

CUDECO LIMITED

A.B.N. 14 000 317 251

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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CUDECO LIMITED

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors present their report of CuDeco Limited and its consolidated entities ("CuDeco" or the "Group") for the half-year ended 31 December 2014.

Directors

The following persons were directors of CuDeco during the half-year and up to the date of this report:

W McCrae	G Lambert
P Hutchison	Z Ma
P Keran	H Liu
D Taylor	Z Wu

Results

The result for the six months ended 31 December 2014 was a loss after tax of \$13,779,000 (2013: loss after tax of \$1,867,400).

Review of Operations

During the six months to 31 December 2014 CuDeco continued to develop the Rocklands Group Copper project ('Rocklands') based in Cloncurry. In this period the Group increased its investments in the development of the mine by approximately \$26 Million to \$176 Million and in plant and equipment by in excess of \$35 Million to \$254 Million.

The loss for the period included: -

- a. An unrealised foreign exchange loss of \$7.134m relating to the currency movement on the Group's loan facilities which are denominated in US dollars (\$US). The Group has chosen not to hedge these loans for foreign currency movements as future copper sales will also be denominated in \$US.
- b. Impairment of \$2.914m that has been incurred during the period in relation to logistical assets. The Group established its own logistical infrastructure to allow for the Group's product to be loaded at a rail multiload facility based in Cloncurry and transported by rail to the Group's facilities at the port. At that time there was no available capacity on the existing infrastructure. Since that time a number of mines in the area have either closed or scaled back their activities which has created capacity on the available logistical resources in the area, which is more cost effective than utilizing the Group's purpose built facilities.

Exploration

During the period there was only a limited exploration work undertaken as the main focus was on mine development.

Corporate

During the period the Group: -

- a. Entered into a Memorandum of Understanding (MoU) with China Oceanwide International Investment Co. Ltd, ("Oceanwide"), the Group's largest shareholder, to increase its shareholding in CuDeco to up to 19.99% subject to receiving FIRB approval. The total consideration for the purchase of the 24 Million shares is \$30,000,000.
- b. On 22 December 2014 completed a share placement with a Hong Kong based investment fund for the issue of 4,902,410 shares raising \$6,152,525;
- c. Negotiated a placement with international shipping, logistical and transportation company for 2,433,830 fully paid ordinary shares at \$1.30 to pay \$3,163,979 for services provided in transporting from China to Rocklands, the final major components of the processing plant.
- d. Entered into a MoU with Sinosteel Equipment and Engineering Co Ltd ('Sinosteel') for the completion of the electrical installation for the process plant being constructed at Rocklands. Under the MOU, Sinosteel will be responsible for the installation of 330km of electrical cable and Distributed Control System (DCS) cable installation.

CUDECO LIMITED DIRECTORS' REPORT

This represents the last stage of construction of the process plant at Rocklands.

- e. CuDeco supplied Glencore International AG 22,000 tonnes of primary sulphide ore for toll-treatment in the Ernest Henry Mine ("EHM") processing plant, located approximately 50 Km from Rocklands. The trial shipment evaluated the suitability of Rocklands primary ore for treatment in the EHM mineral processing plant, and the general handling and processing characteristics in a large-scale processing situation. The results of the treatment showed 37.6% Copper in Concentrate, and 8.5 g/t Gold in Concentrate, these results are consistent with the results obtained in the earlier metallurgy testwork and illustrate the "metallurgical efficiency" of the Rocklands ores. It also demonstrated the flow-on value from producing and selling higher grade concentrates through savings in transport, smelting charges and power savings.
- f. The first shipment for smelter testwork of the native copper produced from the Rocklands Project was awarded to a Chinese buyer. A total of 170 tonnes in containers, of varying native copper concentrate Cu grades was shipped for the testwork. The demand for the first shipment was high and the buyer agreed to pay \$US500,000 to secure the furnace and smelter testwork and to purchase the total shipment.

Events Subsequent To Balance Date

Subsequent to period end:

- 1. Oceanwide received FIRB approval to increase its shareholding in the Group to 19.99% and has paid \$10 Million and agreed to pay via a memorandum of understanding a further \$20 Million in consideration for 24 Million shares.
- 2. The Group issued 5,666,666 shares at \$1.50 per share as payment for the electrical cabling required as part of the Rocklands Copper Project.

No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

Rounding off

During the period the Group adopted ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the half year report and director's report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**CUDECO LIMITED
DIRECTORS' REPORT**

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

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'W McCrae', written in a cursive style.

W McCrae

Chairman

Dated: 13 March 2015



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 review for the half year ended 31 December 2014 there have been:

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

KPMG

KPMG

Adam Twemlow
Partner

13 March 2015

CUDECO LIMITED

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the half-year ended 31 December 2014**

		Consolidated Entity Half-Year Ended	
		31 Dec 2014 \$'000	31 Dec 2013 \$'000
	Notes		
Other income		1	889
Employee and consultancy expenses		(2,420)	(2,598)
Occupancy expenses		(413)	(604)
Travel expenses		(170)	(337)
Depreciation expense		(408)	(496)
Gain/(loss) on foreign exchange		(7,134)	1,565
Impairment of logistical infrastructure assets		(2,914)	-
Other expenses		(364)	(859)
Results from operating activities		<u>(13,822)</u>	<u>(2,440)</u>
Financial income		43	573
Financial expense		-	-
Net finance income/(expense)		<u>43</u>	<u>573</u>
Profit / (loss) before income tax		(13,779)	(1,867)
Income tax benefit / (expense)		-	-
Profit / (loss) after income tax		<u>(13,779)</u>	<u>(1,867)</u>
Other comprehensive income			
Total items that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>
Other comprehensive income for the half-year		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the half-year		<u>(13,779)</u>	<u>(1,867)</u>
		Cents	Cents
Earnings per share:			
Basic earnings / (loss) per share	6	(5.8)	(0.9)
Diluted earnings / (loss) per share	6	(5.8)	(0.9)

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

CUDECO LIMITED

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	31 Dec 2014 \$'000	30 June 2014 \$'000
CURRENT ASSETS			
Cash and cash equivalents		7,508	9,231
Trade and other receivables		1,038	960
Inventory	7	<u>17,398</u>	<u>11,141</u>
TOTAL CURRENT ASSETS		<u>25,944</u>	<u>21,332</u>
NON CURRENT ASSETS			
Other assets	8	3,742	2,231
Property, plant and equipment	9	254,367	219,219
Exploration and evaluation assets	10	16,713	16,627
Development expenditure	11	<u>175,533</u>	<u>149,689</u>
TOTAL NON-CURRENT ASSETS		<u>450,355</u>	<u>387,766</u>
TOTAL ASSETS		<u>476,299</u>	<u>409,098</u>
CURRENT LIABILITIES			
Trade and other payables		4,469	7,467
Provisions	12	<u>1,461</u>	<u>1,374</u>
TOTAL CURRENT LIABILITIES		<u>5,930</u>	<u>8,841</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	13	73,547	-
Provisions	12	<u>6,290</u>	<u>6,286</u>
TOTAL NON-CURRENT LIABILITIES		<u>79,837</u>	<u>6,286</u>
TOTAL LIABILITIES		<u>85,767</u>	<u>15,127</u>
NET ASSETS		<u>390,532</u>	<u>393,971</u>
EQUITY			
Issued capital	14	433,611	424,602
Reserves		58,096	56,765
Accumulated losses		<u>(101,175)</u>	<u>(87,396)</u>
TOTAL EQUITY		<u>390,532</u>	<u>393,971</u>

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

CUDECO LIMITED
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2014

		Issued Capital	Accumulated Losses	Option Premium Reserve	Capital Realisation Reserve	Capital Redemption Reserve	Equity Instruments to be issued	Total Equity
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013		367,829	(82,851)	36,694	95	432	-	322,199
Loss for the half year		-	(1,867)	-	-	-	-	(1,867)
Other comprehensive income for the period		-	-	-	-	-	-	-
Total comprehensive loss for the half year		-	(1,867)	-	-	-	-	(1,867)
Shares issued to pay for goods and services	14	22,402	-	-	-	-	-	22,402
Shares issued pursuant to rights issue	14	4,392	-	2,107	-	-	-	6,499
Equity instruments to be issued	14	-	-	-	-	-	35,359	35,359
Share issue costs		(66)	-	-	-	-	-	(66)
Value of shares transferred to employee share plan	14	(3,923)	-	-	-	-	-	(3,923)
Share based payments	16	-	-	1,376	-	-	-	1,376
Balance at 31 December 2013		390,634	(84,718)	40,177	95	432	35,359	381,979
Balance at 1 July 2014		424,602	(87,396)	56,238	95	432	-	393,971
Loss for the half year		-	(13,779)	-	-	-	-	(13,779)
Other comprehensive income for the period		-	-	-	-	-	-	-
Total comprehensive loss for the half year		-	(13,779)	-	-	-	-	(13,779)
Shares issued to pay for goods and services	14	4,276	-	-	-	-	-	4,276
Share placement	14	6,153	-	-	-	-	-	6,153
Value of shares transferred to employee share plan	14	(1,420)	-	-	-	-	-	(1,420)
Share based payments	16	-	-	1,331	-	-	-	1,331
Balance at 31 December 2014		433,611	(101,175)	57,569	95	432	-	390,532

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

CUDECO LIMITED
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	1	835
Cash payments in the course of operations	(12,024)	(7,234)
Interest received	43	700
Net cash flows used in operating activities	<u>(11,980)</u>	<u>(5,699)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(42,738)	(18,810)
Payments for exploration and evaluation	(28)	(1,765)
Payments for mine development	(15,421)	(11,345)
Proceeds from the sale of plant and equipment	140	81
Increase/(decrease) in deposits	-	(3)
Net cash flows used in investing activities	<u>(58,047)</u>	<u>(31,842)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	6,152	6,500
Proceeds from borrowings	65,988	-
Proceeds from underwriter to the rights issue	-	35,359
Share issue costs	-	(66)
Borrowing costs	(3,065)	-
Purchase of equity for employee incentive plan	(1,420)	(3,924)
Net cash flows provided by financing activities	<u>67,655</u>	<u>37,869</u>
Net increase / (decrease) in cash held	(2,372)	328
Cash at the beginning of the period	9,231	45,521
Effect of exchange rate changes	649	1,565
Cash at the end of the period	<u><u>7,508</u></u>	<u><u>47,414</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CUDECO LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS For the half-year ended 31 December 2014

1. Reporting entity

CuDeco Limited (the 'Company') is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the 'Group').

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Unit 34, Brickworks Annex, 19 Brolga Avenue, Southport, QLD, 4215 or at www.cudeco.com.au.

The interim financial report was authorised for issue by the directors on 13 March 2015.

2. Statement of compliance

These general purpose financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with the requirements of the *Corporations Act 2001*, and Accounting Standards AASB 134: *Interim Financial Reporting*.

These half-year financial statements do not include all the notes of the type normally included in full annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by CuDeco Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

3. Basis of preparation

The interim financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern

The consolidated interim 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 31 December 2014 the Group had cash on hand of \$7.5m, net assets of \$391m and net current assets of \$20m. During the period the Group raised \$6.2m through the issue of shares and used US\$60m of the approved finance facility to fund mine development and further construction of the Rocklands mine processing plant. At 31 December 2014, the Group had a US\$5m finance facility to fund working capital on completion of the processing plant.

During the period, the Group entered into a Memorandum of Understanding with China Oceanwide International Investment Co. Ltd to raise \$30m through a share placement, \$10m was collected subsequent to period end and the remaining balance of \$20m is outstanding at the date of this report.

The Group is currently in the process of completing the Rocklands mine development and associated infrastructure and commissioning of the mine processing plant. The Group plans to fund the remaining capital expenditure and working capital of approximately \$45m through the \$30m share placement to China Oceanwide International Investment Co. Ltd and through sales of processed ore and/or native copper. During the period the Group completed minor sales of unprocessed ore however it is the Group's intention to sell processed ore in future periods to maximise the profitability of the project.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. The cash flow projections include use of cash funds at balance date, the collection of \$30m through the share placement to China Oceanwide International Investment Co. Ltd, further utilisation of its funding facility and cash flow generated through the sale of processed ore and/or native copper. These cash flow projections are based on the successful completion of the mine development and associated infrastructure and commissioning of the Rocklands mine processing plant.

CUDECO LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS For the half-year ended 31 December 2014

3. Basis of preparation (continued)

The ongoing operation of the Group is dependent upon:

- The Group raising equity funding from shareholders or other parties; and
- Successful commissioning of the Rocklands mine processing plant and the Group receiving cash flows from the sale of processed ore and/or native copper.

In the event the Group does not raise equity funding from shareholders or other parties and receive cash flows from the sale of processed ore and/or native copper, the Group would be required to reduce planned expenditure in-line with available funding and may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations.

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

4. Statement of significant accounting policies

The accounting policies applied by the Group in the interim consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014. The following accounting policy is also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2015.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are directly attributable to the acquisition, development or construction of a qualifying asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale.

5. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2014.

During the half year ended 31 December 2014 management reassessed its estimates in respect of:

- | | |
|--|----------------------------------|
| • Note 3 – Going concern | • Note 12 – Provisions |
| • Note 7 – Inventories | • Note 16 – Share based payments |
| • Note 11 – Development expenditure - impairment | |

CUDECO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

6. Earnings per share

	31 December 2014 \$'000	31 December 2013 \$'000
Basic and diluted earnings per share have been calculated using:		
Net loss for the half year	(13,779)	(1,867)
	No.	No.
Weighted average number of shares used as the denominator:		
- Number for basic loss per share	235,666,356	205,429,257
- Number for diluted loss per share	235,666,356	205,429,257

7. Inventories

	31 December 2014 \$'000	30 June 2014 \$'000
<i>Current</i>		
Consumables	4,059	1,516
Spare parts	3,783	920
Work in progress – ore stock	9,556	8,705
Total inventories	17,398	11,141

Inventory is carried at the lower of cost or net realisable value.

8. Other assets

Non-current

Security deposits and rental bonds paid	2,092	2,231
Borrowing costs	1,650	-
	3,742	2,231

Included in the above amounts is \$1,922,464 for an environmental bond with the State of Queensland against rehabilitation attributable to mining operations at the Rocklands Copper Project.

CUDECO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

9. Property plant and equipment

	31 December 2014 \$'000	30 June 2014 \$'000
Land and buildings – cost	15,937	15,905
Accumulated depreciation	(3,246)	(2,529)
Net book value	<u>12,691</u>	<u>13,376</u>
Plant and equipment – cost	33,796	32,316
Accumulated depreciation	(19,331)	(16,457)
Net book value	<u>14,465</u>	<u>15,859</u>
Plant and equipment – assets under construction – cost	227,211	189,984
Accumulated depreciation	-	-
Net book value	<u>227,211</u>	<u>189,984</u>
Total property, plant and equipment	<u><u>254,367</u></u>	<u><u>219,219</u></u>

10. Exploration and evaluation assets

Costs carried forward in respect of areas of interest in the exploration and evaluation phase – at cost:

Balance at the beginning of the period	16,627	39,168
Exploration expenditure costs incurred – additions	86	1,623
Transfer to development expenditure	-	(24,164)
Balance at the end of the period	<u><u>16,713</u></u>	<u><u>16,627</u></u>

During the June 2014 financial year exploration and evaluation costs of \$24,164,000 relating to the Rocklands Copper Project were transferred to development expenditure (refer to Note 11).

The ultimate recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

11. Development expenditure

Costs carried forward in respect of areas of interest in the Development phase – at cost:

Balance at the beginning of the period	149,689	90,250
Development expenditure costs incurred	17,408	29,537
Impairment of logistical infrastructure assets	(2,914)	-
Transfer from exploration and evaluation expenditure	-	24,164
Transfer from property, plant and equipment	8,604	-
Depreciation capitalised to development	2,746	5,737
Balance at the end of the period	<u><u>175,533</u></u>	<u><u>149,689</u></u>

During the period the Group abandoned its plan to develop its own logistical infrastructure assets and impairment of \$2.914m was recorded at 31 December 2014 in respect of these assets.

The ultimate recoupment of costs carried forward in relation to capitalised development expenditure is dependent on the successful development and commercial exploitation of the Rocklands Copper Project.

CUDECO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

12. Provisions

	31 December 2014 \$'000	30 June 2014 \$'000
CURRENT LIABILITY		
Annual leave provision	1,163	1,087
Long service leave provision	298	287
	<u>1,461</u>	<u>1,374</u>
NON CURRENT LIABILITY		
Rehabilitation provision	6,246	6,246
Long service leave provision	44	40
	<u>6,290</u>	<u>6,286</u>

13. Loans and borrowings

Secured bank loans	<u>73,547</u>	<u>-</u>
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The Group has secured two finance facilities from the China Minsheng Banking Corporation Limited. These facilities include;

- Facility A – US\$60m facility for construction costs; and
- Facility B – US\$5m to assist with working capital requirements post commissioning of the processing plant.

At 31 December 2014, the US\$5m working capital facility has not been drawn.

At 31 December 2014, the US\$60m facility to fund construction costs has been fully drawn. This facility is repayable in four quarterly tranches. The first tranche is due on either one of the following key milestone dates;

- A date 21 months from the day the facility was drawn (the facility was drawn in July 2014); or
- Three months following the last day of the relevant month when the commissioned processing plant achieves 9,000 tonnes of throughput per day for three consecutive days. The directors believe the plant will achieve this output in January 2016.

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

The interest rate payable on both facilities is the aggregate of LIBOR for three months plus 3.50% margin plus 2% management fee.

14. Capital and reserves

Share capital

	31 December 2014		31 December 2013	
	Number	\$'000	Number	\$'000
Balance at 1 July	229,486,354	424,602	201,200,722	367,829
Issue of shares to pay for goods and services	3,033,831	4,276	-	-
Issue of shares	4,902,410	6,153	9,136,114	26,794
Share issue costs	-	-	-	(66)
Shares acquired	(1,018,662)	(1,420)	(1,956,334)	(3,923)
Balance at 31 December	<u>236,403,933</u>	<u>433,611</u>	<u>208,380,502</u>	<u>390,634</u>

During the half year ended 31 December 2014:

- In August 2014 the Company issued 305,883 ordinary shares at \$2.00 per share for costs associated with the transportation of the process plant.
- In December 2014; -
 - the Company issued 294,118 ordinary shares at \$1.70 per share as part payment for costs associated with the construction of the Tailings Dam;

CUDECO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

14. Capital and reserves (continued)

- The Company completed a share placement of 4,902,410 shares at \$1.255;
- The Company issued 2,433,830 ordinary shares at \$1.30 per share for costs associated with the transportation of the process plant.

Share capital

- The Company acquired 1,018,662 ordinary shares at an average price of \$1.39 per share pursuant to the Employee Loan Funded Share Plan for those employees eligible to participate in the Plan.

During the half year ended 31 December 2013:

- In December 2013 the Company issued 6,376,811 ordinary shares at \$3.45 per share to Sinosteel Equipment and Engineering Co Ltd for costs associated with the acquisition and installation of the process plant.
- In July 2013 the Company issued 159,880 ordinary shares at \$2.50 per share for costs associated with the acquisition, construction or transportation of the process plant.
- In December 2013 the Company issued 2,599,423 ordinary shares pursuant to a rights issue at \$2.50 per share for cash totalling \$6,498,558. Participants in the rights issue also received an option which the Company has valued at \$0.81. Accordingly, a value of \$1.69 per ordinary share has been recorded to share capital at 31 December 2013.
- The Company acquired 1,956,334 ordinary shares at an average price of \$2.01 per share pursuant to the Employee Loan Funded Share Plan for those employees eligible to participate in the Plan.
- There were no amounts unpaid on the above ordinary shares issued. The share issue costs for the half year ended 31 December 2013 totalled \$65,951.

Options

The following options were on issue at 31 December 2014, each exercisable to acquire one fully paid ordinary share:

Grant date	Expiry date	Exercise price \$	Balance at start of the half year Number	Granted during the half year Number	Exercised during the half year Number	Expired/Cancelled during the half year Number	Balance at end of the half year Number	Exercisable at end of the half year Number
19 Dec 2013	1 Dec 2015	\$2.50	2,599,423	-	-	-	2,599,423	2,599,423
6 Jan 2014	1 Dec 2015	\$2.50	20,000,000	-	-	-	20,000,000	20,000,000
			22,599,423	-	-	-	22,599,423	22,599,423

Dividends

There were no dividends paid or declared during the half year ended 31 December 2014 or 31 December 2013.

15. Segment Reporting

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 geographic 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. The Consolidated entity does not have any products or services it derives revenue from.

CUDECO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2014

15. Segment Reporting (continued)

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for copper in Australia. There have been no changes in the operating segments during the half year. Accordingly, all significant operating decisions are based upon 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.

16. Share based payments

Share based remuneration

The Company has a Loan Funded Share Plan program that entitles eligible employees to purchase shares in the entity. The Share Plan is designed to provide incentives, assist in the recruitment, reward and retention of employees and provide opportunities for employees to participate directly in the equity of the Company.

Fair value of options

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the eligible employees become unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

Expenses arising from share based payment transactions

The following is a summary of the share based payments made during the period:

	31 December 2014 \$'000	31 December 2013 \$'000
Share based payments included as an expense	586	647
Share based payments capitalised to exploration and evaluation assets	58	97
Share based payments capitalised to mine development assets	687	632
Total share based payments for the period	<u>1,331</u>	<u>1,376</u>

17. Commitments

The Consolidated Entity has entered into a number of contracts relating to the Process Plant components and structures for its Rocklands Copper Project. As at 31 December 2014 the remaining contractual commitments are summarized as follows:

Contract details	Total contract amount \$'000	Amounts paid at 31 December 2014 \$'000	Commitment to be paid at 31 December 2014 \$'000
Design and supply of components and structures	65,841	63,341	2,500
Supply of concrete foundations and piping	16,600	10,223	6,377
	<u>82,441</u>	<u>73,564</u>	<u>8,877</u>

18. Contingencies

There have been no material changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2014.

CUDECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the half-year ended 31 December 2014

19. Events Subsequent To Balance Date

Subsequent to period end:

- Oceanwide received FIRB approval to increase its shareholding in the Group to 19.99% and has paid \$10 Million and agreed to pay via a memorandum of understanding a further \$20 Million in consideration for 24 Million shares.
- The Group issued 5,666,666 shares at \$1.50 per share as payment for the electrical cabling required as part of the Rocklands Copper Project.

No other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group, in future financial years.

CUDECO LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of CuDeco Limited ('the Group'):

1. the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2014 and of its performance for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. there are reasonable grounds to believe that CuDeco Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



W McCrae
Chairman

13 March 2015



Independent auditor's review report to the members of CuDeco Limited

We have reviewed the accompanying interim financial report of CuDeco Limited, which comprises the consolidated interim statement of financial position as at 31 December 2014, consolidated interim statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of CuDeco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of CuDeco Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 3, Going concern, in the interim financial report. The conditions disclosed in Note 3, including the Group raising additional equity funding from shareholders or other parties, the successful commissioning of the Rocklands mine processing plant and the Group receiving cash flows from the sale of processed ore and/or native copper, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

KPMG

KPMG

Adam Twemlow
Partner

Gold Coast

13 March 2015