

**CuDeco Limited**

ABN 14 000 317 251

**Financial Report  
2011**

## Corporate Directory

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### **DIRECTORS**

Wayne McCrae  
Peter Hutchison  
Paul Keran  
Gerry Lambert  
David Taylor  
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### **COMPANY SECRETARY**

Bruno Bamonte

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### **AUDITOR**

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### **STOCK EXCHANGE LISTING**

The Company's securities are quoted on the Australian Securities Exchange.

ASX Code:  
CDU - ordinary shares

### **STATE OF INCORPORATION**

New South Wales

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## REVIEW OF OPERATIONS

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### Significant highlights Post-end of the 2010 - 2011 Year:

- **Draft Environmental Authority and Certificate of Public Notice issued as the Company enters the final stage for the granting of its Mining Leases**
- **High-grade gold, silver, tellurium and uranium continue to be intersected at Wilgar prospect;**
- **New zone identified adjacent to Northern Siltstone followed up by successful subsequent drill holes**
- **Soils Sampling and Bedrock Drilling Programme Commences at Large South West Geophysics Anomaly**

### Highlights of the Company's activities during the 2010 - 2011 Year are as follows:-

- Rocklands Resource Updated twice during the year. Latest update - 30.3 Mt @ 1.70% CuEq (1.14 billion pounds CuEq).
- CuDeco enters into a contract with one of China's largest state owned corporations Sinosteel to purchase the components for the Rocklands 3 million tonne per annum mineral processing plant.
- CuDeco signed a \$US2.1 Million agreement for basic engineering design for the process plant with Sinosteel and its associate Nerin, China's foremost metallurgical and engineering design company.
- The focus for the Rocklands project has encompassed infrastructure development and during the year the Company:
  - Entered into a Memorandum of Understanding to lease up to 900 hectares to construct a Multi-user, Multi-purpose Rail Load-out Facility close to Cloncurry.
  - Entered into an Agreement to lease with Port of Townsville Ltd (POTL) for the construction of a 200,000 tonne storage capacity facility including ship loading facility and rail and truck delivery and unload facility
  - Prepared and submitted a Development Application for Townsville port facility through the CuDeco infrastructure team in association with POTL and Engineering consultants Robert Bird Group and LCJ Engineering.
  - Signed a Memorandum of Understanding with Australia Rail Group (ARG);
  - Received Town Planning approval for a 200-man accommodation facility in the township of Cloncurry;
  - Lodged an application with the Cloncurry Shire Council for a 48 housing block subdivision in Cloncurry to house the employees once the production phases commences.
  - Completed and commenced utilisation of CuDeco's engineering, design and Rocklands project offices and associated 20 self-contained accommodation cabins.
- Construction of new sealed bitumen road linking Rocklands Group Copper Project to Cloncurry undertaken.

• **REVIEW OF OPERATIONS (continued)**

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- Major goals achieved in Phase-2 bulk sample testing of Rocklands ore - single circuit flow-sheet confirmed to efficiently treat all Rocklands ore types - average head grade for all ore types (Phase 2) = 4.15% CuEq. (Phase 1 native copper ore zone average head grade: 4.37% Cu).
- Offtake Agreement for sale of mineral concentrates from Rocklands Group Copper project completed with China Oceanwide International Holdings Co. Ltd (“China Oceanwide”).
- Appointment of New Director and Company Secretary
- On-market Share Buy-back recommenced - with Support from Major Shareholders
- Significant drill results continue from Rocklands with wide intersections and high-grade copper in previously untested zones including 98m @ 5.9% Cu Eq (DODH166) and 140m @ 5.42% Cu Eq (DODH082).
- Potential High-Grade Gold Source at Wilgar Prospect With Visible Gold Recorded in Diamond Drill Core and bonanza gold grades from principal gold source intersected in diamond drill holes DODH223 at Wilgar with results of 5m @ 142 g/t au (4.24 ounces of gold per tonne from 14-19m), including 3m @ 229 g/t au (6.91 ounces of gold per tonne from 16-19m). Tellurium concentrations identified as key to unlocking principal source of gold at Wilgar.
- Highest-grade gold recorded in DODH223 at Wilgar, 1m @ 655g/t Au (21.06 ounces of gold per tonne from 16-17m).
- Bedrock drilling doubles the footprint of exotic and precious metals at Wilgar with assays up to 173g/t silver, 15.6g/t gold and 6260ppm molybdenum.
- Mineralisation beneath the existing open pit was confirmed at the “Fairfield Prospect” with results released for follow up RC drill hole LMRC458, which intersected high-grade copper-cobalt-gold mineralisation.
- Exploration drilling of potential mineralised structures identified from geophysical surveys, including Induced Polarisation (IP), Chargeability Survey, proves successful with new mineralised zone intersected adjacent to Las Minerale and Northern Siltstone orebodies.
- CuDeco commences in-house XRF analysis of soil and bedrock samples utilising its Rocklands sample preparation and analytical laboratories.

**HIGHLIGHTS POST-END OF 2010 – 2011 YEAR:**

**Progress Toward Issuing of the Mining Leases for Rocklands**

The Draft Environmental Authority (EA) and Certificate of Public Notice (CPN) were issued by the Department of Environment and Resource Management (DERM) and the Department of Employment Economic Development and Innovation (DEEDI), respectively for advertising of the Public Notice of Application for Mining Lease and Environmental Authority.

Following the public display period the submission is considered by DEEDI for the granting of the Mining Leases (ML)’s for the Rocklands Group Copper Project.

**Bonanza-grade Gold and High-grade Silver, Tellurium and Uranium Intersected at Wilgar**

Assay results were returned for drill holes DODH247, DODH248 and DODH251, with the following highlights; gold (up to 556g/t Au); silver (up to 730g/t Ag); tellurium (up to 3500ppm Te) and; uranium (up to 5640ppm U) - see ASX release 25 July 2011.

The drill holes were designed to follow up on the intersections of high-grade gold in earlier drill holes DODH223 and DODH240, which intersected 20m @ 36.5g/t Au (from 14-34m), and 12m @ 39.7g/t Au (from 7-19m), respectively - see ASX releases 28 April and 31 May, 2011.

## REVIEW OF OPERATIONS (continued)

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### **New zone identified adjacent to Northern Siltstone followed up by successful subsequent drill holes**

Diamond core drill targeting designed to follow up on the newly identified zones of chalcopyrite mineralisation between the Northern Siltstone and Rainden orebodies, has successfully intercepted mineralisation. The most recent drill hole to test this new mineralised zone (DODH255), was designed to follow up on the exploration success of diamond drill holes DODH236 and DODH253, both of which successfully tested a large “football-shaped” Induced Polarisation (IP), chargeability-high anomaly, in an area that has not been tested in previous drilling campaigns at Rocklands. This hole has intersected a zone of massive sulphides, within a zone of chalcopyrite mineralisation from 143-147m, in a previously un-tested area. Additionally, the hole has intersected significant chalcopyrite mineralisation from 222-229m, 232-240m, and 252-256m.

Diamond drill hole DODH253 was the second drill hole to test this area, was designed to scissor-test mineralisation identified in drill hole DODH236, and intersected a number of chalcopyrite occurrences indicating at least two separate mineralised zones exist in this area. Additionally, a zone of semi-massive chalcopyrite was intersected at 390m, suggesting a third mineralised zone may have also been identified at depth.

Further drill holes have been planned to further evaluate this new area of mineralisation.

### **Soils Sampling and Bedrock Drilling Programme Commences at Large South West Geophysics Anomaly**

A soil sampling and bedrock drilling program has commenced at the southern portion of the southwest Uranium Anomaly. The anomaly covers over 1.5 square kilometres of under-explored ground and it is also the highest radiometric uranium total count anomaly at Rocklands. Peak values are greater than 200 counts per second compared to Wilgar’s peak values of 120 counts per second.

The soil sampling program consists of 30 lines at 25 meter interval spacing and 50 meter line spacing for a total of 632 samples. The soil samples are taken at approximately 15-20cm at the interface between subcrop and organic/aeolian material. Soil sample results were found to be anomalous in the metals U, Mo, Pb, Zn, Cu and Co. Trends appear to cross-cut mapped stratigraphic contacts, and as such stratigraphy does not appear to be the primary control for soil sample geochemistry.

The bedrock drilling programme is designed to test anomalous surface geochemistry identified in soil samples, cross stratigraphic boundaries, cross geophysical gradients over a range of geophysical surveys, and to test for potential mineralisation in the north-south and east-west orientations. An initial plan of over 300 bedrock holes has been made, and drilling has commenced.

## REVIEW OF OPERATIONS (continued)

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### HIGHLIGHTS OF THE 2010 – 2011 YEAR:

#### **Rocklands Resource Update - 30.3 Mt @ 1.70% CuEq (1.14 billion pounds CuEq)**

An updated Resource Estimate reported according to the Joint Ore Resource Committee (JORC), Code and Guidelines, was completed by Mining Associates Pty Ltd (MA) in May, 2011. The primary focus of the Company has been to define a mineral resource that will sustain the first ten years of mining operations at a production rate of 3 million tonnes per annum:

#### **MEASURED AND INDICATED RESOURCE**

**30.3 Mt @ 1.70% CuEq**  
(1.14 billion pounds CuEq)  
(using 0.80% CuCoAu cut-off)

#### **MEASURED, INDICATED AND INFERRED RESOURCE**

**272.9 Mt @ 0.62% CuEq**  
(3.70 billion lbs CuEq)  
(using 0.20% CuCoAu cut-off)

#### **TOTAL CuEq INVENTORY INCREASES BY AN ADDITIONAL 650,000 TONNES COPPER EQUIVALENT FROM 1.03 MILLION TONNES TO 1.68 MILLION TONNES (3.7 billion lbs)**

#### **Resource Statement reported according to JORC guidelines**

The resources estimates for the Rocklands area at May 2011 are tabulated below at various cut-off grades. The tables need to be read in conjunction with the "Notes to the Resource Estimate" on next page.

***See ASX announcement 25th May, 2011 for full details and report on Updated Resource Estimate.***

**REVIEW OF OPERATIONS (continued)**

<b>Table 16 Measured Resource Estimate May 2011 at various cut-off grades</b>										
cut-off	Tonnes	Estimated Grade				Copper Equivalent		Contained Metal,		
<b>CuCoAu</b>		Cu	Co	Au	Mag	CuCoAu	<b>CuEqu</b>	Cu	CuCoAu	<b>CuEqu</b>
%	<b>Mt</b>	%	ppm	ppm	%	%	%	Mlb	Mlb	<b>Mlb</b>
<b>0.2</b>	<b>47.2</b>	0.41	353	0.10	2.94	0.89	<b>1.00</b>	425	929	<b>1037</b>
<b>0.4</b>	<b>34.6</b>	0.54	407	0.11	2.97	1.10	<b>1.20</b>	410	838	<b>918</b>
<b>0.8</b>	<b>13.8</b>	1.10	597	0.19	3.53	1.93	<b>2.06</b>	335	589	<b>628</b>

<b>Table 17 Indicated Resource Estimate May 2011 at various cut-off grades</b>										
cut-off	Tonnes	Estimated Grade				Copper Equivalent		Contained Metal,		
<b>CuCoAu</b>		Cu	Co	Au	Mag	CuCoAu	<b>CuEqu</b>	Cu	CuCoAu	<b>CuEqu</b>
%	<b>Mt</b>	%	ppm	ppm	%	%	%	Mlb	Mlb	<b>Mlb</b>
<b>0.2</b>	<b>121.9</b>	0.19	241	0.08	3.10	0.53	<b>0.64</b>	505	1417	<b>1712</b>
<b>0.4</b>	<b>63.3</b>	0.32	291	0.11	2.74	0.74	<b>0.83</b>	448	1026	<b>1161</b>
<b>0.8</b>	<b>16.4</b>	0.81	367	0.19	1.32	1.36	<b>1.40</b>	293	491	<b>508</b>

<b>Table 18 Total Measured and Indicated Resource Estimate May 2011 at various cut-off grades</b>										
cut-off	Tonnes	Estimated Grade				Copper Equivalent		Contained Metal,		
<b>CuCoAu</b>		Cu	Co	Au	Mag	CuCoAu	<b>CuEqu</b>	Cu	CuCoAu	<b>CuEqu</b>
%	<b>Mt</b>	%	ppm	ppm	%	%	%	Mlb	Mlb	<b>Mlb</b>
<b>0.2</b>	<b>169.2</b>	0.25	273	0.09	3.05	0.63	<b>0.74</b>	930	2347	<b>2750</b>
<b>0.4</b>	<b>97.9</b>	0.40	332	0.11	2.82	0.86	<b>0.96</b>	858	1864	<b>2080</b>
<b>0.8</b>	<b>30.3</b>	0.94	472	0.19	2.34	1.62	<b>1.70</b>	627	1081	<b>1136</b>

<b>Table 19 Inferred Resource Estimate May 2011 at various cut-off grades</b>										
cut-off	Tonnes	Estimated Grade				Copper Equivalent		Contained Metal,		
<b>CuCoAu</b>		Cu	Co	Au	Mag	CuCoAu	<b>CuEqu</b>	Cu	CuCoAu	<b>CuEqu</b>
%	<b>Mt</b>	%	ppm	ppm	%	%	%	Mlb	Mlb	<b>Mlb</b>
<b>0.2</b>	<b>103.7</b>	0.06	167	0.10	2.87	0.32	<b>0.42</b>	134	724	<b>957</b>
<b>0.4</b>	<b>20.6</b>	0.17	269	0.08	2.11	0.55	<b>0.62</b>	78	248	<b>282</b>
<b>0.8</b>	<b>1.1</b>	0.80	281	0.13	1.06	1.22	<b>1.25</b>	19	29	<b>29</b>

**REVIEW OF OPERATIONS (continued)**

<b>Table 20 Total Measured Indicated and Inferred Resource Estimate May 2011 at various cut-off grades</b>										
cut-off	Tonnes	Estimated Grade				Copper Equivalent		Contained Metal,		
<b>CuCoAu</b>		Cu	Co	Au	Mag	CuCoAu	<b>CuEqu</b>	Cu	CuCoAu	<b>CuEqu</b>
<b>%</b>	<b>Mt</b>	%	ppm	ppm	%	%	<b>%</b>	Mlb	Mlb	<b>Mlb</b>
<b>0.2</b>	<b>272.9</b>	0.18	233	0.09	2.98	0.51	<b>0.62</b>	1064	3070	<b>3704</b>
<b>0.4</b>	<b>118.5</b>	0.36	321	0.11	2.70	0.81	<b>0.90</b>	935	2112	<b>2361</b>
<b>0.8</b>	<b>31.4</b>	0.94	465	0.19	2.29	1.61	<b>1.69</b>	646	1109	<b>1165</b>

**Notes to the Resource Estimate:**

1. The Rocklands tenements are owned 100% by CuDeco Limited.
2. The mineral resource estimate is based on all 3,793 drill holes (306,671.2m) including 305 diamond drill holes (69,521.0m) and 1,458 RC drillholes (225,207.5m).
3. Mining Associates (MA), conducted a review of the data and sample collection of the historic drilling.
4. MA has reviewed the EAM Procedures and visited site on 4 occasions during the course of the current Drill Programme.
5. The geological resource is constrained by domains consisting of 3D models. The mineralised domains were digitised on cross sections defining boundaries for High-grade Cu as >0.5%Cu, Low-grade Cu as >0.1% Cu and Cobalt as >100ppm Co. The domains are nested. There are a total of 36 currently defined domains.
6. Drill intercepts within each lode are flagged in a database table and composited for each assay element separately to 2m downhole giving 39,157 informing two metre composites for Cu in the domained areas and 20,780 in the undomained from drillholes.
7. A grade cap was applied to informing composites to remove outliers. Cu grades were capped at 23%, Co grades at 5,000ppm, Au grades at 10ppm and Magnetite% at 44%.
8. Density was determined on 3,002 samples throughout the ore body using the immersion method. Bulk density is related to the oxidation state of the rock and extent of mineralisation. The geologists have logged three oxidation states between totally oxidised to un-oxidised fresh rock. The oxidation states of each block were defined by wireframes based on sectional interpretation. Density was assigned based on the weathering profile and copper and magnetite grades.
9. Block model parent block size selection of XYZ 50 x 8x 20m was chosen The estimation block size was varied by resource category down to the sub-block size of 12.5 m (E) by 2 m (N) by 5 m (RL) was used against all wireframes for volumes. The model was screened for topography by block.
10. Grade was interpolated into a constrained block model in 3D space by domain using Ordinary Kriging estimation with parameters based on directional variography by domain. Estimates were validated against informing samples and with nearest neighbour and inverse distance squared. The block model was also checked against recent CuDeco Drilling.
11. Informing samples were composited to 2m within domains and 10m in undomained areas. A minimum of 10 composites for both a maximum of 20 samples for domained and 10 samples for undomained.
12. Resources have been classified as Measured, Indicated and Inferred for the domained areas based on the number of informing samples, average distance and the kriging variance for each block. All undomained blocks are classed as Inferred.

## REVIEW OF OPERATIONS (continued)

13. Lower cutoff grade of 0.2% CuCoAu and only blocks above -250m RL were applied to blocks in reporting the resource estimates in a range of cut-off grades. Magnetite has not been included in the cut-off grade as it is not directly related to the mineralisation, but will be produced as a by-product so is included in the final Block Model report and estimates.
14. Lower cutoff grade of 0.2% Cu and only blocks above -250m RL were applied to blocks in reporting the resource estimates in a range of cut-off grades.
15. Copper equivalents have been calculated assuming average metal prices and recoveries. A copper price of USD2/lb and recovery of 95%; a cobalt price of USD26/lb and recovery of 90%; a gold price of USD900/oz and recovery of 75% and a magnetite price of \$US185/t. The CuCoAu for selection of cut-off grades does not include the magnetite, but it is included for calculation of final metal equivalents, as follows;
16.  $CuCoAu\% = cu\_perc\_krig + co\_ppm\_krig * 0.001232 + au\_ppm\_krig * 0.518238$
17.  $CuEqu\% = cu\_perc\_krig + co\_ppm\_krig * 0.001232 + au\_ppm\_krig * 0.518238 + mag\_perc * 0.035342$
18. It is the company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered.
19. Reported Tonnage and grade figures have been rounded off to the appropriate number of significant figures to reflect the order of accuracy of an inferred estimate. Minor variations may occur during the addition of rounded numbers.

In early 2007, the CuDeco geological team determined that approximately 300,000m of drilling would be required to adequately define the identified mineralised zones at Rocklands, for use in resource estimation purposes.

An Updated Resource Estimate was released in August 2010, based on 268,000m of drilling data, approximately 32,000m less than originally planned.

The current Updated Resource Estimate detailed above is based on more than 305,000m of drilling data and over 292,000m of assayed intervals, which approximates the originally planned drill programme and provides sufficient information to support a robust geological model throughout all mineralised areas of interest.

The CuDeco geological team is satisfied that the current drill-hole database has met its original objectives.

### **Cudeco Signs Contract With Sinosteel to Supply Process Plant Equipment**

The Company entered into a procurement agreement with Sinosteel for the supply of all of the componentry for the \$200m Rocklands Group Copper Project in order to ensure the Company's forecast timeframe for the commencement of production is met. A deposit of \$US11.70m has been paid to Sinosteel so that they can commence the manufacture of the long lead components. After completing the major phases of an exhausting and continuous 4 year metallurgical testwork programme utilising more than 5 independent metallurgical laboratories, the Company is now entering the final design phase. Independent consultants involved in the project include China's largest metallurgical and process group, China Nerin Engineering Co Ltd, and Lycopodium Minerals (Qld) Pty Ltd which has been involved in the preliminary studies for the Rocklands project.

CuDeco has also awarded the basic engineering design work to the Sinosteel/Nerin Group.

### **Mining Equipment**

Taking advantage of the global financial crisis period opportunities, the Company secured a fleet of large scale, late model mining equipment sized for the Rocklands project. The Company has now purchased all of the large-size mining equipment required for the Rocklands Project. The equipment includes all late model plant, 14 x Komatsu Rigid Dump Trucks, 5 x 200 tonne excavators, 2 x 110 tonne Hitachi Excavators, 3 x Caterpillar Dozers ranging from D9 to D11 size, water trucks, Komatsu large scale loaders, graders and other associated equipment.

## REVIEW OF OPERATIONS (continued)

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The Company intends to contract out the mining to independent mining contractors using its earthmoving equipment. This strategy dramatically reduces the cost per unit tonne of ore and waste mined. The equipment is in the final stages of being brought up to mine specification standard, and being 'run-up' to operating conditions.

### **Power**

The Company continues to evaluate its options on a combination of renewable energy and three base-load power options best suited to the project, all options have merit and CuDeco is in a good position for a reliable supply for the life of the mine.

The Company's logistics team is considering the supply from various Government Agencies and private power supply groups to supply power generation. These include installation of a gas fired turbine or reciprocating engine diesel power station which can provide both standby and phase one supply for Project Power whilst awaiting for potential connection to the Queensland Government's Copper String Project supply, which is expected to be completed in 2013– 2014.

Renewable energy sources such as solar- and/or wind-power (local or remote) are being investigated as supplementary power supplies.

### **Memorandum Of Understanding (MOU) To Lease Up To 900 Hectares To Construct A Multi-User, Multi-Purpose Rail Load-Out Facility**

CuDeco entered into a conditional MOU for the lease up to 900 hectares of land located outside the SE boundary of the Township of Cloncurry in Queensland, for construction of a multi-user, multi-purpose rail load-out facility (Facility). The area of land, the subject of the MOU, is located in the immediate proximity to the current Townsville/Mt Isa/Duchess rail line network and the Flinders Highway. The conditions for the MOU, if fully implemented, will entitle CuDeco to a lease over the land for 40 years. The CuDeco constructed Facility will require internal rail network and infrastructure including roads, water and power, and will be utilised for the rail shipment of products from CuDeco's Rocklands project as well as from other users in NW Queensland that are interested in constructing similar facilities under CuDeco's operation.

### **Agreement To Lease With Port Of Townsville**

The Company entered into a Lease Agreement for concentrate storage and handling facilities with the Port of Townsville Ltd, and based upon its preliminary designs has submitted its Development Application for this project. CuDeco will be constructing its own conveyor and shipload loading structure direct to our allocated wharf berth at Townsville Port from its the storage facility. This facility, phase one, will have the capacity to store up to 200,000 tonnes of mineral concentrates in a sealed storage shed.

### **MOU With Australian Rail Group (ARG)**

The Company entered into an MOU with ARG to secure a rail line to its Port facility. The agreement enables CuDeco to have guaranteed rail access and ARG's future planning will encompass CuDeco's requirements for timely rail deliveries of its products to its port facility. The MOU allows both CuDeco and ARG to work closely with engineering design and operational planning for a total transport and loading logistic options.

ARG has also expressed interest in participating in the Multi-user Facility in Cloncurry.

### **Accommodation Village - Town Planning Approval**

The Cloncurry Shire Council has approved the construction of a 200 person accommodation village located within the Township of Cloncurry. The approval includes Department of Resource Management (DERM) approval, Engineering, Water, Power, Communication and Mains Road approvals. Construction of the village will depend on the timing of granting of the Rocklands Mining Lease from the Queensland Government.

## REVIEW OF OPERATIONS (continued)

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### Housing In Cloncurry

The Company lodged an application for the approval of a 48 block sub-division in Cloncurry with the view to offer permanent positions at the Rocklands Mine on a non fly-in/fly-out basis. The company wants to encourage families to move into the country and enjoy the lifestyle the bush offers, particularly to children.

### Engineering Design Project Office In Cloncurry Completed And Operational

CuDeco's technical design centre and office complex with 20 fully contained accommodation cabins was constructed in Cloncurry during the year and will be the headquarters for the Rocklands operational, management and construction teams, including consultants and associated groups, that will spearhead the project.

### Major Road Upgrade and Bitumen Sealing In Collaboration With Cloncurry Shire Council

The access road to Rocklands (Corella Park Road), to an "all-weather standard road" including reconstruction and bitumen surfacing of the entire distance between the Rocklands site and the heavy-haulage Burke Development Road was commenced, and almost completed at year end in a collaborative project between CuDeco and the Cloncurry Shire Council as part of its Local Roads Initiative. The upgrade has included widening, addition of drains and culverts, construction of concrete creek crossings, intersections, signage and a heavy duty bitumen surface.

### Phase-2 Bulk Sample Testing of Rocklands Ore - Single Circuit Flow-Sheet Confirmed to Efficiently Treat All Rocklands Ore Types

#### Average Head Grade for All Ore Types (Phase 2) = 4.15% CuEq

A significant and robust investigative process has been conducted over the last 4 years, to develop a process flow-sheet for the treatment of Rocklands ores. The investigative work involved various scales of bench and pilot work, which has culminated in the design by CuDeco of a single flow-sheet for the treatment of the three Rocklands ore types. The flow-sheet developed by CuDeco uses available technology, in innovative ways, to treat the three very different ore types.

Results of the Phase 2 (35 tonne) bulk-sample test-work at NAGROM, represent the culmination of this work and provides both "proof of concept" and practical, large pilot-plant scale stress-testing of the circuit design, proposed to achieve the highest possible recovery rates of saleable products from Rocklands ore.

Sample material included the primary chalcopyrite/cobaltic-pyrite, chalcocite, and native copper ores. Processes tested included primary, secondary and tertiary crushing, screening, gravity, milling, flotation and magnetite separation steps on a large pilot-plant scale. Over 35 tonnes of material was obtained from 3270m of PQ (83mm) Diamond Drill Core, taken from the main ore zones.

Five saleable products recoverable to specifications suitable for end users in a single circuit flow-sheet, namely **Copper, Cobalt, Gold, Sulphur and Magnetite**

The following highlights were reported by CuDeco's Technical Manager for the Phase-2 testing:

#### **Native Copper Ore**

- recovery of +1mm native copper from ore sample 98%
- separation efficiency for +1mm native copper 95%
- recovery of -1mm native copper prior to milling by spirals and Knelson Concentrator proven feasible
- recovery of -1mm native copper prior to milling 94.1%

## REVIEW OF OPERATIONS (continued)

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### Primary Ore

- overall copper recovery to concentrate 94.3%
- final copper (chalcopyrite) concentrate grade 34.4% Cu
- no deleterious elements identified that would attract penalties from end users
- primary cobalt recovery 90.3%
- final pyrite concentrate grade 5,600ppm Co
- overall magnetite recovery to magnetic separator rougher concentrate 85.0%

### Chalcocite Ore

- overall copper recovery to concentrate 85.0%
- final copper (chalcocite) concentrate grade 56% Cu
- overall cobalt recovery to pyrite concentrate 75.9%
- final pyrite concentrate grade 3,500 ppm Co
- overall magnetite recovery to magnetite separator rougher concentrate 90.5%

### Process Flow-sheet

- proposed flow-sheet successfully treated 5.52 tonnes of representative primary ore
- proposed flow-sheet successfully treated 4.68 tonnes of representative chalcocite ore
- proposed flow-sheet currently successfully treating 10 tonnes of native copper ore
- High Pressure Grinding Rolls (HPGR) successful as primary comminution process, for all three ore types
- Continuous jigs proven to produce high purity native copper metal stream at high recovery levels
- Spiral and Knelson concentrator tested for fine copper recovery
- proposed flotation scheme works for the three ore types
- representative batches of concentrates (chalcopyrite, chalcocite, pyrite/cobalt and magnetite) produced for marketing
- native copper nuggets and fines concentrate produced for marketing
- representative batches of all product streams produced for further testing, eg Dangerous Goods classification, toxicology and for developing a Material Safety Data Sheet for Rocklands concentrate products

### Other Important Features of the Test Programme

NAGROM laboratories were chosen because they are recognised for their specialist knowledge in the gravity separation processes required for the native copper recovery, and were also in the process of installing a continuous large pilot-scale jig, manufactured by German company, allmineral, which was required to successfully demonstrate the process for the recovery of coarse copper nuggets.

#### Size Reduction, HPGR and Native Copper Nugget Liberation

Jaw crushers were selected for the primary crushing of the ore. HPGR was selected for final crushing as it best liberates the native copper nuggets and allows for their recovery. It was found in the Phase 1 bulk test programme (5 tonnes), that the action of the HPGR seemed to “flex”, but not deform or flatten the copper nuggets, and allow the matrix rock to break away cleanly from the nugget. The success of this process was confirmed in the Phase 2 bulk test programme (35 tonnes).

## REVIEW OF OPERATIONS (continued)

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Most importantly, the Phase 2 program demonstrated that the HPGR process could also effectively be used for the chalcocite and primary ore types as the secondary comminution process. In fact, one HPGR supplier described the CuDeco application as the “perfect application of HPGR”, as the liberation of the native copper can be achieved and the properties of the other ores are also amenable to HPGR. The HPGR process has the added advantages of lower capital and operating cost than a SAG mill, which is conventionally used in this application.

### Gravity Circuit

The HPGR product is in the form of a compacted cake, which is then broken up by a wet trommel and then screened into a number of close size fractions to improve the efficiency of the jiggling process.

The continuous pilot alljig® machine supplied by allmineral successfully demonstrated the jiggling process to recover the coarse (+1mm) native copper nuggets previously demonstrated on a static jig.

Ideally, the fine native copper (-1mm) also needs to be recovered prior to the milling process, to ensure that native copper is not accumulated in the mill. Again gravity processes will be used. Two processes were trialed for this duty, the Knelson concentrator and spirals. Both of these units performed well in this duty.

Once the native copper ore has been depleted and the plant is treating only chalcocite or primary ore, it is envisaged that the gravity circuit will be by-passed.

### Milling

For the native copper ore and majority of the chalcocite ore, the HPGR product will pass through the trommel. The oversize material will be returned to the HPGR and the undersize being the feed to the mill. Milling of the ore to a size that is suitable for flotation will be carried out in a conventional ball mill.

In the current test program, the primary and chalcocite ores were successfully milled. The native copper ore was pre-treated to remove any fine native copper prior to milling due to historically reported problems with native copper accumulating in mills at other operations. Although further alternatives are currently being investigated, it is apparent that the removal of the fine native copper was highly successful, as there was very little residue of copper in the mill when the mill was dismantled after milling the 10 tonnes batch.

### Flotation

Due to the size of the sample to be treated through flotation, a batch-continuous approach was used. Relatively large batches of slurries produced from the milled ore were processed through a pilot flotation machine, with reagent additions and process conditions proportional to a full scale operation.

The flotation circuit is relatively complex due to the need to separate two types of minerals in subsequent steps. Initially, copper sulphides are recovered and flotation of pyrite is suppressed. The copper concentrate collected in the roughing stage is then reground and passed through a cleaning circuit where conditions are adjusted to promote copper mineral flotation and further suppress pyrite flotation. Post copper recovery, the conditions of flotation are altered in the subsequent stages to promote pyrite recovery.

### Magnetic Separation

During the first bulk trials in June 2010 a significant amount of magnetite was noted to be present in the sample during processing. A recovery step was subsequently included in the conceptual flow-sheet. During the current testing program, it has been demonstrated that a magnetic rougher concentrate can be produced from the tailings stream, at high recovery.

## REVIEW OF OPERATIONS (continued)

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### **Copper 'Oxides'**

Rocklands copper 'oxide' carbonates have been shown to typically float to reasonable recoveries (+/- 65%), and the flotation tail is currently being tested for 'oxide' recovery.

### **Offtake Agreement for sale of Rocklands mineral concentrates to China Oceanwide.**

China Oceanwide has agreed via an Offtake Agreement with CuDeco to purchase a minimum of 60% of the total product from the Rocklands Project and has also agreed under the terms of the Agreement, to purchase the entire 100% of production at the discretion of CuDeco.

The term of the Offtakes Agreement is 20 years and includes the purchase of all of the types of concentrates produced at Rocklands (not including magnetite that will be sold in Australia) but, includes the copper/gold concentrates and the pyrite/cobalt concentrates.

### **On-market Share Buy-back recommenced**

The Company recommenced the on-market share buy-back during the latter part of the year, with the support of major shareholders. The Company believes that at the share price during this period is significantly undervalued and views buying shares at current prices as a sound investment. A total of 1,426,401 shares were bought back by the end of the year.

### **Appointment of New Director and Company Secretary**

During the year Mr Zhijun Ma was appointed as a new non-executive director of the Company. Mr Zhijun Ma was nominated for appointment by Oceanwide International Resource Co Limited ('Oceanwide') under the terms of their agreement to subscribe for shares in the Company.

Mr Zhijun Ma 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. Mr Ma is a director and general manager of Oceanwide and is responsible for this company's investments for overseas projects especially within the energy and resource sectors. He is also currently the Chairman on Minsheng Investment Management Holdings Co Limited, and Director of the Guangxi Beibu Gulf Bank and Minsheng Securities Co., Ltd.

Also during the year Mr Bruno Bamonte was appointed as the new Company Secretary for the Company to replace Lisa Rowe. Mr Bamonte is an Australian Chartered Accountant and has more than 15 years' experience in public company area in roles ranging from Company Secretary to Finance Director.

### **Exploration - Rocklands:**

#### **Significant Drill Results From Las Minerale Infill Drilling Programme**

Resource drilling continued during the earlier part of the year and this resulted in some significant results including from Las Minerale and Southern Rocklands. For example:

DODH166	intersected 98m @ 5.95% Cu eq fm	5m – 103m
DODH082	intersected 140m @ 5.42% Cu eq fm	3m – 143m

In addition, the gap between Rocklands South and Rocklands South Extension has been the subject of a bedrock drilling program with some holes showing visible oxide and sulphide copper mineralisation. The bedrock drilling has given strong indications that the mineralisation continues.

## REVIEW OF OPERATIONS (continued)

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### Exploration - Wilgar:

#### High-grade Gold Intersected at Wilgar, with Visible Gold and Possible Tellurides Recorded in Diamond Drill Core - Bonanza Gold Grades up to 655g/t

Late in the year, exploration diamond drill hole DODH223 returned exceptional results over significant widths (including bonanza gold grades), within a highly-altered zone intersected from 14-38m down-hole width (approximately 15m true-width). Visible disseminated gold was observed over several metres.

The highly-altered zone is interpreted to be associated with a principal source of mineralisation at Wilgar and remains open along strike to the north-west and at depth.

The high-grade gold assay results for diamond drill hole DODH223, include a record result for gold at Rocklands that is approximately 10 times the previous record of 63.2g/t Au, which was also intersected at the Wilgar prospect.

Significant zones of silver and tellurium were also intersected within the interpreted zone, providing evidence that gold is strongly associated with tellurium (possibly the gold-telluride calaverite), with the results summarised below (Gold-tellurides are responsible for some of the richest gold ores in the world):

#### **Results of Diamond Drill Hole DODH223**

##### **Gold (Au):**

Intersected	<b>20m @ 36.5 g/t Au</b> (1.17 ounces of gold per tonne from 14-34m)
<i>Including</i>	<b>7m @ 102 g/t Au</b> (3.28 ounces of gold per tonne from 14-21m)
<i>Including</i>	<b>5m @ 142 g/t Au</b> (4.57 ounces of gold per tonne from 14-19m)
<i>Including</i>	<b>3m @ 229 g/t Au</b> (7.34 ounces of gold per tonne from 16-19m)
<i>Including*</i>	<b>1m @ 655 g/t Au</b> (21.06 ounces of gold per tonne from 16-17m)

*\* gold results include total leachable gold and gold in residue.*

##### **Silver (Ag):**

Intersected	<b>20m @ 59.3 g/t Ag</b> (1.91 ounces of silver per tonne from 14-34m)
<i>Including</i>	<b>7m @ 71.7 g/t Ag</b> (2.31 ounces of silver per tonne from 14-21m)
<i>Including</i>	<b>5m @ 44.7 g/t Ag</b> (1.44 ounces of silver per tonne from 14-19m)
<i>Including</i>	<b>3m @ 38.6 g/t Ag</b> (1.24 ounces of silver per tonne from 16-19m)
<i>Including</i>	<b>1m @ 6.1 g/t Ag</b> (0.20 ounces of silver per tonne from 16-17m)

##### **Tellurium (Te):**

Intersected	<b>20m @ 251 ppm Te</b> (from 14-34m)
<i>Including</i>	<b>7m @ 679 ppm Te</b> (from 14-21m)
<i>Including</i>	<b>5m @ 854 ppm Te</b> (from 14-19m)
<i>Including</i>	<b>3m @ 1110 ppm Te</b> (from 16-19m)
<i>Including</i>	<b>1m @ 2670 ppm Te</b> (from 16-17m)

## REVIEW OF OPERATIONS (continued)

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### **Bedrock Drilling Doubles The Footprint of Exotic and Precious Metals at Wilgar**

#### **Assays up to 173g/t Silver, 15.6g/t Gold and 6260ppm Molybdenum**

Bedrock drilling at Wilgar is testing the soil cover from surface down to the first intersection of hard bedrock, on a 2m x 2m grid basis. Every metre is logged and assayed, including the last metre of hard bedrock.

The most recent Wilgar bedrock programme intersected significant mineralisation in 100 bedrock drill holes, from a total of 319 holes, full details of which were released 21 April 2010:

#### **Silver Intersections**

390 one metre samples assayed more than 20g/t Ag

228 one metre samples assayed more than 30g/t Ag

65 one metre samples assayed more than 50g/t Ag

*Highest grade intersection of one metre @ 173g/t Ag*

#### **Gold Intersections**

435 one metre samples assayed more than 0.20g/t Au

217 one metre samples assayed more than 0.50g/t Au

99 one metre samples assayed more than 1.00g/t Au

39 one metre samples assayed more than 2.00g/t Au

*Highest grade intersection of one metre @ 15.60g/t Au*

#### **Tellurium Intersections**

73 one metre samples assayed more than 50ppm Te

69 one metre samples assayed more than 100ppm Te

26 one metre samples assayed more than 250ppm Te

*Highest grade intersection of one metre @ 990ppm Te*

#### **Molybdenum Intersections**

57 one metre samples assayed more than 500ppm Mo

29 one metre samples assayed more than 1000ppm Mo

12 one metre samples assayed more than 2000ppm Mo

*Highest grade intersection of one metre @ 6260ppm Mo.*

*Note: 1ppm = 1g/t*

High resolution bedrock drilling density is being used at Wilgar, designed to reveal the subtle imprinting of source geochemistry and originally emplaced bedrock that can remain in the highly weathered surface profile, especially immediately adjacent to the source rock, and the geological team view the results from Wilgar as nothing short of spectacular for a regolith (including soils), based programme. In combination with a limited RC and diamond drilling programme, a picture is finally starting to form of the trend, (strike & dip), and morphology of the near surface mineralisation at Wilgar.

## REVIEW OF OPERATIONS (continued)

### Exploration – Fairfield:

#### New Area of Mineralisation Confirmed at the “Fairfield Prospect”

The Fairfield Prospect is an historical high-grade Cu oxide open cut mine approx. 6m deep and 80m long with visible copper in the form of malachite and azurite (copper minerals) across the width and length of the open cut. The Fairfield is a granted Mining Lease and historically produced high-grade copper oxide ore and is located within the NE area of the Rockland’s EPM and was identified as a possible large target by geophysical surveys carried out by CuDeco, including Sub-Audio Magnetics (SAM), Aerial Magnetics and the more recent gravity survey.

A new hole at the Fairfield prospect, LMRC458 intersected **22m @ 1.23% Cu Eq from 87-109m** including 9m @ 2.31% Cu Eq from 87-96m which includes 5m @ 3.59% Cu Eq from 89-94m. LMRC458 was drilled approximately 45m from the previous drill hole DORC330, which was drilled over two years ago and intersected very-high grade copper mineralisation, 8m @ 4.66% Cu Eq from 58-66m. The mineralisation is open at depth and in both directions of strike.

#### Fairfield Exploration Drill Hole DODH242 Intersects High-grade Copper and Cobalt Mineralisation

Following up on the results of drill hole LMRC458, diamond drill hole DODH242 intersected a 22m zone of copper, cobalt and gold mineralisation, from 90-112m and an additional low-grade zone was also identified from 157-162m.

A follow up diamond drill hole (DODH245), was drilled under diamond drill hole DODH242, and successfully intersected the mineralised zone intersected in LMRC458, some 35m down-dip.

The convergence of geophysical anomalies at Fairfield, with numerous occurrences of identified copper and cobalt mineralisation at surface, and its proximity to both the Solsbury Hill discovery and Wilgar Prospect highlights the Fairfield Prospect as a continuing major target for the exploration team.

#### New Zones of Copper Mineralisation Discovered Adjacent to Northern Siltstone and Las Minerale Orebodies

Diamond core drill targeting of Induced Polarisation (IP), chargeability targets adjacent to, and north of the Las Minerale and Northern Siltstone orebodies, has intersected numerous zones of sulphide mineralisation, including chalcopyrite (chalcopyrite contains approximately 34.6% Cu).

The newly identified zones of chalcopyrite mineralisation occur between the Northern Siltstone and Rainden orebodies, both to the local grid north of Las Minerale. The new area of mineralisation is located between zones currently included in the Rocklands Group Copper Project resource inventory, and appears to strike sub-parallel to the Company’s flagship Las Minerale orebody. This new discovery underlines the prospective nature of the Rocklands EPM, in spite of over 300,000m of drilling conducted to date, and highlights the potential for increasing the Rocklands resource inventory identified in the May 2011 Resource Estimate.

#### Induced Polarisation (IP), Geophysics Targeting Yields Immediate Success with Sulphides Intersected in Deep Diamond Drilling

Deep geophysical target drill hole DODH236 was aimed at intersecting the IP chargeability ‘football’ high anomaly to the North of Las Minerale at depth. The hole intersected numerous zones of low-grade copper mineralisation, with some higher grades interspersed.

Some of these intercepts were in areas previously untested for mineralisation and as such, a new area for continued exploration has opened up to the north of the Northern Siltstone orebody. Further encouraging intersections have been made in recent drill hole DODH253, and are highlighted below.

Drill hole DODH253 was designed to scissor the intersections of mineralised siltstone breccia in the first deep diamond drill; DODH236. The sulphide (chalcopyrite), mineralisation in DODH253 appears more abundant, although less distributed, and has confirmed there are at least two new zones of mineralisation that do not appear to be related to the Northern Siltstone orebody, including a semi-massive sulphide intersection between 390-391m.

## REVIEW OF OPERATIONS (continued)

### Reconnaissance Sampling Exploration Programme Commences at 15 Locations

Fifteen locations have been targeted as highly prospective, based on the current surface geochemical database. To date, areas have been mapped and sampled. Highlights included malachite found in several locations and anomalous uranium found in an area previously untested and containing wide zones of magnetite and iron-rich alteration.

Significant results will be followed up with more detailed investigation and followed by drilling if appropriate.

### XRF Analysis of Soil and bedrock samples

Interim geochemical analysis for mineralisation such as gold, that are not visible to the naked eye, and for other general use, is now being conducted at the Rocklands Laboratory. To facilitate this process, the exploration team has implemented a systematic XRF analysis programme of bedrock and soil samples.

The programme is designed to be on-going, and aims to minimise unnecessary laboratory analysis, as well as quickly identify areas of mineralisation for prompt follow-up, and provide results that may be reportable to the market. This programme has several aspects, including sample preparation, sample analysis, the implementation of calibration standards, quality control systems and reporting.

In keeping with the guiding principles of the JORC Code (2004), materiality and transparency, the geological department has put together a systematic analytical process through which samples must pass which will allow information to be extracted for public reports.

Hole ID	Easting	Northing	RL	Azi (o)	Dip (o)	Hole Depth (m)
DORC330	433547.6	7716265.7	220.9	180	-55	154
DODH082	433528.0	7713910.0	216.1	010	-76	142.6
DODH166	433522.1	7713880.4	215.5	000	-90	112.3
DODH223	432244.6	7715697.8	238.5	090	-30	110.1
DODH236	433875.1	7714211.0	215.8	210	-45	602
DODH240	432257.6	7715696.0	240.4	000	-90	38.55
DODH242	433489.6	7716157.8	220.7	030	-32	181.6
DODH245	433489.1	7716156.3	219.4	030	-40	200.2
DODH247	432258.3	7715697.8	240.4	000	-90	41.6
DODH248	432260.1	7715697.2	240.5	000	-90	41.6
DODH251	432262.8	7715698.5	240.4	000	-90	29.1
DODH253	433611.4	7713856.7	216.9	030	-55	411.4
LMRC458	433590.7	7716276.9	219.8	210	-55	124

Datum: AGD66 Project: UTM54 surveyed to 0.1m accuracy with Differential GPS (1 decimal place), or to 4m accuracy with handheld GPS (no decimal places).

## REVIEW OF OPERATIONS (continued)

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### Equivalent calculations

#### Note A. COPPER (Cu) EQUIVALENT CALCULATION (pre 18th August 2010)

The formula is based on the metal prices of:

Copper	\$2.00 US\$/lb	Recovery:	95.00%
Cobalt	\$26.00 US\$/lb	Recovery:	90.00%
Gold	\$700.00 US\$/troy ounce	Recovery:	75.00%

The recoveries used in the calculations are the average achieved to date in the metallurgical test work on primary sulphide, supergene, oxide and native copper zones. Higher recoveries have been achieved during test work. Copper recoveries to date for copper are above 98%, and above 92% for cobalt.

In order to be consistent with previous reporting at Rocklands, the drill intersections reported above have been calculated on the basis of a copper cut-off grade of 0.2% with an allowance of up to 4m of internal waste.

Calculated Co and Au grades are also reported for relevant intersections.

All analyses were carried out at internationally recognised, independent, assay laboratories. Quality assurance for the analyses is provided by continual analysis of known standards, blanks and duplicate samples.

Reported intersections are down-hole widths.

Au = Gold  
 Co = Cobalt  
 Cu = Copper  
 CuEq = Copper Equivalent

#### Note B. COPPER (Cu) EQUIVALENT CALCULATION (post 18th August 2010)

The formula is based on the metal prices of:

Copper	\$2.00 US\$/lb	Recovery:	95.00%
Cobalt	\$26.00 US\$/lb	Recovery:	85.00%
Gold	\$900.00 US\$/troy ounce	Recovery:	75.00%

The recoveries used in the calculations are the average achieved to date in the metallurgical test work on primary sulphide, supergene, oxide and native copper zones. Higher recoveries have been achieved during test work. Copper recoveries to date for copper are above 98%, and above 92% for cobalt.

## REVIEW OF OPERATIONS (continued)

### Notes on Assay Results

*In order to be consistent with previous reporting, the drill intersections reported above have been calculated on the basis of copper cutoff grade of 0.2% or Co cutoff grade of 200ppm or a combined equivalent, with an allowance of up to 4m of internal waste. Calculated Co and Au grades are also reported in relevant intersections.*

*Calculated Co and Au grades are also reported for relevant intersections.*

*All analyses were carried out at internationally recognised, independent, assay laboratories. Quality assurance for the analyses is provided by continual analysis of known standards, blanks and duplicate samples.*

*Reported intersections are down-hole widths.*

*Au = Gold  
Co = Cobalt  
Cu = Copper  
CuEq = Copper Equivalent*

*Previously announced results may have changed due to Parameters of the Copper Equivalent Calculation changing*

*Results may have changed from those previously announced, due to a re-assay program for Cobalt after the identification of issues with previous assaying methods.*

### **Note C. GOLD (Au) EQUIVALENT CALCULATION**

*The formula is based on the metal prices of:*

<i>Gold</i>	<i>\$1,000.00 US\$/troy ounce</i>	<i>Recovery:</i>	<i>80.00%</i>
<i>Silver</i>	<i>\$15.00 US\$/troy ounce</i>	<i>Recovery:</i>	<i>80.00%</i>
<i>Tellurium</i>	<i>\$200 US\$/kg</i>	<i>Recovery:</i>	<i>80.00%</i>

*In the absence of metallurgical work on this new style of mineralisation, a conservative nominal recovery of 80% was used.*

*Au = Gold  
Te = Tellurium  
Ag = Silver  
AuEq = Gold Equivalent*

## DIRECTORS' REPORT

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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 2011. 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:

**Wayne Michael McCrae**  
Executive Chairman  
(Director since 2002)

Wayne McCrae (63 years) has been involved in the mining industry for most of his adult life. Wayne's experience is bringing grass roots operations to production, and he has been involved with exploration for and / or production of gold, copper, silver, lead, zinc, coal and diamonds.

**Peter Robert Hutchison**  
MRACI Ch Chem  
Executive Director  
(Director since 2004)

Peter Hutchison (62 years) is a process chemist with over 35 years industry experience involving the chemical, mineral processing and water treatment businesses. He was responsible for the operations and handover of the Mt Norma project and is the Site Senior Executive and responsible for the metallurgical development work and other aspects of the Definitive Feasibility Study, for the Rocklands Copper Project.

**Vitie Paul Keran**  
B.App.Sc., B.E. (Chemical),  
Dip. B.A.  
Independent, Non-Executive  
Director  
(Director since 2007)

Paul Keran (68 years) is a chemical engineer with more than 30 years 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. He also completed technical assessment and development of the US \$1 billion Alumbrera copper/gold project in Argentina.

**Gerald Adrian Lambert**  
ACA MAICD BCom(Hrs)  
Independent, Non-Executive  
Director  
(Director since 2010)

Gerald (Gerry) Lambert (58 years) has had a 30 year corporate career with expertise/experience in the financial, strategic, systems/compliance, management and human resource areas. He has held key financial roles in both listed and unlisted companies in the mining and exploration, property development and construction industries. Mr Lambert is a non executive Director of Boystown, a national charitable organisation and has previously been a director/CFO of Villa World Limited and a director of City Resources Limited. Mr Lambert is a Chartered Accountant and has also been a lecturer/tutor at the University of Wollongong.

**David John Edward Taylor**  
B.A. LL.B.  
Independent, Non-Executive  
Director  
(Director since 2009)

David J. E. Taylor (27 years) is a Solicitor with admissions in the Supreme Court of Queensland and High Court of Australia. He is experienced within the field of civil litigation where he provides wide-ranging advice to clients of the law firm, Taylors. He holds bachelor degrees in Law and Arts from Bond University, with a specialisation in Legal Practice.

**Zhijun Ma**  
Non-Executive Director  
(Appointed 6 June 2011)

Mr Zhijun Ma (40 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. Mr Ma is a director and general manager of Oceanwide International Resource Co Limited and is responsible for this company's investments for overseas projects especially within the energy and resources sectors. He is also currently the Chairman on Minseng Investment Management Holdings Co Limited, and director of the Guangxi Bank and Minseng Securities Co., Ltd

## **DIRECTORS' REPORT (continued)**

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None of the Company's Directors have held office as directors of other public listed companies in the three year period ended 30 June 2011 (except as disclosed above).

### **COMPANY SECRETARY**

#### **Bruno Joseph Bamonte**

(Appointed June 2011)

Bruno Bamonte (aged 53 years) is an Australian Chartered Accountant and has more than 15 years experience in the listed company area in roles ranging from Company Secretary to Finance Director.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated entity during the course of the financial year was mineral exploration and evaluation, primarily of the Rocklands Group Copper Project in Cloncurry, Queensland.

### **RESULTS AND DIVIDENDS**

The loss after tax for the year ended 30 June 2011 was \$3,643,009 (30 June 2010: \$10,577,515). The significant items that contributed to the loss were; employee and consultant expenses of \$3,687,370 and foreign exchange loss on US Dollar account of \$1,093,573. No dividends were paid during the year and the directors do not recommend payment of a dividend.

### **REVIEW OF OPERATIONS**

A review of operations of the Consolidated Entity during the year ended 30 June 2011 and the results of those operations is set out on pages 3 to 19 and forms part of this Directors' Report.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

- The Company raised \$101.81 Million (before costs) throughout the year through the placement of 31.2 Million shares. This represents an average price of \$3.26 per share.
- The Company cancelled 2,181,074 ordinary shares pursuant to the Company's on-market share buy-back schemes. These shares were bought back at a total cost of approximately \$6.2 million, at an average cost of approximately \$2.85 per share.
- The Consolidated Entity paid a deposit of approximately \$11.4 Million for the components of a processing plant for its Rocklands Mining project. This is a significant step by the Consolidated Entity towards the development of the mine. In addition to the payment of this deposit, the Consolidated Entity also incurred development costs of \$1,590,831.

### **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:

- 4,709,213 ordinary shares have been bought back at a total cost of approximately \$15.7 Million, pursuant to the Company's on-market share buy-back announced on 31 May 2011.

## DIRECTORS' REPORT (continued)

### LIKELY DEVELOPMENTS

The Consolidated Entity will continue exploration, evaluation and development of its Rocklands Group Copper Project. Further commentary on likely developments over the forthcoming year is provided in the "Review of Operations".

### 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 2011 are:

	Full meetings of directors		Meetings of committees			
	A	B	Audit		Remuneration	
			A	B	A	B
W McCrae	6	6	*	*	*	*
P Hutchison	6	6	2	2	*	*
P Keran	6	6	2	2	*	*
G Lambert	6	6	2	2	2	2
D Taylor	6	6	*	*	2	2
Z. Ma	-	-	*	*	*	*

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

There were six (6) Directors' meetings held during the year. However, 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 committee consists of G Lambert (Chairman), P Hutchison and P Keran.

### 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:

	CuDeco Limited	
	Fully Paid ordinary shares	Options over ordinary shares
W McCrae	10,017,444	-
P Hutchison	1,032,534	2,500,000
P Keran	70,000	100,000
G Lambert	20,000	-
D Taylor	32,000	100,000

## DIRECTORS' REPORT (continued)

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### SHARE OPTIONS

As at the date of this report, there were 6,825,000 unissued ordinary shares under option.

	<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Consultant Unlisted Options:	300,000	\$3.50	10 June 2012
Directors Unlisted Options	2,700,000	\$6.50	31 December 2012
Employee Unlisted Options:	2,400,000	\$4.00	31 July 2012
Employee Unlisted Options:	200,000	\$4.50	31 July 2012
Employee Unlisted Options:	100,000	\$4.50	22 February 2013
Employee Unlisted Options:	525,000	\$2.50	15 September 2013
Consultants Unlisted Options:	600,000	\$2.50	15 September 2013

During or since the end of the financial year 100,000 employee options were exercised at \$3.50 each resulting in the issue of 100,000 ordinary shares by the Company. 350,000 unlisted employee options expired unexercised.

Options issued during the year are as follows:

- 600,000 options to subscribe for ordinary shares were granted to employees pursuant to the CuDeco Ltd Employee Option Plan. These unquoted options have an exercise period between 15 September 2011 and 15 September 2013 and are exercisable at \$2.50 each. During the year, one of the employees left the Company resulting in 75,000 options being forfeited.
- 600,000 options to subscribe for ordinary shares were granted to consultants pursuant to the CuDeco Ltd Employee Option Plan. These unquoted options have an exercise period between 15 December 2012 and 15 September 2013 and are exercisable at \$2.50 each.

No option holder has any other rights to participate in any other share issue of the Company or of any other entity.

## DIRECTORS' REPORT (continued)

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### REMUNERATION REPORT - AUDITED

This report outlays the remuneration arrangements in place for the Directors and executives (as defined under section 300A of the Corporations Act 2001) of CuDeco Limited.

The following were Directors and Executives of the Company during or since the end of the financial year.

#### Executive Directors

Mr Wayne McCrae  
Mr Peter Hutchison

#### Non-Executive Directors

Mr Paul Keran  
Mr Gerald Lambert  
Mr David J.E. Taylor  
Mr Zhijun Ma (appointed 6 June 2011)

#### Other Senior Management

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted the named persons held their current position for the whole of the financial year and since the end of the financial year:

Cameron McCrae – Business Development Manager  
Arthur Hunt – Senior Technical Manager (resigned June 2011)

#### Company Secretary

Lisa Rowe held the position up to 6 June 2011 at which time she was replaced by Bruno Bamonte  
Bruno Bamonte appointed 6 June 2011

There have been no changes of the CEO or key management personnel after reporting date to the date the financial report was authorised for issue.

#### Remuneration Policy

The Board is responsible for determining remuneration policies and packages applicable to the key management personnel and other executives of the Consolidated Entity. The remuneration of key management personnel and other executives 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.

The remuneration of key management personnel and other executives 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 and other executives 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.

During the year no element of the remuneration of key management personnel and other executives was dependent on the satisfaction of a performance condition, except for bonuses relating to the year ended 30 June 2011 and paid subsequent to the year end as follows:-

W. McCrae	\$100,000
P. Hutchison	\$225,000
C. McCrae	\$200,000

## **DIRECTORS' REPORT (continued)**

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### **REMUNERATION REPORT - AUDITED (continued)**

In arriving at these bonuses the Board considered a number of financial and non-financial factors. The Board believe that during the year the Company had been significantly de-risked and a secure financial base for the company had been established through the significant capital raisings and the entering into an off-take agreement. The only negative was that the mining leases had not issued however good progress towards this objective was made.

Currently remuneration is not linked to more traditional factors such as revenue growth, meeting budgets and shares price as the directors do not see them as relevant at this time.

#### **Remuneration Committee**

The Remuneration Committee is a formally constituted remuneration committee, comprising non-executive directors Mr. Taylor (Chairman) and Mr. Lambert. The Committee's terms of reference include the following duties:

- reviewing the remuneration guidelines for executive directors, including base salary, bonuses, share options, salary packaging and final contractual agreements.
- reviewing non-executive directors fees and costs by seeking external benchmarks.

Equity components of remuneration for any of the Directors, including the issue of options, are required to be approved by shareholders prior to award.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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.

#### **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 consists 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 reviewed annually by the Board 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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT - AUDITED (continued)

At the 2010 Annual General Meeting shareholders approved a pool of \$300,000 per annum for non-executive directors' fees. The Board has increased the annual remuneration of non-executive Directors to \$45,000 plus superannuation at the statutory guarantee level from 1 July 2010. In addition non-executive Directors providing services to the Consolidated Entity outside the scope of their duties as Directors will receive fees at an hourly rate.

The Board 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.

The Non-executive Directors receive no additional compensation for membership of Board Committees, although the Chairman of each committee receives an additional \$5,000 p.a. remuneration.

### Variable Remuneration – Long Term Incentive (LTI)

#### *Objective*

The objective of the LTI plan is to reward Directors and 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*

Up to the date of this report LTI grants to Directors and executives were delivered in the form of options. However due to the tax treatment of options, the company has proposed that future LTI take the form of a shares issue through a loan funded share plan. The issue of equity as part of the remuneration packages of Directors 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.

No options were granted to any of the Directors during the year.

### Employment Contracts

Formal employment contracts for the executive Directors have been in place since 31 March 2008.

The annual base salaries of the executive Directors are as follows:

	Base Salary	Superannuation
	\$	\$
W McCrae	800,000	50,000
P Hutchison	600,000	50,000

These executives are also 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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT - AUDITED (continued)

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. Current employment contracts do not provide for any other remuneration benefits other than as described above.

Cameron McCrae is the Business Development Manager, resident in Hong Kong since February 2008. His employment contract includes remuneration of \$262,656 per annum, allowances of \$36,400, accommodation in Hong Kong and medical cover. His salary increases 2.5% annually. Mr C. McCrae has a 5 year fixed term contract with the Company. If his contract is terminated for any reason other than Mr C. McCrae withdrawing his services he is entitled to be paid the balance of the term of his contract.

#### Directors' and executives remuneration

The remuneration for each director of the Company during the year was as follows:

Director		Short-Term Benefits		Post Employment Super-annuation	Share-Based Payments Equity Settled Value of Options	Other Long-Term Benefits	Total	% of Total Paid	
		Salary / Fees	Cash Bonuses					as Bonus	as Equity
		\$	\$	\$	\$	\$	\$		
W McCrae	2011	800,000	100,000	50,000	-	14,816	964,816	10%	-
	2010	600,000	-	40,756	-	66,021	706,777	-	-
P Hutchison	2011	600,000	225,000	50,000	-	11,067	886,067	25%	-
	2010	437,500	-	40,756	7,200,000	40,167	7,718,423	-	93%
P Keran	2011	45,000	-	4,050	-	-	49,050	-	-
	2010	37,500	-	3,375	288,000	-	328,875	-	88%
G Lambert	2011	45,000	-	4,050	-	-	49,050	-	-
	2010	8,036	-	723	-	-	8,759	-	-
D Taylor	2011	45,000	-	4,050	-	-	49,050	-	-
	2010	32,500	-	2,925	288,000	-	323,425	-	89%
W Cash (resigned 27 April 10)	2011	-	-	-	-	-	-	-	-
	2010	29,217	-	2,630	288,000	-	319,847	-	90%
Total	2011	1,535,000	325,000	112,150	-	25,883	1,998,033		
	2010	1,144,753	-	91,165	8,064,000	106,188	9,406,106		

Mr Z Ma was appointed a Non-executive Director on 6 June 2011 and received no remuneration in the year ended 30 June 2011.

The term 'Equity Settled Value of Options' does not imply that Directors receive this as a cash or cash equivalent component. It simply implies a value based on market volatility taking into account that the shares need to reach a price of greater than \$6.50 for the Directors to be rewarded in cash terms, hence the 100% 'incentive component' of the options. The value of the options has been determined using the Black-Scholes valuation method. The options included in the 2010 financial year were exercisable at \$6.50 per option and they expire on 31 December 2012. Under this method of valuation, each option was valued at \$2.88.

Other Benefits relate to the increase in the provision for long service leave accrued for the Directors.

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT - AUDITED (continued)**

The remuneration for the executives during the year was as follows:

<i>Executives</i>		Short-Term Benefits			Post Employ- ment Superan- uation \$	Share- Based Payments Equity Settled Value of Options \$	Total \$	% of Total	
		Salary / Fees \$	Cash Bonuses \$	Other Benefits \$				Paid as Bonus	Paid as Equity
C McCrae	2011	394,172	200,000	184,352	-	-	778,524	26%	-
	2010	297,654	-	198,489	-	599,673	1,095,816	-	55%
L Rowe (resigned 6 June 2011)	2011	55,254	-	-	-	-	55,254	-	-
	2010	49,759	-	-	-	59,967	109,716	-	55%
A Hunt (Resigned 30 June 2011) (appointed 12 April 10)	2011	180,000	-	-	27,000	-	207,000	-	-
	2010	38,077	-	-	5,712	-	43,789	-	-
B Bamonte (appointed 1 February 2011)	2011	49,759	-	-	-	-	49,759	-	-
	2010	-	-	-	-	-	-	-	-
Total	2011	679,185	200,000	184,352	27,000	-	1,090,537	-	-
	2010	385,490	-	198,489	5,712	659,640	1,249,331	-	-

Note – Other short term benefits includes the value of non-cash benefits such as accommodation and medical cover.

As the Consolidated Entity is still in the exploration and development stage the link between remuneration, company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment towards the sector, and as such increases and decreases may occur quite independent of executive performance or remuneration. However due to the significant progress made by the Consolidated Entity during the year, cash bonuses (included in the schedules above) were paid to the executive directors and a key executive.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT - AUDITED (continued)

Options granted as part of remuneration for the year ended 30 June 2010 (in accordance with the LTI plan) are as follows: -

Directors	Grant Date	Grant Number	Exercise Price	Vesting Date	Value per option at grant date	Expiry Date	% of Remuneration
P Hutchison	26 Nov 2009	2,500,000	\$6.50	1 Dec 2009	\$2.88 (A)	31 Dec 2012	93
P Keran	26 Nov 2009	100,000	\$6.50	1 Dec 2009	\$2.88 (A)	31 Dec 2012	88
D Taylor	26 Nov 2009	100,000	\$6.50	1 Dec 2009	\$2.88 (A)	31 Dec 2012	89
W Cash	26 Nov 2009	100,000	\$6.50	1 Dec 2009	\$2.88 (A)	31 Dec 2012	90
<b>Executives</b>							
C McCrae	29 Jul 2009	500,000	\$4.00	31 Jul 2010	\$1.31 (B)	31 Jul 2012	55
L Rowe	29 Jul 2009	50,000	\$4.00	31 Jul 2010	\$1.31 (B)	31 Jul 2012	55

(A) Each option was valued at \$2.88 being the value of the options at the date of grant using a Black-Scholes model. The options vested 100% at the time of grant.

(B) Each option was valued at \$1.31 being the value of the options at the date of grant using a Black-Scholes model. The options vest on 31 July 2010.

All options granted as part of remuneration for the year ended 30 June 2010 were granted for nil consideration. Once vested, options can be exercised any time up to the expiry date.

During the financial year, 200,000 options exercisable at \$2.50 each between 13 September 2011 and 13 September 2013 were issued to Arthur Hunt in September 2010. At the end of the financial year, these options were forfeited as Mr Hunt left the Company before the option vested. The value of the options forfeited as at the date of forfeiture was \$140,000.

The board's current policy does not allow directors and executives to limit their risk exposure in relation to equities or options without the approval of the board.

#### 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 granted subsequent to 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.

**This is the end of the audited remuneration report.**

## **DIRECTORS' REPORT (continued)**

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### **ENVIRONMENTAL REGULATION**

There are significant regulations under the environmental and mining laws and regulations of Queensland that apply to the exploration and mining tenements 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 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 \$26,629 (2010:\$24,871) 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**

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.

### **NON AUDIT SERVICES**

The following non-audit services were provided by our auditors, BDO Audit (QLD) Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The following fees for non-audit services were paid or were payable to the external auditors during the year ended 30 June 2011:

\$30,601 (2010 \$14,600) for the provision of tax services.

**DIRECTORS' REPORT (continued)**

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**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor, BDO Audit (QLD) Pty Ltd, 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



W McCrae  
Chairman

30 September 2011

**DECLARATION OF INDEPENDENCE BY C R JENKINS TO THE DIRECTORS OF CUDECO LIMITED**

As auditor of CuDeco Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CuDeco Limited and the entities it controlled during the year.



**C R JENKINS**

Director

**BDO Audit (QLD) Pty Ltd**

Brisbane, 30 September 2011

**Consolidated Statement of Comprehensive Income for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
Revenue from continuing operations		1,982,951	2,423,551
Other income		370,439	502,799
<b>Total Revenue</b>	2	<b>2,353,390</b>	2,926,350
<b>Expenses</b>			
Repairs and maintenance		(68,493)	(19,568)
Motor vehicle expenses		( 3,703)	(11,464)
Employee and consultant expenses		( 3,687,370)	(9,233,963)
Shareholder expenses		( 393,731)	(254,597)
Occupancy expenses		( 322,422)	(375,667)
Depreciation expense		( 73,612)	-
Travel		( 267,695)	(184,836)
Gain/(Loss) on disposal of available for sale financial assets		9,096	(1,965,901)
Impairment of available for sale financial assets		-	(2,023,700)
Foreign exchange loss		( 1,093,573)	-
Other		( 94,896)	(84,169)
<b>Total Expenses</b>		<b>( 5,996,399)</b>	(14,153,865)
Loss from continuing operations before related income tax benefit	3	( 3,643,009)	(11,227,515)
Income tax benefit	5	-	-
<b>Loss for the year from continuing operations</b>		<b>( 3,643,009)</b>	(11,227,515)
<b>Discontinued operations</b>			
Profit from discontinued operations after income tax	23	-	650,000
<b>Net loss for the year</b>		<b>( 3,643,009)</b>	(10,577,515)
<b>Other comprehensive income</b>			
Change in fair value of available for sale financial assets		-	1,449,119
Reclassification			
- transfer to profit or loss on sale		-	1,965,901
- impairment transfer to profit or loss		-	2,023,700
<b>Total comprehensive loss for the year</b>		<b>( 3,643,009)</b>	(5,138,795)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share:</b>			
Basic and diluted (loss) per share	6	(2.5)	(7.7)
<b>Continuing operations: Basic and diluted loss per share</b>	6	<b>(2.5)</b>	<b>(8.2)</b>
<b>Discontinuing operations: Basic and diluted gain per share</b>		<b>-</b>	<b>0.5</b>

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

**Consolidated Statement of Financial Position as at 30 June 2011**

	Notes	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	<b>103,128,760</b>	36,429,603
Trade and other receivables	8	<b>643,305</b>	1,006,628
<b>TOTAL CURRENT ASSETS</b>		<b>103,772,065</b>	37,436,231
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	8	<b>59,867</b>	41,966
Other non-current asset	9	<b>11,388,379</b>	-
Available for sale financial assets	10	-	764,050
Property, plant and equipment	11	<b>12,355,260</b>	10,786,146
Exploration and evaluation expenditure	12a	<b>62,344,851</b>	50,238,553
Development expenditure	12b	<b>1,590,831</b>	18,745
<b>TOTAL NON-CURRENT ASSETS</b>		<b>87,739,188</b>	61,849,460
<b>TOTAL ASSETS</b>		<b>191,511,253</b>	99,285,691
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	<b>3,868,750</b>	1,735,920
Provisions	14	<b>229,029</b>	200,368
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,097,779</b>	1,936,288
<b>TOTAL LIABILITIES</b>		<b>4,097,779</b>	1,936,288
<b>NET ASSETS</b>		<b>187,413,474</b>	97,349,403
<b>EQUITY</b>			
Contributed equity	15	<b>232,613,169</b>	139,893,702
Reserves	17	<b>34,434,565</b>	33,446,952
Accumulated losses		<b>(79,634,260)</b>	(75,991,251)
<b>TOTAL EQUITY</b>		<b>187,413,474</b>	97,349,403

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

**Consolidated Statement of Changes in Equity for the year ended 30 June 2011**

	<b>Contributed Equity</b>	<b>Accumulated Losses</b>	<b>Option Reserve</b>	<b>Other Reserves</b>	<b>Total Equity</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2009</b>	148,859,801	(65,413,736)	21,594,161	(4,911,606)	100,128,620
Loss for the year	-	(10,577,515)	-	-	(10,577,515)
Change in fair value of available for sale financial assets	-	-	-	1,449,119	1,449,119
Reclassification					
- transfer to profit and loss on sale	-	-	-	1,965,901	1,965,901
- impairment transfer to profit and loss	-	-	-	2,023,700	2,023,700
Total comprehensive income	-	(10,577,515)	-	5,438,720	(5,138,795)
Shares issued during the year	500,000	-	-	-	500,000
Share issue costs	(47,095)	-	-	-	(47,095)
Share buy-back	(9,419,004)	-	-	-	(9,419,004)
Share based payments	-	-	11,325,677	-	11,325,677
<b>Balance at 30 June 2010</b>	<b>139,893,702</b>	<b>(75,991,251)</b>	<b>32,919,838</b>	<b>527,114</b>	<b>97,349,403</b>
<b>Balance at 1 July 2010</b>	<b>139,893,702</b>	<b>(75,991,251)</b>	<b>32,919,838</b>	<b>527,114</b>	<b>97,349,403</b>
Loss for the year	-	(3,643,009)	-	-	(3,643,009)
Total comprehensive income	-	(3,643,009)	-	-	(3,643,009)
Shares issued during the year	102,160,000	-	-	-	102,160,000
Share issue costs	(3,224,238)	-	-	-	(3,224,238)
Share buy-back	(6,216,295)	-	-	-	(6,216,295)
Share based payments	-	-	987,614	-	987,614
<b>Balance at 30 June 2011</b>	<b>232,613,169</b>	<b>(79,634,260)</b>	<b>33,907,452</b>	<b>527,114</b>	<b>187,413,475</b>

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

**Consolidated Statement of Cash Flows for the year ended 30 June 2011**

	Notes	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		1,607,774	1,840
Cash payments in the course of operations		(4,888,752)	(2,262,308)
Interest received		2,196,184	2,107,819
Research & development tax concession		299,114	312,469
Settlement of claims		-	754,860
<b>NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES</b>	20	<b>(785,680)</b>	914,680
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(3,278,691)	(6,547,492)
Payments for exploration and evaluation expenditure		(12,116,389)	(14,205,597)
Proceeds from sale of plant and equipment		91,510	-
Proceeds from sale of equity investments		849,617	2,011,766
Payments for deposit on contract to acquire plant and equipment		(11,388,379)	-
Increase in deposits		(17,901)	(20,100)
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>		<b>(25,860,233)</b>	(18,761,423)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		102,160,000	9,003,500
Cost of on-market share buy-back		(4,497,119)	(9,013,828)
Share issue / buy back costs		(3,224,238)	(568,256)
<b>NET CASH INFLOWS (OUTFLOWS) FROM FINANCING ACTIVITIES</b>		<b>94,438,643</b>	(578,584)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>			
		<b>67,792,730</b>	(18,425,327)
Cash at the beginning of the financial year		36,429,603	54,854,930
Effect of foreign exchange rates on cash and cash equivalents		(1,093,573)	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	7	<b>103,128,760</b>	36,429,603

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

CuDeco Limited is a listed public company, incorporated in and domiciled in Australia.

The financial statements of CuDeco Limited (the "Company") for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the Directors on 22 September 2011 and covers the consolidated entity consisting of CuDeco Ltd and its subsidiaries as required by the Corporations Act 2001. Separate financial statements of CuDeco Ltd as an individual entity are not required to be presented however, limited financial information for CuDeco Ltd as an individual entity is included in note 27.

The financial statements are presented in Australian currency.

**(a) Basis of Preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes, comply with International Financial Reporting Standards (IFRS).

The financial statements have also been prepared on a historical cost basis and, except where stated, do not take into account changing money values or fair values of non-current assets.

The financial statements have also been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. Whilst the Directors believe sufficient funds are held for commitments over the next 12 months for exploration and development planning purposes, the ability of the consolidated entity beyond that period or for mining and operations purposes, to maintain continuity of normal business activities and to pay its debts as and when they fall due, is dependent on the ability of the consolidated entity to successfully raise additional funding and/or the successful exploration and subsequent exploitation of areas of interest.

No new Australian Accounting Standards that have been issued but are not yet effective have been applied in the preparation of these financial statements. Such standards are not expected to have a material impact on the Consolidated Entity's financial statements on initial application.

The following accounting policies have been adopted in the preparation and presentation of the financial statements. Unless otherwise stated, these accounting policies are consistent with those of the previous year.

**(b) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by CuDeco Limited at the end of or during the reporting period. A controlled entity is any entity over which CuDeco Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) Principles of Consolidation (continued)**

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to the parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**(c) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue is capable of being reliably measured. Revenue is recognised at the fair value of consideration received or receivable.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

All revenue is stated net of the amount of goods and services tax (GST).

**(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) Taxation**

The income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit or loss except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Taxation (continued)**

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

CuDeco Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. CuDeco Limited is responsible for recognising the current tax assets and liabilities and deferred tax assets arising from unused losses of the group for the tax consolidated group.

**(f) Receivables**

The collectability of receivables is assessed at balance date and specific provision is made for any doubtful accounts.

**(g) Business Combinations**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Business Combinations (continued)**

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Contingent consideration is classified as equity or financial liabilities. Amounts classified as financial liabilities are subsequently remeasured to fair value at the end of each reporting period, with changes in fair value recognised in profit or loss.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

**(h) 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.

**(i) 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.

**(j) Research and Development Expenditure**

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

**(k) Impairment of Non Financial Assets**

At each reporting date the Consolidated Entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are 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.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Property, Plant and Equipment**

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Property, plant and equipment acquired is initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

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 Consolidated Entity 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 they are incurred.

***Depreciation and Amortisation***

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives commencing from the time the asset is held ready for use. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads. Assets under construction are not depreciated.

The depreciation rates used for each class of assets are:

<u>Class of fixed asset</u>	<u>Depreciation rate</u>
Buildings	10%
Plant and equipment	20% – 33%

**(m) 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.

**(n) 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.

**(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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(p) Share-Based Payments**

The Company provides 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 options to purchase shares in the Company (equity-settled transactions).

There is currently an Employee Option Plan in place to provide these benefits to employees (excludes directors).

The cost of these share-based payment transactions with directors and employees 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 16.

The assessed fair value at grant date is recognised as an expense or is capitalised to 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 internal vesting 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) 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.

**(r) . Significant accounting judgments, estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(r) Significant accounting judgments, estimates and assumptions (continued)***Key judgments:**Exploration and evaluation expenditure*

The Board of Directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves

*Key estimates:**Share-based payment transactions*

The Consolidated Entity measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 16.

*Rocklands Project*

As disclosed in Note 1(a), the financial statements have been prepared on a going concern basis. Also disclosed in Note 29, the company secured approval of its environmental impact statement for the Rocklands project subsequent to 30 June 2011. Following this, it is anticipated that the company will secure its mining lease, which will enable the commencement of the development of the mine. As at 30 June 2011, the company was not in a position to make that decision given no mining licence was granted and the environmental impact statement had not received approval. The company has capitalised some early stage development expenditure and paid a deposit for the design and construction of processing plant. These amounts have been capitalised on the basis the directors believe that it is highly probable the Rocklands Project will commence development in the next 12 months. The company has also prepared a cashflow forecast for both its existing commitments and on the basis that development commences in the next 12 months. If development is commenced, the cashflow forecast identifies the need to secure additional funding for the development in excess of existing cash levels. For the additional funding required, the directors have a range of options available to them and will determine the appropriate source of funding closer to the development approval decision and finalisation of the mine plan.

*Rehabilitation*

The consolidated entity has not yet commenced mining operations, but through its development and exploration & evaluation activities, have made various disturbances. These disturbances are minor in nature and most of the assets in situ are both transportable and demountable in nature with no significant cost to remove and rectify the land on which they are located. In addition, all exploration holes are capped when completed. Consequently the level of disturbance from these activities has been assessed as not material and no provision in the financial statements has been recognised.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(s) Investments and Other Financial Assets**

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised on trade date which is the date on which the Consolidated Entity commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

*Available-for-sale financial assets*

Available-for-sale financial assets comprise investments in listed and unlisted entities, and are classified as non-current assets (unless management intends to dispose of the investment within 12 months of reporting date). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income and accumulated in equity. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to equity, is recognised in profit or loss.

Reversals of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss.

The fair value of quoted investments are determined by reference to quoted market bid prices at the close of business on the balance sheet date.

**(t) Comparative figures**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to presentation for the current financial year.

**(u) Determination and presentation of operating segments**

The Group has applied AASB 8 Operating Segments which requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of Directors.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)****1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(v) New and amended standards and interpretations**

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments and related amendments; and*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from Annual Improvements Project.*

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

**(w) New and amended standards and interpretations not yet adopted**

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

**(i) AASB 9 *Financial Instruments* (effective from 1 January 2013)**

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139. The Consolidated Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

**(ii) AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective from 1 July 2011)**

Amendments made to AASB 7 *Financial Instruments: Disclosures* introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Consolidated Entity has not yet determined the extent of the impact on its disclosures.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(w) New and amended standards and interpretations not yet adopted (continued)**

- (iii) *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

The amendments made to AASB 112 *Income Taxes* provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. Under AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model. To provide a practical approach in such cases, the amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. The Consolidated Entity does not plan to adopt this amendment early and the extent of the impact has not been determined.

In addition to the above, new and amended standards dealing with Consolidated Financial Statements, Separate Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities and Fair Value Measurement have recently been released. These standards are effective from 1 January 2013. The Consolidated Entity does not plan to adopt these standards early nor has the extent of their impact been determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

	2011 \$	2010 \$
<b>2. REVENUE</b>		
<i>Revenue from continuing operations</i>		
Interest from cash at bank	1,977,828	2,421,711
Equipment hire rental	5,123	1,840
Total revenue from ordinary activities	<u>1,982,951</u>	<u>2,423,551</u>
<i>Other income from continuing operations</i>		
Diesel fuel rebate	66,789	85,470
Insurance claim	4,536	104,860
R&D tax concession	299,114	312,469
	<u>370,439</u>	<u>502,799</u>
<i>Other income from discontinued operations</i>		
Settlement of claim	-	650,000
	<u>-</u>	<u>650,000</u>

**3. EXPENSES**

Loss before income tax benefit has been arrived at after charging/(crediting) the following items:

<i>From continuing operations</i>		
Operating lease rental – director-related entity	213,571	184,573
Operating lease rental – other	72,844	134,030
Loss on sale of available for sale financial assets	-	1,965,901
Impairment of available for sale financial asset	-	2,023,700
Share based payment expense – employees and consultants	843,604	2,275,570
Share based payment expense – directors	-	4,824,000
Defined contribution superannuation expense	101,107	65,505

**4. AUDITORS' REMUNERATION**

Amounts received or due and receivable by BDO:

- Auditing or reviewing the financial report	69,494	63,997
- Tax services	30,601	14,600
Total	<u>100,095</u>	<u>78,597</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

	2011 \$	2010 \$
<b>5. INCOME TAX EXPENSE</b>		
<b>Reconciliation</b>		
Current income tax expense	(1,852,650)	(193,210)
Deferred income tax expense	255,496	193,210
Under/over provision in prior year	1,597,154	-
Total	-	-
The prima facie income tax loss is reconciled to the income tax provided in the financial statements as follows:		
The prima facie income tax expense (benefit) 30% (2010 30%) on net profit/(loss) before income tax:	(1,092,903)	(3,173,255)
<i>Add tax effect of:</i>		
Permanent differences	587,803	2,041,730
Deferred tax liability not recognised on current year loss	3,064,300	4,979,527
<i>Less tax effect of:</i>		
Temporary differences related to deferred tax assets not recognised	(347,482)	716,786
Temporary differences related to deferred tax liabilities not recognised	(3,397,248)	(4,564,788)
Temporary differences on deferred tax assets in equity not recognised	(411,624)	-
Under provision for tax	1,597,154	-
<b>Income tax expense/benefit</b>	-	-
<b>Recognised deferred tax assets</b>		
Unused tax losses	15,646,833	12,463,144
Deductible temporary differences	1,767,600	1,554,041
	17,414,433	14,017,185
<b>Recognised deferred tax liabilities</b>		
Assessable timing differences	(17,414,433)	(14,017,185)
<b>Net deferred tax recognised</b>	-	-
<b>Unrecognised deferred tax assets</b>		
Unrecognised tax losses	5,539,117	5,972,047
Deferred tax assets not taken up at 30% (2010: 30%)	1,661,735	1,791,614

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**5. INCOME TAX EXPENSE (continued)**

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 majority of losses are carried forward at 30 June 2011 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 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.

**6. EARNINGS PER SHARE**

	<b>2011 No.</b>	2010 No.
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	<b>147,757,451</b>	137,404,912
Earnings used to calculate basic earnings per share	<b>( 3,643,009)</b>	(10,577,515)
Earnings used to calculate basic earnings per share		
- attributable to continuing operations	<b>( 3,643,009)</b>	(11,227,515)
- attributable to discontinuing operations	-	650,000
	<b>( 3,643,009)</b>	(10,577,515)

The Company has granted share options in respect of a total of 6,825,000 ordinary shares at 30 June 2011. Options are considered to be potential ordinary shares. However, as the Consolidated Entity's continuing operation is in a loss position they are anti-dilutive in nature, as their exercise will not result in diluted earnings per share that shows an inferior view of earnings performance of the Consolidated Entity than is shown by basic earnings per share. The options have not been included in the determination of basic earnings per share.

	<b>2011 \$</b>	2010 \$
<b>7. CASH AND CASH EQUIVALENTS</b>		
<b>Current</b>		
Cash at bank and in hand	<b>75,433</b>	245,228
Deposits at call	<b>103,053,326</b>	36,184,375
	<b>103,128,760</b>	36,429,603

- Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

	2011	2010
	\$	\$
<b>8. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Accrued interest	240,288	458,644
GST receivable	276,334	452,133
Prepayments	46,985	39,946
Other receivables	79,699	55,905
	<u>643,305</u>	<u>1,006,628</u>
<b>Non-current</b>		
Security deposits	59,867	41,966
No receivables are past due or impaired at year end.		
Terms and conditions relating to the above financial instruments:		
- Trade and sundry debtors are non-interest bearing and generally on 30 day terms.		
<b>9. OTHER NON-CURRENT ASSETS</b>		
Deposit on contract for plant and equipment	11,388,379	-
<b>10. AVAILABLE FOR SALE FINANCIAL ASSETS</b>		
<b>Non-current</b>		
Listed Shares (at fair value)	-	764,050
At 30 June 2011, CuDeco Ltd held nil shares (2010: 10,325,000 shares) in listed company, Queensland Mining Corporation Limited (QMC). The Company's investment in QMC was recorded at its market value at 30 June 2010 of \$0.074 per share.		
The available for sale investments consist of investments in ordinary shares and therefore they have no fixed maturity date or coupon rate.		
<b>11. PROPERTY, PLANT AND EQUIPMENT</b>		
<i>Land and buildings</i>		
At cost	2,744,570	563,111
Accumulated depreciation	(183,765)	(117,110)
Total land and buildings	<u>2,560,805</u>	<u>446,001</u>
<i>Buildings and leasehold improvements (work-in-progress)</i>		
At cost	125,041	1,392,190

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	2011	2010
	\$	\$
<i>Plant and equipment</i>		
At cost	7,571,870	6,819,559
Accumulated depreciation	(4,293,197)	(3,402,912)
Total plant and equipment	<u>3,278,673</u>	<u>3,416,647</u>
<i>Plant and equipment (work-in-progress)</i>	<u>6,390,741</u>	<u>5,531,308</u>
Total property, plant and equipment	<u>12,355,260</u>	<u>10,786,146</u>
<b>Reconciliation</b>		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year		
<i>Land and buildings</i>		
Carrying amount at the beginning of year	446,001	451,057
Transferred from Work in Progress	2,184,344	-
Additions during the year	133,015	38,164
Depreciation capitalised to exploration, evaluation and development expenditure	(48,496)	(43,220)
Depreciation expense	(53,124)	-
Transferred to exploration	(64,935)	-
Carrying amount at the end of the year	<u>2,560,805</u>	<u>446,001</u>
<i>Buildings and leasehold improvements (work-in-progress)</i>		
Carrying amount at the beginning of year	1,392,190	-
Additions during the year	881,195	1,392,190
Transfer to land and buildings	(2,148,344)	-
Carrying amount at the end of the year	<u>125,041</u>	<u>1,392,190</u>
<i>Plant and equipment</i>		
Carrying amount at the beginning of year	3,416,647	3,540,164
Additions during the year	1,455,240	1,178,717
Depreciation capitalised to exploration, evaluation and development expenditure	(1,313,283)	(1,301,284)
Depreciation expense	(20,487)	-
Disposals	(259,444)	(950)
Carrying amount at the end of the year	<u>3,278,673</u>	<u>3,416,647</u>
<i>Plant and equipment being commissioned</i>		
Carrying amount at the beginning of year	5,531,308	1,464,865
Additions during the year	859,433	4,066,443
Carrying amount at the end of the year	<u>6,390,741</u>	<u>5,531,308</u>
Total property, plant and equipment	<u>12,355,260</u>	<u>10,786,146</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

12. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	2011 \$	2010 \$
<i>a. Exploration and evaluation expenditure</i>		
Costs carried forward in respect of areas of interest in exploration and/or evaluation phase:		
Balance at the beginning of the year	50,238,553	30,363,809
Exploration costs incurred	10,557,576	14,307,284
Depreciation capitalised to exploration	1,339,777	1,344,504
Transferred from land and buildings	64,935	-
Equity based payments expense capitalised to exploration	144,010	4,222,956
<b>Total exploration and evaluation expenditure</b>	<b>62,344,851</b>	<b>50,238,553</b>
<i>b. Development expenditure</i>		
Balance at the beginning of the year	18,745	-
Development expenditure incurred	1,550,084	18,745
Depreciation capitalised to development expenditure	22,002	-
<b>Total development expenditure</b>	<b>1,590,831</b>	<b>18,745</b>

The ultimate recoupment of costs carried forward for exploration, evaluation and development phases is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

13. TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities:

Trade creditors	531,266	1,244,528
Accrued annual leave	438,589	432,951
Sundry creditors and accrued expenses	2,898,895	58,441
	<b>3,868,750</b>	<b>1,735,920</b>

Terms and conditions relating to the above financial instruments:

- Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

	2011 \$	2010 \$
<b>14. PROVISIONS</b>		
Long service leave provision	<u>229,029</u>	200,368

**15. CONTRIBUTED EQUITY**

**Issued and paid-up share capital**

165,286,242 (2010: 136,167,316) ordinary shares, fully paid

15a	<u>232,613,169</u>	139,893,702
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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	\$
<b>1 July 2009</b>	<b>Opening balance</b>	<b>134,195,702</b>		<b>139,359,801</b>
July 2009	Share Purchase Plan	2,004,800	\$2.50	5,012,000
August 2009	Share Purchase Plan (shortfall taken up by underwriter)	1,995,200	\$2.50	4,988,000
	Share purchase plan costs	-		(500,000)
November 2009	Exercise of options	125,000	\$4.00	500,000
Sept 2009 - June 2010	Shares cancelled pursuant to the on-market share buy-back	(2,060,558)		(9,013,828)
July 2010	Shares cancelled pursuant to the on-market share buy-back (see note)	(92,828)		(405,176)
	Share issue costs / cancellation costs	-		(47,095)
<b>30 June 2010</b>	<b>Closing balance</b>	<b>136,167,316</b>		<b>139,893,702</b>
July -September 2010	Shares cancelled pursuant to the on-market share buy-back	(754,673)		(1,799,245)
October 2010	Share placement - 10 Million shares	10,000,000	\$2.00	20,000,000
January 2011	100,000 options converted at \$3.50	100,000	\$3.50	350,000
March 2011	Share placement - 6.25 Million shares at \$4.00	6,250,000	\$4.00	25,000,000
April 2011	Share placement - 14.95 Million shares at \$3.80	14,950,000	\$3.80	56,810,000
June 2011	Shares cancelled pursuant to the on-market share buy-back	(1,426,401)		(4,417,050)
	Share issue costs / cancellation costs	-		(3,224,238)
<b>30 June 2011</b>	<b>Closing balance</b>	<b>165,286,242</b>		<b>232,613,169</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**15. CONTRIBUTED EQUITY (continued)**

Note: - 584,411 (2010: 92,828) shares were bought back prior to the end of the financial year but cancelled after the year end. These transactions were brought to account as at 30 June.

**(b) Share Options**

Exercise Period	Exercise Price	Opening Balance 1 July 2010 Number	Options Issued 2010/ 2011 Number	Options Exercised 2010/2011 Number	Options Expired/ Forfeited 2010/2011 Number	Closing Balance 30 June 2011 Number
15/02/2008 - 15/08/2010	\$3.29	100,000	-	-	(100,000)	-
07/11/2007 - 07/11/2010	\$6.00	250,000	-	-	(250,000)	-
25/11/2009 - 25/11/2011	\$3.50	100,000	-	(100,000)	-	-
01/01/2010 - 10/06/2012	\$3.50	300,000	-	-	-	300,000
31/07/2010 - 31/07/2012	\$4.00	2,400,000	-	-	-	2,400,000
31/07/2010 - 31/07/2012	\$4.50	200,000	-	-	-	200,000
On or before 31/12/2012	\$6.50	2,700,000	-	-	-	2,700,000
22/02/2011 - 22/02/2013	\$4.50	100,000	-	-	-	100,000
15/12/2012 - 15/09/2013	\$2.50	-	600,000	-	-	600,000
15/09/2011 - 15/09/2013	\$2.50	-	600,000	-	(75,000)	525,000
		6,150,000	1,200,000	(100,000)	(425,000)	6,825,000

None of the options have any voting rights, any entitlement to dividends or any entitlement to the proceeds on liquidation in the event of a winding up.

**16. SHARE BASED PAYMENTS**

*Employee Option Plan*

In November 2008, the Company sought, and was granted, approval for maintenance of the CuDeco Ltd Employee Option Plan ("Plan"). The Plan allows Directors from time to time to invite eligible employees to participate in the Plan and offer options to those eligible persons. The 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 contractual life of each option granted is three years. There are no cash settlement alternatives.

*Non Plan based payments*

The Company also makes share based payments to consultants and / or service providers from time to time, not under any specific plan. The CuDeco Limited Employee Option Plan does not allow for issue of options to the Directors of the parent entity. Hence, specific shareholder approval is obtained for any share based payments to Directors of the parent entity.

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

	2011 \$	2010 \$
Share based payment expense	843,604	7,099,570
Share based payments capitalised to exploration and evaluation asset	144,010	4,222,956
Total share based payments for the year	987,614	11,322,526

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**16. SHARE BASED PAYMENTS (continued)**

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	<b>2011 No.</b>	<b>2011 Weighted average exercise price</b>	2010 No.	2010 Weighted average exercise price
Outstanding at the beginning of the year	<b>6,150,000</b>	<b>\$5.16</b>	1,000,000	\$4.17
Granted during the year				
- Directors	-	-	2,800,000	\$6.50
- Employees	<b>600,000</b>	<b>\$2.50</b>	2,700,000	\$4.06
- Consultants	<b>600,000</b>	<b>\$2.50</b>	-	-
Forfeited during the year	<b>(75,000)</b>	<b>\$2.50</b>	(100,000)	\$6.50
Exercised during the year	<b>(100,000)</b>	<b>\$3.50</b>	(125,000)	\$4.00
Expired during the year	<b>(350,000)</b>	<b>\$5.23</b>	(125,000)	\$3.50
Outstanding at the end of the year	<b><u>6,825,000</u></b>	<b><u>\$4.74</u></b>	<u>6,150,000</u>	<u>\$5.16</u>

Options issued to employees and consultants during the year vest 12 months after grant date. Employee options are cancelled 30 days after employment is terminated. All other options issued vested on the day they were granted.

The weighted average for the remaining contractual life of share options outstanding at the end of the year is 1.44 years (2010: 2.16 years). Share options outstanding at the end of the year have exercise prices ranging from \$2.50 to \$6.50 (2010: \$3.29 to \$6.50).

The fair value of the equity-settled share options granted under the Plan as well as not under any plans is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2011 and 30 June 2010:

	<b>2011</b>	2010
Fair value	<b>\$0.92</b>	\$2.62
Volatility (%)	<b>80-90</b>	80-90
Average risk-free interest rates (%)	<b>4.65</b>	4.81
Weighted average expected life of options (years)	<b>3</b>	3
Weighted average exercise prices	<b>\$2.50</b>	\$5.30
Weighted average share price at grant date	<b>\$2.09</b>	\$4.06
Dividends	-	-

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

<b>17. RESERVES</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Capital Realisation	95,114	95,114
Capital Redemptions	432,000	432,000
Option - note 17(a)	<b>33,907,451</b>	32,919,838
	<b>34,434,565</b>	33,446,952
<b>(a) Movement During the Year – Option</b>		
Opening balance	32,919,838	21,594,161
Issue options to employees / consultants	987,613	3,261,677
Issue options to directors	-	8,064,000
Closing balance	<b>33,907,451</b>	32,919,838
<b>(b) Movement During the Year – Available-For-Sale Financial Assets Revaluation Reserve</b>		
Opening balance	-	(5,438,720)
Changes in fair value of available-for-sale financial assets	-	1,449,119
Reclassification		
- Transfer to profit or loss on sale	-	1,965,901
- Impairment transfer to profit or loss	-	2,023,700
Closing balance	-	-

**Option Reserve**

The option reserve is used to record the fair value of options issued but not exercised.

**Available-For-Sale Financial Assets Revaluation Reserve**

The available-for-sale financial assets revaluation reserve is used to record fair value changes on available-for-sale financial assets. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

**18. FINANCIAL INSTRUMENT DISCLOSURES**

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**18. FINANCIAL INSTRUMENT DISCLOSURES (continued)**

The Groups financial assets and liabilities primarily comprise:

	<b>2011</b>	2010
	<b>\$</b>	<b>\$</b>
Cash	<b>103,128,760</b>	36,429,603
Trade and other receivables	<b>703,172</b>	1,048,594
Available for sale financial assets	-	764,050
<b>Total Assets</b>	<b>103,831,932</b>	<b>38,242,247</b>
Trade and other payables	<b>3,430,161</b>	1,302,969
<b>Total Liabilities</b>	<b>3,430,161</b>	<b>1,302,969</b>

**(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 price risk.

**i) Interest rate risk**

The Consolidated Entity's exposure to the risk of changes in market interest rate relates primarily to the Consolidated Entity's cash and cash equivalents. The Consolidated Entity does not have any interest bearing liabilities. It is the policy of the Consolidated Entity to manage interest rate risk exposures by continuously monitoring interest rates and to alter the balance of fixed and variable rate deposits as considered appropriate.

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. A change of 100 basis points (100bps) in interest rates at the reporting date 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

18. FINANCIAL INSTRUMENT DISCLOSURES (continued)

	Carrying Amount \$	Profit or (Loss)		Equity	
		100bps increase \$	100bps decrease \$	100bps increase \$	100bps decrease \$
<b>30 June 2011</b>					
Cash and cash equivalents	103,128,760	1,031,288	(1,031,288)	1,031,288	(1,031,288)
Total increase / (decrease)		1,031,288	(1,031,288)	1,031,288	(1,031,288)
<b>30 June 2010</b>					
Cash and cash equivalents	36,427,775	364,278	(364,278)	364,278	(364,278)
Total increase / (decrease)		364,278	(364,278)	364,278	(364,278)

ii) **Price risk**

The Consolidated Entity is exposed to equity securities price risk. This arises from its investment on the balance sheet classified as available for sale financial assets. The Consolidated Entity monitors this risk regularly by reassessing the fair value on this investment.

iii) **Foreign exchange risk**

The Consolidated Entity is exposed to foreign currency fluctuations risks. This arises from cash held in US dollars. These funds were acquired when the Consolidated Entity made commitments to acquire plant and equipment which was priced in this currency. The directors at the time believed that the rate at which the US dollars were acquired was favourable and limited the Consolidated Entity to any additional risk to foreign exchange fluctuations.

A change of 1 cent in the US 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 analysis was not performed for last year as there were no US Dollars held.

	Carrying Amount \$	Profit or (Loss)		Equity	
		1 cent increase \$	1 cent decrease \$	1 cent increase \$	1 cent decrease \$
<b>30 June 2011</b>					
Cash and cash equivalents	40,295,093	(387,325)	372,823	(387,325)	372,823
Total increase / (decrease)		(387,325)	372,823	(387,325)	372,823

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

18. FINANCIAL INSTRUMENT DISCLOSURES (continued)

(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 from customers and cash on deposit.

(i) Cash on deposit

The Consolidated Entity limits its exposure to credit risk by depositing its funds with reputable financial institutions. Cash at year end was deposited with National Australia Bank.

(ii) Receivables

As the Consolidated Entity operates in the mineral exploration sector, it does not have trade receivables and therefore is not exposed to material credit risk in relation to trade receivables.

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 no committed lines of credit or any significant financial liabilities.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

Due to the nature of the Consolidated Entity's activities and the present lack of operating revenue, the Consolidated Entity has to raise additional capital from time to time 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 interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Weighted average interest rate %	Fixed interest maturing in:			Non- interest bearing \$	Total \$
		Floating interest rate \$	1 year or less \$	more than 1 year \$		
<b>Financial liabilities</b>						
<b>2011</b>						
Trade and other payables (refer note 13)	-	-	-	-	3,430,161	3,430,161
<b>2010</b>						
Trade and other payables (refer note 13)	-	-	-	-	1,302,969	1,302,969

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**18. FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(d) Fair value estimation**

The carrying amount of financial assets and liabilities approximates their fair value.

The net fair values of financial assets and financial liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

The following table presents the Economic Entity's financial assets and liabilities measured and recognised at fair value at 30 June 2011.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2011</b>				
Available for sale financial assets	-	-	-	-
<b>2010</b>				
Available for sale financial assets	764,050	-	-	764,050

**(e) Capital Management**

The capital structure of the Company consists of contributed equity and reserves less accumulated losses.

Management controls the capital of the Company in order to ensure that the Company can fund its operations on an efficient and timely basis and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's cash projections up to twelve months in the future and any associated financial risks. Management will adjust the Company's capital structure in response to changes in these risks and in the market.

The Company has been undertaking an on-market share buy-back programs primarily as the Directors believe the shares were undervalued at the time of each share buy-back. As part of this program, during the year 2,181,074 (2010: 2,153,386) ordinary shares were bought back and cancelled at a total cost of approximately \$6,216,295 (2010: \$9,419,004).

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**19. CONTROLLED ENTITIES**

**Particulars in relation to controlled entities**

Name	Incorporated in	Interest held %	
		2011	2010
CuDeco Limited	Australia		
<b>Controlled Entities</b>			
Mt Norma Copper Pty Ltd	Australia	100	100
Umatilla Resources Pty Ltd	Australia	75	75

Mt Norma Copper Pty Ltd and Umatilla Resources Pty Ltd have not operated during the years ended 30 June 2010 and 2011. These subsidiaries had nil assets and liabilities at 30 June 2010 and 2011.

Subsequent to the end of the financial year, Umatilla Resources Pty Ltd was deregistered.

**20. NOTES TO THE STATEMENT CASH FLOWS**

	2011	2010
	\$	\$
<b>(a) Reconciliation of gain/ (loss) after income tax to net cash inflows/(outflows) from operating activities</b>		
(Loss) after income tax	<b>(3,643,009)</b>	(10,577,515)
Add/(less) non-cash items		
Share based payments	<b>843,603</b>	7,099,570
Loss on sale of assets	<b>76,471</b>	-
Depreciation expense	<b>73,611</b>	-
Loss/(gain) on sale of available for sale financial assets	<b>(85,567)</b>	1,965,901
Impairment of available for sale financial asset	-	2,023,700
Foreign exchange loss	<b>1,093,573</b>	-
(Increase) / decrease in trade and other receivables	<b>413,323</b>	(33,804)
Increase / (decrease) in trade creditors and accruals	<b>413,654</b>	436,828
Increase / (decrease) in provisions	<b>28,661</b>	-
Cash inflows / (outflows) from operations	<b>(785,680)</b>	914,680

**(b) Non-cash financing and investing activities**

During the year, the Company issued options to employees, consultants and Directors for nil consideration. \$144,010 (2010: \$4,222,956) was attributed to exploration.

**(c) Financing arrangements**

The Consolidated Entity does not have any credit or standby facilities.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**21. COMMITMENTS**

**Mineral Tenement Leases**

In order to maintain current rights of tenure to mining tenements, 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.

**Native Title**

Under the Native Title Agreement concluded with the Mitakoodi and Mayi People, CuDeco Ltd is committed to making certain payments. These payments are conditional upon the grant of two mining licences within the Rocklands Project. 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 – Consolidated Entity as Lessee**

The Consolidated Entity has entered into rental agreements for premises in Cloncurry and Southport. These leases have an average life of up to 12 months. 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:

	2011 \$	2010 \$
Within one year	<b>79,540</b>	193,799
After one year but not more than five years	-	32,558
More than five years	-	-
	<u><b>79,540</b></u>	<u>226,357</u>

**Processing Plant**

The Consolidated Entity entered into a contract for the supply of all of the Process Plant components and structures for its Rocklands Copper Project. The proposed 3 Million tonne per annum process plant will be fully computerized and automated and will include circuits for the native copper metal recovery, and flotation circuits for the supergene and primary sulphide zones. The total capital commitment of the company for the acquisition of the processing plant is \$US53 Million, which includes \$US4 Million of spare parts, capable spares for two years. Up to the end of the financial year the Consolidated Entity had paid approximately \$11.6 Million and the balance is expected to be paid within 12 months of the end of the financial year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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**21. COMMITMENTS (Continued)**

**Road from Cloncurry to Minesite**

The Consolidated Entity has agreed to contribute to the costs of upgrading the road to the Rocklands minesite from Cloncurry. Up to the end of the financial year the Consolidated Entity had contributed \$1 Million and the balance of a further \$1 Million is expected to be paid within 12 months of the end of the financial year.

**22. CONTINGENCIES**

There were no contingent liabilities or contingent assets not provided for in the financial statements as at 30 June 2011 other than:

A former employee of the Company has commenced legal action against the Company for an amount of approximately \$340,000 being the alleged loss incurred by the employee as a result of the cancellation of options previously issued to him under the Company's Employee Option Plan. The Company has received legal advice that it has no exposure to the claim and a defence to the action has been lodged. No provision has been made in the financial statements in respect of this claim.

**23. DISCONTINUED OPERATIONS**

**Details of operations disposed:**

**Financial performance of operations disposed:**

The results of the discontinued operations that impact the current and previous financial year are presented as follows:

	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue/other income</b>		
Settlement of claim (contaminated kerosene)	-	650,000
<b>Expenses</b>		
Gain / (loss) before tax from discontinued operations	-	650,000
Tax expense	-	-
Profit/ (loss) after tax from discontinued operations	-	650,000

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**24. KEY MANAGEMENT PERSONNEL**

The key management personnel compensation is as follows:

	2011	2010
	\$	\$
Short-term employee benefits	2,923,537	1,728,732
Post-employment benefits	165,033	203,065
Share-based payments	-	8,723,640
	<u>3,088,570</u>	<u>10,655,437</u>

**Shareholdings**

The numbers of shares in the Company held during the financial year by management personnel, including shares held by entities they control, are set out below.

Ordinary Shares	Balance 1 July 2010	Received as Remuneration	Options Exercised	Net Change Other #	Balance 30 June 2011
Wayne McCrae	12,573,838	-	-	(2,556,394)	10,017,444
Peter Hutchison	1,031,034	-	-	1,500	1,032,534
Paul Keran	70,000	-	-	-	70,000
Gerald Lambert	5,000	-	-	15,000	20,000
David Taylor	32,000	-	-	-	32,000
Zhijun Ma <sup>(1)</sup>	n/a	-	-	-	-
Bruno Bamonte <sup>(1)</sup>	n/a	-	-	6,000	6,000
Lisa Rowe <sup>(3)</sup>	50,000	-	-	-	n/a

Ordinary Shares	Balance 1 July 2009	Received as Remuneration	Options Exercised	Net Change Other #	Balance 30 June 2010
Wayne McCrae	12,464,911	-	-	108,927	12,573,838
Peter Hutchison	1,027,034	-	-	4,000	1,031,034
Paul Keran	41,500	-	-	28,500	70,000
Gerald Lambert	-	-	-	5,000	5,000
David Taylor	-	-	-	32,000	32,000
William Cash <sup>(2)</sup>	20,000	-	-	2,000	n/a
Lisa Rowe <sup>(3)</sup>	-	-	-	-	-

<sup>(1)</sup> appointed 6 June 2011

<sup>(2)</sup> resigned 27 April 2010

<sup>(3)</sup> resigned 6 June 2011

# Net change other refers to shares purchased or sold during the financial year.

As at 30 June 2011, there were no shares held nominally by Directors or key management personnel (2010: nil).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

**24. KEY MANAGEMENT PERSONNEL (continued)**  
**Option holdings**

The numbers of options in the Company held during the financial year by Directors, including options held by entities they control, are set out below.

	<b>Balance 1 July 2010</b>	<b>Received as Remuneration</b>	<b>Options Forfeited</b>	<b>Net Change Other</b>	<b>Balance 30 June 2011</b>
Wayne McCrae	-	-	-	-	-
Peter Hutchison	<b>2,500,000</b>	-	-	-	<b>2,500,000</b>
Paul Keran	<b>100,000</b>	-	-	-	<b>100,000</b>
Gerald Lambert	-	-	-	-	-
David Taylor	<b>100,000</b>	-	-	-	<b>100,000</b>
Zhijun Ma <sup>(1)</sup>	n/a	-	-	-	-
Bruno Bamonte <sup>(1)</sup>	n/a	-	-	-	-
Lisa Rowe	<b>50,000</b>	-	-	-	<b>n/a</b>

	<b>Balance 1 July 2009</b>	<b>Received as Remuneration</b>	<b>Options Forfeited</b>	<b>Net Change Other</b>	<b>Balance 30 June 2010</b>
Wayne McCrae	-	-	-	-	-
Peter Hutchison	2,500,000	-	-	-	2,500,000
Paul Keran	100,000	-	-	-	100,000
Gerald Lambert	-	-	-	-	-
David Taylor	100,000	-	-	-	100,000
William Cash <sup>(2)</sup>	-	-	-	-	n/a
Lisa Rowe	-	50,000	-	-	50,000

<sup>(1)</sup> appointed 6 June 2011, <sup>(2)</sup> resigned 27 April 2010 <sup>(3)</sup> resigned 6 June 2011

All Directors' options had vested and were exercisable at 30 June 2010.

**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.

	<b>2011 \$</b>	<b>2010 \$</b>
(a) Rents paid or payable to Mr McCrae and his director-related entities.	<b>213,571</b>	184,573
(b) Salary and on costs paid to Ms Deborah Holmes, partner of Mr Hutchison (see notes below).	<b>66,500</b>	91,916

*Balances due to Directors and Director Related Entities at period end*

- included in trade creditors and accruals	-	18,441
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**Notes:**

Ms Deborah Holmes is employed as the Administration Manager of the Cloncurry office.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

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**24. KEY MANAGEMENT PERSONNEL (continued)**

**Other Transactions with Key Management Personnel**

In the 2010 financial year the Consolidated Entity was granted an option at no fee to buy land and the pre-existing development on the land in Cloncurry for the higher of \$750,000 or the then market value. The land is the subject of a lease agreement with McCrae Super Pty Ltd. The option expired on 31 August 2011 but has been extended by mutual agreement pending the completion of a valuation of the property.

**25. 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 19.

**(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 24 of the Financial Statements.

**(d) Transactions with directors and director-related entities**

Share and Option transactions of Directors and director-related Entities are shown in Note 16 of the Financial Statements. Other transactions of Directors and director-related Entities are shown in Note 24 of the Financial Statements. There were no other transactions with Directors and director-related entities during the year, except as disclosed in Note 24.

**26. SEGMENT INFORMATION**

The Group 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 Group 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 economic entity level. The Group does not have any products/services it derives revenue from.

Accordingly, management currently identifies the Group as having only one reportable segment, being exploration for copper, cobalt and gold. The financial results from this segment are equivalent to the financial statements of the Consolidated Entity as a whole. There have been no changes in the operating segment during the year.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (Continued)**

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**27. PARENT ENTITY INFORMATION**

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01 which requires limited disclosure in regards to the parent entity (CuDeco Limited). As all subsidiary companies have been dormant throughout the year and the previous reporting period, the financial information of the parent does not differ from that of the consolidated entity.

**Guarantees**

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

**Capital commitments**

Other than the capital commitments disclosed in Note 21 there were no other capital commitments entered into by the Company.

**Contingent liabilities**

Other than the contingent liabilities disclosed in Note 22 there were no other contingent liabilities entered into by the Company.

**28. 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:

- a. Pursuant to the on-market share buy-back scheme, the company acquired a further 5,436,377 shares at a total cost of \$17,497,933.
- b. The Company received the draft Environmental Authority (EA) which has been issued by the Department of Environment and Resource Management to the Department of Employment Economic Development and Innovation (DEEDI) for advertising of the Public Notice of Application for Mining Lease and Environmental Authority. The public notice period is for 20 business days after which the submission is considered by DEEDI for the granting of the Mining Leases (ML)'s for the Rocklands Group Copper Project.

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (a) the financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- (b) the consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (d) the remuneration disclosures included in the Directors' report (as part of the audited remuneration report) for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001*; and
- (e) The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



W McCrae  
Chairman

Dated this 30<sup>th</sup> day of September 2011

## INDEPENDENT AUDITOR'S REPORT

To the members of CuDeco Limited

### Report on the Financial Report

We have audited the accompanying financial report of CuDeco Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CuDeco Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of CuDeco Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of CuDeco Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd



C R JENKINS

Director

Brisbane, 30 September 2011