

# DECEMBER 2007 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 rapidly grow its business.

This strategy is supported and assisted by CYU's cornerstone shareholder, Yunnan Copper Industry (Group) Co Ltd. (YCI) who 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.

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

## EXPLORATION PROGRAMS COMMENCE INCLUDING DRILLING

### KEY POINTS

#### Cloncurry

- Significant anomalies generated by 292 line km of a Ground Magnetics survey and 20 line km of a broad spaced Induced Polarisation (IP) survey completed and interpreted over the prospective margin of Naraku Granite.
- Encouraging copper soil results from 392 samples returned for the prospective margin of the Naraku Granite. Copper soil anomalies coincident with the geophysical anomalies indicating the possible presence of concealed sulphide bodies.
- RC drill rig has been contracted to commence testing the new geochemical and geophysical anomalies at One Tree Hill and Capsize Creek targets areas along the margins of the Naraku Granite. Drilling to commence late February.
- Diamond drilling to commence in mid January to test the FC4 target 6km north of the Ernest Henry copper-gold mine.

#### Mt Isa

- Mapping of mineralised structures has commenced on EPM15248 starting with Argylla Creek where a soil sampling program commences in early January.

#### Pentland

- Reconnaissance mapping has been completed in preparation for a soil sampling program over The Gap gold prospect.

#### Clermont

- An exploration program has been planned to rank the numerous quartz gold occurrences in this project. Mapping and sampling to determine drill targets is to take place in the January quarter of 2008.

#### Corporate

- CYU listed on the 29 October 2007 by issuing 16,000,000 shares at 25c each to raise \$4 million.
- Chinese directors change on CYU and YCI boards reflecting new 49% YCI shareholder, Chinalco.
- Cash reserves are approximately \$6.1 million.

## STRATEGY

CYU is targeting 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) with the potential to lead to discovery of ore deposits and subsequent development.

The first quarter of the company's existence as a listed company saw it carrying out field programs on the Cloncurry, Mt Isa and Pentland projects. Details of these programs are outlined. All tenements are 100% owned by the company.

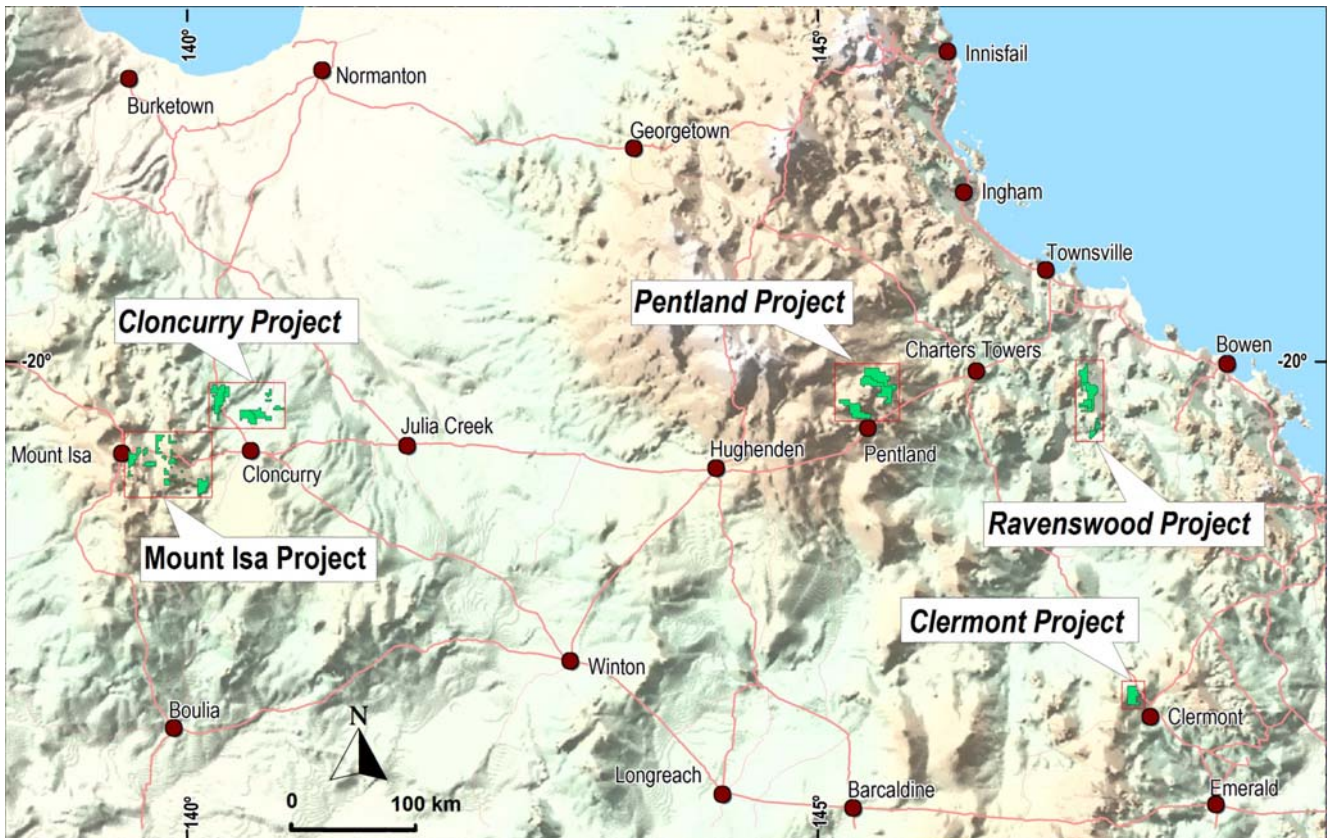


Figure 1 Location of CYU's North Queensland Projects

### CLONCURRY (100% EQUITY)

The Cloncurry exploration program commenced on three high priority targets One Tree, Capsize and FC4 prospects (Figure 2). Field operations commenced 7 days after listing, 30km north-west of Quamby on EPM12205 with a ground magnetics crew supplied by contractor Terrasearch. Approximately 292 line km of Ground Magnetics was completed covering the margin of Naraku Granite, which is believed to be responsible for IOCG mineralisation in the district. In addition to this, approximately 20 line km of Induced Polarisation was completed by contractor Search, in order to detect sub surface sulphide bodies associated with the magnetic anomalies.

The area targeted by the geophysical program on EPM 12205 was the north western and southern margins of the Narku Granite in contact with the prospective Corella and Soldiers Cap metasediments (Figure 3). There is little evidence of previous drilling of these zones despite strong copper anomalism from a previous soil sampling program on the north western margin of the granite and significant magnetic anomalism on the southern margin of the granite, named Capsize Creek.

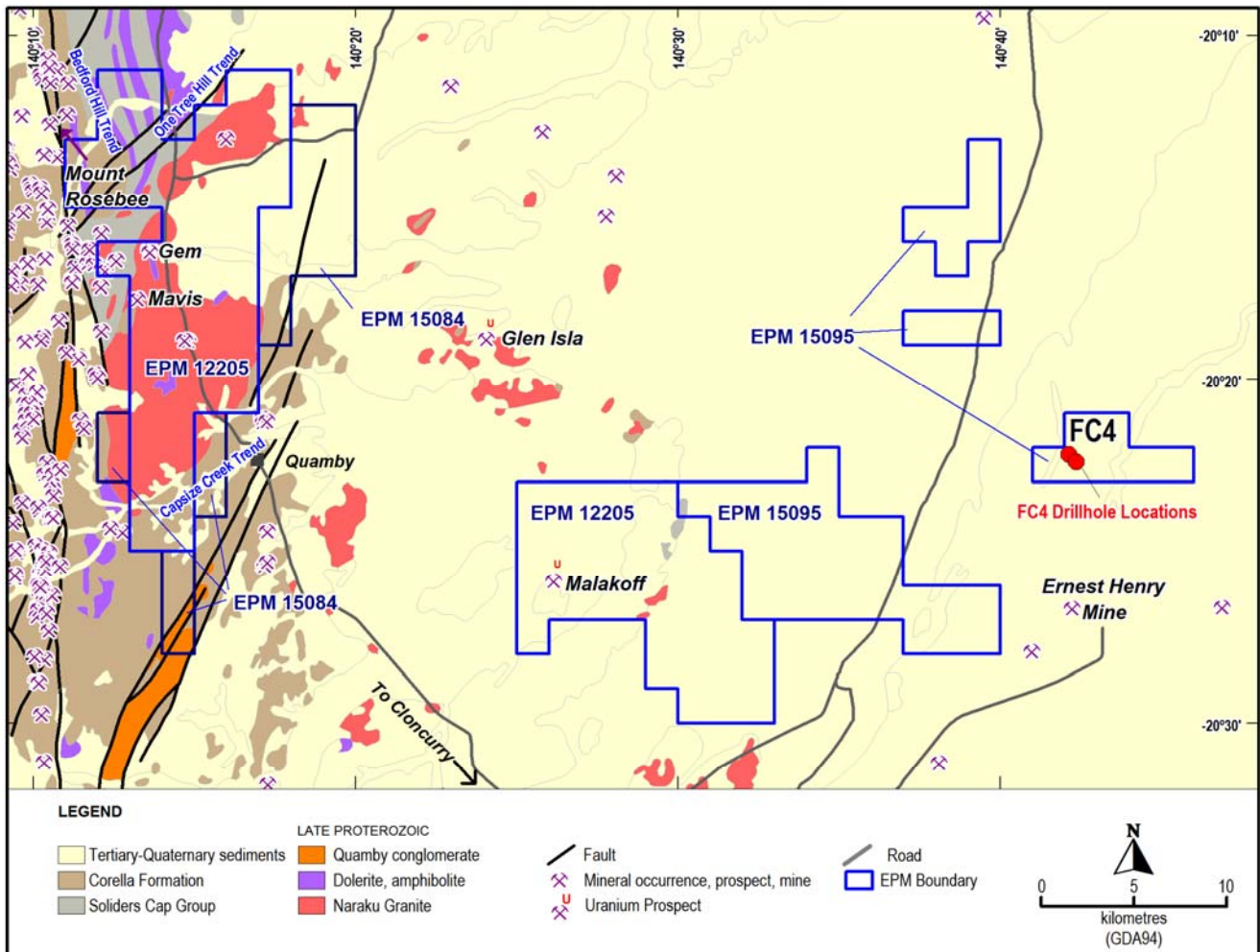


Figure 2. The Cloncurry Project targets investigated in the December Quarter

The Capsize Creek area has been subject to soil sampling of over 400 samples. Results are anomalous for copper with significant strike extent bearing 100ppm+ zones. The RC program for EPM12205 will incorporate the completed ground magnetics, induced polarisation, soil samples and previously collected geological mapping. An RC rig has been contracted for February 2008, to drill test, for the first time, over 30 current target zones which are a collation of recently generated geochemical and geophysical anomalies.



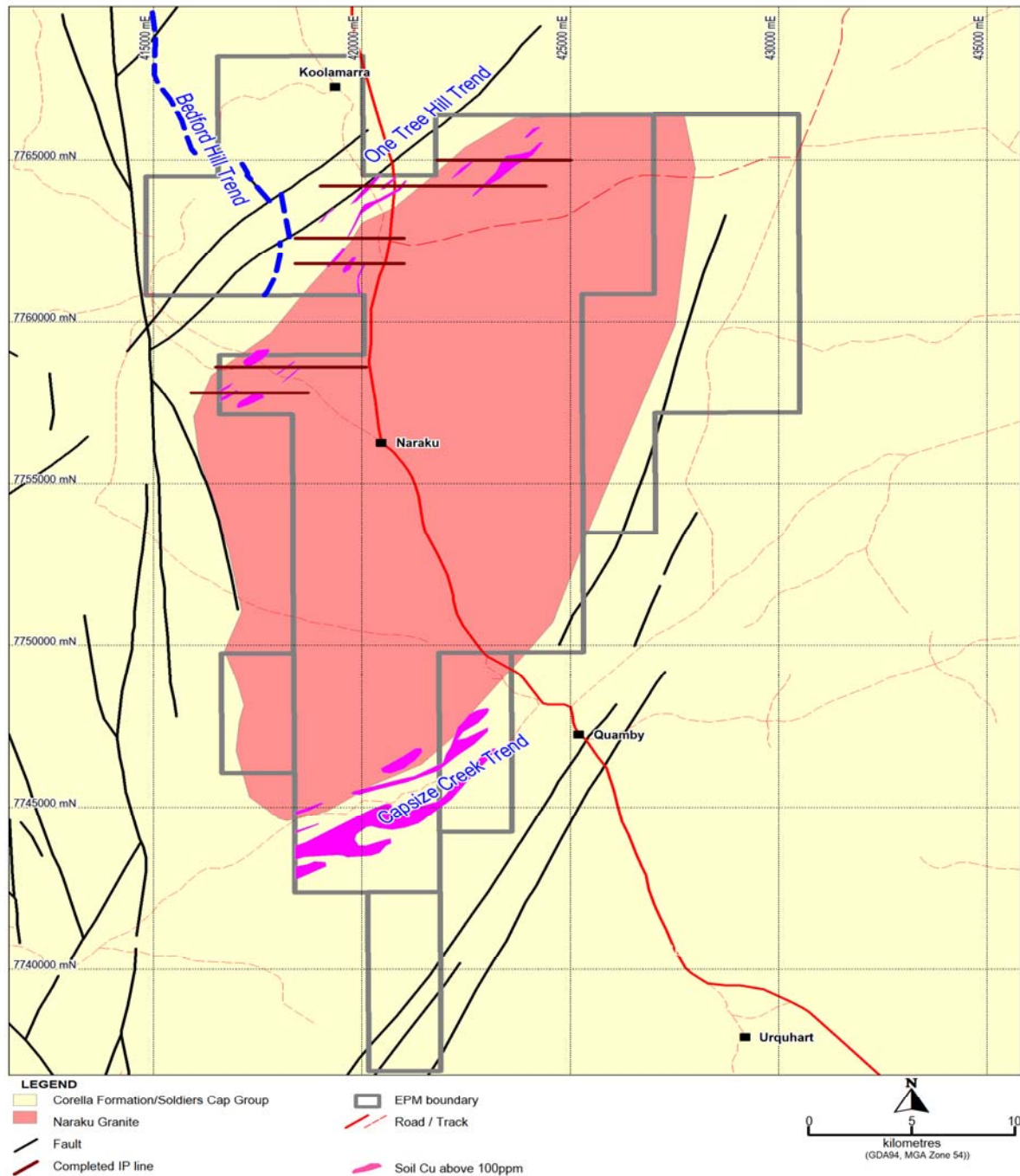


Figure 3 EPM12205 - Location of IP lines along with soil geochemical results contoured above 100ppm Copper. Ground Magnetics covered the entire One Tree Hill Trend.

A diamond drilling program is planned to commence in December had been delayed due to previous commitments and wet weather. It commenced in mid January 2008 to test the FC4 target 6km north of Ernest Henry on EPM15095.

Reprocessing of existing geophysical induced polarization (IP) data on the FC4 Prospect 6km north of Xstrata's Ernest Henry mining leases has identified a possible sulphide body at depth. The reprocessing used new 3D inversion software of previously collected 2D data.

The horizontal dimensions of the copper-gold style FC4 prospect are approximately 400m by 500m (Figure 4). This type of mineralisation is commonly hosted by magnetic iron-rich rocks. The untested body is expected to be intersected from a vertical depth of 100m and extend to a depth of 400m.

Previously collected IP data has been re-examined and modelled by Geophysical Resources and Services Pty Ltd looking particularly at the chargeability. The modelled data clearly shows a complex chargeability anomaly in the area with the anomalous copper-cobalt geochemistry. In addition the model shows that the southern lobe of the anomaly appears not to have been drill tested. As a result two diamond holes are proposed to test the anomaly on two north-south sections 225m apart.

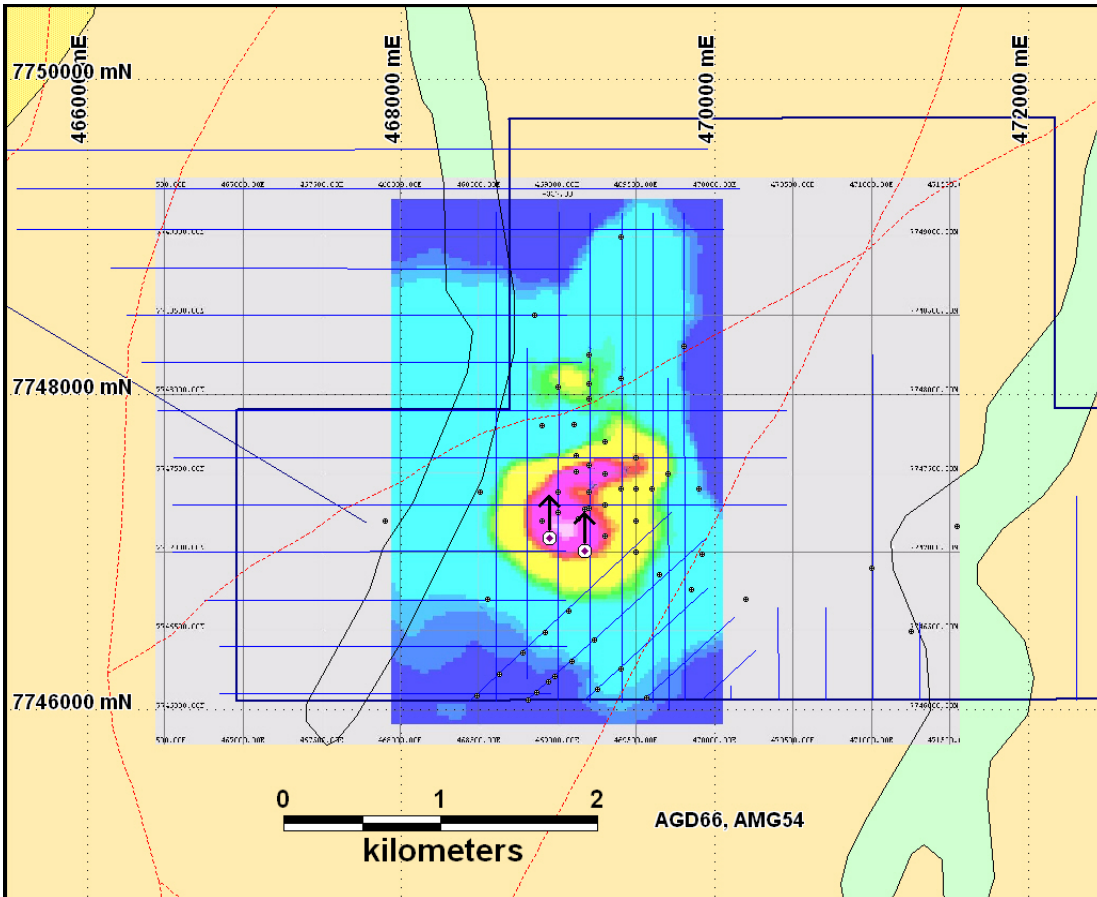


Figure 4. A depth slice at 337m depth of the FC4 target showing an untested IP response. Diamond holes testing IP anomaly are shown as arrows

## MT ISA (100% EQUITY)

Mapping of known mineralised structures has commenced on EPM15248 starting with Argylla Creek prospect, where a 300 soil sampling program is planned to commence in January. A structural mapping program was completed during the quarter for Argylla Creek.

## PENTLAND (100% EQUITY)

The Pentland project (Figure 5) is prospective for intrusive related gold associated with Carboniferous to Permian aged subvolcanic intrusives. A comprehensive program of mapping, soil sampling, induced polarisation surveys and drilling is planned for 2008.

Reconnaissance mapping has been completed in preparation for a soil sampling program over The Gap gold prospect. Previous exploration has been focused on rock chip sampling following up stream sediment anomalies. This has defined thin gold bearing quartz veins, however the programs has not been extensive enough to cover the full extent of the mineralisation associated with this prospect.

A regional program of over 1300 samples has been planned for The Gap Prospect which will be carried out in the first quarter of 2008.



Figure 5. Location of CYU's north east and central Queensland projects





Figures 6 and 7 Mapping of auriferous quartz veins at The Gap prospect, Pentland.

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## **CLERMONT (100% EQUITY)**

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The Clermont project is prospective for epithermal and mesothermal quartz-vein gold mineralisation. An exploration program has been planned to rank the numerous quartz gold occurrences in this project. Mapping and sampling to determine drill targets is to take place in the next quarter.

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

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During the December Quarter reconnaissance traversing was completed in the southern portion of EPM15057 and encountered non-prospective Bulgonunna Volcanics, Mt Winsdor Rhyolite and Permo-Carboniferous granitoids in the north and Drummond Basin stratigraphy in the south. In the next quarter exploration will focus on mapping and rock chip sampling in the Rangeview area on EPM11982.

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## **CORPORATE**

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### **Board Changes**

After a restructure of the Yunnan Copper Industry (Group) board due to Chinalco taking a 49% equity, Dr Zou and Dr Yu resigned from CYU's board. CYU wish to thank Dr's Zou and Yu for their support and past services. CYU is pleased to welcome Mr Chao Yang and Mr Liang Zhong to the Board as Non-Executive Directors.

### **Cash Position**

At the end of the December quarter, the Company had approximately \$6.1 million cash at bank and no debt.

For further information please contact;

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### Statement of Compliance

Information in this report relating to exploration results is based on data compiled by CYU's Executive Director, Jason Beckton, BSc(Hons), MEcon Geol, MAusIMM, MSEG and MAIG and Managing Director Dr Mark Elliott, Dip Appl Geol., PhD, FAusIMM (CPGeo), FSEG and FAIG. Mr Beckton is a full time employee of CYU and Dr Elliott is a part time employee of CYU. Mr Beckton and Dr Elliott have sufficient experience which is relevant to the style of mineralisation and type of deposits under investigation and to the activity which they are undertaking to quality as Competent Persons under the 2004 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Beckton and Dr Elliott consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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## CORPORATE DIRECTORY

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### Board of Directors

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

### 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
Dec 2007	\$0.90	\$0.52	\$0.61

### Registered Office

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Please direct shareholding enquiries to the share registry.