



ABN 29 070 859 522

CYU is a resource exploration and development company seeking to become a mid-tier copper producer

Issued Capital:

473,027,475
Ordinary shares

4,000,000
Performance shares

Directors:

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

Company Secretary:

Paul Marshall

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LTD**

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CYU TO LEAD YUNNAN COPPER'S ACTIVITIES IN THE DRC

8 September 2015

Summary

- Yunnan Copper Industry (Group) Co Ltd (YCI), one of China's largest producers of refined copper metal, is pursuing several copper processing and mining opportunities in the Democratic Republic of Congo (DRC) in central Africa.
- The Katanga Region in south-eastern DRC is the host of some of the highest quality copper reserves globally, with many large mining companies (such as Freeport McMoran and Glencore) already conducting operations in the DRC.
- In 2014, more than 1 million tonnes of copper was produced in the DRC – making it the fifth largest producer in the world (ahead of Australia and Zambia).
- Chinese investment in the DRC mining sector is also rapidly expanding, with more than 30 Chinese companies involved in the DRC mining sector either directly or indirectly.
- YCI has dedicated much time and resources to assessing opportunities in the DRC over the past 5 years. YCI management hold a strong view that mining (and particularly processing and smelting) of copper is a likely driver of significant long term revenues.
- YCI is already in discussions with several parties in relation to the acquisition and development of copper processing facilities in the DRC's Katanga Region and has presented CYU with the opportunity to pursue these negotiations, for the benefit of all CYU shareholders.
- CYU is currently negotiating with parties and is aiming to bring some of these opportunities to concluded terms and announce details of these terms within the next 4-6 weeks.

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 focus on acquiring and developing near-term copper production activities (both locally and overseas) as well as conducting exploration in the Mount Isa region of north-western Queensland.

Introduction

Yunnan Copper Industry (Group) Co Ltd (YCI), one of China's largest producers of refined copper metal, is pursuing several copper processing and mining opportunities in the Democratic Republic of Congo (DRC) in central Africa. As the largest shareholder of CYU, YCI has now invited CYU to lead the pursuit of these opportunities.

YCI already holds a significant joint venture interest in the successful copper smelter at Chambesi, in nearby Zambia and is very familiar with the operating conditions in this region of Africa. In addition, YCI has dedicated significant resources in recent years to study and identify various copper mining and processing opportunities in the DRC. Having now established a strong view as to the long-term viability of copper opportunities in the DRC, YCI (at no cost to CYU) has invited CYU to enter the negotiations for these opportunities and, if binding agreements are achieved, seek to commence operations over the next few months.

In the current difficult market conditions for junior exploration companies, the CYU Board considers this is a substantial and unique opportunity for CYU and its shareholders.

DRC – General

The Democratic Republic of Congo is the third largest country in Africa with a population of more than 70 million and covering a land area nearly two-thirds the size of the entire European Union. Gaining independence from Belgium in 1960, the DRC has experienced decades of political instability, driven largely by ethnic tensions from both within the DRC and adjoining countries.

Civil war in DRC between 1994 and 2002 led to a virtual cessation of foreign investment in the mining sector. However, after adoption of the Mining Code of 2002 and a new Constitution in 2006, the DRC has seen a significant resumption of inbound foreign capital and this trend has continued despite the lacklustre global economic sentiment of recent years. While continuing to score poorly in the World Bank's "Ease of Doing Business" surveys, the DRC has experienced strong GDP growth in recent years, with future economic growth largely contingent on expansion of the mining sector and improvements in infrastructure, especially with energy transmission.

DRC – Copper Mining Sector

Nearly 3% of the world's estimated copper reserves are situated in the Katanga Region in the south-eastern corner of the DRC and copper provides the DRC's largest export earnings. There are already a large number of substantial mining and mining services-related companies operating in the Katanga Region including:

Freeport McMoran (Tenke-Fungurume mine)
Glencore (Katanga Mining and Mutanda Mining)
China Nonferrous Metal Mining (Likasi and Mabende leaching facilities)
MMG (Kinsevere mine)
Ivanhoe Mines (Kamoa and Kipushi mines)
Jinchuan Group/Metorex (Ruashi mine)
Tiger Resources (ASX) (Kipoi)

More than 1 million tonnes of copper metal was produced in the DRC during 2014, making it the fifth largest producer in the world – surpassing Australia and Zambia. Estimated DRC production for 2015 is in the order of 1.5 million tonnes.

YCI Opportunities

YCI currently operates a very large copper business in China and overseas – from exploration and mining, through to processing and smelting. Utilising its knowledge and expertise in the copper sector, YCI has sought to identify and understand potential opportunities in the DRC. YCI management has now formed a strong view that mining (and particularly the processing and smelting) of copper in the DRC is a likely driver of significant and sustainable long term revenues.

The primary initial focus of YCI in the DRC has been to identify a smaller-scale operation that can form an initial cashflow-bearing foundation for future expansion into other activities. Ongoing discussions and due diligence continue to take place and CYU intends to bring about agreed transaction terms in the coming weeks.

YCI is also well advanced in the preparation of a feasibility study for the construction and operation of a 10,000tpa SX-EW (solvent extraction – electro winning) copper cathode production facility in the Katanga Region, designed to process certain copper ores that are currently being stockpiled. This feasibility study is based on other, similar facilities that have previously been established in the DRC. It is therefore likely that the feasibility study process will be finalised over the coming 2-3 months, with copper ore supply agreements intended to be negotiated and concluded in the meantime.

YCI has invited CYU to participate in these opportunities – with a view to CYU undertaking the negotiations and obtaining the necessary approvals associated with these proposed activities. YCI does not propose to charge CYU any fee for the provision of these opportunities, with the intention that all CYU shareholders can derive the benefit. Subject to binding agreements being reached on terms which are acceptable to the CYU Board (independently of YCI), CYU intends to implement these transactions as soon as is practically possible.

DRC Transaction Timeline

At this stage, there are no concluded negotiations in respect of the proposed transactions. Due diligence and negotiations are continuing and CYU hopes to announce agreed transaction terms within a 4-6 week period. Any transaction entered into by CYU will be subject to shareholder approval, ASX approvals and any other regulatory approvals that may also be required. Full details of those approvals will be included in the CYU announcements, but it can be anticipated there will be a period of 8-10 weeks within which to complete those approvals. CYU will continue to keep the market informed in respect of these potential transactions.

Native Companion (Mount Isa) Drilling Update

CYU has completed the drilling of eight (8) drill holes at its Native Companion prospect, northwest of Cloncurry in north-western Queensland. As reported previously, Native Companion hosts extensive historic workings and geochemical anomalism over a large

3.6km x 1.0km area. The eight drill holes were completed at depths ranging from 140m to 430m in depth – using both RC (reverse circulation) and diamond drilling techniques, with copper mineralisation observed in each of the holes.

A complete set of assays from the RC drill holes should be available for announcement to the market during the week commencing 14 September 2015, with the assays from the deeper diamond holes to follow shortly afterwards.

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CYU Managing Director, Paul Williams, who has just returned from a visit to the DRC, said he sees the potential for CYU to acquire significant copper project interests in the DRC as an extraordinary and unique opportunity for the company. “While CYU may have itself identified the significant potential that appears to exist in the DRC, we simply did not have the resources – in terms of personnel, financial and general local/logistical knowhow – to pursue them in a meaningful way. YCI has presented CYU with the near-term ability to benefit from its own pursuits in the DRC and to put CYU among some very large mining companies in a highly prospective region for future copper production. It is the intention of the CYU Board to take full advantage of this opportunity for the benefit of all its shareholders. I look forward to bringing news of completed negotiations over the coming weeks.”

On behalf of the Board

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About CYU

Chinalco Yunnan Copper Resources Ltd (CYU) is a resource exploration and development company with project interests in the Mount Isa region of north Queensland.

CYU's largest shareholder is China Yunnan Copper (Australia) Investment and Development Co Ltd (“CYC”), owning 63.4% 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 refined 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 Mount Isa. The Company is listed on the ASX under the symbol “CYU”.

ANNEXURE A

**(DRC, Africa map, highlighting location of the main centres of the Katanga Region,
including provincial capital, Lubumbashi)**

