conditions:
  - a. "Capital Raising" means a raising of funds by the Company of at least \$5m by way of issue of further shares in the Company or other fund raising facility approved by the board of the Company. The Capital Raising must be completed before 31 December 2013;
  - b. "Change in Control Event" means:
    - i. the occurrence of:
      - 1. the offerer under a takeover offer in respect of Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
      - 2. that takeover bid has become unconditional; or
    - ii. the announcement by the Company that:
      - 1. shareholders of the Company have at a Court-convened meeting of shareholders voted in favour, by the necessary majority of a proposed scheme of arrangement under which all Shares are to be either cancelled or transferred to a third party; or

2. the Court, by order, approves the scheme of arrangement,

but shall not include a scheme of arrangement for the purposes of a corporate restructure (including change of domicile, consolidation, subdivision, reduction or return) of the issued capital of the Company.

c. "Expiry Date" means:

- i. In relation to the Class A Performance Shares, 31 December 2013; and
- ii. In relation to Classes B and C Performance Shares, 2 years from the date of issue.

d. "Market Value" in respect of the Shares, means the volume weighted average of the actual prices at which Shares were traded on the ASX, during the immediately preceding period of twenty (20) business days where trading in the Shares has occurred.

- (m) If, prior to the Expiry Date, a Change in Control Event occurs then each Performance Share will be converted into one Share. The maximum number of Performance Shares that can be converted into Shares and issued under this clause (m) upon a Change in Control Event occurring must not exceed 10% of the issued share capital of the Company (as at the date of the Change in Control Event). The Company shall ensure a pro-rata allocation of Shares issued under this clause (m) to all Performance Shareholders.
- (n) The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

#### Conversion of the Performance Shares

- (o) Each Class A Performance Share will automatically convert into one Share upon the completion of the Capital Raising;
- (p) Each Class B Performance Share will automatically convert into one Share upon the Market Value of the Shares being at least twenty five cents (\$0.25);
- (q) Each Class C Performance Share will automatically convert into one Share upon the Market Value of the Shares being at least fifty cents (\$0.50);
- (s) The events noted in clauses (o), (p) and (q) above are each considered a "Milestone"; and
- (t) If a Milestone is not achieved by the Expiry Date, then the applicable Performance Shares will be automatically redeemed by the Company for the sum of \$0.000001 within 10 business day of non-satisfaction of the Milestone.

## 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 25 November 2012. 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: (07) 3212 6250



All enquiries to: Telephone: (07) 3212 9212



X99999999999

## SHAREHOLDER PROXY 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. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed 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 **9:30am on Wednesday, 27 November 2013, at HopgoodGanim, Level 7 Waterfront Place, 1 Eagle St, Brisbane** and at any adjournment or postponement of the meeting. Where I/we have appointed the Chairman of the meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of the key management personnel.

**IMPORTANT:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on any of the Resolutions below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on any resolution that the Chairman of the Meeting has an interest in and your votes will not be counted in computing the required majority if a poll is called on any such item.

☐

I/we acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

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

|                                                                     | For                      | Against                  | Abstain*                 |
|---------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| <b>Resolution 1</b><br>Adoption of Remuneration Report              | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Resolution 2</b><br>Re-Election of Zhihua Yao as a Director      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Resolution 3</b><br>Election of Paul Williams as a Director      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Resolution 4</b><br>Issue of performance shares to Paul Williams | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

\* 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 PRX301R

## 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 appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

### Votes on Items of Business - Proxy Appointment

You may 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.

### 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. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

- (a) 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; and
- (b) 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 **9:30am on Monday, 25 November 2013**, 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:**

(07) 3212 6250



**by hand:**

delivering it to 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.