



(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2009

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CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN

Antony Sage

CHIEF EXECUTIVE OFFICER

Terence Topping

EXECUTIVE DIRECTOR

Brett Smith

NON-EXECUTIVE DIRECTOR

Kent Hunter

COMPANY SECRETARY

Stephen Brockhurst

PRINCIPAL & REGISTERED OFFICE

35 Richardson Street
WEST PERTH WA 6005
Telephone: (08) 9211 5777
Facsimile: (08) 9211 5700

AUDITORS

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005

SHARE REGISTRAR

Advanced Share Registry
150 Stirling Hwy
Nedlands WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

STOCK EXCHANGE LISTING

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

BANKERS

National Australia Bank
50 St Georges Terrace
PERTH WA 6000

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DIRECTORS' REPORT

The directors of Cauldron Energy Limited submit herewith the annual financial report of the "Consolidated Entity" for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. INFORMATION ON DIRECTORS

The names and particulars of the directors of the Consolidated Entity during or since the end of the financial year are:

| | | |
|--|---|-----------|
| Anthony Sage | Executive Chairman | |
| Qualifications | B.Bus, FCPA, CA, FTIA | |
| Experience | <p>Mr Tony Sage has more than 25 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and was formerly a successful funds manager with Growth Equities Mutual for 13 years. In the past 12 years he has been involved in the management and financing of several listed exploration and mining companies including Gabriel Resources Ltd, Cape Lambert Iron Ore Ltd (formerly Hamill Resources Ltd), International Goldfields Ltd, NFX Gold Ltd and Global Iron Ltd. Mr Sage is currently also a director of ASX-listed companies Cape Lambert Iron Ore Ltd, International Goldfields Ltd, Global Iron Ltd and Tiashan Goldfields Ltd.</p> <p>Mr Sage is an astute businessman. In 2008 he was personally responsible for the sale of Cape Lambert's 1.56bt Australian magnetite project to the China Metallurgical Group Corporation for AUD\$400 million. This sale returned AUD\$100 million to shareholders, during the height of the global financial crisis. The remaining capital is currently being invested into the exploration and mining industry of Australia, providing a much needed financial stimulus during difficult economic times.</p> | |
| Interest in Shares & Options | Fully Paid Ordinary Shares | 1,994,600 |
| Date appointed | 4 th June 2009 | |
| Directorships of listed companies held within the last 3 years | Cape Lambert Iron Ore Limited International Goldfields Limited Tian Shan Goldfields Limited Corvette Resources Limited Buka Gold Limited Global Iron Limited | |

DIRECTOR'S REPORT (cont)

| | | |
|--|---|-------------------------|
| Terence Topping | Chief Executive Officer | |
| Qualifications | BAppSc, B Sc (Hons), Finsia | |
| Experience | <p>Mr Topping is a geologist with over 14 years of experience in the management of listed public companies. Since 1985, he has gathered experience as an exploration geologist searching for gold, diamonds, base metals and uranium. Mr Topping was co-founder of Taipan resources NL, which listed as a gold-exploration company in 1993 and remained a director until June 2002. Mr Topping is currently a non-executive director of Goldminco Corporation, a Toronto Stock Exchange-VE listed gold and base metals exploration company.</p> <p>Mr Topping's corporate exposure to North America has been invaluable in Cauldron's dealings with investors and financial institutions in that region.</p> | |
| Interest in Shares & Options | Fully Paid Ordinary Shares 80 Cent Options expiring 30 November 2010 | 4,526,031 1,000,000 |
| Date appointed | 21 November 2002 | |
| Brett Smith | Executive Director | |
| Qualifications | B.Sc(Geol), M.AusIMM MAIG. | |
| Experience | <p>Mr Smith had acquired over 20 years of experience in the mining and exploration industry as a geologist, manager, consultant and director. His industry experience is broad, dominated by exploration and resource definition for mining operations. He is currently Chairman of Australian junior energy company, Blackham Resources Ltd. Mr Smith is primarily responsible for the Cauldron's strategic move into Argentina.</p> <p>In 2007 Mr Smith was part of the Blackham Resources board that secured AUD\$40M in standby equity, at the height of the worldwide "sub-prime" financial crisis, for the tender on a large Russian coking coal project. Although this tender was unsuccessful, the equity raising brought together financial investors from Australia, Britain and Russia. To this day Blackham is the only Australian company to have ever received a qualified bidder status in Russia.</p> | |
| Directorships of listed companies held within the last 3 years | Blackham Resources Limited | 14 July 2007 to present |
| Interest in Shares & Options | Fully Paid Ordinary Shares | 11,844 |
| Date appointed | 4 th June 2009 | |

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DIRECTOR'S REPORT (cont)

| | | |
|--|--|--|
| Kent Hunter | Non-Executive Director | |
| Qualifications | B.Bus CA | |
| Experience | <p>Mr Hunter is a Chartered Accountant with over 19 years' corporate and company secretarial experience. He has been involved in the listing of over 20 junior gold and mineral exploration companies on ASX in the past 9 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently the managing director of Red Emperor Resources NL and holds non-executive directorships in Cazaly Resources Limited, Gryphon Minerals Limited, and Venture Minerals Limited and is company secretary of three other ASX listed entities.</p> <p>Due to his extensive participation in the creation of new companies in Australia, Mr Hunter has very strong links to financial houses, funds and institutions throughout Australia.</p> | |
| Directorships of listed companies held within the last 3 years | Cazaly Resources Limited Gryphon Minerals Limited Elixir Petroleum Limited Venture Minerals Limited Red Emperor Resources NL | August 2003 to present January 2004 to present March 2004 to November 2007 May 2006 to 18 July 2008 August 2007 to present |
| Interest in Shares & Options | Fully Paid Ordinary Shares 80 cent Options expiring 30 November 2010 | 4,020,027 500,000 |
| Date appointed | 21 November 2002 | |
| Andrew McBain | Non-Executive Director | |
| Experience | <p>Mr McBain is the Managing Director of Australian Agricultural Contracts Ltd an unlisted public company involved in the development of a Managed Investments Scheme for the production of wheat and other grains. He is also a director of a number of other private companies involved in various industries. Mr McBain has not been a Director of any other ASX Listed company in the last 3 years.</p> | |
| Interest in Shares & options | Fully Paid Ordinary Shares 80 cent Options expiring 30 November 2010 | 750,001 500,000 |
| Date appointed | 21 November 2002 (resigned 4 th June 2009) | |

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DIRECTOR'S REPORT (cont)

| | | |
|--|--|---|
| Nadaisan Logaraj | Non-Executive Director | |
| Qualifications | Masters of Law (International Tax and Public Company Finance) | |
| Experience | Mr Logaraj has previously had roles of Director of Vickers Ballas Stockbrokers heading up the Financial Solutions Group of the firm as President. Mr Logaraj is also Executive Director at Turnbull & Partners Ltd responsible for the development of the firm's Asean Practice. Mr Logaraj currently advises several Asian & Australasian corporations on their international investments and is a Member of NSW Govt Asia Business Council. He is the National President of the Australia-Singapore Chamber of Commerce (Since 1993). Mr Logaraj is also a Director of Carbon Conscious Ltd, Karmelsonix Ltd, and several other private companies. | |
| Directorships of listed companies held within the last 3 years | Karmelsonix Limited Carbon Conscious Limited | April 2008 to 21 November 2008 May 2008 to present |
| Interest in shares | Fully paid ordinary shares | 83,500 |
| Date appointed | 13 December 2007 (resigned 4 th June 2009) | |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this director's report, on pages 15 to 18.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Stephen Brockhurst (B. Com)

Mr Brockhurst is an Accountant with 9 years experience including corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst was a Director and Company Secretary of Bannerman Resources Limited from incorporation to July 2007 and Company Secretary of Ironbark Gold Limited to August 2007. Mr Brockhurst is currently a Director of Stirling Minerals Limited and Red Emperor Resources NL.

2. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the financial period was mineral exploration.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial period.

3. OPERATING RESULTS

The loss of the Consolidated Entity after providing for income tax amounted to \$2,082,276 (2008: \$1,516,030).

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DIRECTOR'S REPORT (cont)**4. REVIEW OF OPERATIONS**

Cauldron Energy Limited (ASX: CXU) ("Cauldron" or the "Company"), is a new Australian exploration company formed from the merger between, Scimitar Resources Limited (ASX: SIM) ("Scimitar") and Jackson Minerals Limited (ASX: JAK) ("Jackson").

Cauldron is a leading Australian uranium exploration company which retains an experienced board of directors and management team, with proven success in the resources sector.

Cauldron controls over 17,000 sq km of uranium prospective tenements across three states in Australia and large projects with defined uranium mineralisation in Argentina. This allows for diversification not only geologically but also with regard to differing political sentiment and policy within each region towards uranium exploration and mining.

Exploration of these 100% owned projects continued in the financial year with drilling completed in all three states. The Company is well placed to take advantage of renewed interest in the uranium sector by the change in Policy of the new Liberal government in Western Australia to allow uranium mining.

CORPORATE

During June 2009, Cauldron, previously known as Scimitar Resources Limited restructured its Board following the completion of the Company's merger with Jackson Minerals limited

The new Cauldron board sees mining identity Mr Tony Sage positioned as Executive Chairman, Mr Brett Smith (former Managing Director of Jackson) engaged as Executive Technical Director and Mr Terry Topping (former Managing Director of Scimitar) will hold the position of CEO. Mr Kent Hunter will stay on as non-Executive Director. The group has also appointed a new Company Secretary, Mr Stephen Brockhurst.

The Company would like to thank outgoing Directors Mr Andrew McBain and Mr Raj Logaraj of Cauldron Energy Limited as well as Mr Graeme Wallis and Mr Mark Gwynne (Chairman and Director respectively) of Jackson Minerals Limited, for their efforts over the years.

Australian resources company, Cape Lambert Iron Ore Limited (ASX: CFE) ("Cape Lambert") is set to acquire up to an (approximate) 18.7% stake in Cauldron following the conversion of an A\$2.3 million Convertible Note by its wholly owned subsidiary Dempsey Resources Pty Ltd ("Dempsey").

Under the conversion terms of the Convertible Note issued to Dempsey on 23 December 2008, CXU will issue Dempsey 15,333,333 fully paid shares in Cauldron. The conversion will be in two stages, pursuant to ASX Listing Rules relating to the Company's capacity to issue new Shares.

An initial tranche of 6,108,612 (representing approximately 8.4% of the Company's issued capital) has been issued, and the remaining 9,224,721 Shares will be issued upon receipt of and subject to of Shareholder approval at the Company's Annual General meeting, expected to be convened in November 2009.

DIRECTOR'S REPORT (cont)**PROJECT INFORMATION****Yanrey Uranium Project, WA.**

The Yanrey project is situated 85 kilometres to the south of Onslow and covers sediments that are highly prospective for sandstone hosted roll front uranium mineralisation, similar to that at the adjacent Manyingee Uranium Deposit (Paladin Resources Ltd, ASX code PDN), which was successfully field trialed by In Situ Recovery (ISR) mining during the 1980's. The Company continued exploration drilling through 2008 and in July outlined an Inferred Resource of 2,200 tonnes (4.8 million lb) at 300 ppm eU₃O₈ at Bennett Well. On 15 September 2008, the Company announced a Joint Venture to explore Atomic Resources Limited's Uaroo Uranium project. The agreement requires Cauldron to explore the project with a commitment to spend \$500,000 over three years to earn a 70% interest in the project. Cauldron is also required to spend a minimum of \$100,000 before it may withdraw from the joint venture agreement. The company has recently completed a further 375 line km airborne electromagnetic survey (ReptEM) over these Atomic JV licences, the results of which will assist in targeting future drilling programs.

Lake Frome Uranium Project, SA (100%)

The Company has ten granted Exploration Licences covering four project areas in the Lake Frome region of South Australia. The Frome Embayment is host to the Beverley Uranium Mine which has a resource of 21,000t U₃O₈, the Honeymoon and Goulds Dam uranium deposits of 2,900t and 2,000t U₃O₈ respectively and the Beverley Four Mile deposit of 15,000t U₃O₈ held by Heathgate Resources and Alliance Resources. Exploration by the company continued with field exploration of targets identified by previous EM surveys and the first exploration drilling at the Marree Project in August 2008 identified suitable sandstone horizons and anomalous uranium mineralisation.

On 20 October 2008 the company announced it had entered into a Farm-In and Joint Venture Agreement with a Korean Consortium to jointly explore, drill and develop its highly prospective Marree Uranium Project. Under the agreement, the Korean Participants are entitled to earn up to an aggregate 50% interest in the joint venture by funding AUD\$6,200,000 in expenditure on the project licences within three years.

During May 2009 the inaugural management committee meeting was conducted, resulting in approval of the 1st year AUD\$1,800,000 exploration program and operating budget. A 19,000 line km aerial Radiometric/Magnetic survey and 6,000 metres of mud rotary drilling are expected to be undertaken within the 1st year of the Joint Venture

Rio Colorado Uranium Project, Argentina (CXU earning 92.5%)

Cauldron through its wholly owned subsidiary, Jackson Global Limited, has the right to earn 92.5% of the Rio Colorado uranium-copper-silver Project in Catamarca, the main mining province of Argentina.

The Rio Colorado Project comprises 762 sq km, containing a 16 km long zone of outcropping mineralised (uranium, copper and silver) continental red bed sandstones. Extensive surface sampling of uranium mineralised outcrop indicates ore zones 10-20m wide, including zones between 300 to 3000 ppm U₃O₈ over widths up to 10.7m. Mapping and sampling at the northern end of the mineralised sandstones indicates continuity over at least 5 km, which remains open to the south.

The Company is currently completing negotiations for the commencement of a 3,000 metre drilling program, which is expected to commence during the December 2009 quarter. Completion of this drilling will earn Cauldron its initial 51% interest in the project and trigger the commencement of an earn-in period that will see the Company acquire 92.5% of the project.

DIRECTOR'S REPORT (cont)**Las Marias Uranium Project, Argentina (100%)**

The Las Marias Project covers 660 sq km in the province of San Juan and includes areas of historical uranium exploration, dating from the 1970's. Outcropping uranium mineralisation occurs within strata bound sandstones, over seven kilometres of strike and is conformable with the local stratigraphy. Radiometric anomalism suggests that the mineralised units extend under cover. Initial investigations by the company, indicates an average uranium anomalism of between 100 to 550 ppm eU_3O_8 up to three metres in width.

Amadeus Project, NT (100%)

The Amadeus project comprises three granted exploration licenses covering 2,106 sq km in the Amadeus Basin, adjacent to the Pamela and Angela uranium deposits. The company completed a first pass 3,900m drilling program of the Orange Creek prospect in August 2008, intersecting significant uranium mineralisation over 9 km of a regional redox front.

Eclipse Uranium Project, NT (100%)

The Eclipse Uranium Project is comprised of four granted exploration licences and three licence applications covering 6,816 sq km in the Ngalia Basin, 250 km north-west of Alice Springs. The basin was the centre of active uranium exploration during the 1970's and early 1980's, with the focus on roll front uranium mineralisation within the Mount Eclipse Sandstone and carnotite mineralisation within recent surficial and near surface calcrete horizons. A number of significant uranium occurrences and deposits are located within the basin including the Bigryli Uranium deposit, 10,590t U_3O_8 owned by Energy Metals Limited and the New Well deposit owned by Deep Yellow Ltd. The Project is prospective for sandstone hosted and near surface calcrete uranium mineralisation.

Adelaide River Project, NT (100%)

The Adelaide River Project comprises one exploration licence, covering 184 sq km, approximately 100 km south of Darwin. The project is prospective for vein hosted uranium mineralisation within sediments of the Pine Creek Orogen. An airborne radiometric/magnetic survey completed by the company during the year has identified a number of uranium targets that will be the focus of the company's exploration during the coming year

Mount Elvire Project, WA (100%)

The Mount Elvire Project, 210 km north of Southern Cross, comprises one granted exploration license covering 120 sq km. The project has the potential to host iron ore within strongly deformed Banded Iron Formations with field mapping and sampling returning iron values up to 60%.

Boolaloo Project , WA (100%)

The Boolaloo Project which covers 1,700 sq km, is located in the Pilbara region of Western Australia and contains the newly discovered Minga Bore copper, lead, silver and gold prospect. Drilling, surface sampling and prospecting have continued to confirm the existence of a large mineralised system, in what is believed to be a new mineral province.

Visible copper mineralisation at the prospect is extensive, over widths not previously identified at Boolaloo. Malachite rich sandstones and quartz breccias have returned results of between 1.48% and 20.3% copper. Outcrops of massive chalcocite and malachite (for example 0.5 to 1m wide zones marginal to quartz veining) have returned between 16.2% and 49.7% copper. The average result for all samples is 12.7% copper. Accessory metals detected include silver up to 3.41 oz/t, averaging 0.5 oz/t; and lead up to 6.12%, averaging 0.34%.

Defined gold mineralisation in the region is associated with radiometric (uranium) anomalism and provides encouragement for an IOCG deposit style target.

DIRECTOR'S REPORT (cont)

Regional mapping and sampling has defined an extensive (+80 km²) mineralised system with over 25 outcropping sites and numerous un-tested conceptual targets. The majority of the project area remains to be explored by modern methods and results to date suggest a high potential for the discovery of new areas of mineralisation.

Wallbrook Gold Resources, WA (Production Royalty)

The Wallbrook Gold Resources formed part of the company's SLTZ Project. In 2007 these resources were sold to Saracen Mineral Holdings Limited, who own and operate the Carosue Gold Plant, immediately to the south of the resource area.

As part of this sale, on the commencement of mining at Wallbrook, Cauldron will receive 5 million Saracen shares (ASX code SAR) and a \$1/tonne royalty for the first two million tonnes mined from the project.

Saracen has obtained financing for the recommissioning of the Carosue mill, and is expected to commence production early in 2010.

Crossroads Gold Resource WA (Barrick earning 75%)

The Crossroads Deposit is located immediately west of the Kanowna Belle gold plant operated by Barrick and is being investigated as a potential feed source. Barrick has the right to earn 75% of the tenement if it commits to mining, with Cauldron retaining a 25% beneficial interest. Barrick is continuing resource and mining studies on the Crossroads gold deposit

Northcote Project, QLD (15% - free carried to DTM)

The Northcote Project in far north Queensland contains a combined measured, indicated and inferred resource of 195,000 ounces of gold and 8,000 tonnes of antimony (as detailed by Republic Gold, 30 June, 2008).

Majority owner Republic Gold Limited is continuing to explore and assess the economic viability of these resources.

Boddington North Project, WA (100%)

The Company has 1,600 km² under application to the north and east of the (+20 Moz Au) Boddington/Wandoo Gold-Copper Deposit, located just south of Perth in Western Australia. A review of the project indicates that no modern exploration has been undertaken on the ground.

Reconnaissance exploration by the company has identified good indicators of mineralisation, including 0.9 g/t gold in rock chips coincident with an un-constrained 1 km long gold in soil anomaly.

Kalgoorlie Nickel Project, WA (70-100%)

As part of a company rationalisation, manager and joint venture partner, Breakaway Resources announced during the December 2008 Quarter they have withdrawn from the project, which involved a \$6M/5 year earn-in commitment. The project has been returned to Cauldron and the Company is currently assessing several options that will see the recommencement of exploration activities in 2009.

Kalgoorlie Regional Gold Project, WA (70-100%)

The Kalgoorlie Regional Gold Project (KRGP) is located in the golden triangle between the Golden Mile, Paddington Gold Project and Kanowna Belle gold mine, near Kalgoorlie in Western Australia. It also surrounds the Crossroads gold deposit, currently being drilling by Barrick.

DIRECTOR'S REPORT (cont)

In a separate agreement to the Crossroads earn in joint venture, Barrick retains the right to earn-in to any gold discovery made in the KRGP.

KRGP remains prospective for gold and nickel mineralisation. However, the company regards this project as a non-core asset and is currently reviewing divestment or joint venture opportunities.

South Laverton Tectonic Zone, WA

The South Laverton Tectonic Zone Project covers approximately 500 km² of exploration tenure in the South Laverton region. The project includes numerous exploration targets, geochemical anomalies and gold resources of 44,500 ounces (inferred category).

This project was sold to Legacy Iron Ore Limited during the year.

Peak Hill Project, WA (20% - free carried to DTM)

During the June 2008 Quarter, joint venture partner Eagle Gold (a London based company) went into receivership. Jackson is yet to hear from the Receiver/Administrators regarding the future of the project.

The joint venture area includes approximately 1000 sq km of mineral leases and applications, and contains several exciting exploration plays. These include the Forrest Gimp gold discovery (best RAB drill intercept of 22m at 2.51 g/t Au) located 12 km from the Fortnum treatment plant.

Potential also exists for iron ore deposits within the Robinson Range Banded Iron Formation in the southern part of Peak Hill Mineral Field. During Eagle Gold's reign as Managers of the project, they entered into a Farm-in agreement with Pepinnini Minerals Limited for iron ore mineral rights which include four Jackson leases in the Peak Hill Joint Venture (leases E51/1033, E52/1613, E52/1670, E52/1672).

5. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR

The Consolidated Entity intends to continue its focus on the uranium sector, and to provide shareholders exposure to the sector through exploration, and project generation.

As exploration progresses the Consolidated Entity may decide to add projects to or divest projects from its current portfolio.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial period:

On the 15th September 2008, the Parent Entity entered into a Joint Venture Agreement with Atomic Resources Limited to explore Atomic Resources Limited's Uaroo Uranium project. The agreement requires the Parent Entity to explore the project with a commitment to spend \$500,000 over three years to earn a 70% interest in the project. Scimitar is also required to spend a minimum of \$100,000 before it may withdraw from the joint venture agreement.

On the 20th October 2008, the Parent Entity entered into a farm-in and joint venture agreement to develop the Marree uranium project in South Australia with a Korean consortium. The Korean consortium comprises Australian subsidiaries of Korea Resources Corporation (KORES), Daewoo International Corporation and LG International Corporation. Under the agreement the Korean participants are entitled to earn up to an aggregate 50 per cent interest in the joint venture by funding AUD\$6,200,000 on the tenements within three years. The Parent Entity is

DIRECTOR'S REPORT (cont)

the manager of the Marree project and will lead the exploration subject to directions from a management committee representing each party.

On the 19th December 2008 Scimitar Resources Limited entered a conditional agreement with Jackson Minerals Limited ("Jackson") to merge the two companies by way of a Scheme of Arrangement. As part of the terms of the Scheme, the Consolidated Entity made an offer to acquire all of the issued shares in Jackson in exchange for the issue of 1 ordinary fully paid share in Scimitar for every 7.5 Jackson ordinary fully paid shares held. Jackson also had unlisted options on issue which was dealt with via individual agreements with Scimitar, conditional on completion of the Scheme.

On the 29th December 2008 Scimitar Resources Limited completed the secured convertible note agreement with Dempsey Resources Pty Ltd ("Dempsey") and raised \$2.3m. Under the terms of the agreement, Dempsey has the right before the repayment date of 24th March 2010 to convert the Note into ordinary shares in Scimitar Resources Limited (SIM), subject to the approval by Scimitar Resources Limited shareholders. The conversion price will be \$0.15. The Parent Entity has agreed to pay interest at a rate of 12% pa on the convertible note. This funding was utilised for further exploration of the uranium portfolio and the merger with Jackson.

On the 31st December 2008 Scimitar Resources Limited completed a \$1.25m convertible note funding agreement with Jackson Minerals Limited. The convertible note acquired from Jackson Minerals Limited is convertible at the lesser of \$0.03 or the VWAP of Jackson Minerals Limited (JAK) over the 5 days trading prior to the conversion notice being received, on or before 29 March 2010. Jackson Minerals Limited has agreed to pay interest at a rate of 12% pa on the convertible note to the Parent Entity.

On the 4th June 2009, the Scimitar Resources Limited/Jackson Minerals Limited Merger Scheme of Arrangement was formalised with the lodgement of the 'Federal Court Order' (approving the Merger Scheme of Arrangement) to the Australian Investments and Securities Commission. On lodgement of the Court Order with ASIC the 'merger scheme' was made binding with immediate effect. The merger combines two companies with highly complementary exploration profiles and provides a substantial Australian and South American exposure to the uranium industry. The merged group now has a large, diversified uranium, gold and base metal exploration portfolio throughout Australia and Argentina.

On the same day the newly Consolidated Entity resolved to:

- a) Change its business and trading name to "Cauldron Energy Limited".
- b) Accept the director resignations of Mr Nadaisan Logaraj and Mr Andrew McBain and appoint Mr Antony Sage as 'Executive Chairman' and Mr Brett Smith as 'Executive Technical Director'.
- c) Accept the company secretarial resignation of Mr Kent Hunter and appoint Mr Stephen Brockhurst as the replacement.
- d) Change the Company's ASX trading code to 'CXU' to be effective from the 5th June 2009.
- e) Form an 'income tax consolidated group' to apply from 10th June 2009
- f) Transfer Jackson Minerals Limited's Joint Venture obligations with respect to the Rio Colorado Project (Argentina) to Jackson Global Limited.
- g) Transfer Jackson Minerals Limited's subsidiaries namely Jackson Global Ltd and Jakaranda Minerals to the Parent Entity.
- h) Transfer the 'Booraloo Project assets', and 'Wallbrook Royalty Production Agreement assets' from Jackson Minerals Ltd to the Parent Entity.

DIRECTOR'S REPORT (cont)

- i) De-list Jackson Minerals Ltd from the Australian Stock Exchange.
- j) Subsequent to the Company asset transfers list the Jackson Minerals Ltd entity as available-for-sale.
- k) List its non-core gold assets including (but not limited to) Mt Elvire, Bungalbin and Bardoc projects as available-for-sale.

On the 15th June 2009, the Consolidated Entity issued 13,278,757 ordinary fully paid shares at market value to Jackson Minerals Limited shareholders in consideration for the acquisition of Jackson Minerals Limited.

On the 22nd June 2009 the Consolidated Entity completed the secured convertible note agreement with (Austock Investments "Austock") and raised \$300,000. Under the terms of the agreement, Austock has the right before the repayment date of 31st July 2012 to convert the Note into ordinary shares in Cauldron Energy Limited "CXU"), subject to the approval by Cauldron Energy Limited shareholders. The conversion price will be the lower of \$0.50 per share and the volume weighted average trading price of the Consolidated Entity's ordinary shares as quoted on ASX over the last twenty days trading days immediately preceding the delivering of a Conversion Notice by the Note Holder. The Parent Entity has agreed to pay interest at a rate of 10% pa on the convertible note.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

7. SUBSEQUENT EVENTS

On the 15th July 2009, the Consolidated Entity issued 6,108,612 ordinary fully paid shares at \$0.15 (of an anticipated issue of 15,333,333 ordinary fully paid shares) pursuant to the conversion terms of the convertible note issued to Dempsey Resources Limited on the 29th December 2008. The remaining 9,224,721 ordinary fully paid shares will be issued on receipt of shareholder approval at the Company's AGM, expected to be convened in November 2009.

On the same day, the Consolidated Entity issued 3,400,000 shares for NIL consideration in lieu of a services fee for the provision of corporate advisory, marketing and investor relations.

On the 7th August 2009, the Consolidated Entity issued the following allotments of options in final consideration to the Jackson Minerals Limited options holders as per the Scheme of Arrangement terms and conditions.

| | | | | |
|----|---------|--------------------------------|--------------|------------|
| a) | 46,667 | options exercisable at \$ 1.73 | on or before | 18/10/2009 |
| b) | 86,667 | options exercisable at \$ 1.50 | on or before | 31/05/2011 |
| c) | 33,333 | options exercisable at \$ 1.65 | on or before | 31/05/2011 |
| d) | 400,000 | options exercisable at \$ 2.25 | on or before | 31/12/2009 |
| e) | 66,667 | options exercisable at \$ 1.50 | on or before | 31/12/2009 |
| f) | 306,667 | options exercisable at \$ 1.50 | on or before | 30/06/2010 |
| g) | 420,000 | options exercisable at \$ 2.63 | on or before | 30/06/2010 |
| h) | 106,667 | options exercisable at \$ 3.00 | on or before | 27/11/2009 |
| i) | 106,667 | options exercisable at \$ 3.75 | on or before | 27/11/2010 |

On the 13th August 2009 the Consolidated Entity completed the secured convertible note agreement with Dempsey Resources Pty Ltd ("Dempsey") and raised \$1.9m. Under the terms of the agreement, Dempsey has the right before the repayment date of 31st July 2012 to convert the Note into ordinary shares in Cauldron Energy Ltd (CXU), subject to the approval by Cauldron Energy Limited shareholders. The conversion price will be \$0.50. The Parent Entity has agreed to pay interest at a rate of 10% pa on the convertible note.

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DIRECTOR'S REPORT (cont)

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

8. FUTURE DEVELOPMENTS

The Consolidated Entity will continue its mineral exploration and development activity at and around its exploration projects with the object of commercialising its resources.

9. ENVIRONMENTAL ISSUES

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of the development, the directors have determined that the NGER Act will have no effect on the company for neither the current, nor subsequent financial year. The director will reassess this position as and when the need arises.

10. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

11. SHARES UNDER OPTION

Details of unissued shares or interest under option as at the date of this report are:

| Expiry Date | Exercise Price | Number of Shares |
|------------------|----------------|------------------|
| 30 November 2010 | \$0.80 | 4,000,000 |
| 22 December 2010 | \$0.305 | 300,000 |
| 31 October 2011 | \$0.61 | 900,000 |
| 26 March 2012 | \$0.85 | 100,000 |
| 18 October 2009 | \$ 1.73 | 46,667 |
| 31 May 2011 | \$ 1.50 | 86,667 |
| 31 May 2011 | \$ 1.65 | 33,333 |
| 31 December 2009 | \$ 2.25 | 400,000 |
| 31 December 2009 | \$ 1.50 | 66,667 |
| 30 June 2010 | \$ 1.50 | 306,667 |
| 30 June 2010 | \$ 2.63 | 420,000 |
| 27 November 2009 | \$ 3.00 | 106,667 |
| 27 November 2010 | \$ 3.75 | 106,667 |

The holders of such options do not have the right, by virtue of the option, to participate in any share issue of interest issue of the Parent Entity or on any other body corporate or registered scheme.

During the year ended 30 June 2009 there were no issues of ordinary shares as a result of the exercise of options

DIRECTOR'S REPORT (cont)

12. INDEMNITY AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the *Corporations Act 2001* every Officer, auditor or agent of the Consolidated Entity shall be indemnified out of the property of the Parent Entity against any liability incurred by him in his capacity as Officer, auditor or agent of the Parent Entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

13. MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year each director held office during the financial year and the number of meetings attended by each director are:

| Director | Directors Meetings | |
|------------------|---------------------------|-------------------|
| | Number Eligible to Attend | Meetings Attended |
| Antony Sage | - | - |
| Terence Topping | 3 | 3 |
| Brett Smith | - | - |
| Kent Hunter | 3 | 3 |
| Andrew McBain | 3 | 2 |
| Nadaisan Logaraj | 3 | 2 |

The Consolidated Entity does not have a formally constituted audit committee and remuneration committee as the board considers that the Consolidated Entity's size and type of operation do not warrant such a committee.

14. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 20 of the annual report.

15. FINANCIAL POSITION

The net assets of the Consolidated Entity have increased by \$2,643,032 from \$10,521,933 at 30 June 2008 to \$13,164,965 at 30 June 2009 largely as a result of:

- The acquisition of Jackson Minerals Limited and its subsidiaries whereby net assets of \$5,970,519 were acquired.
- Capitalised exploration expenditure of \$1,294,475 (net of impairments and reimbursements of expenditure) largely relating to the following projects:
 - Yanrey Uranium Project, WA: \$410,250
 - Eclipse Uranium Project, NT: \$173,919
 - Amadeus Uranium Project, NT: \$419,491

Cash assets held at the end of the year totalled \$364,819. The directors recognise that current levels of working capital may be insufficient to meet the required level of funding in relation to the potential expenditure commitments required to maintain title to the exploration tenements. However, in the informed opinion of the directors, it has been concluded that the going concern basis is the appropriate basis for preparing the financial statements based on the following key considerations:

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DIRECTOR'S REPORT (cont)

- The Parent Entity has an ongoing mandate with a professional boutique broking house to raise \$7.5million through a Convertible Note Facility, of which \$1.9million has currently been received.
- The Parent Entity has also received expressions of interest for future capital raisings / placement through an issue of fully paid shares.
- The company will pursue potential farm out activities on the Company's exploration assets;
- The company will seek, where appropriate, to obtain exemptions on exploration and mining tenements where minimum expenditure commitments have previously been met or where resources have been defined and are awaiting mining leases approval;
- The directors expect that major shareholders of the Company will support fund raising as has been demonstrated in past share issues to the existing shareholder base.

The directors of the Company are confident that the necessary funds will be raised as required. Should the funding not be obtained then the Company may not be able to meet its planned and proposed levels of expenditure for the forthcoming year.

Should the Company be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The Parent Entity maintains a strategy of adding value through exploration and acquisition of mineral properties, with a view to finding a sound financially attractive development opportunity as soon as possible.

Future funding sources will depend on both exploration success for each project as well as divestment and acquisition decisions. Where possible the Parent Entity will restrict the issue of new shares for fund raising.

16. REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cauldron Energy Limited's directors for the financial year ended 30 June 2009. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details
- Remuneration policy
- Company Performance, shareholder wealth and directors' and executives' remuneration
- Remuneration of directors
- Employment contracts of directors and executives

DIRECTOR DETAILS

The following persons acted as directors of the Parent Entity during or since the end of the financial year:

| | |
|-------------------------|--|
| <i>Antony Sage</i> | <i>Executive Chairman (appointed 4th June 2009)</i> |
| <i>Terence Topping</i> | <i>Chief Executive Officer</i> |
| <i>Brett Smith</i> | <i>Executive Technical Director (appointed 4th June 2009)</i> |
| <i>Kent Hunter</i> | <i>Non-Executive Director</i> |
| <i>Andrew McBain</i> | <i>Non-Executive Director (resigned 4th June 2009)</i> |
| <i>Nadaisan Logaraj</i> | <i>Non-Executive Director (resigned 4th June 2009)</i> |

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DIRECTOR'S REPORT (cont)

REMUNERATION POLICY

The remuneration policy of Cauldron Energy Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Cauldron Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Consolidated Entity, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing director and approved by the board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The executive receives a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The Consolidated Entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry.

Options have been issued to the Directors to provide a mechanism to participate in the future development of the Consolidated Entity and an incentive for their future involvement with and commitment to the Consolidated Entity.

Further options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Consolidated Entity and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes option pricing model.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing director in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Consolidated Entity.

DIRECTOR'S REPORT (cont)

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND EXECUTIVES' REMUNERATION

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by the issue of shares to the majority of the directors and executives to encourage the alignment of personal and shareholder interest.

The table below shows the gross revenue, losses and earnings per share for the last five years for the Consolidated Entity.

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------|-----------|-----------|-------------|-------------|-------------|
| Revenue | 67,330 | 107,805 | 380,982 | 291,010 | 204,035 |
| Net (Loss) | (263,329) | (983,694) | (1,157,872) | (1,516,030) | (2,082,276) |
| (Loss) Per Share - cents | (1.49) | (3.12) | (3.15) | (3.16) | (4.28) |

REMUNERATION OF DIRECTORS

Details of the nature and amount of emoluments of each director are as follows:

| | SHORT-TERM BENEFITS | | | POST EMPLOYMENT | | SHARE-BASED PAYMENTS | | TOTAL |
|---|-------------------------------|--------|--------------|-----------------|---------------------|----------------------|---------|---------|
| | Salary, Fees & Superannuation | Other | Non-Monetary | Super-annuation | Retirement Benefits | Equity | Options | \$ |
| Directors | | | | | | | | |
| Antony Sage – Executive Chairman | | | | | | | | |
| 2009 | - | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - |
| Terence Topping – Chief Executive Officer (i) | | | | | | | | |
| 2009 | 231,000 | - | - | - | - | - | - | 231,000 |
| 2008 | 214,038 | - | - | - | - | - | 202,440 | 416,478 |
| Brett Smith – Executive Technical Director | | | | | | | | |
| 2009 | 11,640 | - | - | 1,048 | - | - | - | 12,688 |
| 2008 | - | - | - | - | - | - | - | - |
| Kent Hunter – Non Executive Director (ii) | | | | | | | | |
| 2009 | 60,000 | 88,966 | - | 5,400 | - | - | - | 154,366 |
| 2008 | 60,000 | 48,000 | - | 5,400 | - | - | 101,220 | 214,620 |
| Andrew McBain – Non Executive Director | | | | | | | | |
| 2009 | 50,000 | - | - | 4,500 | - | - | - | 54,500 |
| 2008 | 52,000 | - | - | 4,500 | - | - | 101,220 | 157,720 |
| Nadaisan Logaraj – Non Executive Director | | | | | | | | |
| 2009 | 53,375 | - | - | 4,500 | - | - | - | 57,875 |
| 2008 | 29,167 | - | - | 2,625 | - | - | - | 31,792 |
| Total Remuneration Directors | | | | | | | | |
| 2009 | 406,015 | 88,966 | - | 15,448 | - | - | - | 510,429 |
| 2008 | 355,205 | 48,000 | - | 12,525 | - | - | 404,880 | 820,610 |

- i) An aggregate amount of \$231,000 (2008:\$214,038) was paid, or was due and payable to Kingswave Nominees Pty Ltd, a company controlled by Mr Terence Topping, for the provision of directorship and geological services to the Consolidated Entity.

DIRECTOR'S REPORT (cont)

- ii) An aggregate amount of \$88,966 (2008:\$48,000) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services and corporate compliance to the Consolidated Entity.

Share-based payments granted as part of remuneration for the current financial year

There were no options issued to directors and executives as part of their remuneration in the current financial year.

EMPLOYMENT CONTRACTS OF DIRECTORS AND EXECUTIVES

The employment conditions of the Executive Directors are formalised in contracts of employment, details of which are set out below:

Terence Topping, Chief Executive Officer

Terence Topping has entered into an agreement with the Parent Entity to be employed as the Chief Executive Officer of the Consolidated Entity. The contract commenced on 4th June 2009 and there is no specific termination date. The terms of the present agreement include total remuneration of \$228,900 per annum, reimbursement of work related expenses and termination by either party giving 30 days written notice.

Brett Smith, Executive Technical Director

Brett Smith has entered into an agreement with the Parent Entity to be employed as the Executive Technical Director of the Consolidated Entity. The contract commenced on 4th June 2009 and there is no specific termination date. The terms of the present agreement include total remuneration of \$196,200 per annum (including statutory superannuation guarantee contributions), reimbursement of work related expenses and termination by either party giving 30 days written notice.

17. PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of these proceedings.

The Consolidated Entity was not a party to any such proceedings during the year.

18. FINANCIAL STATEMENT PREPARATION METHODOLOGYJackson Minerals Limited Merger Acquisition

This transaction is one that is referred to in AASB 3 'Business Combinations' as a straight-forward acquisition and as such, the deemed parent on consolidation is Cauldron Energy Limited.

The financial statements of the Group have been prepared to incorporate the consolidated results of Cauldron Energy Limited ("Cauldron") and its subsidiaries for the year ended 30 June 2009. The results of Jackson Minerals Limited ("Jackson") have been included in the consolidated financial statements since the acquisition date of Jackson. This is because upon lodgement of the federal court order with the Australian Securities and Investment Commission the Scheme of Arrangement becomes legally binding and effective control in Jackson Minerals Limited is passed to the new Parent Entity Cauldron Energy Limited.

Subsequent to the acquisition of Jackson Minerals Limited (but on the same date), the Parent Entity resolved to transfer 100% of the voting shares of Jackson Mineral Limited's subsidiaries; Jackson Global Limited and Jakaranda Minerals Limited to the Parent Entity. The results of

DIRECTOR'S REPORT (cont)

these two subsidiaries have been included in the consolidated financial statements since their acquisition.

For further details regarding the nature of these acquisitions, please refer to note 22 of the financial statements.

Impairment of Assets

The Consolidated Entity has conducted impairment procedures in accordance with the Australian Accounting Standards and the accounting policy outlined at note 1(m) of the notes to the financial statements, to ensure assets are not reported at more than their recoverable amount. An outline of the results of these procedures is provided below:

Consolidated Entity

The impairment expense of \$81,509 was incurred as a result of a decision to cease exploration activities on several of the Consolidated Entity's portfolio of tenements.

An impairment expense of \$262,955 was recorded in the Consolidated Entity's financial statements reducing the book value of the goodwill on investment in Jackson Minerals Limited, Jackson Global Limited and Jakaranda Minerals Limited it's the recoverable value (being nil at balance date).

Parent Entity

In addition to the impairment of exploration interests described above the following impairments have been recorded in the Parent Entity's financial statements:

Impairment of Investment in Subsidiary

An impairment expense of \$3,273,774 was recorded in the Parent Entity's financial statements reducing the book value of the investment in Jackson Minerals Limited.

Whilst these impairments are required under Australian Accounting Standards (AASB 136), it does not impact the consolidated results of the Consolidated Entity and does not reflect any change in the underlying values of the Consolidated Entities exploration and development assets.

For further details regarding the impairment on assets, refer to note 3 to the financial statements.

19. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Consolidated Entity's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2009.

DIRECTOR'S REPORT (cont)

20. LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration for the financial year ended 30 June 2009 is set out on page 21.

This report is signed in accordance with a resolution of the Board of Directors, made pursuant to section 306(3) of the Corporation Act 2001.

A handwritten signature in black ink, appearing to read "Terry Topping", is written over a horizontal line.

Terry Topping
Managing Director

PERTH
Dated this 30th day of September 2009

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Cauldron Energy Limited and Controlled Entities for the year ended 30 June 2009 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 30th day of September 2009

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Independent Auditor's Report

To the Members of Cauldron Energy Limited

We have audited the accompanying financial report of Cauldron Energy Limited (the company) and Cauldron Energy Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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Auditor's Opinion

In our opinion:

- a. The financial report of Cauldron Energy Limited and Cauldron Energy Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Going Concern

Without qualifying our opinion, attention is drawn to the following matter. As a result of matters described in Note 1 (u): Going Concern to the financial report, uncertainty exists whether Cauldron Energy Limited and Controlled Entities will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cauldron Energy Limited for the year ended 30 June 2009, complies with s 300A of the Corporations Act 2001.



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 30th day of September 2009

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CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Company's Code of Conduct is located on its website (www.cauldronenergy.com.au).

1.2 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

CORPORATE GOVERNANCE (cont)

- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is located on its website (www.cauldronenergy.com.au).

1.3 Remuneration Committee

1.3.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Remuneration Committee comprises Mr K Hunter, Mr T Topping and Mr S Brockhurst.

1.3.2 Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

1.4 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 8 September 2009. The Board resolved that given the Australian and International economic climate, it was not appropriate to consider amendment to the current remuneration structure. The Board further resolved to address the current remuneration strategy as and when appropriate.

1.4.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

There are no retirement benefits for senior executives.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

CORPORATE GOVERNANCE (cont)

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

1.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Board recognises that the following criteria are not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another group member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company and its affairs.

CORPORATE GOVERNANCE (cont)

- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Company and the Independent Director must ensure that materiality thresholds are not breached.

Mr A McBain was a Non-Executive Director and met the Company's criteria of independence adopted by the Company, however had stepped down from the Board prior to the end of financial year. The Company is currently researching suitable candidates meeting the Company's criteria for independence to fill this vacant position and hopes to announce the appointment of an independent Non-Executive Director in the imminent future. Mr K Hunter is a Non-Executive Director but does not meet the Company's criteria of independence adopted by the Company. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr T Topping and Mr B Smith are Executive Directors of the Company and do not meet the Company's criteria for independence. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for him to remain on the Board.

2.2 Role of the Chairman and CEO

As per recommendation 2.3 the roles of chair and chief executive officer in Cauldron Energy Limited are not exercised by the same individual and their separate roles and responsibilities were agreed by the board and set out in a statement of authority.

Mr A Sage was appointed as Executive Chairman and is responsible for leadership of the board and for the efficient organisation and conduct of the board's functioning. Mr A Sage facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors.

Mr T Topping was appointed as Chief Executive Officer and is responsible for:

- Developing with the Board, a consensus for Cauldron Energy Limited's vision and direction;
- Constructing with Board, programs to implement this vision;
- Negotiating the terms and conditions of appointment of key personnel for Board approval;
- Appointing key personnel;
- Conducting the remuneration review of all direct reports with the outcome being subsequently presented to the Remuneration and Nomination Committee for its consideration, endorsement and recommendation for adoption by the Board;
- Subject to endorsement by the Remuneration and Nominations Committee of the quantum of the general increase to apply to senior executives, carrying out the review on an individual basis.
- Approving the terms and conditions of appointment of all other staff members;
- Providing strong leadership to, and effective management of, the Company in order to:
 - encourage cooperation and teamwork;
 - build and maintain staff morale at a high level; and
 - build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company.
- Ensuring the Company has appropriate risk management processes for ensuring that it complies with laws and regulations relating to safety, health and environment delivering safe workplace for all personnel;
- Ensuring a culture of compliance generally, and specifically in relation to share trading and financial risk management policies;
- Carrying out the day-to-day management of the company;
- Forming other committees and working parties from time to time to assist in the orderly conduct and operation of the company;
- Keeping the Board informed, at an appropriate level, of all activities of the Company; and
- Ensuring that all personnel act with the highest degree of ethics and moral integrity.

CORPORATE GOVERNANCE (cont)

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. As the whole Board only consists of four (4) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors.

2.4 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience. The Company's Director Selection Procedure is located on its website (www.cauldronenergy.com.au).

2.5 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was introduced via the Board Charter first adopted on 25 September 2004 and has since been re-adopted by the Board on 8 September 2009. It will be implemented for the financial year ended 30 June 2009. A performance evaluation of senior executives was undertaken during the financial period ended 30 June 2009 in accordance with the Board Charter. The objective of this evaluation is to provide ongoing best practice corporate governance to the Company. The Company's Performance Evaluation Policy is located on its website (www.cauldronenergy.com.au).

2.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Company Code of Conduct

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Company is committed to:

- applying the company's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

The Board through the Chief Executive Officer monitors the company's compliance with the Code of Conduct periodically. The Code of Conduct was reviewed and re-adopted by the Board on 8 September 2009 to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

CORPORATE GOVERNANCE (cont)

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the company policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Company. If a situation where a conflict of interest arises the Managing Director is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Any breach of Corporate Governance is to be reported directly to the Managing Director.

3.1.1 Corporate Responsibility

The company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.

A copy of the Company's Code of Conduct is available on the Company's website (www.cauldronenergy.com.au).

3.2 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Company's Code of Conduct is located on its website (www.cauldronenergy.com.au).

3.3 Trading in Company Shares

On 8 September 2009 the Board reviewed and re-adopted its Share Trading Policy. The Board periodically reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations under to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met. The Company's Share Trading Policy is located on its website (www.cauldronenergy.com.au).

3.4 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

CORPORATE GOVERNANCE (cont)

3.5 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

3.6 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

The Audit Committee consists of three members, and is chaired by the, Mr K Hunter. The Audit Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

For information on the skills, experience and expertise of the Audit Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Audit Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.2 in that the Audit Committee does not consist only of non-executive directors or a majority of independent directors and is not chaired by an independent chairman. The Board considers that this composition is appropriate given the current size of the Company. Furthermore, the Board considers that the Audit Committee is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

Below is a summary of the role and responsibilities of an Audit Committee.

4.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Audit Committee comprises Mr K Hunter, Mr T Topping and Mr S Brockhurst.

Additionally, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

4.1.2 Audit Committee Charter

The Audit Committee has adopted a Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Audit Committee refers to the Charter to ensure they are meeting all the requirements otherwise delegated to an audit committee. A copy of the Audit Committee Charter is available on the Company's website (www.cauldronenergy.com.au).

4.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Audit Committee each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

CORPORATE GOVERNANCE (cont)

4.1.4 External Auditor

The Board has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Company's website (www.cauldronenergy.com.au).

4.2 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. The Board sets aside time at meetings to discuss any risk management issues and Directors are encouraged to give priority to such issues.

In developing its risk management policies, the Board has taken into consideration any legal obligations and the reasonable expectations of its stakeholders in relation to risk management. The Chair is accountable to the Board for effective risk management. The Board undertakes to review the management of material business risks at least annually.

On 29 September 2009 Mr T Topping (Chief Executive Officer) and Mr S Brockhurst (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's Risk Management Policy is located on its website (www.cauldronenergy.com.au).

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company's Continuous Disclosure Policy is located on its website (www.cauldronenergy.com.au)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information. The Company's Shareholder Communication Policy is available on the Company's website (www.cauldronenergy.com.au).

CORPORATE GOVERNANCE (cont)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Management Policies

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company has established a risk register and assessment procedure which is tabled at each board meeting and any change in risk elements are identified and discussed. In addition, the Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment.

The Company's risk management strategy was formally reviewed and re-adopted by the Board on 8 September 2009 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website (www.cauldronenergy.com.au).

7.2 Attestations by CEO and CFO

It is the Board's policy, that the CEO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report.

PRINCIPLE 8: RENUMERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

8.1.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Remuneration Committee comprises Mr K Hunter, Mr T Topping and Mr S Brockhurst.

8.1.2 Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

CORPORATE GOVERNANCE (cont)

8.2 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 8 September 2009. The Board resolved that given the Australian and International economic climate, it was not appropriate to consider amendment to the current remuneration structure. The Board further resolved to address the current remuneration strategy as and when appropriate.

8.2.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

There are no retirement benefits for senior executives.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

8.2.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation. There are no retirement benefits for Non-Executive Directors.

8.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report. The Company's Remuneration Statement is located on its website (www.cauldronenergy.com.au).

CORPORATE GOVERNANCE (cont)

| Principle / Recommendation | Requirement | Compliance | Reference |
|----------------------------|--|------------|-----------------------------------|
| Principle 1 | Lay Solid Foundations for Management and Oversight | | |
| Recommendation 1.1 | Functions of the Board and Senior Executives | Yes | 1.1, 1.2, Website |
| Recommendation 1.2 | Performance Evaluation of Senior Executives | Yes | 1.4 |
| Recommendation 1.3 | Reporting on Principle 1 | Yes | 1.1, 1.2, Website |
| Principle 2 | Structure the Board to Add Value | | |
| Recommendation 2.1 | Independent Directors | Yes | 2.1 |
| Recommendation 2.2 | Independent Chair | Yes | 2.1 |
| Recommendation 2.3 | Role of the Chair and CEO | Yes | 2.3, Website |
| Recommendation 2.4 | Establishment of Nomination Committee | No | 2.3 |
| Recommendation 2.5 | Performance Evaluation Process | Yes | 2.5, Website |
| Recommendation 2.6 | Reporting on Principle 2 | Yes | 2.1,2.3,2.5, Website |
| Principle 3 | Promote Ethical and Responsible Decision Making | | |
| Recommendation 3.1 | Directors' and Senior Executives' Code of Conduct | Yes | 3.1, Website |
| Recommendation 3.2 | Company Security Trading Policy | Yes | 3.3, Website |
| Recommendation 3.3 | Reporting on Principle 3 | Yes | 3.1, 3.2, 3.3, Website |
| Principle 4 | Safeguard Integrity in Financial Reporting | | |
| Recommendation 4.1 | Establishment of Audit Committee | Yes | 4.1 |
| Recommendation 4.2 | Structure of Audit Committee | Yes | 4.1.3 |
| Recommendation 4.3 | Audit Committee Charter | Yes | 4.1.2, Website |
| Recommendation 4.4 | Reporting on Principle 4 | Yes | 4.1, 4.1.1, 4.1.2, 4.1.3, Website |
| Principle 5 | Make Timely and Balanced Disclosure | | |
| Recommendation 5.1 | Policy for Compliance with Continuous Disclosure | Yes | 5.1, Website |
| Recommendation 5.2 | Reporting on Principle 5 | Yes | 5.1, Website |
| Principle 6 | Respect the Rights of Shareholders | | |
| Recommendation 6.1 | Communications Strategy | Yes | 6.1, Website |
| Recommendation 6.2 | Reporting on Principle 6 | Yes | 6.1, Website |
| Principle 7 | Recognise and Manage Risk | | |
| Recommendation 7.1 | Policies on Risk Oversight and Management of Material Business Risks | Yes | 7.1, Website |
| Recommendation 7.2 | Attestations by CEO and CFO | Yes | 7.2 |
| Recommendation 7.3 | Risk Management and Internal Control | Yes | 7.1, Website |
| Recommendation 7.4 | Reporting on Principle 7 | Yes | 7.1, Website |
| Principle 8 | Remunerate Fairly and Responsibly | | |
| Recommendation 8.1 | Establishment of Remuneration Committee | Yes | 8.1, 8.3, |

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CORPORATE GOVERNANCE (cont)

| | | | |
|--------------------|---|-----|---------------------|
| | | | Website |
| Recommendation 8.2 | Executive and Non-Executive Director Remuneration | Yes | 8.2.1, 8.2.2 |
| Recommendation 8.3 | Reporting on Principle 8 | Yes | 8.1, 8.2.1, Website |

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**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

| | NOTE | Consolidated Entity | | Parent Entity | |
|---|------|---------------------------|---------------------------|-------------------------|---------------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| Revenues | 3 | 204,035 | 291,010 | 4,920,939 | 291,010 |
| Net fair value gain/(loss) on financial assets | | (278,716) | 138,737 | (276,216) | 138,737 |
| Administration expenses | | (370,848) | (160,240) | (366,452) | (160,240) |
| Employee benefits expenses | | (172,353) | (150,100) | (226,759) | (150,100) |
| Depreciation expenses | | (25,563) | (26,458) | (20,629) | (26,458) |
| Finance costs | | (151,863) | (4,454) | (143,926) | (4,454) |
| Consultancy expenses | | (164,382) | (31,379) | (139,455) | (31,379) |
| Compliance and regulatory expenses | | (256,413) | (137,955) | (236,161) | (136,355) |
| Occupancy expenses | | (144,450) | (63,524) | (135,336) | (63,524) |
| Directors fees | | (180,849) | (221,872) | (180,849) | (221,872) |
| Promotional & Marketing | | (131,595) | (99,796) | (163,233) | (99,796) |
| Share based payments | | - | (404,880) | - | (404,880) |
| Travel expenses | | (44,724) | (115,399) | (44,553) | (115,399) |
| Impairment of VAT receivable | | (11,904) | - | - | - |
| Impairment of goodwill | | (262,955) | - | - | - |
| Net impairment loss on investment in subsidiary | | - | - | (3,273,774) | - |
| Exploration expenditure expensed as incurred | | (8,187) | - | (5,847) | - |
| Impairment of exploration expenditure | | (81,509) | (529,720) | (83,957) | (529,720) |
| Loss before income tax expense | 3 | (2,082,276) | (1,516,030) | (376,208) | (1,514,430) |
| Income tax expense | 5 | - | - | - | - |
| Loss for the year | | <u>(2,082,276)</u> | <u>(1,516,030)</u> | <u>(376,208)</u> | <u>(1,514,430)</u> |
| Profit/(loss) from continuing operations | | (2,114,221) | (1,516,030) | (376,208) | (1,514,430) |
| Profit/(loss) from discontinuing operations | 4 | <u>31,945</u> | - | - | - |
| Net Loss attributable to equity holders | | <u>(2,082,276)</u> | <u>(1,516,030)</u> | <u>(376,208)</u> | <u>(1,514,430)</u> |
| Basic loss per share (cents per share) | 16 | (4.28) | (3.16) | (0.77) | (3.15) |

The accompanying notes form part of these financial statements.

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**BALANCE SHEET
AS AT 30 JUNE 2009**

| | Note | Consolidated Entity | | Parent Entity | |
|--|------|---------------------|-------------------|-------------------|-------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 20 | 364,819 | 2,610,715 | 340,938 | 2,610,715 |
| Non-current assets held for sale | 4 | - | - | 2,959,693 | - |
| Trade and other receivables | 6 | 722,559 | 157,714 | 658,725 | 157,714 |
| Financial assets | 7 | 517,362 | 666,633 | 358,612 | 661,633 |
| TOTAL CURRENT ASSETS | | 1,604,740 | 3,435,062 | 4,317,968 | 3,430,062 |
| NON CURRENT ASSETS | | | | | |
| Trade and other receivables | 6 | 292,592 | 120,000 | 2,971,835 | 127,680 |
| Financial assets | 7 | - | - | 7 | 5 |
| Exploration and evaluation expenditure | 8 | 15,047,705 | 7,702,848 | 10,968,314 | 7,702,848 |
| Property, plant and equipment | 9 | 143,230 | 40,193 | 36,358 | 40,193 |
| TOTAL NON CURRENT ASSETS | | 15,483,527 | 7,863,041 | 13,976,514 | 7,870,726 |
| TOTAL ASSETS | | 17,088,267 | 11,298,103 | 18,294,482 | 11,300,788 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 10 | 1,258,519 | 734,434 | 767,331 | 734,434 |
| Financial liabilities | 11 | 2,305,395 | 4,855 | 2,305,395 | 4,855 |
| Short-term provisions | 12 | 59,388 | 31,487 | 59,388 | 31,487 |
| TOTAL CURRENT LIABILITIES | | 3,623,302 | 770,776 | 3,132,114 | 770,776 |
| NON CURRENT LIABILITIES | | | | | |
| Financial liabilities | 11 | 300,000 | 5,394 | 300,000 | 5,394 |
| TOTAL NON CURRENT LIABILITIES | | 300,000 | 5,394 | 300,000 | 5,394 |
| TOTAL LIABILITIES | | 3,923,302 | 776,170 | 3,432,114 | 776,170 |
| NET ASSETS | | 13,164,965 | 10,521,933 | 14,862,368 | 10,524,618 |
| EQUITY | | | | | |
| Issued capital | 13 | 17,739,374 | 13,025,416 | 17,739,374 | 13,025,416 |
| Reserves | 14 | 1,081,160 | 1,421,450 | 1,069,810 | 1,421,450 |
| Retained losses | 15 | (5,655,569) | (3,924,933) | (3,946,816) | (3,922,248) |
| TOTAL EQUITY | | 13,164,965 | 10,521,933 | 14,862,368 | 10,524,618 |

The accompanying notes form part of these financial statements.

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

| | Note | Consolidated Entity | | Parent Entity | |
|---|------|-----------------------|-------------------------|-----------------------|-------------------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | \$ | \$ | \$ | \$ |
| Cash Flows from Operating Activities | | | | | |
| - Payments to suppliers and employees | | (1,447,282) | (973,552) | (1,205,269) | (971,952) |
| - Interest received | | 45,675 | 270,130 | 45,017 | 270,130 |
| - Borrowing costs | | (7,871) | - | (6,979) | - |
| - Payments for exploration and evaluation | | <u>(2,312,801)</u> | <u>(4,078,987)</u> | <u>(2,360,900)</u> | <u>(4,078,987)</u> |
| <i>Net cash used in operating activities</i> | 20 | <u>(3,722,279)</u> | <u>(4,782,409)</u> | <u>(3,528,131)</u> | <u>(4,780,809)</u> |
| Cash Flows from Investing Activities | | | | | |
| - Payment of environmental bonds | | (665) | (93,000) | - | (93,000) |
| - Purchase of plant and equipment | | (21,648) | (26,056) | (21,648) | (26,056) |
| - Purchase of equity investments | | (83,494) | (335,965) | (83,494) | (330,965) |
| - Redemption of convertible note | | (1,250,000) | - | (1,250,000) | - |
| - Proceeds from sales of investments | | 222,936 | 51,150 | 222,936 | 51,150 |
| - Proceeds from merger acquisition | | <u>118,004</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net cash used in investing activities</i> | | <u>(1,014,867)</u> | <u>(403,871)</u> | <u>(1,132,206)</u> | <u>(398,871)</u> |
| Cash Flows from Financing Activities | | | | | |
| - Option fee | | - | 9,091 | - | 9,091 |
| - Payment of loans to unrelated parties | | (14,902) | (500,000) | (13,319) | (500,000) |
| - Repayment of loans by unrelated parties | | - | 625,898 | - | 625,898 |
| - Payment of loans to related parties | | (98,153) | (9,820) | (196,121) | (16,420) |
| - Proceeds from issue of shares | | - | 6,638,250 | - | 6,638,250 |
| - Proceeds from convertible notes | | 2,600,000 | - | 2,600,000 | - |
| - Payment for cost of issue of securities | | <u>-</u> | <u>(323,187)</u> | <u>-</u> | <u>(323,187)</u> |
| <i>Net cash provided by financing activities</i> | | <u>2,486,945</u> | <u>6,440,232</u> | <u>2,390,560</u> | <u>6,434,632</u> |
| Net increase/ (decrease) in cash held | | (2,250,201) | 1,253,952 | (2,269,777) | 1,253,952 |
| Effects of exchange rate changes on cash | | 4,305 | - | - | - |
| Cash and cash equivalents at beginning of financial year | | <u>2,610,715</u> | <u>1,356,763</u> | <u>2,610,715</u> | <u>1,356,763</u> |
| Cash and cash equivalents at end of financial year | 20 | <u><u>364,819</u></u> | <u><u>2,610,715</u></u> | <u><u>340,938</u></u> | <u><u>2,610,715</u></u> |

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2009**

| <u>Consolidated Entity</u> | Issued Capital | Retained Losses | Reserves | Total |
|---|---------------------------|----------------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2007 | 7,149,461 | (2,408,903) | 511,587 | 5,252,145 |
| Shares issued during the year | 6,765,750 | - | - | 6,765,750 |
| Options issued during the year | - | - | 997,640 | 997,640 |
| Transfer of value of exercised options | 87,777 | - | (87,777) | - |
| Transaction costs | (977,572) | - | - | (977,572) |
| Profit / (loss) attributable to members | - | (1,516,030) | - | (1,516,029) |
| Balance at 30 June 2008 | 13,025,416 | (3,924,933) | 1,421,450 | 10,521,933 |
| Balance at 1 July 2008 | 13,025,416 | (3,924,933) | 1,421,450 | 10,521,933 |
| Shares issued during the year | 4,713,958 | - | - | 4,713,958 |
| Options issued during the year | - | - | - | - |
| Transfer of value of lapsed options | - | 351,640 | (351,640) | - |
| Transaction costs | - | - | - | - |
| Exchange differences arising on translation of foreign entities | - | - | 11,350 | 11,350 |
| Profit / (loss) attributable to members | - | (2,082,276) | - | (2,082,276) |
| Balance at 30 June 2009 | 17,739,374 | (5,655,569) | 1,081,160 | 13,164,965 |
| <u>Parent Entity</u> | Issued Capital | Retained Losses | Reserves | Total |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2007 | 7,149,461 | (2,407,818) | 511,587 | 5,253,230 |
| Shares issued during the year | 6,765,750 | - | - | 6,765,750 |
| Options issued during the year | - | - | 997,640 | 997,640 |
| Transfer of value of exercised options | 87,777 | - | (87,777) | - |
| Transaction costs | (977,572) | - | - | (977,572) |
| Profit / (loss) attributable to members | - | (1,514,430) | - | (1,514,430) |
| Balance at 30 June 2008 | 13,025,416 | (3,922,248) | 1,421,450 | 10,524,618 |
| Balance at 1 July 2008 | 13,025,416 | (3,922,248) | 1,421,450 | 10,524,618 |
| Shares issued during the year | 4,713,958 | - | - | 4,713,958 |
| Options issued during the year | - | - | - | - |
| Transfer of value of exercised options | - | 351,640 | (351,640) | - |
| Transaction costs | - | - | - | - |
| Profit / (loss) attributable to members | - | (376,208) | - | (376,208) |
| Balance at 30 June 2009 | 17,739,374 | (3,946,816) | 1,069,810 | 14,862,368 |

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Consolidated Entity of Cauldron Energy Limited and controlled entities, and Cauldron Energy Limited as an individual Parent Entity. Cauldron Energy Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue by the directors on 30th September 2009.

Basis of Preparation

The financial report has 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.

The financial report is presented in Australian dollars.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

a. Principles of Consolidation

A controlled entity is any entity over which Cauldron Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in Note 19 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the Consolidated Entity during the year, their operating results have been included from the date control was obtained.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Parent Entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

b. Foreign Currency

The individual financial statements of each Consolidated Entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Cauldron Energy Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transaction in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet dates, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit and loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in the foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Consolidated Entity's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used. Exchange differences arising, if any, are classified as equity and transferred to the Consolidated Entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

d. Share Based Payments

The Parent Entity provides benefits to employees of the Parent Entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model, further details of which are given in note 23.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Parent Entity's estimate of shares that will eventually vest. Vesting conditions are time conditions and are disclosed in Note 23.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Cauldron Energy Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:-

- (i) the extent to which the vesting period has expired; and
- (ii) the Parent Entity's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Equity-settled share-based payment transaction with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

e. Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Parent Entity/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Parent Entity and all its wholly-owned Australian resident entities are part of a tax-Consolidated Entity under Australian taxation law. Cauldron Energy Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within Consolidated Entity' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Parent Entity (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Parent Entity and each member of the Consolidated Entity in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 5 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

f. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Cash equivalents are short-term, highly liquid investments that

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

g. Financial Instruments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Parent Entity financial statements. Further information regarding equity accounted investments is detailed in note 7.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

The Consolidated Entity has classified certain shares and options as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Held-to-Maturity Investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-Sale Financial Assets

Certain shares and convertible notes held by the Consolidated Entity are classified as being available-for-sale and are stated at fair value less impairment. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and Receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Impairment is determined by review of the nature and recoverability of the loan

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

or receivable with reference to its terms of repayments and capacity of the debtor entity to repay the debt. If the recoverable amount of a receivable is estimated to be less than its carrying amount, the carrying amount of receivable is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Impairment of Financials Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Consolidated Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated Entity neither transfers nor retains substantially all the risks or rewards of ownership and continues to control the transferred asset, the Consolidated Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated Entity retains substantially all the risk and rewards to ownership of a transferred financial asset, the Consolidated Entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

h. Investment in Subsidiaries

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Parent Entity financial statements.

i. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

j. Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate | |
|--------------------------------|-------------------|-------|
| | 2009 | 2008 |
| Plant and equipment | 40.0% | 40.0% |
| Office furniture and equipment | 40.0% | 40.0% |
| Motor vehicle | 40.0% | 40.0% |

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

k. Exploration, Evaluation and Development Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to the tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

i. Intangible Assets

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

m. Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

n. Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

o. Revenue Recognition

Sale of Goods

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

p. Employee Benefits

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Equity-settled compensation

The Consolidated Entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

q. Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligation includes the costs of removing facilities, abandoning sites and restoring the affected areas.

r. Financial instruments issued by the Consolidated Entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

s. Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

Non-Derivative Instruments (Convertible Notes)

A note convertible by the holder into a fixed number of ordinary shares comprises two components:

- (i) a financial liability, being a contractual obligation to deliver cash or another financial asset; and
- (ii) an equity instrument, being a call option exercisable by the holder to convert the note into ordinary shares.

The convertible note liability has been accounted for using the discounted net present value (NPV) method as per AASB 139. The discount rate used in this calculation is 12% which takes in to consideration current business loan rates (over a similar period) and market risk. The residual value of the calculated net present value of the future cash-flows is recognised as the equity component of the financial instrument, and is included in issued capital on the balance sheet.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

t. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

u. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The loss of the Consolidated Entity for the period amounted to \$2,082,276 (2008: \$1,515,030). Net cash outflow from operations was \$3,722,279 (2008: \$ (4,782,409), and net assets as at 30 June 2009 were \$13,164,965 (20 June 2008: \$10,521,933).

The entity also has future commitments comprising \$2,979,867 for the Department of Industry and Resources (DoIR) minimum expenditure commitments on granted Australian based tenements, and interest payable of i) \$2.3m convertible note: \$353,883 ii) \$300K convertible note: \$33,205 & iii) \$1.9m: \$167,095.50 (unless any of the notes are converted before 30 June 2010), and stamp duty payable on the acquisition of exploration assets from the Jackson merger estimated at \$253,799 due.

In considering whether the going concern basis is appropriate for preparing this financial report, the directors recognise that current levels of working capital may be insufficient to meet the required level of funding in relation to the potential expenditure commitments required to maintain title to the exploration tenements. However, in the informed opinion of the directors, it has been concluded that the going concern basis is the appropriate basis for preparing the financial statements based on the following key considerations:

- The Parent Entity has an ongoing mandate with a professional boutique broking house to raise \$7.5million through a Convertible Note Facility, of which \$1.9million has currently been received.
- The Parent Entity has also received expressions of interest for future capital raisings / placement through an issue of fully paid shares.
- The company will pursue potential farm out activities on the Company's exploration assets;
- The Parent Entity will seek where appropriate to obtain exemptions on exploration and mining tenements where minimum expenditure commitments have previously been met or where resources have been defined and are awaiting mining leases approval;

The directors of the Company are confident that the necessary funds will be raised as required. Should the funding not be obtained then the Company may not be able to meet its planned and proposed levels of expenditure for the forthcoming year.

Should the Company be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classifications of liabilities that may be necessary should the Company be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

v. Accounting Standards and interpretations issued not yet adopted

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the group has decided not to early adopt. A discussion of those future requirements and their impact on the group is as follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the Group will be unable to be determined. The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be booked to goodwill but will be expensed unless the cost relates to issuing debt or equity securities;
- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is in substance no change to group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The Group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's share of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). This Standard replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the group's board for the purposes of decision making. Whilst the impact of this Standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic level at which segments may be defined, and the fact that cash-generating units cannot be bigger than operating segments, impairment calculations may be affected. Management presently do not believe impairment will result however.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

AASB 101: Presentation of Financial Statements, AASB 2007–8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007–10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefine the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007–6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the group as a policy of capitalising qualifying borrowing costs has been maintained by the group.

AASB 2008–1: Amendments to Australian Accounting Standard — Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008–5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) and AASB 2008–6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the group.

The Company does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the Company's financial statements.

The financial report was authorised for issue on 30 September 2009 by the board of directors

2. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in one business segment being mineral exploration and two geographical segments.

(a) Geographical Segments

The Consolidated Entity has the following geographical segments:

Australia

Australia is the location of the central management and control of Cauldron Energy Limited, including where company secretarial services, accounting and cash management operations are performed, and the Consolidated Entity's exploration interests are conducted.

Argentina

Argentina is the location of the Parent Entity's subsidiaries; Jackson Global Limited and Jakaranda Minerals Limited's exploration activities and also where their licence interests are held.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| 30 June 2009 Primary Reporting – Geographical Segments | \$ Australia | \$ Argentina | \$ Eliminations | \$ Consolidated Entity |
|---|-------------------------|-------------------------|----------------------------|---------------------------------------|
| Revenues | <u>204,033</u> | <u>-</u> | - | <u>204,033</u> |
| Segment result | <u>(5,069,248)</u> | <u>(23,847)</u> | 3,010,819 | <u>2,082,276</u> |
| Segment assets | <u>21,769,044</u> | <u>1,156,316</u> | (5,837,093) | <u>17,088,267</u> |
| Segment liabilities | <u>(3,956,203)</u> | <u>(2,844,491)</u> | 2,877,392 | <u>(3,923,302)</u> |
| Plant and equipment | <u>117,537</u> | <u>25,693</u> | - | <u>143,230</u> |
| Exploration and evaluation, expenditure capitalised | <u>13,939,998</u> | <u>1,107,707</u> | | <u>15,047,705</u> |
| Depreciation | <u>24,473</u> | <u>1,090</u> | - | <u>25,563</u> |
| Segment assets – discontinued operations | <u>3,472,062</u> | <u>-</u> | - | <u>3,472,062</u> |
| Segment liabilities – discontinued operations | <u>512,369</u> | <u>-</u> | - | <u>512,369</u> |
| 30 June 2008 Primary Reporting – Geographical Segments | \$ Australia | \$ Argentina | \$ Eliminations | \$ Consolidated Entity |
| Revenues | <u>291,010</u> | <u>-</u> | - | <u>291,010</u> |
| Segment result | <u>(1,516,030)</u> | <u>-</u> | - | <u>(1,516,030)</u> |
| Segment assets | <u>11,298,103</u> | <u>-</u> | - | <u>11,298,103</u> |
| Segment liabilities | <u>(776,170)</u> | <u>-</u> | - | <u>(776,170)</u> |
| Plant and equipment | <u>40,193</u> | <u>-</u> | - | <u>40,193</u> |
| Exploration and evaluation, expenditure capitalised | <u>7,702,848</u> | <u>-</u> | - | <u>7,702,848</u> |
| Depreciation | <u>26,458</u> | <u>-</u> | - | <u>26,458</u> |
| Other non-cash expenses | <u>-</u> | <u>-</u> | - | <u>-</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

3. LOSS FROM OPERATIONS

| | Consolidated Entity | | Parent Entity | |
|---|----------------------------|----------------|----------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| (a) Revenue and other income | | | | |
| Operating activities | | | | |
| - interest received | 47,001 | 266,734 | 45,458 | 266,734 |
| - interest received on loan to other entities | - | 1,445 | - | 1,445 |
| - realised gain on sale of investment | 112,637 | 13,650 | 112,637 | 13,650 |
| - intercompany transfer of exploration assets | - | - | 2,080,230 | - |
| - intercompany transfer of loan receivable | - | - | 2,638,215 | - |
| - intercompany transfer of subsidiaries | - | - | 2 | - |
| - JV administration service fee | 44,317 | - | 44,317 | - |
| - Other | 80 | 9,181 | 80 | 9,181 |
| Total Revenue | <u>204,035</u> | <u>291,010</u> | <u>4,920,939</u> | <u>291,010</u> |

(b) Expenses

Loss before income tax has been arrived at after (crediting)/ charging the following expenses:

| | | | | |
|--|------------------|-----------------|--------------------|-----------------|
| - Depreciation of non-current assets | <u>(25,563)</u> | <u>(26,458)</u> | <u>(20,629)</u> | <u>(26,458)</u> |
| - Provision for diminution in value of listed shares | <u>(278,716)</u> | <u>138,737</u> | <u>(276,216)</u> | <u>138,737</u> |
| - Stamp duty on acquisition of assets | <u>(253,799)</u> | - | <u>(253,799)</u> | - |
| - Interest payable on financial liabilities | <u>(137,622)</u> | - | <u>(137,622)</u> | - |
| - Impairment of goodwill | <u>(262,955)</u> | - | - | - |
| - Impairment of investment in subsidiary | - | - | <u>(3,273,774)</u> | - |
| - Impairment of exploration expenditure | <u>(81,509)</u> | - | <u>(83,957)</u> | - |

4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

On the 4th June 2009, subsequent to the formalisation of the acquisition merger of Cauldron Energy Limited and Jackson Minerals Limited ("Jackson"), the Consolidated Entity resolved to transfer the following assets of Jackson Minerals Limited to the Parent Entity's asset portfolio:

- Subsidiaries; Jackson Global Limited and Jakaranda Minerals Limited
- Wallbrook Production Royalty agreement assets
- Boolaloo exploration assets were transferred to the Parent Entities asset portfolio

Following the above listed asset transfers the subsidiary of Jackson Minerals Limited was re-classified as discontinued operations as at 30th June 2009 and represents assets held for sale.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

Financial information relating to the discontinued operations is as follows:

| | 2009 |
|---|------------------|
| a) Results of discontinued operations | \$ |
| Revenues | 1,543 |
| Expenses | (5,447) |
| Provision for annual leave transfer | 35,849 |
| Net loss attributable to discontinued operations | <u>31,945</u> |
| b) Carrying amount of assets and liabilities | |
| Cash and cash equivalents | 9,644 |
| Available-for-sale financial assets | 156,250 |
| Trade and other receivables | 253,304 |
| Property, plant and equipment | 81,180 |
| Exploration and evaluation assets | 2,971,684 |
| TOTAL ASSETS | <u>3,472,062</u> |
| Trade and other payables | <u>512,369</u> |
| TOTAL LIABILITIES | <u>512,369</u> |
| NET ASSETS | <u>2,959,693</u> |
| c) Cashflows attributable to discontinued operations | |
| Net cash outflows from operating activities | (61,998) |
| Net cash outflows from investing activities | (658) |
| Net cash inflows from financing activities | 49,950 |
| Net increase/(decrease) of cash held | <u>(12,706)</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| 5. INCOME TAX EXPENSE | Consolidated | | Parent Entity | |
|---|--------------|-------------|---------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| (a) The components of tax expense comprise: | | | | |
| Current tax | | | | |
| Deferred tax | | | | |
| Total income tax expense/(income) attributable to entity | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows: | | | | |
| Loss before tax | (2,082,276) | (1,516,030) | (376,208) | (1,514,430) |
| Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2008: 30%): | (624,682) | (454,808) | (112,861) | (454,328) |
| <u>Add:</u> | | | | |
| <i>Tax effect of:</i> | | | | |
| Non-deductible expenses | 188,886 | 124,204 | 102,847 | 124,204 |
| Net temporary differences arising on acquisition of subsidiaries | - | - | - | - |
| Effect of movement of loans & investments in subsidiaries | - | - | 190,667 | - |
| Movement in unrecognised temporary differences | 123,551 | (83) | 123,681 | (83) |
| Effect of subsidiary temporary differences | - | - | 820,043 | - |
| Effect of current year capital losses not recognised | - | - | - | - |
| Additional prior year losses recognised | 382,386 | - | - | - |
| Current year tax losses not recognised | - | 377,684 | - | 377,204 |
| <u>Less:</u> | | | | |
| <i>Tax effect of:</i> | | | | |
| Under/(Over) Provision for Prior Year | (832) | - | (832) | - |
| Effect of prior year tax losses derecognised/(recognised) | - | - | - | - |
| Additional prior year and transferred losses recognised | - | - | (1,076,548) | - |
| Deductible equity raising costs | (69,309) | (46,997) | (46,997) | (46,997) |
| Total income tax expense/(income) attributable to entity | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| | Consolidated | | Parent Entity | |
|---|---------------------|------------------|----------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| (c) Recognised deferred tax balances | | | | |
| Deferred tax balances have been recognised in respect of the following: | | | | |
| <u>Deferred tax assets</u> | | | | |
| Annual Leave | 17,816 | - | 17,816 | - |
| Long Service Leave | - | - | - | - |
| Investments | 78,048 | - | 53,860 | - |
| Other Accruals | 56,469 | - | 56,312 | - |
| Provisions | - | - | - | - |
| Plant & Equipment | - | - | - | - |
| Previously expensed borrowing costs | 12,875 | - | 3,647 | - |
| Previously expensed capital raising costs | 100,431 | - | 47,206 | - |
| Capital Raising Costs reflected in Equity | - | - | - | - |
| Tax losses | 3,931,944 | - | 3,931,944 | - |
| Capital losses | - | - | - | - |
| Other DTA's | - | - | - | - |
| | 4,197,583 | - | 4,110,785 | - |
| <u>Deferred tax liabilities</u> | | | | |
| Prepayments | (160) | - | (160) | - |
| Exploration | (4,181,999) | - | (3,290,494) | - |
| Plant & Equipment | (11,476) | - | 375 | - |
| Unearned Income | (3,948) | - | (463) | - |
| Other DTL's | - | - | (820,043) | - |
| | (4,197,583) | - | (4,110,785) | - |
| Net recognised deferred tax assets/(liabilities) | - | - | - | - |
| (d) Unrecognised deferred tax balances | | | | |
| Deferred tax balances have not been recognised in respect of the following: | | | | |
| <u>Deferred tax assets</u> | | | | |
| Carry forward revenue losses | 3,503,820 | 2,194,334 | 3,503,820 | 2,194,334 |
| Carry forward capital losses | 381,420 | - | 381,420 | - |
| Capital raising costs | 92,681 | 123,681 | 76,436 | 123,681 |
| Provisions & accruals | - | 22,060 | - | 22,060 |
| Other | - | - | - | - |
| | 3,977,921 | 2,340,075 | 3,961,676 | 2,340,075 |
| <u>Deferred tax liabilities</u> | | | | |
| Exploration | - | 2,310,854 | - | 2,310,854 |
| Other | - | 29,221 | - | 29,221 |
| | - | 2,340,075 | - | 2,340,075 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

The tax benefits of the above Deferred Tax Assets will only be obtained if:

- (a) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the Parent Entity in utilising the benefits.

The Consolidated Entity currently has no franking credits.

| 6. TRADE AND OTHER RECEIVABLES | Consolidated Entity | | Parent Entity | |
|--|---------------------|----------------|------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Trade receivables | 713,779 | 147,894 | 653,696 | 147,894 |
| Amounts receivable from related parties | - | 9,820 | - | 9,820 |
| Prepayments | 8,780 | - | 5,029 | - |
| | <u>722,559</u> | <u>157,714</u> | <u>658,725</u> | <u>157,714</u> |
| Non-Current | | | | |
| Amounts receivable from related parties | 14,610 | - | 14,610 | - |
| Intercompany loan provided to subsidiary (i) | - | - | 2,837,225 | 7,680 |
| Environmental Bonds | 277,982 | 120,000 | 120,000 | 120,000 |
| | <u>292,592</u> | <u>120,000</u> | <u>2,971,835</u> | <u>127,680</u> |

- (i) Loans are provided by the Parent Entity to its controlled entities for their respective operating activities. A substantial amount is expended on the Consolidated Entity's subsidiary Jackson Global Limited in relation to its Argentinean projects. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The eventual recovery of the loan will be dependent upon the successful commercial application of these projects or the sale to third parties.

| 7. FINANCIAL ASSETS | Consolidated Entity | | Parent Entity | |
|---|---------------------|----------------|----------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Current financial assets at fair value through profit and loss | | | | |
| Listed shares | 492,362 | 666,633 | 333,612 | 661,633 |
| Unlisted shares | 25,000 | - | 25,000 | - |
| | <u>517,362</u> | <u>666,633</u> | <u>358,612</u> | <u>661,633</u> |
| Non-Current | | | | |
| Shares in controlled entities at cost (i) | - | - | 7 | 5 |
| | <u>-</u> | <u>-</u> | <u>7</u> | <u>5</u> |

- (i) Further details on controlled entities disclosed in Note 19.

Current financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

Fair value of listed and unlisted investments is calculated with reference to current market prices at balance date.

| | Consolidated Entity | | Parent Entity | |
|--|----------------------------|------------------|----------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| 8. EXPLORATION AND EVALUATION EXPENDITURE | | | | |
| Non-Current | | | | |
| Brought forward | 7,702,848 | 3,963,214 | 7,702,848 | 3,963,214 |
| Exploration expenditure during the year | 2,124,779 | 4,269,354 | 2,015,540 | 4,269,354 |
| Exploration assets acquired | 6,050,382 | - | 2,080,230 | - |
| JV exploration expenditure reimbursed | (643,175) | - | (643,175) | - |
| Lease rent refunds | (103,172) | - | (103,172) | - |
| Impairment of exploration expenditure | (83,957) | (529,720) | (83,957) | (529,720) |
| Carrying Amount at the end of year | <u>15,047,705</u> | <u>7,702,848</u> | <u>10,968,314</u> | <u>7,702,848</u> |

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon:

- the continuance of the Consolidated Entity's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Consolidated Entity's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| 9. PLANT AND EQUIPMENT | Consolidated Entity | | Parent Entity | |
|--------------------------------|---------------------|---------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Plant and equipment - office | | | | |
| At cost | 331,841 | 79,155 | 95,259 | 79,155 |
| Accumulated depreciation | (256,027) | (44,999) | (62,530) | (44,999) |
| | <u>75,814</u> | <u>34,156</u> | <u>32,729</u> | <u>34,156</u> |
| Office furniture and equipment | | | | |
| At cost | 49,694 | 4,738 | 4,738 | 4,738 |
| Accumulated depreciation | (42,470) | (3,803) | (4,176) | (3,803) |
| | <u>7,224</u> | <u>935</u> | <u>562</u> | <u>935</u> |
| Plant and equipment - field | | | | |
| At cost | 83,854 | 15,169 | 15,169 | 15,169 |
| Accumulated depreciation | (41,282) | (10,067) | (12,102) | (10,067) |
| | <u>42,572</u> | <u>5,102</u> | <u>3,067</u> | <u>5,102</u> |
| Motor Vehicles | | | | |
| At cost | 55,626 | - | - | - |
| Accumulated depreciation | (38,006) | - | - | - |
| | <u>17,620</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total plant and equipment | <u>143,230</u> | <u>40,193</u> | <u>36,358</u> | <u>40,193</u> |

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| 2009 | Plant & Equipment | Office Furniture & Equip | Plant & Equipment - Field | Motor Vehicles | Total |
|----------------------------------|-------------------|--------------------------|---------------------------|----------------|----------------|
| | Office | Equip | Field | | |
| | \$ | \$ | | | \$ |
| Balance at beginning of the year | 34,156 | 935 | 5,102 | - | 40,193 |
| Additions | 16,794 | - | - | - | 16,794 |
| Acquired via merger acquisition | 45,001 | 6,978 | 41,373 | 18,455 | 111,807 |
| Depreciation expense | (20,137) | (689) | (3,903) | (835) | (25,564) |
| Carrying amount at 30 June 2009 | <u>75,814</u> | <u>7,224</u> | <u>42,572</u> | <u>17,620</u> | <u>143,230</u> |

| 2008 | Plant & Equipment | Office Furniture & Equip | Plant & Equipment - Field | Total |
|----------------------------------|-------------------|--------------------------|---------------------------|---------------|
| | Office | & Equip | Field | |
| | \$ | \$ | | \$ |
| Balance at beginning of the year | 34,050 | 1,558 | 11,170 | 46,778 |
| Additions | 19,873 | - | - | 19,873 |
| Depreciation expense | (19,767) | (623) | (6,068) | (26,458) |
| Carrying amount at 30 June 2009 | <u>34,156</u> | <u>935</u> | <u>5,102</u> | <u>40,193</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| | | | | |
|--|--|-------------------|--|-------------------|
| 10. TRADE AND OTHER PAYABLES | Consolidated Entity | | Parent Entity | |
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Trade payables | 612,783 | 509,302 | 148,650 | 509,302 |
| Other payables and accruals | 645,736 | 225,132 | 618,681 | 225,132 |
| | <u>1,258,519</u> | <u>734,434</u> | <u>767,331</u> | <u>734,434</u> |
| | | | | |
| Trade payables are non interest bearing and are normally settled on 28 day terms. Other payables are non interest bearing and have an average term of 60 days. | | | | |
| 11. FINANCIAL LIABILITIES | | | | |
| Current | | | | |
| Lease liabilities | 5,395 | 4,855 | 5,395 | 4,855 |
| Convertible Note | 2,300,000 | - | 2,300,000 | - |
| Non-current | | | | |
| Lease liabilities | - | 5,394 | - | 5,394 |
| Convertible Note | 300,000 | - | 300,000 | - |
| | <u>2,605,395</u> | <u>10,249</u> | <u>2,605,395</u> | <u>10,249</u> |
| 12. SHORT-TERM PROVISIONS | Consolidated Entity | | Parent Entity | |
| | 2009 | 2009 | 2009 | 2009 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Employee benefits | 59,388 | 31,487 | 59,388 | 31,487 |
| | <u>59,388</u> | <u>31,487</u> | <u>59,388</u> | <u>31,487</u> |
| 13. ISSUED CAPITAL | Consolidated Entity & Parent Entity | | Consolidated Entity & Parent Entity | |
| | 2009 | 2008 | 2009 | 2008 |
| | No | No | \$ | \$ |
| ISSUED AND FULLY PAID UP CAPITAL | | | | |
| Ordinary Shares with no par value | | | | |
| Opening balance | 50,111,996 | 39,016,113 | 13,025,416 | 7,149,461 |
| Shares issued during the year | | | | |
| - Jackson Minerals Ltd acquisition (i) | 13,278,757 | - | 4,713,958 | - |
| - Placement 27 Jul 2007 (ii) | - | 6,000,882 | - | 5,100,750 |
| - Consultant shares 1 Aug 2007 (iii) | - | 100,000 | - | 85,000 |
| Exercise of options (iv) | - | 4,995,001 | - | 1,580,000 |
| Transfer of value of exercised options from option reserve | - | - | - | 87,777 |
| Transaction costs relating to share issues | - | - | - | (977,572) |
| Closing balance | <u>63,390,753</u> | <u>50,111,996</u> | <u>17,739,374</u> | <u>13,025,416</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

- (i) On 15th June 2009 the Parent Entity issued 13,278,757 ordinary shares at \$0.355 each to Jackson Minerals Limited shareholders as per the Scheme of Arrangement consideration terms and conditions.
- (ii) On 27 July 2007 the Parent Entity issued 6,000,882 ordinary shares at \$0.85 each to raise working capital for the primary purpose of ongoing exploration of the Yanrey Uranium Project in Western Australia and the Lake Frome Project in South Australia.
- (iii) On 1 August 2007 the Parent Entity issued 100,000 ordinary shares at \$0.85 each in lieu of consulting fees.
- (iv) On 1 August 2007 the Parent Entity issued 3,500,000 ordinary shares as a result of the exercise of the \$0.30 options expiring 30 July 2008.

Terms and Conditions

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up of the Consolidated Entity, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The Company's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

| | Consolidated Entity | | Parent Entity | |
|-----------------------------|----------------------------|------------------|----------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Cash and cash equivalents | 364,819 | 2,610,715 | 340,938 | 2,610,715 |
| Trade and other receivables | 1,015,151 | 277,714 | 3,630,560 | 285,394 |
| Trade and other payables | (1,258,519) | (734,434) | (767,331) | (734,434) |
| Working capital position | <u>121,451</u> | <u>2,153,995</u> | <u>3,204,167</u> | <u>2,161,675</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| 14. RESERVES | Consolidated Entity | | Parent Entity | |
|---|---------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Share-based payment reserve (a) | 1,069,810 | 1,421,450 | 1,069,810 | 1,421,450 |
| Foreign translation reserve (b) | 11,350 | - | - | - |
| Reserves at the end of the reporting year | 1,081,160 | 1,421,450 | 1,069,810 | 1,421,450 |
| <u>Share-based payment reserve (a)</u> | | | | |
| Reserve at the beginning of the reporting year | 1,421,450 | 511,587 | 1,421,450 | 511,587 |
| Director incentive options issued during the year (i) | | 404,880 | | 404,880 |
| Consultant options issued during the year (ii) | | 592,760 | | 592,760 |
| Transfer of value of lapsed options to issued capital (iii) | (351,640) | | (351,640) | |
| Transfer of value of exercised options to issued capital (iv) | | (87,777) | | (87,777) |
| | <u>1,069,810</u> | <u>1,421,450</u> | <u>1,069,810</u> | <u>1,421,450</u> |

(i) On 21 December 2007 the Parent Entity issued 2,000,000 director options with an exercisable price of \$0.80, exercisable on or before 30 November 2010, as approved at the Annual General Meeting of Shareholders held 27 November 2008.

(ii) On 1 August 2007 the Parent Entity issued 1,000,000 options with an exercisable price of \$0.75, exercisable on or before 30 November 2009, to participating brokers as remuneration for the December 2006 Placement.

On 21 December 2007 the Parent Entity issued 2,000,000 options with an exercisable price of \$0.80, exercisable on or before 30 November 2010, to participating brokers as remuneration for the July 2008 Placement.

(iii) On 30 November 2008 4,000,000 options with an exercisable price of \$0.75 expired without being exercised.

(iv) On 1 August 2007 the Parent Entity issued 3,500,000 ordinary shares as a result of the exercise of the \$0.30 options expiring 30 July 2008.

The share based payment reserve arises on the grant of share options to employees and consultants. Amounts are transferred out of the reserve and into retained earnings when options are exercised. Refer note 23 for further details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

Movement in the number of Options

| Grant Date | Expiry Date | Exercise Price | N° of Options at Beginning of Period | Options Granted During the period | Number Exercised During the period | Number Lapsed/ Cancelled During the period | N° Options at End of Year on Issue | N° Vested Options at end of period |
|------------------|-------------|----------------|--------------------------------------|-----------------------------------|------------------------------------|--|------------------------------------|------------------------------------|
| 22 Dec 2005 | 22 Dec 2010 | \$0.305 | 300,000 | - | - | - | 300,000 | 300,000 |
| 8 Nov 2006 | 31 Oct 2011 | \$0.61 | 900,000 | - | - | - | 900,000 | 900,000 |
| 11 Dec 2006 | 20 Nov 2008 | \$0.75 | 3,000,000 | - | - | 3,000,000 | - | - |
| 26 Mar 2008 | 26 Mar 2012 | \$0.85 | 100,000 | - | - | - | 100,000 | 100,000 |
| 1 Aug 2008 | 20 Nov 2008 | \$0.75 | 1,000,000 | - | - | 1,000,000 | - | - |
| 12 Dec 2008 | 30 Nov 2010 | \$0.80 | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 |
| 12 Dec 2008 | 30 Nov 2010 | \$0.80 | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 |
| 9,300,000 | | | | - | - | 4,000,000 | 5,300,000 | 5,300,000 |

Foreign Translation Reserve (b)

Exchange differences relating to the translation from the functional currencies of the Consolidated Entity's foreign controlled entities into Australian dollars are brought to account by entries made directly to the currency translation reserve.

| | Consolidated Entity | | Parent Entity | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| 15. RETAINED EARNINGS (LOSSES) | | | | |
| Retained losses at the beginning of the financial year | 3,924,933 | 2,408,903 | 3,922,248 | 2,407,818 |
| Loss for the year | 2,082,276 | 1,516,030 | 376,208 | 1,514,430 |
| Value of unexercised expired options | (351,640) | - | (351,640) | - |
| Retained losses at the end of the financial year | <u>5,655,569</u> | <u>3,924,933</u> | <u>3,946,816</u> | <u>3,922,248</u> |
| 16. LOSS PER SHARE | | | | |
| | | | | |
| (a) Loss used in the calculation of basic loss per share | <u>2,082,276</u> | <u>1,516,030</u> | <u>376,208</u> | <u>1,514,430</u> |
| | <i>Number of shares</i> | <i>Number of shares</i> | <i>Number of shares</i> | <i>Number of shares</i> |
| (b) Weighted average number of ordinary shares outstanding during the year used in the calculation of <i>basic loss per share</i> : | <u>63,390,753</u> | <u>48,044,026</u> | <u>63,390,753</u> | <u>48,044,026</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

17. COMMITMENTS FOR EXPENDITURE

Exploration Expenditure Commitments

In order to maintain rights of tenure to mining tenements subject to these agreements, the Consolidated Entity would have the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

| | 2009 | 2008 |
|--|------------------|------------------|
| | \$ | \$ |
| Not longer than one year | 2,979,867 | 2,296,780 |
| Longer than one year, but not longer than five years | 2,775,384 | 3,420,540 |
| Longer than five years | 19,000 | 38,000 |
| | <u>5,774,251</u> | <u>5,755,320</u> |

If the Consolidated Entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

18. CONTINGENT LIABILITIES / ASSETS

Included in the Consolidated Entity's exploration asset portfolio are the Wallbrook Production Royalty assets, the licenses of which were sold in 2007 to Saracen Mineral Holdings Limited (who own and operate the Carosue Gold Plant).

As part of this sale, on the commencement of mining at Wallbrook, Cauldron will receive 5 million Saracen shares (ASX code SAR) and a \$1/tonne royalty for the first two million tonnes mined from the project.

Apart from the above, the Consolidated Entity has no contingent liabilities or assets at the year end.

19. CONTROLLED ENTITIES

Details of Cauldron Energy Limited's subsidiaries is as follows:

| Name | Principal Activities | Date/Country of Incorporation | Shares | Ownership Interest | | Carry amount of investment | |
|---|-----------------------------|--------------------------------------|---------------|---------------------------|-------------|-----------------------------------|-----------------|
| | | | | 2009 | 2008 | 2009 | 2008 |
| | | | | % | % | \$ | \$ |
| Unlisted: | | | | | | | |
| Ronin Energy Ltd | Mining exploration | 24 April 2006 Australia | Ord | 100 | 100 | 5 | 5 |
| Jackson Minerals Ltd | Mining exploration | 24 April 2006 Australia | Ord | 100 | - | 2,959,693 | - |
| Jackson Global Ltd | Mining exploration | 24 April 2006 Australia | Ord | 100 | - | 1 | - |
| Jakaranda Minerals Ltd | Mining exploration | 24 April 2006 Australia | Ord | 100 | - | 1 | - |
| Fair value of investment in subsidiary | | | | | | <u>2,959,700</u> | <u>5</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| | Consolidated Entity | | Parent Entity | |
|---|----------------------------|---------------------------|---------------------------|---------------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| 20. CASH FLOW INFORMATION | | | | |
| Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax | | | | |
| - (Loss) from ordinary activities after income tax | (2,082,276) | (1,516,030) | (376,208) | (1,514,430) |
| Non-cash flows in operating loss | | | | |
| - Depreciation | 25,563 | 26,458 | 20,629 | 26,458 |
| - Equity settled share based payments | - | 404,880 | - | 404,880 |
| - Net fair value loss on investments | 278,716 | (138,737) | 3,549,988 | (138,737) |
| - Hire purchase interest on capital equipment | - | 1,469 | - | 1,469 |
| - Profit on sale of investments | (112,637) | (13,650) | (112,637) | (13,650) |
| - Impairment of goodwill | 262,955 | - | - | - |
| - Cost of merger acquisition | (253,609) | - | (253,609) | - |
| - Realised foreign exchange loss | 7,046 | - | - | - |
| - Interest charged on loan | - | (1,445) | - | (1,445) |
| - Transfer of intercompany loan | | | (2,638,215) | |
| Cash flows not in operating loss | | | | |
| - Payments for exploration and evaluation | (1,294,475) | (3,739,637) | (3,265,466) | (3,739,637) |
| - Option fee | - | (9,091) | - | (9,091) |
| Changes in assets and liabilities | | | | |
| - Decrease/(Increase) in operating receivables & prepayments | (494,686) | (4,857) | (497,511) | (4,857) |
| - Increase/(Decrease) in trade and other creditors, and accruals | (54,835) | 214,089 | 5,311 | 214,089 |
| - Increase/(Decrease) in provisions and other employee entitlements | (4,041) | (5,858) | 39,587 | (5,858) |
| Net cash inflows (outflows) from Operating Activities | <u>(3,722,279)</u> | <u>(4,782,409)</u> | <u>(3,528,131)</u> | <u>(4,780,809)</u> |

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | Consolidated Entity | | Parent Entity | |
|----------------------------------|----------------------------|-------------------------|-----------------------|-------------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Cash at bank | 364,819 | 2,610,715 | 340,938 | 2,610,715 |
| Deposits at call | - | - | - | - |
| Cash and cash equivalents | <u>364,819</u> | <u>2,610,715</u> | <u>340,938</u> | <u>2,610,715</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

21. FINANCIAL INSTRUMENTS

Financial risk management

The Consolidated Entity's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed companies.

The Consolidated Entity does not speculate in the trading of derivative instruments.

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit rate risk and liquidity risk.

The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the Board and they provide written principles for overall risk management.

Financial risk exposures and management

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk and market risk.

(a) Market Risk

(i) Foreign Currency Risk

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Given the few transactions the Board does not consider there to be a need for policies to hedge against foreign currency risk. The Consolidated Entity's has no significant exposure to foreign currency risk as at the reporting date.

(ii) Cash Flow Interest Rate Risk

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents. Cash and cash equivalents on deposit at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Consolidated Entity does not have short or long term debt, and therefore this risk is minimal.

The effect on loss and equity as a result of changes in the interest rate.

| <u>CHANGE IN LOSS</u> | Consolidated 2009 | | Consolidated 2008 | |
|---|--------------------------|-----------|--------------------------|-------------|
| | Change | \$ | Change | \$ |
| Increase in interest rate by 200 basis points | +7,296 | 2,074,980 | + 52,214 | (1,463,815) |
| Decrease in interest rate by 200 basis points | -7,296 | 2,089,572 | - 52,214 | (1,568,244) |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| <u>CHANGE IN EQUITY</u> | Consolidated 2009 | | Consolidated 2008 | |
|---|--------------------------|------------|--------------------------|------------|
| | Change | \$ | Change | \$ |
| Increase in interest rate by 200 basis points | +7,296 | 13,172,261 | + 52,214 | 10,574,147 |
| Decrease in interest rate by 200 basis points | -7,296 | 13,157,669 | - 52,214 | 10,469,718 |

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(iii) Price Risk

The Consolidated Entity and Parent Entity are exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. Neither the Consolidated Entity nor the Parent Entity are exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Consolidated Entity diversifies its portfolio which is done in accordance with the limits set by the consolidated entity.

The majority of the Consolidated Entity's and Parent Entity's equity investments are publicly traded and are included on the ASX 200 Index.

The table below summarises the impact of increases/decreases of the index on the Consolidated Entity and Parent Entity's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2008 – 10%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

| Index | Impact on Post-Tax Profit/(Loss) | | Impact on Equity | |
|--------------|---|-------------|-------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| ASX 200 | 49,236 | 63,664 | 49,236 | 63,664 |

(b) Credit Risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents and credit exposures to wholesale and retail customers and suppliers. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on financial assets, excluding investments, of the Parent Entity, which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts. The Parent Entity is not materially exposed to any individual overseas country or individual customer.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| | Consolidated Entity | | Parent Entity | |
|---------------------------|---------------------|-----------|---------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Financial assets: | | | | |
| Cash and cash equivalents | | | | |
| AAA | 364,819 | 2,610,715 | 340,938 | 2,610,715 |

(c) Liquidity Risk

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At the reporting date, there are no financing arrangements in place.

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the balance sheet.

| 2009 | Floating Interest Rate | Fixed Interest maturing in 1 year or less | Fixed Interest maturing over 1 to 5 years | Non- interest bearing | 2009 total |
|-----------------------------------|------------------------------|---|---|-----------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash | 358,138 | 6,681 | - | - | 364,819 |
| Financial assets | - | - | - | 517,362 | 517,362 |
| Receivables | - | 188,633 | - | 826,518 | 1,015,151 |
| | <u>358,138</u> | <u>195,314</u> | <u>-</u> | <u>1,343,880</u> | <u>1,897,332</u> |
| Weighted average Interest rate | 0.23% | 7.71% | - | - | |
| Financial Liabilities | | | | | |
| Trade and other payables | - | - | - | 1,258,519 | 1,258,519 |
| Financial liabilities | - | 2,305,395 | 300,000 | - | 2,605,395 |
| | <u>-</u> | <u>2,305,395</u> | <u>300,000</u> | <u>1,258,519</u> | <u>3,863,914</u> |
| Weighted average interest rate | - | 10.57% | 11.67% | - | |

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| 2008 | Floating Interest Rate | Fixed Interest maturing in 1 year or less | Fixed Interest maturing over 1 to 5 years | Non- interest bearing | 2008 total |
|-----------------------------------|------------------------------|---|---|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash | - | 2,610,715 | - | - | 2,610,715 |
| Receivables | - | - | 120,000 | 157,714 | 277,714 |
| Financial assets | - | - | - | 666,633 | 666,633 |
| | - | 2,610,715 | 120,000 | 824,347 | 3,555,062 |
| Weighted average Interest rate | | 4.65% | 1.57% | | |
| Financial Liabilities | | | | | |
| Payables | - | - | - | 765,921 | 765,921 |
| Other | - | 10,249 | - | - | 10,249 |
| | - | 10,249 | - | 765,921 | 776,170 |
| Weighted average interest rate | - | 10.57% | | | |

(d) Fair Value Estimation

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.

22. BUSINESS COMBINATIONS

During the financial period the Parent Entity acquired three business combinations the details of which are presented below:

1. Jackson Minerals Limited

On the 4th June 2009, Cauldron Energy Limited and Jackson Minerals Limited's Scheme of Arrangement was legally bound allowing the acquisition of 100% of the voting shares of Jackson Minerals Limited ("Jackson").

Cauldron Energy Limited issued 13,278,757 shares in total for all the issued capital of Jackson Minerals Limited on the 15th June 2009. Following the issue of shares to Jackson shareholders, those shareholders hold approximately 21% of the share capital of Cauldron Energy Limited.

Prior to the completion of 'Merger Scheme of Arrangement' Jackson Minerals Limited ("Jackson") unlisted option-holders holding 12,300,000 options (of a total 17,300,000 Jackson options on issue) had agreed to forfeit their Jackson Minerals Ltd options and in consideration have been issued 1,573,335 unlisted options in the Parent Entity subsequent to year end. The remaining 5,000,000 unlisted options remain on issue.

Under AASB 3, the acquisition of Jackson Minerals Limited is referred to as a forward acquisition. In accordance with the standard, the cost of the business combination is deemed to have been incurred by the Parent Entity. The cost is \$6,233,467, which is the theoretical cost for accounting purposes of Cauldron Energy Limited issuing 13,278,757

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

shares to Jackson shareholders, and 1,573,335 unlisted options to Jackson option holders (see reconciliation below).

The listed shares that were issued as consideration have been valued for accounting purposes at fair-value with reference to the ASX listed price of the Parent Entity's securities on the date of issue.

The unlisted options were valued at fair value at grant date using the Black-Scholes option pricing model. The calculation of all option valuations included the share price on 7th August 2009 of \$0.32, a volatility factor of approximately 104% and an annual risk-free rate between 3.11% and 4.46%. These options vested immediately upon issue.

2&3. Jackson Global Limited and Jakaranda Minerals Limited

On the 4th June 2009, following ASIC approval of the Cauldron Energy Limited and Jackson Minerals Limited's Scheme of Arrangement, the Consolidated Entity resolved to transfer 100% of the voting shares of Jackson Minerals Limited ("Jackson") subsidiaries; Jackson Global Limited and Jakaranda Minerals Limited to the Parent Entity for no consideration.

Under AASB 3, the acquisition of Jackson Global Limited and Jakaranda Minerals Limited is referred to as forward acquisitions.

From the date of acquisition, the three newly acquired subsidiaries have contributed \$4,710,346 to the net loss of the Consolidated Entity. If the combinations had taken place at the beginning of the year, the loss for the Consolidated Entity would have been \$5,666,595.

The accounting for the business combination has been finalised with the purchase price allocation completed within 12 months of acquisition as prescribed by the standard (AASB 3).

| <u>Name of business acquired</u> | Principal Activity | Date of acquisition | Proportion of shares acquired (%) | Cost of acquisition \$ |
|---|--------------------|---------------------|-----------------------------------|---------------------------|
| Jackson Minerals Ltd | Exploration | 04/06/2009 | 100 | 6,233,467 |
| Jackson Global Ltd | Exploration | 04/06/2009 | 100 | - |
| Jakaranda Minerals Ltd | Exploration | 04/06/2009 | 100 | - |
| Total cost of acquisition of business combinations | | | | <u>6,233,467</u> |

| | Fair Value recognised on acquisition \$ | Consolidated Carrying Value \$ |
|--|--|---|
| Cash and cash equivalents | 118,004 | 118,004 |
| Available-for-sale financial assets | 156,250 | 156,250 |
| Trade and other receivables | 3,009,293 | 3,009,293 |
| Property, plant and equipment | 111,807 | 111,807 |
| Exploration and evaluation assets | 6,050,382 | 6,050,382 |
| TOTAL ASSETS | <u>9,445,736</u> | <u>9,445,736</u> |
| Trade and other payables | 3,439,375 | 3,439,375 |
| Short-term provisions | 35,849 | 35,849 |
| TOTAL LIABILITIES | <u>3,475,224</u> | <u>3,475,224</u> |
| Fair Value of Identifiable Net Assets | <u>5,970,512</u> | <u>5,970,512</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| Costs of the Business Combination | No. | <u>Consolidated</u> Recognised on acquisition \$ |
|--|------------|---|
| Shares issued in consideration of acquisition | 13,278,757 | 4,713,959 |
| Options issued in consideration of acquisition | 1,573,335 | 15,899 |
| | | <u>4,729,858</u> |
| Costs associated with acquisition | | 253,609 |
| Liquidation of convertible note held in Jackson Minerals Ltd | | 1,250,000 |
| Total Cost of Business Combination | | <u>6,233,467</u> |

| | | |
|--|--|-----------------------|
| Reconciliation of Business Combination | | |
| Fair Value of Identifiable Net Assets | | 5,970,512 |
| Costs of the Business Combination | | <u>6,233,467</u> |
| Goodwill on acquisition of subsidiaries | | <u>262,955</u> |

| Reconciliation of shares issued under acquisition | No. | % |
|--|--------------------------|----------------------|
| Balance of Cauldron Energy Limited shares on issue (prior to merger). | 50,111,996 | 79.05 |
| Shares issued to Jackson Minerals Ltd share holders | <u>13,278,757</u> | <u>20.95</u> |
| Balance of Cauldron Energy Limited shares on issue (after merger) | <u>63,390,753</u> | <u>100.00</u> |

| Cash Inflow on acquisition | \$ |
|---|----------------|
| The cash inflow on acquisition is as follows: | |
| Net cash acquired with the subsidiaries | <u>118,004</u> |

Financial Statement Preparation methodology

Jackson Minerals Limited

The merger with Jackson Minerals Limited is one that is referred to in AASB 3 'Business Combinations' as a forward acquisition and as such, the deemed parent on consolidation is Cauldron Energy Limited. This is because upon lodgement of the federal court order with the Australian Securities and Investment Commission the Scheme of Arrangement becomes legally binding and effective control in Jackson Minerals Limited is passed to the new Parent Entity Cauldron Energy Limited.

Jackson Global Limited and Jakaranda Minerals Limited

The acquisition of Jackson Minerals Limited subsidiaries (Jackson Global Limited and Jakaranda Minerals Limited) by the Parent Entity is one that is referred to in AASB 3 'Business Combinations' as a forward acquisition and as such, the deemed parent on consolidation is Cauldron Energy Limited. This is because on acquisition of the subsidiaries parent entity 'Jackson Minerals Limited', effective control of this entity was passed to the Parent Entity "Cauldron Energy Limited", making the intercompany ownership transfer of Jackson Mineral Limited's subsidiaries legally binding.

This accounting treatment has the following effect on the results of the group:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (cont)

Consolidated

2009: Includes the Cauldron Energy Limited group as the deemed parent for the entire reporting period and the Jackson Mineral Limited Group since the 4 June 2009.

2008: Represents the Cauldron Energy Limited group only

Company

Both 2008 and 2009 represent the results of the Parent Entity, Cauldron Energy Ltd for the entire reporting periods.

23. SHARE BASED PAYMENTS

a) Employee Share Incentive Scheme

The Employee Incentive Scheme ("EIS") was approved by shareholders at 30 November 2006.

The purpose of the Scheme is to give employees, directors, executive officers and consultants of the Parent Entity an opportunity, in the form of options, to subscribe for ordinary shares in the Parent Entity. The Directors consider the Scheme will enable the Parent Entity to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Parent Entity more successful. During the financial year there were no issues of options under this scheme.

Terms of Options

There is no issue price for the options. The exercise price for the options will be:

125% of the market value of the Parent Entity's shares on the date on which the options are issued or 20 cents; or any greater price determined by the Board, whichever is the greatest.

Shares issued on exercise of options will rank equally with other ordinary shares of the Parent Entity.

Options may not be transferred without the approval of the Board. Quotation of options on the Australian Stock Exchange ("ASX") will not be sought. However, in the event that the Parent Entity is listed on ASX, it will apply to ASX for official quotation of shares issued on the exercise of options.

A summary of the movements of options granted under this scheme is as follows:

| Grant Date | Expiry Date | Exercise Price | N° of Options at Beginning of Period | Options Granted During the period | Number Exercised During the period | Number Lapsed/ Cancelled During the period | N° Options at End of Year on Issue | N° Vested Options at end of period |
|------------------|-------------|----------------|--------------------------------------|-----------------------------------|------------------------------------|--|------------------------------------|------------------------------------|
| 22 Dec 2005 | 22 Dec 2010 | \$0.305 | 300,000 | - | - | - | 300,000 | 300,000 |
| 8 Nov 2006 | 31 Oct 2011 | \$0.61 | 900,000 | - | - | - | 900,000 | 900,000 |
| 26 Mar 2007 | 26 Mar 2012 | \$0.85 | 100,000 | - | - | - | 100,000 | 100,000 |
| 1,300,000 | | | | - | - | - | 1,300,000 | 1,300,000 |

The employee share options outstanding at the end of the financial year had a weighted average remaining contractual life of 792 days.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

b) Director share-based payments

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Cauldron Energy Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

No options were issued to directors during this financial period.

A summary of options granted to directors is as follows:

| Grant Date | Expiry Date | Exercise Price | N° of Options at Beginning of Period | Options Granted During the period | Number Exercised During the period | Number Lapsed/ Cancelled During the period | N° Options at End of Year on Issue | N° Vested Options at end of period | Fair value at the end of the year (per share) |
|-------------|-------------|----------------|--------------------------------------|-----------------------------------|------------------------------------|--|------------------------------------|------------------------------------|---|
| 11 Dec 2006 | 20 Nov 2008 | \$0.75 | 3,000,000 | - | - | 3,000,000 | - | - | \$0.061 |
| 12 Dec 2007 | 30 Nov 2010 | \$0.80 | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 | \$0.202 |
| | | | 5,000,000 | - | - | 3,000,000 | 2,000,000 | 2,000,000 | N/A |

The director share options outstanding at the end of the financial year had a weighted average remaining contractual life of 518 days.

c) Consultant Options

There was no issues of options to consultants during the financial period.

A summary of options granted to consultants is as follows:

| Grant Date | Expiry Date | Exercise Price | N° of Options at Beginning of Period | Options Granted During the period | Number Exercised During the period | Number Lapsed/ Cancelled During the period | N° Options at End of Year on Issue | N° Vested Options at end of period | Fair value at the end of the year (per share) |
|------------------|-------------|----------------|--------------------------------------|-----------------------------------|------------------------------------|--|------------------------------------|------------------------------------|---|
| 1 Aug 2007 (i) | 20 Nov 2008 | \$0.75 | 1,000,000 | - | - | 1,000,000 | - | - | \$0.169 |
| 12 Dec 2007 (ii) | 30 Nov 2010 | \$0.80 | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 | \$0.212 |
| | | | 3,000,000 | - | - | 1,000,000 | 2,000,000 | 2,000,000 | N/A |

The consultant share options outstanding at the end of the financial year had a weighted average remaining contractual life of 518 days.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Names, positions held and total emoluments of economic and Parent Entity key management personnel in office at any time during the financial year is as follows:

| Name | Position | | Emoluments |
|--------------------------------------|------------------------------|-------------------------------------|-----------------------|
| Mr Antony Sage | Executive Chairman | Appointed 4 th June 2009 | - |
| Mr Terence Topping | Chief Executive Officer | | 231,000 |
| Mr Brett Smith | Executive Technical Director | Appointed 4 th June 2009 | 12,688 |
| Mr Kent Hunter | Non-Executive Director | | 154,366 |
| Mr Andrew McBain | Non-Executive Director | Resigned 4 th June 2009 | 54,500 |
| Mr Nadaisan Logaraj | Non-Executive Director | Resigned 4 th June 2009 | <u>57,875</u> |
| Total emoluments of directors | | | <u>510,429</u> |

Details of the nature of emoluments of each director are set out in remuneration report on page 15 of the directors' report.

| | 2009 | 2008 |
|------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Short-term employee benefits | 494,981 | 403,205 |
| Post-employment benefits | 15,448 | 12,525 |
| Other long-term benefits | - | - |
| Share-based payments | - | 404,880 |
| | <u>510,429</u> | <u>820,610</u> |

The Parent Entity's policy for determining the nature and amount of emoluments of board members and senior executives of the Parent Entity is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Economic Entity. The contracts for service between the Economic Entity and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The Economic Entity may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

25. RELATED PARTY INFORMATION

Transactions with Directors, Director Related Entities and other Related Entities

i) Payments to Director Related Entities

- An aggregate amount of \$231,000 (2008:\$214,038) was paid, or was due and payable to Kingswave Nominees Pty Ltd, a company controlled by Mr Terence Topping, for the provision of directorship and geological services to the Parent Entity.
- An aggregate amount of \$88,966 (2008:\$48,000) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services and corporate compliance to the Parent Entity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

ii) Loans to Controlled Entities

Loans are provided by the Parent Entity to its controlled entities for their respective operating activities. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The eventual recovery of the loan will be dependent upon the successful commercial application of these projects or the sale to third parties. Details of loans provided is listed below:

| | 2009 | 2008 |
|--|------------------|--------------|
| | \$ | \$ |
| Subsidiaries | | |
| Ronin Energy Ltd | 11,720 | 7,680 |
| Jackson Minerals Ltd | 44,277 | - |
| Jackson Global Ltd | 2,780,602 | - |
| Jakaranda Minerals Ltd | 626 | - |
| Total value of loans provided to subsidiaries | 2,837,225 | 7,680 |

iii) Equity interests in subsidiaries

Details of percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

iv) Key management personnel equity

Options and Rights Holdings

| | Balance 1 July 08 | Granted as remuneration | Options Exercised | Options Lapsed | Balance 30 June 2009 | Exercisable 30 June 2009 | Unexercisable 30 June 2009 |
|---------------------|----------------------|----------------------------|----------------------|--------------------|----------------------------|--------------------------------|-------------------------------|
| Antony Sage | - | - | - | | | | |
| Terence Topping | 2,500,000 | - | - | (1,500,000) | 1,000,000 | 1,000,000 | - |
| Brett Smith | - | - | - | | - | - | - |
| Kent Hunter | 1,250,000 | - | - | (750,000) | 500,000 | 500,000 | - |
| Andrew McBain | 1,250,000 | - | - | (750,000) | 500,000 | 500,000 | - |
| Nadaisan Logaraj | - | - | - | | - | - | - |
| | 5,000,000 | - | - | (3,000,000) | 2,000,000 | 2,000,000 | - |

Shareholdings

| Number of Shares held by Key Management Personnel | | | | | |
|---|----------------------|---------------------------|-------------------------|-----------------------|-----------------------|
| | Balance 1 July 08 | Balance on appointment | Received on exercise | Net Change - Other | Balance 30 June 09 |
| Antony Sage | - | 1,200,000 | | 794,600 | 1,994,600 |
| Terence Topping | 4,519,365 | - | - | 6,666 | 4,526,031 |
| Brett Smith | - | - | | 11,844 | 11,844 |
| Kent Hunter | 3,983,361 | - | - | 36,666 | 4,020,027 |
| Andrew McBain | 750,001 | - | - | - | 750,001 |
| Nadaisan Logaraj | 83,500 | - | - | - | 83,500 |
| | 9,336,227 | 1,200,000 | - | 849,776 | 11,386,003 |

* Net Change Other refers to shares purchased/sold or acquired as consideration for Jackson Minerals Ltd shares forfeited during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (cont)**

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|---------------|---------------|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| 26. REMUNERATION OF AUDITORS | | | | |
| Remuneration of the auditor for: | | | | |
| - Auditing or reviewing the financial report | 46,250 | 21,170 | 46,250 | 20,570 |
| - Other services | - | - | - | - |
| | <u>46,250</u> | <u>21,170</u> | <u>46,250</u> | <u>20,570</u> |

In addition to remuneration paid to the Parent Entity's auditors, the Consolidated Entity also contracts an external Argentine auditor for half yearly financial audits of the Jackson Global Limited's Argentine operations. The cost attributable to these half yearly audits for the financial period amounted to \$3,730.

27. EVENTS SUBSEQUENT TO REPORTING DATE

On the 15th July 2009, the Consolidated Entity issued 6,108,612 ordinary fully paid shares at \$0.15 (of an anticipated issue of 15,333,333 ordinary fully paid shares) pursuant to the conversion terms of the convertible note issued to Dempsey Resources Limited on the 29th December 2008. The remaining 9,224,721 ordinary fully paid shares will be issued on receipt of shareholder approval at the Company's AGM, expected to be convened in November 2009.

On the same day, the Consolidated Entity issued 3,400,000 shares for NIL consideration in lieu of a services fee for the provision of corporate advisory, marketing and investor relations.

On the 7th August 2009, the Consolidated Entity issued the following allotments of options in final consideration to the Jackson Minerals Limited options holders as per the Scheme of Arrangement terms and conditions.

- a) 46,667 options exercisable at \$ 1.73 on or before 18/10/2009
- b) 86,667 options exercisable at \$ 1.50 on or before 31/05/2011
- c) 33,333 options exercisable at \$ 1.65 on or before 31/05/2011
- d) 400,000 options exercisable at \$ 2.25 on or before 31/12/2009
- e) 66,667 options exercisable at \$ 1.50 on or before 31/12/2009
- f) 306,667 options exercisable at \$ 1.50 on or before 30/06/2010
- g) 420,000 options exercisable at \$ 2.63 on or before 30/06/2010
- h) 106,667 options exercisable at \$ 3.00 on or before 27/11/2009
- i) 106,667 options exercisable at \$ 3.75 on or before 27/11/2010

On the 13th August 2009 the Consolidated Entity completed the secured convertible note agreement with Dempsey Resources Pty Ltd ("Dempsey") and raised \$1.9m. Under the terms of the agreement, Dempsey has the right before the repayment date of 31st July 2012 to convert the Note into ordinary shares in Cauldron Energy Ltd (CXU), subject to the approval by Cauldron Energy Limited shareholders. The conversion price will be \$0.50. The Parent Entity has agreed to pay interest at a rate of 10% pa on the convertible note.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

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DIRECTOR'S DECLARATION

The directors of the Consolidated Entity declare that:

1. the financial statements and notes, as set out on pages 36 to 78, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Parent Entity and Consolidated Entity; and
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the Consolidated Entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Terence Topping
Managing Director
Perth, 30th September 2009

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ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the holding Parent Entity as at 14 September 2009 were as follows:

| Number Held | Class of Equity Securities |
|------------------|----------------------------|
| | Fully Paid Ordinary Shares |
| 1-1,000 | 141,599 |
| 1,001 - 5,000 | 1,960,362 |
| 5,001 – 10,000 | 3,364,453 |
| 10,001 – 100,000 | 20,203,804 |
| 100,001 and over | 47,229,144 |
| TOTALS | 72,899,362 |

Holders of less than a marketable parcel - nil

Substantial Shareholders

The names of the substantial shareholders listed in the Consolidated Entity's register as at 14 September 2009:

| Shareholder | Number |
|---------------------------|-----------|
| Dempsey Resources Pty Ltd | 6,108,612 |
| Kouta Bay Pty Ltd | 3,836,694 |

Voting Rights

Ordinary Shares

In accordance with the holding Consolidated Entity's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Consolidated Entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

Restricted Securities

The Consolidated Entity has issued no restricted securities.

ADDITIONAL INFORMATION (cont)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 14 September 2009 are as follows:

| Shareholder | Number | % Held of Issued Ordinary Capital |
|--|-------------------|--|
| Dempsey Resources Pty Ltd | 6,108,612 | 8.38% |
| Kouta Bay Pty Ltd | 3,836,694 | 5.26% |
| Ewok Holdings Limited | 3,000,000 | 4.11% |
| Terence Topping | 2,500,000 | 3.43% |
| Mega Uranium Ltd | 2,250,000 | 3.09% |
| Mr Antony William Paul Sage | 1,994,600 | 2.74% |
| Mr Michael Lim | 1,815,000 | 2.49% |
| Kingswave Nominees Pty Ltd | 1,800,000 | 2.47% |
| ANZ Nominees Limited | 1,565,260 | 2.18% |
| GW International Pty Ltd / A22 Pty Ltd | 1,129,387 | 1.55% |
| Terry James Gardiner | 936,000 | 1.28% |
| Australian Capital Markets Pty Ltd | 907,501 | 1.24% |
| Mr Erwin John Clayton | 855,200 | 1.17% |
| Mac 110 Nominees Pty Ltd | 750,000 | 1.03% |
| HSBC Custody Nominees (Australia) Ltd | 634,669 | 0.87% |
| DAEM Nominees Pty Ltd | 595,532 | 0.82% |
| Red Emperor Resources NL | 560,500 | 0.77% |
| Canifare Pty Ltd | 508,000 | 0.70% |
| Mr Peter Pinto | 500,000 | 0.67% |
| Cape Lambert Iron Ore Ltd | 500,000 | 0.67% |
| | 32,746,955 | 44.92% |

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**SCHEDULE OF MINERAL TENEMENTS
AS AT 14 SEPTEMBER 2009**

AUSTRALIA**Armadeus**

| Tenement | Status | Equity | Comment |
|----------|---------|--------|---------|
| EL 24704 | Granted | 100% | |
| EL 24870 | Granted | 100% | |
| EL 24876 | Granted | 100% | |

Bardoc

| Tenement | Status | Equity | Comment |
|------------|---------|--------|---------|
| ML 24/380 | Granted | 65% | |
| PL 24/3829 | Granted | 65% | |
| PL 24/3861 | Granted | 65% | |
| PL 24/3862 | Granted | 65% | |
| PL 24/3863 | Granted | 65% | |
| PL 24/3864 | Granted | 65% | |
| PL 24/3865 | Granted | 65% | |
| PL 24/3920 | Granted | 65% | |
| PL 24/3921 | Granted | 65% | |
| PL 24/3866 | Granted | 65% | |
| PL 24/3951 | Granted | 65% | |
| PL 24/4162 | Granted | 100% | |
| PL 24/4163 | Granted | 100% | |
| PL 24/4159 | Granted | 65% | |
| PL 24/4160 | Granted | 65% | |
| PL 24/4161 | Granted | 65% | |

Beadell

| Tenement | Status | Equity | Comment |
|----------|---------|--------|---------|
| E45/2406 | Granted | 80% | |
| E45/2405 | Granted | 80% | |

Boolaloo Project

| Tenement | Status | Equity | Comment |
|----------|-------------|--------|---------|
| E08/1605 | Granted | 100% | |
| E08/1615 | Granted | 100% | |
| E08/1702 | Granted | 100% | |
| E08/1703 | Granted | 100% | |
| E08/1756 | Granted | 100% | |
| E08/1867 | Application | 100% | |
| E08/1976 | Application | 100% | |

Bungalbin

| Tenement | Status | Equity | Comment |
|------------|---------|--------|---------|
| EL 77/946 | Granted | 100% | |
| EL 77/947 | Granted | 100% | |
| EL 77/1071 | Granted | 100% | |
| EL 77/1076 | Granted | 100% | |
| EL 77/1077 | Granted | 100% | |
| EL 77/1097 | Granted | 100% | |
| EL 77/1099 | Granted | 100% | |
| EL 77/1115 | Granted | 100% | |

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SCHEDULE OF MINERAL TENEMENTS (cont)
Bungalbin (Cont)

| Tenement | Status | Equity | Comment |
|-------------|-------------|--------|---------|
| ELA 77/1129 | Application | 100% | |
| ELA 77/842 | Application | 100% | |
| ELA 77/896 | Application | 100% | |
| ELA 77/919 | Application | 100% | |
| PL 77/3371 | Granted | 100% | |
| PL 77/3372 | Granted | 100% | |
| PL 77/3889 | Granted | 100% | |
| PL 77/1418 | Granted | 100% | |

Eclipse NT

| Tenement | Status | Equity | Comment |
|-----------|-------------|--------|---------|
| EL 24623 | Granted | 100% | |
| EL 24624 | Granted | 100% | |
| EL 24625 | Granted | 100% | |
| EL 24627 | Granted | 100% | |
| EL 24636 | Granted | 100% | |
| EL 24637 | Granted | 100% | |
| EL 24808 | Granted | 100% | |
| ELA 24861 | Application | 100% | |
| ELA 24862 | Application | 100% | |
| EL 24880 | Granted | 100% | |

Kalgoorlie Regional Gold Project

| Tenement | Status | Equity | Comment |
|----------|-------------|--------|---|
| E24/0112 | Granted | 80% | |
| E24/0145 | Application | 100% | |
| E24/0151 | Application | 80% | |
| E26/0124 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| E27/0331 | Granted | 100% | |
| E27/0332 | Granted | 100% | |
| E27/0343 | Granted | 80% | |
| M24/0462 | Granted | 80% | |
| M24/0640 | Application | 80% | |
| M24/0930 | Application | 80% | |
| M24/0931 | Application | 80% | |
| M27/0202 | Granted | 80% | |
| P24/3751 | Granted | 100% | |
| P24/3836 | Granted | 100% | |
| P24/3837 | Granted | 100% | |
| P24/3838 | Granted | 100% | |
| P24/3839 | Granted | 100% | |
| P24/3840 | Granted | 100% | |
| P24/3936 | Granted | 100% | |
| P24/4017 | Granted | 100% | |
| P24/4018 | Granted | 100% | |
| P24/4019 | Granted | 100% | |
| P24/4146 | Application | 80% | |
| P24/4147 | Application | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P24/4149 | Application | 80% | |
| P26/3094 | Granted | 80% | Earn In |
| P26/3095 | Granted | 80% | Earn In |
| P26/3096 | Granted | 80% | Earn In |
| P26/3101 | Granted | 80% | Earn In |
| P26/3104 | Granted | 80% | |
| P26/3105 | Granted | 80% | |

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SCHEDULE OF MINERAL TENEMENTS (cont)
Kalgoorlie Regional Gold Project (cont)

| Tenement | Status | Equity | Comment |
|-----------------|---------------|---------------|---|
| P26/3106 | Granted | 80% | |
| P26/3150 | Granted | 90% | |
| P26/3186 | Granted | 80% | |
| P26/3187 | Granted | 80% | |
| P26/3329 | Granted | 100% | |
| P26/3330 | Granted | 100% | |
| P26/3360 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3361 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3362 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3363 | Granted | 80% | Earn In |
| P26/3364 | Granted | 80% | Earn In |
| P26/3365 | Granted | 80% | Earn In |
| P26/3366 | Granted | 80% | Earn In |
| P26/3367 | Granted | 80% | Earn In |
| P26/3368 | Granted | 80% | Earn In |
| P26/3369 | Granted | 90% | |
| P26/3481 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3493 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3494 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3495 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3496 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3572 | Granted | 70% | Earn In - Selected Mineral Rights - Gold Only |
| P26/3591 | Granted | 80% | |
| P26/3592 | Granted | 80% | |
| P26/3593 | Granted | 80% | |
| P26/3594 | Granted | 80% | |
| P26/3595 | Granted | 80% | |
| P27/1582 | Granted | 90% | |
| P27/1642 | Granted | 100% | |
| P27/1656 | Granted | 100% | |
| P27/1657 | Granted | 100% | |
| P27/1658 | Granted | 100% | |
| P27/1659 | Granted | 100% | |
| P27/1660 | Granted | 100% | |
| P27/1682 | Granted | 90% | |
| P27/1683 | Granted | 100% | |
| P27/1684 | Granted | 100% | |
| P27/1685 | Granted | 100% | |
| P27/1686 | Granted | 90% | |
| P27/1687 | Granted | 90% | |
| P27/1688 | Granted | 90% | |
| P27/1743 | Granted | 80% | |

Kalgoorlie Regional Nickel Project

| Tenement | Status | Equity | Comment |
|-----------------|---------------|---------------|--------------------------------------|
| E27/0079 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| E27/0099 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| E27/0191 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| E27/0192 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| E27/0227 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| E27/0360 | Application | 100% | Partial Mineral Rights - Nickel Only |
| E27/0362 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M24/0101 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M24/0239 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M24/0240 | Granted | 100% | Partial Mineral Rights - Nickel Only |

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SCHEDULE OF MINERAL TENEMENTS (cont)

Kalgoorlie Regional Nickel Project (Cont)

| Tenement | Status | Equity | Comment |
|----------|-------------|--------|--------------------------------------|
| M24/0497 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M24/0502 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0037 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0038 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0053 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0092 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0102 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0123 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0127 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0128 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0133 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0149 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0171 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0178 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0182 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0185 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0191 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0219 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0228 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0246 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0247 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0250 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0251 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0256 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0272 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0310 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0312 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0313 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0314 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0338 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0339 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0340 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0374 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0375 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0376 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0385 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0406 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| M27/0435 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0436 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0437 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0441 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0442 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0443 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0444 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0449 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0450 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0451 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0452 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0453 | Application | 100% | Partial Mineral Rights - Nickel Only |
| M27/0454 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1126 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1127 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1128 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1132 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1133 | Granted | 100% | Partial Mineral Rights - Nickel Only |

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SCHEDULE OF MINERAL TENEMENTS (cont)

Kalgoorlie Regional Nickel Project (Cont)

| Tenement | Status | Equity | Comment |
|----------|-------------|--------|--------------------------------------|
| P27/1134 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1155 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1274 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1275 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1277 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1278 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1279 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1280 | Granted | 100% | Partial Mineral Rights – Nickel Only |
| P27/1285 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1288 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1294 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1382 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1861 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1864 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1865 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1866 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1867 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1868 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1869 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1870 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1871 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1872 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1873 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1875 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1876 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1878 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1879 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1880 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1881 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1882 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1885 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1886 | Granted | 100% | Partial Mineral Rights - Nickel Only |
| P27/1892 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1893 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1894 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1895 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1896 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1897 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1898 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1899 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1900 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1901 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1902 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1903 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1904 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1905 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1906 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1907 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1908 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1909 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1910 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1911 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1912 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1913 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1914 | Application | 100% | Partial Mineral Rights - Nickel Only |

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SCHEDULE OF MINERAL TENEMENTS (cont)

Kalgoorlie Regional Nickel Project (Cont)

| Tenement | Status | Equity | Comment |
|----------|-------------|--------|--------------------------------------|
| P27/1915 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1916 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1917 | Application | 100% | Partial Mineral Rights - Nickel Only |
| P27/1918 | Application | 100% | Partial Mineral Rights - Nickel Only |

Lake Frome

| Tenement | Status | Equity | Comment |
|----------|-------------|--------|---------|
| EL 3388 | Granted | 100% | |
| EL 3410 | Granted | 100% | |
| EL 3389 | Granted | 100% | |
| EL 3390 | Granted | 100% | |
| EL 3391 | Granted | 100% | |
| EL 3502 | Granted | 100% | |
| EL 3510 | Granted | 100% | |
| EL 3557 | Granted | 100% | |
| ELA 4279 | Application | 100% | |

Misc WA

| Tenement | Status | Equity | Comment |
|-------------|-------------|--------|---------|
| ELA 63/1148 | Application | 100% | |

Mt Elvire

| Tenement | Status | Equity | Comment |
|------------|---------|--------|---------|
| EL 77/1269 | Granted | 100% | |

Northcote Project

| Tenement | Status | Equity | Comment |
|-----------|---------|--------|---------|
| EPM 9869 | Granted | 15% | |
| EPM 13848 | Granted | 15% | |

Peak Hill Project

| Tenement | Status | Equity | Comment |
|----------|---------|--------|---------|
| E51/1033 | Granted | 20% | |
| E51/1060 | Granted | 20% | |
| E52/1613 | Granted | 20% | |
| E52/1655 | Granted | 20% | |
| E52/1659 | Granted | 20% | |
| E52/1668 | Granted | 20% | |
| E52/1670 | Granted | 20% | |
| E52/1671 | Granted | 20% | |
| E52/1672 | Granted | 20% | |
| E52/1678 | Granted | 20% | |
| E52/1722 | Granted | 20% | |
| E52/1730 | Granted | 20% | |
| P52/1167 | Granted | 20% | |
| P52/1168 | Granted | 20% | |
| P52/1169 | Granted | 20% | |
| P52/1170 | Granted | 20% | |
| P52/1171 | Granted | 20% | |
| P52/1172 | Granted | 20% | |
| P52/1194 | Granted | 20% | |
| P52/1195 | Granted | 20% | |
| P52/1196 | Granted | 20% | |

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SCHEDULE OF MINERAL TENEMENTS (cont)

Yanrey Uranium

| Tenement | Status | Equity | Comment |
|-------------|-------------|--------|-----------------|
| EL 08/1435 | Granted | 0% | CXU earning 70% |
| EL 08/1489 | Granted | 100% | |
| EL 08/1490 | Granted | 100% | |
| EL 08/1493 | Granted | 100% | |
| EL 08/1494 | Granted | 100% | |
| EL 08/1495 | Granted | 100% | |
| EL 08/1501 | Granted | 100% | |
| EL 08/1588 | Granted | 100% | |
| EL 08/1589 | Granted | 100% | |
| EL 08/1590 | Granted | 100% | |
| ELA 08/1958 | Application | 100% | |
| ELA 08/2017 | Application | 100% | |
| ELA 08/2018 | Application | 100% | |

ARGENTINA

Rio Colorado Project - Catamarca

| Tenement | Status | Equity | Comment |
|----------|-------------|-------------|-----------------------------|
| 165/2008 | Application | 100.00 % | Mining Lease |
| 176/1997 | Granted | 92.50% | Earn In - Mining Lease |
| 270/1995 | Granted | 92.50% | Earn In - Mining Lease |
| 271/1995 | Granted | 92.50% | Earn In - Mining Lease |
| 142/2007 | Application | 100.00 % | Exploration Lease |
| 141/2007 | Application | 100.00 % | Exploration Lease |
| 140/2007 | Application | 100.00 % | Exploration Lease |
| 232/2007 | Application | 100.00 % | Exploration Lease |
| 166/2008 | Application | 100.00 % | Exploration Lease |
| 144/2007 | Application | 92.50% | Earn In - Exploration Lease |
| 43/2007 | Application | 92.50% | Earn In - Exploration Lease |
| 143/2007 | Application | 92.50% | Earn In - Exploration Lease |

Rio Colorado Project - La Rioja

| Tenement | Status | Equity | Comment |
|-----------|---------|--------|-------------------|
| 30-C-2007 | Granted | 100% | Exploration Lease |
| 31-C-2007 | Granted | 100% | Exploration Lease |
| 32-C-2007 | Granted | 100% | Exploration Lease |

Las Marias Project - San Juan

| Tenement | Status | Equity | Comment |
|-----------------|-------------|--------|-------------------|
| 1124-330-J-2007 | Application | 100% | Exploration Lease |
| 1124-306-W-2007 | Granted | 100% | Exploration Lease |
| 1124-331-J-2007 | Application | 100% | Exploration Lease |
| 1124-329-J-2007 | Application | 100% | Exploration Lease |
| 1124-328-J-2007 | Application | 100% | Exploration Lease |
| 1124-327-J-2007 | Application | 100% | Exploration Lease |
| 1124-326-J-2007 | Application | 100% | Exploration Lease |
| 1124-325-J-2007 | Application | 100% | Exploration Lease |
| 1124-324-J-2007 | Application | 100% | Exploration Lease |
| 1124-323-J-2007 | Application | 100% | Exploration Lease |

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SCHEDULE OF MINERAL TENEMENTS (cont)

| | | | |
|-----------------|-------------|------|-------------------|
| 1124-322-J-2007 | Application | 100% | Exploration Lease |
| 1124-656-J-2007 | Application | 100% | Exploration Lease |
| 1124-093-J-2008 | Application | 100% | Exploration Lease |
| 1124-333-2008 | Application | 100% | Exploration Lease |

Regional - San Juan

| Tenement | Status | Equity | Comment |
|-----------------|---------------|---------------|-------------------|
| 1124-228-J-2008 | Application | 100% | Exploration Lease |
| 1124-178-J-2008 | Application | 100% | Exploration Lease |

Notes:

EL = Granted Exploration Licence

M = Granted Mining Lease

P = Granted Prospecting Licence

L = Miscellaneous Licence

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