

CUDECO LIMITED
A.B.N. 14 000 317 251
HALF YEAR REPORT
31 DECEMBER 2010

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CUDECO LIMITED DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors present their report of CuDeco Limited ("CuDeco" or the "Company") for the half-year ended 31 December 2010.

Directors

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

W McCrae
P Hutchison
P Keran
D Taylor
G Lambert

Results

The result for the six months ended 31 December 2010 was a loss after tax of \$1,421,349 (2009: \$5,002,275).

Review of Operations

Significant highlights post-end of December 2010 are as follows:

- CuDeco moves towards production with its \$200 Million Rocklands Copper Project after announcing that it had entered into a contract with one of China's largest state owned corporations Sinosteel to supply the 3 million tonne per annum mineral processing plant for the Rocklands Group Copper Project near Cloncurry in north-west Queensland.
- A new area of mineralisation was confirmed at the "Fairfield Prospect" with results released for follow up RC drill hole LMRC458, which intersected two wide and separate zones of copper/cobalt/gold and gold mineralisation.

Highlights of the Company's activities during the 31 December 2010 half-year are as follows:-

1. Rocklands resource update, estimated within the guideline of the JORC code, resulted in an increased global Copper Equivalent ("Cu Eq") resource from 527,000 tonnes to 1.029 million tonnes of copper.
2. The focus for the Rocklands Project has moved to infrastructure development. During the period the Company:
 - Entered into an agreement to lease with Port of Townsville for a 400,000 tonne storage capacity facility including ship loading facility and rail delivery plus unload facility;
 - Commenced preparation of a Development Application for Port of Townsville facility through the CuDeco infrastructure team in association with Port and Engineering consultants Robert Bird Group and LCJ Engineering which is due for lodgement in mid-March 2011;
 - Entered into an agreement with infrastructure and logistics group Ostoic for the utilisation of their Cloncurry load and unload and concentrate storage facility;
 - Signed a Memorandum of Understanding with Australian Railroad Group (ARG);
 - Received town planning approval for a 200 man accommodation facility in the township of Cloncurry;
 - Lodged an application for 48 housing block sub-division in Cloncurry to house the employees once the production phases commence; and

CUDECO LIMITED

DIRECTORS' REPORT

Review of Operations (continued)

- Completed and commenced utilisation of CuDeco's engineering, design and Rocklands Project offices and 20 accommodation cabins.
3. The Company has continued its exhaustive metallurgical testwork and process design programme:
 - Final bulk sample test work commenced using simple but innovative techniques for treatment at the Nagrom Metallurgical Facility in Western Australia;
 - CuDeco signed a \$US2.1 Million agreement for basic engineering design of a process plant for the project with Sinosteel and its associate Nerin Engineering; and
 - Bulk sample of Las Minerale central ore returned an average grade of 4.37% copper. Bulk sample testwork continued at Nagrom metallurgical test facilities in Western Australia.
 4. Significant results from drilling during the six months included the following results being reported:
 - More significant drill results 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);
 - Wilgar prospect delivers high grade gold, silver and rare earth element tellurium identifying a continuous zone of mineralisation indicating probably strike direction and dip direction up to 36.5g/t gold, 134g/t silver and 170ppm tellurium. Bedrock drilling at Wilgar delivers grades of up to 267g/t gold, 320g/t silver and 730g/t tellurium;
 - High grade copper intersection at depth in previously untested Southern Siltstone mineralised zone - DODH211 intersected 55m @ 1.00% copper equivalent (including 17m @ 1.81% copper equivalent and 17m @ 0.81% copper equivalent); and
 - Exploration hole DORC330 at Fairfield prospect (historical copper open cut mine located within the Rocklands tenements) intersected 8m @ 4.66% copper equivalent fm 58m - 66m and second hole LMRC458 intersecting visual copper mineralisation over 24m.
 5. Azure Capital Ltd was appointed corporate advisor to assist the Company to secure funding for the capital required for the processing plant and infrastructure for Rocklands. During the period they assisted securing a placement of 10m shares @ \$2.00 share to raise \$20m.

Details of Post End of Half Year Events

1. CuDeco Signs Contract with Sinosteel to Supply Process Plant Equipment

The Company has now entered into a supply agreement with Sinosteel for the supply of all of the componentry for the \$200m Rocklands Group Copper Project located approximately 15kms west of the regional township of Cloncurry and approx. 90 km east of the regional City of Mt Isa.

To ensure the Company's forecast timeframe for the commencement of production is met, it required a commitment from the Company to secure this supply. The Company has completed an exhausting and continuous 4 year metallurgical testwork programme from more than 5 independent metallurgical laboratories, and 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, which was awarded the final design contract for the BHP Billiton Giant Olympic Dam Copper Project in S.A., and Lycopodium Minerals (Qld) Pty Ltd which has been involved in the preliminary studies for the Rocklands project. The Company has now entered this new and exciting phase.

CUDECO LIMITED

DIRECTORS' REPORT

Review of Operations (continued)

2. New Area of Mineralisation Confirmed at the "Fairfield prospect"

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. The hole finished in lower grade copper mineralisation at 124m and as a result a major drill programme is being planned to follow up. The mineralisation is open at depth and in both directions of strike. LMRC458 was drilled approximately 45m from the previous drill hole DORC330, which was drilled over 18 months ago and intersected very high grade copper mineralisation, 8m @ 4.66% Cu Eq from 58-66m.

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 Tenement and was identified as a possible large target by geophysical surveys carried out by CuDeco, including Sub Audio Magnetics, Aerial Magnetics and a recent gravity survey.

LMRC458 also intersected **45m @ 0.45g/t Au from 23-68m** separate zone of Gold mineralisation to and containing no copper mineralisation. The Fairfield Prospect is approximately 1.5kms east of the Wilgar Prospect which also contains Gold mineralisation associated with tellurides. The geology team will investigate if a link exists between the gold mineralisation found at Wilgar to that at Fairfield. The gold mineralisation is important as it appears to be a separate mineralizing event to the main Rockland's style of Copper-Cobalt shear hosted mineralisation. This separate event opens the possibility to new targets that are not structurally related to the main Copper-Cobalt style of mineralisation.

Details of Events Occurring During the Half Year to 31 December 2010

1. 2010 RESOURCE UPGRADE

The Total Resource for Rocklands updated on 18th August 2010 increased the Cu Eq resource of the Rocklands Tenement almost double from 527,000 tonnes to 1.029 million tonnes copper. Drilling has continued since the August 2010 resource update and the Company will update this resource statement when the current resource drill program of 20,000+m is completed.

The mining operation for the first ten years at Rocklands will allow for mining at the rate of 3 million tonnes per annum based on the current grade of 1.24% Cu Eq. This grade ensures the Rocklands Project is one of the highest grade open cut mines in Australia and with the ore commencing at surface, one of the lowest cost copper and cobalt producers in the world. The current drilling was designed to test areas not included in the previous resource and the drilling has identified copper mineral in these areas which may add to an upgrade in the resource grade. It is very difficult to determine the maximum amount of native copper using the current resource programs and the final grade will ultimately not be known until mining commences, although the next resource upgrade with the extra drilling will ensure the minimum grade we expect to mine. This disparity is evident in the comparison of the JORC grade estimation and the 5-tonne bulk sample grade of 4.37%Cu. The geological, metallurgical and technical teams will ensure that the plant design is capable of treating ore above the current resource grade level.

Preliminary pit optimisation studies have identified a very low strip ratio of approximately 2.5 tonnes of waste to 1 tonne of ore. These ratios will ensure that the Rocklands Project will be one of the world's lowest cost mineral producers. The mining and processing costs, estimated by independent consultants AMDAD Pty Ltd and Lycopodium are respectively:

- Total Mining Costs for Life of Mine: \$A 3.40 tonne
- Total Processing Costs for Life of Mine \$A14.07 tonne

CUDECO LIMITED DIRECTORS' REPORT

Review of Operations (continued)

2. CUDECO MOVES TOWARDS AN OPERATING PROJECT

Agreement to Lease with Port of Townsville

The Company advised shareholders during the half year that it had successfully entered into a Lease Agreement for concentrate storage and handling facilities with the Port of Townsville Ltd.

The Company's structural, civil and specialist engineering consultants Robert Bird Group, and project engineering consultants, Townsville based LCJ Engineers Ltd, are in the process of completing the preliminary design to be lodged for the development application followed by the detailed design. The CuDeco facility abuts the BHP Port Facility that handles the BHP Cannington Mine concentrate exports. CuDeco will be constructing its own conveyor and shipload loading structure direct to our allocated wharf berth at Townsville Port from its own 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. Phase two will increase the facility's capacity to 400,000 tonnes of mineral concentrates.

CuDeco's facility is fully serviced having road, rail, power, water and sewage.

"Memorandum of Understanding" (MOU) with Australian Railroad Group ("ARG")

CuDeco entered into an MOU with ARG to secure a rail line to the CuDeco Port facility. The agreement enables CuDeco to have guaranteed rail access. ARG's future planning will encompass CuDeco's requirements for timely rail deliveries of its products to the Port Of Townsville. The MOU allows both CuDeco and ARG to work closely with engineering design and operational planning for a total transport and loading logistic option. It is anticipated that CuDeco will produce from its Rockland's operations up to 300,000 tonnes a year of copper / gold, cobalt / pyrite concentrate with more than 200,000 tonnes in pyrite / cobalt.

"Agreement in Principle" with transport logistics group Ostojic

An agreement in principle with Ostojic has been entered into whereby CuDeco secures storage, weighbridge, concentrate loading / load out facility at Ostojics Rail Spur and bulk material handling facility in Cloncurry. The facility is located only 15 kms from the Rocklands Group Copper Project. The agreement with Ostojic has savings of \$8 million to CuDeco in the initial construction costs.

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 DERM (Dept of Environment) approval, Engineering, Water, Power, Communication and Main Road approvals. Construction of the village will depend on the timing of the Queensland Government granting of a Mining Lease for the Rocklands Mine.

The Company has also 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. The accommodation village in Cloncurry will provide massive savings to the Rocklands Project over an on-site accommodation facility.

Engineering design project office in Cloncurry completed and operational

CuDeco's technical design centre and office complex with 20 fully contained accommodation cabins constructed in Cloncurry has been completed and is being utilised. The two and a half acre complex was constructed for the headquarters of the Rocklands Operational Management and Construction teams including consultants and associated groups that will form the spearhead for the project. The office and accommodation complex is in addition to the Company's central administrative offices at another location in Cloncurry. Both complexes are located within the central business district of Cloncurry.

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DIRECTORS' REPORT

Review of Operations (continued)

Power

CuDeco is in the final decision stage on which of three power options will best suit the Rocklands Group Copper 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 logistical personnel are in discussion with various Government Agencies and private power supply groups to supply power generation for the Rocklands Copper Project. The Company may install its own gas fired turbine power station as a standby and phase one of a Project Power option whilst waiting for the Queensland Government's Copper String Project (power line from Townsville), which is expected to be completed in 2013– 2014.

3. MINING EQUIPMENT

Taking advantage of the global financial crisis period the Company secured large scale late model mining equipment sized for the Rocklands Project. The company has now purchased all of the required mining equipment including all late model plant, 14 x Komatsu Rigid Dump Trucks, 5 x 200 tonne excavators, 2 x 120 tonne Hitachi Excavators, 3 x Caterpillar Dozers ranging from D9 to D11 size, water trucks, Komatsu large scale loaders, graders and other associated equipment.

The company intends to contract out the mining to independent mining contractors using the CuDeco's earthmoving equipment. This strategy dramatically reduces the cost per unit tonne of ore and waste mined. During the past twelve months all of the equipment has been brought up to mine specification standard, ready for commencement of mining and will be 'run-up' to operating conditions over the next 6-8 months to de-bug the final rebuilds.

4. METALLURGY DEVELOPMENT, PROCESS AND ENGINEERING DESIGN

A unique ore requiring a simple, innovative treatment approach

CuDeco has successfully developed a processing route, using known and well accepted technology, where high recovery of native copper, chalcocite, chalcopyrite, cobalt and magnetite is achieved in a single process plant for all ore types.

The Company is now entering the final stages of confirmatory and optimisation metallurgical testing on the Rocklands ore. This includes final large-scale pilot plant confirmatory processing of bulk samples (~35 tonne) of the native copper, chalcocite and primary chalcopyrite ore types to be undertaken at Nagrom Laboratories in Western Australia, and a final flotation optimisation programme being undertaken at Ammtec Laboratories, also in Western Australia. This final round of large-scale pilot plant testing will give CuDeco major confidence in its final flow-sheet design and will also provide additional valuable design data for the final phase of the Definitive Feasibility Study (DFS) and Basic Engineering (BE).

One of the most significant outcome of the results of metallurgical testwork received to date from this work is that the bulk sample, which represented 528 metres of PQ (82mm) core taken over a strike length of 170M, representative of the native Cu zone of central Las Minerale, has returned a total grade based on recovered products of 4.37% Native Cu consisting of 3.38% Cu and sulphides 0.99% Cu. The native copper orebody in the area drilled for the metallurgical testwork has been determined from the recent resource upgrade assessment (announced 18 August 2010) and represents 24% of the total orebody in this area of Las Minerale being discussed. This grade of native copper ore is consistent with many intersections encountered in drilling in this orebody, and although much higher than the resource estimation grade recently announced, it was expected by the company's technical personnel.

The metallurgical testing is now in its final stages. To date more than \$4Million has been expended on metallurgical testwork to ensure that the maximum recoveries can be achieved in the process treatment plant. The testwork has been carried out with a number of metallurgical consulting and laboratory groups and includes the testing of two large bulk samples.

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DIRECTORS' REPORT

Review of Operations (continued)

The final and “in progress” bulk sample testwork at NAGROM represents the culmination of all the metallurgy work undertaken to date and is the final testing at a large scale of the circuit designed by the Company’s metallurgical team over the last three years. The final test work is from 5.27 km of wide diamond solid core PQ size along 245m strike length of the 700m strike length of central Las Minerale. Bulk sample taken from 5.27 km of PQ Diamond Core along and across the orebody over a 245m strike length considered representative of Central Las Minerale based on drilling results and analysis from the geological team.

Why do we need to treat the primary chalcopyrite/cobaltic-pyrite, supergene chalcocite and native copper zones on such a large scale when the laboratory test-work has given such excellent results? As put to CuDeco by one of the leading flotation consultants in Australia, “just ask companies X,Y,Z, etc., who designed their plants based on minimum laboratory testwork and then based the design on those results, just how much trouble and extra cost they had getting the process to deliver maximum recoveries.”

The test-work at NAGROM will test bulk samples of the primary chalcopyrite/cobaltic-pyrite, supergene chalcocite and supergene/native copper ores through the primary, secondary and tertiary crushing, screening, gravity, milling, flotation and magnetite separation steps on a large pilot plant scale. The exhaustive and uncompromising metallurgical testwork is due to an insistence based on the vast experience of the CuDeco Board of Directors three of whom have been involved in the mining and processing of minerals for more than 80 years combined experience. The directors, together with the additional experience of the technical team know, through their combined years of experience, how important it is to have a plant designed around a complete and thorough metallurgical testwork programme.

**** NOTE:** See at the end of the Operations Review for discussion on the Metallurgy Development Programme.

Process Plant Design - Processing of all Types of Copper Ore

The plant is being designed to process all styles of copper, gold and cobalt mineralization of Rocklands. The plant is designed to accept the native copper, cobalt and pyrite and sulphides (primary ore) at the same time and processed by individual circuits designed for maximum recoveries. The four types of concentrates to be produced at Rocklands is Native Copper metal, Copper/Gold Concentrate, Cobalt/Clean Pyrite Concentrate and Magnetite Concentrate. The pyrite is a significant contributor of revenue with a current value of approx. \$US300 per tonne for clean pyrite. The pyrite is used to produce concentrate sulphuric acid with 1 tonne of clean pyrite capable of being processed to produce approx. 1.6 tonnes of 98% sulphuric acid. China has a shortage of sulphuric acid which is used to manufacture super phosphate and with the increase in the quantity of food for China the demand is growing with the price of sulphuric acid reaching above \$US800 per tonne within the past 3 years. The company via its Hong Kong office are negotiating a deal with Chinese smelters to purchase the clean pyrite and to smelt and refine the cobalt metal at a low cost for CuDeco in return for supplying the clean pyrite and cobalt concentrate.

No deleterious elements are present in concentrate products produced in the test programmes, at concentrations in excess of those likely to attract a penalty from a smelter or other end user.

5. EXPLORATION DRILLING

Wilgar Prospect

Shallow bedrock drilling program intersected high grade gold, silver and tellurium at Wilgar. Results from Phase 2 returned up to 26.7g/t gold, 320g/t (10.3 oz/t) silver and 730g/t tellurium.

Wilgar bedrock drilling continues to deliver high grade gold, uranium, silver and tellurium. The Company is continuing to systematically drill and explore Wilgar which is one of the most exciting prospects at Rocklands.

CUDECO LIMITED

DIRECTORS' REPORT

Review of Operations (continued)

As part of the wider investigation of the Wilgar Iron Oxide Copper Gold (IOCG) prospect, a high resolution Bedrock Drill programme commenced in April 2010, with the view to identifying the areal extent, strike, dip and morphology of near surface high grade gold (Au), silver (Ag) and tellurium (Te), mineralisation encountered at Wilgar. Holes are sampled every metre down-hole from surface to aid in the identification of strike and dip of the high grade mineralisation.

Mineralisation in the soil cover and in bedrock at Wilgar (bedrock samples are typically obtained from the last metre of each hole), continue to record high-grade gold, silver and tellurium, with grade increasing in relationship to each other suggesting telluride-style mineralisation similar to that observed in the Kalgoorlie goldfields (e.g. Golden Mile). However, in the case of Wilgar it has formed from a distinctly different mineralising system, playing host to a greater variety of deposited metals such as molybdenum, copper and uranium.

Mineral Liberation Analysis (MLA) of Wilgar Samples Identifies Rare Minerals

Two mineralised samples from Wilgar RC drill holes (LMRC754, LMRC744) were sent to AMMTEC Ltd for automated Mineral Liberation Analysis (MLA), to further evaluate the style of mineralisation at Wilgar. In one of these samples, an extremely rare mineral was identified (drysdallite), which appears to only occur in one other location in the world.

Drill Hole LMRC754 (interval at 53m)

The dominant mineral of this sample is drysdallite, a rare molybdenum selenide mineral, first identified in an oxidised uranium deposit in Zambia in 1973 (Kapijimpanga uranium deposit, 16 km southeast of Solwezi, Northwestern Province, Zambia).

Inclusions within drysdallite include uranium and tellurium carbonate compounds. Gold in this sample is found as small inclusions and as liberated grains. Drysdallite, being a sulphide mineral, potentially provides an avenue for recovery of contained minerals using flotation.

The discovery of drysdallite is considered to hold potential significance and may form an important clue in understanding the unique suite of minerals evident at Wilgar.

Drill Hole LMRC744 (interval at 14m)

Particles in this sample were identified as having solid cores of silver-selenide and silver-telluride, surrounded by porous silver chlorides with or without tellurium. Gold mineralisation primarily rims these particles, and is very pure, suggesting chemical re-precipitation of gold. Bromide and chloride compounds found in this sample suggest an origin arising from an oxidising event, which is consistent with gold re-precipitation.

Interpretation

This new data suggests that gold intersected at Wilgar is likely to have been mobilised and concentrated by physical and chemical processes. The source of gold may be topographically higher on the Wilgar twin hills, a possibility that will be tested with planned diamond drilling.

Although the MLA samples were sourced from 14m and 53m, depths not usually reached in shallow bedrock drilling at Rocklands, these results are likely to be applicable to the observed gold, silver and tellurium mineralisation near-surface.

CUDECO LIMITED

DIRECTORS' REPORT

Review of Operations (continued)

Wilgar bedrock drilling - Summary of results

A total of 2065m of drilling has been completed in three phases of the recent bedrock drilling programme at the Wilgar Prospect, with the following highlights: -

Programme 1 highlights;

- Gold up to 39g/t Au (1.25 oz/t), silver up to 350g/t Ag (11.25 oz/t), tellurium up to 730ppm Te

Programme 2 highlights;

- Gold up to 26.7g/t Au (0.86oz/t), silver up to 320g/t Ag (10.3 oz/t), tellurium up to 730ppm Te

Programme 3 highlights;

- Gold up to 36.5g/t Au (1.2oz/t), silver up to 134g/t Ag (4.3 oz/t), tellurium up to 170ppm Te

Results are extending the previously identified zone of mineralisation with very high-grade results still being encountered, including gold up to 36.5g/t Au, silver to 134g/t Ag and tellurium (rare element) up to 170ppm Te.

Soil geochemistry programmes conducted over 2 years ago in and around the area immediately adjacent to Wilgar, detected anomalous surface gold results beyond the extent of the current bedrock drilling programme including; approximately 25m to the north (2.15g/t Au); approximately 50m to the east (1.41g/t Au) and; approximately 20m to the west (1.84g/t Au). Of particular interest, is the area to the west of the current high-grade Wilgar bedrock drilling that has not been surface tested for 100m beyond the last detected gold occurrence. To the east the untested distance is approximately 30m, leaving an open zone of some 240m of untested potential strike that remains to be tested.

Given previous shallow geochemistry soil and bedrock programmes failed to identify the full extent of mineralisation at Wilgar, especially in areas since confirmed as hosting significant gold mineralisation just beneath surface, the Company is not limiting its expectations for Wilgar in any way.

A zone has been identified where high-grade gold, silver and tellurium mineralisation is concentrated at surface. Of a total of some 323 bedrock holes, 163 holes have been drilled directly into this high-grade zone, which remains open to the east, west, north and at depth. To put these results in perspective, most bedrock geochemistry programmes target results in the parts-per-billion measure, but Company achieved gold and silver in the ounces per tonne. Such high-grade shallow results are considered significant.

Wilgar sits on the edge of a gravity-high anomaly, which corresponds with a radiometric high and magnetic low, and is also host to significant uranium mineralisation, with grades of up to 39% recorded by CRA in 1975.

Significant Gravity IOCG Target:

Wilgar is not considered to be part of the same Iron Oxide, Copper, Gold (IOCG) mineralised corridor that hosts the Las Minerale and other major orebodies at Rocklands, but appears to be hosted by a separate IOCG system.

The exploration results at Wilgar are co-incident with a significant, high resolution Terrain Corrected Gravity High, as highlighted in the recently completed Gravity Survey. On 26th March 2010 the company released a report to shareholders highlighting results from drill hole LMRC754, also drilled at Wilgar, however at the time of drilling this hole, the extent and orientation of mineralisation was unknown.

Future drilling programmes will determine whether mineralisation intersected in LMRC754 and the high-grade gold results from the bedrock programme, are linked or part of separate systems.

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DIRECTORS' REPORT

Review of Operations (continued)

Ongoing Drilling at Wilgar

The high density bedrock drilling programme is ongoing at Wilgar, and forms part of a wider investigation into the potential source, style and area extent of this uniquely mineralised area.

Once the orientation of mineralisation has been determined at Wilgar with a degree of confidence, a resource drilling programme will commence.

Infill drilling intersects high-grade mineralisation in areas defined as "Low-Grade" in Current resource estimate model

In late 2008, in the face of the uncertainty surrounding a looming world financial crisis, the Company embarked on a major drilling programme designed to add significant value to its Rocklands Copper Project, a process facilitated by the sudden availability of drill rigs at realistic contract rates, as many companies scaled back their exploration activities. Given the scale of the Rocklands Project, it was considered that approximately 300,000m of drilling would eventually be required, to sufficiently delineate the main Rocklands Ore-body Group, at an appropriate density and distribution for resource estimation purposes.

In August 2010, the Company released an updated resource estimate for the Rocklands Project, designed to address the requirements of the Company's Environmental Impact Statement (EIS) for a 3mtpa mining and processing operation at Rocklands for a 10 year period. See 'Resource Update' released on 18th August 2010.

Since that date, additional infill drilling has been completed within the main ore-body group, including a significant metallurgical and bulk-test sampling programme. The Company anticipates adding approximately 20,000+m of infill drilling to a revised resource update in the next half-year period.

Significant gold results intersected in areas outside current orebody outlines

At Rocklands, gold assays are automatically generated only for results which return +0.2% copper grades, or more. Gold results recently received for diamond drill hole DODH208, with higher than expected gold to copper ratios at the lower copper levels, lead to a decision to assay the diamond core portion of the hole (diamond tail), for gold irrespective of copper grades.

DODH208: Intersects a total of 84m @ 1.50% Cu Eq

Intersection 1:	55m @ 1.39% CuEq from 374 - 429m
Intersection 2:	10m @ 3.30% CuEq from 254 - 264m
Intersection 3:	4m @ 1.10% CuEq from 279 - 283m
Intersection 4:	6m @ 1.15% CuEq from 287 - 293m
Intersection 5:	9m @ 0.58% CuEq from 340 - 349m

In addition to the above mineralised Cu/Co/Au intercepts, several elevated gold zones were identified that do not appear to correspond with elevated copper or cobalt grades, suggesting gold-only zones may exist proximal to the main Las Minerale and Southern Siltstone orebodies. This has not been identified previously and is considered a significant development

Corporate

During the six months to 31 December 2010 the Company cancelled 754,673 ordinary shares pursuant to the Company's on-market share buy-back that was announced on 28 September 2009. These shares were bought back at a cost of approximately \$1.8 million.

CUDECO LIMITED DIRECTORS' REPORT

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (QLD) Pty Lt, 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 14 and forms part of this directors' report for the half-year ended 31 December 2010.

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



W McCrae
Chairman

Dated: 15th March 2011

The information in this report that relates to exploration results is based on information compiled by Mr Andrew Day. Mr Day is employed by GeoDay Pty Ltd, an entity engaged, by CuDeco Ltd to provide independent consulting services. Mr Day has a BAppSc (Hons) in geology and he is a Member of the Australasian Institute of Mining and Metallurgy (Member #303598). Mr Day has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ores Reserves". Mr Day and GeoDay Pty Ltd consents to the inclusion in this report of the information in the form and context in which it appears.

The information in this report insofar as it relates to metallurgy test results and recoveries, is based on information compiled by Mr Peter Hutchison, MRACI Ch Chem, MAusIMM, a full-time executive director of CuDeco Ltd. Mr Hutchison has sufficient experience in hydrometallurgical and metallurgical techniques which is relevant to the results under consideration and to the activity which he is undertaking to qualify as a competent person for the purposes of this report. Mr Hutchison consents to the inclusion in this report of the information, in the form and context in which it appears.

Notes on Assay Results

Calculated Co and Au grades are reported in the original release for relevant Cu Equivalent intersections.

Reported intersections are down-hole widths. Combined Copper Equivalent results reported over multiple intersections are calculated on a weighted average.

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

**Copper (cu) equivalent calculation - The formula for calculation of copper equivalent is based on the metal prices and metallurgical recovery 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 testwork on primary sulphide, supergene, oxide and native copper zones. Higher recoveries have been achieved during testwork.

CUDECO LIMITED DIRECTORS' REPORT

The Company's opinion is that all of the elements included in the copper equivalent calculation have a reasonable potential to be recovered.

Wilgar: Polymetallic and rare element prospect, which includes Au, Cu, Mo, Ag, Te, Se, ±U. The high-grade gold, silver and tellurium, intersected in the shallow bedrock drilling, does not appear to be directly associated with uranium mineralisation which is predominantly associated with molybdenum and selenium at depth.

Reported intersections are down-hole widths.

Au = Gold

Te = Tellurium

Ag = Silver

All analyses are 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.

NOTE: DEVELOPMENT OF THE METALLURGY PROCESS

There were initially a number of metallurgical considerations presented in the treatment of the ore, the major one being the treatment of ore containing large concentrations of native copper from the native copper zones, with grades of up to 58%Cu, but also containing some chalcocite and pyrite ores. The exciting aspect of this was being able to maximise the recovery of cobalt/pyrite, gold and magnetite, while ensuring maximum recovery of the predominant mineralisation, copper.

The aim of the metallurgical test work has been to demonstrate that these valuable components can be separated and concentrated using known technology and significantly, to develop a single flow sheet that can handle the three ore types individually or together as a blend that may result from normal mining operations. At each stage in the conduct of the test work, options for the treatment and maximisation of the value obtained from the ore have been carefully evaluated.

By taking a systematic and staged approach to the metallurgical evaluation and flow-sheet development for the Rocklands Project, CuDeco has been able to successfully develop the final process.

Crush testing was undertaken very early in the metallurgical testwork programme and final confirmatory work is now underway at AMDEL Laboratories in South Australia. The three Rocklands ore-types are classified in the soft-medium range and therefore will not present any significant problems with crushing and grinding operations.

No deleterious elements have been identified in the ore or the concentrates produced during metallurgical testwork. Therefore on this basis, the copper concentrate will not be subject to any penalties at the smelters.

The clean native copper metal is 99.65% Cu and will be a welcome addition to many copper processing operations, even as a feedstock for subsequent refining to "five-nines" pure copper.

The chalcocite and primary ores can be treated for sulphide concentrate recovery using standard copper flotation processing technology. Once the coarse native copper has been recovered from the native copper ore, it is then also able to be treated through the same circuit used for treating the chalcocite and primary ores.

Pointing the Way

The initial mineralogical and Mineral Liberation Analysis (MLA) investigations, and mineralogical/geological domaining recommended by CuDeco's director, Paul Keran, helped establish a good understanding of the type of mineralisation to be treated and hence the defining of this systematic approach to the development of a treatment process. It was established that the cobalt in the ore was almost exclusively associated with pyrite, which can be separated by flotation and the remainder was present as a cobalt sulphide which is also able to be separated by flotation.

CUDECO LIMITED DIRECTORS' REPORT

It was also established that the mineral crystal sizes were relatively coarse which allowed the adoption of a relatively coarse grind (less energy for grinding) of a P80 of 120 µm or micron. (P80 means 80% less than 120 microns).

The Native Copper Zone:

In parallel with the testwork program for all three ore types, there has been a testing programme to develop a successful process for separation and recovery of coarse (>200 micron) native copper. Essentially treatment of this zone needed a simple process which, due to the malleability of copper metal, requires the majority of the native copper to be separated prior to any grinding or milling process. The CuDeco metallurgical team found that the secret is to crush or grind the ore after primary crushing in a way that effectively liberates the native copper from the occluding rock and smaller rock or mineralised particles. CuDeco Managing Director, Wayne McCrae's observation of the early processing plant recovering copper metal nuggets at Double Oxide, and the development of methods used for liberation of native copper in the assay procedures at SGS Laboratories, led CuDeco's metallurgical team to decide to investigate twin rolls crushers and high pressure grinding rolls (HPGR) to liberate the native copper, utilising the facilities of AMDEL Limited in South and Western Australia and Ammtec Limited in Western Australia.

The twin-rolls crusher was not effective but HPGR was trialled and found to finely crush the rock but leave the copper nuggets relatively undeformed, but well liberated. The striking thing about the HPGR process is that it appears to somehow "flex" the copper nuggets with sufficient force to allow the rock to separate very cleanly away, thus liberating the native Cu metal. The exciting results from the small-scale pilot test HPGR work lead to the first bulk ore test program. Five tonnes of native copper PQ core representing 527m of ore throughout the native copper zone was crushed and passed through a plant-size HPGR to provide a product which was used to test in various processes for the recovery of the native copper nuggets in a clean saleable form. The 527m of core taken over a strike of 150m averaged 4.37% Cu, of which 3.38% (77.3% of the available copper) was native Cu metal.

The HPGR product is a hard cake (close to original rock density) and trials of dry separation of the native copper from the rock were unsuccessful. The use of a wet-trommel screen was trialled and proved successful in disintegrating the cake into individual rock and native copper particles, thereby presenting a product for easy separation of the major components. Separation was achieved by applying wet-gravity separation of the native copper and the rock, which was facilitated by the relatively large size of the copper nuggets in the HPGR product, the majority being in the range 1 to 40mm, and the large density difference between copper metal (8.9) and the host rock (average 4.0 - 4.5).

Two types of gravity separation were trialled; Dense Media Separation (DMS) and Jig, and both were shown to be effective. However a particular type of jig, the 'alljig' gave excellent results and appears to have a much lower capital and operating cost than the DMS. The static test jig at Ammtec showed that copper nuggets could be effectively separated from the rock as a clean product by this type of gravity separation. Most importantly, recovery of the coarse and medium size fractions of native copper in this part of the process represents greater than 98% of the total native Cu to be recovered.

Another type of gravity separation jig, the 'allflux' is being tested in the current programme at NAGROM and has the potential to recover the majority of <1 mm native copper from the mill feed. Potentially it will recover native Cu down to 100micron particle size.

The e 'allflux', a simple piece of equipment, is, together with the "alljig", making big inroads into the metallurgical processing industry in Australia.

CUDECO LIMITED DIRECTORS' REPORT

Summary

It is expected that these test units will perform to design during this final bulk testwork programme. In addition to this we already have established that flotation recovery of copper from the final tail of the gravity circuit follows the same flotation regime established for the chalcocite and primary ores and this flotation work has shown a good recovery of sulphide copper and fine native copper (>90% for the fine fraction of the native copper).

The systematic approach outlined, has led to the development of the conceptual flow sheet which is the basis for plant design and the final bulk testwork programme and will be capable of treating each ore type individually or as a blend.

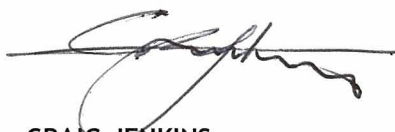
Once the native copper ore has been exhausted the gravity section of the plant will become redundant and can be by-passed, but initial testwork has shown that the HPGR can be retained as a tertiary crushing plant as an efficient alternative to the more conventional SAG mill. The primary objective of the second bulk testing program will be to demonstrate the flow through the full process circuit and obtain further confidence in the processing route proposed. Additionally, valuable design data will flow to the DFS and basic engineering, bulk product samples will be produced and available for marketing discussions.

DECLARATION OF INDEPENDENCE BY CRAIG JENKINS TO THE DIRECTORS OF CUDECO LTD

In relation to our review of the Financial Report of CuDeco Ltd for the period ended 31 December 2010, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of CuDeco Ltd and its controlled entities.



CRAIG JENKINS

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 15 March 2011

CUDECO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2010

		Half-Year Ended	
		31 Dec 2010	31 Dec 2009
		\$	\$
Revenues from continuing operations	2	1,376,958	1,738,118
Expenses			
Consultant and employee expenses		(2,031,384)	(6,901,862)
Shareholder expenses		(335,981)	(186,132)
Repairs and maintenance		(27,848)	(6,079)
Occupancy expenses		(169,054)	(193,629)
Travel expenses		(111,217)	(57,881)
Other expenses		(122,823)	(44,810)
Expenses		<u>(2,798,307)</u>	<u>(7,390,393)</u>
Profit / (loss) from continuing operations before income tax		(1,421,349)	(5,652,275)
Income tax benefit / expense		-	-
Net profit / (loss) from continuing operations		<u>(1,421,349)</u>	<u>(5,652,275)</u>
Discontinued operations			
Profit from discontinued operations		<u>-</u>	<u>650,000</u>
Net profit / (loss) for the half-year		<u>(1,421,349)</u>	<u>(5,002,275)</u>
Other comprehensive income			
Changes in fair value of available for sale financial assets		<u>-</u>	<u>4,938,720</u>
Total comprehensive loss for the half-year		<u>(1,421,349)</u>	<u>(63,555)</u>
		Cents	Cents
Earnings per share:			
Basic earnings / (loss) per share		(1.0)	(3.6)
Diluted earnings / (loss) per share		(1.0)	(3.6)
Continuing operations:			
Basic earnings / (loss) per share		(1.0)	(4.1)
Diluted earnings / (loss) per share		(1.0)	(4.1)

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

CUDECO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	31 Dec 2010 \$	30 June 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		45,466,639	36,429,603
Trade and other receivables		919,806	1,006,628
TOTAL CURRENT ASSETS		<u>46,386,445</u>	<u>37,436,231</u>
NON CURRENT ASSETS			
Trade and other receivables		58,067	41,966
Available for sale financial assets		-	764,050
Property, plant and equipment		12,053,563	10,786,146
Exploration and evaluation expenditure	3	57,309,444	50,257,298
TOTAL NON-CURRENT ASSETS		<u>69,421,074</u>	<u>61,849,460</u>
TOTAL ASSETS		<u>115,807,519</u>	<u>99,285,691</u>
CURRENT LIABILITIES			
Trade and other payables		1,452,056	1,735,920
Provisions		214,568	200,368
TOTAL CURRENT LIABILITIES		<u>1,666,624</u>	<u>1,936,288</u>
TOTAL LIABILITIES		<u>1,666,624</u>	<u>1,936,288</u>
NET ASSETS		<u>114,140,895</u>	<u>97,349,403</u>
EQUITY			
Issued capital	4	157,015,469	139,893,702
Reserves		34,538,026	33,446,952
Accumulated losses		(77,412,600)	(75,991,251)
TOTAL EQUITY		<u>114,140,895</u>	<u>97,349,403</u>

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

CUDECO LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

	Issued Capital	Accumulated Losses	Option Premium Reserve	Financial Asset Reserves	Capital Realisation Reserve	Capital Redemption Reserve	Total Equity
	\$	\$	\$	\$			\$
Balance at 1 July 2009	148,859,801	(65,413,736)	21,594,161	(5,438,720)	95,114	432,000	100,128,620
Loss for the half year	-	(5,002,275)	-	-	-	-	(5,002,275)
Changes in fair value of available for sale financial assets	-	-	-	4,938,720	-	-	4,938,720
Total comprehensive loss for the half year	-	(5,002,275)	-	4,938,720	-	-	(63,555)
Shares issued during the half year	500,000	-	-	-	-	-	500,000
Shares cancelled during the half year	(2,999,579)	-	-	-	-	-	(2,999,579)
Share based payments	-	-	9,583,186	-	-	-	9,583,186
Transfer of option premium on conversion of options	67,213	-	(67,213)	-	-	-	-
Balance at 31 December 2009	146,427,435	(70,416,011)	31,110,134	(500,000)	95,114	432,000	107,148,672
Balance at 1 July 2010	139,893,702	(75,991,251)	32,919,838	-	95,114	432,000	97,349,403
Loss for the half year	-	(1,421,349)	-	-	-	-	(1,421,349)
Total comprehensive income for the half year	-	(1,421,349)	-	-	-	-	(1,421,349)
Shares issued during the half year	20,000,000	-	-	-	-	-	20,000,000
Share issue costs	(1,078,988)	-	-	-	-	-	(1,078,988)
Shares cancelled during the half year	(1,799,245)	-	-	-	-	-	(1,799,245)
Share based payments	-	-	1,091,074	-	-	-	1,091,074
Balance at 31 December 2010	157,015,469	(77,412,600)	34,010,912	-	95,114	432,000	114,140,895

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

CUDECO LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2010

	31 Dec 2010	31 Dec 2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	2,250	1,840
Cash payments in the course of operations	(1,647,484)	(1,146,176)
Interest received	1,021,036	1,256,086
GST received	796,443	1,364,571
Research & development tax concession	299,114	312,469
Settlement of Claims	-	754,860
Net cash flows provided by operating activities	471,359	2,543,650
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(1,884,154)	(3,799,879)
Proceeds from sale of asset	5,520	-
Proceeds from sale of equity investment	849,617	42,629
Payments for exploration and evaluation	(6,933,786)	(11,169,107)
Increase in deposits	(16,101)	(17,981)
Net cash flows used in investing activities	(7,978,904)	(14,944,338)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	20,000,000	9,003,500
Cost of purchase of shares (on-market buy-back)	(2,194,075)	(2,984,655)
Share issue costs	(1,091,562)	(538,312)
Net cash flows provided by financing activities	16,714,363	5,480,533
Net increase / (decrease) in cash held	9,206,818	(6,920,155)
Cash at the beginning of the period	36,429,603	54,854,930
Effect of exchange rate changes	(169,782)	-
Cash at the end of the period	45,466,639	47,934,775

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

CUDECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

1. Statement of significant accounting policies

Basis of preparation of half-year financial report

Statement of compliance

The interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

This half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by CuDeco Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

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

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted are consistent with those of the previous annual financial report.

Going concern

The half-year financial report has 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.

CUDECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2010 (Continued)

2. Profit / (Loss) before income tax expense

	31 December 2010	31 December 2009
	\$	\$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
From continuing operations:		
<i>Revenue</i>		
Interest received	1,045,186	1,258,481
R&D tax concession	299,114	312,469
<i>Expenses</i>		
Share based payments expense - employees / consultants	(843,604)	(1,020,787)
Share based payments expense – directors	-	(4,824,000)
Exchange rate variation	(169,054)	-
Gain on sale of available for sale financial assets	84,426	-
From discontinued operations:		
<i>Revenue</i>		
Settlement of Claim	-	650,000

3. Exploration and evaluation expenditure

	31 December 2010	30 June 2010
	\$	\$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at the beginning of the period	50,257,298	30,363,809
Exploration expenditure costs incurred	6,103,224	14,326,029
Depreciation capitalised to exploration	701,452	1,344,504
Share based payments expense capitalised to exploration	247,470	4,222,956
Balance at the end of the period	57,309,444	50,257,298

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

The consolidated 30 June 2010 balances are for the year ended 30 June 2010.

CUDECO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010 (Continued)**

4. Issued capital

	31 Dec 2010	30 Jun 2010	31 Dec 2009
	Number	Number	Number
Issued and paid-up share capital			
Ordinary shares, fully paid	145,412,640	136,167,316	137,751,181
	\$	\$	\$
Ordinary shares, fully paid	157,015,469	139,893,702	146,427,435

(a) Movement in Ordinary Shares:

	31 December 2010		31 December 2009	
	Number	\$	Number	\$
Balance at 1 July	136,167,316	139,893,702	134,195,702	139,359,801
Shares cancelled pursuant to on-market share buy-back	(754,673)	(1,788,899)	(569,521)	(2,984,655)
Placement	10,000,000	20,000,000	4,000,000	10,000,000
Shares issued on conversion of options	-	-	125,000	567,213
Share issue costs	-	(1,089,334)	-	(514,924)
Balance at 31 December	145,412,640	157,015,469	137,751,181	146,427,435

(b) Share Options

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

Exercise Period	Note	Exercise Price	Opening Balance 1 July 2010 Number	Options Granted 2010/11 Number	Options Expired/ Forfeited 2010/11 Number	Closing Balance 31 December 2010 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
01/10/2010 - 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
26/11/2009 - 31/12/2012		\$6.50	2,700,000	-	-	2,700,000
22/02/2011 - 22/02/2013		\$4.50	100,000	-	-	100,000
15/12/2010 - 15/09/2013	(i)	\$2.50	-	600,000	-	600,000
13/09/2011 - 13/09/2013	(ii)	\$2.50	-	200,000	-	200,000
15/09/2011 - 15/09/2013	(ii)	\$2.50	-	600,000	-	600,000
			6,150,000	1,400,000	(350,000)	7,200,000

(i) 600,000 options were granted to consultants of the Company for services provided.

(ii) 800,000 options were granted pursuant to the CuDeco Limited Employee Option Plan.

CUDECO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2010 (Continued)

5. Segment Reporting

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is, the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. The consolidated entity does not have any products or services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for copper in Australia. There have been no changes in the operating segments during the half year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

6. Commitments

Other than as detailed in Note 8 Events Subsequent to Balance Date, there have been no changes in commitments since the last annual reporting date, 30 June 2010.

7. Contingencies

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2010.

8. 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 the Company entering into a contract with Sinosteel to supply 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 computerised 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. The mill is expected to take 14 months to manufacture, and six months to package and freight the plant to site. A deposit of \$4 Million has been paid, with the balance of purchase price due to be paid progressively until the plant becomes operational.

CUDECO LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of CuDeco Limited:

1. the financial statements and notes set out on pages 9 to 22, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the company as at 31 December 2010 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
Chairman

15th March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of CuDeco Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CuDeco Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of CuDeco Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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 the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (QLD) Pty Ltd



CRAIG JENKINS

Director

Brisbane, 15 March 2011