

CuDeco Limited

ABN 14 000 317 251

**Financial Report
2016**

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DIRECTORS

Noel White (Chairman)
Dianmin Chen
Peter Hutchison
Paul Keran
Zhijun Ma
Hongwei Liu
Zhaohui Wu
Zhu Mu Po (Alternate Director to Zhijun Ma)

COMPANY SECRETARY

Bruno Bamonte

**ADMINISTRATION AND
REGISTERED OFFICE**

Suite 11A, Level 11, 100 Edward Street,
Brisbane. Qld 4000
Telephone: (617) 3210 5900
Facsimile: (617) 3210 5999

**PRINCIPAL PLACE OF
BUSINESS**

Rocklands Mine
Corella Park Road
Cloncurry Queensland 4824
Telephone: (617) 4742 4800
Facsimile: (617) 4742 4898
Web site: www.cudeco.com.au

AUDITOR

KPMG
Level 11, Corporate Centre One,
Cnr Bundall Road and Slatyer Avenue,
Bundall Qld 4217

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands Western Australia 6009
Telephone: (618) 9389 8033
Facsimile: (618) 9262 3723

STOCK EXCHANGE LISTING

The Company's securities are quoted on the Australian
Securities Exchange.
ASX Codes
CDU - ordinary shares

STATE OF INCORPORATION

New South Wales

Review of Operations

Review of Operations

During the year to 30 June 2016 CuDeco Limited (“CuDeco”) completed the construction of its process plant and commenced commissioning of the plant on its 100% owned Rocklands Copper Project based in Cloncurry, Queensland, Australia (“Rocklands Project”). During the year the Company increased its investment in the development of the mine by \$18 Million before an impairment writedown of \$39.4 Million and in the plant and equipment associated with the project by \$39 Million before an impairment writedown of \$59.8 Million.

Plant Construction

During the year significant milestones for the Rocklands Project were achieved as the construction of the process plant was largely completed and the commissioning of the plant commenced. Some of the more significant activities achieved by the end of the year are as follows:

- The commissioning of the plant had progressed from “dry” commissioning to “wet” commissioning;
- Energisation of the high voltage circuits with the whole of process plant now fed by permanent power;
- Commencement of ore feed on 29 May 2016 where all the circuits were tested by working the ore through all stages in the process plant. After satisfactory testing, the ore feed was incrementally increased along with the optimisation of the plant which has resulted in the first production of coarse native copper and fine native copper concentrate; and
- Operating the plant on a continuous shift basis.

Mining

As a cost-saving measure mining activities were temporarily suspended in August 2015 and remaining non-essential site infrastructure and pre-strip activities were suspended in early March 2016. Personnel and resources were reallocated to plant construction and commissioning. Work has continued on mine schedule optimisation and the evaluation of comparative mining options.

Exploration

Low-level exploration is ongoing at both EPM18054 and EPM25426. Numerous anomalous copper zones have been identified and will be followed up in future exploration programmes. However, the primary goal of exploration now is to identify satellite deposits suitable for processing at the Rocklands Project.

Corporate

During the year the Group completed the following capital raisings.

1. On 17 November 2015, a share placement of 37,500,000 shares raising \$30 Million was completed; and
2. On 8 April 2016 the Company issued a Prospectus for a non-renounceable fully underwritten Rights Issue for one new share for every four shares held at an issue price of \$0.80 per share to raise approximately \$63.1 Million. The issue was fully underwritten and by the end of the year a total of approximately \$53.1 Million was received by the Company. The balance of 12.5 million shares was issued subsequent to the end of the financial year when the sub underwriters paid the balance of the monies owing.

There have been significant changes to the Board and management structure during the year. These included: -

- W. McCrae – resigned as Executive Chairman on 24 July 2015
- D. Taylor who was appointed as Interim Chairman on 24 July 2015, resigned as the Interim Chairman and as a Director on 20 January 2016 at which time N. White was appointed as a non-executive Chairman;
- J. Yongmin, who was appointed on 24 July 2015 and G. Lambert, resigned as non-executive Directors on 14 December 2015 and 18 September 2015 respectively;
- P Hutchison was appointed as the interim Managing Director on 24 July 2015;
- D Chen was appointed as a non-executive Director on 14 December 2015;
- P Hutchison was replaced as an executive of the Company on 20 May 2016 and Dr D Chen was appointed to the position of Managing Director. On the invitation of the Board P. Hutchison agreed to continue as a Director of the Company in a non-executive capacity; and
- Mark Roberts was appointed as the General Manager on 23 November 2015.

DIRECTORS' REPORT

The Directors present their report together with the financial report of CuDeco Limited (the "Company") and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2016. CuDeco Limited is a listed public company incorporated in and domiciled in Australia.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Dr Noel White

B.Sc.(Hons), Ph.D.

Independent, Non-Executive
Director and Chairman

(Appointed 28 January 2016)

Dr White (69 years) is an award-winning geologist, experienced company director and researcher, Dr White has worked on resource projects across the globe and brings to CuDeco a wealth of detailed technical knowledge and international contacts across the resource industry.

Dr White was educated in NSW, where he graduated with degrees in geology and chemistry and subsequently enjoyed a long and illustrious career with the world's biggest mining company, BHP attaining the position of BHP's Chief Geologist, at which time the discovery of the Cannington silver-lead deposit, approximately 130km from Cloncurry, was made. Since leaving BHP, he has operated his own consulting business and in the past three years he has served as a non-executive director on the boards of several gold companies, including Gold Aura Ltd, Norton Gold Fields Ltd and Bullabulling Gold Ltd.

Dr White is also a Director and Distinguished Professor at the Ore Deposits and Exploration Centre at Hefei University of Technology, one of China's leading universities. His professional memberships include being a Fellow, Society of Economic Geologists, a Member of the Australian Institute of Geoscientists and a Fellow of the Society for Geology Applied to Mineral Deposits.

Dr Dianmin Chen

Managing Director

B.Sc., Ph.D.

(Appointed Director on 14
December 2015 and Managing
Director on 20 May 2016)

Dr Chen (58 years) holds a Bachelor of Science in Mining Engineering (China) and a PhD in Mining Geomechanics (Australia).

After working as a mining engineer in China, Dr Chen joined Rio Tinto in Australia in 1994 following which he spent 10 years with Barrick Gold. Dr Chen was General Manager of Sino Jinfeng Mining, a subsidiary of Sino Gold (now Eldorado Gold Corp), responsible for the Jinfeng Gold Mine in China. In 2009, Dr Chen joined CITIC Pacific Mining as COO, and subsequently held senior positions with Minco Silver and CaNickel Mining.

Appointed CEO and Managing Director of Norton Gold Fields in August 2012 until August 2015, Dr Chen presided over a period of change reflected in a great and successful turn-around in the Company's profile in Australia.

Peter Robert Hutchison

MRACI Ch Chem

Non-Executive Director

(Director since 2004)

Mr Hutchison (67 years) is a process chemist and hydrometallurgist with over 40 years industry experience involving the chemical, mineral processing and water treatment businesses

From 2004 until 24 July 2015, Mr Hutchison was an Executive Director of the Company and on 24 July 2015 was appointed as an interim Managing Director. Throughout this time Mr Hutchison was responsible for the operations of the Rocklands Project including the metallurgical development work. From 24 May 2016, Mr Hutchison was replaced in the role of Managing Director and has agreed to remain with the Company in the capacity of a non-executive director.

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

Vitie Paul Keran

B.App.Sc., B.E. (Chemical), Dip.
B.A.

Independent, Non-Executive
Director

(Director since 2007)

Mr Keran (73 years) is a chemical engineer with more than 30 years of experience in the resource sector in Australia and internationally, in senior operations management and project development roles in base metals mineral processing, smelting and technology development. He was previously with MIM Holdings as General Manager - Group Metallurgical Development and Metallurgical Works Manager at Mt Isa and also completed technical assessment and development of the US \$1 billion Alumbrera copper/gold project in Argentina.

Zhijun Ma

Independent Non-Executive
Director

(Director since 2011)

Mr Zhijun Ma (45 years) is a graduate from Engineering Management Tianjin University with a Bachelor degree. Mr Ma is a specialised professional economist and during his career has been involved in a number of major investment projects covering a wide range of areas including finance, energy and real estate.

Hongwei Liu

Non-Executive Director
(Director since 2012)

Mr Liu (49 years) is a graduate from Mechanical Design and Manufacturing Dalian Ocean University with a Bachelor's degree, and a Master's degree of Management from Massey University New Zealand. He is specialized in professional management and administration and during his career has been involved in a number of major investment projects covering a wide range of areas including finance and energy. Mr Liu is a director of Oceanwide International Resources Investment Co., Ltd and is responsible for this company's investments for overseas projects especially within the finance, energy and resource sectors. He is also currently the Managing Director of Minsheng Investment Management Holdings Co Limited.

Zhaohui Wu

Non-Executive Director
(Director since 2014)

Mr Wu (49 years) is an executive director of Natsun Australia Pty Ltd and was nominated as a representative of New Apex Asia Investment Pty Ltd. Mr Wu graduated from Xiamen University in China with the degree of Bachelor of Economics. He has worked in the international trading sector since 1989. He was involved in the export business during his work in China either state owned or private mineral companies, and kept working on import & export of alumina, aluminium, wool and wine when he moved to Australia in 2002. He also has been involved in acquisition of golf resort & farms and related activities from 2008.

Zhu Mu Po

Alternate director to Mr Z Ma
(Appointed 3 September 2015)

Mr Po (34 years) was educated in Accounting and Finance Department of Macquarie University. He specialised in professional management and investment. During his career, he has been involved in a number of major investment projects within the finance sectors.

Jiang Yongmin

Non-Executive Director
(Appointed 24 July 2015,
resigned 14 December 2015)

Mr Yongmin (53 years) is a senior engineer at professor grade, who graduated from Beijing University of Science and Technology, with a major in metallurgical machinery and a Master's degree in engineering. He is currently Vice general manager and chief engineer of Sinosteel Equipment & Engineering CO., LTD

David John Edward Taylor

B.A. LL.B.

Independent, Non-Executive
Chairman

(Director since 2009, resigned 20
January 2016)

Mr Taylor (32 years) is a Solicitor and Mediator who was admitted to practice in the Supreme Court of Queensland and High Court of Australia in 2006. He holds Bachelor degrees in Law and Arts in addition to a Masters of Laws specialising in Legal Practice from Bond University. Mr Taylor has broad experience in the legal profession dealing across areas of law including administrative law, insurance law, workers compensation, industrial relations, media law and environmental law. He is also a nationally accredited mediator by the Queensland Law Society under the Australian National Mediator Standards, and is also Special Counsel at Taylors.

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

Wayne Michael McCrae

Former Executive Chairman
(Director since 2002, resigned 24 July 2015)

Mr McCrae (68 years) has been involved in the mining industry for most of his adult life. Mr McCrae has steered more than 6 mining operations from grass roots exploration through to production and experience includes all facets of mineral processing, mining, metallurgy, geology, underground and open cut mining, and on site and corporate management. He has been involved with exploration for and / or production of gold, copper, silver, lead, zinc, coal and diamonds.

Gerald Adrian Lambert

ACA GAICD BCom(Hnrs)
Independent, Non-Executive
Director
(Director since 2010, resigned 18 September 2015)

Mr Lambert (63 years) has had a 30 year corporate career with expertise and experience in the financial, strategic, systems compliance, management and human resource areas. He has held key financial roles in both listed and unlisted companies in the mining and exploration, property development and construction industries. Mr Lambert was a non-executive Deputy Chairman of Boystown, a national charitable organisation and was also a non-executive director of Villa World Limited, an ASX listed property development and construction company. Mr Lambert is a Chartered Accountant and has also been a lecturer/tutor at the University of Wollongong.

None of the Company's Directors have held office as directors of other public listed companies in the three year period ended 30 June 2016 (except as disclosed above).

COMPANY SECRETARY

Bruno Joseph Bamonte

(Appointed June 2011)

Mr. Bamonte (aged 58 years) is an Australian Chartered Accountant and has more than 19 years of experience with listed companies in roles ranging from Company Secretary to Finance Director.

BOARD COMPOSITION

The Board comprises seven Directors, six of whom are considered non-executive and three of whom meet the board's criteria to be considered independent. An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the independent exercise of their judgement. For a director to be considered independent, they must meet all the following materiality thresholds: -

- is not or does not represent a substantial shareholder of the company or an officer of or otherwise associated directly with, a substantial shareholder of the Company;
- does not benefit, directly or through a related person or entity, from any sales to or purchases from the Company or any of its related entities;
- does not derive significant income (more than 10% of the director's total income) either directly or indirectly through a related person or entity from a contract with the Company or any of its related entities.

During the year the Company appointed an independent non-executive Chairman.

DIRECTORS' REPORT (continued)

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the course of the financial year were mineral exploration, evaluation, mine development and construction of the plant and other infrastructure related to the Rocklands Project in Cloncurry, Queensland.

RESULTS AND DIVIDENDS

The loss after tax for the year ended 30 June 2016 was \$127,198,000 (30 June 2015: \$131,455,000). In this period the Company expensed \$16.12 million of costs associated with its mining operations from 1 January 2016 as the Company approaches production. Up until that time all costs associated with mining were capitalised to Mine Development Expenditure. The significant items that contributed to the result were;

•	Impairment of mining assets	\$ 99,276,000
•	Foreign exchange loss	\$ 2,594,000
•	Employee and consultant expenses	\$ 11,867,000
•	Depreciation expense	\$ 3,971,000

No dividends were paid during the year and the Directors do not recommend payment of a dividend.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than as detailed in other parts of the Directors Report there were no significant changes in the state of affairs of the Consolidated Entity occurred during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in future financial years other than:

- Since the end of the financial year David Wrigley was appointment as the Chief Financial Officer on 22 August 2016 and is part of the key management personnel of the Consolidated Entity.
- The Consolidated Entity entered into discussions with Minsheng Bank to revise the repayment terms of its finance facilities. A Draft Amendment Deed was received from Minsheng Bank on 11 November 2016. Under the terms proposed by this Draft Amendment Deed, the principal repayments will be as follows:

	Previous loan	Revised loan
Date	Repayment amount	
31 Oct 2016	US\$20.0m	US\$ 4.9m
31 Jan 2017	US\$44.9m	-
31 Mar 2017	-	US\$15.0m
30 Jun 2017	-	US\$15.0m
30 Sep 2017	-	US\$15.0m
31 Dec 2017	-	US\$15.0m
Total	US\$64.9m	US\$64.9m

The Consolidated Entity made a principal repayment of US\$4.9m on 1 November 2016.

- The Consolidated Entity received a Notice from a subcontractor under the Subcontractors' Charges Act claiming a charge over monies owing to Sinosteel Equipment & Engineering Co Limited ("Sinosteel"). The Subcontractor has lodged a statutory demand against the Consolidated Entity for \$1 Million, due to payments made by the Consolidated Entity to Sinosteel. The Consolidated Entity believes that it will successfully defend this claim.

DIRECTORS' REPORT (continued)

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (continued)

- d. The Consolidated Entity completed sales of 4,635 wet metric tonnes of sulphide copper concentrate and 1,300 tonnes of Native Copper. The shipments were made to Oceanwide Trading Co. Ltd under the existing offtake agreement.
- e. Exploration activity which has been kept to a minimum for the last four years, to conserve funds and free critical staff for important development activities has resumed. Activity currently planned includes field mapping and geochemical soil sampling; airborne geophysics; geo-mechanical; and structural analysis; Rotary Air Blast (RAB), Reverse Circulation (RC) and Diamond (DD) drilling.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue exploration, evaluation and development of its Rocklands Project with its focus being on production. Further commentary on likely developments over the forthcoming year is provided in the "Review of Operations".

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors and the number of meetings attended by each Director during the year ended 30 June 2016 are:

	Full meetings of directors		Meetings of committees			
	A	B	Audit and Risk		Human Resources, Remuneration & Nominations	
			A	B	A	B
Current Directors						
N White	5	5	1	1	1	1
D Chen	7	7	*	*	*	*
P Hutchison	22	22	*	*	*	*
P Keran	22	22	2	2	1	1
Z Ma	-	22	*	*	*	*
H Liu	22	22	*	*	*	*
Z Wu	20	22	*	*	*	*
Z Po (Alternate)	14	14	*	*	*	*
Past Directors						
W McCrae	3	3	*	*	*	*
G Lambert	10	10	1	1	-	-
D Taylor	17	17	1	1	-	-
J Yongmin	11	12	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* = Not a member of the relevant committee

In addition to the above Directors' meetings held during the year, matters of board business have also been resolved by circular resolutions of Directors, which are a record of decisions made at a number of informal meetings of the Directors.

DIRECTORS' REPORT (continued)

DIRECTORS' MEETINGS (continued)

The Audit and Risk Committee has been restructured during the year and the membership of the committee at year end consists of Zhaohui Wu, Peter Hutchison, and Paul Keran. G Lambert resigned as Chairman of this committee as at 30 September 2015 and D Taylor resigned from the committee on 20 January 2016. The new committee did not meet during the financial year ended 30 June 2016.

The Human Resources, Remuneration and Nominations Committee consists of N White, H Liu and P Keran. G Lambert resigned from this committee as at 18 September 2015 and D Taylor resigned from the committee on 20 January 2016. The new committee did not meet during the financial year ended 30 June 2016.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares, options or other instruments issued by the Company, as notified by the Directors to the ASX Ltd in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Fully Paid ordinary shares	Fully Paid ordinary shares held as part of loan funded employee share plan	Options
N White	-	-	-
D Chen	-	-	3,000,000 ⁽¹⁾
P Hutchison	1,097,284	291,666	-
P Keran	102,082	116,666	-
Z Ma	-	-	-
H Liu	124,000	100,000	-
Z Wu	-	-	-
Z Po (Alternate)	-	-	-

- ⁽¹⁾ The issue of these options is subject to shareholder approval which will be sought at the 2016 Annual General Meeting due to be held in December 2016.

LISTED SHARE OPTIONS

As at the date of this report, there were nil (2015: 22,599,423) unissued ordinary shares under option. No new options exercisable were granted during or since the end of the financial year. No option holder has any right to participate in any other share issue of the Company or of any other entity.

UNDER THE LOAN FUNDED EMPLOYEE SHARE PLAN

In November 2011 the Company was granted approval for the setting up of Loan Funded Employee Share Plan. For accounting purposes shares allocated to employees pursuant to this plan will be treated and valued as options.

During or since the end of the financial year: -

- The Company has issued no new loan shares to employees.
- 1,784,246 loan shares have been forfeited by employees due to the termination of their employment with the Company.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the following Key Management Personnel ("KMP") of CuDeco Limited during or since the end of the financial year.

Executive Directors

Dianmin Chen – Appointed Non-Executive Director on 14 December 2015 and Managing Director on 20 May 2016

Wayne McCrae – Executive Chairman and Chief Executive Officer (CEO) – Resigned 24 July 2015

Peter Hutchison – Executive Director and Interim Managing Director - Replaced on 20 May 2016

Non-Executive Directors

Noel White - Appointed Chairman on 28 January 2016

Paul Keran

Hongwei Liu

Peter Hutchison - From 20 May 2016

Zhaohui Wu

Zhijun Ma

Zhu Mu Po - Alternate Director to Mr Z Ma

Gerald Lambert - Resigned 18 September 2015

David Taylor - Resigned 20 January 2016

Jiang Yongmin - Appointed 24 July 2015 and Resigned on 14 December 2015

Other Senior Management

Mark Roberts – Rockland Project General Manager (Appointed 23 November 2015)

Bruno Bamonte – Chief Financial Officer (up to 22 August 2016) and Company Secretary

There have been no changes in KMP after the reporting date to the date the financial report was authorised for issue other than the appointment of **David Wrigley** as Chief Financial Officer (Appointed 22 August 2016).

Principles of compensation

Remuneration may also be referred to as compensation in this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and the senior executives for the Group that are named in this report.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration committee may obtain independent advice on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally, and the objectives of the Group's compensation strategy.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED (continued)

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the relevant segment/s' performance
- the Group's performance

Compensation packages include a mix of fixed and variable compensation, and short-term and long-term performance-based incentives. There are no performance conditions associated with the remuneration of Directors of the company.

For other KMP, the vesting of certain shares issued under the loan funded share plan will be conditional upon the successful commissioning of the process plant and certain other performance conditions.

The table below represents the remuneration mix for group executives in the current year. The short-term incentive relates to bonuses payable to executives whereas the long-term incentive relates to loan funded shares.

	Fixed remuneration	At risk	
		Short-term incentive	Long-term incentive
CEO	97% *	0%	3%
CFO	98%	0%	2%
Other executives	94%	0%	6%

* Termination payments excluded from the calculation

Remuneration Policy

The Board is responsible for determining remuneration policies applicable to the key management personnel. The remuneration must be commercially reasonable to attract, retain and motivate these people in order to achieve the Consolidated Entity's objectives. When considered necessary, independent advice on the appropriateness of remuneration packages is obtained. No recommendations were made by independent remuneration consultants during the year.

The remuneration of key management personnel is primarily settled with cash. At times remuneration may be by way of shares or options over shares. Remuneration of this kind helps motivate key management personnel in line with the Consolidated Entity's objectives.

Incentives may be provided to reward key management personnel for achievement of targets aligned with the Consolidated Entity's objectives. These incentives are likely to consist of shares in the Company, options for shares to align their interests with the medium to long term interests of shareholders, or cash bonuses.

REMUNERATION REPORT - AUDITED (continued)

Human Resources, Remuneration and Nominations Committee (formerly Remuneration Committee)

The Human Resources, Remuneration and Nominations Committee ("the Committee") (formerly the Remuneration Committee) is a formally constituted committee, comprising non-executive Directors Paul Keran, Noel White and Hongwei Liu. The committee's terms of reference include reviewing and as appropriate making recommendations to the board on:

- the remuneration guidelines for executive Directors, including base salary, bonuses, share options, salary packaging and final contractual agreements;
- non-executive directors' fees and costs by seeking external benchmarks;
- the Consolidated Entity's incentive schemes, such as the Employee Loan Funded Share Plan and on the Company's superannuation arrangements;
- strategic human resources and practices;
- board appointments, re-elections and performance;
- directors' induction programs and continuing development;
- succession planning; and
- the suitability of the current levels of skills, knowledge and experience on the board such that they continue to be relevant and effective to the Company's present and future requirements.

Equity components of remuneration for any of the Directors, including the issue of shares and/or options, are required to be approved by shareholders prior to award.

The Committee assesses the appropriateness of the nature and amount of remuneration of key management personnel on a periodical basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and management team.

Directors and Executives Remuneration

Objective

The Consolidated Entity aims to reward the Directors and executives with a level of remuneration commensurate with their position and responsibilities within the Consolidated Entity and so as to:

- align the interests of the Directors and executives with those of shareholders;
- link reward with the strategic goals and performance of the Consolidated Entity; and
- ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable Remuneration

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED (continued)

Directors and Executives Remuneration (continued)

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration of executive Directors and other executives is reviewed annually by the Committee and the process consists of a review of company, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practice. When considered necessary independent advice on the appropriateness of remuneration packages is obtained.

Shareholders have approved a pool of \$400,000 per annum for non-executive directors' fees. After an initial qualifying period, the annual remuneration of non-executive Directors is set at \$50,000 plus superannuation at the statutory guarantee level. Any services provided to the Consolidated Entity outside the scope of their duties as Directors will be entitled to receive fees at a commercial hourly rate.

In addition, non-executive Directors who are members of various Board committees or who act as Chairman or Deputy Chairman may receive additional fees.

The Committee reviews the remuneration packages applicable to the non-executive Directors on an annual basis. The Board considers fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Variable Remuneration – Short Term Incentive (STI) and Long Term Incentive (LTI)

Objective

The objective of the STI and LTI plans is to reward executive Directors and other executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are only made to Directors and key executives as their performance will influence the generation of shareholder wealth and thus have a direct impact on the Consolidated Entity's performance.

Structure

In prior years STI grants to executive Directors was made in the form of bonuses and LTI grants were delivered in the form of options or share issues through a loan funded share plan. No bonuses or options were granted to any of the Directors during the year.

This financial year the company has not proposed any share issue through a loan funded share plan. The issue of equity as part of the remuneration packages of Directors and executives is an established practice of public listed companies and, in the case of the Consolidated Entity, has the benefit of conserving cash whilst properly rewarding each of the Directors and executives.

Employment Contracts – Executive Directors

A formal employment contract for the executive Director is in place effective from 20 May 2016. Under this contract the annual base salary of the executive Director for the financial year is as follows:

	Base Salary	Superannuation
	\$	\$
D. Chen (Managing Director)	615,000	35,000

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED (continued)

Employment Contracts – Executive Directors

The executive Director is entitled to 20 days annual leave and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. Employment contracts are unlimited in term however either party may elect to terminate the agreed arrangements by the giving of three (3) months' notice.

In the case of the Consolidated Entity terminating employment, causing redundancy or change in the employees' job content, status or responsibility due to a change in control, the executive employee is entitled a termination payment equivalent to 75% of the Annual Base Salary applicable at the time of the termination. The current employment contract does not provide for any other remuneration benefits other than as disclosed herein.

The executive Directors are also entitled to receive bonuses based on their performance during each year. The maximum amount of the bonus payable each year is the equivalent of 50% of their base salary for that year. The Remuneration committee review the performance of the Executive Directors and make recommendations to the Board as to the quantum of the bonuses to be paid. For the year ended 30 June 2016, no bonuses were agreed to be paid.

The share price and profitability of the Consolidated Entity over the past five years is summarised as follows:-

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Share price	\$0.465	\$1.70	\$1.71	\$2.00	\$3.20
Profit (loss)	\$(127,198,000)	\$(131,455,000)	\$(4,545,899)	\$(3,993,189)	\$776,899
Dividends	-	-	-	-	-

As the Consolidated Entity is still in the early production stages of its development it is not considered appropriate to link remuneration to company profitability and shareholder wealth. At this stage of its development the Company is not expected to be profitable, and therefore the performance of the executives was assessed against the milestones needed to advance the company's Rocklands Project to development, after which time the main criteria that the executive will be assessed will be the profitability of the Consolidated Entity.

Employment Contracts – Other Executives

Bruno Bamonte has been the company secretary and chief financial officer of the company since 6 June 2011. A contract was entered into effective from 1 April 2015 and provides for remuneration of \$180,000 p.a. The appointment can be terminated by either party by providing one month's notice. There are no further entitlements to the executive on the termination of his agreement.

Mark Roberts was appointed as the General Manager on 23 November 2015. His current remuneration is \$245,000 p.a. plus statutory superannuation and the use of a company car. The appointment can be terminated by either party by providing up to five weeks' notice, depending on length of service. There are no further entitlements to the executive on the termination of his agreement.

REMUNERATION REPORT - AUDITED (continued)

Employment Contracts – Other Executives (continued)

Peter Hutchison was an Executive Director. A formal employment contract was in place since 31 March 2008. Under this contract the annual base salary was \$648,900 plus superannuation of \$35,000 p.a. Under the contract the executive Director was entitled to 20 days of annual leave and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. The contract was unlimited in term however either party may elect to terminate the agreed arrangements by the giving of three (3) months' notice. In the case of the Consolidated Entity terminating employment, causing redundancy or change in the employees' job content, status or responsibility due to a change in control, the executive employee is entitled to the maximum amount of compensation allowable under the Corporations Act or relevant legislation. The contract did not provide for any other remuneration benefit. The contract also provided for the Executive Director to receive bonuses based on their performance during each year. The maximum amount of the bonus payable each year is the equivalent of 50% of their base salary for that year. The Remuneration committee review the performance of the Executive Directors and make recommendations to the Board as to the quantum of the bonuses to be paid. For the years ended 30 June 2016 and 2015, no bonuses were paid. The contract was terminated during the year.

Wayne McCrae was an Executive Chairman. A formal employment contract was in place since 31 March 2008. Under this contract the annual base salary was \$865,200 plus superannuation of \$35,000 p.a. Under the contract the Executive Chairman was entitled to 20 days of annual leave and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. The contract was unlimited in term however either party may elect to terminate the agreed arrangements by the giving of three (3) months' notice. In the case of the Consolidated Entity terminating employment, causing redundancy or change in the employees' job content, status or responsibility due to a change in control, the executive employee is entitled to the maximum amount of compensation allowable under the Corporations Act or relevant legislation. The contract did not provide for any other remuneration benefit. The contract also provided for the Executive Director to receive bonuses based on their performance during each year. The maximum amount of the bonus payable each year is the equivalent of 50% of their base salary for that year. The Remuneration committee review the performance of the the Executive Chairman and make recommendations to the Board as to the quantum of the bonuses to be paid. For the years ended 30 June 2016 and 2015, no bonuses were paid. The Executive Chairman resigned during the year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED (continued)

The remuneration for the key management personnel, including Directors, of the Company during the year was as follows:

Director/ Executive	Note	Salary / Fees	Cash Bonuses	Termi- nation Payments	Super- annuation	Value of options (1)	Increase/ (decrease) in Long Service Leave Provision	Total	Perfor- mance related	Paid as Options
N White	(2)	2016 55,000	-	-	4,354	-	-	59,354	0.00%	0.00%
		2015 -	-	-	-	-	-	-	N/A	N/A
D Chen	(3)	2016 71,775	-	-	6,819	54,292	-	132,886	0.00%	40.86%
		2015 -	-	-	-	-	-	-	N/A	N/A
P Hutchison	(4)	2016 585,205	-	894,386	37,690	2,505	(114,046)	1,405,740	0.00%	0.18%
		2015 648,900	-	-	34,996	5,010	18,106	707,012	0.00%	0.71%
P Keran		2016 65,000	-	-	5,700	1,002	-	71,702	0.00%	1.40%
		2015 60,000	-	-	5,700	2,004	-	67,704	0.00%	2.96%
Z Ma		2016 50,000	-	-	-	-	-	50,000	0.00%	0.00%
		2015 12,500	-	-	-	-	-	12,500	0.00%	0.00%
H Liu		2016 44,583	-	-	-	24,987	-	69,570	0.00%	35.92%
		2015 37,500	-	-	-	46,344	-	83,844	0.00%	55.27%
Z Wu		2016 44,583	-	-	4,038	-	-	48,621	0.00%	0.00%
		2015 25,000	-	-	2,375	-	-	27,375	0.00%	0.00%
M Roberts	(5)	2016 136,634	-	-	13,875	-	-	150,509	0.00%	0.00%
		2015 -	-	-	-	-	-	-	N/A	N/A
B Bamonte		2016 175,500	-	-	-	4,250	-	179,750	2.36%	2.36%
		2015 180,000	-	-	-	47,158	-	227,158	20.76%	20.76%
W McCrae	(6)	2016 432,968	-	251,727	35,000	2,505	(188,645)	533,555	0.27%	0.27%
		2015 865,200	-	-	34,996	5,010	27,751	932,957	0.54%	0.54%
G Lambert	(7)	2016 12,959	-	-	1,231	1,002	-	15,192	6.60%	6.60%
		2015 60,000	-	-	5,700	2,004	-	67,704	2.96%	2.96%
D Taylor	(8)	2016 70,000	-	-	6,650	1,002	-	77,652	1.29%	1.29%
		2015 120,000	-	-	12,350	2,004	-	134,354	1.49%	1.49%
R Brougham	(9)	2016 -	-	-	-	-	-	-	N/A	N/A
		2015 87,332	-	-	7,865	-	-	95,197	0.00%	0.00%
A Kehoe	(10)	2016 -	-	-	-	-	-	-	N/A	N/A
		2015 26,554	-	-	88	-	-	26,642	0.00%	0.00%
Total		2016 1,744,207	-	1,146,113	115,357	91,545	(302,691)	2,794,531		
Total		2015 2,122,986	-	-	104,070	109,534	45,857	2,382,447		

Notes to Remuneration table

- (1) Shares issued pursuant to the loan funded employee share plan are treated as in-substance options
- (2) N White - appointed 28 January 2016
- (3) D Chen - appointed Director 14 December 2015 and Managing Director 20 May 2016
- (4) P. Hutchison – ceased as an executive director on 20 May 2016 (continues as a non-executive Director)
- (5) M Roberts - appointed 23 November 2015
- (6) W McCrae - resigned 24 July 2015
- (7) G Lambert - resigned 18 September 2015
- (8) D Taylor - resigned 20 January 2016
- (9) R Brougham - resigned 8 December 2014
- (10) A Kehoe - resigned 27 June 2014

REMUNERATION REPORT - AUDITED (continued)

Compensation options exercised during the year

No equity instruments were issued during the year to key management personnel as a result of options exercised that had previously been granted as compensation.

Options (Loan Funded Shares) granted during the year end

Shares were issued pursuant to the Loan Funded Share Plan ("Share Plan"). Under the terms and conditions of the Share Plan the participants are loaned the value of the shares at the date of their allocation and the shares are held in trust until the loan is repaid. The loan is a non-interest bearing loan and any recourse is limited to the value of the shares. The shares are issued at the weighted average of the share price over the five trading days before the shares were allocated. The loan funded shares for accounting purposes are considered to be in-substance options and are treated as such in the accounts.

During the year the Company did not issue any employee shares under the Loan Funded Share plan to KMP.

The number of Options (Loan Funded Shares) allocated to KMP is as follows: -

	No of Shares Allocated	No of Shares vested	Average Exercise price	Weighted Average fair value per share (¹)	Total amount of Loan	Expiry date	Estimated Vesting dates (²)
P Hutchison	291,666	291,666	\$3.60	\$2.25	\$1,050,321	23/12/17	n/a – fully vested
P Keran	116,666	116,666	\$3.60	\$2.25	\$378,000	23/12/17	n/a – fully vested
H Liu	100,000	100,000	\$1.86	\$1.05	\$185,564	10/12/18	n/a – fully vested
B Bamonte	291,666	29,167	\$2.13	\$1.62	\$621,990	Between 30/06/2017 and 15/06/2020	Between 31/3/2016 and 30/06/2017

(¹) The weighted average fair value of the shares has been calculated by using the Black-Scholes valuation method.

(²) The vesting date for the shares that remain unvested is determined based on the Company reaching production. At this stage this date can only be estimated.

The movement in the holdings of Shares issued to KMP under the Share Plan are summarised as follows:-

	Held at 30 June 2015	Granted as Compen- sation 2016	Forfeited in 2016	Vested during the year 2016	Held at 30 June 2016	Vested and Exercisable at 30 June 2016
P Hutchison	291,666	-	-	-	291,666	291,666
P Keran	116,666	-	-	-	116,666	116,666
H Liu	100,000	-	-	50,000	100,000	100,000
B Bamonte	291,666	-	-	-	291,666 ⁽¹⁾	29,166
W McCrae	291,666	-	(291,666)	-	-	-
G Lambert	116,666	-	(116,666)	-	-	-
D Taylor	116,666	-	(116,666)	-	-	-

(¹) For the remaining shares that have not vested,

- 50% will vest on successful commissioning of the process plant at the Rocklands Project; and
- 50% will vest 12 months after production is achieved.

No Shares issued under the Share Plan were exercised during the above periods.

Shares have been issued under the Share Plan to other KMP that have left the Company. These shares have been cancelled and the former KMP have no further rights to those shares under the Share Plan.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED (continued)

Shareholdings

The number of Ordinary Shares in the company held by KMP at 30 June 2016, including shares held by related parties, are set out below: -

KMP	Opening Balance 30 June 2015 (or date Started with the company)	Received as Remuneration	Options Exercised	Net Change Other – shares acquired on market	Balance 30 June 2016
N White	-	-	-	-	-
D Chen	-	-	-	-	-
P Hutchison	1,075,534	-	-	21,750	1,097,284
P Keran	81,666	-	-	20,416	102,082
Z Ma	-	-	-	-	-
H Liu	112,000	-	-	12,000	124,000
Z Wu	-	-	-	-	-
M Roberts	-	-	-	-	-
B Bamonte	13,139	-	-	-	13,139

Option holdings

The numbers of options in the Company held by key management personnel at 30 June 2016, including options held by their related entities, are set out below.

Key management personnel	Balance 30 June 2015	Movement during the year				Balances as at 30 June 2016		
	Total Options	Granted as remuneration	Acquired	Exercised	Forfeited / Expired	Total Options	Options Unvested	Total Vested & Exercisable
N White	-	-	-	-	-	-	-	-
D Chen ⁽¹⁾	-	3,000,000	-	-	-	3,000,000	3,000,000	-
P Hutchison	373,332	-	-	-	(81,666)	291,666	-	291,666
P Keran	144,998	-	-	-	(28,332)	116,666	-	116,666
Z Ma	-	-	-	-	-	-	-	-
H Liu	100,000	-	-	-	-	100,000	-	100,000
Z Wu	-	-	-	-	-	-	-	-
M Roberts	-	-	-	-	-	-	-	-
B Bamonte	291,666	-	-	-	-	291,666	262,500	29,166
	909,996	3,000,000	-	-	(109,998)	3,799,998	3,262,500	537,496

All shares issued pursuant to the loan funded employee share plan are treated as in-substance options and included above.

⁽¹⁾ On 20 May 2016 the Company agreed to grant D Chen 3,000,000 options exercisable at \$0.80 each as part of his remuneration package. The granting of these options is subject to Shareholder approval which is to be sought at the 2016 Annual General Meeting planned for December 2016.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED (continued)

Option holdings (continued)

Under the terms of the agreement with D Chen, the Options: -

- Are exercisable at \$0.80 each
- Will vest as follows: -
 - 1,000,000 options on 20 May 2017;
 - 1,000,000 options on 20 May 2018; and
 - 1,000,000 options on 20 May 2019.
- Have an expiry date of 20 May 2021.
- The inputs used in the measurement of the fair values at grant date of the Share Plan were as follows

	20 May 2016
Fair value at grant date	\$0.26
Share price at grant date	\$0.55
Exercise price	\$0.80
Expected volatility (weighted average)	64.24%
Expected dividends	-
Risk-free interest rate (based on government bonds)	2.50%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

Options (Loan Funded Shares) granted since year end

The Company has not granted any options over unissued ordinary shares in CuDeco Limited since the end of the financial year to any key management personnel or executives as part of their remuneration.

Transactions with Directors and Director-Related Entities

A number of Directors of the Company, or their personally related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. The terms of the transactions with Directors and their personally related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis, unless otherwise noted.

The results for the year include the following expenses that resulted from transactions with Directors of the Company and their personally related entities.

	2016 \$'000	2015 \$'000
Rents paid or payable to Mr McCrae and his director-related entities.	25	371
<i>There were no balances due to Directors and Director Related Entities at period end.</i>		

Other Transactions with Key Management Personnel

In the 2015 and 2016 financial years there were no other transactions between the Consolidated Entity and Key Management Personnel.

This is the end of the audited remuneration report

ENVIRONMENTAL REGULATION

There are significant regulations under the environmental and mining laws and regulations of Queensland that apply to the exploration and mining tenements the Consolidated Entity holds in that State, including license requirements relating to ground disturbance, rehabilitation and waste disposal.

The Directors believe that the Consolidated Entity has adequate systems in place for management of its environmental requirements in relation to all its tenement holdings and are not aware of any significant breaches of these environmental requirements during the period covered by this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During the financial year, CuDeco Ltd paid a premium of \$61,142 (2015:\$ 51,500) to insure the Directors and officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company.

The Company has not indemnified or insured its auditor.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance, except where disclosed in the corporate governance statement.

PROCEEDINGS ON BEHALF OF THE COMPANY

Other than the matters listed below, no person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity, or to intervene in any proceedings to which the Consolidated Entity is a party, for the purpose of taking responsibility on behalf of the Consolidated Entity for all or part of those proceedings. The Consolidated Entity was not a party to any such proceedings during the year.

There were no contingent liabilities or contingent assets as at 30 June 2016 other than: -

- a. A former employee has commenced legal action for an amount of approximately \$340,000 being the alleged loss incurred by the employee as a result of the cancellation of options previously issued to him under the Company's Employee Option Plan. No provision has been made in the financial statements in respect of this claim as the parent company considers it will be able to successfully defend the claim; and
- b. A former employee has claimed \$565,971 in unpaid entitlements. The Company is disputing the claim and has made a counter claim for the repayment of part of the termination payment paid as it exceeded the total amount the Company was obliged to pay. No provision has been made in the financial statements in respect of this claim as the Company considers it will succeed in this matter.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

During the financial year KPMG, the Group's auditor, performed certain other services in addition to their statutory duties. The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below:

	2016	2015
Statutory audit and review services		
Auditors of the Group		
- audit and review of financial reports	225,854	94,416
	<u>225,854</u>	<u>94,416</u>
Services other than statutory audit		
- tax compliance services	26,888	33,858
	<u>26,888</u>	<u>33,858</u>
Other auditors		
Other assurance, taxation and due diligence services	44,794	494,548

ROUNDING OFF

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the Directors' Report and the consolidated financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor, KPMG, has provided the Board of Directors with an independence declaration in accordance with section 307C of the *Corporations Act 2001*.

The independence declaration is attached to and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors



D Chen
Managing Director

16 November 2016



Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To: the directors of Cudeco Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow'.

Adam Twemlow
Partner

Bundall
16 November 2016

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 30 June 2016**

	Notes	2016 \$'000	2015 \$'000
Finance income	8	231	126
Other income	8	202	1
		433	127
Expenses	9		
Depreciation expense		(3,971)	(830)
Loss on sale of property plant and equipment		(792)	-
Employee and consultancy expenses		(11,867)	(5,643)
Insurance expense		(468)	(120)
Occupancy expenses		(859)	(430)
Stock exchange and shareholder communication expenses		(266)	(383)
Travel		(270)	(333)
Foreign exchange loss		(2,594)	(11,792)
Impairment of mining assets	27	(99,276)	(109,000)
Impairment of logistical infrastructure assets	27	-	(2,914)
Other		(7,268)	(137)
Total Expenses		(127,631)	(131,582)
Loss from continuing operations before related income tax expense/benefit		(127,198)	(131,455)
Income tax benefit	11	-	-
Net loss for the year		(127,198)	(131,455)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		(127,198)	(131,455)
		Cents	Cents
Earnings per share:			
Basic earnings (loss) per share	12	(42.2)	(53.7)
Diluted earnings per share	12	(42.2)	(53.7)

The above financial statement should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents	13	16,400	3,574
Trade and other receivables	14	1,170	636
Inventory	15	21,730	5,001
TOTAL CURRENT ASSETS		39,300	9,211
NON-CURRENT ASSETS			
Inventory	15	5,143	18,344
Property, plant and equipment	16	213,124	244,808
Exploration and evaluation assets	17	9,386	9,166
Development costs	18	139,247	160,335
Other assets	19	14,253	3,519
TOTAL NON-CURRENT ASSETS		381,153	436,172
TOTAL ASSETS		420,453	445,383
CURRENT LIABILITIES			
Trade and other payables	20	39,806	40,735
Loans and borrowings	21	89,782	19,589
Provisions	22	547	1,375
TOTAL CURRENT LIABILITIES		130,135	61,699
NON-CURRENT LIABILITIES			
Loans and borrowings	21	-	58,766
Provisions	22	12,790	6,455
TOTAL NON-CURRENT LIABILITIES		12,790	65,221
TOTAL LIABILITIES		142,925	126,920
NET ASSETS		277,528	318,463
EQUITY			
Contributed equity	23	561,120	478,535
Equity to be Issued	23	2,000	-
Reserves	25	60,457	58,779
Accumulated losses		(346,049)	(218,851)
TOTAL EQUITY		277,528	318,463

The above financial statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Contributed Equity	Equity to be Issued	Accumulated Losses	Option Reserve	Capital Realisation Reserve	Capital Redemption Reserve	Total Equity
Balance – 1 July 2014	424,602	-	(87,396)	56,238	95	432	393,971
Profit (Loss) for the year	-	-	(131,455)	-	-	-	(131,455)
Total comprehensive income	-	-	(131,455)	-	-	-	(131,455)
Shares issued							
Share Placements	42,653	-	-	-	-	-	42,653
To pay for Goods and Services	12,776	-	-	-	-	-	12,776
Share issue costs	(7)	-	-	-	-	-	(7)
Share based payment expense	-	-	-	2,014	-	-	2,014
Less Shares transferred to Employee Share Plan	(1,489)	-	-	-	-	-	(1,489)
Balance - 30 June 2015	478,535	-	(218,851)	58,252	95	432	318,463
Profit (Loss) for the year	-	-	(127,198)	-	-	-	(127,198)
Total comprehensive income	-	-	(127,198)	-	-	-	(127,198)
Shares issued							
Share Placements	30,000	-	-	-	-	-	30,000
Rights Issue	53,084	-	-	-	-	-	53,084
Conversion of Options	1	-	-	-	-	-	1
Share issue costs	(500)	-	-	-	-	-	(500)
Equity to be issued	-	2,000	-	-	-	-	2,000
Share based payment expense	-	-	-	1,678	-	-	1,678
Balance - 30 June 2016	561,120	2,000	(346,049)	59,930	95	432	277,528

The above financial statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations		202	1
Payments in the course of operations		(20,654)	(5,562)
Interest received		201	128
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	29	(20,251)	(5,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(38,013)	(55,702)
Payments for exploration and evaluation assets		(171)	(42)
Payments for mine development costs		(12,802)	(47,497)
Proceeds from sale of plant and equipment		837	191
Decrease (Increase) in security deposits		(10,642)	32
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		(60,791)	(103,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		83,085	42,653
Proceeds for equity to be issued		2,000	-
Proceeds from loan		8,777	62,609
Cost of on-market share buy-back/employee share plan		-	(1,496)
Share issue / buy back costs		(50)	(933)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		93,812	102,833
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		12,770	(5,618)
Cash and cash equivalents at the beginning of the financial year		3,574	9,231
Effect of foreign exchange rates on cash and cash equivalents		56	39
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	13	16,400	3,574

The above financial statement should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

CuDeco Limited (the “Company”) is a company domiciled in Australia.

The Company’s registered office is at Suite 11A, Level 11, 100 Edward Street, Brisbane Queensland 4000. The consolidated financial statements comprise the Company and its subsidiaries (collectively the “Group” or “consolidated entity” and individually “Group companies”).

The Group is a for-profit entity and primarily is involved in mineral exploration, evaluation, mine development and construction of the plant and other infrastructure related to the Rocklands Project in Cloncurry, Queensland.

2. BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

They were authorised for issue by the Board of Directors on 16 November 2016.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of each subsidiary in the Group.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Director’s Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Class Order, amounts in the Directors’ Report and the consolidated financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 30 June 2016 are included in the following notes:

- Note 5 – Going Concern;
- Note 15 – Inventory;
- Note 16 – Property plant and equipment;
- Note 17 – Exploration and evaluation expenditure;
- Note 18 – Development costs;
- Note 22 – Provisions;
- Note 23 – Employee options;
- Note 24 – Share-based payments; and
- Note 27 – Impairment

4. USE OF JUDGEMENTS AND ESTIMATES (continued)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values and is overseen by the CFO.

The CFO regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 24 – share-based payments; and
- Note 26 – financial instruments.

5. GOING CONCERN

The consolidated financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

At 30 June 2016 the Group had cash on hand of \$16.4M, net assets of \$277.5M and a net current asset deficiency of \$90.8M. The Group recorded a loss of \$127.2M for the year ended 30 June 2016 including impairment of \$99.3M relating to the Rocklands Project. During the year the Group raised \$85M (net of costs) through equity raised. In addition, the Group drew-down on a facility in place with China Minsheng Banking Corporation Limited ('Minsheng Bank'), providing the Company with an additional US\$3.4M after allowing for associated fees and received loans from its major shareholders of \$2.0 million.

At 30 June 2016 an amount of \$33.09M was included in current liabilities for construction and commissioning costs in relation to the processing plant. The supplier has agreed to accept deferred settlement payments for \$10M of this amount.

5. GOING CONCERN (continued)

The Group has made progress in the completion and commissioning of the Rocklands processing plant and has started sales since the end of the financial year. The Group has made shipments of native copper in August and October 2016 and 4,635 Wet Metric Tonnes of copper concentrates was also shipped in October 2016. As production and recovery rates improve, the Group intends to move towards monthly shipments. The Group plans to fund the remaining capital expenditure required to reach full production as well as settle current liabilities from its existing cash reserves and cash expected to be generated from the sale of processed ore.

Subsequent to year end, the Group also entered into discussions with Minsheng Bank to revise the current repayment terms of their secured finance facilities totalling US\$64.9M which was classified as a current liability at 30 June 2016. In addition, it is noted that the Group had breached its facility agreement with Minsheng Bank in that its audited accounts were not lodged within 90 days of year end and the principal repayment of US\$20M was not paid by the due date of 31 October 2016.

On 1 November 2016, US\$4.9M was repaid (representing full repayment of Facility B) and a Draft Amendment Deed was received from Minsheng Bank on 11 November 2016. Under the terms proposed by this Draft Amendment Deed, the principal repayments will be US\$15M per quarter from March 2017. On 15 November 2016, the Company received confirmation from Minsheng Bank that it had instructed its legal advisers to prepare the documents received and, subject to minor corrections or changes, that the Bank will execute these documents as soon as practical.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern, including repayment of debt and creditor obligations. These cash flow projections and the ongoing operation of the Group are critically dependent upon:

- The execution of the Amendment Deed with Minsheng Bank to extend the repayment terms of the US\$60M finance facility; and
- An unsecured creditor owed \$33.09M continuing to accept deferred payment of balances due; and
- The Group generating significant positive cash flows from production to meet its commitments. This is dependent on a significant ramp up of production of the Rocklands mine processing plant and an acceptable level of recovery being achieved in the short term; and/or
- The Group raising significant additional funding from shareholders or other parties.

These conditions give rise to material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

In the event the Group does not continue as a going concern it may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations.

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see (a)(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see (u)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(c) Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

CuDeco Limited and its wholly-owned Australian subsidiaries are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is CuDeco Limited.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(f) Receivables

The collectability of receivables is assessed at balance date and specific provision is made for any doubtful accounts.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Cost is determined on the following basis: -

- Copper and other metals on hand are valued on average total production cost method.
- Ore stockpiles are valued at the average cost of mining and stockpiling the ore, including haulage.
- A proportion of related depreciation and amortisation charge is included in the cost of inventory.

Net realisable value is the estimated future selling price in the ordinary course of business, based on the prevailing metal prices, less the estimated costs of completion and estimated costs necessary to make the sale.

(h) Exploration and Evaluation

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Consolidated Entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation assets are assessed for impairment if:

- (i) Sufficient data exists to determine technical feasibility and commercial viability; and
- (ii) Facts and circumstances suggest the carrying amount exceeds the recoverable amount.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Mining assets

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Deferred stripping costs

Under AASB Interpretation ("IFRIC") 20, *Stripping Costs in the production Phase of a Surface Mine*, production stripping costs are now capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called "deferred stripping asset". The deferred stripping asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied. Production stripping costs that do not satisfy the asset recognition criteria are expensed.

(j) Property, Plant and Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives, and is generally recognised in profit or loss or capitalised as development costs. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Property, Plant and Equipment (continued)

The depreciation rates of property, plant and equipment are as follows:

- buildings 10%
- plant and equipment 20% – 33%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are unsecured and normally settled within 30 days.

(l) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Rehabilitation and dismantle costs

The consolidated entity has a constructive obligation under the Environmental Protection Act to rehabilitate areas on mining leases disturbed by mining activities. The consolidated entity calculates its rehabilitation liability to reflect the costs to rehabilitate significantly disturbed land from mining activities, in accordance with the Department of Environmental and Heritage Protection (EHP) Guideline: Financial Assurance under the Environmental Protection Act 1994. Significantly disturbed land is defined in the Environmental Protection Regulation 2008 and refers to land that is contaminated or disturbed and requires human intervention to rehabilitate it.

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the operation of the mine up to reporting date but not yet rehabilitated, as if the mine was shut down at reporting date. Provision has been made for the estimated cost of rehabilitation which includes the current cost of recontouring, topsoiling and revegetation employing current technology while having regard to current legislative requirements. An asset is created as part of the non-current development assets, to the extent that the development relates to future productions activities, with a corresponding non-current provision for rehabilitation.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Provisions (continued)

The rehabilitation liability is estimated as part of the preparation of the annual Plan of Operations of each mine which is reviewed by the Department of Natural Resources and Mines as required by the Mineral Resources Act.

Changes in estimates are dealt with on a prospective basis as they arise. Significant uncertainty exists as to the amount of rehabilitation obligations under which will be incurred due to the following factors:

- uncertainty as to the remaining life of existing operating sites; and
- the impact of changes in environmental legislation.

(m) Employee Benefits

The Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date is accrued. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(n) Issued Capital

Ordinary shares issued are classified as contributed equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds.

(o) Share-Based Payments

The Company may provide benefits to Directors, employees and suppliers of the Consolidated Entity in the form of share-based payment transactions, whereby Directors, employees and suppliers render services in exchange for shares or options to purchase shares in the Company (equity-settled transactions). There is currently a loan funded share plan and an Employee Option Plan in place to provide these benefits to employees.

The cost of these share-based payment transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the life of the option, the current price of the underlying instrument, the price volatility of the underlying instrument, the expected dividend yield and the risk-free rate for the life of the option, further details of which are given in Note 24.

The assessed fair value at grant date is recognised as an expense or is capitalised to mine development costs or exploration and evaluation expenditure, together with a corresponding increase in equity, pro rata over the life of the option from grant date to expected vesting date. No amount is recognised for awards that do not ultimately vest because non-market performance conditions were not met. An amount is still recognised for options that do not ultimately vest because a market condition was not met.

Where options are cancelled, they are treated as if they had vested on the date of cancellation, and any unrecognised expenses are immediately recognised. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(q) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(r) Earnings per Share

- (i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the net profit or loss by the weighted average number of ordinary shares outstanding during the financial year.
- (ii) *Diluted Earnings per Share* – Diluted earnings per share adjusts the figures used in the determination of basic earnings per share for the after tax effect of financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(s) Financial instruments

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial instruments (continued)

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(t) Impairment

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security; or
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Impairment (continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets measured at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guide in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The consolidated entity is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 9.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 1 18 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The consolidated entity is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15.

AASB 16 Leases

AASB 16 Leases was issued and introduced changes to lease accounting. It requires recognition of lease liabilities and assets rather than short-term leases of leases of low-value assets on the statement of financial position. This will replace the operating /financial lease distinction and accounting requirements prescribed in AASB 117 Leases. This standard will become mandatory for the group's 2020 financial statements. The potential effects of adoption of the standard are currently being assessed.

7. OPERATING SEGMENTS

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographical basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for and production of copper in Australia. There have been no changes in operating segments during the financial year. Accordingly, all significant operating decisions are based upon the analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

	2016 \$'000	2015 \$'000
8. FINANCE AND OTHER INCOME		
Finance income	231	126
	231	126
<i>Other income</i>		
Sundry income	202	1

9. EXPENSES

Loss before income tax has been arrived at after the following items:

Operating lease rental – director-related entity	25	126
Share based payment – employees and consultants	1,177	945
Defined contribution superannuation expense	679	173

We note there has been an increase in the reported expenses relating to depreciation, employee and consultancy costs and other expenses for the year ended 30 June 2016 in comparison to prior year. Included within these expenses in the Statement of Profit and Loss are costs totalling \$16.12 million representing mine operating costs associated with mine site activities. The Group had been capitalising these costs as Mine Development costs in prior periods and up to 31 December 2015. From 1 January 2016 the Company began expensing these costs through the Profit and Loss as costs incurred were no longer furthering the development of the Rocklands Project and were considered to be operational in nature.

	2016 \$	2015 \$
10. AUDITORS' REMUNERATION		
Audit and review services		
Auditors of the Company - KPMG		
Audit and review of financial statements	225,854	94,416
Other services		
Auditors of the Company - KPMG		
In relation taxation services	26,888	33,858
Other auditors		
In relation to other assurance, taxation and due diligence services	44,794	494,548

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	2016 \$'000	2015 \$'000
11. INCOME TAX BENEFIT (EXPENSE)		
Reconciliation		
Current Income Tax Expense	-	-
Deferred Income Tax Expense	38,805	35,855
Deferred tax not recognised	(38,805)	(35,855)
Total	-	-
The prima facie income tax profit (loss) is reconciled to the income tax provided in the financial statements as follows:		
The prima facie income tax expense (benefit) (30%) on		
profit/(loss) before income tax	(38,159)	(39,437)
Permanent differences	(646)	285
Deferred tax not recognised	38,805	39,152
Income tax expense/benefit	-	-
Deferred Tax Balances		
Recognised deferred tax assets		
Unused tax losses	-	1,810
Temporary differences	35,523	30,093
	35,523	31,903
Recognised deferred tax liabilities	(35,523)	(31,903)
Assessable temporary differences	-	-
Net deferred tax recognised	-	-
Unrecognised deferred tax assets		
Unrecognised tax losses	218,971	140,593
Unrecognised temporary differences	50,972	-
Deferred tax assets not taken up at 30% (2015: 30%)	80,983	42,178

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The losses carried forward at 30 June 2016 are under COT.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

- (i) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;
- (ii) the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the losses.

For the purposes of taxation, CuDeco Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group.

Franking credits

There are no franking credits available to shareholders of CuDeco Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

12. EARNINGS PER SHARE

	2016 No.	2015 No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	301,078,115	244,598,767
Weighted average number of ordinary shares and potential ordinary outstanding during the year used in calculation of diluted EPS	301,078,115	244,598,767
	\$'000	\$'000
Earnings (loss) used to calculate basic earnings per share	(127,198)	(131,455)
Earnings used to calculate diluted earnings per share	(127,198)	(131,455)

Options are considered to be potential ordinary shares and are used in the calculation of the Diluted Earnings per share where the exercise price of the options is lower than the prevailing share price.

For the 30 June 2016 year nil (2015:nil) share options were included in the calculation of the Diluted Earnings per share. As the Consolidated Entity's continuing operation was in a loss position for the year ended 30 June 2016 they were considered anti-dilutive in nature, as their exercise will not result in diluted earnings per share that shows an inferior view of earnings performance of the Consolidated Entity than is shown by basic earnings per share.

13. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	1,042	551
Deposits at call	15,358	3,023
	16,400	3,574

Cash at bank and deposits on call earn interest at floating rates based on daily bank deposit rates.

14. TRADE AND OTHER RECEIVABLES

Current

Accrued interest	35	5
GST receivable	163	274
Prepayments	836	195
Other receivables	136	162
	1,170	636

No receivables are past due or impaired at year end.

Terms and conditions relating to the above financial instruments:

- Trade and sundry debtors are non-interest bearing and generally on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	2016 \$'000	2015 \$'000
15. INVENTORIES		
Current		
Ore stockpiles	13,276	5,001
Consumables	3,187	-
Spare parts	5,267	-
	<u>21,730</u>	<u>5,001</u>
Non-current		
Ore stockpiles	5,143	10,386
Consumables	-	4,063
Spare parts	-	3,895
	<u>5,143</u>	<u>18,344</u>
Total Inventories	<u>26,873</u>	<u>23,345</u>

Current inventory includes high grade ore stockpiles, consumables and spare parts which are expected to be realised within 12 months on the basis that the Rocklands Project processing plant meets its planned timeframes in relation to throughput targets.

16. PROPERTY, PLANT AND EQUIPMENT

Land and buildings

At cost	15,994	15,961
Accumulated depreciation	(5,289)	(3,954)
Impairment loss	(2,541)	(2,541)
Total land and buildings	<u>8,164</u>	<u>9,466</u>

Plant and equipment

At cost	66,771	35,232
Accumulated depreciation	(26,881)	(22,075)
Impairment loss	(2,785)	(2,785)
Total plant and equipment	<u>37,105</u>	<u>10,372</u>

Plant and equipment (work-in-progress)	288,294	285,597
Impairment loss	(120,439)	(60,627)
	<u>167,855</u>	<u>224,970</u>

Total property, plant and equipment	<u>213,124</u>	<u>244,808</u>
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During 2016 the Consolidated Entity recognised an impairment loss of \$59,812,000 (2015 \$65,953,000) with respect to the plant and equipment relating to the Rocklands Project. Further information about the impairment loss is included in Note 27.

The majority of the property, plant and equipment relates to the Rocklands Project. The ultimate recoupment of costs carried forward is dependent upon the successful development and commercial exploitation or sale of the Rocklands Project.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	2016 \$'000	2015 \$'000
16. PROPERTY, PLANT AND EQUIPMENT (Continued)		
Reconciliation		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year		
<i>Land and buildings</i>		
Carrying amount at the beginning of year	9,466	13,376
Additions during the year	33	56
Depreciation for the year	(1,335)	(1,424)
Provision for impairment	27 -	(2,541)
Carrying amount at the end of the year	<u>8,164</u>	<u>9,466</u>
<i>Plant and equipment</i>		
Carrying amount at the beginning of year	10,372	15,859
Additions during the year	1,056	2,391
Equipment transferred from plant and equipment being commissioned	31,714	713
Equipment transferred from development expenditure	899	-
Disposals	(837)	(191)
Depreciation charged	(6,099)	(5,616)
Provision for impairment	27 -	(2,785)
Carrying amount at the end of the year	<u>37,105</u>	<u>10,372</u>
<i>Plant and equipment (work-in-progress)</i>		
Carrying amount at the beginning of year	224,970	189,984
Additions during the year	34,659	101,224
Equipment transferred to plant and equipment	(31,714)	(713)
Equipment transferred to development costs	(248)	(1,984)
Impairment of logistical infrastructure assets	27 -	(2,914)
Provision for impairment – processing plant	27 (59,812)	(60,627)
	<u>167,855</u>	<u>224,970</u>
Carrying amount at the end of the year	<u>213,124</u>	<u>244,808</u>
17. EXPLORATION AND EVALUATION ASSETS		
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase:		
Balance at the beginning of the year	9,166	16,627
Exploration costs incurred	220	177
Transferred to development costs	-	(7,638)
	<u>9,386</u>	<u>9,166</u>

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	2016 \$'000	2015 \$'000
18. DEVELOPMENT COSTS		
Costs carried forward in respect of areas of interest in the development phase:		
Balance at the beginning of the year	160,335	149,689
Development costs incurred	16,009	37,776
Depreciation capitalised to development costs	3,464	6,295
Transferred from property plant and equipment	248	1,984
Transferred from exploration and evaluation assets	-	7,638
Transferred to property, plant and equipment	(899)	-
Copper sales capitalised to development expenditure	(446)	-
Provision for impairment	27 (39,464)	(43,047)
	139,247	160,335

During 2016 the Consolidated Entity recognised an impairment loss of \$39,464,000 (2015: \$43,047,000) with respect to the plant and equipment relating to the Rocklands Project. Further information about the impairment loss is included in Note 27.

The development costs relate to the Rocklands Project. The ultimate recoupment of costs carried forward for the development phases is dependent on the successful development and commercial exploitation or sale of the Rocklands Project. In the period to 30 June 2016 there has been no amortisation of the costs as production has not commenced.

19. Other Assets

Non-current

Security deposits	12,842	2,199
Borrowing expenses	1,411	1,320
	14,253	3,519

Included in the Security deposits is \$12,789,669 (2015: \$1,922,464) for an environmental bond with the State of Queensland against rehabilitation attributable to mining operations for the Rocklands Project.

20. TRADE AND OTHER PAYABLES

Current

Unsecured liabilities:

Trade creditors	2,384	2,536
Sundry creditors and accrued expenses	4,325	1,292
Amounts payable under the construction contract	33,097	36,907
	39,806	40,735

Terms and conditions relating to the above financial instruments:

- Trade and sundry creditors are non-interest bearing and are normally settled on 30 day terms.
- The amounts payable under the construction contract are non-interest bearing and the supplier has agreed to accept a deferred settlement for \$10 Million of the outstanding balance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	\$'000	\$'000
21. LOANS AND BORROWINGS		
Current		
Secured bank loans	87,449	19,589
Unsecured loan from a Shareholder	2,000	-
Unsecured loan	333	-
	89,782	19,589
Non-current		
Secured bank loans	-	58,766
	89,782	78,355
Total secured bank loans		
	89,782	78,355

Secured Bank Loans

The Group has secured two finance facilities from the China Minsheng Banking Corporation Limited ("Minsheng Bank"). These facilities include;

- Facility A – US\$60m facility for construction costs; and
- Facility B – US\$4.9m to assist with working capital requirements.

At 30 June 2016, both facilities were fully drawn. The facilities are repayable as follows: -

- By 31 October 2016 – US\$20m; and
- By 31 January 2017 – US\$44.9m

Both facilities are secured by a registered charge over the assets of the Group.

The interest rate payable on both facilities is the aggregate of LIBOR for three months plus a 3.50% margin plus a 2% management fee. A commitment fee calculated at the rate of 1% per annum is also payable on funds not drawn down under either facility.

Subsequent to year end, the Group entered into discussions with Minsheng Bank to revise the current repayment terms of their secured finance facilities totalling US\$64.9M. In addition, it is noted that the Group had breached its facility agreement with Minsheng Bank in that its audited accounts were not lodged within 90 days of year end and the principal repayment of US\$20M was not paid by the due date of 31 October 2016.

On 1 November 2016, US\$4.9M was repaid (representing full repayment of Facility B) and a Draft Amendment Deed was received from Minsheng Bank on 11 November 2016. Under the terms proposed by this Draft Amendment Deed, the principal repayments will be US\$15M per quarter from March 2017. On 15 November 2016, the Company received confirmation from Minsheng Bank that it has instructed its legal advisers to prepare the documents received and, subject to minor corrections or changes, that the Bank will execute these documents as soon as practical.

Unsecured loan from a Shareholder

The Group borrowed \$2m pursuant to a loan agreement entered into with its major shareholder on 15 September 2015. The loan is unsecured and attracts an interest rate of 11%. The loan was initially to be repaid from the proceeds of the Rights Issue completed in May 2016, but this has been renegotiated to be repaid when the company generates sufficient working capital which is expected before 30 June 2017.

Unsecured loan

The Group borrowed \$333,334 pursuant to a loan agreement entered into with an unrelated Company on 3 August 2015. The loan is unsecured and attracts an interest rate of 4%. The loan is repayable at call.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	2016	2015
	\$'000	\$'000
22. PROVISIONS		
Current		
Annual leave provision	513	1,186
Long service leave provision	34	189
	<u>547</u>	<u>1,375</u>
Non-current		
Long service leave provision	-	209
Rehabilitation provision (a)	12,790	6,246
	<u>12,790</u>	<u>6,455</u>

(a) Land disturbed by mining activities is required to be rehabilitated in accordance with State of Queensland requirements. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the future costs that will be incurred. The Group has assumed that the site will be restored using technology and materials that are available currently.

23. CONTRIBUTED EQUITY

Issued and paid-up share capital

2016: 375,070,122 (2015: 271,214,099) ordinary shares, fully paid **561,120** 478,535

Equity to be issued – During the year the Company received the subscription funds for 2.5 million shares which were to be allotted on finalisation of the Rights Issue which occurred in August 2016

2,000 -

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

(a) Ordinary Shares

Movements in ordinary share capital over the past two years were as follows:

Date	Details	Number of Shares	Issue Price	\$'000
1 July 2014	Opening Balance	229,486,354		424,602
8 August 2014	Placement for acquisition of plant and equipment	305,883	\$2.00	612
17 December 2014	Placement for acquisition of plant and equipment	294,118	\$1.70	500
22 December 2014	Placement for acquisition of plant and equipment	2,433,830	\$1.30	3,164
22 December 2014	Share placement	4,902,410	\$1.255	6,153
31 January 2015	Placement for acquisition of plant and equipment	5,666,666	\$1.50	8,500
27 February 2015	Share placement	23,600,000	\$1.25	29,500
4 May 2015	Share placement	5,600,000	\$1.25	7,000
July 2014 to June 2015	Shares acquired for the loan funded share plan	(1,075,162)	\$1.39	(1,489)
	Share issue costs / cancellation costs			(7)
30 June 2015	Closing Balance	271,214,099		478,535
17 November 2015	Share placement	37,500,000	\$0.80	30,000
31 December 2015	Share options exercised	392	\$2.50	1
13-24 May 2016	Rights Issue	66,355,631	\$0.80	53,084
24 May 2016	Underwriting fee for rights issue	-		(500)
30 June 2016	Closing Balance	375,070,122		561,120

23. CONTRIBUTED EQUITY (continued)

(b) Share Options

Expiry date	Exercise Price	Opening Balance 1 July 2015	Options Issued	Options Exercised	Options Expired/ Forfeited	Closing Balance 30 June 2016
		Number	Number	Number	Number	Number
31/12/2015	\$2.50	22,599,423	-	391	22,599,032	-

None of the options had any voting rights, any entitlement to dividends or any entitlement to the proceeds on liquidation in the event of a winding up.

Employee Options

During the year the company agreed to issue 3 million options to the managing director as part of his remuneration package. The issue of these Options are subject to approval of the Shareholders of the Company which will be sought at the 2016 AGM. Under the terms of the agreement the Options: -

- Are exercisable at \$0.80 each
- Will vest as follows: -
 - 1,000,000 options on 20 May 2017;
 - 1,000,000 options on 20 May 2018; and
 - 1,000,000 options on 20 May 2019.
- Have an expiry date of 20 May 2021
- The inputs used in the measurement of the fair values at grant date of the Share Plan were as follows

	20 May 2016
Fair value at grant date	\$0.26
Share price at grant date	\$0.55
Exercise price	\$0.80
Expected volatility (weighted average)	64.24%
Expected dividends	-
Risk-free interest rate (based on government bonds)	2.50%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

Listed Options

During the year ended 30 June 2014 the Company undertook a Rights Issue and pursuant to this issue, granted options with an expiry date of 31 December 2015. The following table illustrates the number and weighted average exercise prices of and movements in the listed options during the year: -

	2016 No.	2016 Weighted average exercise price	2015 No.	2015 Weighted average exercise price
Opening balance	22,599,423	\$2.50	22,599,423	\$2.50
Granted during the year	-	-	-	-
Forfeited during the year	-	\$2.50	-	-
Exercised during the year	(391)	\$2.50	-	-
Expired during the year	(22,599,032)	-	-	-
Outstanding at the end of the year	-	-	22,599,423	\$2.50
Exercisable at the end of the year	-	-	22,599,423	\$2.50

23. CONTRIBUTED EQUITY (continued)

Listed Options (continued)

There are no listed Share options outstanding at the end of the current financial year.

The weighted average for the remaining contractual life of share options outstanding at the end of 2015 was 6 months and the Share Options outstanding at 30 June 2015 had a weighted average exercise price of \$2.50.

24. SHARE BASED PAYMENTS

Loan Funded Share Plan

In November 2011, the Company sought, and was granted, approval for setting up of Loan Funded Employee Share Plan ("Share Plan"). The Plan allows Directors from time to time to invite eligible employees to participate in the Share Plan and offer shares to those eligible persons. The Share Plan is designed to provide incentives, assist in the recruitment, reward, retention of employees and provide opportunities for employees (both present and future) to participate directly in the equity of the Company. The participant will be provided with an interest free, non-recourse loan for the consideration payable for the shares. The vesting of the shares will be subject to performance or service conditions as determined by the Board. The shares allocated to employees under the Share Plan are held in trust for eligible persons as security for the loans. There are no cash settlement alternatives.

In the year ended 30 June 2016 nil (2015: 1,625,000) new shares were issued under the Share Plan. At the end of the financial year the following shares were issued under the Loan Funded Share Plan: -

Options Issued	Exercise price	No. of options vested	No. of options not vested	Vesting Details			
				First Tranche		Second Tranche	
				Vesting date	No. Vesting	Vesting date	No. Vesting
To Directors							
- December 2011	\$3.60	350,000	-	-	-	-	-
- December 2013	\$1.86	100,000	-	-	-	-	-
- December 2013 ⁽¹⁾	\$2.50	58,333	-	-	-	-	-
To employees							
- June 2012	\$3.14	175,000	-	-	-	-	-
- November 2012	\$3.93	-	386,572	30/09/2016	193,286	31/12/2017	193,286
- July 2013	\$1.80	-	387,500	30/09/2016	193,750	31/12/2017	193,750
- December 2013 ⁽¹⁾	\$2.50	29,166	129,012	30/09/2016	64,506	31/12/2017	64,506
- April 2014	\$1.90	-	433,198	30/09/2016	216,599	31/12/2017	216,599
- July 2014	\$1.73	50,000	125,000	30/09/2016	25,000	04/07/2016	100,000
- June 2015	\$1.24	-	600,000	30/09/2016	300,000	31/03/2017	300,000

(1) These were issued pursuant to a one for six Rights Issue in December 2013 and the new shares attached to the existing shares with the same vesting conditions.

24. SHARE BASED PAYMENTS (continued)

The key terms and conditions related to the grants under the Share Plan are as follows;

Grant date/ employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
December 2011	350 ⁽¹⁾	2 years' service from grant date	5 years
June 2012	175 ⁽¹⁾	2 years' service from grant date	5 years
November 2012	387 ⁽¹⁾	3 months after processing plant is commissioned and 18 months after commissioning date	5 years
July 2013	388 ⁽¹⁾	Same as above (Nov 12)	5 years
December 2013	100	2.5 years' service from grant date	5 years
April 2014	433	Date the company reaches full production and 12 months after full production	5 years
July 2014	175	Successful commissioning of the plant; 3 months after meeting agreed production targets; and 2 years from grant date	5 years
June 2015	600	Date the process plant achieves full production and 12 months after the processing plant achieves full production	5 years

⁽¹⁾ Pursuant to a Rights Issue in December 2013, one share for every six held at that date was issued and the new shares (not reflected in this table) attached to the existing shares with the same vesting conditions.

Measurement of fair values

For accounting purposes shares allocated to employees pursuant to the Share plan will be treated and valued as options. The fair value of the options granted under the Plan is estimated as at the date of grant using a Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

There were no issues in 2016 financial year. In the 2015 financial year the inputs used in the measurement of the fair values at grant date of the Share Plan were as follows.

	2015	
	Issued 15 June 2015	Issued 24 July 2014
Fair value at grant date	\$1.24	\$1.90
Share price at grant date	\$1.26	\$1.74
Exercise price	\$1.24	\$1.90
Expected volatility (weighted average)	48.86%	48.86%
Expected dividends	-	-
Risk-free interest rate (based on government bonds)	2.5%	2.5%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term.

The value of the options is allocated over their vesting period as part of the remuneration of the individual they relate to.

The following is a summary of the allocation of these values as share based payments: -

	2016 \$'000	2015 \$'000
Share based payment included as an expense	1,177	945
Share based payments capitalised to exploration and evaluation asset	30	120
Share based payments capitalised to mine development expenditure	471	949
Total share based payments for the year	1,678	2,014

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

	2016 \$'000	2015 \$'000
25. RESERVES		
Capital Realisation	95	95
Capital Redemptions	432	432
Option ^(a)	59,930	58,252
	60,457	58,779
 (a) Movement during the year – Option Reserve		
Opening balance	58,252	56,238
Issue of options to directors/employees /consultants	1,678	2,014
Closing balance	59,930	58,252

Option Reserve

The option reserve is used to record the fair value of options issued but not exercised. The Group has not cleared out of the option reserve all options that lapse, expire, are forfeited or that are cancelled.

26. FINANCIAL INSTRUMENT DISCLOSURES

To ensure a prudent approach to risk management the Consolidated Entity's exposure to the following key risks have been assessed where applicable; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

The Groups financial assets and liabilities primarily comprise:

	2016 \$'000	2015 \$'000
Cash and cash equivalents	16,400	3,574
Other assets – security deposits	12,842	2,199
Trade and other receivables	1,170	636
Total Assets	30,412	6,409
Secured bank loans	87,449	78,355
Unsecured loans	2,333	-
Trade and other payables	39,806	40,735
Total Liabilities	129,588	119,090

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The entity does not have any material exposure to market risk other than interest rate risk and foreign exchange risk.

(i) Interest rate risk

The Consolidated Entity's exposure to the risk of changes in market interest rate relates primarily to the Consolidated Entity's secured bank loans although through its cash deposits it is also exposed to a lesser extent to changes in interest rates.

For the secured bank loans the loans are fixed against the movement in the LIBOR (London Interbank Offered Rate) and as such the Consolidated Entity remains exposed to changes in this rate.

For cash deposits the Consolidated Entity has fixed interest term deposit facilities with a secure banking institution to maximise its interest income from surplus cash. The Consolidated Entity holds working capital in transaction accounts at variable interest rates.

Fixed interest term deposit accounts have been included in the sensitivity analysis as they generally mature within a 1 - 3 month period. A change of 100 basis points (100bps) in interest rates during the year would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for last year.

		Profit or (Loss)		Equity	
	Carrying Amount \$'000	100bps increase \$'000	100bps decrease \$'000	100bps increase \$'000	100bps decrease \$'000
30 June 2016					
Cash and cash equivalents	16,400	164	(164)	164	(164)
Total increase / (decrease)		164	(164)	164	(164)
Loans & Borrowings	89,782	(897)	897	(897)	897
Total increase / (decrease)		(897)	897	(897)	897
30 June 2015					
Cash and cash equivalents	3,574	36	(36)	36	(36)
Total increase / (decrease)		36	(36)	36	(36)
Loans & Borrowings	78,355	(783)	783	(783)	783
Total increase / (decrease)		(783)	783	(783)	783

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(ii) Foreign exchange risk

The Consolidated Entity is exposed to foreign currency fluctuations risks. This arises from cash held in US dollars and Loan Borrowings in US dollars.

The Loans and Borrowings are in US dollars. The company once it achieves production will be selling a commodity in US dollars and therefore this provides a natural hedge against movements in the US dollar currency.

A change of 1 cent in the US Dollar equivalent of an Australian dollar exchange rate at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The amounts disclosed below are the Australian dollar equivalents.

		Profit or (Loss)		Equity	
	Carrying Amount	1 cent US increase	1 cent US decrease	1 cent US increase	1 cent US decrease
	\$'000 (AUD)	\$'000 (AUD)	\$'000 (AUD)	\$'000 (AUD)	\$'000 (AUD)
30 June 2016					
Cash and cash equivalents	993	(13)	13	(13)	13
Loans and borrowings	89,782	1,208	(1,208)	1,208	(1,208)
Total increase / (decrease)		1,195	(1,195)	1,195	(1,195)
30 June 2015					
Cash and cash equivalents	164	(2)	2	(2)	2
Loans and borrowings	78,355	1,023	(1,023)	1,023	(1,023)
Total increase / (decrease)		1,021	(1,021)	1,021	(1,021)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
AUD/USD	0.7305	0.8291	0.7426	0.7657

(b) Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash on deposit.

(i) Cash on deposit and security deposits

The Consolidated Entity limits its exposure to credit risk by only depositing its funds with reputable financial institutions. Cash at year end was deposited with National Australia Bank.

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(b) Credit risk (continued)

(ii) Receivables

As the Consolidated Entity has not commenced production at 30 June 2016, it does not have any material trade receivables and therefore is not exposed to material credit risk in relation to trade receivables.

The Consolidated Entity's maximum exposure to credit risk is the carrying amount of its financial assets as disclosed in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation. The Consolidated Entity currently has secured bank loans and unsecured borrowings.

The Consolidated Entity aims to manage liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and it aims to repay the bank loan from its expected revenue from production.

Due to the nature of the Consolidated Entity's activities and the present lack of operating revenue, the Consolidated Entity has to raise additional capital from time to time in order to fund its exploration and development activities. The decision on how and when the Consolidated Entity will raise future capital will depend on market conditions existing at that time and the level of forecast activity and expenditure.

At the reporting date the contractual maturity of trade and other payables and borrowings are all less than 12 months. The timing for the repayments of the Bank Loans and of the trade and other payables is intended to coincide with the Company generating positive cash flow from production. The first repayment of the Secured Bank Loans was scheduled for October 2016 (US\$20m) with the balance due in January 2017. Subsequent to year-end the Group has breached the terms of its finance facilities as outlined in Note 21 and has entered into discussions to change the repayment terms of the secured bank loans. Under the proposed terms a repayment was made on 1 November 2016 (US\$4.9m) with the balance due to be repaid quarterly from March 2017 through to December 2017. Refer to Note 35.

(d) Capital Management

The capital structure of the Company consists of contributed equity and reserves less accumulated losses.

Management controls the capital of the Company in order to ensure that the Company can fund its operations on an efficient and timely basis and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's cash projections up to twelve months in the future and any associated financial risks. Management will adjust the Company's capital structure in response to changes in these risks and in the market.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

(e) Measurement of fair values

The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values or the instruments have variable interest rates.

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(f) Finance facilities

During the year the Group fully drew-down its finance facility with the China Minsheng Banking Corporation to a total of \$US64.9m.

27. IMPAIRMENT OF ASSETS

Property plant and equipment and development costs

The Group has reviewed the key external and internal indicators for impairment and concluded that impairment indicators existed at 30 June 2016 due to the following (relative to the last valuation period being 31 Dec 2015): -

- **Internal Indicator –**
 - Unfavourable impact due to delay in start date of full production
- **External indicator**
 - Unfavourable market changes in Price and FX outlook

As a result of the indicators a valuation was prepared as at 30 June 2016 to assess recoverable amount against the carrying value of the Rockland Project CGU. In assessing the value of the assets relating to the Rocklands Project, the Company has assessed the recoverable amount at 30 June 2016 using a fair value less costs of disposal discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Forecast commodity prices, including copper, gold, silver, cobalt and magnetite
- Ramp up of production timing and appropriate level of recoveries achieved
- Foreign exchange rates
- Mining, processing, administrative and capital costs
- Discount rate of 8%

In determining the value assigned to each key assumption, management has used external sources of information and utilised external consultants where possible and personnel within the Group to arrive at the underlying assumptions.

Furthermore, the Group's cash flow forecasts are based on estimates of future commodity prices and exchange rates. The Group has reviewed long term forecast data from multiple externally verifiable sources when determining its forecasts, making adjustments for specific factors relating to the Group.

Production and capital costs are based on the Group's estimate of the forecast grade of its resource and future production levels. This information is obtained from internally maintained budgets, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a discount rate of 8% to the forecast future attributable post-tax cash flows. This discount rate represents an estimate of the rate the market would apply having regard to the time value of money and the risk specific to the project.

The recoverable amount has been determined based on the life of mine of 10 years. This is calculated based on the Group's existing resource statement and its existing mine plan.

Based on the impairment review at 30 June 2016 the recoverable amount for the Rocklands Project was estimated and this resulted in an impairment loss this financial year of approximately \$99 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

27. IMPAIRMENT OF ASSETS (continued)

The impairment loss is allocated on a pro rata basis to the individual assets constituting the project as follows.

	Notes	2016 \$'000	2015 \$'000
Property plant and equipment	16	59,812	65,953
Development costs	18	39,464	43,047
		99,276	109,000

In addition, during the 2015 year the Group recognised impairment of its logistical infrastructure assets associated with the multi-load facility of approximately \$2.914 million (refer note 16).

28. CONTROLLED ENTITIES

Particulars in relation to controlled entities

Name of Chief Entity	Incorporated in	Interest held %	
		2016	2015
CuDeco Limited	Australia		
Controlled Entities Consolidated			
Cloncurry Infrastructure Pty Ltd	Australia	100	100
CuDeco Logistics Pty Ltd	Australia	100	100
CuDeco Employee Share Plan Pty Ltd	Australia	100	100

29. NOTES TO THE STATEMENT CASH FLOWS

	2016 \$'000	2015 \$'000
Reconciliation of profit after income tax to net cash inflows from operating activities		
Loss after income tax	(127,198)	(131,455)
Add/(less) non-cash items		
Share based payments	1,177	946
Impairment of mining assets	99,276	109,000
Impairment of logistical infrastructure assets	-	2,914
Loss on sale of assets	792	-
Depreciation expense	3,971	830
Unrealised foreign exchange loss	2,594	11,792
(Increase) / decrease in trade and other receivables	(534)	2
Increase / (decrease) in trade creditors and accruals	499	368
Increase / (decrease) in provisions	(828)	170
Cash outflows from operations	(20,251)	(5,433)

30. COMMITMENTS

Mineral Tenement

Mining Leases

In order to maintain current rights of tenure to its mining leases, the Consolidated Entity will be required to outlay amounts of approximately \$2,570 per annum on an ongoing basis in respect of tenement lease rentals, rates and other costs of keeping tenure. The annual expenditure commitment is \$10,000. These obligations are expected to be fulfilled in the normal course of operations by the Consolidated Entity.

EPMs

The Consolidated Entity also has commitments to conduct exploration activities on its exploration permits (EPMs) as a condition of maintaining the EPMs. The requirement under the EPMs is for an expenditure of \$889,000 over the next three years in total.

Native Title

Under the Native Title Agreements concluded, CuDeco Ltd is committed to making certain payments. The payments are:

- 1) Annual administration payment of \$15,000;
- 2) \$50,000 on commencement of production of minerals from the mining licence areas; and
- 3) Annual payment of 0.25% of the value of minerals sold from the mining licence areas.

Operating lease commitments

The Consolidated Entity has entered into rental agreements for premises in Cloncurry and Southport. These leases have an average life of up to three years. One option of five (5) years is included in all current contracts. There are no restrictions placed upon the lessee in entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2016	2015
	\$'000	\$'000
Within one year	542	647
After one year but not more than five years	181	542
More than five years	-	-
	723	1,189

Mining plant and mine development

The Consolidated Entity has entered into a number of contracts relating to the Process Plant components and structures for its Rocklands Project and their commissioning. As at 30 June 2016 the only remaining contractual commitment related to the commissioning work. Under the contract the Company has a commitment for a total of \$2.5 Million for the provision of 25 experienced personnel to assist with the commissioning process for four months with an option for the Company to extend the contract for a maximum of a further two months at \$600,000 per month.

At 30 June 2015 the capital contractual commitments in relation to mine development infrastructure and mining plant for the Rocklands Project was \$18.6 million

31. CONTINGENCIES

There were no contingent liabilities or contingent assets as at 30 June 2016 other than: -

- a. A former employee has commenced legal action for an amount of approximately \$340,000 being the alleged loss incurred by the employee as a result of the cancellation of options previously issued to him under the Company's Employee Option Plan. No provision has been made in the financial statements in respect of this claim as the parent company considers it will be able to successfully defend the claim.
- b. A former employee has claimed \$565,971 in unpaid entitlements. The Company is disputing the claim and has made a counter claim for the repayment of part of the termination payment paid as it exceeded the total amount the Company was obliged to pay. No provision has been made in the financial statements in respect of this claim as the Company considers it will succeed in this matter.

32. KEY MANAGEMENT PERSONNEL

The key management personnel ("KMP") compensation is as follows:

	2016 \$'000	2015 \$'000
Short-term employee benefits	1,744	2,473
Termination payments	1,146	-
Post-employment benefits (superannuation)	115	137
Share-based payments	49	205
Other long term benefits	(303)	46
	<u>2,751</u>	<u>2,861</u>

33. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity and ultimate controlling entity is CuDeco Limited, which is incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 28.

(c) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report contained in the Directors' Report and in Note 32 of the Financial Statements.

(d) Unsecured loan from a Shareholder

The Group borrowed \$2m pursuant to a loan agreement entered into with its major shareholder on 15 September 2015. The loan is unsecured and attracts an interest rate of 11%. The loan was initially to be repaid from the proceeds of the Rights Issue completed in May 2016, but this has been renegotiated to be repaid when the company generates sufficient working capital which is expected before 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2016 (Continued)

34. PARENT ENTITY INFORMATION

Selected financial information of the parent company is as follows: -

	2016 \$'000	2015 \$'000
Financial performance		
Profit / (loss) for the year	(126,603)	(128,541)
Total comprehensive income for the year	(126,603)	(128,541)
Financial position		
Current assets	39,275	9,095
Total assets	414,053	439,008
Current liabilities	130,135	61,699
Total liabilities	142,925	126,920
Contributed equity	563,120	478,535
Accumulated losses	(352,449)	(225,846)
Capital Realisation Reserve	95	95
Capital Redemption Reserve	432	432
Option Reserve	59,930	58,872
Total equity	271,128	312,088

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Capital commitments

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the parent company will be required to outlay amounts of approximately \$2,570 per annum on an ongoing basis in respect of tenement lease rentals, rates and other costs of keeping tenure. The annual expenditure commitment is \$10,000. These obligations are expected to be fulfilled in the normal course of operations by the parent company.

The parent company also has commitments to conduct exploration activities on its exploration permits (EPMs) as a condition of maintaining the EPMs. The requirement under the EPMs is for an expenditure of \$889,000 over three years in total.

Native Title

Under the Native Title Agreements concluded, the parent company is committed to making certain payments. The payments are:

- 1) Annual administration payment of \$15,000;
- 2) \$50,000 on commencement of production of minerals from the mining licence areas; and
- 3) Annual payment of 0.25% of the value of minerals sold from the mining licence areas.

34. PARENT ENTITY INFORMATION (continued)

Operating lease commitments – Consolidated Entity as Lessee

The parent company has entered into rental agreements for premises in Cloncurry and Southport. These leases have an average life of up to three years. One option of five (5) years is included in all current contracts. There are no restrictions placed upon the lessee in entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2016	2015
	\$'000	\$'000
Within one year	542	647
After one year but not more than five years	181	542
More than five years	-	-
	723	1,189

Mining plant and mine development

The Consolidated Entity has entered into a number of contracts relating to the Process Plant components and structures for its Rocklands Project and their commissioning. As at 30 June 2016 the only remaining contractual commitment related to the commissioning work. Under the contract the Parent Entity has a commitment for a total of \$2.5 Million for the provision of 25 experienced personnel to assist with the commissioning process for four months with an option for the Parent Entity to extend the contract for a maximum of a further two months at \$600,000 per month.

At 30 June 2015 the capital contractual commitments in relation to mine development infrastructure and mining plant for the Rocklands Project was \$18.6 million

Contingent liabilities

There were no contingent liabilities or contingent assets as at 30 June 2016 other than: -

- a. A former employee has commenced legal action for an amount of approximately \$340,000 being the alleged loss incurred by the employee as a result of the cancellation of options previously issued to him under the Company's Employee Option Plan. No provision has been made in the financial statements in respect of this claim as the parent company considers it will be able to successfully defend the claim.
- b. A former employee has claimed \$565,971 in unpaid entitlements. The Parent Entity is disputing the claim and has made a counter claim for the repayment of part of the termination payment paid as it exceeded the total amount the Parent Entity was obliged to pay. No provision has been made in the financial statements in respect of this claim as the Parent Entity considers it will succeed in this matter.

35. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years, other than:

- a. Since the end of the financial year David Wrigley was appointment as the Chief Financial Officer on 22 August 2016 and is part of the key management personnel of the Consolidated Entity.
- b. The Consolidated Entity entered into discussions with Minsheng Bank to revise the repayment terms of its finance facilities. A Draft Amendment Deed was received from Minsheng Bank on 11 November 2016. Under the terms proposed by this Draft Amendment Deed, the principal repayments will be as follows:

	Previous loan	Revised loan
Date	Repayment amount	
31 Oct 2016	US\$20.0m	US\$ 4.9m
31 Jan 2017	US\$44.9m	-
31 Mar 2017	-	US\$15.0m
30 Jun 2017	-	US\$15.0m
30 Sep 2017	-	US\$15.0m
31 Dec 2017	-	US\$15.0m
Total	US\$64.9m	US\$64.9m

The Consolidated Entity made a principal repayment of US\$4.9m on 1 November 2016.

- c. The Consolidated Entity received a Notice from a subcontractor under the Subcontractors' Charges Act claiming a charge over monies owing to Sinosteel Equipment & Engineering Co Limited ("Sinosteel"). The Subcontractor has lodged a statutory demand against the Consolidated Entity for \$1 Million, due to payments made by the Consolidated Entity to Sinosteel. The Consolidated Entity believes that it will successfully defend this claim.
- d. The Consolidated Entity completed sales of 4,635 wet metric tonnes of sulphide copper concentrate and 1,300 tonnes of Native Copper. The shipments were made to Oceanwide Trading Co. Ltd under the existing offtake agreement.
- e. Exploration activity which has been kept to a minimum for the last four years, to conserve funds and free critical staff for important development activities has resumed. Activity currently planned includes field mapping and geochemical soil sampling; airborne geophysics; geo-mechanical; and structural analysis; Rotary Air Blast (RAB), Reverse Circulation (RC) and Diamond (DD) drilling

CuDeco Limited
Directors' declaration

- 1 In the opinion of the directors of CuDeco Limited ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 22 to 61 and the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2016.
3. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

16 November 2016
Perth



D Chen
Managing Director



Independent auditor's report to the members of CuDeco Limited

Report on the financial report

We have audited the accompanying financial report of CuDeco Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2016 and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 35 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Material uncertainties regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 5, Going Concern, in the financial report. The conditions disclosed in Note 5, indicate the existence of material uncertainties, the outcome of which are critically dependent upon future events, which may cast significant doubt about the Group's ability to continue as a going concern. In the event the Group does not continue as a going concern, it may not realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. In particular, in the event that the key assumptions outlined in Note 27 are not achieved further material impairment may arise.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 18 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of CuDeco Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Adam Twemlow
Partner
Bundall

16 November 2016