

# SEPTEMBER 2008 QUARTERLY REPORT

## ABOUT CHINA YUNNAN COPPER AUSTRALIA

CYU is an Australian resource company formed to explore and develop minerals in Australia and overseas.

Initially, the company is focused on exploring its tenements in Queensland for copper, gold and uranium but is actively evaluating other acquisition and joint venture opportunities to grow its business rapidly.

This strategy is supported and assisted by CYU's cornerstone shareholder, Yunnan Copper Industry (Group) Co Ltd. (YCI) which is China's third largest copper producer.

YCI provides ongoing support in CYU's role of becoming YCI's international investment arm and mining house.

China Yunnan Copper Australia Limited  
ABN:29 070 859 522  
Level 5  
60 Edward Street  
Brisbane 4000 Australia

Phone (61 7) 3303 0653  
Fax (61 7) 3303 0601

[www.cycal.com.au](http://www.cycal.com.au)

Norm Zillman, Co-Chairman  
Chao Yang, Co-Chairman  
Jason Beckton, MD  
Zewen Yang, Exec. Dir  
Mark Elliott, Non-Exec. Dir  
Liang Zhong, Non-Exec. Dir

## DRILLING GENERATES RESULTS FROM CLONCURRY TARGETS – PENTLAND NEXT

### New Projects

- Review of project opportunities in Australia, Latin America, Asia and Africa with YCI support for a program for advanced project acquisition.

### Cloncurry

- Drill testing of new geochemical and geophysical anomalies at the Emu, Cobb and Mavis prospects resulted in significant intercepts including 19 metres at 0.21% copper, 0.04g/t gold from 105 metres including 6 metres at 0.34% copper, 0.08g/t gold from 105 metres from the Emu Prospect (inc. 1m @ 1.02% Cu, 0.38g/t Au from 106m).

### Mt Isa

- Sampling and mapping of mineralised structures commenced on EPM15248 utilizing new satellite imagery. Drill targets likely to be generated at Huggins and Little Isa.

### Pentland

- Toomba prospect returned 36 samples averaging 7.2 g/t gold. Geophysical and geochemical programs also completed to support drill planning for this Intrusive Related Gold (IRG) target. Drilling to commence late October.

### Clermont

- Topographical datasets collated to allow regolith mapping and sampling during the summer.

### Corporate

- Resignation of Dr Mark Elliott as Executive Director, appointed Non Executive Director.
- CYU to present at Mining 2008, Brisbane October 31<sup>st</sup>.
- Cash approximately \$3.9 million at 30 September 2008.

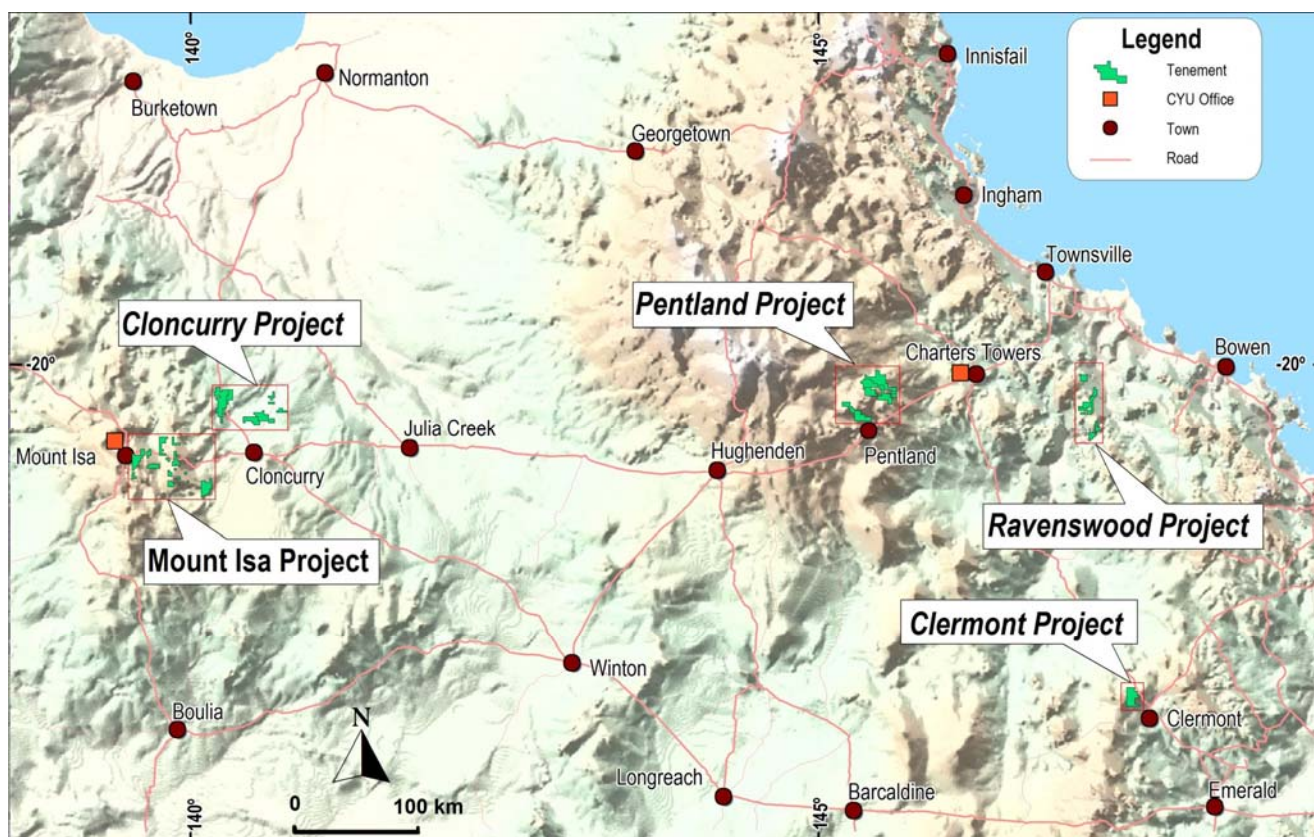
## STRATEGY

CYU has a two pronged strategy of project generation and operating current projects that comprise high quality copper, gold and uranium projects in eleven wholly owned Exploration Permit for Minerals (EPM's) in the highly mineralised Mt Isa Inlier, Ravenswood-Pentland Province and the Clermont Inlier of Queensland, Australia (Figure 1).

The company is carrying out field programs on the Cloncurry, Mt Isa, Clermont and Pentland projects. Details of these programs are outlined below. All tenements are 100% owned by the company.

## PROJECT AQUISITION

CYU has continued active field operations on the projects of Cloncurry, Mt Isa, Pentland, Clermont and will soon commence work on the Ravenswood project. In parallel, CYU management is evaluating multiple acquisition opportunities in Australia and offshore. Advanced near-production projects are sought and a number of opportunities are in the advanced stage of evaluation.



**Figure 1.** Location of CYU's North Queensland projects. Operational offices now function out of Mt Isa and Charters Towers. This allows efficient evaluation of current CYU projects.

## CLONCURRY (100% CYU)

The Cloncurry exploration program continued with the development of new and known prospects; Emu, Mavis and Cobb (Figure 2). As reported in the press release dated October 23<sup>rd</sup> 2008, there have been significant drill results returned from Emu, Mavis and Cobb.

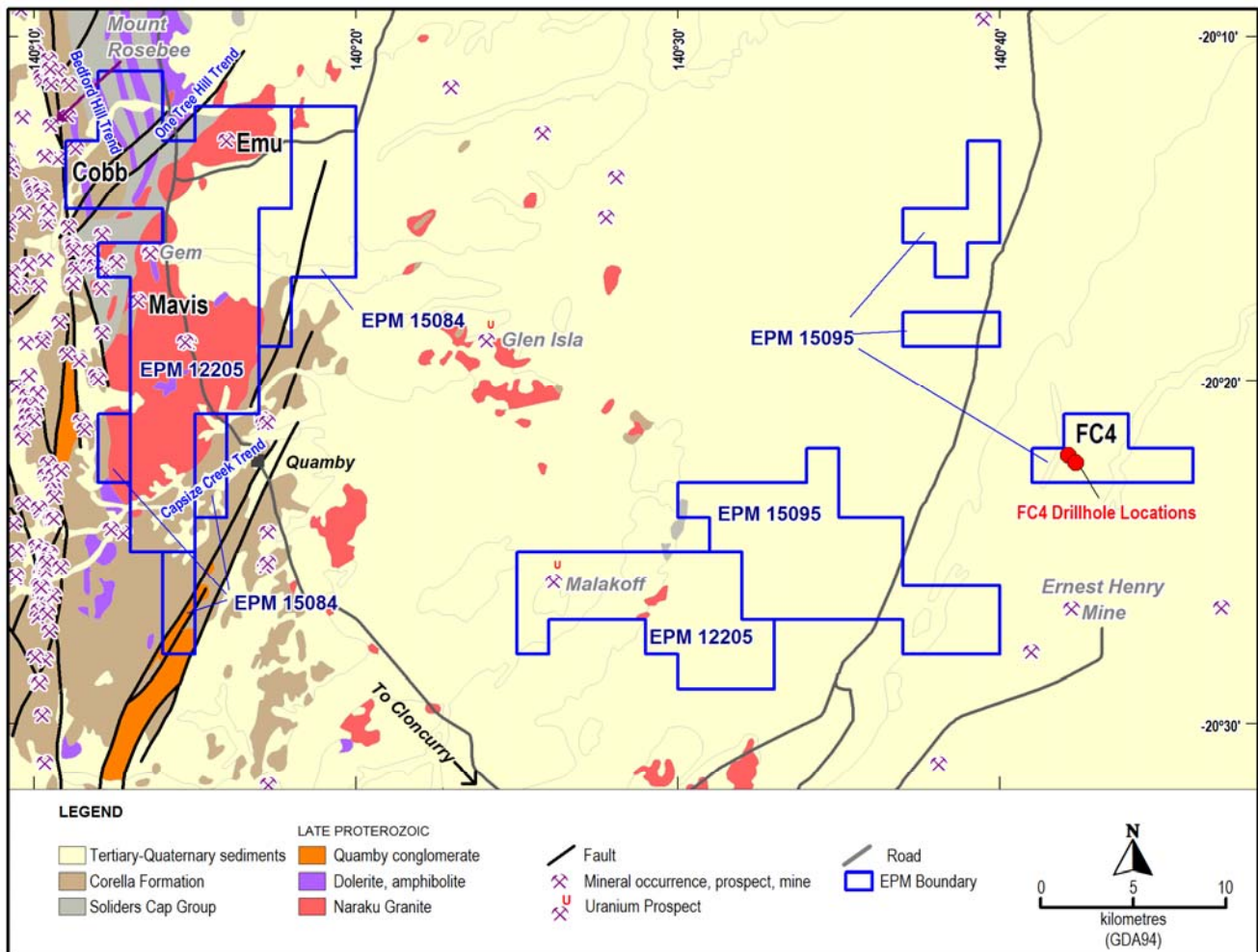


Figure 2. The Cloncurry Project targets investigated in the September 2008 Quarter.

### Cloncurry North

RC drilling was completed during the quarter. A total of 15 holes for 2,552m have been completed at the Emu, Cobb and Mavis Prospects. Summary results as follows;

- 19 metres at 0.21% copper, 0.04g/t gold from 105 metres including 6 metres at 0.34% copper, 0.08g/t gold from 105 metres from the Emu Prospect.
- 6 metres at 0.31% copper, 0.04g/t gold from 15 metres including 5 metres at 0.36% copper, 0.05g/t gold from 15 metres from the Cobb Prospect.
- 11 metres at 0.11% copper, 0.05g/t gold from 89 metres including 3 metres at 0.22% copper, 0.04g/t gold from 89 metres from the Mavis Prospect.

## 2.0 CLONCURRY

### Emu Prospect

| HOLE ID | FROM (m)                     | TO (m) | WIDTH (m) | Cu (%) | Au (g/t) | Comment  |
|---------|------------------------------|--------|-----------|--------|----------|--|
| ER-001  | 90                           | 95     | 5         | 0.20   | 0.03     | inc. 1m @ 0.54% Cu, 0.04g/t Au from 91m  |
| ER-002  | 32                           | 37     | 5         | 0.15   | 0.06     | inc. 1m @ 0.41% Cu, 0.09g/t Au from 34m  |
| ER-003  | 84                           | 86     | 2         | 0.13   | 0.01     |  |
| ER-004  | 105                          | 124    | 19        | 0.21   | 0.01     | inc. 6m @ 0.34% Cu, 0.08g/t Au from 105m<br>inc. 1m @ 1.02% Cu, 0.38g/t Au from 106m<br>inc. 1m @ 0.51% Cu, 0.12g/t Au from 110m<br>inc. 1m @ 0.83% Cu, 0.08g/t Au from 117m<br>inc. 8m @ 0.22% Cu, 0.04g/t Au from 113m |
| ER-005  | 44                           | 62     | 18        | 0.15   | 0.01     | inc. 1m @ 0.56% Cu, 0.09g/t Au from 48m<br>inc. 8m @ 0.18% Cu, 0.02g/t Au from 53m   |
| ER-006  | No Significant Intersections |        |           |        |          |  |

Table 1. Emu Prospect Intercepts.

RC drilling commenced at the Emu Prospect on 19<sup>th</sup> August 2008. A total of 6 holes for 1,152m were completed. Narrow (<5m) mineralised intersections were observed with pyrite and chalcopyrite being the dominant sulphides identified.

Encouraging results have been returned from the first pass exploration reconnaissance reverse circulation "RC" drilling programme at the Emu, Cobb and Mavis prospects on its Cloncurry North Project. All three prospects have not previously been drilled. The RC drilling programme was undertaken in August – September 2008 with all assay results returned. The programme has returned encouraging results for the three prospects where drilling indicates mineralisation extending down dip from the surface expression. **Significantly, results from the Emu Prospect indicate a potential increase in grade and width with depth.**

Historic regional surface geochemical surveys defined a series of soil copper anomalies, up to 810 parts per million (ppm) copper, discontinuously along a 12 kilometre strike length. These anomalies are coincident with a major northeast trending magnetic high that marks the contact between basement rocks and the Naraku Granite. The Emu Prospect is situated on the northeastern extent of this soil and magnetic anomaly.

Rock chip sampling has been undertaken previously by CRAE and CYU with the focus around the historic workings. Peak values of 7g/t gold and 0.89% copper were returned by CRAE and peak values of 0.88g/t gold and 17.3% copper were returned from CYU's rock chips.

Results from the recent RC drilling (Table 1) have confirmed anomalous copper mineralisation over 2 to 19 metres down hole widths, with the best intersection in the two holes (ER-004 and ER-005) drilled under the main working, with 19 metres @ 0.21 % copper and 0.04 g/t gold from 105 metres down hole depth and 18 metres @ 0.15% copper, 0.01g/t gold from 44m down hole depth (see attached plan and cross section). The mineralisation remains open at depth with indication of widening and slight increase in grade with depth.

### COBB PROSPECT

The Cobb Prospect is a newly identified area with no significant historical work having been undertaken in the vicinity. The prospect was identified as occurring along a high intensity regional north trending magnetic anomaly proximal to a major fault (Mount Rosebee Fault). Situated approximately 1.8 kilometres to the north of the prospect is Universal's Bedford Deposit with an Inferred Resource of 1.77 million tonnes at 0.93% copper, 0.24g/t gold.



The prospect hosted in the Corella Formation is intruded by mainly pegmatites of the Naraku Granite. A series of dolerite dykes intrude the sequence sub-parallel to the Mount Rosebee Fault. In early 2008 CYU undertook a soil sampling program over the prospect area based on 200 metre line spacing on 40 metre sampling centres.

Results from the recent RC drilling (Table 4) have confirmed anomalous copper mineralisation over 2 to 12 metres down hole widths, with the best intersection in hole CR-006, returning 6 metres at 0.31 % copper and 0.04 g/t gold from 15 metres down hole depth.

Mineralisation remains open at depth and for the southern geochemical anomaly remains open laterally. The majority of the prospect is dominated by alluvial cover with minimal outcrop observed. Detailed prospect scale regolith mapping and further drilling will be completed in the next phase of work for this area.

| HOLE ID | FROM (m)                     | TO (m) | WIDTH (m) | Cu (%) | Au (g/t) | Comment                                  |
|---------|------------------------------|--------|-----------|--------|----------|--|
| CR-001  | 2                            | 7      | 5         | 0.17   | 0.04     | inc. 1m @ 0.37g/t Au, 0.14% Cu from 40m  |
|         | 38                           | 41     | 3         | 0.07   | 0.17     |  |
| CR-002  | 57                           | 59     | 2         | 0.21   | <0.01    |  |
| CR-003  | No Significant Intersections |        |           |        |          |  |
| CR-004  | 9                            | 13     | 4         | 0.12   | 0.04     | inc. 1m @ 0.31% Cu, 0.03g/t Au from 101m |
|         | 93                           | 105    | 12        | 0.11   | 0.01     |  |
| CR-005  | 13                           | 17     | 4         | 0.18   | 0.06     | inc. 1m @ 0.40% Cu, 0.12g/t Au from 14m  |
| CR-006  | 15                           | 21     | 6         | 0.31   | 0.04     | inc. 5m @ 0.36% Cu, 0.05g/t Au from 15m  |

Table 2. RC Results from the Cobb Prospect.

**MAVIS PROSPECT**

The Mavis Prospect was identified by field checking reported Queensland Department of Mine and Energy mineral occurrences. A major shaft (6 metres by 6 metres by 10 metres) is present but no reported production has been located. A large area to the southwest has been disturbed in a small scale open cut operation. Very limited work has been undertaken over the prospect with only one reported rock chip (2.35g/t gold) taken by CRAE. CYU collected a number of rock chip samples around the old workings with a peak value of 4.27% copper and 2.28g/t gold reported. Detailed prospect scale mapping is currently underway on the Mavis Prospect. Early indication is mineralisation is more complex, consisting of a series of discontinuous sub-parallel mineralised lenses trending northeast originating from a more structurally complex zone to the southwest of the main shaft. Further drilling will be proposed subsequent to finalisation of the geological models for all Cloncurry North prospects.

| HOLE ID | FROM (m) | TO (m) | WIDTH (m) | Cu (%) | Au (g/t) | Comment   |
|---------|----------|--------|-----------|--------|----------|---|
| MR-001  | 99       | 100    | 1         | 0.01   | 0.10     |   |
| MR-002  | 15       | 16     | 1         | 0.19   | 0.18     |   |
| MR-003  | 49       | 53     | 4         | 0.02   | 0.20     | inc. 2m @ 0.33g/t Au, 0.02% Cu from 81m<br>inc. 3m @ 0.24g/t Au, 0.03% Cu from 85m<br>inc. 3m @ 0.22% Cu, 0.04% Cu from 89m |
|         | 81       | 99     | 18        | 0.07   | 0.11     |   |
|         | 89       | 100    | 11        | 0.11   | 0.05     |   |

Table 3. Drill results during the September 2008 Quarter for the Mavis prospect.

## MT ISA (100% CYU)

Mapping of known mineralised structures has commenced on EPM15248. The acquisition of Quickbird satellite imagery will allow improved structural maps to be generated. This project is relatively new, having been granted less than one year ago. Field mapping has commenced and a number of undrilled copper occurrences are being developed to allow drilling in the current calendar year.

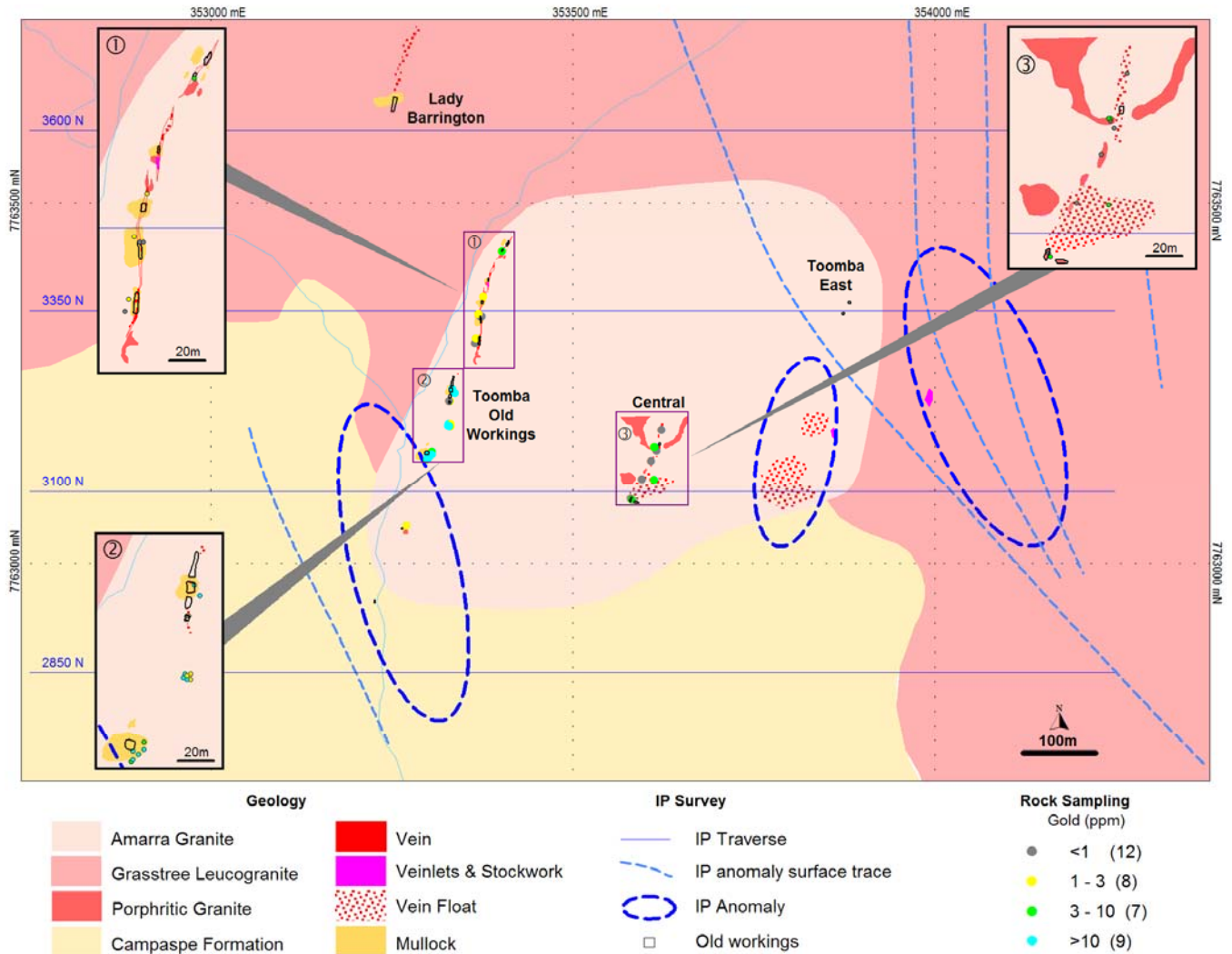
## PENTLAND (100% CYU)

Prospecting of the eastern part of the project has identified a new significant target area known as Barrington Reefs/Toomba. Previous surface samples of over one ounce gold and strong supporting base metals anomalies have been confirmed from CYU rock chip sampling with 36 samples averaging 7.2 g/t gold. In addition to this a soils and an IP program were collated during the quarter. A drill program will be completed during the December quarter to test the mineralised structures.



**Figure 4.** Location of CYU's north east and central Queensland projects. A CYU office is permanently manned at Charters Towers.

Mapping and sampling of the historic Toomba workings (**Refer Figure 2**) confirmed the greater than one ounce gold values and strong base metal anomalies reported historically. Peak values from CYU sampling include 44g/t gold, 128 g/t silver, 6570 ppm copper, 3.41% lead and 4.8% zinc.



**Figure 2. Map depicting currently sampled portions of the Toomba prospect. Recent reconnaissance mapping has extended known strike of mineralised structures to 1600m. Structures consist a main vein and associated stockworks.**

The Toomba Prospect comprises at least four parallel NNE vein structures and zones of veinlets up to 400m long. These mostly occur within an outlier of the Amarra Granite within the Grasstree Leucogranite. The southern edge of the prospect is overlain by the Tertiary Campaspe sediments.

Recent sampling over the Toomba Prospect (**Tables 4 & 5 below**) in the east of EPM 12900 has been successful in replicating the strongly anomalous gold and base metal values reported by previous companies. Sampling was carried out on veins in outcrop and on material found in the mullock heaps around the historic mine workings.

The recent IP geophysical survey generated three distinct classes of anomalies over Toomba. A group of NW trending planar anomalies appear to correspond to the regional tectonic fabric, as seen clearly in aeromagnetic surveys. Weaker, high-angle, planar anomalies are coincident with the known vein structures, especially the Old Toomba Workings. A group of broad anomalies occur at 150 to 200m depth in the SW and nearer surface in the east. These may represent larger, disseminated or breccia-hosted mineralisation at depth.

| Sample Number | Easting GDA94_55 | Northing GDA94_55 | Au ppm | Ag ppm | Cu ppm | Pb ppm | Zn ppm |
|---------------|------------------|-------------------|--------|--------|--------|--------|--------|
| 378001        | 353300           | 7763145           | 44     | 14.4   | 539    | 3390   | 2590   |
| 378002        | 353299           | 7763144           | 3.05   | 38.8   | 2380   | 1.03%  | 1.20%  |
| 378003        | 353303           | 7763148           | 14.5   | 56.9   | 4470   | 1.11%  | 4260   |
| 378004        | 353300           | 7763150           | 10.1   | 11.2   | 29     | 3720   | 5420   |
| 378005        | 353306           | 7763155           | 8.18   | 12.3   | 669    | 2880   | 3080   |
| 378006        | 353306           | 7763151           | 23.5   | 33.6   | 265    | 1.15%  | 2.26%  |
| 378019        | 353330           | 7763192           | 1.27   | 22.1   | 5710   | 5210   | 950    |
| 378020        | 353328           | 7763191           | 12.05  | 30.4   | 57     | 6870   | 2.33%  |
| 378021        | 353332           | 7763190           | 1.27   | 27.9   | 4200   | 4520   | 64     |
| 378022        | 353330           | 7763190           | 41.5   | 29.7   | 110    | 1.41%  | 3070   |
| 378023        | 353329           | 7763193           | 21.3   | 46.2   | 6570   | 3.41%  | 3.17%  |
| 378024        | 353332           | 7763193           | 1.42   | 20.5   | 2740   | 4660   | 1380   |
| 378025        | 353331           | 7763225           | 2      | 1.1    | 15     | 288    | 61     |
| 378026        | 353330           | 7763225           | 0.28   | 1.3    | 48     | 440    | 175    |
| 378027        | 353337           | 7763236           | 15.15  | 37     | 739    | 5110   | 6890   |
| 378028        | 353334           | 7763242           | 20.4   | 25.2   | 4430   | 2590   | 4.80%  |
| 378029        | 353367           | 7763311           | 1.17   | 2.2    | 41     | 669    | 118    |
| 378030        | 353367           | 7763311           | 0.33   | 1.1    | 30     | 194    | 221    |
| 378031        | 353365           | 7763304           | 0.27   | 0.2    | 57     | 132    | 480    |
| 378032        | 353373           | 7763342           | 0.75   | 14.5   | 20     | 494    | 18     |
| 378033        | 353370           | 7763345           | 1.53   | 71.8   | 1560   | 1.43%  | 6530   |
| 378034        | 353375           | 7763342           | 0.89   | 85.9   | 4350   | 1.64%  | 2.18%  |
| 378035        | 353377           | 7763369           | 2.22   | 2.1    | 19     | 215    | 47     |
| 378036        | 353403           | 7763432           | 3.64   | 128    | 1010   | 2.36%  | 2.06%  |
| 378037        | 353271           | 7763052           | 2.41   | 38.3   | 86     | 1.12%  | 2190   |
| 378038        | 353271           | 7763052           | 0.69   | 1.3    | 7      | 372    | 60     |

**Table 4. Toomba main line of working sample results. In addition to this dataset, Induced Polarisation and soils samples have been collected and results used to plan drilling for November.**

Sampling of the previously unrecognised Central Zone has confirmed the potential for further poorly exposed or blind targets within the prospect. This poorly exposed and previously unworked structure shows significant evidence of mineralisation. Highest gold values are in sulphidic vein material.

A geophysical (IP) survey over the prospect has not only identified multiple linear anomalies coincident with the known structures, but also well defined, broad anomalies at depth in the SW and near surface in the east of the grid that reinforces the potential for larger, bulk volume targets at depth. A drill rig has been contracted to start drilling in Toomba around 27th October. Currently a 1500m program of reverse circulation holes is planned to test both the known high grade gold structures from surface and the associated geophysical anomalies to a vertical depth of approximately 200m.



| Sample Number     | Easting GDA94_55 | Northing GDA94_55 | Au ppm | Ag ppm | Cu ppm | Pb ppm | Zn ppm |
|-------------------|------------------|-------------------|--------|--------|--------|--------|--------|
| 378007            | 353613           | 7763161           | 3.17   | 21.6   | 114    | 1540   | 111    |
| 378008            | 353614           | 7763161           | 3.01   | 19.5   | 88     | 775    | 202    |
| 378009            | 353614           | 7763160           | 0.29   | 2.6    | 45     | 145    | 10     |
| 378010            | 353616           | 7763156           | 0.09   | 5.5    | 31     | 16     | 9      |
| 378011            | 353623           | 7763185           | 0.16   | 0.7    | 8      | 353    | 7      |
| Central<br>378012 | 353609           | 7763142           | 0.06   | 0.9    | 56     | 179    | 52     |
| 378013            | 353596           | 7763116           | 0.39   | 0.8    | 21     | 53     | 10     |
| 378014            | 353582           | 7763087           | 8.03   | 3.6    | 49     | 298    | 39     |
| 378015            | 353581           | 7763089           | 0.65   | 0.2    | 31     | 891    | 25     |
| 378016            | 353613           | 7763115           | 9.65   | 2      | 11     | 469    | 35     |

**Table 5. Toomba Central sample results. Evidence of sheeted veinlets is present as well as additional strike length in the Toomba vein array.**

---

## CLERMONT (100% CYU)

---

The Clermont Project is prospective for epithermal and mesothermal quartz-vein gold mineralisation. A reconnaissance of the project was completed during the quarter. This resulted in a recommendation to complete a surface regolith mapping program during the summer. The necessary topographical datasets have been compiled for this purpose.

---

## RAVENSWOOD (100% CYU; SIPA AND NEWMONT EARNING UP TO 80%)

---

Newmont has elected to withdraw from exploring EPM11602 and EPM11982 and returned these to CYU for operations which commence mid November. Further reconnaissance work is required in the Rangeview and Eight Mile areas of EPM11982. As previously reported, this work will involve continued rock chipping and possible soil grid programs. Any defined anomalous areas should be advanced to geological mapping followed by geophysical surveys where necessary to assist with future drill targeting.

EPM 15057 remains in the Strathalbyn Farmin Agreement and for the quarter Newmont identified those areas of the tenement most likely to contain equivalents of the Mt Janet Andesite (host rock at Pajingo) and have planned a stream sediment (Newmont BLEG) and rock chip sampling program to focus on these areas. This is now due to commence early 2009. The sampling program covers some particularly rugged portions of the Leichart Ranges and is in part planned to be helicopter supported.

---

## CORPORATE

---

### Board Changes

Mr Zewen Yang was appointed as an Executive Director from 1 July 2008. Mr. Yang, previously a Non Executive Director of CYU, has extensive finance and commodities trading experience and is well placed to lead the growth of CYU in his role leading Corporate Development.

Dr Mark Elliott has resigned as an Executive Director and has accepted appointment as a Non Executive Director. Mark was the inaugural Managing Director of CYU and led the process of listing CYU on the ASX in October 2007.

### Cash Position

As at 30 September 2008, the Company had approximately \$3.9 million cash and no debt. Cash Exploration expenditure for the quarter was \$618,000.

For further information please contact;

Jason Beckton  
 Managing Director  
 CYU  
 0438 888 612

Kevin Kartun  
 Account Director  
 Financial & Corporate Relations  
 (02) 8264 1003

or visit the website, [www.cycal.com.au](http://www.cycal.com.au)

### Competent Persons Statement

*The information in this report that relates to Exploration Results is based on information compiled by Jason Beckton, who is a Member of the Australian Institute of Geologists and a Member of the Australasian Institute of Mining and Metallurgy, and is the Managing Director of China Yunnan Copper Australia Ltd. Mr Beckton has sufficient experience relevant to the styles of mineralisation and type of deposits under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results and Mineral Resources.". Mr Beckton consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

---

## CORPORATE DIRECTORY

---

### Board of Directors

|               |                        |
|---------------|------------------------|
| Norm Zillman  | Non-Exec Co-Chairman   |
| Chao Yang     | Non-Exec Co-Chairman   |
| Jason Beckton | Managing Director      |
| Zewen Yang    | Executive Director     |
| Liang Zhong   | Non-Executive Director |
| Mark Elliott  | Non Executive Director |

### Share Registry

Link Market Services Limited  
 Level 12  
 300 Queen Street  
 Brisbane QLD 4000  
 Phone 1300 554 474  
 Fax (61 7) 3228 4999  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Company Secretary

Paul Marshall

### Issued Share Capital

China Yunnan Copper Australia has 77.6 million ordinary shares currently on issue and 18.4 million options.

### Quarterly Share Price Activity

|               | High   | Low    | Last    |
|---------------|--------|--------|---------|
| Sept 2008 Qtr | \$0.25 | \$0.12 | \$0.125 |

### Registered Office

China Yunnan Copper Limited  
 Level 5  
 60 Edward Street  
 Brisbane QLD 4000  
 Australia  
 Phone (61 7) 3303 0653  
 Fax (61 7) 3303 0601  
[www.cycal.com.au](http://www.cycal.com.au)