



ABN 29 070 859 522

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

Issued Capital:

473,027,475
Ordinary shares

2,000,000
Performance shares

Directors:

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

Company Secretary:

Paul Marshall

CHINALCO YUNNAN
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LTD

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DECEMBER 2015 QUARTERLY ACTIVITIES REPORT

29 January 2016

Activities during the three months to 31 December 2015 included:

- Continued focus on project acquisition and development opportunities in the Democratic Republic of Congo (DRC) based on projects already identified by Yunnan Copper Industry (Group) Co Ltd (YCI).
- Announcement on 22 October 2015 of a strategic co-operation agreement with Shanghai Stock Exchange-listed JCHX Group, which included an A\$4.5M funding package for CYU.
- Announcement on 26 October 2015 of the proposed development (in conjunction with Yunnan Copper Industry (Group) Co Ltd ("YCI") of a 10,000tpa SW-EW copper smelter in south-western DRC.
- Agreement between CYU and Elementos Ltd to remove various non-prospective exploration permits from the Millennium Joint Venture.
- Limited exploration activity across the Mount Isa tenure portfolio as CYU looked to advance the project opportunities in DRC.

Note:

Subsequent to the end of the December 2015 Quarter, the Board of CYU received confirmation from YCI, a 58% subsidiary of China Copper Corporation Limited, (which in turn, is 100% owned by Chinalco) that China Copper will not approve CYU's proposed strategic alliance with JCHX Group. As a result, the A\$4.5M funding package for CYU will not proceed in its current form. YCI also indicated to CYU that China Copper will not provide continued financial support in the future to CYU.

These decisions by China Copper have had a substantial impact on CYU's intended future business activities. Discussions are continuing with JCHX regarding alternative funding transactions and CYU is carefully managing its operations and activities so as to minimise demands on available cash reserves.

On 19 January 2016, CYU announced to the ASX that CYU had received confirmation from YCI, a 58% subsidiary of China Copper Corporation Limited, (which in turn, is 100% subsidiary of Chinalco) that China Copper will not approve CYU's proposed strategic alliance with JCHX Group. No reason was provided for that decision. As a result, the A\$4.5M funding package for CYU will not proceed in its current form. Yunnan Copper also indicated to CYU that China Copper will not provide continued financial support in the future to CYU.

These post 31 December 2015 decisions by China Copper have had a substantial impact on CYU's intended future business activities. Discussions are continuing with JCHX regarding alternative funding transactions and CYU is carefully managing its operations and activities so as to minimise demands on available cash reserves. As a result, this Quarterly Activities Report will summarise the CYU activities during the Quarter, but all of those activities should be noted in light of these more recent developments.

DRC Opportunities

During the Quarter, CYU continued to pursue various copper project opportunities in the Democratic Republic of Congo ("DRC"). CYU activities are summarised as follows:

JCHX Strategic Co-Operation

On 22 October 2015, CYU announced the establishment of a strategic co-operation agreement with the Beijing-based JCHX Group. The primary intention of the agreement was for JCHX to participate with CYU in its proposed development and acquisition of copper opportunities in the DRC.

The JCHX-controlled JCHX Mining Management Co., Ltd was listed on the Shanghai Stock Exchange in June 2015 after the company successfully raised ¥1.633 billion (A\$360million). JCHX Mining Management Co has a long-established business relationship with CYU's largest shareholder, YCI.

The JCHX co-operation with CYU was intended to involve the initial provision of a total of A\$4.5million of funding to CYU, future funding contributions towards DRC project opportunities, and mining construction services in the DRC.

The founder and current Chairman of JCHX, Mr Wang Xiancheng, was also intended to join the CYU Board as a non-executive director.

The JCHX agreement was subject to approval being obtained from China Copper and, as advised in this Report, CYU has since received advice from YCI that China Copper would not support this agreement. No reason or justification for the China Copper decision has yet been received by CYU management. CYU is continuing discussions with JCHX regarding alternative transactions, but the original strategic co-operation agreement will now not proceed in the manner intended.

SX-EW Copper Smelter

On 26 October 2015, CYU announced details of a proposed 10,000tpa SX-EW (solvent extraction – electro winning) copper smelter to be constructed and operated near the city of Kolwesi, in south-eastern DRC. YCI then sought approval from China Copper and other

necessary regulatory approvals in China to engage CYU to assume control of the feasibility study activities and ultimately to bring the project into full operation.

CYU management understand that China Copper approval was obtained for this project but the subsequent decision of China Copper (not to provide continued financial support in the future to CYU) has effectively nullified the earlier approval. At this stage, due to the decision of China Copper, the prospects of this project being advanced by CYU are now remote.

Other Projects

CYU management also dedicated a significant amount of time and resources to the negotiation of an acquisition by CYU of a small-scale copper smelting facility in the DRC. Agreement on the acquisition terms was reached with the vendor and a term sheet was signed by the vendor. At the instruction of YCI, CYU refrained from signing this agreement pending China Copper approval for this transaction. No indication from China Copper about such an approval has been received by CYU although the recent decision of China Copper (not to provide continued financial support in the future to CYU) has effectively removed the capacity of CYU to complete this proposed transaction.

In summary, all DRC-focussed activities of CYU have been suspended due to the decisions of China Copper. It is unknown at this time whether these opportunities may be capable of being reactivated.

Mount Isa Exploration Activities

During the Quarter, CYU management was focussed almost entirely on the pursuit of its DRC opportunities and the internal approval requirements of China Copper. In addition, the loss of CYU's Roseby South Joint Venture interests enabled CYU to reflect on prospectivity of its remaining tenure areas. A review of the remaining tenure areas is ongoing. As a consequence, very limited exploration activities were conducted for the three months to 31 December 2015. However, the following matters are noted:

Variation of Millennium Joint Venture

On 8 December 2015, CYU and Elementos Ltd agreed to vary the terms of the existing Millennium Joint Venture. The principal agreed variation was to remove certain EPMs within the JV that were considered to be low in prospectivity. As a consequence, the remaining JV tenure comprises five (5) mining leases – details of which are summarised in the tenure holdings table later in this Report.

The mining leases were the primary area of previous exploration activity by CYU and remain the most likely source of future consideration.

CYU and Elementos subsequently took steps to apply to the Department of Natural Resources and Mines for the surrender the EPM interests and some of these applications have already been approved.

Surrender of EPM 15248 – “Mount Isa East”

After review by CYU's exploration team, a decision was taken to surrender the entire remaining areas of this EPM holding. The Department of Natural Resources and Mines approved the surrender application during the Quarter.

Exploration Expenditure for December 2015 Quarter

Across CYU's various exploration projects, a total of \$60,465 of expenditure was incurred for the December 2015 Quarter, a summary of which is as follows:

- **Mary Kathleen JV** - \$14,073 on geological consulting and tenure admin fees;
- **Mt Frosty JV** – \$33,162 on geological consulting and tenure admin fees;
- **Elementos farm-in** – \$609 on tenure fees admin; and
- **Cloncurry North (EPM 12205)** – \$12,621 on geological consulting and tenure admin fees.

Corporate Update

Proposed Acquisition Activities

As noted above, CYU's intended acquisition activities in the DRC have been suspended. Further news about these activities (and CYU's future intentions) will be made available to the market as soon as possible.

During the Quarter, 2,000,000 performance shares (1,000,000 B class and 1,000,000 C class) issued to CYU Managing Director, Paul Williams, lapsed as the "vesting" conditions for those shares were not satisfied by the due date of 6 December 2015.

Board Composition

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

Financial Position

As at 31 December 2015, CYU had cash reserves of \$157,000. Further details of CYU's financial activities during the December 2015 quarter are set out in the Appendix 5B Quarterly Cashflow Statement which accompanies this Report.

Share Information – December 2015 Quarter

Issued share capital of 473,027,475 ordinary shares and 2 million performance shares.
Quarter high traded price of \$0.035 (23 October 2015) and low of \$0.014 (7 October 2015).

Market capitalization – high \$16.555M, low \$6.622M.
Average daily volume of shares traded – 88,379 shares (\$2,414 average daily volume value).

Top 10 shareholders of CYU as 31 December 2015:

Rank	Name	Number of Shares	%
1	China Yunnan Copper (Australia) Investment and Development Co Ltd	299,922,326	63.40
2	Mr Norman Zillman	10,200,000	2.16
3	Elliott Nominees Pty Ltd (Elliott Exploration Co S/F)	7,150,000	1.51
4	Kimbriki Nominees Pty Ltd (Kimbriki Hamilton SF A/C)	6,526,808	1.38
5	Citicorp Nominees Pty Limited	4,688,080	0.99
6	Premar Capital Nominees Pty Ltd	3,633,333	0.77
7	Mr Lawrence Chi-Yun Lee	3,069,988	0.65
8	UBS Wealth Management Australia Nominees P/L	2,708,514	0.57
9	Bannerblock Pty Ltd Super Fund	2,500,000	0.53
10	JP Morgan Nominees Australia Limited	2,468,647	0.52
TOTAL		342,867,696	72.48

Other Details:

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On behalf of the Board

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CYU's mining tenement interests as at 31 December 2015

Project/Location	Tenement Reference	CYU % Interest	Comment
AUSTRALIA			
Cloncurry North	EPM 12205	90	Refer Note 1
Mount Isa East	EPM 15248	80	Refer Note 2
Pentland	ML 1631	100	
Mary Kathleen JV	EPMS 14019, 14022	80	Refer Note 3
Mt Frosty	EPM 14467	51	Refer Note 4
Millennium	MLs 2512, 2761, 2762, 7506,7507	Nil – earning in	Refer Note 5

Notes:

- 1. The other 10% is held by Yunnan Copper Mineral Resources Exploration & Development Co., Ltd (YEX).*
- 2. Surrender application approved during the December 2015 Quarter.*
- 3. The other 20% is currently held by Goldsearch Limited (GSE). CYU has the right to secure a 100% interest in these tenements, subject to a 1.5% net smelter royalty held by GSE.*
- 4. CYU farming-in 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. CYU completed earning the first stage 51% interest in Mt Frosty during the December 2014 Quarter. The Goldsearch net smelter royalty also applies in respect of any interest of CYU in this tenement.*
- 5. CYU farming-in up to a 70% interest from Elementos Ltd and Element Minerals Australia Pty Ltd, under agreement dated 17 September 2013. Note that EPMS 18402, 18773, 18793, 18982, 19014 and 19036 were removed from the Joint Venture arrangements by agreement during the December Quarter, and steps taken for these EPMS to be surrendered.*

ANNEXURE A (Location of CYU's Mount Isa Tenure Holdings)

