



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:

Zihua 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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JUNE 2014 QUARTERLY ACTIVITIES REPORT

23 July 2014

Activities during the three months to 30 June 2014 included:

- Ongoing efforts designed to transform CYU into a significant mid-tier mining company in accordance with April 2014 Business Plan
- Successful completion of initial 7 hole RC drilling program in April/May with excellent results, namely:
 - Discovery of new copper/gold prospect at Jubilee
 - Further confirmation of existence of broad zone of mineralisation at Millennium
 - Validation of CYU model at Blue Caesar of a northern extension of copper sulphide mineralisation
 - Encouraging rock chip sampling at King Solomon
- Extensive exploration activities at Mt Isa planned for the rest of 2014
- Due diligence reviews nearing completion, as part of CYU's project acquisition strategy
- New Exploration Joint Venture with Yunnan Copper Exploration & Development Co suspended by mutual agreement
- CYU increases its interest in the Mary Kathleen joint venture to 80% after Goldsearch elected to dilute to 20%
- Chilean assets sold

The Board of Chinalco Yunnan Copper Resources Ltd (ASX:CYU) continues to 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

The Board of CYU has identified the opportunity in the current challenging mining and development environment to seek to transform the Company into a mid-tier mining company which has an ongoing exploration commitment. The Board sees a clear opportunity to develop and acquire mining projects in the Australian region and, as a consequence, endorsed a Business Plan in April 2014 that provides the basis for these actions to be implemented.

In accordance with the April Business Plan, the key activities of CYU at the present time are:

- assessment of acquisition opportunities for projects that are either in production or near to commencing production – this involves the conduct of detailed technical and financial due diligence which, in the case of one particular project, is likely to be finalised by the end of August 2014;
- ongoing exploration activities across CYU's large portfolio of tenure in the Mt Isa region; and
- continuing efforts to sell and/or abandon the existing tenure holdings in Chile and Laos. Regardless of whether these holdings are abandoned or sold, no further expenditure is intended to be incurred by CYU on these interests.

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 Millennium 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 north western 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.

Initial Drilling Program – April/May 2014

CYU commenced an initial 7 hole RC (reverse circulation) exploration drilling program in April 2014 comprising:

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

Excellent results were achieved from each of these prospects. These are summarised below.

Jubilee

The Jubilee prospect is approximately 900m to the west of CYU's Blue Caesar Prospect and 5.5km south of the historic Mary Kathleen uranium mine. Jubilee was the subject of mining in the 1920s and 1970s. The Jubilee prospect is part of the Mt Frosty Joint Venture (see table below for details of tenure and existing JV agreements) and consists of a north-trending linear zone of historic workings, presumably shear-controlled, that is mapped by a 1km long copper-in-soil anomaly.

Two holes were drilled under the historic Jubilee mine shaft as part of CYU's recent seven hole RC exploration drilling program. The drilling targeted the down-dip extension of the historic workings.

Drillhole Q-019 intersected copper sulphide mineralisation occurring from 36m down hole depth and hole Q-020 intersected copper sulphide mineralisation from 78m down hole depth. Final analytical results from drillholes Q-019 and Q-020 have now been received and are highlighted by:

Q-019	6m @ 1.01% Cu and 0.9 g/t Au from 40m including: 2m @ 2.42% Cu and 2.96 g/t Au
Q-020	11m @ 1.76% Cu and 0.44 g/t Au from 78m including: 4m @ 4.29% Cu and 1.17 g/t Au and 1m @ 10.7% Cu and 1.37 g/t Au

The assays indicate mineralisation over at least a 10m wide zone which is comparable to early drilling results at the Barbara deposit to the north. Clearly these outstanding early results at Jubilee warrant further exploration drilling by CYU over the coming months to test the depth and strike extent of this newly identified mineralized lode.

Millennium

The Millennium prospect is CYU's principal drill target for 2014. Shallow RC 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.

CYU's recent drilling program included four RC holes (Q-014 to Q-017) targeting the mineralisation both along strike and down dip. The depth of these holes ranged from 180m to 320m. Unfortunately Q-017 was terminated above the target zone due to drilling problems. Follow up diamond drilling is planned for later in the year.

Final analytical results from these drillholes have further reinforced the interpretation that the Millennium prospect may hold a large mineralized body. Highlights of the assay results are:

Q-014	13m @ 0.53% Cu, 0.30% Co, 0.24 g/t Au and 3 g/t Ag from 104m including:
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5m @ 0.98% Cu, 0.29% Co, 0.5 g/t Au and 5 g/t Ag

Q-015 21m @ 0.35% Cu, 0.13% Co, including:

8m @ 0.58% Cu, 0.11% Co and

3m @0.47% Cu, 0.27% Co

Q-016 5m @ 0.35% Cu, 0.1 g/t Au

Of particular interest is the presence of a broad zone (up to 60m in Q-014 and at least 20m in hole Q-016) characterised by geochemical anomalism in a range of metallic elements - Ag, As, Cu, Ni, U, Zn, Ce, Au, Co, La. This geochemical signature is interpreted as reflecting the presence of deep crustal or mantle fluids which have migrated along the Pilgrim Fault and which may form economic mineralization in the right geological environment.

A deep-penetrating IP geophysical survey will be undertaken by CYU later in the year to map the mineralisation and provide targets for further drilling at Millennium.

Blue Caesar

Also forming part of the Mt Frosty Joint Venture, 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. Mapping and rock chip sampling conducted by CYU and Blue Caesar late in 2013 showed the potential for the strike of mineralisation to extend for up to 1000m. Drillhole Q-018 was designed to test the up-plunge extent of the Blue Caesar mineralisation to the north.

Analytical results for drillhole Q-018 validated CYU's interpretation of a northern extension to the strike of chalcopyrite-pyrrhotite mineralisation discovered in 2013, highlighted by the following assays:

Q-018 4m @ 1% Cu from 16m

2m @ 0.95% Cu from 59m (forming part of a broader 27m zone @ 0.26% Cu)

Other Mt Isa Prospects

King Solomon

This project forms part of the Mary Kathleen Joint Venture between CYU and Goldsearch Ltd (80:20) and has not been the subject of any significant exploration activity in recent times. Situated 35km east of Mount Isa and 3km north of the Barkly Highway, King Solomon lies on the western margin of the Corella Formation.

Reconnaissance rock chip sampling from this area has returned strong copper and gold anomalies, which warrants further investigation. Some of the assay results for the King Solomon samples included:

Sample 411839	4.8% Cu, 1.7g/t Au and 3.2 g/t Ag
Sample 411843	20.9% Cu and 0.16 g/t Au
Sample 411844	9.6% Cu and 0.18 g/t Au

These encouraging early-stage exploration results have set the scene for a drilling program possibly later in the year or into early 2015.

Pindora

This prospect was the subject of a 15 RC drillhole program in April 2008 when owned by Goldsearch. The holes were drilled on 9 sections along 7km of strike of the Pindora Shear and were generally designed to test under historic mine shafts. The Pindora prospect lies within EPM 14019 which is also part of the Mary Kathleen joint venture with Goldsearch. Some significant copper mineralisation was intersected in this 2008 program, highlighted by the following:

MKRC012	4m @ 2.5%Cu 0.24g/t Au from 48m
MKRC013	6m @ 0.87%Cu from 35m including 1m @ 2.5%Cu
MKRC020	3m @ 0.99%Cu from 37m
MKRC021	3m @ 7.85%Cu 0.55g/t Au from 1m
	2m @ 4.00%Cu 0.37g/t Au from 17m
	5m @ 1.60%Cu from 48m
	3m @ 1.01%Cu from 57m

These results provide significant encouragement to proceed with further exploration drilling with the aim of identifying significant tonnes of +1%Cu in multiple pits along the Pindora Shear. Initial follow-up drilling will be conducted by CYU either in late 2014 or early 2015, to test the down dip continuity on the original Goldsearch drilling sections.

Exploration Expenditure for June 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** - \$9,298 on mostly tenure administration, geological consulting and related fees;
- **Mt Frosty JV** – \$42,188 on drilling, assaying and geological consultants engaged in relation to the April/May drilling at Jubilee/Blue Caesar;
- **Elementos farm-in** – \$129,793 on drilling and assays for the April/May drilling program at Millennium, desk top geological review, on-site soil sampling and mapping, landowner and tenure administration fees; and
- **Altona/Roseby Copper South farm-in** – \$120,378 on desk top geological review, on-site soil sampling and mapping, landowner and tenure administration fees.

Goldsearch – Mary Kathleen JV Dilution

In late June 2014, CYU received notice of the election of its partner in the Mary Kathleen joint venture, Goldsearch Limited (ASX:GSE) to dilute its participating interest from 30% to 20%, with effect immediately. CYU's participating interest increases to 80% accordingly.

Joint Venture with Yunnan Copper Exploration & Development

On 29 April 2014, CYU announced a Memorandum of Understanding to enter a proposed joint venture agreement with Yunnan Copper Exploration & Development Co (YEX) in relation to certain areas within the Roseby South project. Under this proposed agreement YEX would have had the opportunity to earn certain interests in some of the Roseby South tenure, in the event of successful completion of agreed expenditure commitments on the areas.

CYU recently received notice from YEX of its intention to indefinitely suspend participation in this proposed arrangement. As a consequence, CYU will seek to cover the proposed YEX exploration commitments from its own funding sources and thereby retain any project interests that are ultimately earned in the Roseby South project area pursuant to the September 2013 farm-in agreement with Altona Mining Ltd.

Sale of Chilean Projects

Having already withdrawn from the Sulfato and Palmani farm-in agreements in Chile, CYU has succeeded in securing sale agreements for the disposal of its remaining Humitos project interests. The Humitos tenures were separated into two packages for the sale and sold to two separate groups – one package sold for approximately US\$45,500 to SolarReserve and the other package to Minera Inmet Chile S.A for US \$50,000.

It is expected that financial close on both these transactions will occur within the next couple of weeks. While effectively being sold at “fire sale” values, the Board of CYU elected to proceed with these transactions instead of allowing the tenures to lapse for no value at all. The funds from these two deals will allow CYU to close its Chilean interests without drawing from any existing funds it has in Australia.

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. While some parties still express a potential interest, no offers have been received to date. As a consequence 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.

Corporate update

Board Composition

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

Share Information – June 2014 Quarter

Issued share capital of 278,532,524 ordinary shares, 2 million performance shares and 2.8 million unlisted options

Quarter high traded price of \$0.038 (23 April) and low of \$0.022 (27 June)

Market capitalization – high \$10.6m, low \$6.1m

Average daily volume of shares traded – 131,217 shares (\$3,378 average daily volume value)

Top 10 shareholders of CYU as at the date of this Report are:

Rank	Name	Number of Shares	%
1	China Yunnan Copper (Australia) Investment and Development Co Ltd	132,728,969	47.65
2	Mr Norman Zillman	10,200,000	3.66
3	Elliott Nominees Pty Ltd (Elliott Exploration Co S/F)	7,150,000	2.57
4	Kimbriki Nominees Pty Ltd (Kimbriki Hamilton SF A/C)	4,000,000	1.44
5	Premar Capital Nominees Pty Ltd	3,633,333	1.30
6	UBS Wealth Management Australia Nominees P/L	2,708,514	0.97
7	Bannerblock Pty Ltd Super Fund	2,500,000	0.90
8	Yunnan & Hong Kong Metal Co Ltd	2,400,000	0.86
9	JP Morgan Nominees Australia Ltd (Cash Income A/C)	2,234,975	0.80
10	Join Victory Investments Ltd	2,083,334	0.75
TOTAL		142,068,384	60.90

Other Details:

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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 focussed in the Mt Isa region of north Queensland.

CYU's largest shareholder is China Yunnan Copper (Australia) Investment and Development Co Ltd ("CYC"), owning 47% 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 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.

CYU's mining tenement interests as at 30 June 2014

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	80	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
Millennium	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
LAOS			
	Xinzhai, Jiuzhai, Nadao, Modeng	51%	Refer Note 8

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 20% is held by Goldsearch Limited, pursuant to agreement dated 11 August 2009. As advised above, Goldsearch has elected to dilute its joint venture participating interest to 20%, with immediate effect.
4. CYU and Goldsearch farming-in (on a 80:20 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. These interests have been sold.
8. Owned by 51% CYU subsidiary Yunnan Copper San Mu Mining Co. Ltd, and projects will be abandoned unless a suitable commercial arrangement can be secured.

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

