

# Quarterly Report

For the three months ended 31 December 2016



CuDeco Limited (ASX: CDU) (the Company) is pleased to release its financial and operational results for the quarter ended 31 December 2016.

## Key Highlights

- Rocklands Copper Mine was officially opened. An event to commemorate the opening was held Friday 28 October 2016 with major shareholders, politicians and VIP guests in attendance.
- The processing plant has completed the commissioning phase for the native copper and sulphide concentrate facilities and is now steadily ramping up towards nameplate capacity.
- A total of 348,768 dry metric tonnes of ore was processed in the three months to 31 December 2016 at a head grade of 1.39% Cu.
- On track to achieve 2017 production targets to meet nameplate capacity in April 2017.
- Achieved three shipments totalling 13,000 dry metric tonnes of sulphide copper concentrates and four shipments totalling 2,200 dry metric tonnes of native copper concentrates to our customers during the quarter period.
- Cash receipts from shipment sales (net of TC/RC charges) during the quarter were \$US15.4M with a further US\$5.4M received in early January 2017.

## Significant Events Post Quarter End

- CuDeco Limited announce that it has received a notice of resignation as Managing Director from Dr Dianmin Chen, with his last day of employment with the Company to be 30 April 2017.
- New Non-Executive Director, Mr Wang Chiwei, appointed to Board of Directors in January 2017.

## Mining

### Mining Operations

Mining operations remained suspended during this quarter.

### Mine Planning

A substantive review of the existing mine plan and operating costs was updated to match mill throughput requirements and existing commodity prices.

Mine contractor full service model was selected for a Stage 1, 4.25-year mining contract to minimise capital requirements and operating risk.

The mine plan and schedule was developed and provided to five (5) separate mining contractors for tender, which have now been received and evaluated. Evaluation and recommendations were presented to the CuDeco Board on 2<sup>nd</sup> December 2016 for approval.

Earliest commencement of mining operations is expected late February 2017.

The mining department consisted of a total of five (5) employees and two (2) contract employees throughout the quarter.

### Mine Stockpiles

Existing high grade stockpiles were rapidly depleted for processing during the quarter. Considerable volumes of oversize ore were identified in high grade primary stockpiles which caused restrictions on crusher throughput.

Stockpiles have been depleted by 399,142 wet metric tonnes @ 1.58%Cu for 6,311 tonnes of Cu metal.

Remaining ore stockpiles at the end of the quarter were as follows:

STOCKPILES		Tonnes	Cu (%)	Au (g/t)	Cu_(t)	
	Crushed Ore	18,808	1.41	0.27	264	
	HG chalcocite*	7,358	1.38	0.2	102	
	HG chalcopyrite	35,456	1.59	0.28	564	
	HG native copper CC	38,137	2.43	0.37	929	
	HG native copper CPY	36,015	1.53	0.27	551	
	HG native copper oxide*	126,550	1.85	0.23	2,341	
	HG oxide*	64,429	1.32	0.19	850	
	<b>ALL High Grade</b>	<b>326,753</b>	<b>1.71</b>	<b>0.25</b>	<b>5,601</b>	
	LG chalcocite*	25,993	0.35	0.06	91	
	LG chalcopyrite	245,720	0.69	0.13	1,695	
	LG native copper CC	329,901	0.53	0.09	1,748	
	LG native copper CPY	22,045	0.86	0.15	190	
	LG native copper oxide*	36,491	0.63	0.12	230	
LG oxide*	142,886	1.05	0.16	1,500		
<b>ALL Low Grade</b>	<b>803,036</b>	<b>0.68</b>	<b>0.12</b>	<b>5,455</b>		
<b>TOTAL STOCKPILE</b>	<b>1,129,789</b>	<b>0.98</b>	<b>0.16</b>	<b>11,056</b>		
<b>Blend Grade</b>	<b>651,560</b>	<b>0.24</b>	<b>0.05</b>	<b>1,564</b>		
<b>TOTAL STOCKPILE- inc BG</b>	<b>1,781,350</b>	<b>0.71</b>	<b>0.12</b>	<b>12,619</b>		

ROM		Tonnes	Cu (%)	Au (g/t)	Cu_(t)
	Finger C	12,769	1.59	0.28	203
	<b>TOTAL ROM</b>	<b>12,769</b>	<b>1.59</b>	<b>0.28</b>	<b>203</b>
<b>STOCKPILE + ROM (inc BG)</b>		<b>1,794,119</b>	<b>0.71</b>	<b>0.12</b>	<b>12,822</b>
<b>STOCKPILE + ROM (no BG)</b>		<b>1,142,558</b>	<b>0.99</b>	<b>0.16</b>	<b>11,259</b>

## Processing

### Processing Plant

The processing plant has completed the commissioning phase for the native copper and sulphide concentrate facilities. A total of 348,768 dry metric tonnes (DMT) of ore was processed in the three months to the end of December 2016 at a head grade of 1.39% Cu. Copper produced was a total of 3,934 DMT of metal – 1,012 DMT in Native Copper and 2,922 DMT of copper metal in sulphide concentrate.

A total of 11,693 DMT of sulphide concentrate was produced at a provisional copper grade of 25%, a total of 1,484 tonnes of Coarse Native Copper was produced at a provisional copper grade of 66%, and a total of 153 tonnes of Fine Native Copper was produced at a provisional copper grade of 21%. Overall copper recovery was 81.2%, with flotation recovery at 76.19%. The flotation recovery was lower than design due to the higher ratio treatment of weathered chalcocite ores to that of fresh sulphide ores.

Plant throughput ramped up during the quarter, with a total of 145,063 DMT of ore processed in December 2016. During the month, there was a continuous period of seven days with plant throughput at 7,099 WMT and one day at 9,073 WMT.

### Major activities during the period were:

- A new Processing Plant Maintenance Manager was appointed in October 2016 in order to improve maintenance systems and performance;
- The crushing circuit was recommissioned during the period and by EOM December 2016 crushed some 50% of plant feed requirements. Further improvements to crushing will be made in the New Year;
- Continued to address premature wear areas within the scrubber and conveyor tripper areas;
- Commissioning of the plant On-Stream Analyzer (OSA), enabling flotation operators to see feed and tailings copper grades in flotation; and
- Fitment of upgraded scrapers to reduce carry back on conveyors. Manufacture grizzly over ROM feed chute and tunnel feeder to reduce oversize material entering circuit.

Month	Tonnes (dry metric)	Head Grade (%)
October	85,768	1.74
November	117,937	1.16
December	145,063	1.37
<b>Total Q2</b>	<b>348,768</b>	<b>1.39</b>

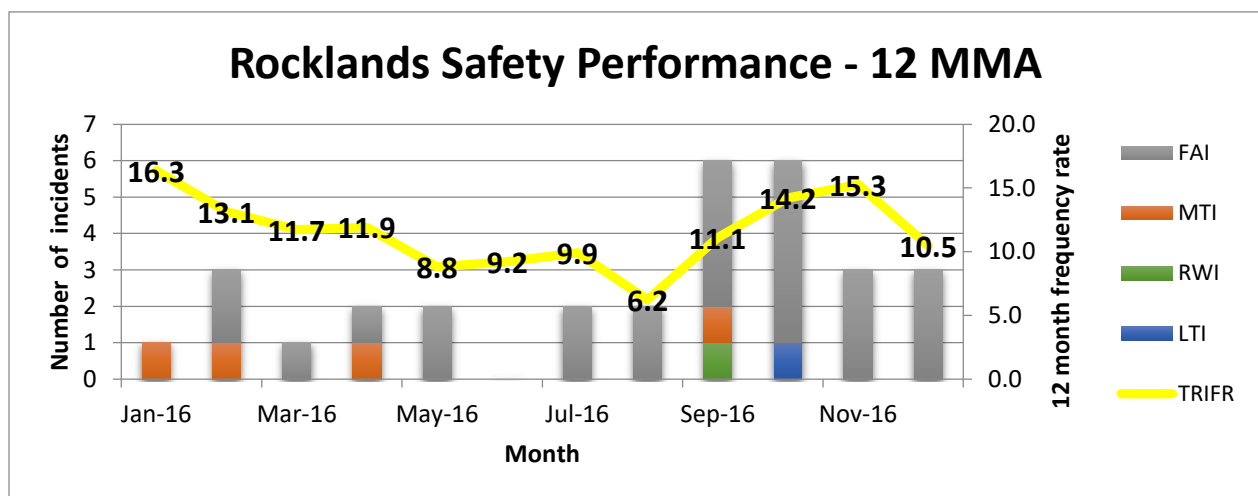
Product Q2	Concentrate	Concentrate Grade	Metal in Concentrate
Coarse Native Copper	1,484 tonnes	66%	980 tonnes
Fine Native Copper	153 tonnes	21%	32 tonnes
Sulphide Concentrate	11,693 tonnes	25%	2,922 tonnes

### Upcoming activities:

- Optimisation of process plant to ramp up to nameplate capacity and focus on improving plant utilisation;
- Operation of an onsite assay laboratory re-scheduled for late January 2017, allowing rapid turnaround of results from plant samples;
- Substitution of frother and collector reagent allowing in plant mixing, storage and reagent dosing to improve plant metal recoveries;
- Continue to upgrade wear materials within scrubber area to increase service life;
- Re-instate the fine native copper circuit (spirals and tables), as well as the concentrate regrind tower mill. These were taken off line due to mechanical failure of conveyor systems and in the case of the regrind mill, drive motor failure;
- Address reliability of crushing circuit to allow for increase freshly crushed ore blend to minimise impact of wet weather on previously crushed stockpiles with high clay content; and
- Installation of production bores to improve raw water security for the process plant.

## Health and Safety

### Health & Safety Performance



The Lost Time Injury (LTI) occurring in October related to operator receiving sutures to his head when it came in contact with the cabin of a small excavator as it was being unloaded off a trailer.

## Environment

Three new HSEC employees commenced in the second quarter of 2016 as follows:

- HSEC Manager;
- Environmental Superintendent; and
- Environmental Advisor.

A further Environmental Technician position will be filled in the first quarter 2017.

A minor Environmental Authority (EA) amendment for ground water trigger limits was submitted to DEHP in December. The site is in the process of developing a major EA amendment proposal to update the existing EA and Plan of Operations (PoO). The proposal is scheduled to be submitted to DEHP towards the end of the first quarter 2017.

## Human Resources

### Recruitment

The recruitment of quality staff is still a major focus for the Company. Approximately 85% of available positions are currently filled.

A new recruitment policy and procedure has been developed and implemented in the Company in order to attract and retain highly skilled personnel for the successful operation and future growth of the Company.

### People

Mark Roberts, General Manager Operations, has tendered his resignation from the Company, his last working day scheduled for Friday 17 February 2017. Management are currently sourcing a replacement.

CuDeco's management team has been strengthened this quarter, with the addition of Joe Skrypniuk in the position of Deputy General Manager at Rocklands.

Joe has 38 years of experience in managing process plants, both concentrators and smelters. He previously held roles as Processing Manager at the Bozshakol copper concentrator, Kazakhstan – a 30MTPA new copper concentrator. Formerly held the position of Process Manager at Boddington and at the KCGM Gold Mine, two of Australia's largest gold producers. In addition, managed processing plants at Alumbreira (Argentina) and Jinfeng Gold Mine (PRC) for Sino Gold Ltd. He is a Metallurgical Engineering graduate of the Royal School of Mines, Imperial College London, Fellow of the AusIMM and a Chartered Engineer (IOM3).

## Exploration

During the December quarter a total of \$439,749 was spent on geophysical VTEM survey and RC drilling on EPM18054 and EPM25426.

### Morris Creek (EPM18054) Cu Prospect

During the quarter, geological mapping of an area that contained native copper in RAB drilling was undertaken. Nine RC holes were drilled into several +300ppm RAB copper anomalies, none of which intersected any significant economic copper mineralisation. The exploration team will now concentrate on several other targets identified within the EPM.

### Camelvale (EPM25426) Priceless Au-Cu Prospect

During the quarter, nine RC holes were drilled at the Priceless Au-Cu prospect testing 885m of strike to the WSW where an extensive sheet of colluvium was thought to cover the potential strike of the Priceless surface gossan. The drill holes failed to find any economic mineralisation further along strike, however has added to the geological knowledge and a follow up drilling programme may be forthcoming.

### Other Exploration Activity

UTS Geophysics Pty Ltd has flown a 231km Helicopter-borne Time Domain Electromagnetic (VTEM MAX) geophysical survey over the Rocklands ML and EPM's during the last quarter, with the survey data expected in January. The exploration team will develop 3D geological models from this survey that will allow the team to generate further drill targets.

## Corporate

### Board of Directors

Post quarter the Board appointed a new Non-Executive Director, Mr Wang Chiwei.

Mr Wang is a graduate from Central South University, China and has extensive experience in financial management including holding the position of the Deputy Chief Economist of Guixi Smelter and Vice Director of Sales Distribution Department for Jiangxi Copper Corporation. He was also Vice President and Executive Director of Jiangxi Copper Co. Limited, the largest copper producer in China. He is currently a Senior Advisor for the International Copper Association.

### Other Activities

Rocklands Copper Mine was officially opened on Friday 28<sup>th</sup> October 2016. CuDeco staff, key management, local politicians and VIP guests attended an event held on-site in Cloncurry followed by a site tour of the pits and process plant.

### Financial Matters

The Board are progressing options to service the repayment of the US\$15M Minsheng debt due 31 March 2017, and reviewing options for future funding opportunities.

## Tenement Information

Further to the requirements of ASX Listing Rule 5.3.3, CuDeco Limited provides the following information regarding its mining tenements as part of its quarterly reporting obligations.

- The mining tenements held at the end of December 2016 and their location:

Tenement Reference	Project	Company interest	Location
ML90177	Rocklands	100%	Cloncurry, NW QLD
ML90188	Rocklands	100%	Cloncurry, NW QLD
ML90219	Rocklands	100%	Cloncurry, NW QLD
EPM18054	Morris Creek	100%	Cloncurry, NW QLD
EPM25426	Camelvale	100%	Cloncurry, NW QLD

- The mining tenements acquired and disposed of during the December 2016 quarter and their location: **Nil**.
- The beneficial percentage interests held in farm-in or farm-out agreements at the end of the December 2016 quarter: **Nil**.
- The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the December 2016 quarter: **Nil**.



## Competent Person Statement

The information in this report that relates to Ore Reserves is based on information compiled by Guy Simpson, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy (membership number 203297). Mr Simpson is a contract employee of the company. Mr Simpson has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Guy Simpson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Andrew Day. Mr Day is employed by Geoday Pty Ltd, an entity engaged by Cudeco to provide independent consulting services. Mr Day has a BAppSc (Hons) in geology and is a Member of the Australian Institute of Mining and Metallurgy (Member #303598). Mr Day has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Day consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

### Rocklands style mineralisation

Dominated by dilational brecciated shear zones, throughout varying rock types, hosting coarse splashy to massive primary mineralisation, high-grade supergene chalcocite enrichment and bonanza-grade coarse native copper. Structures hosting mineralisation are sub-parallel, east-south-east striking, and dip steeply within metamorphosed volcano-sedimentary rocks of the eastern fold belt of the Mt Isa Inlier. The observed mineralisation, and alteration, exhibit affinities with Iron Oxide-Copper-Gold (IOCG) classification. Polymetallic copper-cobaltgold mineralisation, and significant magnetite, persists from the surface, through the oxidation profile, and remains open at depth.

### Resource Copper Equivalent Calculation

The formula for calculation of copper equivalent is based on the following metal prices and metallurgical recoveries:

Copper: \$3.20 US\$/lb; Recovery: 95.00%

Cobalt: \$18.00 US\$/lb; Recovery: 90.00%

Gold: \$1200.00 US\$/troy ounce; Recovery: 75.00%

Magnetite: \$140.00 US\$/tonne; Recovery 80.00%

$$\text{CuEq\%} = \text{Cu \%} + \text{Co ppm} * 0.000533 + \text{Au ppm} * 0.431743 + \text{magnetite \%} * 0.016711$$

The recoveries used in the calculations are the average achieved to date in metallurgical test-work on primary sulphide, supergene, oxide and native copper zones. The Company's opinion is that all of the elements included in the copper equivalent calculation have a reasonable potential to be recovered. This information is extracted from the report entitled “Executive Summary - Feasibility Study, Rocklands Group Copper Project, Queensland, Australia”, created on 3 March 2016 and is available to view on [www.cudeco.com.au](http://www.cudeco.com.au).

## Disclaimer and Forward-looking Statements

This report contains forward-looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

## New information

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

**CUDECO LIMITED**

**ACN            000 317 251**

**Quarter ended ("current quarter")**

**14 000 317 251**

**31 December 2016**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	24,632	26,532
1.2 Payments for		
(a) exploration & evaluation	(37)	(212)
(b) development	(937)	(3,963)
(c) production	(10,532)	(12,972)
(d) staff costs	(4,265)	(9,945)
(e) administration and corporate costs	(728)	(2,131)
1.3 Dividends received (see note 3)		
1.4 Interest received	97	121
1.5 Interest and other costs of finance paid	(1,540)	(3,127)
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>6,690</b>	<b>(5,706)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5,049)	(10,532)
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(5,049)</b>	<b>(10,532)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	8,000
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		(466)
3.5 Proceeds from borrowings	2,776	2,776
3.6 Repayment of borrowings	(6,593)	(6,593)
3.7 Transaction costs related to loans and borrowings	(2,025)	(2,025)
3.8 Dividends paid		
3.9 Other (provide details if material)		
- Sale of Shares in Employee Share Plan	1,760	1,760
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(4,082)</b>	<b>3,452</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	5,788	16,400
4.2 Net cash from / (used in) operating activities (item 1.9 above)	6,690	(5,706)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5,049)	(10,532)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(4,082)	3,452

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	110	(157)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,457</b>	<b>3,457</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,892	46
5.2	Call deposits	565	5,742
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,457</b>	<b>5,788</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

244

-

Section 6.1: \$244,000 relates to December 2016 quarter Directors fees paid.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

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## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	82,920	82,920
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	2,776	2,776
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Section 8.1 - This relates to the loan facility with Minsheng Bank Corporation for construction costs. The facility is secured by a registered charge over the assets of the Group. Interest rate payable is the aggregate of LIBOR for three months plus a 3.5% margin plus a 2% management fee.

Section 8.3 – Relates to two pre-shipment finance facilities of USD1.0m each for advance payment of copper concentrate shipments. The facilities are fully drawn and attract interest of 6.5% per annum.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	490
9.2 Development	687
9.3 Production	24,392
9.4 Staff costs	4,713
9.5 Administration and corporate costs	637
9.6 Other (provide details if material)	30,710
<b>9.7 Total estimated cash outflows</b>	<b>61,629</b>

Section 9.6 - The expected cash outflows relates to \$20.3M (US\$15M) loan repayment to Minsheng Banking Corporation due March 2017, capital plant and equipment payments, asset development payments and loan facility interest (as detailed in section 8).

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	n/a			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	n/a			

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  .....

(Director/Company Secretary)

Date: 31 January 2017

Print name: Bruno Bamonte

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.