



ABN 27 099 098 192

CYU is a resource exploration and development company with a primary focus on project interests in the Mt Isa region of north Queensland.

Issued Capital:

278,532,524
Ordinary shares

2,000,000
Performance shares

2,800,000
Unlisted options

Directors:

Zhihua Yao
Chairman
Paul Williams
Managing Director
Zewen (Robert) Yang
Executive Director

Company Secretary:

Paul Marshall

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LTD**

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ASX RELEASE – MARCH 2014 QUARTERLY ACTIVITIES REPORT

29 April 2014

Activities in the three months to 31 March 2014 included:

- **Endorsement by the CYU Board of a Business Plan designed to transform CYU into a significant mid-tier mining company**
- **Approval of 2014 work program and budget for \$2m Mt Isa copper, gold & other mineral exploration**
- **Approval of initial 7 hole RC drilling program testing mineralisation extensions at Millenium, Blue Caesar & Jubilee (drilling commenced on 21 April with results expected later in May)**
- **New Exploration Joint Venture with Yunnan Copper Exploration & Development Co on some of the Roseby South project areas**
- **Withdrawal from Chile operations**
- **Laos projects to be abandoned after failure to secure sale**
- **Significant acquisition opportunities being pursued – consistent with Business Plan**

The Board of Chinalco Yunnan Copper Resources Ltd (ASX:CYU) has commenced 2014 with a focus on transforming the Company into a substantial mid-tier mining group, with a primary exploration focus in the Mt Isa region and the ongoing pursuit of project acquisition opportunities currently under review and negotiation.

Business Plan

Since listing on the ASX in 2007 the focus of CYU management has been exploration of copper, gold and associated minerals across a wide range of geographical locations including northern Australia (primarily the Mt Isa region), Chile and southern Asia (primarily Laos).

The Board of CYU is using the current challenging mining and development environment to endeavour to transform the Company into a mid-tier mining company with an ongoing exploration commitment. The Board sees a clear opportunity to develop and acquire mining projects in the Australian region and, as a consequence, recently endorsed a Business Plan as the basis for the strategy and implementation plan.

2014 Exploration Program

The CYU Board has approved a total proposed exploration expenditure budget for 2014 of \$2 million across a combination of regional-scale data collection and prospect delineation activities. These are designed to further define existing copper, gold and other mineralisation at prospects such as Millenium and also create a pipeline of drill targets into 2015 and 2016.

The CYU Mt Isa project covers more than 1000km² centred in an area 75km northeast of Mt Isa and 40km northwest of Cloncurry in northwestern Queensland (see Annexure A for a diagram of tenure holdings). The project area comprises a number of farm-in agreements (Mount Isa Mines – a Glencore company, Altona/Roseby Copper South, Elementos and Goldsearch), together with tenure held directly by CYU.

A summary of the specific intended project activities is as follows:

Millenium – CYU's principal prospect-scale target for 2014. Shallow RC (reverse circulation) drilling in late 2013 identified broad zones (up to 90m wide) of low grade mineralisation carrying 5-10m wide lodes of higher grade mineralisation within a westerly-dipping structural zone. Deep RC drilling is now proposed at Millenium, both along strike and down dip. Eleven holes totalling 2400m with individual hole depths varying 75-350m are proposed for 2014.

Blue Caesar/Jubilee (Mt Frosty JV) – CYU's drilling at Blue Caesar in 2013 made three potentially economic intersections of chalcopyrite-rich mineralisation at shallow depths. Analysis of the drill data suggests a south-plunging, easterly dipping structural zone is the host to the mineralisation. The 2014 program will test this hypothesis by using RC drilling to intersect the up-plunge extent of the mineralisation to the north of the existing drillholes.

The Jubilee prospect also falls within the Mt Frosty project area and consists of a north-trending linear zone of historic workings, presumably shear-controlled, that is mapped by a 1km copper-in-soil anomaly. The target is a Barbara or Mt Colin style shear deposit with steeply plunging lodes of economic grade copper mineralisation. Four RC holes are proposed for 2014 under the principal shafts at Jubilee – called Jubilee and Printy respectively.

Native Companion/Brolga – this prospect is characterised by numerous historic workings over a 5km strike length that runs parallel to the Rosebee Fault. The zone has already been broadly RAB (rotary air blast drill) sampled on nominal 500m line spacing with stations at 25m to identify discrete copper geochemical anomalies in excess of 1km strike length and 100m width. Infill RAB lines are proposed to achieve better definition of the geochemical response followed by deep magneto-telluric geophysics to delineate drill targets for testing in late 2014/early 2015.

Pilgrim Fault/ Cameron Fault – the Pilgrim Fault program is the primary exploration activity for CYU in 2014. Priorities this year will be to establish the geological and geochemical base upon which discoveries can be made. The Pilgrim Fault potentially provides the primary source by which deep crustal fluids (the pro-generator of known mineral deposits) have been able to access the upper crust. These fluids will have left characteristic geochemical and alteration signatures in the host rocks. The phase 1 soil geochemical program (at 800m line spacing) will map the broad geochemical signatures that will then be defined in detail in phases 2 and 3 (400m and 100m spacing respectively). Analysis of hyperspectral imagery will aid this activity by potentially defining alteration zones that can be linked to the geochemistry. Initial targets will be surveyed using deep magneto-telluric geophysics to delineate drill targets for testing in late 2014/early 2015.

The Cameron Fault is the second regional structure targeted for detailed geochemical mapping during 2014. The exploration target and work program developed for the Pilgrim Fault (as summarised above) will be duplicated in this region and is intended to provide multi-hole targets for drill testing in late 2014/early 2015.

Initial Drilling Program – April 2014

On 21 April 2014 CYU commenced an initial 7 hole RC exploration drilling program comprising:

- 4 holes at Millenium
- 2 holes at Jubilee (near the historic Jubilee shaft)
- 1 hole at Blue Caesar (north of the 2013 drill holes).

This initial drilling program is an important first stage of the intended exploration activities for CYU during the year. A budget of \$230,000 is allocated for this program and subject to availability of assay results from the laboratory, results should be available later in May.

In the case of the initial program at Millenium, the proposed four holes are strategically located to test the extent of mineralisation at depth and along strike (to the north). The results of this initial program are intended to provide CYU with confidence to proceed with further exploration and other activities in the Millenium area during the latter part of 2014.

Exploration Activities for March 2014 Quarter

Across CYU's different exploration projects, a total of \$301,000 of expenditure was incurred for the March 2014 Quarter, a summary of which is as follows:

- **Mary Kathleen JV** – \$12,000 on mostly tenure administration and related fees
- **Mt Frosty JV** – \$88,000 on geological consultants engaged in relation to the 2013 drilling at Blue Caesar
- **Millenium** – \$57,000 on desk top geological review, on site soil sampling and mapping, landowner and tenure administration fees
- **Roseby South** – \$78,000 on desk top geological review, on site soil sampling and mapping, landowner and tenure administration fees
- **Sulfatos (Chile)** – \$66,000 on assay and related expenses associated with the drilling program in late 2013.

New Joint Venture with Yunnan Copper Exploration & Development

CYU has entered into a Memorandum of Understanding to create a new joint venture agreement with Yunnan Copper Mineral Resources Exploration & Development Co., Ltd (YEX). In September 2013 CYU announced the terms of a farm-in agreement with Altona Mining Ltd (Altona) to create the Roseby South Project. Under the farm-in agreement CYU secured the right to earn up to a 60% interest in six (6) exploration permits (EPMs) owned by Altona and its subsidiary Roseby Copper South Pty Ltd by incurring a total of \$4m in exploration expenditure over the next four years. A further 10% interest can be earned by funding the costs of a feasibility study up to a decision to mine.

The new joint venture agreement between CYU and YEX relates to two of the EPMs – EPM 10883 and 11004. Under the proposed YEX joint venture agreement:

- CYU remains the manager of project activities at all times – being the party responsible to Altona/Roseby Copper South, regardless of the extent of any interest that YEX may earn in the two tenures over the next few years.
- The arrangement is split into two stages – Stage 1 covers the first two years of the Roseby South farm-in, and Stage 2 deals with years 3 and beyond under the Roseby South farm-in and JV.
- In Stage 1 YEX has committed to spend \$900k on EPMs 10883 and 11004 in 2014, with CYU covering the necessary spending (at least \$400k) in 2014 across the other EPM areas. For 2015 YEX can elect to withdraw or continue. If it continues YEX will commit a further \$600k on the two EPMs in 2015 and CYU will cover the balance funding required.
- At the end of year 2, the first phase of the farm-in rights with Altona would have been completed. CYU will secure 30% of the four EPMs, YEX will have 27% of EPMs 10883

and 11004 with CYU holding the balance 3% plus the right to buy back from YEX a majority of the 30% interest in EPMS 10883 and 11004.

- In Stage 2 a similar process will operate as was the case in Stage 1, with the further \$2m to be allocated across the projects as per the Roseby South farm-in agreement and with YEX potentially earning up to 27% of the second phase 30% interest in EPMS 10883 and 11004 (again subject to CYU buy back rights).

The new YEX joint venture is extremely advantageous to CYU from a number of perspectives including:

- (a) The ability for YEX to commit a significant portion of the required funding commitments under the Roseby South farm-in – thereby allowing CYU to focus its available funds on other areas
- (b) A significant amount of funds will be expended on the large Roseby South project area over the next few years – thereby maximising the prospects of identifying commercial ore bodies in the region in the short term
- (c) The knowledge and expertise of YEX can continue to be applied to these exploration activities
- (d) In the event of a significant discovery, CYU has the ability to buy back a majority of YEX's earned interest by paying YEX an amount that is four-times the expenditure incurred by YEX to earn its interest.

Chile Projects Update

CYU has taken steps to withdraw from the remainder of its exploration portfolio in Chile and thereby focus exploration (and funding) on the Mt Isa projects. These steps include:

- As a result of the disappointing results from the Sulfato drilling program conducted late in 2013, CYU has since notified Codelco of its intention to withdraw from this farm-in agreement. Arrangements are being made with Codelco to cease CYU's participation in this project.
- In the case of Palmani (the subject of a farm-in agreement with Rio Tinto Chile), CYU assessed different funding options to conduct the first stage of an exploration drilling program. Due to the mountainous terrain around the Palmani project, initial estimates for such a program were over \$1.5m due not only to the need for deep (and expensive) diamond drilling, but also the creation of access roads and related facilities.

CYU had been seeking ways of funding this program from sources other than its own cash resources, but no feasible means was identified. As a consequence CYU has notified Rio Tinto of its intention to withdraw from the Palmani farm-in. Arrangements are being made with Rio Tinto to cease CYU's participation in this project.

- Due to the withdrawal by CYU of both the Sulfato and Palmani farm-ins, the only remaining Company project in Chile is Humitos. CYU has previously advised that unless

satisfactory commercial and access arrangements can be established with an adjoining tenure-holder and CYU has sufficient funds available, no further activities would be contemplated at Humitos. The CYU Board has resolved to cease further activities at Humitos and not incur any further financial commitments with that project. As a result, while no immediate steps will be taken to withdraw from the 100% CYU-owned tenure at Humitos, when additional tenure renewal or other fees become payable, these will be allowed to lapse unless some other suitable commercial arrangement can be secured.

Laos Projects Update

CYU and its 51% Chinese-registered subsidiary, Yunnan Copper San Mu Mining Co. Ltd (San Mu), have for several months sought offers for the purchase of the project interests held by San Mu in Laos. No offers have been received. Consequently steps are being taken to abandon the Laos projects, a process that may take several months to finalise with the Laos mining authorities. CYU will not be incurring any further financial liability in relation to the San Mu entity.

On behalf of the Board

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About CYU

Chinalco Yunnan Copper Resources Ltd (CYU) 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 Mt Isa. The Company is listed on the ASX under the symbol "CYU".

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, a Competent Person, 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 type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". 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.

Addendum to March 2014 Quarterly Activities Report

CYU's current mining tenement interests are as follows:

Project / Location	Tenement Reference	CYU % Interest	Comment
AUSTRALIA			
Cloncurry North	EPM 12205	90	Refer Note 1
Mt Isa East	EPM 15248	80	Refer Note 2
Pentland	ML 1631	100	
Mary Kathleen JV	EPMS 14019, 14022	70	Refer Note 3
Mt Frosty	EPM 14467	Nil – earning in	Refer Note 4
Roseby South	EPMS 9056, 10833, 11004, 11611, 14365 and 14535	Nil – earning in	Refer Note 5
Millenium	EPMS 18402, 18773, 18793, 18982, 19014, 19036, MLs 2512, 2761, 2762, 7506, 7507	Nil – earning in	Refer Note 6
CHILE			
Humitos	Tenements H1-H7 and H9-H17, Copiapo District	100%	Refer Note 7
Palmani	Tenement MAIPU 1-22, Arica District	Nil-earning in	Refer Note 8
Sulfato	Tenements QUET 11, 1:40 and CHOJ 23, Pozo Almonte	Nil-earning in	Refer Note 9
LAOS	Xinzhai, Jiuzhai, Nadao, Modeng	51%	Refer Note 10

Notes:

1. The other 10% is held by Yunnan Copper Mineral Resources Exploration & Development Co., Ltd (YEX)
2. The other 20% is held by YEX
3. The other 30% is held by Goldsearch Limited, pursuant to agreement dated 11 August 2009
4. CYU and Goldsearch farming-in (on 70:30 basis) up to a 75% interest from Mount Isa Mines Limited subject to Mount Isa Mines having a buy back right so as to retain a 51% interest, under agreement dated 3 February 2012
5. CYU farming-in up to a 70% interest from Altona Mining Ltd and Roseby Copper (South) Pty Ltd, under agreement dated 16 September 2013
6. CYU farming-in up to a 70% interest from Elementos Ltd and Element Minerals Australia Pty Ltd, under agreement dated 17 September 2013
7. Owned by 100% CYU subsidiary Humitos Pty Ltd. No additional funds will be directed to this project. These tenures will eventually lapse unless a suitable commercial arrangement can be secured.
8. China Yunnan Copper Australia Limitada, a 100% CYU subsidiary (CYU Chile) was farming-in up to a 60% interest from Rio Tinto, but has now withdrawn
9. CYU Chile was farming-in up to a 51% interest from a subsidiary of Chile's Codelco, but has now withdrawn
10. Owned by 51% CYU subsidiary Yunnan Copper San Mu Mining Co. Ltd, and projects are now being abandoned

ANNEXURE A

(Location of CYU's Mt Isa Tenure Holdings)

