

China Yunnan Copper Australia Ltd
ACN 070 859 522

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY MEMORANDUM

Date of Meeting: 30 November 2009
Time of Meeting: 11.30am (Brisbane time)
Place of Meeting: Level 5, 60 Edward St, Brisbane

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

NOTICE OF GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of **CHINA YUNNAN COPPER AUSTRALIA LTD** ACN 070 859 522 (**Company**) will be held at Level 5, 60 Edward St, Brisbane, on Monday 30 November 2009, at 11.30am (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, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the accounts for the Company and its controlled entities for the financial year ended 30 June 2009.

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

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

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

Resolution 2 - Re-Election of Zewen Yang as a Director

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

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

Resolution 3 – Adoption of Remuneration Report

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

"That, the Remuneration Report for the year ended 30 June 2009 (as set out in the Directors' Report) is adopted."

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

SPECIAL BUSINESS

Resolution 4 - Issue of options to Jason Beckton

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

“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“Corporations Act”) and for all other purposes, the Company be authorised to issue 4,500,000 Options to subscribe for ordinary shares in the Company (“Options”) to Jason Beckton being a Director of the Company or his nominee (“Beckton”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”

Note:

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

VOTING EXCLUSION STATEMENT

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

Resolution 5 - Issue of options to Zewen Yang

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

“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“Corporations Act”) and for all other purposes, the Company be authorised to issue 3,000,000 Options to subscribe for ordinary shares in the Company (“Options”) to Zewen Yang being a Director of the Company or his nominee (“Zewen Yang”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”

Note:

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

VOTING EXCLUSION STATEMENT

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

Resolution 6 - Issue of options to Norman Zillman

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

*“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“**Corporations Act**”) and for all other purposes, the Company be authorised to issue 750,000 Options to subscribe for ordinary shares in the Company (“**Options**”) to Norman Zillman being a Director of the Company or his nominee (“**Zillman**”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”*

Note:

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

VOTING EXCLUSION STATEMENT

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

Resolution 7 - Issue of options to Stanley Mark Elliott

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

*“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“**Corporations Act**”) and for all other purposes, the Company be authorised to issue 750,000 Options to subscribe for ordinary shares in the Company (“**Options**”) to Mr Stanley Mark Elliott being a Director of the Company or his nominee (“**Elliott**”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”*

Note:

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

VOTING EXCLUSION STATEMENT

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

Resolution 8 - Issue of options to Chao Yang

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

*“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“**Corporations Act**”) and for all other purposes, the Company be authorised to issue 750,000 Options to subscribe for ordinary shares in the Company (“**Options**”) to Chao Yang being a Director of the Company or his nominee (“**Yang**”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”*

Note:

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

VOTING EXCLUSION STATEMENT

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

Resolution 9 - Issue of options to Liang Zhong

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

*“That in accordance with the provisions of Listing Rule 10.11 of the ASX Listing Rules and Part 2E of the Corporations Act 2001 (Cth) (“**Corporations Act**”) and for all other purposes, the Company be authorised to issue 750,000 Options to subscribe for ordinary shares in the Company (“**Options**”) to Liang Zhong being a Director of the Company or his nominee (“**Zhong**”) exercisable at \$0.40 on the terms described in the Explanatory Memorandum.”*

Note:

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

VOTING EXCLUSION STATEMENT

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

GENERAL BUSINESS

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

BY ORDER OF THE BOARD

Paul Marshall
Company Secretary
26 October 2009

EXPLANATORY MEMORANDUM

INTRODUCTION

This Explanatory Memorandum is provided to Shareholders of **CHINA YUNNAN COPPER AUSTRALIA LTD** ACN 070 859 522 (**Company**) to explain the resolutions to be put to Shareholders at the Annual General Meeting to be held at Level 5, 60 Edward Street, Brisbane, on Monday 30 November 2009, at 11.30am (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.

Terms used in this Explanatory Memorandum are defined on page 17.

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

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

Mr Zillman is a professional geologist with over 40 years experience in exploration and production in the petroleum, coal and mineral industries in Australia and internationally. His initial training was as a petroleum geologist with international companies, namely Aquitaine Petroleum in Papua New Guinea and Union Oil Company of California (UNOCAL) in Indonesia and Australia. Mr Zillman has held the positions of Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach Petroleum NL. From 1994 to early 1998, Mr Zillman was Regional Manager of Northern Queensland for the Queensland Department of Mines and Energy, based in Charters Towers, where he supervised all aspects of mineral exploration and mining activities in that region including among others, the Ravenswood, Pajingo, Mt Leyshon and Thalanga mines.

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

Mr Zillman holds a Bachelor of Science degree in Geology and a Bachelor of Science (with Honours) in Botany from the University of Queensland and is a Member of the Australasian Institute of Mining and Metallurgy and the Petroleum Exploration Society of Australia.

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

RESOLUTION 2 - RE-ELECTION OF ZEWEN YANG AS A DIRECTOR

Mr Yang was appointed to the Board of Directors on 1 August 2007. In accordance with the Company's Constitution, Mr Yang will retire at the Annual General Meeting, and will stand for re-election.

Mr Yang has had 16 years experience in mineral resources trading and project investment areas in China and Australia. He has previously worked for China Non-Ferrous Metals Import and Export Company and has been with the Yunnan Copper Industry (Group) Co. Ltd. since March 2004. Mr

Yang is currently the General Manager of China Yunnan Copper (Australia) Investment and Development Co. Ltd which is based in Sydney.

He has a Bachelor of Arts degree majoring in Economics and specializing in International Business from Sichuan University, China and a Master degree of Commerce majoring in International Business from University of New South Wales. He is a member of Australian Institute of Company Directors.

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

RESOLUTION 3 - REMUNERATION REPORT

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

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

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

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

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.

RESOLUTIONS 4 to 9 – ISSUE OF OPTIONS TO DIRECTORS OF THE COMPANY

Introduction

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

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

- (a) Resolution 4: 4,500,000 options to Mr Jason Beckton as director or his nominee;
- (b) Resolution 5: 3,000,000 options Mr Zewen Yang as director or his nominee;
- (c) Resolution 6: 750,000 options Mr Norman Zillman as director or his nominee;
- (d) Resolution 7: 750,000 options Mr Stanley Mark Elliott as director or his nominee;
- (e) Resolution 8: 750,000 options Mr Chao Yang as director or his nominee; and
- (f) Resolution 9: 750,000 options Mr Liang Zhong as director or his nominee.

(together "**Recipients**")

It is proposed that these options that are issued to the Recipients, will be exercisable at \$0.40 in

three equal tranches (“**Options**”) on or after the Vesting Date (as defined below) but before:

- (a) in respect of the First Tranche Options – 20 December 2009;
- (b) in respect of the Second Tranche Options – 20 December 2010; and
- (c) in respect of the Third Tranche Options – 20 December 2011.

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

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

Options Terms

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

- The securities to be issued to each Recipient are options to subscribe for ordinary shares in the capital of the Company;
- Each Tranche of Options (described below) will expire on 20 December 2012 (**Expiry Date**).
- The Options shall be issued for no consideration.
- The exercise price of each Option is \$0.40 (**Exercise Price**);
- The options will be issued in the tranches and with corresponding qualifying price (**Qualifying Price**) as follows:-

Tranche	Number of Options	Qualifying Price
First Tranche Options	One third of the total number of options	\$0.40
Second Tranche Options	One third of the total number of options	\$0.40
Third Tranche Options	One third of the total number of options	\$0.40
Total	Total of options	

Note:- The **Qualifying Price**:

- (a) will be determined as the weighted average closing price of shares over a 5 business day period; and
- (b) will be adjusted in the event of a bonus issue.
- The options will vest (**Vesting Date**) for each Tranche of Options, as follows:
 - (a) in respect of the First Tranche Options – 20 December 2009;
 - (b) in respect of the Second Tranche of Options – 20 December 2010; and

(c) in respect of the Third Tranche of Options – 20 December 2011,

- If the Vesting Date does not occur on or before the Expiry Date, the Options and the rights and obligations attaching to the Options shall lapse and shall have no further force or effect, and no consideration shall be payable to the Recipients (**Option Holder**) by reason of such lapsing.
- The Options will not be transferable in whole or in part and may not be exercised by any other person (except, in the case of the Option holder's death, by his or her legal personal representative).
- However, the Options will not vest if the Recipient (or where the Recipient is a nominee, the person who nominated the nominee) is not a service provider engaged by the Company at the relevant Vesting Date.
- The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date.
- The number of Options that may be exercised at one time must be not less than 5,000 exercised at the one time.
- Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares.
- While the Option holders do not have any right to participate in new issues of securities in the Company to shareholders generally, the Option Holders will be afforded the period of at least 10 business days' notice prior to and inclusive of the books record date (to determine entitlements to the issue) to exercise the Options.
- Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - The number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - Subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

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

Where:

O^n = the new exercise price of the Option;

O = the old exercise price of the Option;

- E = the number of underlying securities into which one Option is exercisable;
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
- If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
 - The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
 - The Company does not intend to apply for listing of the Options on the ASX.
 - The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.

Regulatory Requirements

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

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

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

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

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

- (a) The related parties to whom Resolutions 4 to 9 would permit the financial benefit to be given
- (b) The Recipients, as directors and officers of the Company are considered to be ‘related parties’.
- (c) The nature of the proposed financial benefit to be given is:

- the grant of Options to each Recipient as referred to in Resolutions 4 to 9;
- the Options shall be granted for no cash consideration; and
- the Options shall be exercisable into fully paid shares at such an exercise price of \$0.40 per share exercisable on or before the Expiry Date.

(d) Directors' Recommendation

With respect to Resolutions 4 to 9 the Directors (with the exception of the resolution that applies to them personally or their nominee) recommend that shareholders vote in favour of these resolutions. The reasons for their recommendation include:

- the grant of the Options as proposed to the Recipients will provide them with reward and incentive for future services they will provide to the Company to further the progress of the Company;
- in the Company's circumstances as they existed as at the date of this Explanatory Memorandum, the Directors considered that the incentive provided a cost-effective and efficient incentive as opposed to alternative forms of incentives (eg cash bonuses, increased remuneration). However, it must be recognised that there will be an opportunity cost to the Company, being the price at which the Company could grant the Options to a third party; and
- the Options are not intended as a substitute for salary or wages or as a means for compensation for past services rendered.
- As Mr Beckton is interested in the outcome of Resolution 4 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Zewen Yang is interested in the outcome of Resolution 5 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Zillman is interested in the outcome of Resolution 6 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Elliott is interested in the outcome of Resolution 7 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Chao Yang is interested in the outcome of Resolution 8 he accordingly makes no recommendation to shareholders in respect of this resolution.
- As Mr Zhong is interested in the outcome of Resolution 9 he accordingly makes no recommendation to shareholders in respect of this resolution.

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

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

Excluding the Options, Mr Beckton (and entities associated with him) holds 460,600 ordinary shares of the Company and 150,000 options to subscribe for ordinary shares in the Company. The options vest to Mr Beckton in 3 equal tranches of 50,000 each on 19 December 2008 (Expiry Date 19 December 2009), 12 November 2009 (Expiry Date 19 December 2010), and 12 November 2010 (Expiry Date 19 December 2011), exercisable at \$0.40 on or before the Expiry Date. Please refer to the table below which indicates the holdings of Mr Beckton (and entities associated with him).

Other than the Options to be issued to Mr Beckton pursuant to Resolution 4, Mr Beckton shall receive director's remuneration of \$239,800 per annum from the Company for his services as Managing Director.

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

Director	Current Share Holding	% of Total Share Capital (108,662,533 shares on issue ¹)	Share Capital Upon Exercise of new Options	% of Total Share Capital (113,162,533 shares on issue ¹)
Jason Beckton	460,600	0.42%	4,960,600	4.38%

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

(f) Directors' interest and other remuneration – Mr Zewen Yang

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

Excluding the Options, Mr Zewen Yang (and entities associated with him) hold 150,000 options to subscribe for ordinary shares in the Company. The options vest to Mr Zewen Yang in 3 equal tranches of 50,000 each on 19 December 2008 (Expiry Date 19 December 2009), 12 November 2009 (Expiry Date 19 December 2010), and 12 November 2010 (Expiry Date 19 December 2011), exercisable at \$0.40 on or before the Expiry Date. Please refer to the table below which indicates the holdings of Mr Zewen Yang (and entities associated with him). Mr Zewen Yang does not hold any ordinary shares in the Company.

Other than the Options to be issued to Mr Zewen Yang pursuant to Resolution 5, Mr Zewen Yang shall receive director's remuneration of \$155,520 per annum from the Company for his services as an Executive Director.

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

Director	Current Share Holding	% of Total Share Capital (108,662,533 shares on issue ¹)	Share Capital Upon Exercise of new Options	% of Total Share Capital (111,662,533 shares on issue ¹)
Zewen Yang	0	0.00%	3,000,000	2.69%

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

(g) Directors' Interest and other remuneration – Mr Zillman

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

Excluding the Options, Mr Zillman (and entities associated with him) holds 9,847,195 ordinary shares of the Company and does not hold any options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Zillman (and entities associated with him).

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

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

Director	Current Share Holding	% of Total Share Capital (108,662,533 shares on issue1)	Share Capital Upon Exercise of new Options	% of Total Share Capital (109,412,533) shares on issue1)
Norm Zillman	9,847,195	9.06%	10,597,195	9.69%

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

(h) Directors' Interest and other remuneration – Mr Elliott

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

Excluding the Options, Mr Elliott (and entities associated with him) holds 7,150,000 ordinary shares of the Company and does not hold any options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Elliott (and entities associated with him).

Other than the Options to be issued to Mr Elliott pursuant to Resolution 7, Mr Elliott shall receive director's remuneration of \$24,000 per annum from the Company for his services as Non Executive Director.

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

Director	Current Share Holding	% of Total Share Capital (108,662,533 shares on issue1)	Share Capital Upon Exercise of new Options	% of Total Share Capital (109,412,533) shares on issue1)
Mark Elliott	7,150,000	6.58%	7,900,000	7.22%

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

(i) Directors' Interest and other remuneration – Mr Chao Yang

Mr Chao Yang has a material personal interest in the outcome of Resolution 8, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 8.

Except for the proposed issue of Options, Mr Chao Yang (and entities associated with him) does not hold any ordinary shares of the Company and does not hold any options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Chao Yang (and entities associated with him).

Other than the Options to be issued to Mr Chao Yang pursuant to Resolution 8, Mr Chao Yang shall receive director's remuneration of \$36,000 per annum from the Company for his services as Non Executive Co-Chairman.

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

Director	Current Share Holding	% of Total Share Capital (108,662,533 shares on issue1)	Share Capital Upon Exercise of new Options	% of Total Share Capital (109,412,533) shares on issue1)
Chao Yang	0	0.00%	750,000	0.69%

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

(j) Directors' Interest and other remuneration – Mr Liang Zhong

Mr Zhong has a material personal interest in the outcome of Resolution 9, as it is proposed that Options be granted to him (or his respective nominee) as set out in Resolution 9.

Except for the proposed issue of Options, Mr Zhong (and entities associated with him) does not hold any ordinary shares of the Company and does not hold any options to subscribe for ordinary shares in the Company. Please refer to the table below which indicates the holdings of Mr Zhong (and entities associated with him).

Other than the Options to be issued to Mr Zhong pursuant to Resolution 9, Mr Zhong shall receive director's remuneration of \$24,000 per annum from the Company for his services as Non Executive Director.

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

Director	Current Share Holding	% of Total Share Capital (108,662,533 shares on issue ¹)	Share Capital Upon Exercise of new Options	% of Total Share Capital (109,412,533 shares on issue ¹)
Liang Zhong	0	0.00%	750,000	0.69%

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

(f) Valuation

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

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

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

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

and so on.

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

The Company has estimated the value of the Options and has done so using the Black-Scholes Model, which is the most widely used and recognised model for pricing options.

The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the share price, the exercise price, the time to expiry, the risk-free interest rate and the volatility of the Company's underlying share price.

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

- The exercise price of the options being \$0.40;
- Exercise and vesting date being;
 - i. for 1/3 of the Options to subscribe for Shares to vest on 20 December 2009 and be exercised on or before 20 December 2012;
 - ii. for 1/3 of the Options to subscribe for Shares to vest on 20 December 2010 and be exercised on or before 20 December 2012; and
 - iii. for 1/3 of the Options to subscribe for Shares to vest on 20 December 2011 and be exercised on or before 20 December 2012.
- The current share price (as at 13 October 2009) of the Company's shares being \$0.28 per share;
- A volatility measure of 40.799%;
- A risk-free interest rate of 5.12%; and
- A dividend yield of nil%.

(assumed data)

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

Based on this information, the Company has adopted an indicative value for the Options of \$0.059 for the options.

On that basis, the total value of the 10,500,000 Options to be issued pursuant to Resolutions 4 to 9 is \$619,500.

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

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

Opportunity Costs

The opportunity costs and benefits foregone by the Company issuing the Options to each of the Recipients is the potentially dilutionary impact on the issued share capital of the Company (in the event that the options are exercised). Until exercised, the issue of the Options will not impact upon the number of ordinary shares on issue in the Company. To the extent that upon their exercise the dilutionary impact caused with the issue of shares will be detrimental to the Company, this is more than offset by the advantages accruing from the Company securing the services of experienced and skilled directors on appropriate incentive terms.

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

Taxation Consequences

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

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

Dilutionary Effect

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

Shareholder	Current Shareholding	% of Total Share Capital	Share Capital Upon Exercise of new Options*	% of Total Share Capital
Current Shareholders (other than the Directors mentioned above)	91,204,738	83.93%	91,204,738	76.54%
Mr Beckton	460,600	0.42%	4,960,600	4.16%
Mr Zewen Yang	0	0.00%	3,000,000	2.52%
Mr Zillman	9,847,195	9.06%	10,597,195	8.89%
Mr Elliott	7,150,000	6.58%	7,900,000	6.63%
Mr Chao Yang	0	0.00%	750,000	0.63%
Mr Zhong	0	0.00%	750,000	0.63%
TOTAL	108,662,533	100%	119,162,533	100%

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

Save as set out in this Explanatory Memorandum, the Directors are not aware of any other information that will be reasonably required by Shareholders to make a decision in relation to benefits contemplated by the proposed Resolutions 4 to 9.

Listing Rule 10.11

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

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

- The maximum number of Options to be issued to Mr Beckton is 4,500,000 Options.
- The maximum number of Options to be issued to Mr Zewen Yang is 3,000,000 Options.
- The maximum number of Options to be issued to Mr Zillman is 750,000 Options.

- The maximum number of Options to be issued to Mr Elliott is 750,000 Options.
- The maximum number of Options to be issued to Mr Chao Yang is 750,000 Options.
- The maximum number of Options to be issued to Mr Zhong is 750,000 Options.
- The Options are intended to be granted as soon as possible following the Meeting, but in any event, within 1 month of the date of the Meeting.
- The Options are being issued for nil consideration.
- No funds are being raised by the grant of the Options.

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

DEFINITIONS

ASX means ASX Limited ACN 008 624 691.

ASIC means Australian Securities and Investment Commission.

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

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

Listing Rules means the listing rules of the ASX.

Meeting means this meeting.

Shareholder means shareholder of the Company.

Shares means ordinary shares in the capital of the company.

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Each of the directors of the Company commend the resolution to all of the shareholders for their approval.

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

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

PROXY, REPRESENTATIVE AND VOTING ENTITLEMENT INSTRUCTIONS

PROXIES AND REPRESENTATIVES

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

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

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

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

China Yunnan Copper Australia Limited
GPO Box 5268, Brisbane QLD 4001
Facsimile: (07) 3303 0601 (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) 28 November 2009. 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 *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.

China Yunnan Copper Australia Limited

ABN 29 070 859 522

LODGE YOUR PROXY

 **By mail:**
China Yunnan Copper Australia Limited
GPO Box 5268
Brisbane Qld 4001 Australia

All enquiries to:
 **Telephone:** (07) 3303 0653

 **By fax:** (07) 3303 0601



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SHAREHOLDER VOTING FORM

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

STEP 1 APPOINT A PROXY

the Chairman
of the Meeting
(mark box)

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

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11:30am (Brisbane time) on Monday, 30 November 2009, at the offices of China Yunnan Copper Australia Limited, Level 5, 60 Edward St, Brisbane QLD 4000 and at any adjournment or postponement of the meeting.

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*		For	Against	Abstain*
Resolution 1 Re-election of Norman Zillman as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 5 Issue of options to Mr Zewen Yang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Zewen Yang as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 6 Issue of options to Mr Norman Zillman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7 Issue of options to Dr Stanley Mark Elliott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Issue of options to Mr Jason Beckton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8 Issue of options to Mr Chao Yang	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				Resolution 9 Issue of options to Mr Liang Zhong	<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 IMPORTANT - VOTING EXCLUSIONS

If the Chair of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that item and that votes cast by him/her for that item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair of the Meeting will not cast your votes on any resolution in which the Chairman has an interest and your votes will not be counted in calculating the required majority if a poll is called on this item. The Chair of the Meeting intends to vote undirected proxies in favour of all resolutions.

STEP 4 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).

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HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

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

Appointment of a Proxy

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

Votes on Items of Business - Proxy Appointment

You 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.

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.
- (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 11:30am (Brisbane time) on Saturday, 28 November 2009, 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:**
China Yunnan Copper Australia Limited
GPO Box 5268
Brisbane Qld 4001
Australia

 **by fax:**
+61 7 3303 0601

 **by hand:**
China Yunnan Copper Australia Limited, Level 5, 60 Edward St, Brisbane QLD.

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 on 28 November 2009. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

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.