

**CUDECO LIMITED & CONTROLLED ENTITIES**

**A.B.N. 14 000 317 251**

**HALF YEAR REPORT  
31 DECEMBER 2006**

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# CUDECO LIMITED & CONTROLLED ENTITIES

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of CuDeco Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

### Directors

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

W McCrae  
P Hutchison  
T Koitka

### Results

The result for the six months ended December 2006 was a loss after tax of \$21,537,593 (2005: \$243,077).

### Review of Operations

#### Rocklands Group Copper Project

During the half year the Company continued its exploration activities at its Rocklands Copper Project (incorporating Las Minerale) in Queensland. The continuing receipt of positive results from exploration at the Rocklands Group Copper Project provides confidence that the area has the potential to contain a world class copper deposit.

During the six months the Company has prepared for major exploration, resource and reserve definition programs. Exploration site offices have been established, core sheds, metallurgical sample collection and preparation areas constructed and exploration personnel enhanced.

A diamond drilling program commenced during the period to test the mineralization below 300m vertical depth.

The diamond core rig has given a structural insight into the Las Minerale Project and in particular highlighted the visually spectacular nature of the native copper zone, together with the continuity of this supergene mineralisation into the primary-sulphide zones.

A total of 92 RC drill holes and 6 diamond drill holes were completed during the period ended 31 December 2006. The strike length of Las Minerale was increased to 1,250 metres. Multiple mineralized zones continue to be identified during drilling and from assay results.

Geophysical surveys (Sub Audio Magnetic - SAM) confirmed the spatial correlation of magnetic and conductivity anomalies with mineralised zones confirmed by drilling

In addition to the drilling and geophysical survey, the Company trialed a multi-metal-ion (MMI) soil sampling programme across Las Minerale at 100m spacings and 25m intervals and extending for several hundred metres on both sides of the Las Minerale zone. The assay results from the MMI programme across Las Minerale revealed anomalous copper grades which coincided with the results from drilling along Las Minerale. Assays were performed on the samples for a full suite of minerals and significant results for uranium and silver were detected over a number of zones outside the main Las Minerale strike length.

## CUDECO LIMITED & CONTROLLED ENTITIES

### DIRECTORS' REPORT (continued)

#### Review of Operations (continued)

##### Mining at Mt Norma

The first of the two-stage drilling and firing of overburden to go from the 350 to 320 levels was undertaken. This first stage down to the 335 level consisted of two firings and the approximate 100,000 tonnes fired is being transferred to the waste-rock stockpile.

Already quantities of ore have been encountered and set aside whilst the strip-back is continuing. Ore removal will commence immediately after drilling, testing and firing.

##### Mt Norma Copper Sulphate Plant

Sales of copper sulphate were 427.9 tonnes and production was 248.4 tonnes for the half year.

A programme of vat maintenance, including total ore aeration, and placement of new ore (approx. 6,000 tonnes) into the leach circuit (Vat 2) was carried out during the period. Due to the nature of this work up to three vats have been offline at any one time and consequently production has suffered as a result of having only approximately 50% of leaching capacity for most of the period.

An overhaul of the dryer baghouse has improved drying performance and assisted in maintaining product quality.

A programme of upgrading the irrigation systems required for re-circulating solution over the heaps was continued during the quarter, which will result in increased re-circulating flows over the heaps.

The highlight during the period was completion of the new No 2 PLS pond. The pond has been lined professionally with a HDPE liner and the piping and solution transfer systems have been tested ready for operation. The pond, which has a capacity of 2,464 m<sup>3</sup> forms an integral part of the PLS (Pregnant Leach Solution) management system and, particularly for the wet-season, provides a good level of security for PLS stocks on site.

#### **Corporate**

At a meeting held on 12 July 2006 shareholders approved a change in the Company's name from Australian Mining Investments Ltd to CuDeco Ltd.

During the period to December 2006, the Company received \$10,835,342 as subscription monies for the conversion of listed options and unlisted employee options into ordinary shares.

In November 2006, the Company issued 2,125,000 shares for redemption of 425,000 convertible notes. Subsequent to period end, all outstanding convertible notes were converted to shares and the convertible note debt has been retired.

## CUDECO LIMITED & CONTROLLED ENTITIES

### DIRECTORS' REPORT (Continued)

#### Auditors' Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Kendalls, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of this directors' report for the half-year ended 31 December 2006.

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



W McCrae  
Director

Signed this 15<sup>th</sup> day of March 2007

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of CuDeco Limited for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



**A J Whyte**  
**Partner**

Brisbane  
Dated: 15 March 2007

**CUDECO LIMITED & CONTROLLED ENTITIES**

**CONSOLIDATED INCOME STATEMENT**

**For the half-year ended 31 December 2006**

	<b>Consolidated Half-Year Ended</b>	
	<b>31 Dec 2006</b>	<b>31 Dec 2005</b>
	<b>\$</b>	<b>\$</b>
Interest income	223,206	20,360
Sales of copper sulphate	962,877	373,748
Research and development tax concession	-	438,284
	<hr/>	<hr/>
Revenue	1,186,083	832,392
<b>Expenses</b>		
Changes in inventories of finished goods and work in progress	417,435	319,561
Raw materials used	(342,357)	(289,130)
Production costs	(334,074)	(284,063)
Costs of selling copper sulphate	(32,855)	-
Repairs and maintenance plant	(99,412)	(67,911)
Motor vehicle expenses	(62,531)	(14,617)
Consultant and employee expenses	(434,711)	(244,907)
Share-based payments to directors	(21,090,283)	(15,616)
Shareholder expenses	(122,616)	(48,294)
Depreciation and amortisation expenses	(231,984)	(192,921)
Borrowing costs expense	(150,748)	(146,130)
Occupancy expenses	(105,084)	(43,421)
Travel expenses	(40,252)	(14,814)
Other expenses	(96,197)	(33,206)
Expenses	<hr/> (22,725,669) <hr/>	<hr/> (1,075,469) <hr/>
<b>Loss before related income tax benefit</b>	(21,539,586)	(243,077)
Income tax benefit	<hr/> -	<hr/> -
<b>Net loss after income tax benefit</b>	(21,539,586)	(243,077)
Net loss attributable to minority interests	<hr/> (1,993) <hr/>	<hr/> -
<b>Net loss attributable to members of the Company</b>	<hr/> (21,537,593) <hr/>	<hr/> (243,077) <hr/>
	<b>Cents</b>	<b>Cents</b>
Basic earnings / (loss) per share	(30.37)	(0.62)

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

**CUDECO LIMITED & CONTROLLED ENTITIES**

**CONSOLIDATED BALANCE SHEET**

**As at 31 December 2006**

	<b>Note</b>	<b>Consolidated</b>	
		<b>31 Dec</b>	<b>30 Jun</b>
		<b>2006</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,825,701	587,008
Trade and other receivables		227,797	149,086
Inventories	4	651,983	707,985
<b>TOTAL CURRENT ASSETS</b>		<u>8,705,481</u>	<u>1,444,079</u>
<b>NON CURRENT ASSETS</b>			
Cash and cash equivalents		-	471,267
Trade and other receivables		88,280	35,400
Inventories	4	1,730,737	1,257,300
Property, plant and equipment		3,616,754	3,189,413
Exploration expenditure		6,655,036	4,057,316
<b>TOTAL NON-CURRENT ASSETS</b>		<u>12,090,807</u>	<u>9,010,696</u>
<b>TOTAL ASSETS</b>		<u>20,796,288</u>	<u>10,454,775</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		824,649	975,770
Interest bearing liability		105,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>929,649</u>	<u>975,770</u>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liability		-	1,805,000
<b>TOTAL LIABILITIES</b>		<u>929,649</u>	<u>2,780,770</u>
<b>NET ASSETS</b>		<u>19,866,639</u>	<u>7,674,005</u>
<b>EQUITY</b>			
Contributed equity	5	41,474,261	28,903,089
Reserves		42,512,747	21,351,699
Accumulated losses		(64,766,365)	(43,228,772)
Total parent entity interest		19,220,643	7,026,016
Outside equity interests		645,996	647,989
<b>TOTAL EQUITY</b>		<u>19,866,639</u>	<u>7,674,005</u>

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

**CUDECO LIMITED & CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the half-year ended 31 December 2006**

	Consolidated					Total Equity
	Issued Capital	Accumulated Losses	Option Premium Reserve	Other Reserves	Minority Interest	
	\$	\$	\$	\$	\$	
<b>Balance at 1 July 2005</b>	25,791,110	(41,913,501)	20,244,705	527,114	649,245	5,298,673
Share/option issue expenses	(40,872)	-	(6,005)	-	-	(46,877)
Loss attributable to members of the parent entity	-	(243,077)	-	-	-	(243,077)
Loss attributable to minority interest	-	-	-	-	-	-
<b>Total income and expense for the period</b>	(40,872)	(243,077)	(6,005)	-	-	(289,954)
Shares/options issued during the half year	1,788,356	-	537,901	-	-	2,326,257
Cost of share based payments	-	-	15,616	-	-	15,616
<b>Balance at 31 December 2005</b>	27,538,594	(42,156,578)	20,792,217	527,114	649,245	7,350,592
<b>Balance at 1 July 2006</b>	28,903,089	(43,228,772)	20,824,585	527,114	647,989	7,674,005
Share/option issue expenses	(1,498)	-	-	-	-	(1,498)
Loss attributable to members of the parent entity	-	(21,537,593)	-	-	-	(21,537,593)
Loss attributable to minority interest	-	-	-	-	(1,993)	(1,993)
<b>Total income and expense for the period</b>	(1,498)	(21,537,593)	-	-	(1,993)	(21,541,084)
Shares/options issued during the half year	12,503,435	-	140,000	-	-	12,643,435
Transfer option premium on conversion of options	69,235	-	(69,235)	-	-	-
Cost of share based payments	-	-	21,090,283	-	-	21,090,283
<b>Balance at 31 December 2006</b>	41,474,261	(64,766,365)	41,985,633	527,114	645,996	19,866,639

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

**CUDECO LIMITED & CONTROLLED ENTITIES**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the half-year ended 31 December 2006**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	982,388	433,893
Cash payments in the course of operations	(1,711,276)	(1,059,746)
Cash payments for exploration and development	(2,604,523)	(35,787)
Interest received	195,828	21,412
Research & development tax concession	-	183,656
<b>Net cash flows used in operating activities</b>	<u>(3,137,583)</u>	<u>(456,572)</u>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(663,881)	(488,092)
Increase in deposits	(52,880)	(180,500)
Decrease in deposits	445,494	-
Loan to other entity	(4,736)	(12,881)
Loan repaid by other entity	23,840	-
<b>Net cash flows used in investing activities</b>	<u>(252,163)</u>	<u>(681,473)</u>
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>		
Proceeds from issue of shares & options	10,835,342	1,728,257
Share issue costs and borrowing costs	(242,514)	(186,232)
Proceeds of borrowings	-	270,000
Repayment of borrowings	-	(100,000)
<b>Net cash flows provided by financing activities</b>	<u>10,592,828</u>	<u>1,712,025</u>
<b>Net increase in cash held</b>	7,203,082	573,980
<b>Cash at the beginning of the period</b>	587,008	92,537
<b>Cash at the end of the period</b>	<u><u>7,790,090</u></u>	<u><u>666,517</u></u>

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

## **CUDECO LIMITED & CONTROLLED ENTITIES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2006**

#### **1. Statement of significant accounting policies**

##### **Basis of preparation of half-year financial report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2006 has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The historical cost basis has been used and the financial report has been prepared on a going concern basis.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by CuDeco Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report.

**CUDECO LIMITED & CONTROLLED ENTITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2006 (Continued)**

**2. Individually Significant Items**

	<b>Consolidated</b>	
	<b>31 Dec</b>	<b>31 Dec</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Individually significant items included in the loss from ordinary activities before income tax:		
- Share-based payments expense (see note below)	(21,090,283)	-
- Borrowing costs	(150,748)	(146,130)
- Research and development tax concession	-	438,284

Note: \$21,060,000 of the share-based payments expense relates to the 6,000,000 options issued to directors, the options vested immediately with a fair value of \$3.51 per option.

**3. Non-cash financing and investing activities**

In September 2006, the Company issued 1,000,000 options as consideration for capital raising services provided in February 2006. The options are exercisable at 20 cents each on or before 30 June 2008.

**4. Inventory**

A portion of inventory has been reclassified as a non-current asset due to the length of time the ore remains leaching in the vats before it is processed into a saleable form.

**5. Contributed equity**

	<b>Consolidated</b>	
	<b>31 Dec 2006</b>	<b>30 Jun 2006</b>
	<b>\$</b>	<b>\$</b>
<b>Issued and paid-up share capital</b>		
78,001,505 (June 2006: 51,309,568) ordinary shares, fully paid	41,474,261	28,903,089
<b>(a) Ordinary shares</b>		
Balance at beginning of period	28,903,089	25,791,110
Shares issued:		
2,002,500 for convertible notes redeemed	-	445,000
3,667,605 for cash from share placement issue	-	586,817
3 for cash from conversion of options	-	3
2,865,921 for cash from share placement	-	501,536
1,000,000 for purchase of mineral properties	-	150,000
600,000 for cash from placement issue	-	105,000
6,500,000 pursuant to prospectus dated 14 February 2006	-	1,625,000
7,353,810 for cash from conversion of CDUOA options	7,353,810	-
16,363,127 for cash from conversion of CDUO options	3,272,625	-
2,125,000 for convertible notes redeemed	1,700,000	-
850,000 for cash from employee options converted	177,000	-
Transfer option premium on conversion of options	69,235	-
Share issue costs	(1,498)	(301,377)
Balance at end of period	41,474,261	28,903,089

**CUDECO LIMITED & CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the half-year ended 31 December 2006 (Continued)**

**5. Contributed equity (continued)**

**(b) Share Options**

Options to take up ordinary shares in the capital of the Company have been granted as follows:

<b>Exercise Period</b>	<b>Exercise Price</b>	<b>Opening Balance 1 July 2005 <i>Number</i></b>	<b>Post Consolidation 20 July 2005 <i>Number</i></b>	<b>Options Issued 2005/2006 <i>Number</i></b>	<b>Options Exercised 2005/2006 <i>Number</i></b>	<b>Closing Balance 30 June 2006 <i>Number</i></b>
On or before 31 July 2006	\$1.00	76,420,513	7,641,997	-	(3)	7,641,994
On or before 30 June 2008	\$0.20	-	-	40,095,998	-	40,095,998
15/12/2006 – 15/12/2008	\$0.20	-	-	900,000	-	900,000
15/12/2006 – 15/12/2008	\$0.235	-	-	200,000	-	200,000
		<u>76,420,513</u>	<u>7,641,997</u>	<u>41,195,998</u>	<u>(3)</u>	<u>48,837,992</u>

On 20 July 2005 shareholders approved a 1 for 10 capital consolidation; consequently the exercise price increased to \$1 each (previously 10 cents) for the options expiring on 31 July 2006.

<b>Exercise Period</b>	<b>Exercise Price</b>	<b>Opening Balance 1 July 2006 <i>Number</i></b>	<b>Options Issued 2006 <i>Number</i></b>	<b>Options Exercised 2006 <i>Number</i></b>	<b>Options Expired/ Cancelled 2006 <i>Number</i></b>	<b>Closing Balance 31 Dec 2006 <i>Number</i></b>
On or before 31 July 2006	\$1.00	7,641,994	-	(7,353,810)	(288,184)	-
On or before 30 June 2008	\$0.20	40,095,998	1,000,000	(16,363,127)	-	24,732,871
On or before 30 June 2008	\$0.50	-	6,000,000	-	-	6,000,000
15/12/2006 – 15/12/2008	\$0.20	900,000	-	(650,000)	(250,000)	-
15/12/2006 – 15/12/2008	\$0.235	200,000	-	(200,000)	-	-
		<u>48,837,992</u>	<u>7,000,000</u>	<u>(24,566,937)</u>	<u>(538,184)</u>	<u>30,732,871</u>

**CUDECO LIMITED & CONTROLLED ENTITIES**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
For the half-year ended 31 December 2006 (Continued)**

**6. Segment Reporting**

	Mineral Exploration & Mine Development		Production		Technology		Consolidated	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
<b>Business Segments</b>								
Segment revenue	-	-	962,877	373,748	-	438,284	962,877	812,032
Other unallocated revenue							223,206	20,360
							<u>1,186,083</u>	<u>832,392</u>
Segment result	(164,600)	(66,873)	421,241	(89,177)	(600)	372,541	256,041	216,491
Unallocated expenses (net)							(21,793,634)	(459,568)
Net loss							<u>(21,537,593)</u>	<u>(243,077)</u>
Depreciation	(47,497)	(41,380)	(146,987)	(133,293)	-	-	(194,484)	(174,673)
Unallocated							(37,500)	(18,248)
							<u>(231,984)</u>	<u>(192,921)</u>
Segment assets	7,015,744	3,437,065	5,244,072	4,919,859	-	254,628	12,259,816	8,611,552
Unallocated assets							8,536,472	1,306,069
Consolidated total assets							<u>20,796,288</u>	<u>9,917,621</u>
Segment liabilities	(376,580)	108,541	(167,022)	270,804	-	42,014	(543,602)	421,359
Unallocated liabilities							(386,047)	2,145,670
Consolidated total liabilities							<u>(929,649)</u>	<u>2,567,029</u>

Geographical segments – all geographical segments are within Australia.

**7. Events Subsequent To Balance Date**

Since 31 December 2006, 926,779 options exercisable at 20 cents each on or before 30 June 2008 and 800,000 unlisted options exercisable at 50 cents each on or before 30 June 2008 have been converted to shares raising approximately \$585,000.

Since 31 December 2006 131,250 shares were issued for 26,250 convertible notes redeemed.

## CUDECO LIMITED & CONTROLLED ENTITIES

### DIRECTORS' DECLARATION

In the opinion of the directors of CuDeco Limited:

1. the financial statements and notes set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



W McCrae  
Director

15th March 2007

## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF CUDECO LIMITED

### Scope

We have reviewed the financial report comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, accompanying notes and Director's Declaration of CuDeco Limited for the half-year ended 31 December 2006. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the Financial Report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we followed applicable independence requirements of Australian professional pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CuDeco Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (a) giving a true and fair value of the Company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

BDO Kendalls

**BDO Kendalls**  
**Chartered Accountants**



**A J WHYTE**  
**Partner**

Brisbane  
Dated: 15 March 2007