

MARKET RELEASE
27 December 2017

Non Compliance with Ore Reserves Listing Rules

CuDeco Limited (ASX: CDU) (“Company”) announced today that its 2017 Annual Report did not comply with the requirements of ASX Listing Rule 5.21 and clause 15 of JORC Code 2012 in respect of the annual review and reporting of the Company’s Ore Reserves – including the provision of details of material changes to previously reported Ore Reserves.

CuDeco confirms that it is not able to immediately make an ore reserve statement for the year ended 30 June 2017 in accordance with Listing Rule 5.21

Chairman Peter Hutchison advised that, whilst the 2017 Annual Report contained an explanatory note to advise that the Company was in the process of updating the 2016 Ore Reserves to take account of operational changes, this information failed to meet the requirements of the ASX Listing Rules outlined above.

Mr Hutchison further advised of the sequence of events and circumstances which have given rise to this situation as follows:-

- i. In May 2016, the then executive management team of the Company’s Rocklands copper mine introduced a revised mine plan as a consequence of a number of factors which were inconsistent with or were unable to meet the requirements of key assumptions within the Company’s formal Ore Reserve. These factors included (but were not limited to):
 - Failure to secure commercially acceptable Offtake arrangements in respect of the Rocklands mine’s cobalt and magnetite deposits; and consequent inability to meet economic viability thresholds;
 - Non-completion / commissioning of the Processing Plant’s magnetite and pyrite / cobalt circuits;
 - Operational teething issues in respect of the Processing Plant and associated technical processes and procedures – particularly in respect of the native copper processing circuit. These issues impacted upon cost structures, recoveries performance and the key assumptions which underpinned the economic modelling for the various ore types;
 - Performance and reliability issues associated with the Rocklands site’s fixed crusher plant which impacted upon the consistent availability of ore to the plant by ore category; and associated impediments to the efficient processing of the various ore types through the Processing Plant.

The revised mine and operational plans associated with the above factors were implemented with the objective of maintaining the early revenue and earnings streams which were contemplated in the Company’s formal Feasibility Study and Ore Reserves.

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The above changes to the mine plan were announced to the market in late 2016.

- ii. In March 2017, the newly appointed CuDeco executive management team identified areas of non-alignment of the Mine Plan and operational plans with the Rocklands Project's Master Plan. Since that time, the Company has embarked upon a structured program of review and refinement of its mining and processing operations in order to address, to the extent possible, earlier deviations from the original Master Plan. These refinements included changes to mining rates, ore management practices, mill-feed blending regimes, and process method optimization. This review and realignment process has also been impacted during the last nine months by the following factors:-
- Occurrence of fibrous material (actinolite) in the Rocklands South pit which required a resequencing of mining activities;
 - A delay in the recommencement of mining activities;
 - A slower than anticipated ramp-up in production levels towards nameplate capacity.

The culmination of the above factors have resulted in the failure of the Company to provide, within the prescribed time frames and in compliance with the relevant Listing Rules, details of changes to its 2016 Ore Reserves as at 30 June 2017. Other relevant issues associated with the Ore Reserve reporting process are as follows:-

- The in-situ Ore Reserve is showing good correlation with in-situ grade control, however metal balance reconciliation was not possible at 30 June 2017 due to inadequate collection of the required metal close out data during the year;
- The above data collection process was compromised during the 2017 financial year by various technical personnel failing to observe the Company's formally documented systems of metal data measurement, reconciliation and control.

In order to resolve the above issues, the Company is in the process of finalizing the alignment of operations with optimal processes – as has been flagged to the market in Announcements in recent months. This process will culminate in the formal update of the Company's Ore Reserves. It is anticipated that increases in operating costs and other factors which impact adversely on the Ore Reserves Statement will be broadly offset by favorable movements in commodity prices, however it is too early to quantify this impact at this stage.

The updated Ore Reserves process is expected to be completed by the end of February 2018 and, once reviewed and formally approved by the Company, will be released to the market.

On behalf of the Board.

ENDS.