

**CUDECO LIMITED & CONTROLLED ENTITIES**

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

**HALF YEAR REPORT  
31 DECEMBER 2008**

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# **CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

## **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 2008.

### **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  
W Cash  
P Keran

### **Results**

The result for the six months ended December 2008 was a loss after tax of \$4,891,642 (2007: Profit \$381,932).

### **Review of Operations**

#### **Highlights**

##### **1. Strategy**

- **A new strategy for CuDeco Ltd has been implemented to take advantage of the enormous exploration success the Company has had over the last two years, and the opportunities delivered by the changing market conditions that will facilitate commencement of the Rocklands Group Copper Project Operating Phase (mining and mineral processing) by the end of 2009.**
- **The strategy will provide for a 3 Million tonne per annum (Mtpa) operation based on high-grade ore from a cumulative 1,500m strike length of high Cu "bonanza zones" at Las Minerale and Southern Rocklands. If recent high grades continue, some of these zones are anticipated to average greater than 3% Cu, which has the potential to make the Rocklands operation the highest grade, large-tonnage, open cut copper mining operation in Australia.**
- **Part of implementation of the new strategy is completion of the Definitive Feasibility Study (DFS) based on sustaining a 3 Mtpa production throughput. The DFS is being managed by Lycopodium Engineering Queensland Pty Ltd and will be rapidly progressed in areas of resource definition, geotechnical assessment and metallurgical testing. Lycopodium has commenced an Engineering Cost Study based on all metallurgical test work to date, and will, in conjunction with the Company, explore the significant opportunities that exist to acquire good quality plant from closed operations around the world.**

**CUDECO LIMITED & CONTROLLED ENTITIES  
DIRECTORS' REPORT**

**Review of Operations (continued)**

**2. Exploration**

- The two zones targeted for the first phase of mining form only a portion of the 10kms of strike length already identified by the successful drilling and exploration operation within the Rocklands Group Copper Project.
- The Rocklands Group Copper Project continues to deliver strong exploration results for the Company with two potentially large new zones of copper mineralisation discovered during this half year.
- A new large sulphidic system was discovered 300m south of and parallel to Las Minerale with visible sulphides within a 112m intersection from 165m – 277m depth.
- Another new zone of copper mineralisation was discovered occurred approximately 100m north of, and parallel to Las Minerale.
- High Grades of copper / gold were a feature of drilling at the NW end of Las Minerale.
- High grade copper mineralisation occurred in massive and semi massive sulphides below 375m vertical depth at Central Las Minerale. This mineralisation is below the depth used in the initial inferred resource calculation reported to the ASX in June 2006 by the Company's independent geological consultants, and shows that the Las Minerale orebody is open at depth.
- Good cobalt grades continue to be encountered, and along with the gold intersections provide a strong base for by-product revenue from this project.

**3. Drilling Programme Expansion**

- The exploration success has required the Company to increase the number of drill rigs operating to 6 during this half-year. Also an additional RC and a diamond rig are expected to be available to start during the early part of 2009.
- To support the new strategy, 3 RC rigs and 2 diamond rigs have been assigned specifically to complete the drilling of a minimum 1,500m strike zone made up of 1,000m within the approximate 1,900m strike length of Las Minerale and 500m of the approximate 1,800m of strike length of Southern Rocklands.
- The fourth RC rig and fifth diamond rigs will continue to drill other copper lodes within the Rocklands EPM area, where encouraging high grade copper drill intersections have been previously recorded. One diamond rig will initially be allocated to undertake the geotechnical drilling early in 2009.

## CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

### Review of Operations (continued)

#### 4. Metallurgical Testing

This has successfully focused on the production of a high-grade copper/gold concentrate and a saleable cobalt product from the primary ore by flotation, with only fine-tuning of the primary ore circuit now required. Mineral Liberation Analysis (MLA) of the flotation products show a high level of mineral liberation from the ore at 125um grind size.

5. The Environmental Impact Study is being progressed as engineering data becomes available.
6. Cultural Heritage Management Plans have been finalised and signed off by both Native Title Claimants and lodged with the Queensland Government.
7. The Native Title (RTN) Agreement was also signed by the Mitakoodi & Mayi people during the latter part of this half and the Agreement with the Kalkadoon people is expected to be finalised during the early part of 2009.
8. A Mining Lease for the Rocklands Group Copper Project has been applied for and with the continuing success in all areas highlighted above, is expected to be granted during 2009.

### Rocklands Group Copper Project

CuDeco Ltd owns 100% of the Rocklands Group Copper Project located 15km west of the major North West Queensland regional township of Cloncurry. The Company owned Exploration Project EPM 13049 is located in one of Australia's premier copper provinces. The size of the EPM is approximately 20sq km. A mining lease has been applied for and is expected to be granted during 2009.

#### Principal Features of the Project to Date are:

- Approximately 160,000m of drilling over the past 3 years, with over 850 deep reverse circulation percussion and diamond core holes
- A cumulative strike length of approx 10km of Cu/Co/Au mineralisation discovered to date in several sub-parallel lodes with numerous other discoveries as detailed in this report.
- Numerous other targets identified by soil geochem drilling and geophysical anomalies.
- Commencement of Definitive Feasibility Study – 20% complete.
- Commencement of Environmental Impact Study – 30% complete.
- Commencement of Metallurgical Study of the ore at Rocklands – 70% complete.
- Completion of Cultural Heritage Management Plan – 100% complete.
- Discussions with various Government bodies for infrastructure requirements (water/power/use of roadways/rail/port authorities etc).
- Discussions with potential mining contractors.
- Inspection and due diligence on several large process treatment facilities that are compatible with treating the Rocklands ore.
- Purchase of 2 RC and 1 diamond drill rig to supplement contract drillers.

## CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

### Review of Operations (continued)

- Completion of a 50 man geological office/survey complex at Rocklands.
- Completion of an on site laboratory for local use on exploration.
- CuDeco has not decreased its workforce at Rocklands, to the contrary it is increasing its geological team by employing more geologists as we increase the level of exploration activity at Rocklands during 2009.

### CuDeco's Strategy for the Rocklands Group Copper Project

There are a number of things which are in CuDeco's favour as a result of the collapsing economic market:

- CuDeco's cash position is strong, whereas many others at a similar stage of development are heavily geared.
- Many plants are running at a loss and those with limited ore reserves will most likely be forced to close, thereby making available potentially suitable high-quality plant and equipment.
- The potential for the market to rise again after some (probably extended) period, say around two years, means that metal prices can be expected to strengthen after this time, which is the approximate time for development of the mine and process plant.
- Infill drilling in the central Las Minerale bonanza zone is revealing very high Cu/Co/Au grades in the supergene zone, which is appearing to be much greater in width.

It is CuDeco's strategy to bring the Rocklands Group Copper Project into production in early 2011. Immediate goals to achieve this strategy are completion of the planned drilling program highlighted above, delineation of resources along the "bonanza zones" which form an approximate 1,500m strike length and completion of the Definitive Feasibility Study, already underway, with the study objective to provide for a process plant to sustain a 3mtpa throughput. The upper (shallow) sections of these mineralised "bonanza zones" contain high grade native and supergene copper. The drill program is to expedite the proving up of resource to a depth of 250m (min) in order to provide a measured resource to JORC Standards so that the DFS can be completed.

In order to take advantage of future substantial increases in copper or cobalt prices, upgrades to higher tonnage throughputs will be an inherent feature of the modular plant design.

The Company has had great success in the drilling and exploration on the Rocklands Project again during this half, asserting itself as one of the best new copper / cobalt / gold discoveries in Australia.

### CuDeco's Timing in the Midst of Crisis

Timing in the mining industry is everything and the Directors feel that CuDeco is well placed to take advantage of new opportunities. For example, there are numerous mining and processing plant and equipment opportunities that have become available to the Company, often at prices as little as 10% of their previous costs. These significant developments, in combination with a short-term drop in base metals prices and corresponding drop in contract construction costs, have provided the Company with a significant once-off opportunity.

## **CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

### **Review of Operations (continued)**

#### **Exploration**

As mentioned, the Company has had great success in the drilling and exploration on the Rocklands Project and had an especially great result from the Southern Rocklands, Central and NW extension of Las Minerale where unusually high grade gold mineralisation was encountered with high grade primary sulphides. Although Central Las Minerale and the eastern end of Southern Rocklands have intersected high grade gold in the sulphides the NW end of Las Minerale was surprising and unexpected.

Mineral exploration consultants Terra Search Pty Ltd has continued with the compilation of data to be used for mineral resource geological definition and quantity estimates, and the Company has commenced the development of its own systems for data handling and interpretation with a planned on-site backup from Terra Search in 2009. Independent auditing of the drilling, sampling procedures, receipt and dispatch, data processing, etc., has continued.

A significant discovery was made during the diamond drilling designed to test mineralisation below 500m vertical depth under Central Las Minerale. The drill hole intersected highly sulphidic mineralisation over intervals of several hundred metres. This sulphidic system appears to be a new zone of mineralisation, located 300m to the south of the main structure and parallel to Las Minerale Central.

A second diamond core hole was drilled 100m behind this drill hole and this encountered several zones of strongly pyritic mineralisation to 360m vertically. In the interval 165m to 277m, there is generally 5%-10% pyrite throughout with visible chalcopyrite. In the lower zone (downhole 318m to depth 400m) sulphides with pyrite, chalcopyrite and pyrrhotite are prominent. Some zones of visible disseminated silver-grey probable cobalt sulphides have also been noted.

The significance and extent of this zone will be investigated with further deep drilling from the south of Central Las Minerale.

During commencement of the planned 230-hole infill drill programme to delineate the high grade Cu/Co/Au "Bonanza zone" within the Central Las Minerale lode, drill holes intersected high grade copper mineralisation which has been reported during this half-year. The program will also specifically define the grades of the native and supergene copper zone, so that the processing plant for the native copper and supergene zone can be accurately designed to be able to cope with, and recover the bonanza grade (15% - 40% Cu) zones.

A similar drill plan will commence at the 500m long supergene lode which is part of the 1,800m strike length at Southern Rocklands and Southern Rocklands extension. Approximately 120 holes are planned on this lode following completion of the program at Las Minerale.

The resource definition drilling represents only a portion of the total 10km of potential strike length of known mineralisation at the Rocklands Project. In addition to the drilling of these two zones, some drill rigs will continue to drill out the other zones of already identified mineralisation.

## **CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

### **Review of Operations (continued)**

#### **Cobalt – Retains its Strength in the Current Market**

Rocklands is primarily a copper project with potential valuable by-products of cobalt and gold. Average prices of cobalt moved during this half through a range of approximately US\$23 to US\$50 per lb, and the average price for 2009 is forecast to be US\$50 per lb (US\$112,000 per tonne).

The Company continues to report significant grades of cobalt, often associated with high copper grades, with averages of 350 – 1,500 ppm Co. The maximum grade encountered to date is 8,750 ppm Co.

#### **Definitive Feasibility Study**

The Definitive Feasibility Study, being managed by Lycopodium Engineering Queensland Pty Ltd, continues to be progressed in areas of resource definition, geotechnical assessment, metallurgical testing, cultural heritage and environmental assessment.

The Company's geological consultants, Terra Search has continued to develop the geological interpretation required for the detailed geological model, focusing on areas east of 11,600E and west of 11,000E, and south into the Southern Rocklands mineralised zones. This modeling, as well as assisting resource assessment will contribute to knowledge for design of the mining pits and associated geotechnical assessment.

Metallurgical test work completed to date has clearly defined the mineral characteristics of the contained Cu and Co in the Rocklands ore. This work has also defined the processes required for efficient recovery of both the Cu and Co minerals using flotation technology.

As discussed previously, Mineral Liberation Analysis (MLA) has shown very high liberation of the copper and cobalt-bearing minerals and the most recent work has confirmed a 99.5% recovery of Chalcopyrite Cu to the copper cleaner in flotation of the primary ore. Fine tuning for primary ore processing is now focusing achieving the copper and cobalt concentrate grade targets.

These excellent results achieved have meant the focus can now be turned to the metallurgical testing of gravity circuit options for handling the large quantities of nugget-size native copper metal. The preliminary assessment of native copper containing ore types undertaken by consulting laboratories, Ammtec, resulted in recoveries of 95.3% Cu using a combination of Knelson concentrator and flotation.

We have commissioned two more specialist metallurgical process groups to carry out investigation of alternative technologies to evaluate the combination of processing that will get as close as possible to 100% recovery of the coarser fraction of native copper mineralisation. Their task is to evaluate the processes on low, medium and high grade native copper zones.

Further work is also being undertaken to examine hydrometallurgical treatment of the oxidised zones using Leach/Solvent Extraction/Electrowin and similar techniques for copper and cobalt recovery from these zones.

The EIS is being progressed as much as is able, pending the availability of detailed engineering information. The lone 3km<sup>2</sup> sub-block, also owned by CuDeco approximately 1.5km east of the main Rocklands block is currently being incorporated into the assessments for the EIS, as this area may be required for infrastructure development, subject to successful sterilisation of the areas under consideration. The block is being earmarked for the Tailings Storage Facility (TSF).

## **CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT**

### **Review of Operations (continued)**

#### **Native Title Agreement**

Native Title RTN Agreement with the Mitakoodi & Mayi People has been finalised with a signing ceremony between indigenous land claimants the Mitakoodi & Mayi People and CuDeco. This represents a giant step forward towards the granting of a Mining Lease for the Rocklands Group Copper Project. The formal signing ceremony follows the signing of the Cultural Heritage Management Plan (CHMP) earlier in the year for the clearance of the Rocklands site with both the Mitakoodi & Mayi and the Kalkadoon People.

The Company hopes to sign with the Kalkadoon people the RTN agreement during the first quarter of 2009.

The Rocklands EPM encompasses both Mitakoodi and Kalkadoon claimed areas. To date all significant mineralisation discovered at Rocklands has been on Mitakoodi declared land, with no exploitable minerals discovered on Kalkadoon claimed land.

The Company expects the Mining Lease to be granted by the end of June 2009 by the Department of Mines and Energy in Queensland. The Company would like to thank the Mitakoodi & Mayi People and the Kalkadoon People for their co-operation in relation to the CHMP and to the Mitakoodi for their co-operation in relation to the RTN agreement and the contribution from our Native Title consultants in achieving these milestones.

#### **Mt Norma and Queensland Mining Corporation Ltd (QMCL)**

QMCL successfully listed on the Australian Securities Exchange on 31<sup>st</sup> October 2008.

The Company's investment in QMCL has been recorded at fair value on 31 December 2008 which resulted in an impairment loss of \$5,450,000.

The Company is continuing to progress its claim for the significant damages incurred in the Copper Sulphate business when substandard substituted kerosene sold to the Company was introduced into the process at Mt Norma, and lodged formal proceedings against the company involved in January 2009.

#### **Corporate**

In July 2008, the Company received \$6,950 as subscription monies for the conversion of listed options into ordinary shares.

During the six months to 31 December 2008 the Company cancelled 1,052,526 ordinary shares pursuant to the Company's on-market share buy-back that was announced on 22 September 2008. These shares were bought back at a cost of approximately \$1.9 million.

## CUDECO LIMITED & CONTROLLED ENTITIES DIRECTORS' REPORT

### 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 9 and forms part of this directors' report for the half-year ended 31 December 2008.

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



W McCrae  
Chairman

Dated: 16 March 2009

*The information in this report that relates to exploration results is based on information compiled by Dr. Simon D. Beams, a full time employee of Terra Search Pty Ltd, geological consultants employed by CuDeco Limited. Dr. Beams has BSc Honours and Ph.D degrees in geology, he is a Member of the Australasian Institute of Mining and Metallurgy (Member #107121) and a Member of the Australian Institute of Geoscientists (Member # 2689). Dr Beams has sufficient relevant experience in respect of the style of mineralisation, the type of deposit under consideration and the activity being undertaken to qualify as a Competent Person within the definition of the 2004 Edition of the AusIMM's "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Beams consents to the inclusion in this report of the matters that are based on his information in the form and context in which it appears.*

**DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF CUDECO LIMITED**

As lead auditor for the review of CuDeco Limited for the half-year ended 31 December 2008, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

**BDO Kendalls (QLD)****A J Whyte**

Partner

Brisbane

16 March 2009

**CUDECO LIMITED & CONTROLLED ENTITIES**

**CONSOLIDATED INCOME STATEMENT**

**For the half-year ended 31 December 2008**

		<b>Consolidated Half-Year Ended</b>	
		<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
		<b>\$</b>	<b>\$</b>
Revenues	2	1,106,847	1,182,397
<b>Expenses</b>			
Consultant and employee expenses		(477,005)	(1,143,615)
Shareholder expenses		(86,614)	(101,767)
Impairment of available for sale financial assets		(5,452,632)	-
Repairs and maintenance		(17,521)	(103,692)
Occupancy expenses		(220,276)	(119,240)
Travel expenses		(42,213)	(71,757)
Other expenses		(100,947)	(154,989)
Expenses		<u>(6,397,208)</u>	<u>(1,695,060)</u>
Loss from continuing operations before related income tax benefit		(5,290,361)	(512,663)
Income tax benefit / expense		<u>-</u>	<u>-</u>
Net loss from continuing operations after income tax benefit / expense		(5,290,361)	(512,663)
<b>Discontinued operations</b>			
Gain from discontinued operations		398,719	894,595
<b>Net profit / (loss) attributable to members of the Company</b>		<u>(4,891,642)</u>	<u>381,932</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share:</b>			
Basic earnings / (loss) per share		(4.12)	0.40
Diluted earnings / (loss) per share		N/A	0.33
<b>Continuing operations:</b>			
Basic earnings / (loss) per share		(4.46)	(0.54)
Diluted earnings / (loss) per share		N/A	N/A

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

**CUDECO LIMITED & CONTROLLED ENTITIES**

**CONSOLIDATED BALANCE SHEET**

**As at 31 December 2008**

	Note	Consolidated 31 Dec 2008 \$	30 Jun 2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		21,776,588	31,372,316
Trade and other receivables		1,754,034	1,171,505
Inventories		9,614	9,614
<b>TOTAL CURRENT ASSETS</b>		<u>23,540,236</u>	<u>32,553,435</u>
<b>NON CURRENT ASSETS</b>			
Trade and other receivables		21,966	19,966
Available for sale financial assets		1,312,784	5,750,000
Property, plant and equipment		3,972,682	3,466,325
Exploration expenditure	3	24,996,604	18,518,907
<b>TOTAL NON-CURRENT ASSETS</b>		<u>30,304,036</u>	<u>27,755,198</u>
<b>TOTAL ASSETS</b>		<u>53,844,272</u>	<u>60,308,633</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,030,151	820,389
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,030,151</u>	<u>820,389</u>
<b>TOTAL LIABILITIES</b>		<u>1,030,151</u>	<u>820,389</u>
<b>NET ASSETS</b>		<u>52,814,121</u>	<u>59,488,244</u>
<b>EQUITY</b>			
Contributed equity	4	100,993,983	102,905,940
Reserves		22,045,722	21,916,246
Accumulated losses		(70,225,584)	(65,333,942)
<b>TOTAL EQUITY</b>		<u>52,814,121</u>	<u>59,488,244</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 2008**

	Consolidated				Total Equity
	Issued Capital	Accumulated Losses	Option Premium Reserve	Other Reserves	
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	57,188,642	(66,194,352)	35,218,133	527,114	26,739,537
Share issue expenses	(1,344,496)	-	-	-	(1,344,496)
Profit attributable to members of the parent entity	-	381,932	-	-	381,932
<b>Total income and expense for the period</b>	(1,344,496)	381,932	-	-	(962,564)
Shares/options issued during the half year	26,732,065	-	-	-	26,732,065
Cost of share based payments	-	-	715,777	-	715,777
<b>Balance at 31 December 2007</b>	82,576,211	(65,812,420)	35,933,910	527,114	53,224,815
<b>Balance at 1 July 2008</b>	102,905,940	(65,333,942)	21,389,132	527,114	59,488,244
Share buy-back and share issue expenses	(13,986)	-	-	-	(13,986)
Loss attributable to members of the parent entity	-	(4,891,642)	-	-	(4,891,642)
<b>Total income and expense for the period</b>	(13,986)	(4,891,642)	-	-	(4,905,628)
Shares issued during the half year	6,950	-	-	-	6,950
Shares cancelled during the half year	(1,904,921)	-	-	-	(1,904,921)
Cost of share based payments	-	-	129,476	-	129,476
<b>Balance at 31 December 2008</b>	100,993,983	(70,225,584)	21,518,608	527,114	52,814,121

*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 2008**

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts in the course of operations	5,177	1,169,784
Cash payments in the course of operations	(1,498,758)	(1,684,772)
Interest received	1,055,987	272,917
GST received	524,925	819,892
Research & development tax concession	-	230,766
<b>Net cash flows provided by operating activities</b>	<u>87,331</u>	<u>808,587</u>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(935,429)	(2,867,681)
Proceeds from sale of asset	12,000	-
Payments for exploration and evaluation	(5,773,973)	(5,509,140)
Payments for purchase of equity investments	(1,071,700)	-
Increase in deposits	(2,000)	(800)
<b>Net cash flows used in investing activities</b>	<u>(7,771,102)</u>	<u>(8,377,621)</u>
<b>CASH FLOWS RELATING TO FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	6,950	26,718,597
Cost of purchase of shares (on-market buy-back)	(1,904,921)	-
Share buy-back and share issue costs	(13,986)	(1,478,946)
<b>Net cash flows (used in) / provided by financing activities</b>	<u>(1,911,957)</u>	<u>25,239,651</u>
<b>Net increase / (decrease) in cash held</b>	(9,595,728)	17,670,617
<b>Cash at the beginning of the period</b>	31,372,316	13,417,716
<b>Cash at the end of the period</b>	<u><u>21,776,588</u></u>	<u><u>31,088,333</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 2008**

#### **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 2008 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 2008 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 THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2008 (Continued)**

**2. Profit / (Loss) before income tax expense**

	<b>Consolidated 31 December 2008 \$</b>	<b>Consolidated 31 December 2007 \$</b>
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
<b>From continuing operations:</b>		
<i>Revenue</i>		
Interest received	1,097,089	1,098,637
<i>Expenses</i>		
Share based payments expense	(129,476)	(715,777)
Impairment of investment in Queensland Mining Corporation	(5,450,000)	-
<b>From discontinued operations:</b>		
<i>Revenue</i>		
Sales of copper sulphate	2,200	103,497
R&D tax concession	396,519	230,766
Reimbursement of production / mining costs and hire of equipment to Queensland Mining Corporation	-	564,740

**3. Mineral interest acquisition, exploration and development**

	<b>Consolidated 31 December 2008 \$</b>	<b>Consolidated 30 June 2008 \$</b>
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at the beginning of the period	18,518,907	6,865,571
Exploration expenditure costs incurred	6,477,697	11,653,336
Balance at the end of the period	24,996,604	18,518,907

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 2008 balances are for the year ended 30 June 2008.

**CUDECO LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2008 (Continued)**

**4. Contributed equity**

	<b>Consolidated</b>	
	<b>31 Dec 2008</b>	<b>30 Jun 2008</b>
	<b>\$</b>	<b>\$</b>
<b>Issued and paid-up share capital</b>		
118,175,358 (June 2008: 116,677,069) ordinary shares, fully paid	100,993,983	102,905,940
<b>(a) Ordinary shares</b>		
Balance at beginning of period	102,905,940	57,188,643
Shares issued:		
18,911,176 for cash from conversion of CDUO options	-	3,782,235
8,235,885 for cash from share placement issue	-	26,190,114
4,000,000 for cash from director options converted	-	2,000,000
Transfer option premium on conversion of options	-	14,591,501
Option conversion monies received (unallotted at 30 June 2008)*	-	503,213
34,750 from exercise of options	6,950	-
1,052,526 shares cancelled pursuant to on-market share buy-back	(1,904,921)	-
Share issue / cancellation costs	(13,986)	(1,349,766)
Balance at end of period	100,993,983	102,905,940

\* \$503,213 was received immediately prior to 30 June 2008 year end for the conversion of 2,516,065 CDUO options into shares. These shares were allotted on 3 July 2008.

**(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 2007 Number</b>	<b>Options Issued 2007/2008 Number</b>	<b>Options Exercised 2007/2008 Number</b>	<b>Options Expired/ Forfeited 2007/2008 Number</b>	<b>Closing Balance 30 June 2008 Number</b>
On or before 30 June 2008	\$0.20	21,521,840	-	(18,911,176)	(59,849)	2,550,815
On or before 30 June 2008	\$0.50	4,000,000	-	(4,000,000)	-	-
01/03/2007 - 01/03/2008	\$4.50	250,000	-	-	(250,000)	-
01/06/2007 - 01/06/2008	\$5.50	250,000	-	-	(250,000)	-
26/07/2007 - 30/06/2008	\$5.50	-	200,000	-	(200,000)	-
15/02/2008 - 15/02/2010	\$3.29	-	100,000	-	-	100,000
01/09/2007 - 01/09/2008	\$6.50	-	250,000	-	-	250,000
07/11/2007 - 07/11/2010	\$6.00	-	250,000	-	-	250,000
01/12/2007 - 01/12/2008	\$7.50	-	250,000	-	-	250,000
		26,021,840	1,050,000	(22,911,176)	(759,849)	3,400,815

<b>Exercise Period</b>	<b>Exercise Price</b>	<b>Opening Balance 1 July 2008 Number</b>	<b>Options Issued 2008 Number</b>	<b>Options Exercised 2008 Number</b>	<b>Options Expired/ Forfeited 2008 Number</b>	<b>Closing Balance 31 Dec 2008 Number</b>
On or before 30 June 2008	\$0.20	2,550,815	-	(2,550,815)	-	-
15/02/2008 - 15/02/2010	\$3.29	100,000	-	-	-	100,000
01/09/2007 - 01/09/2008	\$6.50	250,000	-	-	(250,000)	-
07/11/2007 - 07/11/2010	\$6.00	250,000	-	-	-	250,000
01/12/2007 - 01/12/2008	\$7.50	250,000	-	-	(250,000)	-
25/08/2008 - 31/07/2009	\$3.50	-	125,000	-	-	125,000
25/08/2008 - 31/12/2009	\$4.00	-	125,000	-	-	125,000
		3,400,815	250,000	(2,550,815)	(500,000)	600,000

**CUDECO LIMITED & CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half-year ended 31 December 2008 (Continued)**

**5. Segment Reporting**

	Mineral Exploration & Mine Development		Production (Discontinued)		Consolidated	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
<b>Business Segments</b>						
Segment revenue	6,781	44,727	398,719	899,003	405,500	943,730
Other unallocated revenue					1,100,066	1,137,670
					<b>1,505,566</b>	<b>2,081,400</b>
Segment result	(140,463)	(260,745)	398,719	894,595	258,256	633,850
Unallocated expenses (net)					(5,149,898)	(251,918)
Net profit / (loss)					<b>(4,891,642)</b>	<b>381,932</b>

Geographical segments – all operations are within Australia. The business comprising the production of copper sulphate pentahydrate was sold in June 2007.

**6. Commitments**

Under the Native Title Agreement concluded with the Mitakoodi and Mayi People during the period, 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.

There have been no other changes to commitments since the last annual reporting date, 30 June 2008.

**7. Contingencies**

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2008 other than:

- CuDeco Ltd commenced formal legal proceedings on 15 January 2009 to claim for significant damages that occurred when substituted kerosene, sold to the Company in late 2004, was introduced into the Mt Norma copper sulphate treatment process. The claim is for approximately \$1.8m.

**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.

## 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 10 to 17, 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 2008 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

16 March 2009



## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CUDECO LIMITED**

### **Scope**

We have reviewed the accompanying half-year financial report of CuDeco Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, notes to the financial statements and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *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 Interim and Other Financial Reports 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 2008 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.

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF CUDECO LIMITED  
(continued)**

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 it had been given to the directors at the time that this auditor's review report was made.

**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 2008 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 Kendalls (QLD)**

BDO Kendalls



**A J Whyte**  
Partner

Brisbane  
16 March 2009