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QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

INTRODUCTION

The Directors' remain convinced from the results and drilling during the Quarter of the potential to define a world class deposit in the Las Minerale Project Area within CuDeco's Rocklands Project. The drilling over the June and September quarters has demonstrated the Las Minerale system has the capacity to be a company maker.

During the Quarter, CuDeco completed 41 RC holes which included follow up drilling on Las Minerale and locator holes to test geophysical and geochemical anomalies adjacent to Las Minerale and Rocklands South deposits.

Assay results from holes drilled in June were also received during the quarter. Summaries of key results are presented in this Quarterly report.

Geophysical surveys undertaken during the quarter confirmed the accuracy of the exploration drilling sited prior to completion of these surveys and receipt of this data. These surveys have proven to represent a vital tool in assisting drill site location and identifying new targets with the EPM.

In addition to the geophysical surveys, the Directors authorised during the quarter a highly sophisticated Multiple Metal Ion (MMI) orientation survey to test the effectiveness of this geochemical technique in focussing targets in the geophysical anomalies.

Diamond drilling has now commenced and several holes are expected to be concluded during the December quarter. These holes will be designed to confirm the depth extensions of the known mineralised zones in Las Minerale. Such data is vital to concluding resource and reserve determinations.

CuDeco is gearing up for a major exploration, resource and reserve definition program. Exploration site offices have been established, core sheds, metallurgical sample collection and preparation areas constructed and exploration personnel enhanced.

It is our pleasure to present a summary of the results for the Quarter in this report.

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QUARTERLY HIGHLIGHTS

- RC Drilling during the quarter was completed over a strike length for the Las Minerale Project, exceeding 1,200m
- Multiple mineralised zones continue to be identified during drilling and from assay results
- Wide zones of commercial grade mineralisation identified both north and south along the Las Minerale strike
- Geophysical surveys (Sub Audio Magnetic - SAM) confirmed the spatial correlation of magnetic and conductivity anomalies with mineralised zones confirmed by drilling
- Geophysical surveys also identified numerous targets which will be tested with future follow-up drilling
- Several Locator RC Holes ("LHRC") were drilled in some of these targets during the quarter, results from these are expected during the December quarter
- Two diamond core drill rigs secured for a comprehensive diamond program during the December quarter to test the mineralisation below 300m vertical depth
- Diamond drilling will enable geological and structural interpretation and provide data for the Company's geological consultants to complete JORC compliant resource estimates
- RC samples of mineralised zones have been collected for metallurgical and specific gravity test work
- A mining lease has been applied for over the entire EPM13049

PRIORITIES AND OBJECTIVES FOR DECEMBER QUARTER

- Complete several strategic diamond drill holes to test below 300m vertical depth at Las Minerale over 1,200m strike length
- Commence the metallurgical and processing studies on the Las Minerale mineralisation on RC samples and drill core to begin to define the optimum method for treatment of the oxide, native copper and sulphide zones
- To complete RC drilling to the north, south, east and west so as to define the lateral and strike extent of the Las Minerale mineralised system
- To continue with infill RC drilling within the Las Minerale mineralised system to further define parallel zones and geological continuity and to support Measured and Indicated JORC resource classification
- To carry out a geochemical program and test geophysical anomalies

DRILLING AND EXPLORATION

Significant drilling results were received during the June quarter with drilling to the north west and south east of DORC78 along the Las Minerale strike. The zones of mineralisation of the Las Minerale were tested over 1,200m of strike and are showing multiple parallel zones and wide anomalous and mineralised haloes which confirm the potential for a major copper, cobalt, gold deposit.

The last quarter exploration results also show that Las Minerale may not be the only large resource within the 13 square kilometre EPM. For example, the geophysical survey has identified numerous large targets including the area east of the southern end of Las Minerale within which in 1992, CRA identified a potential site for a significant resource of low grade copper mineralisation. CuDeco's SAM geophysical survey produced a significant conductivity anomaly coincident with the area identified by CRA.

During the quarter, CuDeco geologists began analysing in detail the previous drilling results and confirming the extent, width and continuity of mineralisation. It is noted that wide haloes of low grade or anomalous mineralisation exist adjacent to the high grade zones. By combining the low grade halo with the high grade core, the results suggest the presence of a wide zone for Las Minerale over a strike length up to 650m and a true width in places greater than 100m. Examples of this are summarised in the September quarter significant drilling results below.

SEPTEMBER QUARTER DRILLING RESULTS

Significant holes with high grade intersections (economic zones) are summarised below. These are calculated as mineralisation >0.20%Cu and include internal dilution up to a maximum of 4m. Anomalous is regarded as those zones or haloes with results >0.02%Cu <0.20%Cu. "Whole of hole" results are presented to illustrate the composite width of the high grade zones and the anomalous / mineralised halo. Holes DORC87 to DORC139 were drilled at 55^0 angle and 210^0 south. Holes DORC140 to DORC145 were drilled at 60^0 angle and 210^0 south.

Summaries of significant results are as follows:

DORC87 – intersected 6m @ 0.28%Cu from 12 to 18m, 46m @ 4.93%Cu from 44 to 90m including 30m @ 5.53% from 44 to 74m and 5m @ 4.97% from 79 to 84m. Composite average grade for DORC87 inclusive of the high grade mineralised zones from surface to end of hole (EOH) is 94m @ 2.25%Cu from 0 to 94m, representing approximately 47m true width.

DORC93 – intersected 5m @ 0.29% from 98 to 103m, 82m @ 1.37%Cu from 120 to 202m including 28m @ 3.36%Cu from 147 to 175m. Composite average grade for DORC93 inclusive of the high grade mineralised zones from the surface to EOH was 220m @ 0.62%Cu from 0 to 220m, representing approximately 110m true width.

DORC95 – intersected 102m @ 1.28%Cu from 26 to 128m including 3m @ 1.5%Cu from 30 to 33m, 9m @ 2.85% from 37 to 46m, 28m @ 2.03% from 50 to 78m, 3m @ 2.73% from 84 to 97m, 4m @ 1.29% from 113 to 117m. Composite average grade for DORC96 inclusive of the high grade mineralised zones from the surface to EOH was is 130m @ 1.03%Cu from 0 to 130m, representing approximately 65m true width

DORC96 – intersected 80m @ 1.33%Cu from 85 to 165m including 18m @ 2.59%Cu from 85 to 103m, 9m @ 1.7%Cu from 136 to 145m, 7m @ 3.62% from 153 to 160m and 20m @ 0.76% from 171 to 191m. Composite average grade for DORC96 inclusive of the high grade mineralised zones from the surface to EOH was is 196m @ 0.66%Cu from 0 to 196m, representing approximately 98m true width.

DORC97 – intersected 8m from 2 to 10m @ 0.58%Cu and 25m from 15 to 40m @ 0.79%Cu, including 11m @ 1.29%Cu from 26 to 37m. Composite average grade for DORC97 inclusive of the high grade mineralised zones from the surface to EOH was 69m @ 0.40%Cu from 0 to 69m, representing approximately 35m true width.

DORC98 – intersected 50m from 6 to 56m @ 3.29%Cu including 25m @ 5.96%Cu from 16 to 41m and 37m from 61 to 98m @ 0.96%Cu including 11m @ 2.09%Cu from 61 to 72m. Composite average grade for DORC98 inclusive of the high grade mineralised zones from the surface to EOH was 112m @ 1.81%Cu from 0 to 112m, representing approximately 56m true width.

DORC99 – intersected 14m from 4 to 18m @ 0.31%Cu, 61m from 59 to 120m @ 1.16%Cu including 28m @ 1.93%Cu from 61 to 89m and 32m @ 1.06%Cu from 126 to 158m. Composite average grade for DORC99 inclusive of the high grade mineralised zones from the surface to EOH was 178m @ 0.66%Cu from 0 to 178m, representing approximately 89m true width.

DORC100 – intersected 15m @ 0.20%Cu from 46 to 61m, 12m @ 0.26%Cu from 98 to 110m and 78m @ 1.09%Cu from 149 to 227m including 30m @ 1.92%Cu from 168 to 198m. Composite average grade for DORC100 inclusive of the high grade mineralised zones from the surface to EOH was 243m @ 0.40%Cu from 0 to 243m, representing approximately 122m true width.

DORC101 – intersected 3m @ 0.20%Cu from 69 to 72m, 57m @ 0.56%Cu from 108 to 165m, 13m @ 0.50 from 175 to 188m, 9m @ 0.41 from 198 to 207m. Composite average grade for DORC101 inclusive of the high grade mineralised zones from the surface to EOH was 243m @ 0.23%Cu from 0 to 243m, representing approximately 122m true width.

DORC102 – intersected 51m @ 0.55%Cu from 24 to 75m including 12m @ 1.22%Cu from 46 to 58m. Composite average grade for DORC102 inclusive of the high grade mineralised zones from the surface to EOH was 160m @ 0.27%Cu from 0 to 160m, representing approximately 80m true width.

DORC103 – intersected 4m @ 1.02%Cu from 121 to 125m and 60m @ 1.69%Cu from 146 to 206m including 30m @ 4.0%Cu from 140 to 170m. Composite average grade for DORC103 inclusive of the high grade mineralised zones from the surface to EOH was 208m @ 0.66%Cu from 0 to 208m, representing approximately 104m true width.

DORC 105 – intersected 41m @ 0.96%Cu from 3 to 44m including 16m @ 1.52%Cu from 21 to 37m. Composite average grade for DORC105 inclusive of the high grade mineralised zones from the surface to EOH was 75m @ 0.60%Cu from 0 to 75m, representing approximately 38m true width.

DORC106 – intersected 3m @ 0.22%Cu from 11 to 14m, 3m @ 0.86%Cu from 23 to 26m, 8m @ 0.21%Cu from 40 to 48m, 75m @ 0.59%Cu from 72 to 147m including 3m @ 2.70%Cu from 81 to 84m and 10m @ 1.51%Cu from 100 to 110m and 35m from 152 to 187m @ 0.33%Cu. Composite average grade for DORC106 inclusive of the high grade mineralised zones from the surface to EOH was 214m @ 0.33%Cu from 0 to 214m, representing approximately 107m true width.

DORC111 – intersected 40m @ 1.75%Cu from 45 to 85m including 25m @ 2.42%Cu from 55 to 80m, 17m at 0.46%Cu from 107 to 124m, 11m @ 0.44%Cu from 164 to 175m, 42m @ 1.10%Cu from 196 to 238m (EOH) including 8m @ 2.59%Cu from 196 to 204m and 16m @ 1.03%Cu from 214 to 230m. The hole finished in mineralisation with the last intersection 237 to 238m @ 0.62%Cu. Composite average grade for DORC111 inclusive of the high grade mineralised zones from the surface to EOH was 238m @ 0.57%Cu from 0 to 238m, representing approximately 119m true width.

DORC112 – was extended from 165 to 225m intersected 40m @ 0.83%Cu from 167 to 207m including 7m @ 2.22%Cu from 169 to 176m. Composite average grades for DORC112 from the surface to EOH were anomalous at 0.16%Cu for 225m, or true width of approximately 112m.

DORC140 – was drilled at 60^0 angle with the objective of drilling beneath the EOH mineralised zone in DORC111. The hole was drilled to 282m but did not reach the target depth due to insufficient capacity of the rig. DORC140 intersected 29m @ 0.72%Cu from 166 to 197m including 12m @ 1.26%Cu from175 to 187m, 24m @ 0.30%Cu from 248 to 272m. Composite average grade for DORC140 inclusive of the high grade mineralised zones from the surface to EOH was 282m @ 0.20%Cu from 0 to 282m, representing approximately 141m true width.

DORC118 – intersected 72m @ 1.04%Cu from 132 to 204m including 16m @ 1.57%Cu from 143 to 159m, 8m @ 1.60%Cu from 176 to 184m and 12m @ 1.18%Cu from 191 to 203m, 15m @ 0.36%Cu from 222 to 237m, 2 meters @ 0.37%Cu from 248 to 250m and 4 meters @ 0.26%Cu from 262 to 266m. Composite average grade for DORC118 inclusive of the high grade mineralised zones from the surface to EOH was 268m @ 0.36%Cu from 0 to 268m, representing approximately 134m true width.

DORC122 – intersected 38m @ 0.76%Cu from 15 to 53m including 6m @ 2.27%Cu from 27 to 33m, 8m @ 0.26%Cu from 83 to 91m. Composite average grade for DORC122 inclusive of the high grade mineralised zones from the surface to EOH was 177m @ 0.27%Cu from 0 to 177m, representing approximately 88m true width.

DORC 123 – intersected 60m @ 1.93%Cu from 69 to 129m including 30m @ 3.06%Cu from 75 to 105m and 3m @ 2.71%Cu from 110 to 113m and 3m @ 1.71%Cu from 121 to 124m. Composite average grade for DORC123 inclusive of the high grade mineralised zones from the surface to EOH was 166m @ 0.90%Cu from 0 to 166m, representing approximately 83m true width.

DORC 124 – intersected 13m @ 1.63%Cu from 31 to 54m including 11m @ 3.00%Cu from 33 to 44m, 12m @ 0.35%Cu from 100 to 112m. Composite average grade for DORC124 inclusive of the high grade mineralised zones from the surface to EOH was 140m @ 0.36%Cu from 0 to 140m, representing approximately 70m true width.

DORC126 – intersected 11m @ 0.82%Cu from 53 to 64m including 4m @ 1.35%Cu from 58 to 62m, 13m @ 0.25%Cu from 95 to 108m. Composite average grades for DORC126 from the surface to EOH were anomalous at 0.15%Cu for 154m, or true width of approximately 77m.

DORC127 – intersected 53m @ 0.46%Cu from 139 to 192m, 49m @ 0.27%Cu from 206 to 255m. Composite average grade for DORC127 inclusive of the high grade mineralised zones from the surface to EOH was 268m @ 0.23%Cu from 0 to 268m, representing approximately 134m true width.

DORC137 – intersected 32m @ 0.26%Cu from 16 to 48m, 11m @ 0.87%Cu from 166 to 177m including 4m @ 1.33%Cu from 172 to 176m, 18m @ 0.50%Cu from 183 to 201m, 18m @ 0.29%Cu from 216 to 244m. Composite average grade for DORC137 inclusive of the high grade mineralised zones from the surface to EOH was 274m @ 0.22%Cu from 0 to 274m, representing approximately 137m true width.

DORC141 – intersected 2m @ 0.30%Cu from 85 to 87m, 24m @ 0.26%Cu from 129 to 154m, 3m @ 0.29%Cu from 170 to 173m, 14m @ 0.20%Cu from 191 to 205m, 36m @ 0.25%Cu from 209 to 245m. Composite average grades for DORC141 from the surface to EOH were anomalous at 0.15%Cu for 274m, or true width of approximately 187m.

DORC142 – intersected 3m @ 0.33%Cu from 27 to 30m, 13m @ 0.77%Cu from 45 to 58m including 6m @ 0.75g/t Au from 45 to 51m, 3m @ 0.39%Cu from 191 to 194m. Composite average grades for DORC142 from the surface to EOH were anomalous at 0.09%Cu for 247m, or true width of approximately 123m.

GEOLOGICAL SUMMARY ROCKLANDS COPPER PROJECT

This geological summary has been prepared by CuDeco's consultant geologist, Alex Teluk who is a member of the Australian Institute of Geoscientists and has consented to the inclusion of the information in this report in the form and context in which it appears.

Regional Geology

The Rocklands EPM 13049 is located along the nose of a complex, north plunging regional anticlinal structure, the Duck Creek Anticline. In detail however, the structure is strongly disrupted by a prominent NW trending fault-shear belt, locally referred to as the Rocklands Structural Zone (RSZ), some 600-800 m in width.

The Fox Mountains structural dome along the western margin and the Chumvale basement dome (Argylla Formation), to the immediate east of the EPM, suggests the RSZ may represent a major tensional-dilational belt between these two core complexes.

Rocklands Area Geology

Detailed mapping of the EPM has been deferred to next year. However geological reconnaissance, drill hole data and recent ground geophysical results, indicate copper-cobalt-gold (Cu, Co, Au) mineralization is hosted by a transitional metasedimentary – intrusive sequence between the lower, Mitakoodi Quartzite and the upper, Overhang Jaspilite formations. This succession is characterized by quartzites and siliceous siltstones (Mitakoodi Quartzite), grading upwards into an intercalated sequence of siltstones (in part carbonaceous), lesser quartzites, limestones and banded iron formations (BIF's).

Magnetite appears to be a primary, sedimentary component of the "transitional sequence", both in the basal quartzites, as well as the overlying siltstones and BIF's. The magnetite rich siltstones and iron formations are closely associated with carbonates in the area, and suggestive of a primary sedimentary facies. Specular hematite and red jaspers are relatively rare and quite clearly post depositional meta-hydrothermal transformations. (as contemporary studies of the Hamersley BIF's indicate). Some late, hydrothermal magnetite is associated with the ore zones, but its host mineralogical associations are different.

A dominantly limestone sequence of the Corella Formation, outcrops north of the Las Minerale zone in marked structural discontinuity with the "transitional sequence," locally termed as the WNW trending Wilgar Fault.

Both the ground magnetic and resistivity results (SAM surveys) clearly show a complex pattern of folding and faulting in the area, in particular the mineralized zones appear to be confined to a series of inferred NW trending anastomosing curvilinear shears, with sinstral strike-slip movement.

Dolerite sills/dykes comprise a significant portion of the stratigraphic succession, and their distribution appears to be closely associated with the regional structures.

A comparison with more recent geology of the Cloncurry region indicates the area was exhumed from beneath early to mid Mesozoic cover sediments, some time during the late Cretaceous to Paleocene, and subject to the mid Eocene hyper-pluvial cycle of weathering and deep leaching. Silcreted remnants of this 'surface' are present in several areas within the EPM, with the so called Chumvale Breccia (ie leached and silcreted carbonate rocks) its most spectacular topographic expression.

Several cycles of ensuing erosion and lateritisation have generated the present subdued topography. The aerially restricted but important occurrences of calcrete are thought to be related to the late Pliocene – early Pleistocene climatic regime. Calcrete occurrences are important in so far as they are commonly associated with zones of carbonate alteration in mineralized dolerites.

Rocklands Area Mineralization

The known (as defined by RC drilling) zones of mineralization appear to be structurally controlled and not limited to a specific host lithology. This characteristic is clearly highlighted in the high resolution ground magnetics, with mineralized zones (ie Rocklands and Las Minerale) transgressive across both non magnetic and magnetic horizons/units. Dolerites however, are a major host to mineralization, possibly due to their structural localization and/or susceptibility to hydrothermal/alteration. Quartzites, due to their litho-structural competence are generally a poor host. Massive calcite veins also appear to be closely related to the host structures, and are generally associated with sulphide mineralization.

Preliminary geological reconnaissance and interpretation of geophysical data, indicate the Rocklands South and Las Minerale zones of mineralization lie on opposite sides of a broad, complex NW shallow plunging "S shaped" drag fold, centred on Morris Creek and confined within the RSZ. Both zones exceed a 600 m strike length, with widths of mineralization up to 60 m plus. The central Rocklands zone comprises a much more structurally disrupted belt, with shorter, less defined zones of mineralization.

Interpretations of assay cross sections, suggest however, that within the broader envelope of mineralization, there are discrete, semi-continuous zones of higher grade mineralization. Detailed lateral interpretation will require diamond drill core data.

Mineralogy of ore zones and related alteration, are likewise at this stage partly interpretive, and will require follow up petrographic and geochemical studies on core samples.

Some mineralogical alteration/mineralization associations however, are evident, namely a peripheral, inwardly (towards mineralization) increasing degree of potash feldspar +/- magnetite alteration; particularly evident in dolerite. In metasediments this alteration is also present to a lesser degree and also characterized by associated hydrothermal bleaching of dark coloured and carbonaceous siltstones. Silicification is also present to

varying degrees. Proximal and ore zone (early) alteration is characterized by increasing degrees of calcite (+/- siderite) + actinolite + quartz plus lesser to minor magnetite and potash feldspar; presence of albite and clinopyroxene is also suspected. Where those alteration minerals are dominant or largely obliterate the host rock textures, the term "metasomatite" is applied locally.
Predominant primary sulphides are chalcopyrite and pyrite, with cobalt probably occurring as cobaltite and cobaltiferous pyrite. Secondary and partly hydrated minerals such as chalcocite and erythrite have been observed. Gold has a close association with chalcopyrite.

Empirically there is strong evidence that sulphides postdate the early metasomatic-hydrothermal phases of alteration, and that the ore system zones outwards (vertically & laterally) into low grade and barren pyritic haloes. This latter observation if confirmed by diamond drilling and mineralogical studies may provide a basis for subsequent deeper and regional exploration within the Rocklands area.

As well, it is hoped the current MMI geochemical orientation program will be able to discriminate between copper rich and pyrite dominant halo zones.

Secondary, copper carbonates are widespread over the more quartzitic central Rocklands zone and may be remnants of a supergene blanket. Mineralization within siltstones and dolerites however, has been super leached, resulting in remnant, generally unmineralized calcrete cappings. This "pseudo-karstic", selective deep weathering of calcite rich ore horizons, appears to be the reason why extensive zones of high grade Cu, Co, Au mineralization such as Las Minerale are so poorly exposed.

Native copper is widespread and intimately associated with a dark grey to bluish grey puggy clay, most likely a product of super leaching within shear zones. Puggy native copper bearing clays have been intersected down hole to depth of 120 m.

CONTINUITY OF MINERALISATION & PREDICTED LAS MINERALE STRIKE

Las Minerale does not outcrop and without visual surface identification, and as such it can be difficult to follow along strike. Locator Holes are used to identify the main zone and structure. Due to wide interpretation of lower grade being drilled at the extreme north it confused the actual direction. The results of the geophysical survey identified the conductive zone carrying sulphide mineralisation. Prior to the receipt of this information CuDeco drilled off the strike of the mineralised system clearly identified from previous drilling and the geophysical results, e.g. DORC130 to DORC139. Notwithstanding, new targets and mineralised zones were identified from this drilling.

The drilling to the extreme north western extension of Las Minerale remains open and mineralised but may be of lower grade when compared to the high grade central zone. Further, the geophysical survey results suggest the zone of mineralisation may have changed direction from 310^0 to $280^0/290^0$. (It had been assumed the Las Minerale zone was consistent at a strike of 310^0). Surface reconnaissance has also identified cross cutting structures, copper oxides and massive box-works (after sulphides) striking 280^0 to 290^0, in particular north of DORC112. Drilling will now concentrate on the zones to the north west of Las Minerale identified by the geophysical survey, with the aim to test these zones for copper, gold and cobalt mineralisation. Drilling on Las Minerale which is now known to have been off-strike, has identified new previously unknown zones of mineralisation.

CuDeco geologists suspect the mineralised system may plunge to the north west along the Las Minerale strike. A strong anomalous sulphide halo has been identified in drilling to the north west along strike which would be consistent with such a plunge. The Dip of the Las Minerale mineralised system has been assumed to be consistent at 85^0 to the north east. Further, evidence suggests the system which is very steep may become vertical from DORC94 to DORC102, and possibly gradually dip to the south west from DORC104. Should this be the case and the mineralised system be plunging to the north west as suspected, it would explain the results in holes drilled to the north west of DORC128.

Diamond drilling is being designed to confirm:

- Continuity of mineralisation at depth below high grade zones intersected in RC drilling (e.g. summarised above). It is planned to test, vertical depths of 300m to 500m.
- Continuity and lithological correlation of mineralised zones along strike
- Plunge and dip of the mineralised system
- Metallurgical characteristics and specific gravity

The drilling which extended north west along the 310^0 predicted strike identified anomalous copper mineralisation within what appears to be an associated but secondary mineralised structure yet to be tested.

DORC128, 129,137 all intersected Cu mineralisation. It is estimated that twelve more RC holes are required to test the Las Minerale geophysical anomaly from DORC 128 to the north west.

The Company has previously announced a JORC Inferred Resource of 25 million tonnes at 2%Cu containing 500,000 tonnes of contained copper metal. This Inferred resource is contained with the announced inferred/target resource of 59 million tonnes over a strike of 950m and to an interpolated depth of 375m. The revised JORC compliant resource being compiled by Coffey Mining can only be completed with the results of several diamond holes. The expectation is that these holes will be completed during the December quarter.

MT NORMA COPPER SULPHATE PROJECT

Mining at Mt Norma:

The first of the two-stage drilling and firing of overburden to go from the 350 to 320 levels was undertaken. This first stage down to the 335 level consisted of two firings and the approximate 100,000 tonnes fired is being transferred to the waste-rock stockpile. The second-stage drilling and firing down from 335 to the 320 level will occur during the next quarter and will be preceded by a pre-split firing after which the waste will be fired and transferred to the waste-rock stockpile.

A significant length of time has been lost on Mt Norma mining due to the enormous work required to stabilize the north-western face which was damaged by the extraordinary high rainfall event which occurred during the last wet season.

Mt Norma Copper Sulphate Plant:

Sales of Mt Norma copper sulphate were 76,200 kg for the quarter. Orders for substantial quantities have been received for delivery during next quarter.

As foreshadowed during the last report, a programme of vat maintenance, including total ore aeration, and placement of new ore into the leach circuit commenced during the quarter.

Because of the nature of this work up to three vats have been offline at any one time and consequently production has suffered as a result of having only approximately 50% of leaching capacity for most of the quarter. Therefore, production for the quarter was 133,400 kg.

Vats 3 and 4 were brought back on line late in the quarter and new irrigation lines, and additional pumping wells are being fitted to both Vats 1 and 2 before bringing back them back online which is expected to be mid next quarter. Additional ore has been added to Vat 2 as discussed below.

Last report commented that "testing has shown that for the first time since the occurrence of this (kerosene) contamination, the organic in the strip circuit has returned to the phase-separation quality it had been prior to introduction of the contaminated kerosene". Therefore it was decided to stop further acid cleaning, and the maintenance for the vats would be radical on this occasion by undertaking a complete mixing of the ore on each vat with a 30 tonne excavator; it is anticipated that this will reduce the residual impacts of the contaminated kerosene on the leach circuit to an insignificant level.

Generally the copper extraction and crystallisation plant has performed well, but stripping was reduced for an extended period as a result of an intermittent fault in the boiler control circuit which took several weeks to identify and rectify.

An overhaul of the dryer baghouse has improved drying performance and assisted in maintaining product quality.

Services:

Water Supply:

A blockage caused by scale build-up in the 17km water supply pipeline occurred during the quarter. The pipeline is a continuous line and hence isolation of the problem area proved quite difficult. However, the blockage was ultimately cleared and the line flushed prior to bringing it back into service.

The two plant bores were brought on line during this time, but proved inadequate in maintaining levels in the leach circuit, with a resultant impact on leaching performance

A cleaning schedule has been introduced to maintain the line in good operating condition into the future.

Refrigeration Plant:

A back-up refrigeration plant has been purchased and is on site awaiting connection into the circuit.

Ore Stocks and Mt Norma Leach Circuit

Ore from Mt Norma stockpile is being loaded onto Vat 2 following completion of the maintenance to this vat ; It is expected that close to all of the approximately 5,000 tonne in the stockpile will be added to Vat 2.

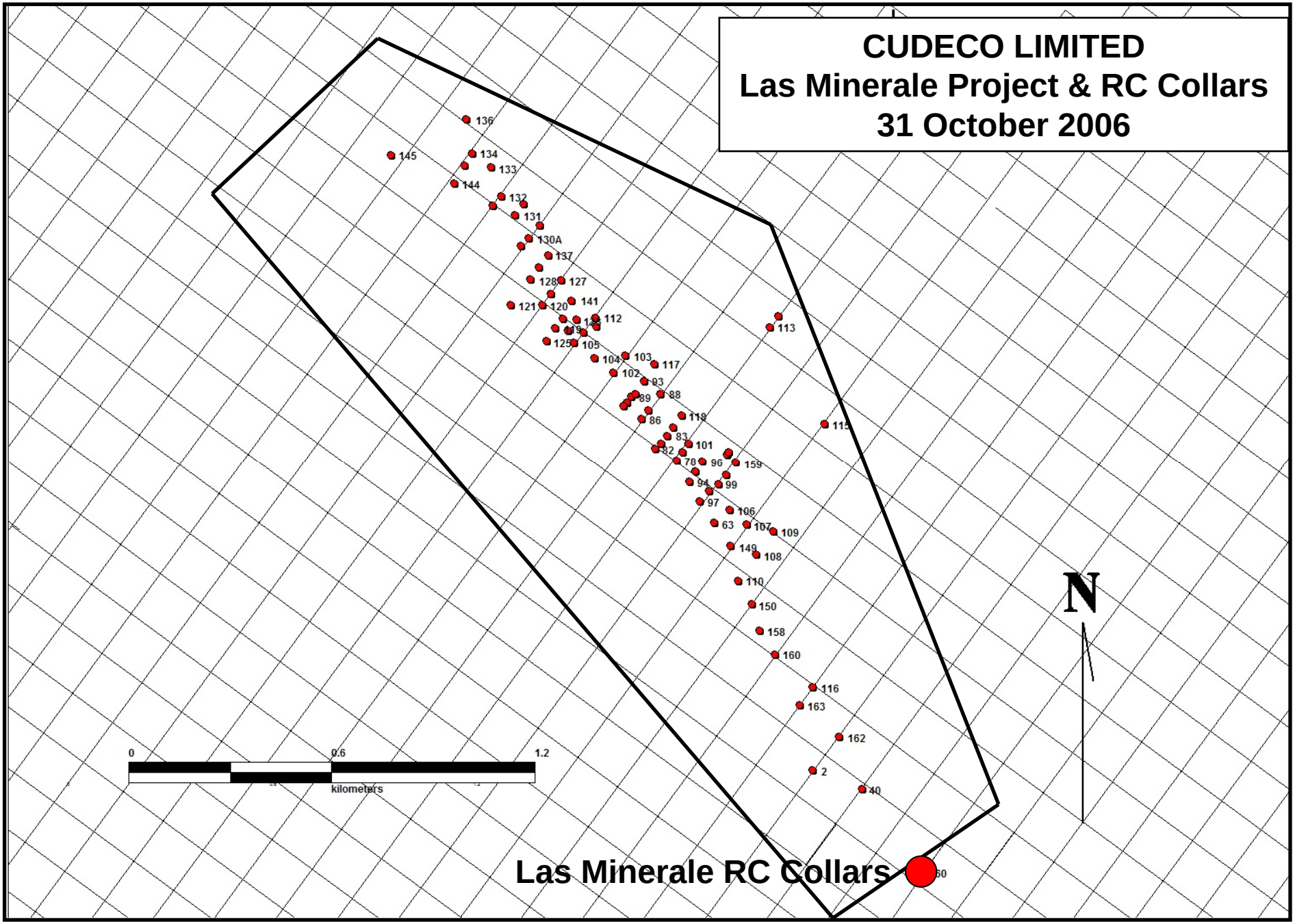
As discussed above the programme of vat maintenance for Vats 1 – 4 will be completed early in the next quarter; when there is sufficient ore on site for Vat 5 (approximately 30,000 tonnes) this vat will also be taken off line for similar work to the ore content and surfaces.

Substituted Kerosene Problem:

The Company has been monitoring the costs of this problem and loss of production due to the substituted contaminated kerosene, which is now substantial. The Company expects a substantial claim to be lodged against the supplier's insurance company early in 2007.

Wayne McCrae
Chairman
31 October 2006

The information in this report that relates to exploration results is based on data compiled by Mr Malcolm Carson, who is a Member of the Australian Institute of Mining and Metallurgy, Mr Carson is employed by Mineral Resource Consultants Pty Ltd. Mr Carson has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Carson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.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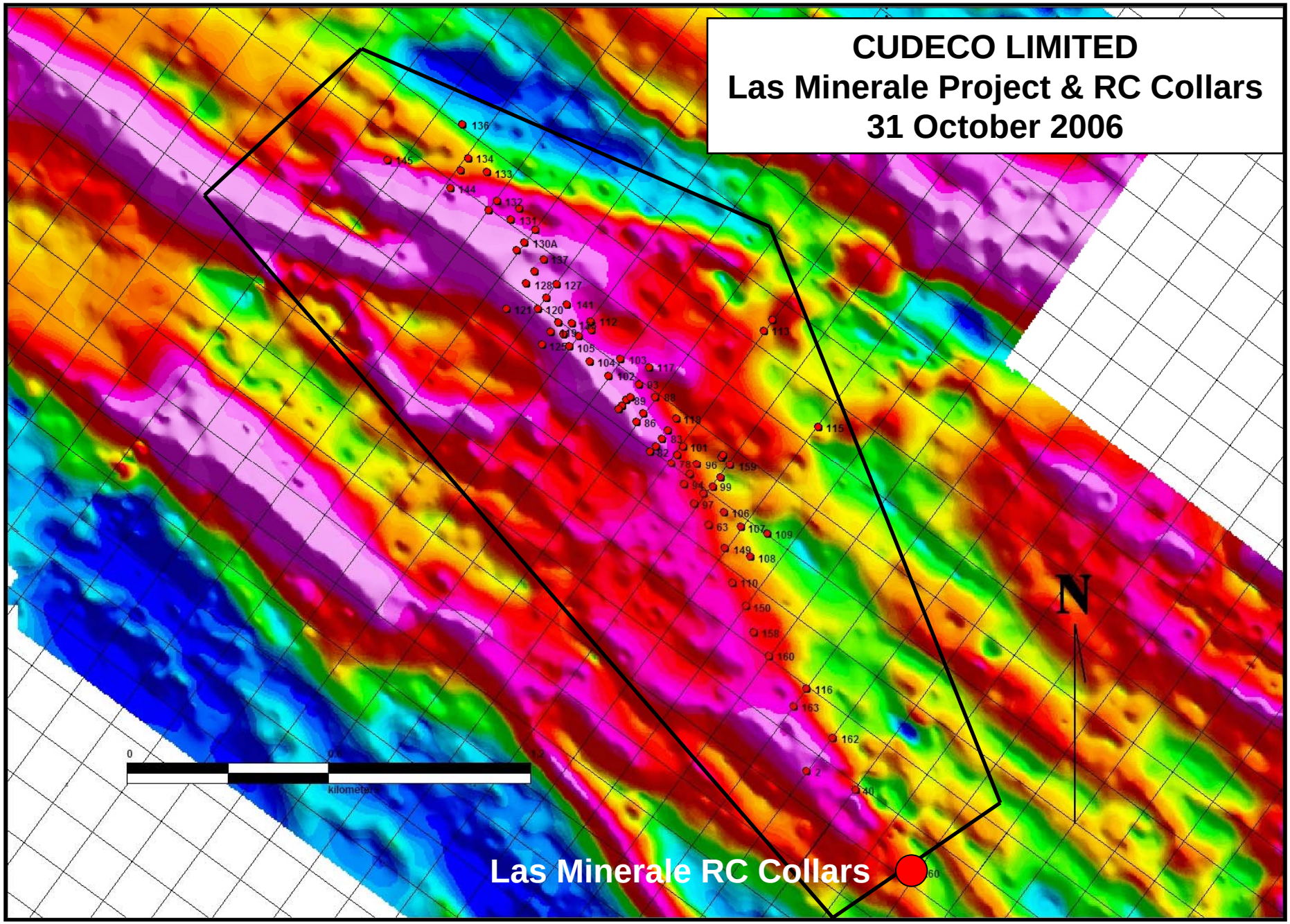
kilometers
Las Minerale RC Collars


CUDECO LIMITED
Las Minerale Project & RC Collars
31 October 2006
Las Minerale RC Collars
N
0
kilometers


RC Drill Rig
On site at Rocklands
LIMITED
CUDECO
THE NEW FORCE IN COPPER

Diamond Drill Rig
On site at Rocklands

LIMITED
CUDECO
THE NEW FORCE IN COPPER

Mt Norma Copper Mine

LIMITED
CUDECO
THE NEW FORCE IN COPPER

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CUDECO LIMITED

ACN

ACN 000 317 251

Quarter ended ("current quarter")

30 September 2006

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from product sales and related debtors	206	206
1.2	Payments for (a) exploration and evaluation	(1,153)	(1,153)
	(b) development	-	-
	(c) production	(797)	(797)
	(d) administration	(238)	(238)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	71	71
1.5	Interest and other costs of finance paid	(118)	(118)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(2,029)	(2,029)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(424)	(424)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	(1)	(1)
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	Net investing cash flows	(425)	(425)
1.13	Total operating and investing cash flows (carried forward)	(2,454)	(2,454)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,454)	(2,454)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	10,343	10,343
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	-	-
	Net financing cash flows	10,343	10,343
	Net increase (decrease) in cash held	7,889	7,889
1.20	Cash at beginning of quarter/year to date	587	587
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	8,476	8,476

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	167
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' remuneration and relocation allowance $87,250
Rent paid to director-related entity $13,200
Equipment hire paid to director-related entity $30,643
Exploration services provided by director-related entity $36,388

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

1,000,000 options were issued in September 2006 as consideration for capital raising services provided in February 2006. The options are exercisable at 20 cents each on or before 30 June 2008.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	2,000
4.2	Development	-
	Total	2,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	476	587
5.2	Deposits at call	8,000	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	8,476	587

Note: $290,273 is held in a trust account to provide cover for interest payments on the convertible notes. Also, a further $186,787 is held in a sinking fund which the Company will apply on 31 December 2008 to redeem any notes that have not been converted by that date.

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed		Not applicable		
6.2	Interests in mining tenements acquired or increased		Not applicable		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
	Preference +securities *(description)*	-	-	-	-
7.2	Changes during quarter	-	-	-	-
7.3	**+Ordinary securities**	73,406,025	73,406,025		
7.4	Changes during quarter (a) Increases - through conversion of options (b) Decreases	22,096,457	22,096,457	-	-
7.5	**+Convertible debt securities** 12% December 2008 Convertible Notes	451,250	-	-	-
7.6	Changes during quarter (a) Decreases (refer 2.1)	-	-	-	-
7.7	**Options** *(description and conversion factor)*			*Exercise price*	*Expiry date*
	CDUO	26,353,351	26,353,351	$0.20	30.06.2008
	Employee	900,000	-	$0.20	15.12.2008
	Employee	200,000	-	$0.235	15.12.2008
7.8	Issued during quarter	1,000,000	1,000,000	$0.20	30.06.2008
7.9	Exercised during quarter	7,353,810	7,353,810	$1.00	31.07.2006
		14,742,647	14,742,647	$0.20	30.06.2008
7.10	Expired during quarter	288,184	288,184	$1.00	31.07.2006
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*	-	-		

Notes: Each $4 convertible note converts into five ordinary shares.

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 October 2006
(Company secretary)

Print name: LISA ROWE

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.