

Quarterly Report

For the three months ended 31 March 2017



CuDeco Limited (ASX: CDU) (The company) is pleased to release its financial and operational results for the quarter ended 31 March 2017.

Key Highlights

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- Mining contract awarded to Andy's Earthmover's (AEM).
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- Mining operations re-commenced on 15 March 2017.
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- New Interim Chairman of the Board and Chief Executive Officer appointed February 2017 and new Chief Operating Officer appointed March 2017.
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- A total of 316,708 dry metric tonnes (DMT) of ore was processed in the three months to March 2017 with a head grade of 1.16% Cu.
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- Process Plant regularly achieving nameplate capacity since mid-March.
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- Production on track to achieve continuous nameplate throughput rates by June 2017.
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- Cash receipts from concentrate sales (net of TC/RC charges) during the quarter were \$22.8m.
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- Securities of CuDeco Limited were suspended from official quotation on the Australian stock exchange pending finalisation of the Company's Half Yearly Accounts for the 6 months to end December 2016.
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Significant Events Post Quarter End

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- Subsequent to the quarter ended 31 March 2017, the Company executed a Convertible Note Subscription Agreement with Gemstone 101 Ltd ('Subscriber') to raise \$22.0m through the issuance of 44 million convertible notes at \$0.50 each, plus 4.4m free options.

The Convertible Note Subscription Agreement was executed on 31 March 2017 and the funds were received by the Company on 21 April 2017.

The funds were used for repayment of USD\$15.0m principal instalment on the loan facility with Minsheng Bank.

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- The Company made the US\$15m payment to Minsheng Bank on 21 April 2017.
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- Nameplate throughput is regularly being achieved at the process plant, including a continuous period of 5 days mid-April where the average throughput rate was well above nameplate at an average of 8,471 DMT per day compared to nameplate of 8,217 DMT per day. Copper recoveries in this period were estimated at a weighted average of 92.12%.
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Mining

Mining Operations

The contract for phase 1 of mining was awarded to Andy's Earthmover's (AEM), with mining operations recommencing on the 15th March 2017.

Mining activities have focused on ore from the Las Minerale stage 2 open pit. Total material of 300k tonnes has been mined comprising 94k tonnes of ore.

Subsequent to the executive changes during the quarter, mine planning and production schedules are being reviewed by the Board and key CuDeco staff.

Mine Planning

Mine planning focused on the recommencement of activities in the Las Minerale Stage 2 (LM2) Pit, and other mining dominated areas across Rocklands including ore and waste dumps, according to the Phase-1 mining contract schedule.

Phase-1 mine plans include 5Mt of ore and waste to be mined over a 6 month period from RL170 to RL150 in the LM2 Pit, some 30 metres of mined depth. LM2 is planned to a final depth of circa RL100, which is some 50m below the phase-1 planned finished level.

LM2 Pit is characterised by chalcopyrite (sulphide) dominated copper ore types in the south half of the pit, and native copper rich (supergene) ores to the north.

All ore types are planned to be processed through the process plant in the period ahead.

Ore Stockpiles

Ore stockpiles were again utilised to maintain production feed during the Quarter due to the later than originally planned recommencement of mining. With mining now underway, ore will be sourced from both stockpiles and directly from the pit as required.



Figure 01: LM2 Pit is characterised by chalcopyrite (sulphide) dominated copper ore types in the south half of the pit, and native copper rich (supergene) ores to the north.

Ore Stockpiles

Ore stockpiles at the end of the quarter are:

STOCKPILES		Tonnes	Cu (%)	Au (g/t)	Cu_(t)
	Crushed Ore				-
	HG_chalcocite	7,358	1.38	0.20	102
	HG_chalcopyrite	3,308	-	0.28	-
	HG_native copper CC	7,836	2.25	0.33	176
	HG_native copper CPY	-			-
	HG_native copper oxide	15,493	1.85	0.23	2,137
	HG_oxide	60,600	1.32	0.19	800
	ALL High Grade	94,595	1.65	0.22	3,215
	LG_chalcocite	25,993	0.35	0.06	91
	LG_chalcopyrite	48,811	0.69	0.13	337
	LG_native copper CC	329,901	0.53	0.09	1,748
	LG_native copper CPY	22,045	0.86	0.15	190
	LG_native copper oxide	36,491	0.63	0.12	230
	LG_oxide	142,886	1.05	0.16	1,500
	ALL Low Grade	606,127	0.68	0.11	4,096
	Magnetite	-			
	Rehandle	-			
	HG & LG STOCKPILE	800,722	0.91	0.14	7,311
Blend Grade (BG)	651,560	0.24	0.05	1,564	
TOTAL STOCKPILE- inc BG	1,452,282	0.61	0.10	8,874	

ROM		Tonnes	Cu (%)	Au (g/t)	Cu_(t)
	HGF	36,988	1.14	0.26	422
	HGG	4,897	2.77	0.33	136
	HGO	-	-	-	0
	LGF	42,894	0.24	0.17	103
	LGG	-	-	-	0
	LGO	-	-	-	0
	"Metso"	13,324	1.14	0.26	152
	TOTAL ROM	98,103	0.83	0.22	812

STOCKPILE + ROM (inc BG)	1,550,385	0.62	0.11	9,686
HG, LG, BG, ROM STOCKPILE	898,824	0.90	0.15	8,123

Mining Summary

Total rock movements for the quarter were:

Mining	January	February	March
Total days of normal operation	-	-	15
Total days stand-down or other non-operational	-	-	0
Blasts	-	-	3
Total tonnes blasted (DMT)	-	-	486,903
Broken (blasted) rock at end of month (DMT)	-	-	372,683
Total rock moved (DMT)	-	-	299,576
Waste (DMT)	-	-	205,949
Ore (DMT)	-	-	93,627
Average strip ratio			2.2

Processing

Processing Plant

Production ramp-up returned to acceptable rates in late March after lower than anticipated rates were achieved through January and February, partly due to shut-down periods. Total feed throughput included low and high-grade ore types sourced from stockpiles with 316,708 dry metric tonnes (DMT) fed to the HPGR to end March 2017. Head grades were estimated at 1.16% Cu for total production of 2,796t of copper metal (475t of copper metal in native copper concentrate and 2,321t of copper metal in copper sulphide concentrate).

A total of 9,515 DMT of sulphide concentrate was produced at a provisional copper grade of 24.46% Cu; and a total of 705 DMT of Native Copper product was produced at a provisional copper grade of 66% Cu.

Overall copper recovery was 81.04%, with flotation recovery at 77.83%. The use of low-grade chalcopyrite and high-grade native copper ore as blended feed source attributed to the higher native copper component. Recovery of copper from this ore-blend was at the lower end of the acceptable recovery range for current ramp-up operations.

Plant throughput improved towards the end of the quarter with a total of 146,327 DMT of ore processed in March 2017, accounting for almost half the total feed for the quarter.

During late March there were multiple days of throughput above 7,000 DMT including up to 8,531 DMT. Nameplate production is circa 8,217 DMT per day.

Major activities during the period were:

- Addition of a mobile crusher to supplement fresh feed supply to the processing plant;
- Continuous improvement processes in the flotation circuits including the installation of further instrumentation for recording instantaneous plant conditions;

- On site laboratory commissioning and completion for start in Q4;
- Significant activity replacing sensors and level indicators that were creating issues with control loops within the Control System;
- Changes to feed presentation and product feed sizing from crushing circuits to improve HPGR operations.

Throughput

Month	Tonnes (dmt)	Head Grade (%)
January	90,214	1.37
February	80,167	1.23
March	146,327	1.11
Total Q3	316,708	1.16

Product Q3	Concentrate	Concentrate Grade	Metal in Concentrate
Coarse Native Cu	7,054 tonnes	66%	446 tonnes
Fine Native Cu	294 tonnes	10%	29 tonnes
Sulphide Concentrate	9,515 tonnes	25%	2,321 tonnes



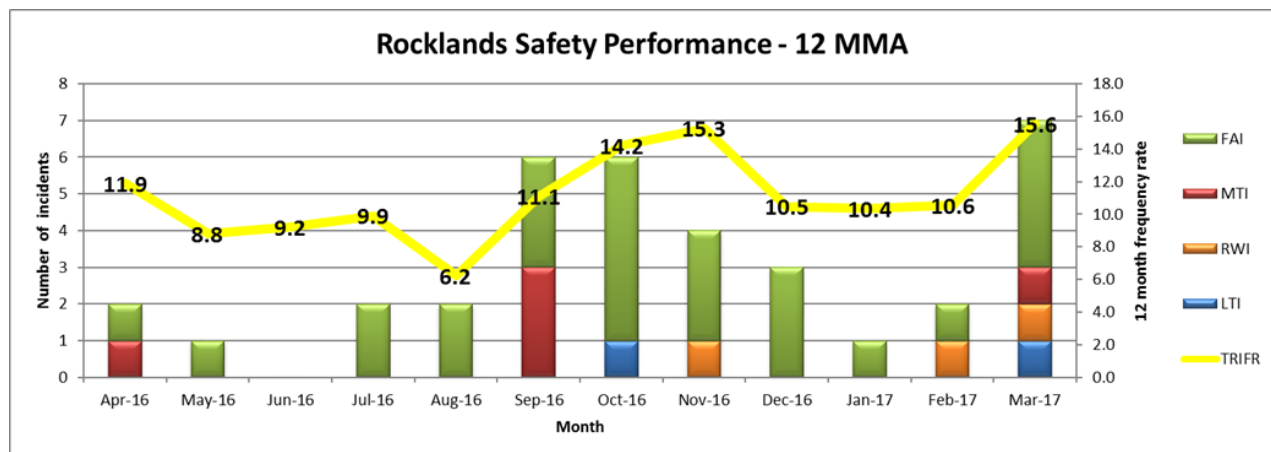
Figure 02: Looking towards the crushing circuit (left rear) and ROM (far distance) from the gravity jig area.

Upcoming activities:

- Installation and testing of gravity circuit modifications to improve throughput rates;
- Ramp up of on-site laboratory activities improving both calibration of the OSA and sample turnaround which should further increase flotation performance;
- Finalisation of reagent dosing systems and reagent replacements to target an increase in flotation recovery;
- Increase availability of major processing plant components to attain nameplate capacity;
- Improvements in Crushing circuit to improve tonnage throughput and feed sizing for optimal HPGR efficiency.

Health and Safety

Health & Safety Performance



Total Recordable Injury Frequency Rate (TRIFR): FAI = First Aid Incident, MTI = Medically Treated Incident, RWI = Return to Work Injury, LTI = Lost Time Injury, TRIFR = Total Recordable Injury Frequency Rate

A single Lost Time Injury (LTI) day was recorded in March and related to a Surveyor who lost footing and hurt knee while surveying a stockpile.

DNRM Directives:

- Inspector of Mines issued a Directive ceasing all mobile equipment operations on site in January. The site was required to implement an effective system to manage the hazards and the resultant risks arising from working with and around tyres, rims and wheels (142 hours).
- Inspector of Mines issued a Directive to suspend operations for an ineffective Health and Safety Management System. Operations recommenced 24 February (190 hours).

Environment

The replacement Plan of Operations for 2017-2019 was submitted to EHP on the 31 March 2017, (with approval of the Plan received from EHP on 20 April 2017).

Partial approval of the Environmental Authority (EA) amendment submitted to EHP in December 2016 was received on 17 February 2017. A subsequent amendment is proposed for May 2017.

Improvement of efficiency of routine monitoring and data management remained a major focus of the Environment Team. This included progressive build of a Monitor Pro database for the management and analysis of environmental monitoring data, with full implementation planned for late April.

Human Resources

At the end of March the Rocklands workforce stood at 225, consisting of 107 CuDeco employees and 118 contractors.

CuDeco's ongoing recruitment strategy continues from the Project development phase. Our commitment to increase local participation and encourage employees to relocate to Cloncurry will continue to guide us through the recruitment and retention for the Mine.

Our focus continues to place a priority on working with the Cloncurry community by actively participating in the community and engaging local suppliers of employment and training.

The Company continues to promote community inclusion. The CuDeco Workforce has a 50% local participation ratio, which contributes to our residential ratio of 70:30.

We have formed good working relationships with other employment stakeholders in the Mount Isa/Cloncurry area which supports our focus on a local workforce. The relationship between local stakeholders is beneficial in securing the necessary skills and experience to assist in establishing a strong local workforce.

Our emphasis is placed on identifying training that will increase skill capacity for local candidates, in addition to identifying target areas within our workforce to increase local participation.

Exploration

During the quarter, limited field activity was undertaken on granted EPM's due to the wet season conditions and the conservation of funds. Desk-top studies with the next field season planned to commence during the Q4.

Digital data from CuDeco's Helicopter-borne Time Domain Electromagnetic (VTEM MAX) flown last quarter was received and is currently undergoing 3D geophysical processing by CuDeco exploration staff and consultant geophysicist. Targets generated by this modelling will be followed up by geochemical sampling during the next quarter.

Corporate

Board of Directors

During the quarter, the Chairman of the Board Dr Noel White and Managing Director Dr Dianmin Chen, resigned from their roles with the company. Subsequently:

- Peter Hutchison was appointed Interim Chairman on 16 February 2017.

Mr Hutchison is a process chemist and Hydrometallurgist with over 40 years industry experience involving chemical, mineral processing and water treatment. Prior to his appointment as Interim Chairman, he held the roles of interim Managing Director and Non-executive Director of CuDeco.

- Mark Gregory was appointed Chief Executive Officer on 21 February 2017.

Mr Gregory is a strategically minded senior executive with more than 20 years management experience across a broad range of industry sectors, including mining services, professional services, property and media, within both publicly listed and private companies. Prior to joining CuDeco, he held the role of CEO of Waltz Group, a privately owned infrastructure and mineral processing construction group servicing Australian resources, energy, agriculture and water infrastructure sectors.

- Jiang Gongyang was appointed Chief Operating Officer on 1 March 2017.

Mr Gongyang graduated with a Master of Metallurgy Engineering from the Beijing University of Science and Technology and is experienced in green field and brownfield engineering project marketing and management. Prior to joining CuDeco, he held the role of project manager for a major contractor Sinosteel that helped build the Rockland project processing plant.

Financial matters

During the quarter, the Company signed a Deed of remediation ('the Deed') with a supplier owed \$31.8m as at 31 December 2017 for construction and commissioning costs. Under the terms of the Deed an extended repayment period was agreed which will require repayments of approximately \$12.08m over the next twelve months with the balance payable by 31 December 2018.

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 March 2017 and their location:

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

- The mining tenements acquired and disposed of during the March 2017 quarter and their location: **Nil**.
- The beneficial percentage interest held in farm in farm out agreements at the end of the March 17 quarter: **Nil**.
- The beneficial percentage interest held in farm in farm out agreements acquired or disposed at the end of the March 17 quarter: **Nil**.

Competent Person Statement

Information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Andrew Day. Mr Day is employed by Geoday Pty Ltd, an entity engaged by Cudeco to provide independent consulting services. Mr Day has a BAppSc (Hons) in geology and is a Member of the Australian Institute of Mining and Metallurgy (Member #303598). Mr Day has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Day consents to inclusion in the report of the matters based on his information in the form and context in which it appears.

Rocklands style mineralisation

Dominated by dilational brecciated shear zones, throughout varying rock types, hosting coarse splashy to massive primary mineralisation, high-grade supergene chalcocite enrichment and bonanza-grade coarse native copper. Structures hosting mineralisation are sub-parallel, east-south-east striking, and dip steeply within metamorphosed volcano-sedimentary rocks of the eastern fold belt of the Mt Isa Inlier. The observed mineralisation, and alteration, exhibit affinities with Iron Oxide-Copper-Gold (IOCG) classification. Polymetallic copper-cobaltgold mineralisation, and significant magnetite, persists from the surface, through the oxidation profile, and remains open at depth.

Disclaimer and Forward-looking Statements

This report contains forward-looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

New information

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

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 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	22,765	44,580
1.2 Payments for		
(a) exploration & evaluation	(114)	(326)
(b) development	(1,029)	(4,992)
(c) production	(14,659)	(22,923)
(d) staff costs	(4,508)	(14,453)
(e) administration and corporate costs	(424)	(2,555)
1.3 Dividends received (see note 3)		
1.4 Interest received	81	202
1.5 Interest and other costs of finance paid	(2,038)	(5,165)
1.6 Income taxes paid		
1.7 Research and development refunds	1,038	1,038
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	1,112	(4,594)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,451)	(11,983)
(b) tenements (see item 10)		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) investments		
(d) other non-current assets		
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	(1,451)	(11,983)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	8,000
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	-	(466)
3.5 Proceeds from borrowings	1,865	4,641
3.6 Repayment of borrowings	(1,305)	(7,898)
3.7 Transaction costs related to loans and borrowings	-	(2,025)
3.8 Dividends paid		
3.9 Other (provide details if material)		
- Sale of Shares in Employee Share Plan	-	1,760
3.10 Net cash from / (used in) financing activities	560	4,012

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,457	16,400
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,112	(4,594)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,451)	(11,983)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	560	4,012
4.5	Effect of movement in exchange rates on cash held	4	(161)
4.6	Cash and cash equivalents at end of period	3,674	3,674

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	3,674	2,892
5.2	Call deposits	-	565
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)	3,674	3,457

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	183
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	

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

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

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	78,492	78,492
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	3,337	3,337
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

Relates to the Second Amendment Deed loan facility with Minsheng Bank Corporation for construction costs. The facility is secured by a registered charge over the assets of the Group. Interest rate payable is the aggregate of LIBOR for three months plus a 3.5% margin plus a 2% management fee.

During the quarter the Company breached the Second Amendment Deed with Minsheng Bank as the US\$15m principal repayment due on 31 March 2017 was not met.

The Company executed a Convertible Note Subscription Agreement with Gemstone 101 Ltd ('Subscriber') to raise \$22.0m through the issuance of 44 million convertible notes at \$0.50 each, plus 4.4m free options. The Convertible Note Subscription Agreement was executed on 31 March 2017 and the funds were received by the Company on 21 April 2017. Minsheng Bank approved the execution of this agreement on 24 March 2017 and the funds were used for the principal repayment that was due to Minsheng Bank on 31 March 2017.

The Company made the US\$15m payment to Minsheng Bank on 21 April 2017.

Section 8.3

Relates to two pre-shipment finance facilities of USD\$1.5m and USD\$1.0m for advance payment of copper concentrate shipments. The facilities are fully drawn and attract interest of 6.5% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	1,144
9.3 Production	29,370
9.4 Staff costs	4,521
9.5 Administration and corporate costs	1,862
9.6 Other (provide details if material)	45,195
9.7 Total estimated cash outflows	82,092

Section 9.6

Relates to \$39.4M (US\$15.0m due 31 March 2017 and US\$15m due 30 June 2017) Second Amendment Deed loan facility with Minsheng Bank Corporation. During the quarter the Company breached the Second Amendment Deed with Minsheng Bank as the US\$15m principal repayment due on 31 March 2017 was not met. The Company made the US\$15m payment to Minsheng Bank on 21 April 2017 from proceeds received from the \$22m Convertible Note Subscription Agreement with Gemstone 101 Ltd. (refer to section 8.1)

The balance of payments relates to operational capital and equipment, loan facility interest and payments to Sinosteel in reduction of liability for plant construction and commissioning costs in accordance with a formal deed of Remediation entered into by the Company with Sinosteel.

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:
(Company secretary)

Date: 30 April 2017

Print name: Bruno Bamonte

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.