

## **ASX Release**

29 October 2013

## **Chinalco Yunnan Copper Resources Ltd (ASX:CYU)**

## **SEPTEMBER 2013 QUARTERLY UPDATE**

### **Projects**

- Blue Caesar Phase 2 exploration program was completed in August and highlighted by the following results:
  - Various levels of primary sulphide mineralisation intersected throughout MKBC004, including 40m @ 0.66% copper and 0.4 g/t gold from 34 metres
  - Near surface primary sulphide mineralisation intersected in both drillholes MKBC005 and MKBC006 highlighted by 35m @ 0.77% copper and 0.04 g/t gold from 26 metres (MKBC005) and 19m @ 0.62% copper from 29m (MKBC006).
- Entered into farm-in agreement with Altona Mining Ltd in relation to the “Roseby South” project area.
- Entered into farm-in agreement with Elementos Ltd in relation to the “Millenium” project area.
- Commenced a four-hole drilling program at the Sulfato project in Chile in late September.
- Completed geophysics program at the Palmani project in Chile.

### **Corporate**

- Retirement of Richard Hatcher as a director and CYU’s exploration manager.
- Appointment of Trevor Leahey as new exploration manager.
- Project acquisition opportunities continuing to be assessed and pursued.
- Continued focus on project activities that are most likely to maximise shareholder value.
- Subsequent to the end of the quarter the Company announced a partially underwritten non-renounceable entitlement offer to raise approximately \$2.48 million.

The Board of Chinalco Yunnan Copper Resources Limited (CYU) provides this update for the three months to 30 September 2013.

### **Summary – North-west Queensland**

CYU continues to develop its exploration model to assist in identifying the source of mineralisation in the vicinity of the 12km long Mary Kathleen Shear Zone. Starting with the 27.7Mt Elaine copper-gold JORC inferred resource, CYU is seeking to identify and develop commercial copper and gold resources within the Mary Kathleen Joint Venture (CYU 70% / Goldsearch 30%) and the Mount Frosty Joint Venture areas (CYU earning in up to 75% from Mount Isa Mines Limited subject to Mount Isa Mines having a buy back right so as to retain a 51% interest in the Mount Frosty Joint Venture).

CYU commenced a five hole Phase 2 diamond drilling program at the Blue Caesar project in July. This program followed up the successful Phase 1 activity at Blue Caesar earlier in the year where 135 metres of strike length of significant copper (+/- gold) mineralisation had been identified. Overall, the Phase 2 program confirmed the extension of multiple zones of primary sulphide mineralisation down dip from and to the immediate north of earlier drillhole MKBC002, but the mineralisation did not continue further to the west or north-west as tested by drillholes MKBC007 and MKBC008.

CYU significantly expanded its tenure position in the Mt Isa region by entering into farm-in agreements with Altona Mining Ltd (Roseby South Project) and Elementos Ltd (Millenium Project) – creating a contiguous area of CYU exploration tenure of more than 1000km<sup>2</sup>. Figure 1 below highlights the area of CYU's entire tenure package – including the Roseby South and Millenium areas.

#### **1. Mount Frosty Joint Venture (CYU/Goldsearch earning in, Xstrata Mt Isa 100%)**

CYU is preparing a final report of the full results from the Phase 2 drilling program at Blue Caesar, together with recommendations to the Joint Venture for future exploration activities along the Mary Kathleen Shear Zone. Assay results have been received for each of the five diamond drillholes and are summarized below:

(Using a 0.25% Cu cut-off grade)

**MKBC004: 40m @ 0.66% Cu from 34m including:**

- **5m @ 1.38% Cu from 37m**

**8m @ 0.53% Cu from 101m**

**8m @ 0.47% Cu from 150m**

**9m @ 0.70% Cu from 180m**

**MKBC005: 35m @ 0.77% Cu from 26m**

**MKBC006: 19m @ 0.62% Cu from 29m**

**13m @ 0.98% Cu from 174m**

**MKBC007: No significant mineralisation**

**MKBC008: No significant mineralisation**

It is anticipated that the final report from the Phase 2 program (and proposed future activities) will be available in mid-late November 2013.

**2. Mary Kathleen Joint Venture (CYU 70%, Goldsearch 30%)**

No activities were conducted on this project during the quarter.

**3. Cloncurry North Project (CYU 90%, YEX 10%)**

No activities were conducted on this project during the quarter.

**4. Mt Isa East Project (CYU 100%, YEX earning in)**

During the quarter, YEX conducted a series of activities at both the Mt Colin and Little Isa projects. Further EH4 geophysics lines were run across both project areas, but only shallow and weak anomalous zones were detected. YEX also drilled one diamond hole at Mt Colin (MCZK01), which failed to identify any significant mineralisation.

At the end of the quarter, YEX was undertaking some soil geochemistry and ground magnetic survey work on the Little Isa project. The data collection process and final reporting on this activity will be completed in the current quarter.

In addition, on 23 September 2013, YEX notified CYU that it had completed exploration activities to the value of \$300,000, thereby triggering its entitlement to acquire a 20% interest in the Mt Isa East Project.

**5. Roseby South Project (CYU earning in)**

On 17 September 2013, CYU entered into a binding term sheet to create a joint venture with Altona Mining Limited (Altona) to explore for copper and gold and ultimately earn a majority interest in the Roseby South Project, near Mt Isa in Queensland.

Roseby South comprises a package of eight Exploration Permits covering an area of 704km<sup>2</sup> situated near Cloncurry in the world-class Mt Isa Inlier in north-west Queensland. Set out in Figure 2 below is a diagram showing the location of the Roseby South tenures, as they relate to CYU's other project interests in the region.

The terms of the earn-in joint venture between CYU and Altona are:

- The term of the earn-in is 5 years;
- CYU must spend at least \$1m on exploration at Roseby South during the next 2 years;
- CYU has the right to earn a 30% interest upon the expenditure of \$2m (inclusive of the \$1m noted above);
- CYU has the right to earn a further 30% of the project by investing an additional \$2 million; and

- At any time CYU may elect to sole fund exploration and feasibility studies on a proposed mining development. By incurring all costs up to completion of a positive bankable standard feasibility study and to the point of a decision to mine being made by the parties, CYU shall be entitled to earn a further 10% interest in the Roseby South tenures (taking its total interest to 70%).

Once CYU earns its 60% interest, (and subject to CYU making an election to sole fund a feasibility study to go to 70%), an unincorporated joint venture will be formed between CYU and Altona with each party then obliged to contribute to ongoing project development or dilute according to an agreed formula and work program.

Roseby South is situated near Cloncurry in the world-class Mt Isa Inlier, a significant gold and base metal producing region, host to major copper/gold and lead/silver/zinc deposits. The district has established mining, processing and transportation infrastructure in close proximity to the regional centres of Mt Isa and Cloncurry.

#### **6. Millenium Project (CYU earning in)**

On 17 September 2013, CYU entered into a further binding term sheet to create a joint venture with Elementos Limited (ELT) to explore for copper, cobalt and gold and ultimately earn a majority interest in the Millenium Project.

Millenium, also situated near Cloncurry, includes the following tenements:

- Mining Leases totalling 134 hectares;
- Exploration Permits totalling 254 km<sup>2</sup>; and
- Exploration Permit applications (including areas that involve contested applications) totalling 74 km<sup>2</sup>.

Set out in Figure 3 is a diagram that shows the location of the Millenium tenures, as they relate to CYU's other project interests in the region. As can be seen, the Millenium project is highly complementary to the Roseby South project area.

The terms of the earn-in joint venture between CYU and ELT are:

- CYU will make a payment of a \$100,000 cash option fee for the exclusive right to explore the properties subject to the joint venture;
- CYU will have the right to earn 51% of the project by investing \$1.2 million over 3 years; and
- CYU may increase its interest by a further 19% of the project, by investing an additional \$1.3 million over a further 2 years.

Once CYU earns its 70% interest, each party can either contribute or dilute according to an agreed formula and work program. If either party achieves a 90% interest in the project, the 10% interest immediately converts to a 1% net smelter royalty. The agreement is subject to finalisation of a full joint venture agreement and the transfer of the Millenium Mining Leases to ELT, which are currently the subject of an option to purchase agreement with Forte Energy NL.

The Millenium Mining Leases host a number of historical copper mine workings and prospects that were operated around the start of the 20th century. The Federal mine exploited copper in bornite and chalcopyrite down to 135 metres, producing some 10,000 tonnes of ore at exceptionally high grade (25% copper – non-JORC). As has been advised to the market, it is this region where CYU intends to commence its first exploration program, with that activity due to commence in early November 2013.

## **Summary – Chile**

All exploration in Chile is focused on large scale porphyry copper exploration. A four-hole diamond drilling program commenced at Sulfato in late September 2013 and a geophysical program was completed during the quarter at Palmani.

### **1. Humito (CYU 100%)**

No activities were conducted on this project during the quarter.

### **2. Palmani (CYU earning in, Rio Tinto 100%)**

CYU completed a deep-penetrating 3D IP geophysical survey on this project during the quarter.

The geology at Palmani is of interest due to the notable occurrence of porphyry-style lithologies and alteration types. The system appears to be large, with porphyry style alteration also noted in the adjacent valley at La Mancha (not a CYU project). As shown in Figure 4, the Palmani project is situated in a rugged mountainous terrain.

The geophysical survey provided information regarding the cover sequences and basement rocks. The depths to the base of the cover sequences have been modelled to at least 800m. Some potential anomalies have been seen, including a chargeability anomaly in Line 1, and two resistivity anomalies in Line 2 (see Figure 4). Any testing of these targets would require significant drill holes, of at least 1km depth, in order to penetrate into basement rock.

The exploration target at Palmani is a high grade supergene enrichment zone, which will undoubtedly need to find significant grades exceeding 1% copper in order to establish a commercial resource. Based on the results of the CYU geophysical survey, the anticipated cost for an exploration program at Palmani will most likely be a minimum of \$1.5 million, and would include a considerable access track and at least one or two deep diamond core holes. CYU management is currently reviewing the results of the geophysical survey and the best means of sourcing funds to carry out such an expensive initial exploration program.

### **3. Sulfato (CYU earning in, Codelco 100%)**

In late September 2013, CYU commenced an exploration drilling program at the Sulfato project, which is located in the porphyry copper belt of northern Chile, near the regional centre of Iquique (see Figure 5 for location).

Previous drill programs conducted by Chile's Codelco in their 1996-1997 and 2005-2006 campaigns defined a porphyry system through mapping, geochemical sampling and drilling, with the best drillhole intersecting a 92m zone @ 0.65% Cu.

In April 2013 CYU undertook a PDIP-MT geophysical survey at Sulfato to identify areas of elevated chargeability and conductivity, as no prospect-scale geophysics had previously been conducted at Sulfato.

Based on CYU's geophysical survey at Sulfato earlier in the year, a maximum of four diamond drillholes have been proposed for this current program at Sulfato and these holes are targeted at zones of elevated chargeability and conductivity. A budget of approximately \$500,000 has been allocated by CYU for the conduct of the first two drillholes. An assessment will then be made whether to proceed with further two drillholes prior to incurring further costs associated with those further holes.

### **San Mu**

Yunnan Copper San Mu Mining Co. Ltd (San Mu), a China incorporated entity, is now 51% owned by CYU with 49% ownership by Yunnan Copper Industry (Group) Co., Ltd (YCI). San Mu holds a 100% interest in four projects in northern Laos.

San Mu has appointed the firm Beijing Axis as its agent for the purpose of securing a buyer for these Laos projects.

### **Corporate**

CYU is continuing to assess a number of project acquisition opportunities, in accordance with its stated corporate objective of being a significant producer of copper and other minerals within three years. It is intended that the Company can significantly advance an acquisition and that details are provided to shareholders as soon as possible.

During the quarter, Mr Richard Hatcher retired as a Director and the Company's Exploration Manager.

Also during the quarter, Mr Trevor Leahey was appointed as the Company's new Exploration Manager. Mr Leahey graduated from Sydney University with a Bachelor of Science (Hons) in Applied Geology and Exploration Geophysics and has worked continuously for more than 35 years in exploration, project development and mining, both as a geologist and as a mining consultant specialising in data analysis and resource estimation.

Subsequent to the end of the quarter the Company announced a pro-rata, non-renounceable rights issue to eligible shareholders, on the basis of 1 new fully paid ordinary share (**New Shares**) for every 4 shares held, at an issue price of \$0.04 per New Share, to raise approximately \$2.48 million before costs (**Offer**). The Offer will be available to all eligible shareholders who hold shares as at 7:00pm (AEDT) on the record date of 4 November 2013.

The Offer is underwritten up to approximately \$1.06 million, representing 42.8% of the total Offer, by China Yunnan Copper (Australia) Investment and Development Co. Ltd, the Company's largest shareholder. The underwriting means that the receipt of almost 50% of the funds sought under the Offer can be guaranteed and the Company will be able to implement its planned activities. A nominal \$1 fee is being charged in relation to the underwriting provided.

### **Board Composition**

Mr Zhihua Yao, Chairman  
 Mr Paul Williams, Managing Director  
 Mr Robert Yang, Executive Director  
 Mr Paul Marshall, Company Secretary

### **Share Information**

- Issued share capital of 247,994,183 million shares and 2.8 million unlisted options
- Quarter high traded price of \$0.074 (Sept 2012—\$0.13) and low of \$0.036 (Sept 2012—\$0.08)
- Market capitalization – high \$18.4m, low \$8.9m
- Average daily volume of shares traded – 92,129 shares (\$5,154 avge daily volume value)
- Top 10 shareholders as at 30 September 2013 were:

| <b>Rank</b>  | <b>Name</b>                                                       | <b>Number of Shares</b> | <b>%</b>     |
|--------------|-------------------------------------------------------------------|-------------------------|--------------|
| 1            | China Yunnan Copper (Australia) Investment and Development Co Ltd | 106,183,175             | 42.82        |
| 2            | Mr Norman Zillman                                                 | 10,200,000              | 4.11         |
| 3            | Elliott Nominees Pty Ltd (Elliott Exploration Co S/F)             | 7,150,000               | 2.88         |
| 4            | Premar Capital Nominees Pty Ltd                                   | 3,633,333               | 1.47         |
| 5            | Kimbriki Nominees Pty Ltd (Kimbriki Hamilton SF A/C)              | 2,955,153               | 1.19         |
| 6            | UBS Wealth Management Australia Nominees P/L                      | 2,708,514               | 1.09         |
| 7            | Bannerblock Pty Ltd Super Fund                                    | 2,500,000               | 1.01         |
| 8            | Yunnan & Hong Kong Metal Co Ltd                                   | 2,400,000               | 0.97         |
| 9            | JP Morgan Nominees Australia Ltd (Cash Income A/C)                | 2,346,925               | 0.95         |
| 10           | Join Victory Investments Ltd                                      | 2,083,334               | 0.84         |
| <b>TOTAL</b> |                                                                   | <b>142,160,434</b>      | <b>57.32</b> |

### **Other Details**

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#### Share Registry

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 Brisbane Q 4000  
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 Fax: +61 7 3228 4999

### Competent Person's Statement

*The information regarding exploration activities and information set out in this ASX Release is based on information compiled by Mr Trevor Leahey, who is CYU's Exploration Manager, a Chartered Professional Geologist and a Member of the Australasian Institute of Mining and Metallurgy. Mr Leahey has sufficient experience relevant to the style of mineralisation and types of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources". Mr. Leahey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

On behalf of the Board

Paul Williams  
Managing Director  
[paul.williams@cycal.com.au](mailto:paul.williams@cycal.com.au)  
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### **About CYU**

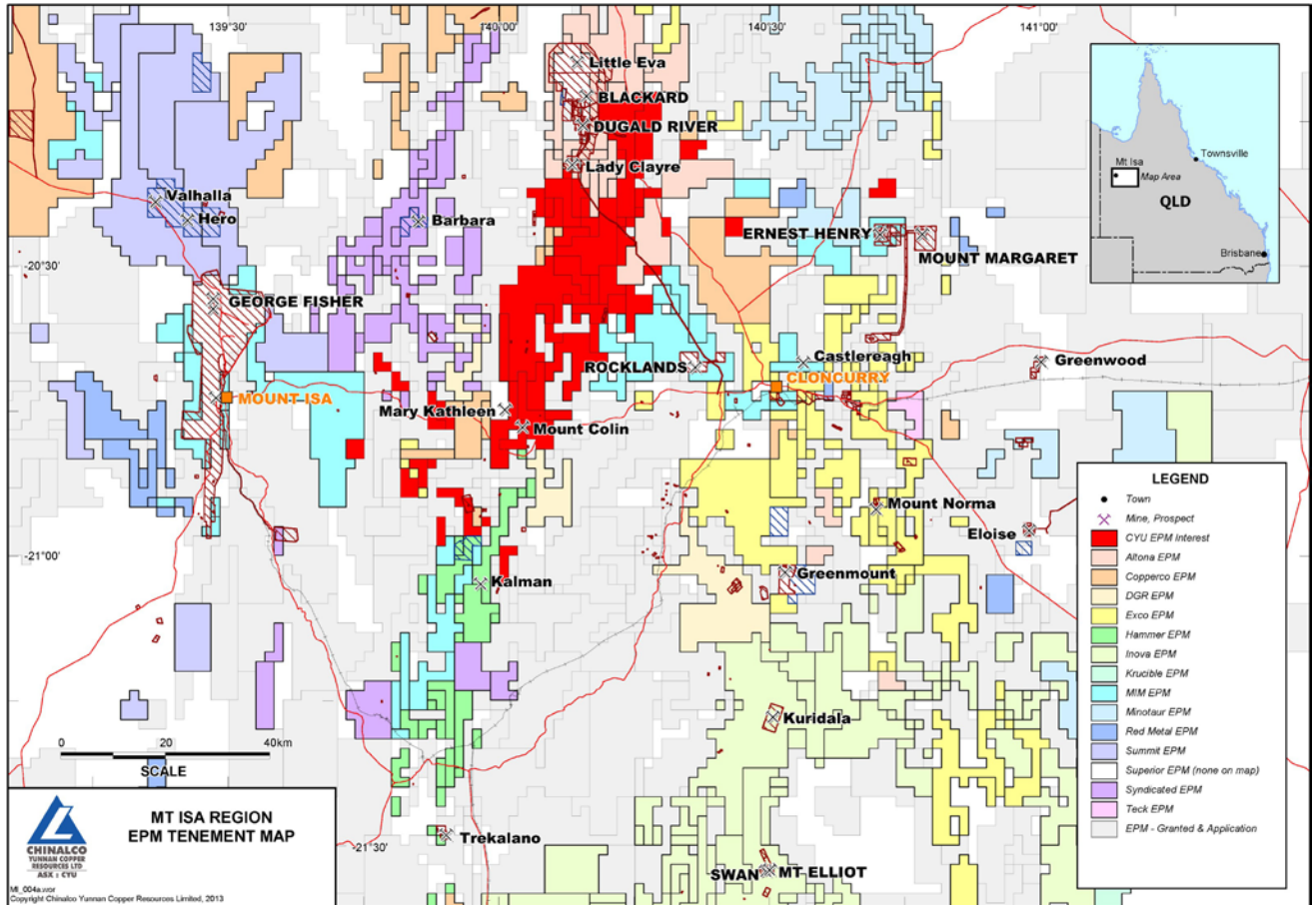
Chinalco Yunnan Copper Resources Ltd ("CYU" or "Company") is a resource exploration and development company with project interests in the Mt Isa region of north Queensland, Chile and northern Laos.

CYU's largest shareholder is China Yunnan Copper (Australia) Investment and Development Co Ltd ("CYC"), owning 43% of the total issued shares in CYU. CYC is a wholly-owned subsidiary of Kunming-based Yunnan Copper Industry (Group) Co Ltd, which is the third largest producer of smelted copper product in China. In turn, Yunnan Copper Group is a subsidiary of Aluminium Corporation of China (Chinalco) which is the largest producer of aluminium product in China and the second largest world-wide.

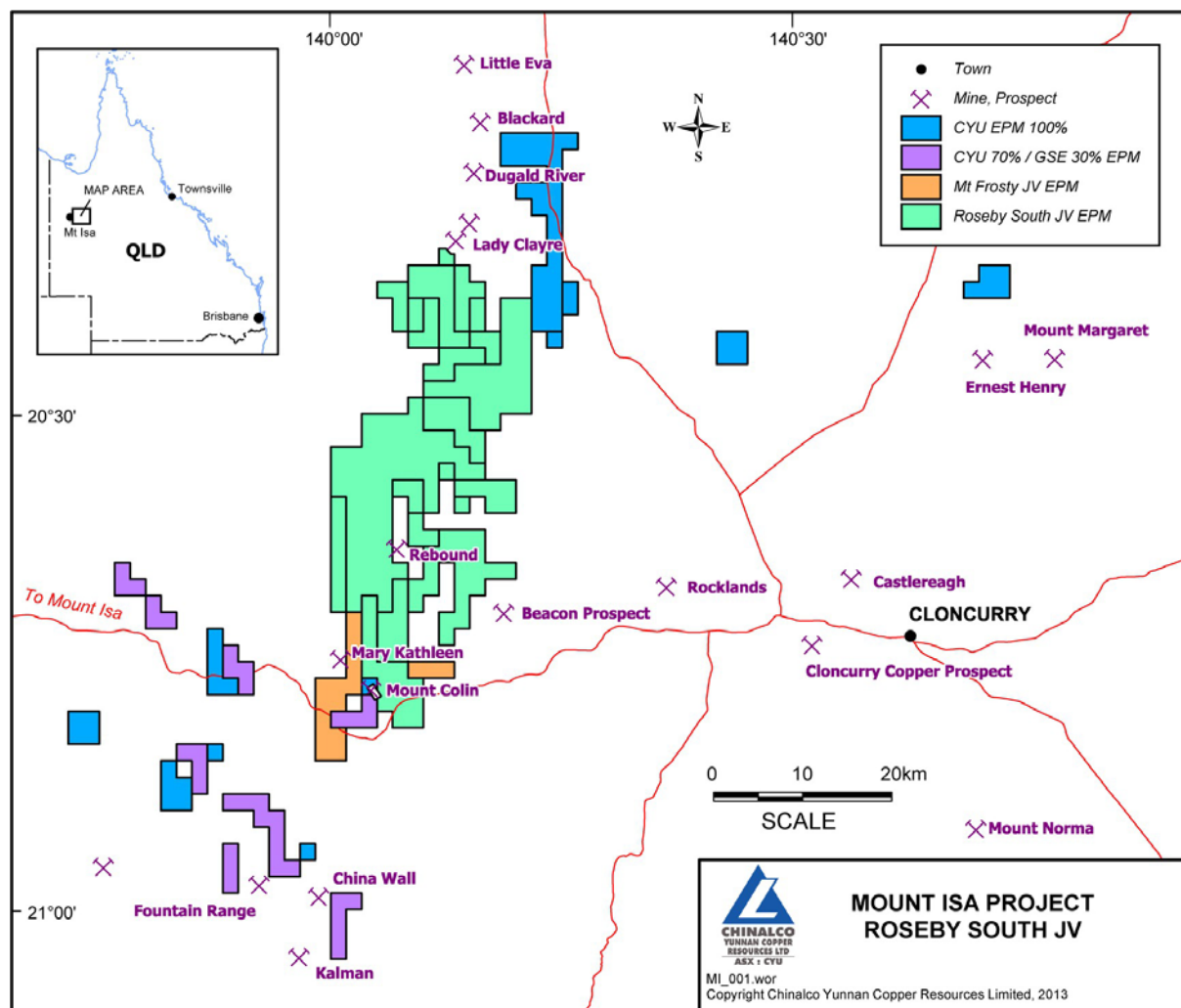
CYU has offices in Brisbane and in Santiago. The Company is listed on the ASX under the symbol "CYU".

Figure 1

(CYU's entire Mt Isa tenure holding post-Roseby South/Millennium Farm-in Agreements)



**Figure 2**  
**(Roseby South tenures)**



**Figure 3**  
**(Location of Millenium tenures)**

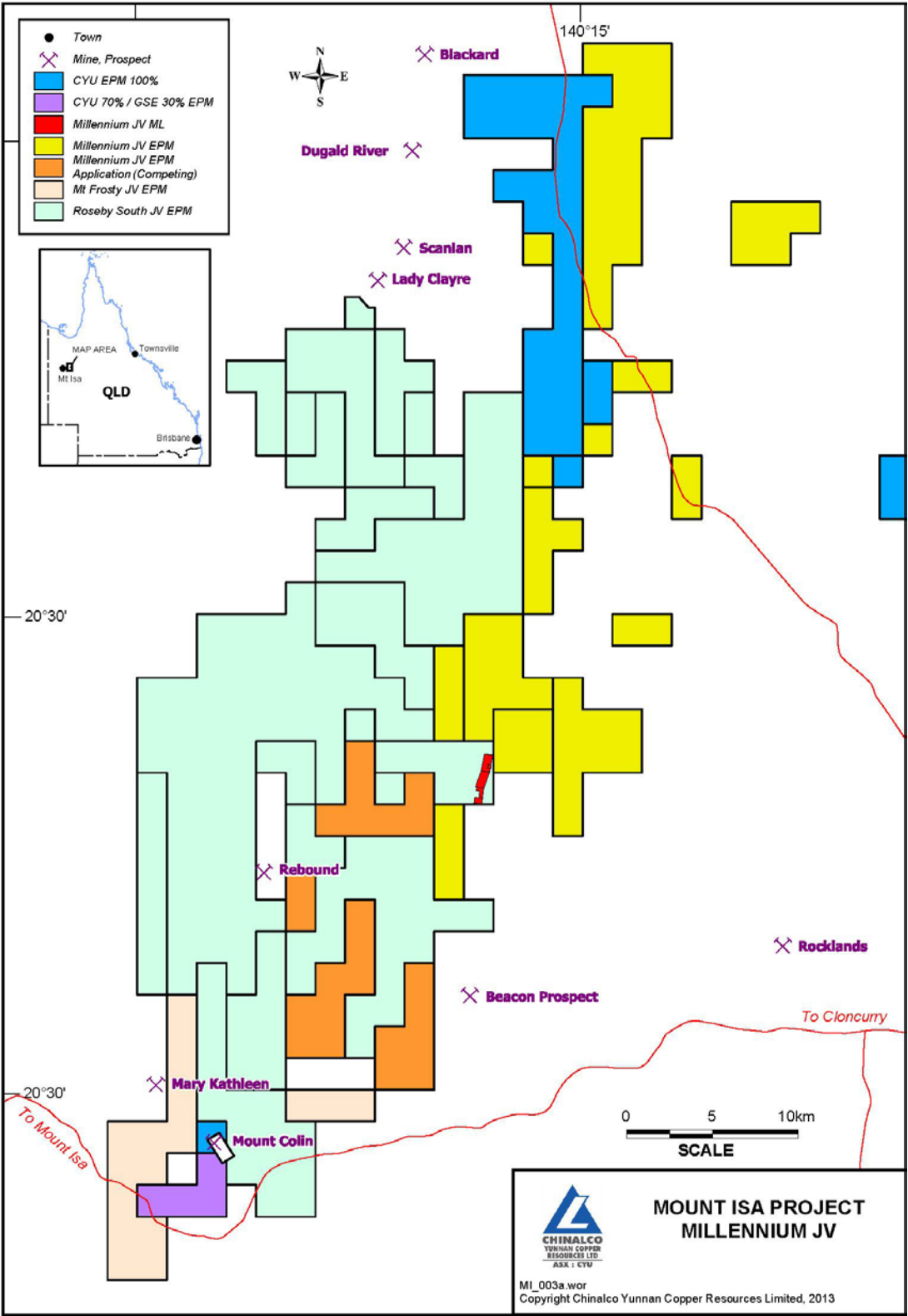
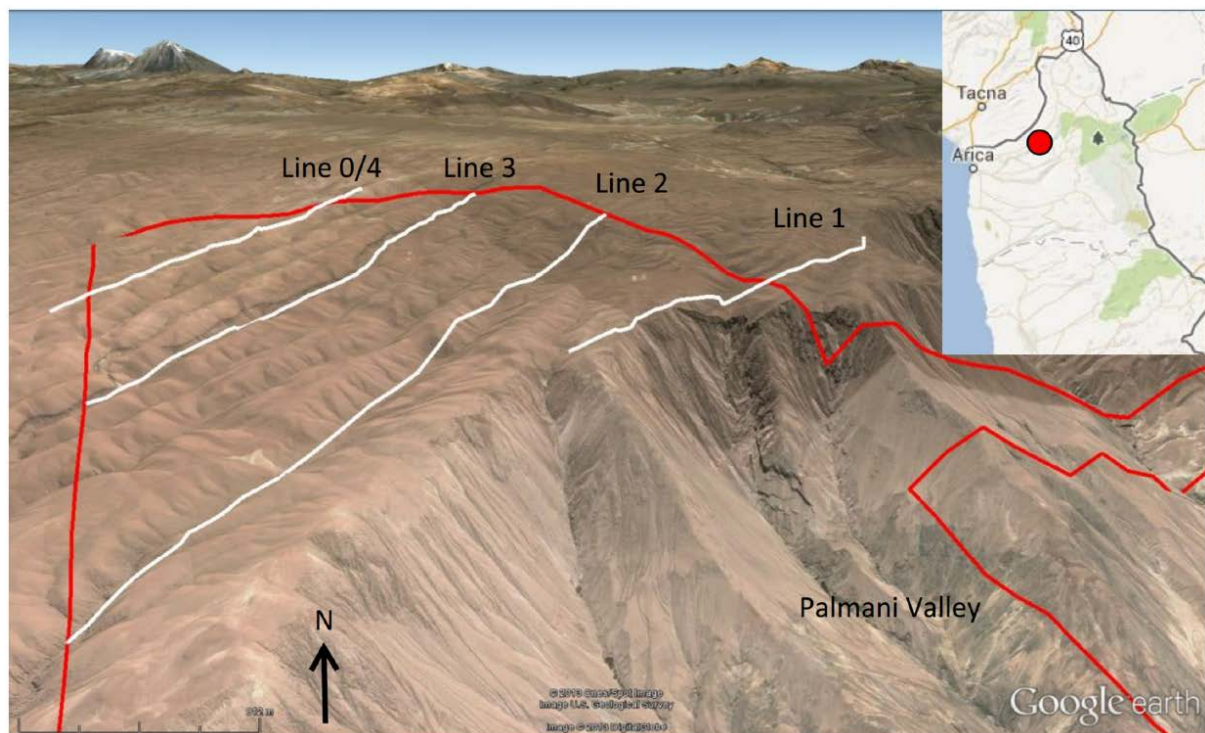
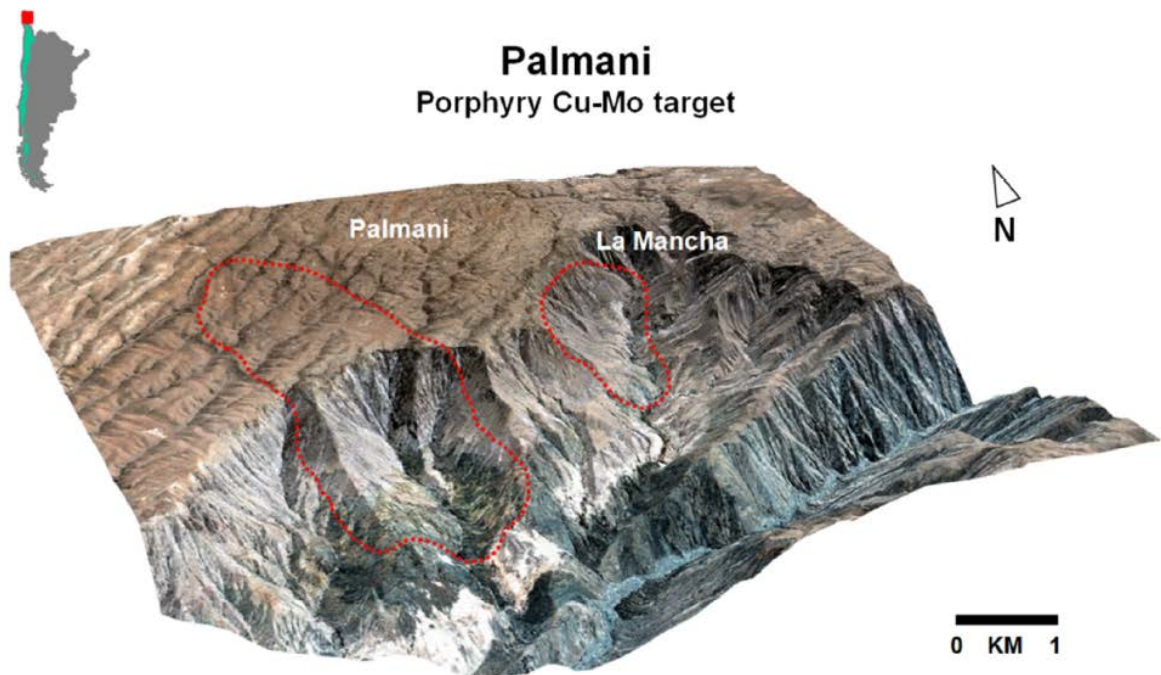


Figure 4

(Palmani Project – terrain and geophysics lines)



**Figure 5**  
**(Sulfato Project location)**

