

Quarterly Report

For the three months ended 30 September 2018



Key Highlights

31 October 2018

Operational

- A total of 2.77 million tonnes of material, comprising 0.44 million tonnes of ore and 2.32 million tonnes of waste, was mined during the quarter.

Mining activities were affected by pit dewatering and suspension of mining operations from the last week of August 2018.

- Total copper concentrate produced for the quarter was 8,703 dmt at a final copper grade of 24.35%; containing 2,119t of Cu metal.
- Copper production at the processing plant was impacted by reduced plant throughput caused by wet and high clay content of the gravity ore processed during the quarter; and constraints at the mill crusher due to unexpected down time.
- Gross revenue less treatment and refinement charges from copper and gold credits sales during the quarter was \$18.22m from 8,878 dmt of copper concentrate consisting of 2,197t Cu metal.
- The Company suspended its operations at the Rockland mine site on 31 August 2018 to allow for critical maintenance works and implementation of operational and financial restructuring.

Finance

- The Company secured a short-term loan of HKD22.1m (approx. \$AUD3.77 million) from a Company Director at Nil% interest rate to be repaid when the Company secures additional funds.

Significant Events Post Quarter End

- The Company's shares remain suspended from trading pending finalisation of the Company's Financial Statements for the half and full year ended 31 December 2017 and 30 June 2018 respectively.
- The Company's operations at the Rockland site remained suspended for a further two (2) months pending implementation of a comprehensive plan for the operational and financial restructure of the project.
- A comprehensive operational and financial review is in the final stages of completion, with a detailed report to be submitted to the Board for ratification before resuming operations.

Outlook

- Secure long-term funding to support the operation and seek other business development opportunities within the Cloncurry region to increase the life and value of the project.
- Continue to work in partnership with Cobalt Blue for the commercialisation of cobalt; and finalise negotiations for the reprocessing of tailings.
- Focus mining operations towards flotation ore type during the next 12 months which is more suited to the CuDeco processing plant. This will maximise copper concentrate production and cash flow generation during this period and afford the time to determine the optimal approach for the processing of gravity ore.

Mining

Mining Operations

A total of 2.77 million tonnes of material comprising 2.32 million tonnes of waste rock and 0.44 million tonnes of ore were mined during the quarter.

		Q1F19 Actual
Total Ore and Waste Mined	<i>BCM</i>	1,050,028
Total Ore and Waste Mined	<i>tonnes</i>	2,767,349
Average Strip Ratio	<i>1:1</i>	5.14 : 1
Ore Mined not including MW	<i>tonnes</i>	438,292
Total Expit Waste Mined	<i>tonnes</i>	2,316,868

Table 1 – Q1 FY2019 Basic Mining KPIs

The mining contractor, Oz Mining averaged 1.3 million tonnes material movement per month during the quarter. This is below the 1.6 million tonnes per month initial contract target. Mining was below target mainly due to pit dewatering and suspension of mining operations in the last week of August 2018.

Mine Planning

Mining continued in Rocklands South Stage 1 (RS1) under fibrous material risk assessment. Dewatering of RS1 pit started in the mini pit to allow for drilling. The RS1 mini-pits strategy was developed in order to expedite the mining of primary flotation ore reserves for stockpiling and processing with the aim of achieving forecasted shipment targets and maximize cash inflows.

The RS1 pit mining continued to be the focus for high grade floatation ore (HGF) with Las Minerale Stage 3 (LM3) mining still suspended to prioritise mining RS1 for the float ore campaign.

The focus for next quarter is to re-adjust the mining schedule and RS1 pit design to access more float in RS pit by Mining RS1 to RS2 full depth without mining the southern Double Oxide cutback. This strategy is designed to boost operational cash flows and allow time to fully consider options for the processing of gravity ore.

Crushing

Total tonnes crushed for the quarter was 309,780 dmt. The entire quarter was spent crushing combination blends of HGG (High Grade Gravity) and LGF (Low Grade Float).

The fixed crushing plant performance was impacted by higher than expected down time. 776 hours of down time during the quarter were mainly attributed to mechanical and electrical maintenance works and general breakdowns.

Management is currently working on connecting the fixed crusher to the main power plant supply to reduce electrical outages; and installation of a fourth crusher to reduce the down time and increase crusher throughput.

Processing

The processing plant treated a combined total of 338,048 dmt of ore at an average feed grade of 0.78% Cu during the quarter. The weighted average flotation recovery for the period was 80.90% due to the processing of less suited high-grade/low-grade gravity ore blends.

Throughput (Flotation)

Month	Tonnes (dmt)	Head grade (%)
July	151,043	0.74
August	187,005	0.80
September	-	-
Total Q1	338,048	0.78

Products

Quarter	Tonnes (dmt)	Grade (%Cu)	Metal tonnes (cmt)
Sulphide Copper Concentrate	8,703	24.35	2,119

During the quarter ended, the plant produced 8,703 tonnes of concentrate at an average grade of 24.35%Cu. The concentrate production equates to a copper metal content of 2,119 dmt.

Copper metal production for the quarter was impacted as a result of:

- Lower than budgeted mill crusher throughput as a result of higher than expected down time.
- Low recovery due to processing of a less suited blend of high grade flotation ore and gravity ore through the flotation plant.

The wet and high clay content of the gravity ore component of the blended ore restricted the availability of the HPGR and caused instability in the tailings thickener. Low flotation recoveries were experienced due to the high native copper content, with the gravity recovery circuits having been removed from operation.

- Lower than expected plant availability impacted by a number of scheduled/unscheduled downtime events and maintenance such as ball mill replacement of broken mill liners and lifters.

Objectives for the next quarter will be to:

- Process float ore from the RS Pit. This ore is high in copper sulphides and contains little to no native copper. It is a type of ore well suited to the CuDeco processing plant and therefore high throughput rates and recoveries are expected.
- Screen spillage stockpile to provide a backup feed source for the process plant. This material is a mixture of float and gravity ores and is >1%Cu grade.

Health and Safety

Health & Safety Performance

The Total Recordable Injury Frequency Rate (TRIFR) was 14.2 for the quarter and was up from 13.2 on the previous quarter. The Lost Time Injury Frequency Rate (LTIFR) was 6.3 at the end of the quarter and this was up from 3.2 on the previous quarter. Management is currently monitoring and putting in place mitigating factors to reduce these statistics.

The Company continues to make good progress in the implementation of recommendations from the independent safety audit conducted in March 2018.

Environment

The following major environmental compliance and assessment activities were successfully completed in the quarter:

- Completion of cultural heritage areas inspections procedures.
- Dry season 2018 blast monitoring was completed.

They were no major environmental reportable incidents during the quarter.

Human Resources

During the quarter ended the Human Resources Department continued to manage change in association with organisational development and performance of the Operations.

The Department's priority continues to be development of a workplace structure that supports the Company's operational requirements to deliver on business outcomes and influence a positive workplace culture.

Assets and Development

Exploration

Exploration activity is currently limited to mandatory expenditure. CuDeco's current ground position in Cloncurry includes:

- Existing ML's = 19km²
- Existing EPM's = 29km²

A revised exploration program has been prepared and is under review prior to submitting for Board approval.

Corporate

Board of Directors

Mr Chiwei Wang resigned as Non-Executive Director on 16 July 2018 with immediate effect for personal reasons.

Financial matters

During the quarter:

- The Company continued its voluntarily trading halt and suspension of trading of its shares on the stock exchange pending finalisation of its Half and full year financial statements.
- The Company secured a short-term loan of HKD22.1 million (approx. \$AUD3.77 million) from one of its Directors at Nil% interest to be repaid when the company secures long term funding.
- The Company suspended its operations at the Rocklands mine site on 31 August 2018 to allow for critical maintenance works and operational and financial restructuring to be implemented.
- The Company continues negotiations with various parties including its shareholders, to secure a long-term structured operating finance facility.

Tenement Information

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

The mining tenements held at the end of June 2018 and their location are as follows:

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

- The mining tenements acquired and disposed of during the September 2018 quarter and their location: **NIL**
- The beneficial percentage interest held in farm in farm out agreements at the end of the September 2018 quarter: **NIL**
- The beneficial percentage interest held in farm in farm out agreements acquired or disposed at the end of the September 2018 quarter: **NIL**

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

CUDECO LIMITED	
ACN 000 317 251	Quarter ended ("current quarter")
14 000 317 251	30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,452	16,452
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(17,338)	(17,338)
(d) staff costs	(2,775)	(2,775)
(e) administration and corporate costs	(643)	(643)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(733)	(733)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(5,037)	(5,037)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	3,771	3,771
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	- Sale of Shares in Employee Share Plan	-	-
3.10	Net cash from / (used in) financing activities	3,771	3,771
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,326	1,326
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,037)	(5,037)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,771)	(3,771)
4.5	Effect of movement in exchange rates on cash held	83	83
4.6	Cash and cash equivalents at end of period	143	143

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	143	895
5.2 Call deposits	-	431
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	143	1,326

6. Payments to directors of the entity and their associates

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

Current quarter \$A'000
-
-

Section 6.1: \$Nil Directors fees were paid during the quarter.

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

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

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	75,221	75,221
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	19,044	19,044
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Section 8.1 - This balance relates to the following:

- (a) Short term loan facility with a Hong Kong based Investor of HKD100.0m at 6.0% interest per annum.
- (b) Convertible Note Subscription loan facility with Gemstone 101 Ltd ('Subscriber') of AUD22.0m through the issuance of 44.0m convertible notes at \$0.50 each, plus 4.4m free options at 6 % interest per annum.
- (c) Convertible loan facility with Gemstone 101 Ltd of USD5.0m at 6% interest per annum.
- (d) Convertible loan facility with GuoYi Holdings of USD10.0m at 6% interest per annum.
- (e) Short term loan facility with an Indonesian based Company of USD2.0m at 3% interest per month.
- (f) Short term loan facility with Vision Finance of HKD40m at 6% interest per annum.
- (g) Short term loan facility with sitting Director of HKD22.21m at Nil% interest per annum.

Section 8.3 - This balance relates to Copper concentrate sales prepayment finance facilities with

- a) Mitsui Co Ltd of US\$3.3m. The facility is fully drawn and attracts interest of 5.85% per annum.
- b) Noble Resources Ltd of US\$10m. The facility is fully drawn and attracts interest of 5-7% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	7,698
9.4 Staff costs	1,688
9.5 Administration and corporate costs	613
9.6 Other (provide details if material)	2,853
9.7 Total estimated cash outflows	12,851

Section 9.6

This relates to repayment of the PT Kemala short term loan facility of USD2.0m (AUD2.8m).

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

Compliance statement

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

Sign here:

(Director/Company secretary)

Date: 1 November 2018

Print name: Bruno Bamonte

Notes

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