

Key Highlights

31 January 2018

Operational

- New General Manager, Mr Adam Norton, appointed for Rocklands Copper Mine to drive operational improvements, amid record production for the month of November.
 - Change of mining contractor to Oz Mining completed just prior to the commencement of the quarter, with each of the first three months of mining under the new contract exceeding the 1.6 million tonnes per month initial target.
 - New cone crushers implemented to improve crushing performance, with commissioning commencing in December.
 - A total of 5.4 million tonnes of material, comprising 1.05 million tonnes of ore and 4.35 million tonnes of waste was mined during the quarter.
 - Total copper concentrate produced for the quarter was 17,037 dmt of copper at a final copper grade of 24.44%; containing 4,164t of Cu metal.
 - Gross revenue from copper and gold credits sales during the quarter was \$42.0m from 3,508t Cu metal.
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Finance

- Full repayment of the Secured Finance Facility provided by China Minsheng Banking Corporation Limited, with the final payment of US\$15 million made on 31 December 2017.
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Significant Events Post Quarter End

- New Crusher circuit commissioning completed and operating consistently.
 - Lack of wet-season rains temporarily impacting on production rates.
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Outlook

- Increased availability of all circuits to produce higher levels of concentrate seen driving improved performance, with permanent bypass circuit set to be fully operational in March, thereby restoring production rates to nameplate levels.
 - Further operational costs and areas for operational improvement under review.
 - New exploration program under review, pending Board approval, amid solid outlook for copper prices.
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Mining

Mining Operations

A total of 5.4 million tonnes of material comprising 4.35 million tonnes of waste rock and 1.05 million tonnes of ore were mined during the quarter.

The change of mining contractor from Emeco International to Oz Mining was completed just prior to the commencement of the quarter, with each of the first three months of mining under the new contract exceeding the 1.6 million tonnes per month initial target.

Mine Planning

Mining continued in Las Minerale Stages 2 and 3 (LM2 and LM3) with all primary ore for the quarter being mined from LM2, and recommenced in Rocklands South Stage 1 (RS1) after completing a fibrous material risk assessment and introduction of a new management plan.

The three weeks' suspension of processing operations at the start of December provided an opportunity for mining operations to recover from delays to scheduled mining from RS1 and expedite this source of primary ore.

Crushing

The crushing operations contract with Sedgman was completed in mid-November, with Oz Mining appointed as the new crushing operations contractor. The two rolls crushers, previously part of the fixed plant crushing circuit, were replaced by two cone crushers in order to improve overall crushing performance in late November, with commissioning commencing in December.

Processing

Copper metal production for the quarter was impacted as a result of the suspension in processing operations on the 30th November by the DNRM due to its concerns over the operation of the mine's Safety and Health Management System (SHMS).

Processing rates were severely restricted until permission was granted on 20th December to recommence part processing operations via a reduced process circuit. DNRM allowed CuDeco to operate in the short term by bypassing the gravity circuit using a number of site stacker units to be placed in service, enabling the bypassing of the Scrubber and Jigging circuit and feeding directly from the HPGR discharge conveyor to the Ball Mill feed conveyor.

This was the only short-term option available to site before the completion of rectification work required in the gravity area. Rectification work is expected to be completed by end of February and will then await approval from the DNRM to recommence gravity ore processing.

Despite making changes to improve throughput, the average feed tonnage between 20th December and 31st December was 195tph from 211.1 operating hours, giving an availability of 73%. During the period 20 December to 31 December, the plant produced 1,754 tonnes of concentrate at an average grade of 22.47%.

Post-quarter processing rates have been affected by restrictions of tailings dam return water and lack of seasonal rainfall, which forms an integral part of the site water balances. However, at the date of this report production rates have not been affected.

Costs

A high proportion of the costs for December were driven by the Company's fixed overhead base and the additional labour and resources associated with the plant rectification works undertaken to meet DNRM requirements. These higher than normal costs were incurred against a backdrop of low production.

Objectives for the next quarter will be to:

- Address safety issues affecting the site and implementation of solutions.
- Increase the availability of the Bypass arrangement.
- Add a second Stacker to increase throughput, availability and concentrate production.
- Commence design and complete construction of the permanent Conveyor Jigging Circuit Bypass to minimise operating costs of the flotation feed.
- Complete design and construction drawings to install a 500tph vibrating feeder in the tunnel and investigate the feasibility of adding a second feeder as per the original design.
- Reforecast FY 2018 Q3 & 4 budget costs in relation to operating the optimised Bypass circuit (see note below).
- Evaluate, repair and recommission the gravity circuit in late January or early February when the float feed stockpile is depleted.
- Utilise specialist operations contractors short term to train and improve the Cudeco operators' skill levels in parallel with recruiting skilled permanent staff.

Note: The expected date of completion of the permanent Bypass circuit referred to above is the last week in February. Costs will be minimised by utilising the existing conveyors for the installation of the permanent Bypass Conveyor.

Outlook for the next six months:

- The increased availability of all circuits to produce higher levels of concentrate in February than achieved in December. The expectation is to increase availability to 90+% consistently for the plant during the next six-month period.
- The Permanent bypass, once fully operational in March, should be capable of operating at a rate of nameplate or above.
- Review operational costs and identify areas for improvement.
- Review of circuit requirements to increase production above nameplate during the June quarter.

Crushing Plants

Total tonnes crushed for the quarter was 538,893t.

Processing Plant

The processing plant treated a combined total of 425,688dmt of ore at 1.19% Cu during the quarter. The Flotation recovery weighted average for the period was 89.89%, which was lower than anticipated due to lower recovery in October.

Continued improvement occurred in recovery levels in the months of November and December, which achieved 90.97% and 92.65% recoveries, respectively.

Total concentrate production for the quarter totaled 17,037t which contained a total of 4,164t of copper at 24.6%.

Throughput (flotation)

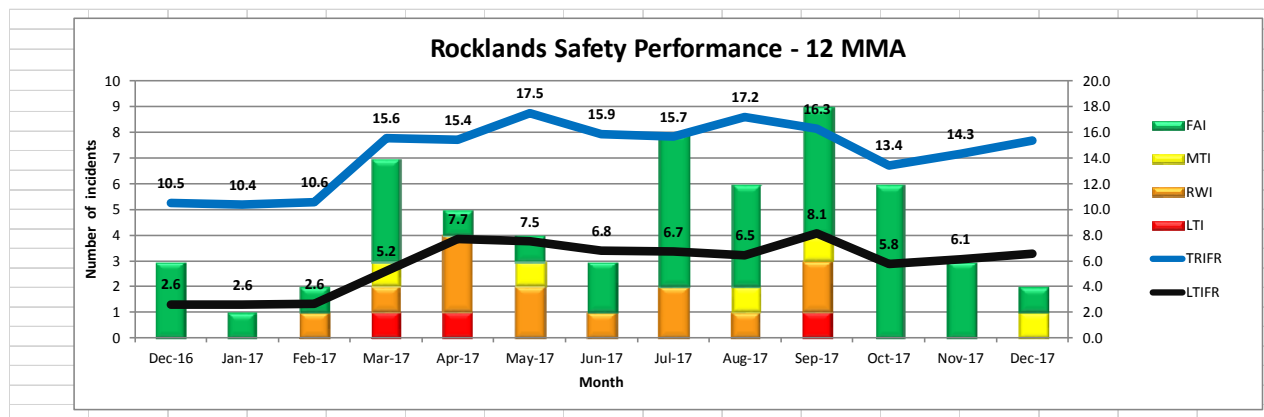
Month	Tonnes (dmt)	Head grade (%)
October	175,031	1.22%
November	210,166	1.18%
December	40,491	1.11%
Total Q2	425,688	1.19%

Products

Quarter	Tonnes (dmt)	Grade (%Cu)	Metal tonnes (cmt)
Coarse Native Copper	-	-	-
Fine Native Copper	-	-	-
Sulphide Copper Concentrate	17,037	24.6	4,164

Health and Safety

Health & Safety Performance



There were no recorded Lost Time Injuries (LTI) or Restricted Work Injuries (RWI) for the quarter, with one Medical Treatment Injury (MTI) and 10 First Aid Incidents (FAI) recorded over the same period.

The Company's Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) at the end of the quarter were 15.3 and 6.6, respectively.

On the 27th November an unscheduled visit by the DNRM resulted in a shutdown of the Grinding circuit which affected concentrate production for the month. A further visit on the 30th November resulted in the DNRM determining that the Company's Safety and Health Management system (SHMS) was ineffective, culminating in a suspension of process plant operations.

A number of directives were issued which resulted in a plant shutdown from operations for three weeks, with limited critical preventative maintenance activities able to be carried out. A reconfigured grinding circuit was proposed by the Company which allowed operations to recommence on 21st December, including a bypass of the Scrubber unit and Jigger circuit.

The Company sincerely regrets this incident and is working in close collaboration with the DNRM to ensure that its concerns are fully addressed, and that the Company's SHMS is operating effectively. This process will also involve the commissioning of a full safety audit to be undertaken by an independent third-party professional.

CuDeco's first priority is the health and safety of its employees and the Company is focused on ensuring a safe and productive operation for the benefit of all Rocklands workers.

Environment

- Annual return documents for Rocklands leases and Morris Creek exploration area were submitted in October 2017.
- Capital improvements for environmental management of the Tailings Storage Facility commenced in November 2017 and are ongoing.

- Financial assurance negotiations with the Department of Environment and Heritage Protection (EHP) have been extended to February 2018 by mutual agreement.
- Draft Environmental Authority amendment application was submitted to EHP on 29 December 2017 for discussion ahead of formal lodgement in 2018.
- The 2017 Annual Regulated Dam inspection report was received from third party inspector on 1 December 2017, and the Action Plan to address findings was submitted to EHP on 28 December 2017.

Human Resources

Consistent with our People Strategy, the Company continues to develop and implement a range of attraction and retention initiatives.

During the quarter, a new Employee Assistance Program (EAP) was introduced with AccessEAP, a nation-wide EAP provider that offers access to confidential face-to-face or phone counselling sessions at a time and location of the employee's choosing.

SPA (Salary Packaging Australia) have also been engaged as the Company's new salary packaging provider and commenced provision of individualised services to employees in October.

As CuDeco continues to optimise the size and structuring of the workforce, the existing Departmental structures, workforce numbers, and personnel are currently under review.

Preliminary personnel and structural changes have been implemented, however the review will continue to adapt to the ongoing operational requirements. Further changes will be implemented as the site requirements evolve.

Assets and Development

Assets

The Rocklands operation asset performance was the primary focus of the Assets and Development Group during the Quarter. Major areas of focus were on alignment of operations with optimal mine plans, including in the following key areas:

- Mine production scheduling
- Mill feed scheduling and ore blending
- In-pit ore management

Exploration

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

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

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

Corporate

Board of Directors

There were no changes at Board level during the quarter ended 31 December 2017.

Management

On 20 December 2017, CuDeco announced the appointment of a new General Manager for Rocklands, Mr Adam Norton, effective 30 November. An experienced mine manager, Mr Norton has joined the Company after a successful career in the resource sector spanning more than two decades, including recently managing the Osborne copper-gold mine, one of Australia's largest metalliferous mines, also located near Cloncurry.

Financial matters

During the quarter:

- The Company secured a six-month term facility of HK\$100m, the proceeds of which were used to repay the short term facility of HK\$40m secured on 8 August 2017 with the balance applied to working capital requirements.
- The Company repaid its facility (Loan No.1) of HK\$80m with a maturity date of 31 December 2017.
- The Company repaid the Secured Finance Facility provided by China Minsheng Banking Corporation Limited (Minsheng Bank) with the final payment of US\$15 million made in full and final settlement having been made by the due date of 31 December 2017. All security releases relating to the Minsheng Bank loan have been completed.
- The Company entered into two Convertible Loan Agreements for a total value of US\$15 million. The proceeds of the Convertible Loans were applied to the repayment of the remaining US\$15m loan from Minsheng Bank due for repayment on 31 December 2017.

The counterparties to the convertible loans are Gemstone 101 Ltd (a wholly owned subsidiary of the Valuestone Global Resource Fund, sponsored by Jiangxi Copper and China Construction Bank International) for US\$5 million; and GuoYi Holdings (BVI) Limited ("GuoYi Holdings"), a wholly owned subsidiary of GuoYi Holdings (Hong Kong) Limited, a private Investment Company based in Hong Kong, for US\$10 million. US\$1.0m of this amount is still to be received by the Company.

The convertible loans have a maturity of 24 months at 6.0% interest rate per annum.

- Now that the Company has addressed its immediate debt issues, it is continuing negotiations with various parties, including a major Australian Bank, to secure a long-term structured operating finance facility.

Tenement Information

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

The mining tenements held at the end of December 2017 and their location are as follows:

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

- The mining tenements acquired and disposed of during the December 2017 quarter and their location: **NIL**
- The beneficial percentage interest held in farm in farm out agreements at the end of the December 2017 quarter: **NIL**
- The beneficial percentage interest held in farm in farm out agreements acquired or disposed at the end of the December 2017 quarter: **NIL**

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

CUDECO LIMITED

ACN 000 317 251

Quarter ended ("current quarter")

14 000 317 251

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	44,605	77,250
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(36,295)	(61,795)
(d) staff costs	(6,725)	(11,726)
(e) administration and corporate costs	(669)	(1,112)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(473)	(2,422)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	443	195

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,450)	(5,104)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2,450)	(5,104)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	32,260	63,816
3.6	Repayment of borrowings	(33,070)	(58,297)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	- Sale of Shares in Employee Share Plan	-	-
3.10	Net cash from / (used in) financing activities	(810)	5,519

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,263	3,922
4.2	Net cash from / (used in) operating activities (item 1.9 above)	443	195
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,450)	(5,104)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(810)	5,519

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(178)	(263)
4.6	Cash and cash equivalents at end of period	4,268	4,268

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,766	7,263
5.2	Call deposits	1,502	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,268	7,263

6. Payments to directors of the entity and their associates

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

Current quarter \$A'000

183

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Section 6.1: \$183,000 relates to December 2017 quarter ended Directors fees paid on a monthly basis.

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

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

Current quarter \$A'000

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	57,230	57,230
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	21,366	21,366
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Section 8.1 - This balance relates to the following:

- (a) Short term loan facility with a Hong Kong based Investor of HKD100m at 6.0% interest per annum.
- (b) Convertible Note Subscription loan facility with Gemstone 101 Ltd ('Subscriber') of AUD22.0m through the issuance of 44.0m convertible notes at \$0.50 each, plus 4.4m free options at 6 % interest per annum.
- (c) Convertible loan facility with Gemstone 101 Ltd of USD5.0m at 6% interest per annum.
- (d) Convertible loan facility with GuoYi Holdings of USD10.0m at 6% interest per annum.

Section 8.3 - This balance relates to a Copper concentrate sales prepayment finance facility with Mitsui Co Ltd of US\$16m. The facility is fully drawn and attracts interest of 5.85% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	29,420
9.4 Staff costs	5,828
9.5 Administration and corporate costs	740
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	35,988

Section 9.6

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

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

Compliance statement

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

Sign here:

(Director/Company secretary)

Date:

Print name:

Notes

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