CuDeco Limited

ABN 14 000 317 251

Financial Report 2017

Contents

Corporate Directory

DIRECTORS	Peter Hutchison (Interim Chairman appointed 16 February 2017) Paul Keran Zhijun Ma Hongwei Liu Zhaohui Wu Zhu Mu Po (Alternate Director to Zhijun Ma) Wang Chiwei Benjamin Zhai
COMPANY SECRETARY	Leni Stanley
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
WEBSITE ADDRESS	www.cudeco.com.au

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

The principal continuing activities of the Consolidated Entity during the course of the financial year were mineral exploration, evaluation, mine development and construction, mining production and processing of copper concentrate, native copper and gold in Cloncurry, Queensland Australia

RESULTS AND DIVIDENDS

The result for period ended 30 June 2017 was a gross loss of $6.4m (2016: Nil) and net loss after tax of $135.6m (2016:$127.2m).

The loss after tax for the period includes non-cash depreciation and amortisation of $27.0m (2016:$4.0m), impairment losses of $76.9m (2016:$99.3m), ore inventory write down of $19.5m (2016: Nil) and foreign exchange gains of $3.0m (2016: $2.6m loss), relating mainly to the foreign exchange currency movement on the Company's loan facility which is denominated in US dollars ($US). The Company has chosen not to hedge this loan for foreign currency movements as current and future copper sales will also be denominated in $US and provide a natural hedge to the loan.

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

Review of Operations

During the year ended 30 June 2017, the Company completed development and construction of the Rocklands Copper project ('Rocklands') based in Cloncurry, Queensland. The mine was commissioned on 1 October 2016 and has been gradually ramping up production towards nameplate capacity. As a result of below budget performance and increased processing costs, the group completed an impairment test of the Rocklands mining operation (note 27) and recorded impairment of $76.0m at 30 June 2017. In addition the group recorded impairment of exploration and evaluation assets of $0.9m and ore inventory write down of $19.5m. The following is a detailed review of the operation, including significant events up to the date of this report:

Mining Operations & Mine Planning

- Mining operations recommenced on 15 March 2017 having been suspended to allow effective and efficient operation of the newly commissioned processing plant. During this period the Group had adequate ore stockpiles to process.

- A total of 891,849 tonnes of ore and 2,407,215 tonnes of waste were mined for the period ended 30 June 2017.

- The mine plan and schedule were provided to five (5) separate mining contractors for tender and the most cost effective and efficient contractor was selected.

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

- The phase 1 mining contract is for a total of 5,100,000 tonnes of ore and waste from LM2. At the end of June, a total of 3,300,000 million tonnes had been mined with the remaining 1,800,000 tonnes moved during the period to 12 September. Phase 2 commenced immediately thereafter.

Processing Plant

The processing plant was officially commissioned on 1 October 2016. The commissioning phase test runs for the native copper and copper sulphide concentrate facilities of the plant was undertaken during the quarter ended 30 September 2016. Since then, the Company has been ramping up production and is planning to achieve consistent nameplate capacity by 31 December 2017.

A total of 1,395,231 dry metric tonnes of ore was processed during the year with a head grade of 1.39% Cu. Total copper metal produced was 13,447 dry metric tonnes, 3,011 dry metric tonnes in Native copper and 10,436 dry metric tonnes of copper metal in sulphide concentrates equivalent to 46,223 dry metric tonnes of total Copper concentrate.

Copper flotation recovery for the year ended 30 June 2017 was 72.5%. This was lower than the initial feasibility study rate of 93% due to conflicting processing methodologies of primary (CPY) and partially-weathered (CC) ore types.

Existing high grade stockpiles were rapidly depleted for processing during the year ended 30 June 2017. Considerable volumes of oversize ore were identified in high grade primary stockpiles which caused restrictions on crusher throughput. This was overcome by better management of the crusher unit. Management are upgrading the crusher unit for a longer term solution.

Sales and Marketing

The Company achieved nine (9) shipments totalling 40,276 dry metric tonnes of sulphide copper concentrates and eight (8) shipments totalling 3,305 dry metric tonnes of native copper concentrates to our customers during the period ended 30 June 2017.

Exploration

The Company made a strategic decision to scale down its exploration activities to concentrate its efforts and resources towards completing construction and commissioning of the processing plant. Limited exploration activity during the period included Bedrock RAB and RC drilling on EPM18054 and EPM25426.

Management remains committed to increasing the company’s resources and reserves assets and have in place a plan to expand current exploration activities throughout the year 2018 and 2019 within and outside the current mining lease areas.

Corporate

During the period ended 30 June 2017 the Company: -

- Completed a rights issue announced in May 2016, having raised in total approximately $63.0m (before costs). $53.1m was raised prior to 30 June 2016 with the remaining $10.0m raised in August 2016. It was announced on 15 August 2016 that the sub underwriters to the Company’s recent Rights Issue had subscribed for the remaining 12,500,000 ordinary shares at $0.80 per share (representing $10.0m in issue proceeds before costs) pursuant to the underwriting agreement. $2.0m of the issue proceeds were received prior to 30 June 2016 with allotment of shares being undertaken on 16 August 2016.

- Relocated its corporate office from Southport to Brisbane on 19 September 2016 for strategic and logistical reasons.Officially opened Rocklands Copper Mine with an event on 28 October 2016.

- Sold 4,000,000 shares at $0.44 per share valued at $1.8m in the Employee Share Plan unit trust on 22 December 2016.

- On 24 March 2017, the company signed a Deed of Remediation (‘the Deed’) with a major supplier for amounts owing of $31.83m for construction and commissioning of the processing plant. Under the terms of the Deed an extended repayment period has been agreed, ending 31 December 2018. Principal repayments of $20.1m are due within 12 months with the remaining principal of $9.4m due by 31 December 2018 in accordance with an agreed payment schedule. Interest is payable at the rate of 6% per annum on the outstanding balance.

- The Company executed a Convertible Note Subscription Agreement with Gemstone 101 Ltd (‘Subscriber’) to raise $22.0m through the issuance of 44 million convertible notes at $0.50 each, plus 4.4m free options. The Convertible Note Subscription Agreement was executed on 31 March 2017 and the funds were received by the Company on 21 April 2017.

- The company entered into two (2) short term facilities of HKD80.0m and USD$4.8m equivalent of USD$15.0m with maturity dates of 10 July 2017 and 26 July 2017 respectively the proceeds of which were used to settle the Minsheng loan principal repayment of USD$15.0m due on 30 June 2017.

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 2017. 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:

Peter Robert Hutchison
MRACI Ch Chem
Interim Chairman
(Director since 2004)

Mr Hutchison (68 years) is a process chemist and hydro metallurgist with over 40 years industry experience involving 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 but agreed to remain on as a non-executive Director. On 16 February 2017, he was appointed Interim Chairman of the Board.

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.

Benjamin Zhai **Non – Executive Director** (Appointed 18 May 2017**)**	Mr Zhai (44 years) currently serves as Director of Valuestone Global resources fund. He has over 20 years' experience in natural resources investment and TMT industry, including serving as director of a Toronto stock exchange listed company. He has a Bachelor of Science degree from the South China University of technology and an MBA from the University of Minnesota.
Chiwei Wang **Non- Executive Director** (Appointed 16 January 2017)	Mr Wang (62 years) 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.
Dr Noel White Independent, Non-Executive Chairman (Chairman since 28 January 2016 resigned 16 February 2017)	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 brought to CuDeco a wealth of detailed technical knowledge and international contacts across the resource industry.
Dr Dianmin Chen **Managing Director** (Appointed Director on 14 December 2015 and Managing Director on 20 May 2016. Resigned 21 February 2017)	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.

None of the Company's Directors have held office as directors of other public listed companies in the three year period ended 30 June 2017 (except as disclosed above).

COMPANY SECRETARY

Leni Stanley
(Appointed 18 May 2017)
Ms Stanley has been a member of the Institute of Chartered Accountants for more than 20 years and is the principle of SYA Corporate Services Pty Ltd a company that focuses on provision of Company Secretarial Services mainly to resource companies.

Bruno Joseph Bamonte
(Resigned 18 May 2017)
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 eight (8) Directors including the Chairman of the Board, six (6) of whom are considered non-executive and two (2) 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 1 October 2016, the Company commissioned its Rockland project and commenced production of Copper concentrate, Native Copper Concentrate and Gold. Other than as detailed in other parts of the Directors Report there were no significant changes in the state of the consolidated entity.

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:

- The Company secured a six (6) month term facility of HKD40m which expires on 10 January 2018. The proceeds were used to repay the short term facility of USD$4.8m secured on 26 June 2017.

- The Company was granted an extension to its short term facility (Loan No.1) of HKD80m (approx. US$10m) to 31 October 2017 from the initial repayment date of 21 July 2017. This was further extended on 13 October 2017 with a new maturity date of 31 December 2017.

- The Company is currently negotiating with various parties, including a major Australian Bank, to secure a long term restructured finance facility.

- The Company entered into a Copper Concentrate Sales agreement with Mitsui & Co., Ltd (Mitsui). Under the agreement Mitsui prepaid USD$20m to CuDeco. The funds were used to repay the USD$15.0m due to Minsheng Banking Corporation Limited on 31 October 2017 with the balance of USD$5.0m being applied to working capital.

- The Company was in breach of the Second Amendment Deed with Minsheng Bank as its audited accounts were not lodged within 90 days of the financial year ended 30 June 2017. In addition, the Company was also in breach of its borrowing facility with Quam as the Company's shares have been suspended from trading for longer than 5 days. The Company has received acknowledgement of the breach from both financiers and confirmation that no further actions are being taken at this time.

LIKELY DEVELOPMENTS

The Consolidated Entity will continue exploration and evaluation activities with its focus being on mining production and processing of Ore at its Rockland mining operations located in Cloncurry Queensland. Further commentary on likely developments over the forthcoming year is provided in the "Review of Operations".

The National Greenhouse and Energy Reporting Act 2007 requires the group to report its annual greenhouse gas emissions and energy use. The group has implemented systems and processes for the collection and calculation of the data required and submitted its 2016/17 report to the Greenhouse and Energy Data Officer on 7 September 2017.

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 2017 are:

	Full meetings of directors		Meetings of committees			
			Audit and Risk		Human Resources, Remuneration & Nominations	
	A	B	A	B	A	B
Current Directors						
P Hutchison	12	13	2	2	*	*
P Keran	12	13	2	2	-	-
H Liu	11	13	*	*	-	-
Z Ma	-	13	*	*	*	*
Z Po (Alternate)	11	13	*	*	*	*
Z Wu	13	13	2	2	*	*
C Wang	3	4	*	*	*	*
B Zhai	1	1	*	*	*	*
Past Directors						
N White	10	10	*	*	-	-
D Chen	10	10	*	*	*	*

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.

The Audit and Risk Committee at year end consists of Zhaohui Wu, Peter Hutchison, and Paul Keran.

The Human Resources, Remuneration and Nominations Committee consists of H Liu and P Keran. N White, resigned from the committee on 16 February 2017. The committee did not meet during the financial year ended 30 June 2017.

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
P Hutchison	1,097,284	291,666	-
P Keran	102,082	116,666	-
H Liu	124,000	100,000	-
Z Ma	-	-	-
Z Wu	-	-	-
Z Po (Alternate)	-	-	-
C Wang	-	-	-
B Zhai	-	-	-

LISTED SHARE OPTIONS

As at the date of this report, there were nil (2016: nil) 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: -

a. The Company has issued no new loan shares to employees.

b. 291,666 loan shares have been forfeited by employees due to the termination of their employment with the Company.

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 – Resigned 21 February 2017

Non-Executive Directors

Peter Hutchison – Appointed Interim Chairman 16 February 2017
Paul Keran
Hongwei Liu
Zhaohui Wu
Zhijun Ma
Zhu Mu Po - Alternate Director to Mr Z Ma
Chiwei Wang – Appointed 16 January 2017
Benjamin Zhai – Appointed 18 May 2017
Noel White – Resigned 16 February 2017

Other Senior Management

Mark Gregory – Chief Executive Officer (Appointed 21 February 2017)
Jiang Gongyang – Chief Operating Officer (Appointed 1 March 2017)
Levy Mwanza – Financial Controller (Appointed 4 May 2017)
Joe Skrypniuk – Acting General Manager (Appointed 17 February 2017)
Bruno Bamonte – Chief Financial Officer (up to 22 August 2016) and Company Secretary (Resigned 18 May 2017)
David Wrigley – Chief Financial Officer (Appointed 22 August 2016, Resigned 4 May 2017)
Mark Roberts – Rockland Project General Manager (Resigned 21 January 2017)

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.

REMUNERATION REPORT - AUDITED (continued)

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.

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.

For other KMP, the vesting of certain shares issued under the loan funded share plan were 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.

		At risk	
	Fixed remuneration	**Short-term incentive**	**Long-term incentive**
CEO	100%	0%	0%
CFO	100%	0%	0%
Other executives	100%	0%	0%

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.

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, and Hongwei Liu. The committee's terms of reference include reviewing and as appropriate making recommendations to the board on:

REMUNERATION REPORT - AUDITED (continued)

- 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. The Committee did not meet during the year ended 30 June 2017.

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 may consist of the following key elements:

- Fixed remuneration
- Variable Remuneration

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 generally 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 $600,000 per annum for non-executive directors' fees. After an initial qualifying period, the annual remuneration of non-executive Directors is set at $60,000 plus superannuation at the statutory guarantee level.

REMUNERATION REPORT - AUDITED (continued)

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 generally 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 and or Officers 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 or Executive officers 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 – Chief Executive Officer

A formal employment contract for the Chief Executive Officer (CEO) is in place effective from 21 February 2017. Under this contract the annual base salary of the CEO for the financial year is as follows:

	Base Salary	Superannuation
	$	$
M. Gregory (CEO)	355,385	19,615

Employment Contracts – Executive Officers

The executive officer 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 25% 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 officers 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 generally reviews the performance of the Executives and make recommendations to the Board as to the quantum of the bonuses to be paid. For the year ended 30 June 2017, no bonuses were agreed to be paid.

REMUNERATION REPORT - AUDITED (continued)

Employment Contracts – Other Executives

Jiang Gonyang was appointed the new Chief Operating Officer on 1 March 2017. A contract was agreed upon providing for remuneration of $375,000 inclusive of superannuation p.a. The appointment can be terminated by either party by providing three months' notice. There are no further entitlements to the executive on the termination of his agreement.

Joseph Skrypniuk was appointed acting General Manager on 17 February 2017. A contract was agreed upon providing for remuneration of $240,000 inclusive of superannuation p.a. The appointment can be terminated by either party by providing two months' notice. There are no further entitlements to the executive on the termination of his agreement.

Levy Mwanza was appointed Financial Controller on 4 May 2017. A contract was agreed upon providing for a remuneration of $186,150 inclusive of superannuation 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.

Bruno Bamonte has been the company secretary and Chief Financial Officer of the company since 6 June 2011 and resigned 18 May 2017. 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.

David Wrigley was appointed the Chief Financial Officer of the company on 22 August 2016 and resigned 4 May 2017. A contract was entered into effective 16 August 2016 and provides for remuneration of $280,000 p.a. The appointment can be terminated by either party by providing three (3) months' notice. There are no further entitlements to the executive on termination of his agreement.

Dianmin Chen was appointed Managing Director of the company on 20 May 2016 and resigned 21 February 2017. A contract was entered into effective 20 May 2016 and provided for remuneration of $650,000 inclusive of superannuation p.a. The appointment can be terminated by either party by providing three (3) months' notice. There are no further entitlements to the executive on termination of his agreement.

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. The appointment can be terminated by either party by providing 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. For the years ended 30 June 2016 and 2015, no bonuses were paid. This contract was terminated during the year ended 30 June 2016. Peter Hutchison now serves as Interim Chairman of the board effective 16 February 2017.

Consequences of performance on shareholder wealth

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

	30 June 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Share price	$0.24	$0.465	$1.70	$1.71	$2.00
Profit (loss)	(135,585,000)	$(127,198,000)	$(131,455,000)	$(4,545,899)	$(3,993,189)
Dividends	-	-	-	-	-

As the Consolidated Entity is still in the early production stages it is not considered appropriate to link remuneration to company profitability and shareholder wealth. 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 nameplate capacity, after which time the main criteria that the executive will be assessed will be the profitability of the Consolidated Entity.

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
P Hutchison	(2)	**2017**	**87,791**	**-**	**-**	**8,340**	**-**	**-**	**96,131**	**0.00%**	**0.00%**
		2016	585,205	-	894,386	37,690	2,505	(114,046)	1,405,740	0.00%	0.18%
N White	(3)	**2017**	**68,750**	**-**	**-**	**6,531**	**-**	**-**	**75,281**	**0.00%**	**0.00%**
		2016	55,000	-	-	4,354	-	-	59,354	0.00%	0.00%
D Chen	(4)	**2017**	**442,548**	**-**	**115,312**	**35,022**	**(11,256)**	**-**	**581,626**	**0.00%**	**0.00%**
		2016	71,775	-	-	6,819	11,256	-	89,850	12.53%	12.53%
P Keran		**2017**	**60,000**	**-**	**-**	**5,700**	**-**	**-**	**65,700**	**0.00%**	**0.00%**
		2016	65,000	-	-	5,700	1,002	-	71,702	1.40%	1.40%
Z Ma		**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**N/A**	**N/A**
		2016	50,000	-	-	-	-	-	50,000	0.00%	0.00%
H Liu		**2017**	**60,000**	**-**	**-**	**-**	**-**	**-**	**60,000**	**0.00%**	**0.00%**
		2016	44,583	-	-	-	24,987	-	69,570	35.92%	35.92%
Z Wu		**2017**	**60,000**	**-**	**-**	**5,700**	**-**	**-**	**65,700**	**0.00%**	**0.00%**
		2016	44,583	-	-	4,038	-	-	48,621	0.00%	0.00%
W. Chiwei	(5)	**2017**	**27,500**	**-**	**-**	**-**	**-**	**-**	**27,500**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
B Zhai	(6)	**2017**	**7,068**	-	-	-	-	-	**7,068**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
M Gregory	(7)	**2017**	**109,349**	**-**	**-**	**10,388**			**119,737**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
J Gongyang	(8)	**2017**	**106,614**	**-**	**-**	**8,550**	**-**	**-**	**115,164**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
L Mwanza	(9)	**2017**	**26,548**		**-**	**2,522**	**-**	**-**	**29,070**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
J Skrypniuk	(10)	**2017**	**143,308**	**-**	**-**	**13,614**	**-**	**-**	**156,922**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
B Bamonte	(11)	**2017**	**129,500**	**-**	**-**	**-**	**(4,250)**	**-**	**125,250**	**0.00%**	**0.00%**
		2016	175,500	-	-	-	4,250	-	179,750	2.36%	2.36%
D Wrigley	(12)	**2017**	**227,108**	**-**	**154,736**	**24,941**	**-**	**-**	**406,785**	**0.00%**	**0.00%**
		2016	-	-	-	-	-	-	-	N/A	N/A
M Roberts	(13)	**2017**	**175,704**	**-**	**-**	**15,665**	**-**	**-**	**191,369**	**0.00%**	**0.00%**
		2016	136,634	-	-	13,875	-	-	150,509	0.00%	N/A
W McCrae	(14)	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**N/A**	**N/A**
		2016	432,968	-	251,727	35,000	2,505	(188,645)	533,555	0.27%	0.27%
G Lambert	(15)	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**N/A**	**N/A**
		2016	12,959	-	-	1,231	1,002	-	15,192	6.60%	6.60%
D Taylor	(16)	**2017**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**N/A**	**N/A**
		2016	70,000	-	-	6,650	1,002	-	77,652	1.29%	1.29%
Total		**2017**	**1,731,788**	**-**	**270,048**	**136,973**	**(15,506)**	**-**	**2,123,303**		
Total		2016	1,744,207	-	1,146,113	115,357	48,509	(302,691)	2,751,495		

Notes to Remuneration table

(1) Shares issued pursuant to the loan funded employee share plan are treated as in-substance options.
(2) P. Hutchison – appointed as Interim Chairman of the board on 16 February 2017
(3) N White – resigned as chairman of the board on 16 February 2017
(4) D Chen – resigned as Managing Director on 21 February 2017
(5) C. Wang – appointed Non-executive Director on 16 January 2017
(6) B Zhai – Appointed Non-executive Director on 18 May 2017.
(7) M Gregory – appointed as CEO on 21 February 2017.
(8) J Gongyang – appointed as COO on 1 March 2017.
(9) L. Mwanza – appointed as Financial Controller on 4 May 2017.
(10) J. Skrypniuk – appointed acting General manager 17 February 2017.
(11) B Bamonte – resigned as CFO on 22 August 2016.
(12) D Wrigley – appointed as CFO on 22 August 2016 and resigned as CFO on 4 May 2017.
(13) M Roberts – resigned 21 January 2017.
(14) W McCrae - resigned 24 July 2015
(15) G Lambert - resigned 18 September 2015
(16) D Taylor - resigned 20 January 2016

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
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

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

REMUNERATION REPORT - AUDITED (continued)

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

	Held at 30 June 2016	Granted as Compen-sation 2017	Forfeited in 2017	Vested during the year 2017	Held at 30 June 2017	Vested and Exercisable at 30 June 2017
P Hutchison	291,666	-	-	-	291,666	291,666
P Keran	116,666	-	-	-	116,666	116,666
H Liu	100,000	-	-	-	100,000	100,000
B Bamonte	291,666	-	(291,666)	-	-	-

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.

Shareholdings

The number of Ordinary Shares in the company held by KMP at 30 June 2017, including shares held by related parties, are set out below: -

KMP	Opening Balance 30 June 2016 (or date Started with the company)	Received as Remuneration	Options Exercised	Net Change Other – shares acquired on market	Balance 30 June 2017
P Hutchison	1,097,284				1,097,284
N White	-	-	-	-	-
D Chen	-	-	-	-	-
P Keran	102,082	-	-	-	102,082
Z Ma	-	-	-	-	-
H Liu	124,000	-	-	-	124,000
Z Wu	-	-	-	-	-
C Wang	-	-	-	-	-
Z Po (altenative)	-	-	-	-	-
B Zhai	-	-	-	-	-
M Roberts	-	-	-	-	-
L Mwanza	-	-	-	-	-
D Wrigley	-	-	-	-	-
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 2017, including options held by their related entities, are set out below.

REMUNERATION REPORT - AUDITED (continued)

Key management personnel	Balance 30 June 2016	Movement during the year				Balances as at 30 June 2017		
	Total Options	Granted as remuneration	Acquired	Exercised	Forfeited /Expired	Total Options	Options Unvested	Total Vested & Exercisable
N White	-	-	-	-	-	-	-	-
D Chen	3,000,000	-	-	-	(3,000,000)	-	-	-
P Hutchison	291,666	-	-	-	-	291,666	-	291,666
P Keran	116,666	-	-	-	-	116,666	-	116,666
Z Ma	-	-	-	-	-	-	-	-
H Liu	100,000	-	-	-	-	100,000	-	100,000
Z Wu	-	-	-	-	-	-	-	-
M Roberts	-	-	-	-	-	-	-	-
B Bamonte	291,666	-	-	-	(291,666)	-	-	-
	3,799,998	-	-	-	(3,291,666)	508,332	-	508,332

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

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.

	2017 $'000	2016 $'000
Rents paid or payable to Mr McCrae and his director-related entities. [1]	-	25

There were no balances due to Directors and Director Related Entities at period end.

[1] Mr McCrae resigned 24 July 2015.

Other Transactions with Key Management Personnel

In the 2017 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 tenements and mining licences 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 and licence 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 $83,437 (2016:$61,142) 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 2017 other than an ongoing case in which a former Company Managing Director commenced legal action for alleged unpaid entitlements of $5.7m. Management are confident that the named Director was compensated according to his legally binding employment agreement. Management are confident of successfully defending the claim.

During the financial year KPMG, the Consolidated Entity'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

NON-AUDIT SERVICES

- 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:

	2017	2016
	$	$
Statutory audit and review services		
Auditors of the Group		
- audit and review of financial reports	**226,840**	225,854
	226,840	225,854
Services other than statutory audit		
- tax compliance services	**23,778**	26,888
	23,778	26,888
Other auditors		
Other assurance, taxation and due diligence services	**-**	44,794

ROUNDING OFF

The Consolidated Entity 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

Peter Hutchison
Interim Board Chairman
25 October 2017

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 of Cudeco Limited for the financial year ended 30 June 2017 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

Adam Twemlow
Partner

Bundall
25 October 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	**2017 $'000**	2016 $'000
CONTINUING OPERATIONS			
Revenue		**79,608**	-
Costs of sales	9	**(86,040)**	-
GROSS PROFIT/(LOSS)		**(6,432)**	-
Other income		**9**	202
Selling and distribution costs	9	**(4,260)**	-
Administrative costs	9	**(18,397)**	(28,037)
Exploration costs		**(1,101)**	(318)
Inventory write down	15	**(19,491)**	-
Impairment loss mining assets	27	**(76,000)**	(99,276)
Impairment of exploration and evaluation assets	19	**(931)**	-
OPERATING PROFIT/(LOSS)		**(126,603)**	(127,429)
Finance income	8	**374**	231
Finance costs	8	**(9,356)**	-
Net finance income/(costs)		**(8,982)**	231
PROFIT/(LOSS) BEFORE INCOME TAX		**(135,585)**	(127,198)
Income tax benefit / (expense)		**-**	-
PROFIT/(LOSS) AFTER INCOME TAX		**(135,585)**	(127,198)
OTHER COMPREHENSIVE INCOME			
Total items that will not be reclassified to profit or loss		**-**	**-**
Total items that may be reclassified subsequently to profit or loss		**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS)		**(135,585)**	(127,198)
		Cents	**Cents**
EARNINGS PER SHARE:			
Basic earnings / (loss) per share	12	**(34.9)**	(42.2)
Diluted earnings / (loss) per share	12	**(34.9)**	(42.2)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	13	**3,922**	16,400
Trade and other receivables	14	**12,799**	334
Inventories	15	**13,158**	21,730
Other assets	16	**152**	836
TOTAL CURRENT ASSETS		**30,031**	39,300
NON CURRENT ASSETS			
Inventories	15	**4,690**	5,143
Property, plant and equipment	17	**156,016**	213,124
Development expenditure	18	**97,884**	139,247
Exploration and evaluation assets	19	**8,555**	9,386
Other assets	16	**11,692**	12,842
TOTAL NON-CURRENT ASSETS		**278,837**	379,742
TOTAL ASSETS		**308,868**	419,042
CURRENT LIABILITIES			
Trade and other payables	20	**53,740**	39,806
Loans and borrowings	21	**59,723**	88,371
Provisions	22	**667**	547
TOTAL CURRENT LIABILITIES		**114,130**	128,724
NON-CURRENT LIABILITIES			
Trade and other payables	20	**9,406**	-
Loans and borrowings	21	**22,000**	-
Provisions	22	**11,621**	12,790
TOTAL NON-CURRENT LIABILITIES		**43,027**	12,790
TOTAL LIABILITIES		**157,157**	141,514
NET ASSETS		**151,711**	277,528
EQUITY			
Contributed Equity	23	**572,880**	561,120
Equity to be issued		**-**	2,000
Reserves	25	**60,464**	60,457
Accumulated losses		**(481,633)**	(346,049)
TOTAL EQUITY		**151,711**	277,528

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Contributed Equity $'000	Equity to be Issued $'000	Accumulated Losses $'000	Option Reserve $'000	Capital Realisation Reserve $'000	Capital Redemption Reserve $'000	Total Equity $'000
BALANCE AT 1 JULY 2015	**478,535**	**-**	**(218,851)**	**58,252**	**95**	**432**	**318,463**
Profit (Loss) for the year	-	-	(127,198)	-	-	-	(127,198)
Total comprehensive loss	-	-	(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 AT 30 JUNE 2016	**561,120**	**2,000**	**(346,049)**	**59,930**	**95**	**432**	**277,528**
Profit (Loss) for the year	-	-	(135,585)	-	-	-	(135,585)
Total comprehensive loss	-	-	(135,585)	-	-	-	(135,585)
Rights issue	8,000	-	-	-	-	-	8,000
Share issue allotment	2,000	(2,000)	-	-	-	-	-
Sale of shares under employee share plan	1,760	-	-	-	-	-	1,760
Share based payment expense	-	-	-	7	-	-	7
BALANCE AT 30 JUNE 2017	**572,880**	**-**	**(481,634)**	**59,937**	**95**	**432**	**151,711**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts in the course of operations		**69,644**	202
Payments in the course of operations		**(51,989)**	(20,654)
Interest paid		**(7,960)**	-
Interest received		**378**	201
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	29	**10,073**	(20,251)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(14,234)**	(38,013)
Payments for exploration and evaluation assets		**(346)**	(171)
Payments for mine development costs		**(14,941)**	(12,802)
Proceeds from sale of plant and equipment		**-**	837
Proceeds from/(payments for) security deposits		**1,099**	(10,642)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**(28,422)**	(60,791)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**9,760**	83,085
Proceeds for equity to be issued		**-**	2,000
Proceeds from borrowings		**46,607**	8,777
Repayment of borrowings		**(47,371)**	-
Payment of borrowing costs		**(2,425)**	-
Share issue / buy back costs		**(467)**	(50)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**6,104**	93,812
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS HELD		**(12,245)**	12,770
Cash and cash equivalents at the beginning of the financial year		**16,400**	3,574
Effect of foreign exchange rates on cash and cash equivalents		**(233)**	56
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	13	**3,922**	16,400

The above consolidated statement of cash flows 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 production of copper concentrate, native copper and gold at its Rocklands mine 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 25 October 2017.

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 2017 are included in the following notes:

- Note 5 – Going Concern;
- Note 15 – Inventory;
- Note 17 – Property plant and equipment;
- Note 18 – Development costs;
- Note 19 – Exploration and evaluation expenditure;
- Note 21 – Loans and borrowings;
- Note 22 – Provisions; 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 FC and CEO.

The FC and CEO 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 23 – contributed equity
- 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 2017 the Group had cash on hand of $3.9m, net assets of $151.7m and a net current asset deficiency of $84.1m. The Group recorded a loss after tax of $135.6m for the year ended 30 June 2017 including impairment of $76.0m relating to the Rocklands project, non-cash depreciation and amortisation charges of $27.0m, ore inventory write down of $19.5m and foreign exchange gains of $3.0m.

It is noted that during the year the Company breached its facility agreement with China Minsheng Banking Corporation Limited ('Minsheng Bank') as its audited accounts were not lodged within 90 days of the financial year ended 30 June 2016. In addition, the principal repayment of US$20m was not paid by the due date of 31

5. GOING CONCERN (continued)

October 2016. On 21 December 2016 a Second Amendment Deed was executed with Minsheng Bank which revised the contracted principal repayment dates. Principal payments of US$15m are now due quarterly commencing 31 March 2017. The Company also breached the Second Amendment Deed with Minsheng Bank as the US$15m principal repayment due on 31 March 2017 was not met by the due date.

During the year, the Group raised $8.0m (net of costs) through the rights issue that was announced on 30 May 2016. In addition, the Company executed a Convertible Note Subscription Agreement with Gemstone 101 Ltd to raise $22.0m through the issuance of 44 million convertible notes at $0.50 each, plus 4.4m free options. The funds were received on 21 April 2017 and were used for the principal repayment that was due to Minsheng Bank on 31 March 2017 of US$15.0m.

Further, on 26 June 2017 the Group entered into two short term borrowing facilities for US$4.8m and HKD$80.0m from two separate investors with maturity dates of 10 July 2017 and 26 July 2017 respectively. The funds were used for the principal repayment that was due to Minsheng Bank on 30 June 2017 of US$15.0m.

The Company completed construction and commissioned the Rocklands processing plant on 1 October 2016. Post commissioning, shipments totalling 40,276 dry metric tonnes of sulphide copper concentrates and shipments totalling 3,305 dry metric tonnes of native copper concentrates to customers have been successfully completed. As production continues to ramp up, the Group plans to increase its monthly shipment quantities.

On 24 March 2017, the Company signed a Deed of Remediation (‘the Deed’) with a supplier for the amounts owing under a construction and commissioning contract relating to the Rocklands project. Under the terms of the Deed an extended repayment period was agreed which require repayments of approximately $20.1m by 30 June 2018 and the balance of $9.4m payable by 31 December 2018.

In addition to the construction and commissioning contract liabilities outlined above, the Group has other current trade creditors, payables & accruals and borrowings of $35.9m, of which approximately $6.3m are generally past due. The Group continues to trade with these existing suppliers, but has no formal agreements to defer the payment of amounts that are past due.

On 26 September 2017, the Company executed an off-take agreement for copper concentrate with Mitsui & Co., Ltd (‘Mitsui’). Under the terms of the agreement, Mitsui have provided the Company with US$20.0m representing a prepayment against future copper concentrate shipments. The Company has agreed to deduct US$3.33m from the total of each future shipment until full repayment has been achieved which is expected to occur in September 2018.

The Company received the US$20.0m from Mitsui on 28 September 2017 and applied US$15.0m to make the principal repayment that was due to Minsheng Bank on 30 September 2017.

Subsequent to year end, the Company refinanced the US$4.8m short term borrowing facility with a HKD$40.0m secured term loan facility with Quam Limited (‘Quam’). The new borrowing facility with Quam attracts interest at 5.5% per annum and has a maturity date of 10 January 2018. In addition, the HKD80.0m borrowing facility that was due to expire on 26 July 2017 was extended to 31 December 2017 and continues to attract interest at the revised rate of 12.0% per annum.

Subsequent to year end the Company was in breach of the Second Amendment Deed with Minsheng Bank as its audited accounts were not lodged within 90 days of the financial year ended 30 June 2017. In addition, the Company was also in breach of its borrowing facility with Quam as the Company’s shares have been suspended from trading for longer than 5 days. The Company has received acknowledgement of the breach from both financiers and confirmation that no further actions are being taken at this time.

The Company continues in its negotiations with financiers to refinance its current debt and also with copper concentrate buyers wishing to secure available product offtake via prepayment arrangements.

5. GOING CONCERN (continued)

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 Company are critically dependent upon:

- The Group generating significant positive cash flows from production to meet its commitments, including agreed repayment time frames under the Deed of Remediation with a major supplier. This is dependent on an increase of production to nameplate capacity of the Rocklands mine processing plant and an acceptable level of recovery being achieved in the short-term; and
- Trade creditors not enforcing payment of overdue balances; and
- The Group successfully renegotiating or refinancing its various finance facilities or alternatively, 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.

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(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.

(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

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, treatment and refinement charges and amounts collected on behalf of third parties.
The Group recognises revenue where the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for major business activities as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue (continued)

Sales of metals, concentrates, ores and by-products are subject to long term contracts and revenue is recognised when effective control of the goods has passed to the buyer. Freight expenses are included in the distribution and cost of sales expenses respectively and are not deducted in arriving at revenue from the sale of goods.

As the final value of concentrate sales can only be determined from weights, assays, prices and exchange rates applying after a shipment has arrived at its destination, sales of concentrates are recorded at estimated values pursuant to contract terms, with adjustments being subsequently recognised in the period when final values are determined.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for doubtful debts. Trade receivables (90%-95% of invoiced value) are due for settlement on the date of recognition. The remaining balance (5%-10% of invoiced value) is due for settlement within 100 days after consensus agreement on quantities, grade and pricing with the customers. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, and subsequently at amortised cost less provisions for doubtful debts. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly

An allowance account (provision for doubtful debts) is used when there is objective evidence that the Company will not be able to collect all of the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

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.

(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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Mining assets (continued)

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

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

Property, plant and equipment is stated at historical cost less applicable depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment over its expected economic life to the consolidated entity. Each item's useful life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources of the mine property at which the item is located. Estimates of residual values and remaining useful lives are made on an annual basis. Straight line method is used. Land is not depreciated. The expected useful life of plant and equipment is as follows:

Buildings	5-10 years
Leasehold Building improvements	4-5 years
Plant and Equipment	5-10 years
Motor Vehicles	4-5 years
Computer & IT Equipment	3-5 years

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

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Mine Development

Development expenditure incurred by the consolidated entity is accumulated separately for each area of interest in which economically recoverable minerals have been identified to the satisfaction of the Directors. Direct development expenditure, pre-operating start-up costs and an appropriate portion of related overhead expenditures are capitalised as development costs up until the relevant area of interest is ready for use. The cost of acquiring mineral reserves and resources are capitalised on the statement of financial position as incurred.

Mine development costs are amortised over the estimated productive life of the mine on either a unit of production basis or years of operation basis, as appropriate. Amortisation commences when an area of interest is ready for use.

(l) 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.

(m) 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 recon touring, 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.

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:

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(n) 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.

(o) 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.

(p) 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.

(q) 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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Leases (continued)

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.

(r) 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.

(s) 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.

(t) 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.

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.

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(u) 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.

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

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Impairment (continued)

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.

(v) New standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016, 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.

	2017	**2016**
	$'000	**$'000**
8. FINANCE INCOME AND EXPENSES		
Finance income	**374**	231
	374	231
Finance expenses		
Borrowing costs	**1,945**	-
Interest costs	**7,411**	-
	9,356	-

9. EXPENSES

Loss before income tax for the year includes the following specific expenses

	2017	2016
	$'000	$'000
Depreciation and amortisation:		
Land and buildings	**1,220**	1,053
Plant and Equipment	**21,350**	2,918
Development assets	**4,473**	-
	27,043	3,971
Employee benefits:		
Salaries and wages staff	**17,646**	8,228
Non-Executive Directors fees	**1,230**	793
	18,876	9,021
Foreign exchange loss/(gain)	**(3,032)**	2,594
Mineral royalties	**4,260**	-

	2017	2016
	$	$

10. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the Group

	2017 $	2016 $
Audit and review services		
Auditors of the Company - KPMG		
Audit and review of financial statements	**226,840**	225,854
	226,840	225,854
Other services		
Auditors of the Company - KPMG		
In relation taxation services	**23,778**	26,888
Other auditors		
In relation to other assurance, taxation and due diligence services	**-**	44,794

It is the Group's policy to employ KPMG on assignments additional to their statutory audit duties where KPMG's expertise and experience with the Group are important. These assignments are principally tax advice, or where KPMG is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

11. INCOME TAX BENEFIT (EXPENSE)

	2017	2016
Reconciliation	**$'000**	$'000
Current Income Tax Expense		-
Deferred Income Tax Expense	**42,995**	38,805
Deferred tax not recognised	**(42,995)**	(38,805)
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	**(40,676)**	(38,159)
Permanent differences	**(2,319)**	(646)
Deferred tax not recognised	**42,995**	38,805
Income tax expense/benefit	**-**	-
Deferred Tax Balances		
Recognised deferred tax assets		
Unused tax losses	**-**	-
Temporary differences	**24,905**	**35,523**
	24,905	35,523
Recognised deferred tax liabilities	**(24,905)**	(35,523)
Assessable temporary differences	**-**	-
Net deferred tax recognised	**-**	-

	2017	2016
	$'000	$'000

11. INCOME TAX BENEFIT (EXPENSE) (continued)

	2017 $'000	2016 $'000
Unrecognised deferred tax assets		
Unrecognised tax losses	**280,374**	218,971
Unrecognised temporary differences	**132,886**	50,972
Deferred tax assets not taken up at 30% (2016: 30%)	**123,978**	80,983

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 2017 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.

12. EARNINGS PER SHARE

	2017	2016
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**388,000,259**	301,078,115
Weighted average number of ordinary shares and potential ordinary outstanding during the year used in calculation of diluted EPS	**388,000,259**	301,078,115
	$'000	$'000
Earnings (loss) used to calculate basic earnings per share	**(135,585)**	(127,198)
Earnings used to calculate diluted earnings per share	**(135,585)**	(127,198)

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.

13. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank and in hand	**3,922**	1,042
Deposits at call	**-**	15,358
	3,922	16,400

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

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

14. TRADE AND OTHER RECEIVABLES

Current

	2017 $'000	2016 $'000
Trade receivables	**9,475**	-
Accrued interest	**26**	35
GST receivable	**2,353**	163
Other receivables	**945**	136
	12,799	334

15. INVENTORIES

	2017 $'000	2016 $'000
Current		
Ore stockpiles	**5,536**	13,276
Copper concentrate	**3,682**	2,852
Consumables and spare parts	**3,940**	8,454
	13,158	21,730
Non-current		
Ore stockpiles	**-**	5,143
Consumables and spare parts	**4,690**	-
	4,690	5,143

During the year ended 30 June 2017 the Group tested ore stockpiles for impairment and wrote down low grade inventory to net realisable value, which resulted in a write down of $19.5m (2016; Nil). This was recognised as an expense during the year ended 30 June 2017 and included in profit or loss.

As at 30 June 2016 non-current ore inventory stockpiles related to low grade native copper expected to be realised after twelve months from balance date.

16. Other Assets

Current

	2017 $'000	2016 $'000
Prepayments	**152**	836
	152	836

		2017	2016
16. Other Assets (continued)		**$'000**	$'000
Non – current			
Security deposit		**11,692**	12,842

Included in the Security deposits is $11.62m (2016: $12.79m) for an environmental bond with the State of Queensland against rehabilitation attributable to mining operations for the Rocklands Project.

17. PROPERTY, PLANT AND EQUIPMENT

		2017	2016
Land and buildings			
At cost		**16,675**	15,994
Accumulated depreciation		**(6,509)**	(5,289)
Provision for impairment loss	**27**	**(2,541)**	(2,541)
Total land and buildings		**7,625**	8,164
Plant and equipment			
At cost		**363,217**	66,771
Accumulated depreciation		**(48,231)**	(26,881)
Provision for impairment loss	**27**	**(169,624)**	(2,785)
Total plant and equipment		**145,362**	37,105
Plant and equipment (work-in-progress)		**3,028**	288,294
Provision for impairment loss	**27**	**-**	(120,439)
		3,028	167,855
Total property, plant and equipment		**156,016**	213,124

During the year the Company recognised an impairment loss of $46.4m (2016:$59.8m) with respect to property, plant and equipment assets relating to the Rocklands project. As at 30 June 2017 the Company has recognised total provisions for impairment losses of $175.1m. (2016: $128.7m). 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.

Reconciliation

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year

	2017	2016
Land and buildings		
Carrying amount at the beginning of year	**8,164**	9,466
Additions during the year	**-**	33
Transfer of commissioned assets	**680**	-
Depreciation expensed	**(1,220)**	(1,335)
Carrying amount at the end of the year	**7,624**	8,164

	Note	2017 $'000	2016 $'000
17. PROPERTY , PLANT AND EQUIPMENT (continued)			
Reconciliation (continued)			
Plant and equipment			
Carrying amount at the beginning of year		**37,105**	10,372
Additions during the year		**10,088**	1,056
Equipment transferred from plant and equipment being commissioned		**165,919**	31,714
Equipment transferred from development expenditure		**-**	899
Disposals		**-**	(837)
Depreciation expensed		**(21,350)**	(6,099)
Provision for impairment	**27**	**(46,400)**	-
Carrying amount at the end of the year		**145,362**	37,105
Plant and equipment (work-in-progress)			
Carrying amount at the beginning of year		**167,855**	224,970
Additions during the year		**1,774**	34,659
Equipment transferred to plant and equipment		**(165,919)**	(31,714)
Equipment transferred to development costs		**-**	(248)
Transfer to land and Buildings		**(680)**	-
Provision for impairment – processing plant	**27**	**-**	(59,812)
		3,028	167,855
Carrying amount at the end of the year		**156,016**	213,124

18. DEVELOPMENT COSTS

	Note	2017 $'000	2016 $'000
Costs carried forward in respect of areas of interest in the development phase:			
Balance at the beginning of the year		**139,247**	160,335
Development costs incurred		**6,962**	16,009
Depreciation capitalised to development costs		**-**	3,464
Reduction in provision for rehabilitation		**(1,169)**	-
Amortisation		**(17,556)**	-
Transferred from property plant and equipment		**-**	248
Transferred to property, plant and equipment		**-**	(899)
Copper sales capitalised to development expenditure		**-**	(446)
Provision for impairment*	**27**	**(29,600)**	(39,464)
		97,884	139,247

During the year the Company recognised an impairment loss of $29.6m (2016:$39.5m) with respect to Development assets relating to the Rocklands project. As at 30 June 2017 the Company has recognised total provisions for impairment losses of $112.1m (2016: $82.5m). Further information about the impairment loss is included in note 27.

The development asset relates to the Rocklands Project. The ultimate recoupment of costs carried forward depends on the successful commercial exploitation or sale of the Rocklands Project. In the period to 30 June 2016 there was no amortisation of Development costs as production had not commenced.

19. EXPLORATION AND EVALUATION ASSETS

	2017 $'000	2016 $'000
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase:		
Balance at the beginning of the year	**9,386**	9,166
Exploration costs incurred	**100**	220
Provision for impairment	**(931)**	-
	8,555	9,386

At 30 June 2017 the Directors reviewed the exploration projects and resolved to impair the carrying value of certain tenements.

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

20. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Current		
Unsecured liabilities:		
Trade creditors	**8,286**	2,384
Sundry creditors and accrued expenses	**25,352**	4,325
Amounts payable under the construction contract	**20,102**	33,097
	53,740	39,806
Non-current		
Unsecured liabilities:		
Amounts payable under the construction contract	**9,406**	-

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 interest bearing at 6.0% per annum payable quarterly. The supplier has agreed to a payment schedule with $20.1m and $9.4m payable in the next twelve and eighteen months respectively as at 30 June 2017.

21. LOANS AND BORROWINGS

	2017 $'000	2016 $'000
Current		
Secured bank loans	**39,002**	87,449
Unsecured short term loans	**19,566**	-
Unsecured loan from a Shareholder	**2,000**	2,000
Unsecured loan	**333**	333
Borrowing costs	**(1,178)**	(1,411)
	59,723	88,371
Non-current		
Unsecured convertible note	**22,000**	-

21. LOANS AND BORROWINGS (continued)

Secured Bank Loans

The Company has a secured finance facility with China Minsheng Banking Corporation Limited ('Minsheng') of US$60m. This facility was used for construction costs relating to the processing plant. The facility is secured by a registered charge over the assets of the Company. The interest rate payable on the facility is the aggregate of LIBOR for three months plus a 3.50% margin plus a 2.00% management fee.

During the period the Company breached its facility agreement with Minsheng Bank as the Company did not lodge its annual financial report within 90 days of the financial year ended 30 June 2016.

On 21 December 2016 a Second Amendment Deed was executed with Minsheng Bank which revised the contracted principal repayment dates. Principal repayments of US$15m are now due quarterly commencing 31 March 2017.

The Company breached the Second Amendment Deed with Minsheng Bank as the US$15m principal repayment due on 31 March 2017 was not met. The Company made the US$15m payment to Minsheng Bank on 21 April 2017

The Company made the second quarterly US$15m payment to Minsheng Bank on 30 June 2017 in compliance with the Second Amendment Deed.

Subsequent to year end the Company made the third quarterly USD$15.0m payment to Minsheng Bank which was due 30 September 2017.

Subsequent to year end the Company breached its facility agreement with Minsheng Bank as the Company did not lodge its annual financial report within 90 days of the financial year ended 30 June 2017. Refer Note 5 Going Concern.

Unsecured short term loans

During the year ended 30 June 2017 the Group borrowed US$4.8m and HKD80.0m (AUD$19.5m/US$15.0m) from two separate investors on 26 June 2017 with maturity dates of 10 July 2017 and 26 July 2017 respectively. Both facilities attracted interest rates of 7.5% per annum. Proceeds were used to repay the Minsheng Bank principal repayment of US$15m that was due on 30 June 2017.

Both of the above short term loan facilities were refinanced or extended subsequent to year end (refer to Note 35).

Subsequent to year end the Company breached these agreements as its securities were suspended from trading for a period of five (5) days or greater from the ASX. Refer Note 5 Going Concern.

Unsecured Loan from a Shareholder

The Company borrowed $2.0m 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%.

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.

Secured Convertible Note

The Group borrowed $22.0m pursuant to a Convertible Note Subscription Agreement with Gemstone 101 Ltd ('Subscriber') through the issuance of 44 million convertible notes at $0.50 each, plus 4.4m free options. The convertible notes have a subscription period of two years and attract interest of 6.0% per annum. The Agreement was executed on 31 March 2017 and the funds were received by the Company on 21 April 2017.

The notes are convertible into ordinary shares at the option of the holder. Any unconverted notes become payable on maturity. In consideration of the contractual obligations associated with the convertible notes, the instruments have been recognised as a financial liability.

	2017	2016
22. PROVISIONS	**$'000**	$'000
Current		
Annual leave provision	**667**	513
Long service leave provision	**-**	34
	667	547
Non-current		
Long service leave provision	**-**	-
Rehabilitation provision *	**11,621**	12,790
	11,621	12,790

*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.

	2017	2016
23. CONTRIBUTED EQUITY	**$'000**	$'000
Issued and paid-up share capital		
2017: 391,570,122 (2016: 375,070,122) ordinary shares, fully paid	**572,880**	561,120
Equity to be issued – During prior 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**
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**
16 August 2016	Rights issue	12,500,000	$0.80	10,000
29 December 2016	Sales of shares employee plan	4,000,000	$0.44	1,760
		391,570,122		**572,880**

23. CONTRIBUTED EQUITY (Continued)

(b) Share Options

Expiry date	Exercise Price	Opening Balance 1 July 2016	Options Issued	Options Exercised	Options Expired/ Forfeited	Closing Balance 30 June 2017
		Number	*Number*	*Number*	*Number*	*Number*
21/04/2019	$0.80	-	4,400,000	-	-	4,400,000

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.

Options

During the year the company issued 4,400,000 options to Gemstone 101 Ltd as part of the convertible note agreement. Under the terms of the agreement the Options: -

- Are exercisable at $0.80 each
- Will vest six months after date of issue – 21 October 2017: -
- Have an expiry date of 21 April 2019
- The inputs used in the measurement of the fair values at grant date of the options were as follows

	21 April 2017
Fair value at grant date	$0.017
Share price at grant date	$0.32
Exercise price	$0.80
Expected volatility (weighted average)	48.86%
Expected dividends	-
Risk-free interest rate (based on government bonds)	2.70%

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

The following table illustrates the number, weighted average exercise prices and movements in the listed options during the year: -

	2017 No.	**2016 Weighted average exercise price**	2016 No.	2016 Weighted average exercise price
Opening balance	-	-	22,599,423	$2.50
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(391)	2.50
Expired during the year	-	-	(22,599,032)	-
Outstanding at the end of the year	-		-	
Exercisable at the end of the year	-		-	

Listed Options (continued)

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

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 2017 nil (2016: Nil) 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: -

				Vesting Details			
				First Tranche		Second Tranche	
Options Issued	Exercise price	No. of options vested	No. of options not vested	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	193,286	193,286	-	-	31/12/2017	193,286
- July 2013	$1.80	193,750	193,750	-	-	31/12/2017	193,750
- December 2013 (1)	$2.50	93,672	64,506	-	-	31/12/2017	64,506
- April 2014	$1.90	216,599	216,599	-	-	31/12/2017	216,599
- July 2014	$1.73	175,000	-	-	-	-	-
- June 2015	$1.24	600,000	-	-	-	-	-

(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.

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

24. SHARE BASED PAYMENTS (continued)

Grant date/ employees entitled	Number of instruments in thousands	Vesting conditions	Contractual life of options
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 the 2017 or 2016 financial years

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:

	2017	2016
	$'000	$'000
Share based payment included as an expense	**7**	1,177
Share based payments capitalised to exploration and evaluation asset	**-**	30
Share based payments capitalised to mine development expenditure	**-**	471
Total share based payments for the year	**7**	1,678

25. RESERVES

Capital Realisation	**95**	95
Capital Redemptions	**432**	432
Option (a)	**59,937**	59,930
	60,464	60,457

(a) **Movement during the year – Option Reserve**

Opening balance	**59,930**	58,252
Issue of options to directors/employees /consultants	**7**	1,678
Closing balance	**59,937**	59,930

Option Reserve

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

26. FINANCIAL INSTRUMENT DISCLOSURES (Continued)

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:

	2017 $'000	2016 $'000
Cash and cash equivalents	**3,922**	16,400
Other assets – security deposits	**11,692**	12,842
Trade and other receivables	**12,799**	1,170
Total Assets	**28,413**	30,412
Secured bank loans	**39,002**	87,449
Unsecured loans	**43,899**	2,333
Trade and other payables	**63,146**	39,806
Total Liabilities	**146,047**	129,588

(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 rates relate primarily to the Consolidated Entity's security deposits, secured bank loans and other 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.

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(a) Market risk (continued)

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 2017					
Cash and cash equivalents	3,922	39	(39)	39	(39)
Security term deposits	11,692	117	(117)	117	(117)
Total increase / (decrease)		**156**	**(156)**	**156**	**(156)**
Loans & Borrowings	82,901	(829)	829	(829)	829
Total increase / (decrease)		**(829)**	**829**	**(829)**	**829**
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**

(ii) Foreign exchange risk

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

The Loans and Borrowings are in US and HKD dollars. The company is 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 and HKD 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 $'000 (AUD)	**1 cent increase $'000 (AUD)**	**1 cent decrease $'000 (AUD)**	**1 cent US increase $'000 (AUD)**	**1 cent decrease $'000 (AUD)**
30 June 2017					
Cash and cash equivalents	3,922	(6)	6	(6)	6
Trade receivables	12,799	(73)	73	(73)	73
Loans and borrowings	58,567	1,148	(1,148)	1,148	(1,148)
Total increase / (decrease)		**1,069**	**(1,069)**	**1,069**	**(1,069)**
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)**

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(a) Market risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	**2017**	2016
AUD/USD	0.7542	0.7305	0.7691	0.7426

(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 and Minsheng Bank of China.

(ii) Receivables

The Consolidated Entity limits its exposure to credit risk from its trade receivables by ensuring that sales of its products and services are made to customers with an appropriate credit history. Majority of customers have long term relationships with the Group and sales are secured by long term supply contracts.

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.

When required, the Consolidated Entity's has the ability to raise additional capital 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 excluding the trade payable for the construction contract of $9.4m and secured convertible note of $22.0m.

(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 with the aim of funding its operations on an efficient and timely basis and continue as a going concern. There are no externally imposed capital requirements.

26. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(d) Capital Management (Continued)

Management effectively manages the Company's capital by assessing the Company's cash projections up to twelve months in the future. Refer going concern disclosures in Note 5.

(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.

(f) Finance facilities

The Group has to date fully drawn-down its finance facilities with various lenders including China Minsheng Banking Corporation.

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 2017 due to the following (relative to the last valuation period being 31 Dec 2016) due to below budget performance and inconsistent processing plant operations.

As a result of the impairment indicators a valuation was prepared as at 30 June 2017 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 2017 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, and cobalt
- Ramp up of production timing and appropriate level of recoveries achieved
- Foreign exchange rates
- Mining, processing, administrative and capital costs
- Discount rate of 8% post tax
- Total reserves to be extracted and processed at the Rocklands processing plant

In determining the value assigned to each key assumption, management has aimed to use 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.

27. IMPAIRMENT OF ASSETS (Continued)

Property plant and equipment and development costs (Continued)

The Group has applied a discount rate post tax 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 7 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 2017 the recoverable amount for the Rocklands Project was estimated and this resulted in an impairment loss for this financial year of $76.0m.

Impairment loss was allocated on a pro rata basis to the individual assets constituting the project as follows.

	Notes	2017 $'000	2016 $'000
Property plant and equipment	17	**46,400**	59,812
Development costs	18	**29,600**	39,464
Exploration expenditure*	19	**931**	-
		76,931	**99,276**

Impairment Exploration assets*

The Group has reviewed the key indicators for impairment of its Exploration assets and concluded that impairment indicators existed at 30 June 2017 on some of its tenements as follows:

- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Based on the impairment review of its Exploration assets at 30 June 2017 an impairment loss of $0.93m for the financial year was expensed (2016: Nil).

28. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Incorporated in	Interest held % 2017	Interest held % 2016
Name of Chief Entity			
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

	2017	2016
Reconciliation of profit after income tax to net cash inflows from operating activities	**$'000**	$'000
Loss after income tax	**(135,585)**	(127,198)
Add/(less) non-cash items		
Share based payments	**7**	1,177
Impairment of mining assets	**76,000**	99,276
Impairment of exploration costs	**931**	-
Inventory write off	**19,491**	-
Loss on sale of assets	**-**	792
Depreciation expense	**27,043**	3,971
Unrealised foreign exchange loss	**(2,107)**	2,594
(Increase) / decrease in trade and other receivables	**(12,465)**	(534)
(Increase)/decrease in other current assets	**684**	-
(Increase)/decrease in inventory	**9,025**	-
Increase / (decrease) in trade creditors and accruals	**26,929**	499
Increase / (decrease) in provisions	**120**	(828)
Cash outflows from operations	**10,073**	(20,251)

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 Brisbane. 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.

30. COMMITMENTS

Operating lease commitments

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

	2017	2016
	$'000	$'000
Within one year	**284**	542
After one year but not more than five years	**172**	181
More than five years	**-**	-
	457	723

31. CONTINGENCIES

There were no contingent liabilities or contingent assets as at 30 June 2017 other than: -

a. A former Company Managing Director has commenced legal action for alleged unpaid entitlements of $5.7m. Management is confident that the named Director was compensated according to his legally binding employment agreement. Management are confident of successfully defending the claim.

32. KEY MANAGEMENT PERSONNEL

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

Short-term employee benefits	**1,732**	1,744
Termination payments	**270**	1,146
Post-employment benefits (superannuation)	**137**	115
Share-based payments	**(16)**	49
Other long term benefits	**-**	(303)
	2,123	2,751

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.

33. RELATED PARTY TRANSACTIONS (continued)

(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.

34. PARENT ENTITY INFORMATION

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

	2017	2016
	$'000	$'000
Financial performance		
Profit / (loss) for the year	**(134,943)**	(126,603)
Total comprehensive income for the year	**(134,943)**	(126,603)
Financial position		
Current assets	**30,022**	39,275
Total assets	**303,109**	414,053
Current liabilities	**114,130**	130,135
Total liabilities	**157,157**	142,925
Contributed equity	**572,880**	563,120
Accumulated losses	**(487,392)**	(352,449)
Capital Realisation Reserve	**95**	95
Capital Redemption Reserve	**432**	432
Option Reserve	**59,937**	59,930
Total equity	**145,952**	271,128

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.

34. PARENT ENTITY INFORMATION (continued)

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.

Operating lease commitments

The parent company has entered into rental agreements for premises in Cloncurry and Brisbane. 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:

	2017	2016
	$'000	$'000
Within one year	**284**	542
After one year but not more than five years	**172**	181
More than five years	**-**	-
	456	723

Mining plant and mine development

At 30 June 2016 the capital contractual commitments in relation to mine development infrastructure and mining plant for the Rocklands Project including commissioning was $Nil (2016:$2.5m)

Contingent liabilities

There were no contingent liabilities or contingent assets as at 30 June 2017 other than: -

a. A former Company Managing Director has commenced legal action for alleged unpaid entitlements of $5.7m. Management is confident that the named Director was compensated according to his legally binding employment agreement. Management are confident of successfully defending the claim.

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:

- The Company secured a six (6) month term facility of HKD40.0m the proceeds were used to repay the short term facility of USD$4.8m secured on 26 June 2017.

- The Company was granted an extension to its short term facility (Loan No.1) of HKD80m (approx. US$10m) to 31 October 2017 from the initial repayment date of 21 July 2017. This was further extended on 13 October 2017 with a new maturity date of 31 December 2017.

35. EVENTS SUBSEQUENT TO BALANCE DATE (continued)

- The Company is currently negotiating with various parties, including a major Australian Bank, to secure a long term restructured finance facility.

- The Company entered into a Copper Concentrate Sales agreement with Mitsui & Co., Ltd (Mitsui). Under the agreement Mitsui prepaid USD$20m to CuDeco. The funds were used to repay the USD15.0m due to Minsheng Banking Corporation Limited on 31 October 2017 with the balance of USD$5.0m being applied to working capital.

- The Company was in breach of the Second Amendment Deed with Minsheng Bank as its audited accounts were not lodged within 90 days of the financial year ended 30 June 2017. In addition, the Company was also in breach of its borrowing facility with Quam as the Company's shares have been suspended from trading for longer than 5 days. The Company has received acknowledgement of the breach from both financiers and confirmation that no further actions are being taken at this time.

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 21 to 60 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 2017 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; 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 financial controller for the financial year ended 30 June 2017.

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:

25 October 2017
Brisbane

Peter Hutchison
Interim Chairman

Independent Auditor's Report

To the shareholders of Cudeco Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Cudeco Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty related to Going Concern

We draw attention to Note 5, "Going Concern" in the financial report. The conditions disclosed in Note 5, indicate a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Analysing the cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested by us, our understanding of the Group's intentions, and past results and practices; and
  - Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, particularly in light of loss making operations, results since year end, and our understanding of the business, industry and economic conditions of the Group;
- Assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing. We used our knowledge of the client, its industry and current status of those initiatives to assess the level of associated uncertainty;
- Reading correspondence with existing and potential financiers to understand the financing options available to the Group, and assess the level of associated uncertainty resulting from renegotiation of existing debt facilities and negotiation of additional and/or revised funding arrangements;
- Reading Directors minutes and relevant correspondence with the Group's advisors to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty;
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. We specifically focused on the principle matters giving rise to the material uncertainty.

Key Audit Matters

In addition to the matter described in the *Material Uncertainty related to Going Concern* section, we have determined the matters described below to be the ***Key Audit Matters*** to be communicated in our report:

The ***Key Audit Matters*** we identified are:

- Valuation of exploration and evaluation assets;
- Valuation of property, plant and equipment and mine development costs; and
- Valuation of ore inventory.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Valuation of exploration and evaluation expenditure ($8.55m)</th></tr>
<tr><td colspan="2">Refer to Note 19 ‘Exploration and evaluation assets’ in the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to the level of audit effort to evaluate the Group’s application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources (AASB 6) in particular the conditions allowing capitalisation of relevant expenditure and the presence of impairment indicators.

In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for areas of interest where significant capitalised E&E exists. In addition to the assessments above and given the financial position of the Group, we paid particular attention to:
Documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group’s intention and capacity to continue the relevant E&E activities;
The ability of the Group to fund the continuation of activities; and
Results from exploration activities regarding the existence or otherwise of economically recoverable reserves/commercially viable quantity of reserves.
These assessments can be inherently difficult, given the judgement required.</td><td>Our audit procedures included:
Evaluating the Group’s accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;
We assessed the Group’s determination of its areas of interest for consistency with the definition in the accounting standard;
For each area of interest, we assessed the Group’s current rights to tenure. We also tested for compliance with conditions such as minimum expenditure requirements;
We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel; and
We analysed the Group’s determination of recoupment through successful development and exploitation of the area or by its sale by evaluating the Group’s documentation of planned future activities including work programs and project and corporate budgets for a sample of areas.</td></tr>
</table>

Valuation of property, plant and equipment ($156.02m) and mine development costs ($97.88m)	
Refer to Note 17 'Property, plant and equipment' and Note 18 'Development costs' in the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Assessment of the valuation of the Rocklands Copper Project ("the Project") is a key audit matter. Significant judgement is required in the determination of the carrying value of the Group's property, plant and equipment and capitalised mine development costs associated with the Project. The valuation of these assets are principally based on a discounted cash flow (DCF) model. The net present value derived from the DCF model is highly sensitive to changes in inputs. We particularly focused on the below key judgements to estimate future cash flows: • Operational assumptions, such as: – Future copper, gold and cobalt production levels, which are dependent on the ability to extract reserves from the mine, estimated grades of metal in the ore body, and ability to recover metal contained in the extracted ore; – Future performance and capacity of the processing plant; – Forecast costs associated with operation of the mine and processing plant; – Future capital expenditure requirements; and – The timing of the forecast cash outflows and inflows. • The discount rate applied to forecast cash flows; and • Assumptions in relation to future commodity prices and foreign exchange rates. To assess the significant judgments of this key audit matter, we involved senior audit team members including valuation specialists, with experience in the industry and the valuation methodology.	We involved KPMG valuation specialists and our audit procedures included the following: • We compared the valuation methodology to industry standards and criteria in the relevant accounting standards; • We conducted an assessment of the discount rate applied against comparable market rates and industry trends; • We performed an evaluation of the discounted cash flow model which included: – Comparing forecast commodity prices and foreign exchange rates to broker data regarding future commodity prices and foreign exchanges rates; – Testing the mathematical accuracy of the discounted cash flow model; – Obtaining and assessing evidence supporting specific assumptions such as forecast capital expenditure throughout the life of mine and forecast operating expenditure; and – Obtaining and assessing evidence supporting forecast production volumes and total reserves to be processed. • We performed sensitivity analysis through adopting alternative assumptions and outcomes which could indicate the potential for further impairment or reversal of impairment; • We considered the appropriateness of the methodology used to determine the recoverable amount as per the relevant Australian Accounting Standards; and • We assessed disclosures in relation to asset values and impairment testing against the requirements of Australian Accounting Standards.

<table>
<tr><th colspan="2">Valuation of ore inventory ($5.54m)</th></tr>
<tr><td colspan="2">Refer to Note 15 ‘Inventories’ in the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Significant judgement is required to be exercised by management in assessment of the value of ore inventory, particularly in relation to low grade copper ore inventory. The valuation of this ore inventory is a key audit matter as judgement is required in evaluating management’s assessment of its net realisable value. We have focussed on the following judgements listed below which impact the valuation assessment:

Forecast production levels which are dependent on the grades and tonnage of existing ore stockpiles;
The amount of metal to be recovered from production;
Expected selling prices and foreign exchange rates which impact expected revenue from the sale of copper concentrate; and
Expected processing and selling costs.

To assess the significant judgements of this key audit matter, we involved senior audit team members, with experience in the industry and the valuation methodology.
</td><td>
Our audit procedures included the following:

We compared the results of independent quantity surveyors to the volumes reported at 30 June 2017;
We evaluated the cost of copper ore inventory held at 30 June 2017;
We tested the mathematical accuracy of the valuation model;
We assessed the methodology applied by the Group in determining the net realisable value of copper ore inventory. This included assessment of the following key assumptions in management’s valuation model:

– Evaluating processing and selling cost assumptions associated with the ore inventory; and
– Assessing forecast revenue associated with the ore inventory per the terms of existing offtake contracts; and

We tested whether ore inventory was recognised at the lower of its cost and net realisable value in accordance with the requirements of Accounting Standards.

</td></tr>
</table>

Other Information

Other Information is financial and non-financial information in Cudeco Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon, with the exception of the Remuneration report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Cudeco Limited for the year ended 30 June 2017 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included on pages 9 to 18 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Adam Twemlow

Partner

Bundall

25 October 2017