

(ABN 22 102 912 783)
AND CONTROLLED ENTITIES

**CONSOLIDATED
HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2020**

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Simon Youds

EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER

Jess Oram

NON-EXECUTIVE DIRECTORS

Qiu Derong

Judy Li

Chenchong Zhou

COMPANY SECRETARY

Michael Fry

PRINCIPAL & REGISTERED OFFICE

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West Perth, Western Australia 6005
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AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, Western Australia 6008

SHARE REGISTRAR

Advanced Share Registry
110 Stirling Hwy
Nedlands, Western Australia 6009
Telephone: (08) 9389 8033
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STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CXU

BANKERS

National Australia Bank
100 St Georges Terrace
Perth, Western Australia 6000

DIRECTORS' REPORT

The directors of Cauldron Energy Limited (**Cauldron** or **Company**) submit their report, together with the consolidated financial statements comprising Cauldron and its controlled entities (together the **Group**) for the half-year ended 31 December 2020.

1. DIRECTORS

The names of Directors who held office during or since the end of the half-year:

Simon Youds (Non-Executive Chairman)
 Jess Oram (Executive Director & Chief Executive Officer)
 Qiu Derong (Non-executive Director)
 Judy Li (Non-executive Director)
 Chenchong Zhou (Non-executive Director)

Directors were in office for this entire period unless otherwise stated.

2. OPERATING RESULTS

The profit after tax of the Group for the half-year ended 31 December 2020 amounted to \$143,249 (31 December 2019: \$819,643 loss).

3. REVIEW OF OPERATIONS

Cauldron is an Australian exploration company.

Cauldron holds a 51% joint venture interest in the Blackwood Gold Project located south-east of Daylesford, in the highly prospective Central Victorian Goldfields that surround Ballarat, which it acquired in September 2020.

Cauldron has undertaken a thorough review of Blackwood Goldfield historical data and has prepared plans for future on-the-ground exploration activities, subject to approval. Late in the half-year, Cauldron made an application to undertake drilling at the Blackwood Gold Project; however approval is not expected until the first quarter of calendar year 2021. Refer Project Information for further information in relation to the Blackwood Gold Project.

In addition, Cauldron holds uranium prospective tenements covering ~1,270 km² in the North Carnarvon Basin, located in the north-west of Western Australia (Yanrey Project).

As a direct result of the current state government policy of no uranium mining in Western Australia, field operations at the Yanrey Project were inactive during the half year.

Refer Project Information for further information in relation to the Yanrey Project.

4. CORPORATE

The following significant transactions and events occurred during the period:

Acquisition – Blackwood Goldfield Project (Victoria)

During September 2020, Cauldron completed the acquisition of a 51% joint venture interest in the Blackwood Goldfield Project through the issue of 17,000,000 fully paid ordinary shares, 10,000,000 Unlisted Options having an exercise price of \$0.03 and an expiry of 16 September 2022 plus 6,000,000 Unlisted Options having an exercise price of \$0.05 and an expiry of 16 September 2023.

October Placement

During October 2020, Cauldron undertook a placement at \$0.031 (3.1 cents) raising \$1.6m and resulting in the issue of 51,612,903 fully paid ordinary shares. Participants in the October Placement were also issued a free option on the basis of 1 option for every 2 fully paid shares subscribed for resulting on the issue of 25,806,452 unlisted options having an exercise price of \$0.05 and an expiry date of 30 November 2023.

The Lead Manager received a placement fee of 6% settled in Shares and an incentive fee of 1 million unlisted options for each \$100,000 raised. In total, the Lead Manager and its nominees received 3,096,774 fully paid ordinary shares and 17,548,387 unlisted options having an exercise price of \$0.05 and an expiry date of 30 November 2023 in satisfaction of its placement fees and incentive fees for the successful completion of the \$1.6 million raising under the Placement.

Acquisition – North-West WA Sands Project (Western Australia)

In December 2020, Cauldron announced that it executed an agreement to acquire a 100% interest in the North-West WA Sands Project, comprising a number of river sand leases located at the mouths of the Carnarvon, Onslow and Derby rivers in Western Australia, collectively covering an area of approximately 286 square kilometres. The agreement is subject to a number of conditions precedent, some of which remain incomplete as at the date of this report.

Under the terms of the agreement, the Company is required to issue to the vendors of the WA Sands Project a total of twenty (20) million fully paid CXU ordinary shares (**Initial Share Consideration**), plus production payments of

DIRECTORS' REPORT

\$250,000 for the Carnarvon Tenements upon the entering into of commercial production at Carnarvon as defined in the Acquisition Agreement, and \$250,000 for the Derby Tenements upon the entering into of commercial production at Derby as defined in the Acquisition Agreement, and \$500,000 for the Onslow Tenements upon the entering into of commercial production at Onslow as defined in the Acquisition Agreement, to be settled in cash or shares (based on an assumed share price of \$0.035) by mutual agreement (**Production Payments**), plus a royalty equal to \$1.00 per tonne or 2% of sales revenue (calculated based upon FOB prices) where Cauldron elects to undertake a mining operation as defined in the Acquisition Agreement (**Royalty**).

5. SECURITIES ON ISSUE

Shares

As at 31 December 2020, the Company has 447,999,512 fully paid ordinary shares on issue.

Options

As at 31 December 2020, the Company has a total of 82,854,900 unlisted options on issue comprised as follows:

Class	ASX Code	Description	Number	Exercise Price (\$)	Expiry Date
A	CXUAX	Unlisted Options	6,833,395	\$0.03	31 December 2021
B	CXUAU	Unlisted Options	16,666,666	\$0.03	31 March 2022
C	CXUAV	Unlisted Options	10,000,000	\$0.05	16 September 2022
D	CXUAW	Unlisted Options	6,000,000	\$0.05	16 September 2023
E	CXUAW	Unlisted Options	43,354,839	\$0.05	30 November 2023
TOTALS			82,854,900		

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Performance Rights

As at 31 December 2020, the Company has a total of 9,000,000 performance rights on issue. The Performance Rights were issued to members of the Company's key management personnel (KMP) pursuant to CXU's Performance Rights Plan approved by CXU shareholders at a general meeting of the Company held on 11 August 2020. Each Performance Right is a right to receive one fully paid ordinary share in CXU, subject to meeting performance conditions and the terms of to CXU's Performance Rights Plan.

The Performance Rights will vest if any one of the following Performance Conditions is achieved:

- The volume weighted average price of the Shares as quoted on ASX exceeds \$0.05 each day for a period of not less than 20 consecutive trading days on which the Shares have actually traded;
- Gross Proceeds from Sales exceed \$250,000 in any financial year; or
- The discovery of an "Inferred Mineral resource" (as that term is defined in the Code) at the Blackwood Gold Project having a contained gold mass of at least 300,000 ounces at a cut-off grade of 2g/t, (each a Performance Condition).

The Performance Rights will automatically lapse if none of the Performance Milestones are achieved within 3 years of the date of grant, taken to be the date of shareholder approval (i.e. by no later than 10 August 2023). And holders of Performance Rights have a period of 5 years from the date of grant, to exercise the Performance Rights and convert into Shares (i.e. until 10 August 2025).

The recipients of the performance rights were as follows:

Name of KMP	Name of registered holder	Number of securities
Simon Youds	Capeline Nominees Pty Ltd	3,000,000
Simon Youds	Systematic Nominees Pty Ltd <Youds Family A/c>	1,000,000
Jess Oram	Jess Oram	2,000,000
Derong Qiu	Derong Qiu	1,000,000
Judy Li	Jia Li	1,000,000
Chenchong Zhou	Chenchong Zhou	1,000,000
TOTALS		9,000,000

DIRECTORS' REPORT

6. PROJECT INFORMATION

Blackwood Goldfield Project

In September 2020, Cauldron acquired a 51% joint venture interest in the Blackwood Gold Project,

Under the terms of the joint venture agreement, Cauldron has stepped earn-in rights that enable it to earn a further 14% ownership interest, to take it to 65% ownership, and a further 15% ownership interest, to take it to 80% ownership, both upon achievement of specified milestones.

The Blackwood Goldfield Project secures the most significant portion of the highly prospective Blackwood Goldfield.

From 1864 to 1960 the Blackwood Goldfield produced about 218,000 ounces of gold from orogenic gold sources (199,000 ounces) and from placer sources (19,000 ounces) (*Source: Report titled "The Gold Mines of Blackwood" prepared by Erik Norum, Consultant Geologist, August 2018*). Gold was won down to a depth of 100 m below surface, with very little mining activity below a depth of 150 m. The Sultan mine is the deepest in the goldfield with production levels at 230 m below ground surface and its shaft reaching 274 m, and still in pay.

The project provides:

- a sizeable foothold in a largely forgotten but historically significant goldfield that has received only sporadic exploration since the 1920's;
- potential to fast-track mining production with near-term generation of cash flow;
- potential for significant expansion of known mineral resource; and
- exceptional logistics being only 30 minutes easy drive from the outer suburbs of western Melbourne.

Tenure and Location

The Blackwood Gold Project is located south-east of Daylesford, in the highly prospective Central Victorian Goldfields that surround Ballarat in Victoria and comprises Exploration Licence (EL) 5479 covering an area of 24 km².

The Exploration Licence is granted and is in good standing with a licence expiry date of 23 March 2024.

The Project is centred on the Sultan Mine which historically produced a little over 73,000 ounces of gold at an average grade of 28 g/t. In addition, the project contains in excess of 250 underground workings.

Most mining activity on reef structures in the goldfield halted at shallow depths. Cessation of mining in many cases was not due to depletion of mineralisation but to other factors such as inability to cope with high ground water flows in the underground workings or inability to raise the capital for development work.

Victorian Goldfields - History

Gold was first discovered in Australia in July of 1851 at Clunes by James Esmond on a grazing property located approximately 30 km north of Ballarat. The gold on the property, which would later become known as the Port Phillip mine, became one of the most famous deep lead gold mines in the world at the time, and yielded over 500,000 ounces of gold.

The discovery spurred the Victorian gold rush and resulted in several major goldfields (districts) being identified in Victoria including Ballarat, Bendigo and Castlemaine. It is reported that an estimated 80 million ounces of gold was mined from the Victorian goldfields in the period 1851 to 1900; with twelve Victorian goldfields producing at least one million ounces of gold each. The discovery of Kalgoorlie in the 1890's started the investment decline in the Victorian colony for gold mining, by 1915 most of the major fields had substantially closed.

Although the 1980's saw the greatest gold boom of the 20th century, the Victorian gold province was relatively little explored during this time, with less than 2% of Australia's exploration expenditure spent in Victoria, despite it having produced more than 30% of Australia's gold. Several factors were considered to have contributed to the poor state of gold mining in Victoria: perception of deposit type and size, perception of remaining potential, loss of mining culture, environmental considerations, and level of government support.

Since the 1980's exploration activity in the Victorian goldfields has significantly lagged activity at Australia's other premier gold districts: Yilgarn Craton in Western Australia (with major Archean greenstone-hosted deposits such as Kalgoorlie, Granny Smith and Boddington), South Australia's Gawler Craton (host to Olympic Dam and Prominent Hill mines), Central Lachlan Oregon of New South Wales (host to Cadia and Northparkes), Tanami Province of Northern Territory (host to Tanami) and the Thompson Orogen of Queensland (host to Mount Leyshon, Kidston, Mount Elliott and Charters Towers mines).

However, in recent years, significant interest has returned to the Victorian goldfields largely as a result of the recent transformation of the Fosterville Mine and thanks to the discovery of extremely large and high-grade extensions deep underground. Its converted Fosterville from a modest-scale operation of less than 100,000 ounces of gold per annum to be the world's richest mine and one of Australia's top five gold producers with a targeted production of between 570,000 and 610,000 ounces for the 2020 financial year.

DIRECTORS' REPORT

The success of Kirkland Gold at Fosterville (75 km north of Project), and more recently by Catalyst Metals at its North Bendigo Project and Stavelly Minerals at its Ararat Project in Western Victoria has led to a renaissance in the Victorian goldfields.

Work Performed During the Half-Year

Work to date has been primarily focussed on the compilation and review of historical data.

On 31 August 2020, the Company released preliminary results upon which it had determined that the Blackwood has the potential to host multiple high-grade gold systems and that there exists within the Project field a near contiguous 3.5km long trend of high-quality gold exploration targets.

Open file data¹ for historic mining demonstrates records production through the 3.5 km mineralised trend (see Figure 1 below) totalling 152,000 oz, at between 16 to 23 g/t gold grade.

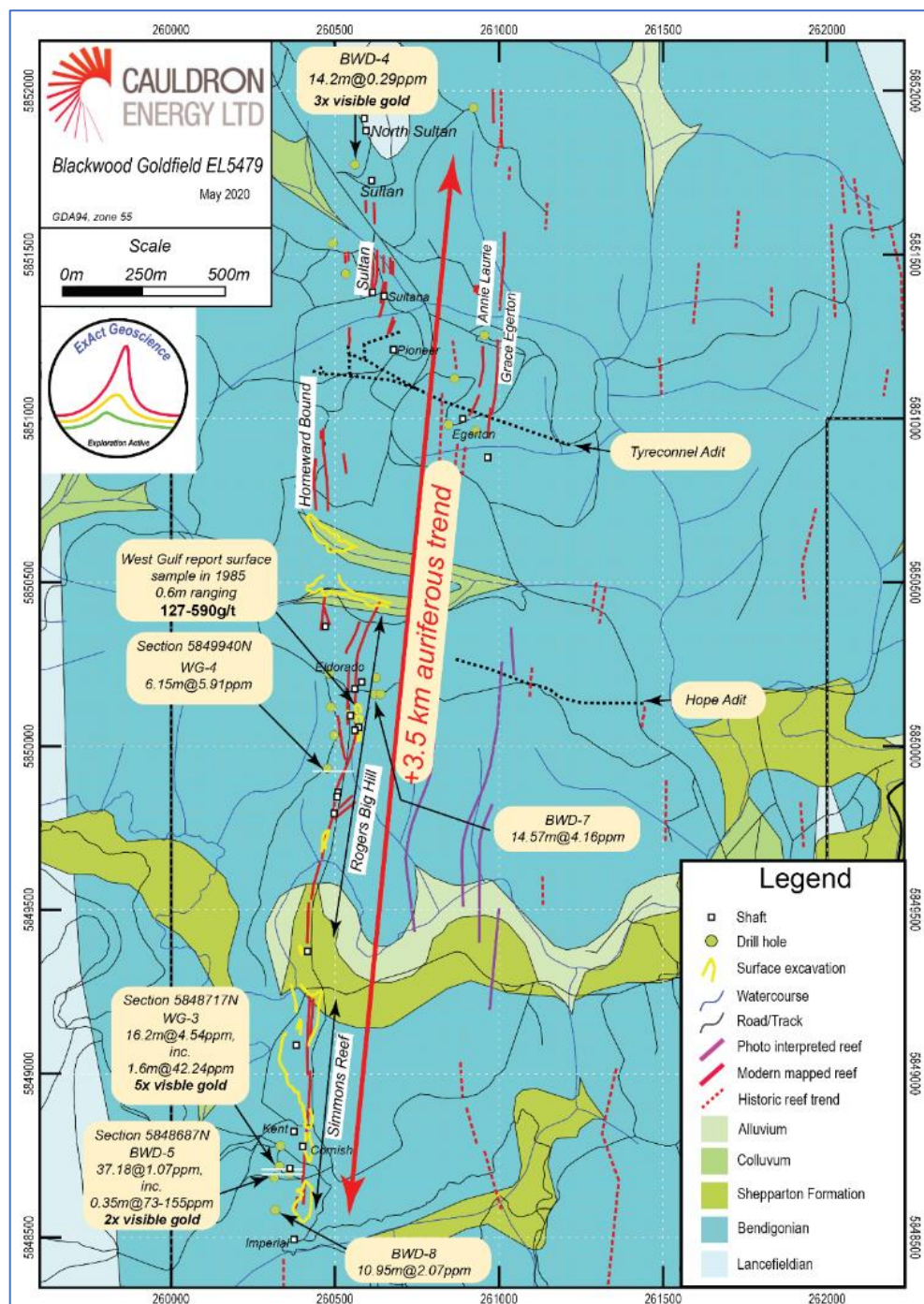


Figure 1: Mine scale geology and prospect map, significant drilling intercepts with historic mining activity

¹ GSV bulletin number 18, 1906.

DIRECTORS' REPORT

On 23 September 2020, the Company released further results of its data compilation and review, noting that it had identified that the central area of the Project (containing the Rogers Big Hill, Eldorado and Homeward Bound prospects) as having a geological system like that of Sultan to the north, which produced a little over 73,000 ounces of gold at an average grade of 28 g/t during the 1860's, and as such would be an area of priority. In addition, it noted that the near surface gold mineralisation at Rogers Big Hill is of bonanza grade and is projecting to depth.

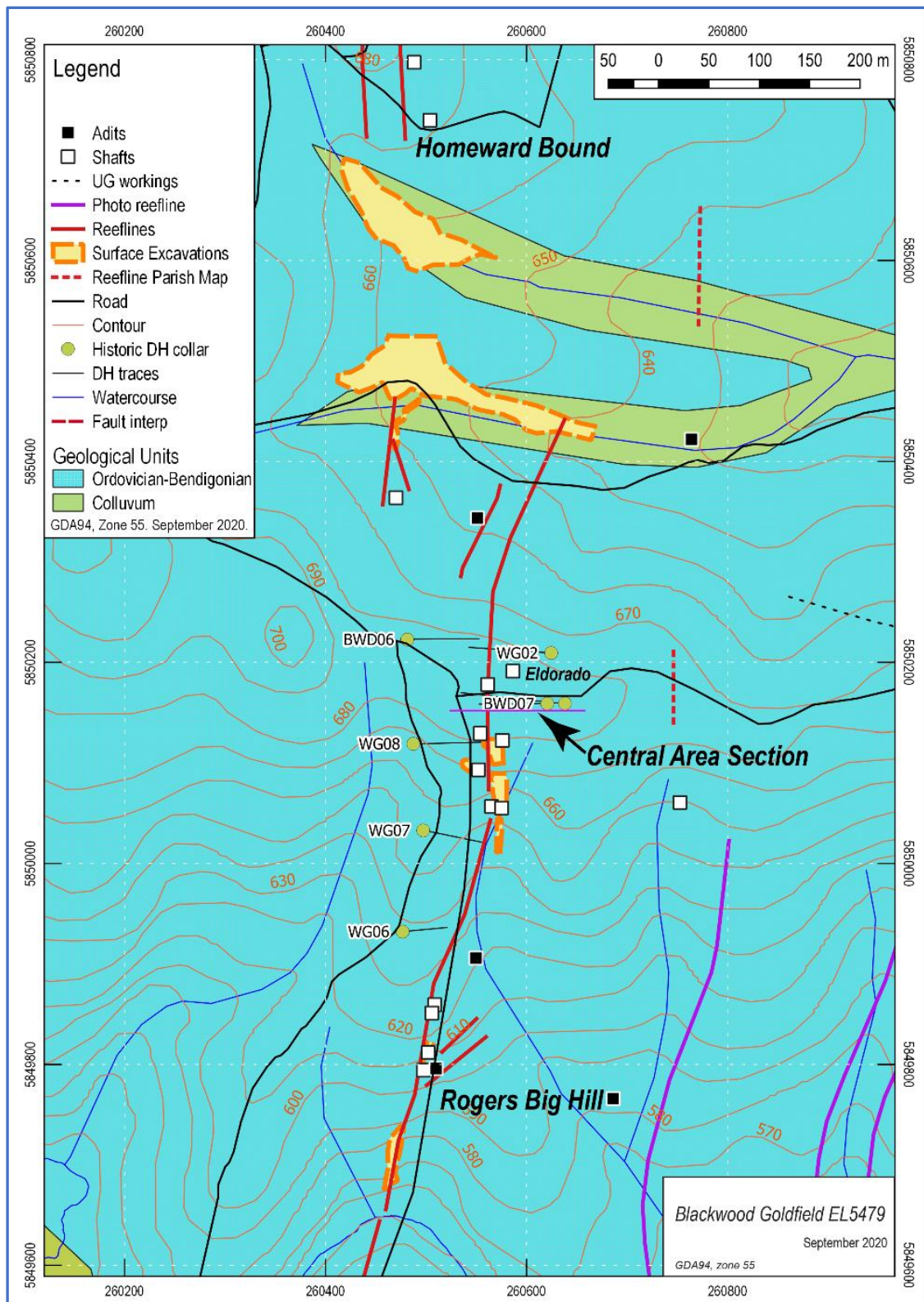


Figure 2: Plan view of Central prospect areas

DIRECTORS' REPORT

Yanrey Project

The Yanrey Project comprises 15 granted exploration licences (1,548 km²) and 4 applications for exploration licences (626 km²). Yanrey is prospective for large sedimentary-hosted uranium deposits.



Figure 1: Map Location of Cauldron Projects

Bennet Well (Yanrey Region)

Mineralisation at Bennet Well is a shallow accumulation of uranium hosted in unconsolidated sands (less than 100 m depth) in Cretaceous sedimentary units of the North Carnarvon Basin.

The Bennet Well deposit is comprised of four spatially separate deposits; namely Bennet Well East, Bennet Well Central, Bennet Well South and Bennet Well Channel.

Field work at Bennet Well is on hold until clarity on Western Australian uranium exploration policy is received from the Minister of Mines and Petroleum.

Bennet Well Mineral Resource

A Mineral Resource (JORC 2012) for the mineralisation at Bennet Well was completed by Ravensgate Mining Industry Consultants following new drilling completed during the reporting period ending 2016. The information on this Mineral Resource was fully reported in ASX announcement dated 17 December 2015, including geological maps and cross sections, supporting and explanatory statements and metadata as required under the reporting standards of JORC2012. No work on the Mineral Resource has been completed since, and therefore remains unchanged for the current reporting period.

The mineralisation at Bennet Well is a shallow accumulation of uranium hosted in unconsolidated sands close to surface (less than 100 m downhole depth) in Cretaceous sedimentary units of the Ashburton Embayment. The Bennet Well deposit is comprised of four spatially separate deposits; namely Bennet Well East, Bennet Well Central, Bennet Well South and Bennet Well Channel.

The Mineral Resource (JORC 2012) estimate is:

- Inferred: 16.9Mt at 335ppm eU₃O₈ for total contained uranium-oxide of 12.5Mlb (5,670 t) at 150ppm cut-off;
- Indicated: 21.9Mt at 375ppm eU₃O₈ for total contained uranium-oxide of 18.1Mlb (8,230 t) at 150ppm cut-off;
- Total: 38.9Mt at 360ppm eU₃O₈, for total contained uranium-oxide of 30.9Mlb (13,990 t) at 150ppm cut-off.

DIRECTORS' REPORT

Table 1: Mineral Resource at various cut-off

Deposit	Cut-off	Deposit Mass (t)	Deposit Grade	Mass U ₃ O ₈	Mass U ₃ O ₈
Bennet Well_Total	125	39,207,000	355	13,920,000	30,700,000
Bennet Well_Total	150	38,871,000	360	13,990,000	30,900,000
Bennet Well_Total	175	36,205,000	375	13,580,000	29,900,000
Bennet Well_Total	200	34,205,000	385	13,170,000	29,000,000
Bennet Well_Total	250	26,484,000	430	11,390,000	25,100,000
Bennet Well_Total	300	19,310,000	490	9,460,000	20,900,000
Bennet Well_Total	400	10,157,000	620	6,300,000	13,900,000
Bennet Well_Total	500	6,494,000	715	4,640,000	10,200,000
Bennet Well_Total	800	1,206,000	1175	1,420,000	3,100,000

Deposit	Cut-off (ppm U ₃ O ₈)	Deposit Mass (t)	Deposit Grade (ppm U ₃ O ₈)	Mass U ₃ O ₈ (kg)	Mass U ₃ O ₈ (lbs)
BenWell_Indicated	125	22,028,000	375	8,260,000	18,200,000
BenWell_Indicated	150	21,939,000	375	8,230,000	18,100,000
BenWell_Indicated	175	21,732,000	380	8,260,000	18,200,000
BenWell_Indicated	200	20,916,000	385	8,050,000	17,800,000
BenWell_Indicated	250	17,404,000	415	7,220,000	15,900,000
BenWell_Indicated	300	13,044,000	465	6,070,000	13,400,000
BenWell_Indicated	400	7,421,000	560	4,160,000	9,200,000
BenWell_Indicated	500	4,496,000	635	2,850,000	6,300,000
BenWell_Indicated	800	353,000	910	320,000	700,000

Deposit	Cut-off (ppm U ₃ O ₈)	Deposit Mass (t)	Deposit Grade (ppm U ₃ O ₈)	Mass U ₃ O ₈ (kg)	Mass U ₃ O ₈ (lbs)
BenWell_Inferred	125	17,179,000	335	5,750,000	12,700,000
BenWell_Inferred	150	16,932,000	335	5,670,000	12,500,000
BenWell_Inferred	175	14,474,000	365	5,280,000	11,600,000
BenWell_Inferred	200	13,288,000	380	5,050,000	11,100,000
BenWell_Inferred	250	9,080,000	455	4,130,000	9,100,000
BenWell_Inferred	300	6,266,000	535	3,350,000	7,400,000
BenWell_Inferred	400	2,736,000	780	2,130,000	4,700,000
BenWell_Inferred	500	1,998,000	900	1,800,000	4,000,000
BenWell_Inferred	800	853,000	1285	1,100,000	2,400,000

Note: table shows rounded numbers therefore units may not convert nor sum exactly

Argentinian Project

In Argentina, Cauldron controls, through its wholly-owned subsidiary Cauldron Minerals Limited (**Cauldron Minerals**), 445 km² of exploration licence at its most advanced and 100% owned project, Rio Colorado, in Catamarca. The project is prospective for copper and silver of the globally significant stratabound sedimentary-hosted copper style of deposit. No work was completed at the Rio Colorado project during the half year.

WA Sands Project

In December 2020, Cauldron entered into an agreement to acquire a 100% interest in the WA Sands Project, comprising a number of river sand leases located at the mouths of the Carnarvon, Onslow and Derby rivers in Western Australia, collectively covering an area of approximately 482 square kilometres.

As at the date of this report, the agreement is not yet complete with a number of conditions precedent outstanding.

Sand Industry

The international sand and aggregate market in 2017 was worth US\$4.5 billion, by 2030 it's worth is estimated to grow to US\$60 billion; a growth rate of 5.5 per cent per year².

Sand as a Resource Bulk Commodity

Sand is by far the largest globally mined commodity (refer Figure 1 below), outstripping the shipments of coal, iron ore and grain. Sand is not traded on any recognised exchange, but the United Nations (UN) estimates 40 billion tonnes of sand² is mined globally each year. Putting this in context, the next largest bulk commodity, in terms of tonnage moved, is coal at about 3.5 billion tonnes in 2018 (International Energy Agency, **IEA**).

² UN Environment 2019; Sand and Sustainably, Finding new solutions for Environmental Governance of global sand resources

DIRECTORS' REPORT

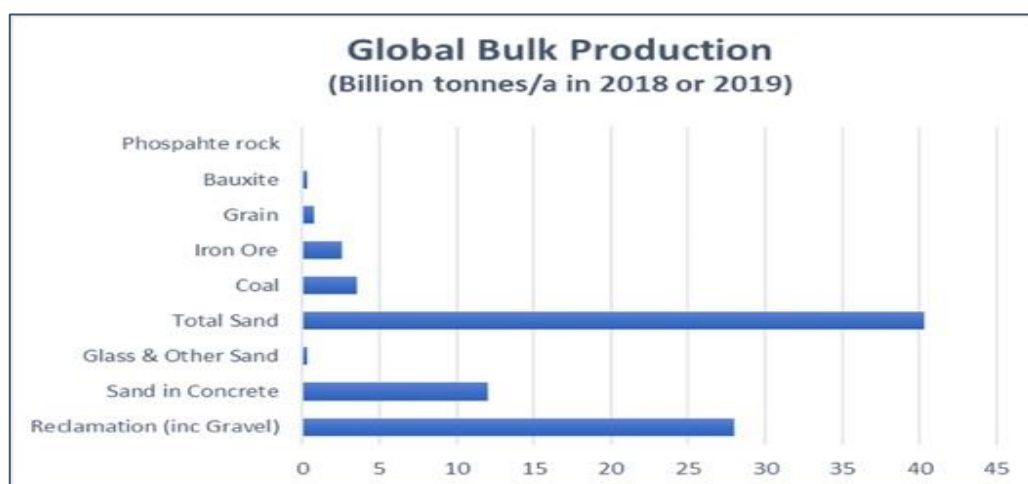


Figure 1: Estimated Global Annual Bulk Commodity Production in billion tonnes in 2018/2019) [Source CXU]

COMPETENT PERSON STATEMENTS

Blackwood Gold Project

The information in this report that relates to the Exploration Results for the Blackwood Gold Project is extracted from reports released to the Australian Securities Exchange (ASX) on 31 August 2020 titled "Victoria's Blackwood – Cauldron's Golden Opportunity", and on 23 September 2020 titled "Cauldron Hones in on High Quality Exploration Targets" and available to view at www.cauldronenergy.com.au and for which a Competent Person consent was obtained. The Competent Person's consent remains in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The Company confirms that is not aware of any new information or data that materially affects the information included in the original ASX announcements and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original ASX announcement.

WA Sands Project

The information in this report that relates to the Exploration Results for the WA Sands Project is extracted from a report released to the Australian Securities Exchange (ASX) on 23 December 2020 titled "Cauldron to Acquire River Sands Interests" and available to view at www.cauldronenergy.com.au and for which a Competent Person consent was obtained. The Competent Person's consent remains in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The Company confirms that is not aware of any new information or data that materially affects the information included in the original ASX announcement released on 23 December 2020 and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original ASX announcement.

Bennet Well Uranium Deposit

The information in this report that relates to Mineral Resources for the Bennet Well Uranium Deposit is extracted from a report released to the Australian Securities Exchange (ASX) on 17 December 2015 titled "Substantial Increase in Tonnes and Grade Confirms Bennet Well as Globally Significant ISR Project" and available to view at www.cauldronenergy.com.au and for which Competent Persons' consents were obtained. Each Competent Person's consent remains in place for subsequent releases by the Company of the same information in the same form and context, until the consent is withdrawn or replaced by a subsequent report and accompanying consent.

The Company confirms that is not aware of any new information or data that materially affects the information included in the original ASX announcement released on 17 December 2015 and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the original ASX announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original ASX announcement.

DIRECTORS' REPORT

7. EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, other than as stated below:

WA Sands Project

In December 2020, Cauldron entered into an agreement to acquire a 100% interest in the WA Sands Project, comprising a number of river sand leases located at the mouths of the Carnarvon, Onslow and Derby rivers in Western Australia, collectively covering an area of approximately 482 square kilometres.

The agreement is subject to a number of conditions precedent, including shareholder approval (which was gained post period end on 29 January 2021 at the Company's Annual General Meeting) and which triggered the issue to the Project vendor of a total of 4,000,000 fully paid shares on 1 February 2021.

Cauldron notes that one of the Tenements being acquired, being Mining Lease Application 09/150, is listed as "dead" on the register maintained by the Department of Mines, Industry Regulation and Safety of Western Australia. Cauldron identified this fact as part of its due diligence conducted prior to entering into the agreement. The recording of MLA09/150 as "dead" follows a decision in the Western Australian Supreme Court in the case *Onslow Resources Ltd v The Minister for Mines and Petroleum* [2020] WASC 310, in which the Justice determined that the application for ML09/150 was invalid. Onslow Resources Limited is presently appealing this decision, as is its right. As at the date of this report a decision is yet to be handed down.

In addition, Cauldron notes that with respect to Mining Lease 08/487, that on 22 January 2021 proceedings were commenced against Quarry Park Pty Ltd, the Mining Registrar, the WA Minister for Mines and Petroleum and the Company in relation to the validity of ML08/487, and further, an interim injunction was heard on 27 January 2021 to prevent Quarry Park Pty Ltd and Cauldron from executing or lodging a transfer of ML08/487. Following the hearing an interim injunction was ordered which restricts the transfer of the tenement pending a decision on the injunction being handed down. As at the date of this report a decision is yet to be handed down.

Neither MLA09/150 or ML08/487 is considered material to the overall transaction and Cauldron will proceed with the acquisition of the remaining Tenements whether or not each, or both, are ultimately included. If either is excluded the parties are agreed that they will consider an adjustment to the consideration to be paid, or a replacement of either of the tenements.

As at the date of this report, the acquisition has not yet been finalised. Satisfaction of the remaining conditions precedent will trigger the issue of up to a further 16,000,000 fully paid shares and a right to royalties and production according to the terms of the agreement, subject to any adjustment agreed between the parties should either of MLA09/150 and ML08/487 be excluded, as referred to above.

8. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2020 has been received and is included on page 11.

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



Mr Simon Youds
Chairman

PERTH
16th March 2021

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF CAULDRON ENERGY LIMITED

As lead auditor for the review of Cauldron Energy Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	31 December 2020 \$	31 December 2019 \$
Revenue	3	34,596	1,028
Administration expenses		(29,620)	(14,692)
Employee benefits expenses		(194,521)	(181,113)
Directors fees		(87,000)	(66,000)
Compliance and regulatory expenses		(47,297)	(31,147)
Consultancy expenses		(52,738)	(84,834)
Depreciation		(1,318)	(2,302)
Exploration expenditure		(6,544)	(58,399)
Impairment losses	4	(221,038)	(179,278)
Legal expenses		(7,476)	(19,606)
Net fair value gain/(loss) on financial assets through profit and loss	5	816,234	(174,657)
Occupancy expenses		(16,213)	-
Share based payments	10	(43,619)	-
Travel expenses		(197)	(8,643)
Profit/ (loss) before income tax expense		143,249	(819,643)
Income tax expense/(benefit)		-	-
Profit/(loss) for the period		143,249	(819,643)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		-	2,023
Other comprehensive income/(loss) for the period after income tax		-	2,023
Total comprehensive profit/(loss) attributable to members of the Company		143,249	(817,620)
Earnings/(loss) per share for the period attributable to the members of Cauldron Energy Ltd			
Basic earnings/(loss) per share (cents per share)		0.04	(0.25)
Diluted earnings/(loss) per share (cents per share)		0.04	(0.25)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		1,186,054	396,311
Trade and other receivables		71,009	26,562
Financial assets	5	1,416,380	600,146
TOTAL CURRENT ASSETS		2,673,443	1,023,019
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	6	1,787,515	-
Property, plant and equipment		3,629	4,947
TOTAL NON-CURRENT ASSETS		1,791,144	4,947
TOTAL ASSETS		4,464,587	1,027,966
CURRENT LIABILITIES			
Trade and other payables		753,128	700,512
Employee entitlements		99,182	92,755
TOTAL CURRENT LIABILITIES		852,310	793,267
TOTAL LIABILITIES		852,310	793,267
NET ASSETS		3,612,277	234,699
EQUITY			
Issued capital	7	57,953,504	56,380,921
Reserves	8	5,085,854	4,203,556
Accumulated losses		(60,206,529)	(60,349,778)
Non-controlling interests	11	779,448	-
TOTAL EQUITY		3,612,277	234,699

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Note	31 December 2020 \$	31 December 2019 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(386,418)	(412,351)
Interest received		548	1,028
<i>Net cash used in operating activities</i>		<u>(385,870)</u>	<u>(411,323)</u>
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(424,387)	(217,236)
Funding provided to Caudillo Resources SA		-	(19,583)
<i>Net cash (used in) investing activities</i>		<u>(424,387)</u>	<u>(236,819)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares	7	1,600,000	205,002
Short term advance received		-	50,000
Capital raising monies received in advance		-	474,000
<i>Net cash provided by financing activities</i>		<u>1,600,000</u>	<u>729,002</u>
Net increase/(decrease) in cash held		789,743	80,860
Effects of exchange rate changes on cash		-	(593)
Cash and cash equivalents at beginning of period		<u>396,311</u>	<u>526,681</u>
Cash and cash equivalents at end of period (a)		<u>1,186,054</u>	<u>607,451</u>

(a) Non-cash Investing activities

During the period, the group acquired the Blackwood Gold Project through the issue of 17,000,000 ordinary shares and 16,000,000 unlisted options, refer to Note 11 for further details.

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Note	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non- Controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	56,380,921	(60,349,778)	5,818,015	(1,614,459)	-	234,699
Profit attributable to members of the parent entity	-	143,249	-	-	-	143,249
Other comprehensive income/(loss)	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	143,249	-	-	-	143,249
Transaction with owners, directly in equity						
Issue of shares	7 1,696,000	-	-	-	-	1,696,000
Less: Issue Costs	7 (554,417)	-	-	-	-	(554,417)
Share-based payments	8 (96,000)	-	43,619	-	-	(52,381)
Acquisition – Blackwood Gold Project	527,000	-	838,679	-	779,448	2,145,127
Balance at 31 December 2020	57,953,504	(60,206,529)	6,700,313	(1,614,459)	779,448	3,612,277
Balance at 1 July 2019	55,675,919	(58,715,161)	5,808,480	(1,616,481)	-	1,152,757
Loss attributable to members of the parent entity	-	(819,643)	-	-	-	(819,643)
Other comprehensive income/(loss)	-	-	-	2,023	-	2,023
Total comprehensive income/(loss) for the period	-	(819,643)	-	2,023	-	(817,620)
Transaction with owners, directly in equity						
Issue of shares	205,002	-	-	-	-	205,002
Balance at 31 December 2019	55,880,921	(59,534,804)	5,808,480	(1,614,458)	-	540,139

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial report covers Cauldron Energy Limited (**Cauldron**) and its controlled entities (the **Group**). Cauldron is a public listed company, incorporated and domiciled in Australia.

This general purpose financial report for the half-year ended 31 December 2020 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2020 and considered together with any announcements made by Cauldron during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations of the ASX listing rules.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2020 annual financial report for the financial year ended 30 June 2020.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

Non-Controlling Interests

The Group recognised non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in the Blackwood Goldfield Project, the Group elected to recognise the non-controlling interests in at its proportionate share of the net assets acquired.

Control of Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Critical accounting judgements, estimates and assumptions

Asset Acquisition not Constituting a Business

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Control of Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

b. Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At balance date, the Group had cash and cash equivalents of \$1,186,054 (30 June 2020: \$396,311), operating cash outflows of \$385,870 (31 Dec 2019: \$411,323), trade and other payables of \$753,128 (30 June 2020: \$700,512) and a net working capital surplus of \$1,821,133 (30 June 2020: \$229,752 surplus).

The ability of this Group to continue as a going concern is dependent on the Group securing additional debt and/or equity funding to meet its working capital requirements in the next 12 months. These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due, for the following reasons:

- a) the Group has the ability to raise funds through equity issues;
- b) the Group holds a portfolio of investments which may be sold to fund ongoing cash requirements of the Company; and
- c) the Directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are confident in the ability of the Group to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources. All activities are inter-related and discrete information is reported as a single segment being mineral exploration (for primary reporting) and principally in two geographical segments (for secondary reporting) being Australia and Argentina.

	31 December 2020 \$	30 June 2020 \$
The analysis of the location of total assets is as follows:		
Australia	4,457,991	1,022,017
Argentina	6,496	5,949
	<u>4,464,487</u>	<u>1,027,966</u>
The analysis of the location of total liabilities is as follows:		
Australia	(848,031)	(787,461)
Argentina	(4,279)	(5,806)
	<u>(852,310)</u>	<u>(793,267)</u>

3. REVENUE AND OTHER INCOME

	31 December 2020 \$	31 December 2019 \$
<u>Revenue</u>		
Interest received	548	1,028
Miscellaneous (a)	34,048	-
	<u>34,596</u>	<u>1,028</u>

(a) As a small to medium business, Cauldron was eligible for, and received, during the half year a total of \$25,000 in grants from the Australian Federal Government titled "Cash Boost for Business" aimed at assisting qualifying organisations during the economic downturn caused by the COVID-19 pandemic. In addition, Cauldron received minor recoveries from the Australian Taxation Office totalling \$5,805 on lodgement of its quarterly business activity statements.

4. IMPAIRMENT LOSSES

	31 December 2020 \$	31 December 2019 \$
Impairment of exploration and evaluation expenditure (a)	221,038	158,837
Impairment of loan and other receivables	-	20,441
	<u>221,038</u>	<u>179,278</u>

(a) The Group has assessed the carrying amount of the exploration and evaluation expenditure in accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources* and has recognised an impairment expense of \$221,038 during the period (2019: \$158,837). The majority of this impairment expense recognised is attributable to an impairment trigger event, being the 20 June 2017 announcement by the McGowan Government of Western Australia of the implementation of a ban on uranium mining on all future mining leases (Uranium Mining Ban). As a result of this, the Company has written down expenses incurred in relation to its Western Australian Yanrey projects (including Bennet Well) to nil. The Group similarly impaired its exploration and evaluation expenditure in the 2019 financial year.

5. FINANCIAL ASSETS

	31 December 2020 \$	30 June 2020 \$
Financial assets at fair value through profit and loss (listed investments)	1,411,120	594,886
Financial assets at fair value through profit and loss (unlisted investments)	5,260	5,260
	<u>1,416,380</u>	<u>600,146</u>
<i>Movements:</i>		
Opening balance at beginning of the period	600,146	1,282,895
Disposal of equity securities (cost)	-	(233,058)
Fair value gain/(loss) through profit and loss	816,234	(449,691)
Closing balance at end of the period	<u>1,416,380</u>	<u>600,146</u>

Financial assets comprise investments in the ordinary capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2020 \$	30 June 2020 \$
Exploration and evaluation expenditure	11,813,851	9,805,298
Exploration and evaluation expenditure – provision for impairment	(10,026,336)	(9,805,298)
	1,787,515	-
<i>Movements:</i>		
Carrying value at beginning of period	-	-
Acquisition of Blackwood Gold Project – refer note 11	1,590,710	-
Exploration expenditure incurred	417,843	216,530
Impairment of exploration expenditure - refer Note 4	(221,038)	(216,530)
Carrying value at end of period	1,787,515	-

7. ISSUED CAPITAL

	31 December 2020 No. of Shares	31 December 2020 \$	30 June 2020 No. of Shares	30 June 2020 \$
Fully paid ordinary	447,999,512	57,953,504	376,289,835	56,380,921
<i>Movements</i>				
Balance at beginning of period	376,289,835	56,380,921	342,956,503	55,880,921
<i>Shares issued</i>				
- March 2020 Placement	-	-	33,333,332	500,000
- Acquisition of Blackwood Gold Project	17,000,000	527,000	-	-
- October 2020 Placement	51,612,903	1,600,000	-	-
- October 2020 Placement Lead Manager Fee (a)	3,096,774	96,000	-	-
<i>Costs of Issue (b), (c)</i>	-	(650,417)	-	-
Balance at end of period	447,999,512	57,953,504	376,289,835	56,380,921

- (a) pursuant to the terms of the engagement dated 26 October 2020, the Lead Manager to the October 2020 Placement was entitled to a 6% placement fee which the Lead Manager elected to receive in fully paid ordinary shares. The fair value of the fully paid ordinary shares was determined by reference to the price paid by parties who participated in the October 2000 Placement, being an amount of \$0.031 (or 3.1c) per share. In total, the Lead Manager received 3,096,774 fully paid shares valued at \$96,000.
- (b) In addition to (a) above, pursuant to the terms of the engagement dated 26 October 2020, the Lead Manager to the October 2020 Placement was entitled to receive an incentive fee of 1 million Unlisted Options for each \$100,000 raised under the October 2020 Placement which resulted in the issue to the Lead Manager of a total of 17,548,387 Unlisted Options. The Company adopted the Black-Scholes Option Pricing Methodology to calculate the fair value of the 17,548,387 Unlisted Options issued to the Lead Manager.

The volatility was based determined based on the historical volatility. Other inputs were:

Number Issued	Valuation Date	Share Price	Exercise Price	Time to Maturity	Annualised volatility	Risk free interest rate	Fair value per Option	Extended value
17,548,387	6/11/2020	\$0.048	\$0.05	3.07 years	110%	0.12%	3.159 cents	\$554,417

- (c) The costs relating to the October 2020 Placement totalled \$650,417 comprising the 3,096,774 fully paid shares valued at \$96,000 (refer (a) above) plus the 17,548,387 Unlisted Options valued at \$554,417 (refer (b) above).

8. RESERVES

	31 December 2020 \$	30 June 2020 \$
Share Based Payments Reserve (a)	6,700,313	5,818,015
Foreign Currency Translation Reserve (b)	(1,614,459)	(1,614,459)
	5,085,854	4,203,556
<i>(a) Movement in Share Based Payments Reserve:</i>		
Balance at beginning of period	5,818,015	5,808,481
Performance Rights expense - refer Note 10	43,619	9,534
Blackwood Gold Project Acquisition – refer Note 11	284,262	-
Lead Manager's Incentive fees settled as options – refer Note 7	554,417	-
Balance at end of period	6,700,313	5,818,015
<i>(b) Movement in Foreign Currency Translation Reserve:</i>		
Balance at beginning of period	(1,614,459)	(1,616,482)
Foreign currency exchange differences arising on translation of foreign operations	-	2,023
Balance at end of period	(1,614,459)	(1,614,459)

9. UNLISTED OPTIONS

As at 31 December 2020, the Company has a total of 82,854,900 unlisted options on issue comprised as follows:

Class	ASX Code	Description	Number	Exercise Price (\$)	Expiry Date
A	CXUAX	Unlisted Options	6,833,395	\$0.03	31 December 2021
B	CXUAU	Unlisted Options	16,666,666	\$0.03	31 March 2022
C	CXUAV	Unlisted Options	10,000,000	\$0.05	16 September 2022
D	CXUAW	Unlisted Options	6,000,000	\$0.05	16 September 2023
E	CXUAW	Unlisted Options	43,354,839	\$0.05	30 November 2023
TOTALS			82,854,900		

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

10. SHARE -BASED PAYMENTS

	31 December 2020 \$	31 December 2019 \$
Performance rights expense	43,619	-
	43,619	-

The movement in Performance Rights during the half year ended 31 December 2020 was as follows:

	31 December 2020 Number	31 December 2020 Fair value \$	31 December 2019 Number	30 December 2019 Fair value \$
Balance at beginning of half year	9,000,000	\$0.029	-	-
Granted during the half year	-	-	-	-
Forfeited or lapsed during the half year	-	-	-	-
Exercised during the half year	-	-	-	-
Outstanding at the end of the half year	9,000,000	\$0.029	-	-
Exercisable at the end of the half year	-	-	-	-

10. SHARE-BASED PAYMENTS (Continued)

As per the table above, as at 31 December 2020 the Company has a total of 9,000,000 performance rights on issue. The Performance Rights were issued to members of the Company's key management personnel (KMP) pursuant to CXU's Performance Rights Plan approved by CXU shareholders at a general meeting of the Company held on 11 August 2020. Each Performance Right is a right to receive one fully paid ordinary share in CXU, subject to meeting performance conditions and the terms of to CXU's Performance Rights Plan.

The Performance Rights will vest if any one of the following Performance Conditions is achieved:

- The volume weighted average price of the Shares as quoted on ASX exceeds \$0.05 each day for a period of not less than 20 consecutive trading days on which the Shares have actually traded;
- Gross Proceeds from Sales exceed \$250,000 in any financial year; or
- The discovery of an "Inferred Mineral resource" (as that term is defined in the Code) at the Blackwood Gold Project having a contained gold mass of at least 300,000 ounces at a cut-off grade of 2g/t, (each a Performance Condition).

The Performance Rights will automatically lapse if none of the Performance Milestones are achieved within 3 years of the date of grant, taken to be the date of shareholder approval (i.e. by no later than 10 August 2023). And holders of Performance Rights have a period of 5 years from the date of grant to exercise the Performance Rights and convert into Shares (i.e. until 10 August 2025).

The holders of the performance rights are as follows:

Name of KMP	Name of registered holder	Number of securities
Simon Youds	Capeline Nominees Pty Ltd	3,000,000
Simon Youds	Systematic Nominees Pty Ltd <Youds Family A/c>	1,000,000
Jess Oram	Jess Oram	2,000,000
Derong Qiu	Derong Qiu	1,000,000
Judy Li	Jia Li	1,000,000
Chenchong Zhou	Chenchong Zhou	1,000,000
TOTALS		9,000,000

Share-based payments, measurement and recognition

The fair value of equity settled Performance Rights at the grant date is recognised as an expense, together with a corresponding increase to Reserves within Equity, over the vesting period in which the performance milestones are expected to be fulfilled. The total amount to be expensed is based on the initial fair value of each Performance Right along with the best estimate of the number of equity instruments that will ultimately vest which includes an assessment of the likelihood that the performance milestones will be met.

During the half year ended 31 December 2020 a share-based payment expense of \$43,619 was recognised in relation to these Performance Rights, being an allocation of the fair value determined on grant date apportioned over the vesting period on a straight-line basis.

In determining the fair value of Performance Rights granted, the Company determined that the market price on the 21st of May 2020 was the most appropriate as it was the date that the Board unanimously agreed the terms of the Performance Rights. The Performance Rights expense for the half year was calculated in accordance with the following inputs:

Number Issued	Date of Board Approval	Grant Date	Share Price on Grant Date	Fair Value	Vesting Period	Cumulative Expense Opening Balance at 1 July 2020	Expense Recognised during Half Year ended 31 December 2020	Cumulative Expense Closing Balance at 31 December 2020
9,000,000	21 May 2020	11 Aug 2020	\$0.029	\$261,000	3 Years	\$9,534	\$43,619	\$53,153

10. SHARE-BASED PAYMENTS (Continued)

Other Share-Based Payment Transactions

From time to time the Company may settle payment for services received from non-employees by way of issuing securities in lieu of settlement by cash. The following non-cash transactions have been settled by the issuing of securities:

	31 December 2020 \$	31 December 2019 \$
September 2020 – 17,000,000 fully paid ordinary shares plus 10,000,000 Class A Unlisted Options plus 6,000,000 Class B Unlisted Options issued on acquisition of a 51% joint venture interest in the Blackwood Gold Project – refer note 11.	811,262	-
November 2020 - 3,096,774 fully paid ordinary shares issued in satisfaction of placement fees payable to the Lead Manager of the October 2020 Placement - refer note 7.	96,000	-
November 2020 - 17,548,387 Unlisted Options issued in satisfaction of incentive fees payable to the Lead Manager of the October 2020 Placement - refer note 7.	554,417	-
	1,461,679	-

11. ASSET ACQUISITION

During the half year the Group completed the acquisition of a 51% joint venture interest in the Blackwood Goldfield Project through the issue of 17,000,000 fully paid ordinary shares, 10,000,000 Class A Unlisted Options plus 6,000,000 Class B Unlisted Options.

At the date of acquisition, the fair value of the acquisition was assessed as follows:

	\$
Net Identifiable Assets Acquired	
Exploration asset	1,590,710
Non-controlling equity interest in acquisition	(779,448)
	811,262
Consideration:	
17,000,000 fully paid ordinary shares @ \$0.031 each (a)	527,000
10,000,000 Class A Unlisted Options @ \$0.01772 each (b)	177,195
6,000,000 Class B Unlisted Options @ \$0.01784 each (b)	107,067
	811,262

(a) The 17,000,000 fully paid ordinary shares were deemed to have a value of \$0.031 based on the market value at which the Company's shares traded on the date the conditions precedent relating to the acquisition of the Blackwood Gold Project were satisfied, being the 31st of August 2020.

(b) The Company adopted the Black-Scholes Option Pricing Methodology to calculate the fair value of the 10,000,000 Class A Unlisted Options and the 6,000,000 Class B Unlisted Options issued to the vendors of the Blackwood Gold Project.

The volatility was based determined based on the historical volatility. Other inputs were:

Number Issued	Valuation Date	Share Price	Exercise Price	Time to Maturity	Annualised volatility	Risk free interest rate	Fair value per Option	31 Dec-20 Value
10,000,000	31/08/2020	\$0.031	\$0.03	2 years	110%	0.26%	1.772 cents	\$177,195
6,000,000	31/08/2020	\$0.031	\$0.05	3 years	110%	0.24%	1.784 cents	\$107,067

12. FINANCIAL INSTRUMENTS**Fair value measurement**

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

31 December 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets:				
<i>Financial assets at fair value through profit or loss:</i>				
Investments in listed shares	1,411,120	-	-	1,411,120
Investments in unlisted shares	-	5,260	-	5,260
30 June 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets:				
<i>Financial assets at fair value through profit or loss:</i>				
Investments in listed shares	594,886	-	-	594,886
Investments in unlisted shares	-	5,260	-	5,260

13. RELATED PARTY INFORMATION

There were no transactions with related parties that were not in the ordinary course of business, other than as stated in Note 10 above.

14. CONTROLLED ENTITIES

Other than those disclosed in Note 11, there have been no further changes to the Group's controlled entities detailed in the recent 30 June 2020 annual report.

15. COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

The Group has no contingent liabilities or assets at the period end, other than as stated below, and there have been no material changes to commitments since 30 June 2020.

Blackwood Gold Project

Pursuant to the Joint Venture Agreement for the Blackwood Gold Project, Cauldron has agreed to fund all Project Costs from the JV Commencement Date until a Decision to Mine is made (or deemed to be made) or Cauldron withdraws from the Joint Venture.

Cauldron has the right to increase its ownership in Blackwood Goldfield Joint Venture Pty Ltd as follows:

- a) by a further 15% to take it to 65% upon achievement of a Mineral Resource (JORC 2012) containing at least 300,000 ounces of gold and the issue of 1,100,000 Unlisted Options to the vendors of the Blackwood Gold Project having an exercise price of A\$0.13 each and an expiry date of 2 years from the date of issue;
- b) by a further 15% to take it to 80% upon a Decision to Mine or achievement of mining production of gold at a rate that exceeds 10,000 ounces in any Financial Year; and
- c) by a further 15% to take it to 100% upon agreement to pay a royalty equal to 0.5% Net Smelter Return.

Note: capitalised terms are defined in the Joint Venture Agreement for the Blackwood Gold Project.

15. COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES (*Continued*)

WA Sands Project

In December 2020, Cauldron entered into a sale and purchase agreement to acquire a 100% interest in the WA Sands Project, comprising a number of river sand leases located at the mouths of the Carnarvon, Onslow and Derby rivers in Western Australia, collectively covering an area of approximately 286 square kilometres (Sale and Purchase Agreement).

The Sale and Purchase Agreement is subject to a number of conditions precedent, which as at the date of this report remain incomplete and as such the acquisition has not yet been finalised. Satisfaction of the conditions precedent will trigger the following:

- (a) the issue of 4,000,000 CXU fully paid shares upon shareholder approval of the WA Sands Project acquisition – effected on 1 February 2021 see Note 16 below.
- (b) the issue of a further 8,000,000 CXU fully paid shares upon transfer to Cauldron of the Granted Tenements, as defined in the Sale and Purchase Agreement;
- (c) the issue of a further 8,000,000 CXU fully paid shares upon transfer to Cauldron of the Tenement Applications, as defined in the Sale and Purchase Agreement;
- (d) \$250,000 worth of CXU fully paid shares at a deemed issue price of \$0.035 or cash of \$250, upon the entering into of commercial production at Carnarvon as defined in the Sale and Purchase Agreement;
- (e) \$250,000 worth of CXU fully paid shares at a deemed issue price of \$0.035 or cash of \$250,000 upon the entering into of commercial production at Derby as defined in the Sale and Purchase Agreement;
- (f) \$500,000 worth of CXU fully paid shares at a deemed issue price of \$0.035 or cash of \$500,000 upon the entering into of commercial production at Onslow as defined in the Sale and Purchase Agreement; and
- (g) a royalty equal to \$1.00 per tonne or 2% of sales revenue (calculated based upon FOB prices) where Cauldron elects to undertake a mining operation as defined in the Sale and Purchase Agreement.

16. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, other than as stated below.

WA Sands Project

In December 2020, Cauldron entered into an agreement to acquire a 100% interest in the WA Sands Project, comprising a number of river sand leases located at the mouths of the Carnarvon, Onslow and Derby rivers in Western Australia, collectively covering an area of approximately 482 square kilometres.

The agreement is subject to a number of conditions precedent, including shareholder approval (which was gained post period end on 29 January 2021 at the Company's Annual General Meeting) and which triggered the issue to the Project vendor of a total of 4,000,000 fully paid shares on 1 February 2021.

Cauldron notes that one of the Tenements being acquired, being Mining Lease Application 09/150, is listed as "dead" on the register maintained by the Department of Mines, Industry Regulation and Safety of Western Australia. Cauldron identified this fact as part of its due diligence conducted prior to entering into the agreement. The recording of MLA09/150 as "dead" follows a decision in the Western Australian Supreme Court in the case *Onslow Resources Ltd v The Minister for Mines and Petroleum* [2020] WASC 310, in which the Justice determined that the application for ML09/150 was invalid. Onslow Resources Limited is presently appealing this decision, as is its right. As at the date of this report a decision is yet to be handed down.

In addition, Cauldron notes that with respect to Mining Lease 08/487, that on 22 January 2021 proceedings were commenced against Quarry Park Pty Ltd, the Mining Registrar, the WA Minister for Mines and Petroleum and the Company in relation to the validity of ML08/487, and further, an interim injunction was heard on 27 January 2021 to prevent Quarry Park Pty Ltd and Cauldron from executing or lodging a transfer of ML08/487. Following the hearing an interim injunction was ordered which restricts the transfer of the tenement pending a decision on the injunction being handed down. As at the date of this report a decision is yet to be handed down.

Neither MLA09/150 or ML08/487 is considered material to the overall transaction and Cauldron will proceed with the acquisition of the remaining Tenements whether or not each, or both, are ultimately included. If either is excluded the parties are agreed that they will consider an adjustment to the consideration to be paid, or a replacement of either of the tenements.

As at the date of this report, the acquisition has not yet been finalised. Satisfaction of the remaining conditions precedent will trigger the issue of up to a further 16,000,000 fully paid shares and a right to royalties and production according to the terms of the agreement (refer note 15 above), subject to any adjustment agreed between the parties should either of MLA09/150 and ML08/487 be excluded, as referred to above.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Cauldron Energy Limited, I state that in the opinion of the directors:

- a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2020 and its performance for the half-year ended on that date of the Group; and
 - (ii) complying with Accounting Standards *AASB 134 Interim Financial Reporting*, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- b) subject to the matters described in note 1(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Mr Simon Youds
Chairman

PERTH
16th March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cauldron Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cauldron Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 16 March 2021