

Quarterly Report

For the three months ended 31 March 2018



Key Highlights

31 March 2018

Operational

- A total of 5.1 million tonnes of material, comprising 0.9 million tonnes of ore and 4.2 million tonnes of waste was mined during the quarter. Mining activities were affected by a major rain event in the month of February.
 - Newly constructed gravity bypass circuit was commissioned on 01 April 2018 and is expected to improve production to nameplate in the Quarter ending June 2018.
 - Total copper concentrate produced for the quarter was 11,310 dmt at a final copper grade of 24.84%; containing 2,810t of Cu metal.
 - Copper production at the processing plant was impacted by limited plant throughput caused by use of a temporary gravity bypass circuit while permanent bypass was being constructed.
 - Gross revenue from copper and gold credits sales during the quarter was \$25.5m from 13,382 dmt of copper concentrate consisting of 3,415t Cu metal.
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Finance

- On 29 March 2018, the Company secured a short-term loan facility of HK\$30m with a maturity period of 6 months. The funds were used for working capital requirements.
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Significant Events Post Quarter End

- New gravity bypass circuit was commissioned 01 April 2018 and is operating consistently.
 - The Company's shares remain suspended from trading pending finalisation of the Company's Financial Statements for the half year ended 31 December 2017.
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Outlook

- Increased plant availability and ore treatment rates thereby restoring concentrate production rates to nameplate levels.
 - Further operational cost savings 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 5.1 million tonnes (6.4 Mt Q3F18 reforecast) of material comprising 4.2 million tonnes of waste rock and 0.9 million tonnes of ore, including Blend Grade (1.1 Mt Q3F18 reforecast) were mined during the quarter.

The mining contractor, Oz Mining, continued to perform well averaging 1.7 million tonnes per month over the quarter, exceeding the 1.6 million tonnes per month initial contract target, but behind the reforecast total movement by 1.3 million tonnes for the quarter as a result of the major rain event at the end of February, which prevented access to site for nearly a week and then to the Las Minerale Stages 2 and 3 due to flooding of the benches which were being mined prior to the rain.

Fortunately, a cutback on Rocklands South Stage 1 had commenced in January, allowing mining to continue on the higher benches, while the pit floor at 200RL was flooded.

Mine Planning

Mining continued in Las Minerale Stages 2 and 3 (LM2 and LM3) with all primary ore for the quarter again being mined from LM2 until the rain event flooded the floors of the benches being mined; and continued in Rocklands South Stage 1 (RS1) under fibrous material risk assessment and management.

While 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 to expedite this source of primary ore, those plans were set back by the rain and flooding event at the end of February.

Crushing

Having replaced Sedgman after November, Oz Mining continued crushing operations and assisted in commissioning two new cone crushers which replaced two rolls crushers, previously part of the fixed plant crushing circuit, to improve overall crushing performance which included reducing HPGR feed (final crushed product) from below 40mm to below 25mm.

As a result of depletion of stockpiles of fresh flotation ore by mid-February, the operation began processing stockpiles of High Grade Gravity (HGG) at more than 2.5% Cu, which were blended down with Low Grade Gravity (LGG) ore at 0.4% Cu, to provide a suitable grade to feed the flotation circuit, being typically less than 1.6% Cu.

Processing

Copper metal production for the quarter was impacted as a result of the lower than budgeted mill throughput over the course of the January to March 2018 quarter. This was primarily due to the CV-015 bypass conveyor construction and commissioning works which nearly halved the throughput rates that would have been normally targeted.

Processing rates were severely restricted mainly due to the use of the temporary Ezy-Stacker (mobile conveyor) systems that were utilized to feed the grinding circuit; exacerbated by restricted water availability in the first half of the quarter.

Plant availability was also a major contributing factor which was impacted by a number of scheduled/ unscheduled downtime events and maintenance requirements during the reporting quarter. These were mainly attributed to the Flooding event during March 2018 and subsequent tailings line repairs, mechanical and operational downtime events such as a number of Ball mill feed chute repairs, Ball Mill lubrication system faults, and a number of mobile conveyor bogging events (Ball Mill feed).

Despite attempts to maximize throughput rates, the average feed tonnage for the January to March 2018 quarter was 229tph from 1,406 available operating hours, at an availability of 65%. During this period, the plant produced 11,310 tonnes of concentrate at an average grade of 24.84%Cu. This equates to a copper metal content of 2,810dmt.

Objectives for the next quarter will be to:

- Continue to address safety issues affecting the site and implementation of solutions.
- Increase the availability of the permanent Conveyor Jigging Circuit Bypass to minimise operating costs of the flotation feed.
- Utilise specialist operations contractors short term to train and improve the Cudeco operators' skill levels in parallel with recruiting skilled permanent staff.

Construction and commissioning of the permanent Bypass circuit referred to above was completed on 31 March 2018. Construction costs were minimised through utilisation of existing conveyors for the installation of the permanent Bypass Conveyor.

Outlook for the next six months:

- The Permanent bypass, once fully operational in April, should be capable of operating at a rate of nameplate or above.
- Review of circuit requirements to increase production above nameplate during the June quarter.
- Plant availability to average 90% or better during the next six-month period.
- Review operational costs and identify areas for improvement.

Crushing Plants

Total tonnes crushed for the quarter was 343,103dmt.

Processing Plant

The processing plant treated a combined total of 322,311dmt of ore at 1.0% Cu during the quarter. The Flotation recovery weighted average for the period was 84.55%, which was boosted by a higher recovery in January (93.55%Cu) due to the processing of High-Grade/Low-grade Float ore blends.

February and March production of High-Grade/Low-grade Gravity ore resulted in recoveries of 75.71% and 80.44% respectively with March 2018 being more in-line with expected recoveries.

Throughput (flotation)

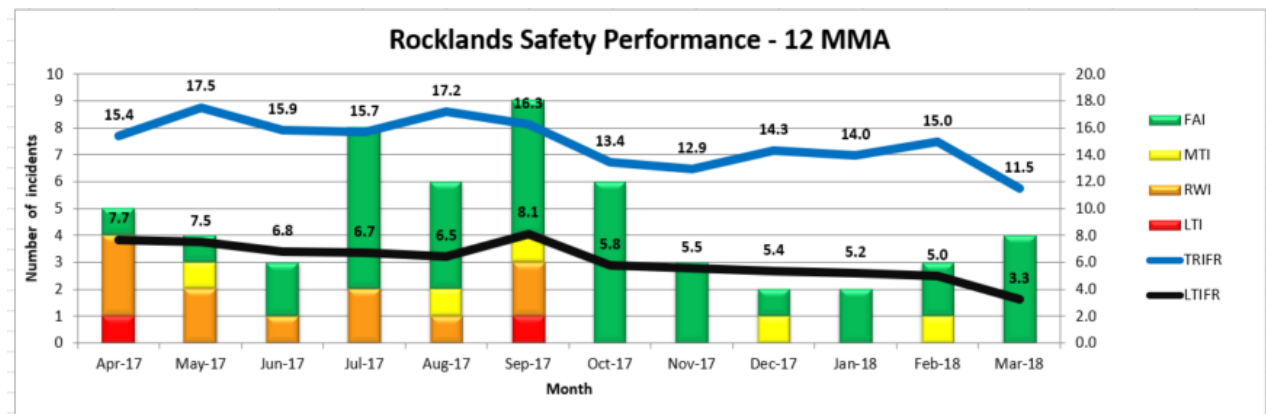
Month	Tonnes (dmt)	Head grade (%)
January	118,758	0.81
February	108,716	0.99
March	94,836	1.25
Total Q3	322,311	1.00

Products

Quarter	Tonnes (dmt)	Grade (%Cu)	Metal tonnes (cmt)
Coarse Native Copper	-	-	-
Fine Native Copper	-	-	-
Sulphide Copper Concentrate	11,310	24.84	2,810

Health and Safety

Health & Safety Performance



There were no recorded Lost Time Injuries (LTI), 1 x Medical Treatment Injury (MTI) and 8 x First Aid Incidents (FAI) recorded during the period.

The Total Recordable Injury Frequency Rate (TRIFR) was 11.5 for the quarter and was down from 14.3 on the previous quarter. The Lost Time Injury Frequency Rate (LTIFR) was 3.3 at the end of the quarter and this was down from 5.4 on the previous quarter.

During February a full Health and Safety Management Systems (HSMS) audit was conducted by a third-party auditor which was directed from the DNRM action in December 2017.

From late March, the sites Health, Safety and Training (HST) team has been supplemented by a Contract HST Manager, to assist the site to develop and implement the HSMS to the required standards while maintaining safe operations.

Milestones from the audit recommendations were achieved during late March with significant changes to high risk work controls and commissioning practices developed and implemented, resulting in the commissioning of the permanent Bypass Conveyor (CV3221) without any recorded injury and a very low number of incidents occurring. The audit recommendations will continue to be addressed in the next quarter, commencing with the development of the risk assessments in mid April and the finalization of each risk assessments commencing from 1st May 2018. As each risk assessment is completed the relevant Management Plan, Standard Operating Procedure and/or Standard Work Instruction will be generated and the training will commence shortly thereafter. It is anticipated that comprehensive compliance with the Queensland Mining Legislation will take 6 - 9 months to complete, on the basis that all workgroups are adequately staffed during this period.

The sites Chemical Management software (ChemAlert) was reactivated in late March which will increase the efficiency in data input, storage and recall for the range of chemicals used across site and provide an effective means of achieving and maintain conformance to Regulations regarding the storage, handling and use of chemicals across the site.

Environment

The following environmental compliance and assessment activities were completed in the quarter:

- Third party Environmental Authority (EA) audit completed on 16 Jan 2018. Report and Action Plan completed and submitted to Department of Environment and Science (DES).
- Agreement regarding financial assurance for the Rocklands leases was achieved with DES on 16 March 2018.
- Overflow incident of a site sediment dam occurred during extreme rainfall event of 3-4 March 2018 in the Cloncurry area. Investigation completed and reported to DES in accordance with the EA.
- Maintenance works completed on the Morris Creek Diversion, and TSF and Water Storage Facility spillways and embankments in February 2018 by contractor Ozmining.
- Blast monitoring completed for wet season – all monitored blasts compliant with EA requirements.

In the next quarter, the Environment Department focus is on recruitment and professional development of suitable personnel to assist the company to continue to meet and improve the requirements of the site Environmental Management System, and to pursue best practice environmental management.

The Environment Department will also be focusing on EA amendments for groundwater limits (recently submitted), among other minor amendments, required to maintain compliance of Rocklands site activities in the future.

Human Resources

The Operation continues to review and refine the structure and composition of the workforce, along with rosters and other workplace conditions.

As we apply the associated changes, we expect the optimisation of these people related aspects of our business will achieve a more stable and effective workforce, which will improve operational performance.

Our priority remains to be the development of a workplace structure, culture and workforce that can support our operational requirements and deliver on business outcomes. 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

Ms Leni Stainley resigned as Company Secretary on 14 March 2018 with Bruno Bamonte being appointed as Company Secretary and Acting Chief Financial Officer.

Financial matters

During the quarter:

- The Company voluntarily entered a trading halt and suspension of trading of its shares on the stock exchange pending finalisation of the Ore Reserve update statement and finalisation of its half year financial statements.

- The Reserve update statement was issued 22 March 2018. Management is currently working on finalisation of its half year financial statements.
- The Company secured a six-month short-term facility of HK\$30m, the proceeds of which were applied to working capital requirements.
- The Company continues 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 March 2018 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 March 2018 quarter and their location: **NIL**
- The beneficial percentage interest held in farm in farm out agreements at the end of the March 2018 quarter: **NIL**
- The beneficial percentage interest held in farm in farm out agreements acquired or disposed at the end of the March 2018 quarter: **NIL**

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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 2018

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	25,527	102,777
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(28,314)	(90,374)
(d) staff costs	(4,840)	(16,566)
(e) administration and corporate costs	(559)	(1,671)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(492)	(2,914)
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	(8,678)	(8,748)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(189)	(5,293)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	499	499
	(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	310	(4,794)

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	8,947	72,764
3.6	Repayment of borrowings	-	(58,297)
3.7	Transaction costs related to loans and borrowings	(263)	-
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	8,684	14,467

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,268	3,922
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(8,678)	(8,748)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	310	(4,794)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,684	14,467

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(88)	(351)
4.6	Cash and cash equivalents at end of period	4,496	4,496

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	3,996	2,766
5.2	Call deposits	500	1,506
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)	4,496	4,268

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

61

-

Section 6.1: \$61,000 relates to March 2018 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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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	61,483	61,483
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	17,395	17,395
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 HKD100.0m 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.
- (e) Short term loan facility with an Indonesian based Company of USD3.0m at 3% per annum.

Section 8.3 - This balance relates to a Copper concentrate sales prepayment finance facility with Mitsui Co Ltd of US\$13.0m. 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	29,939
9.4 Staff costs	4,020
9.5 Administration and corporate costs	534
9.6 Other (provide details if material)	3,974
9.7 Total estimated cash outflows	38,467

Section 9.6

This relates to repayment a short term loan facility of USD3.0m (AUD3.9m).

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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: 30 April 2018

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.

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