



(ABN 22 102 912 783)
AND CONTROLLED ENTITIES

**Condensed Consolidated
Half-Year Financial Report
31 December 2010**

For personal use only

**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL REPORT
For the Half Year Ended 31 December 2010

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CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN

Antony Sage

EXECUTIVE DIRECTOR

Brett Smith

NON-EXECUTIVE DIRECTOR

Qiu Derong

NON-EXECUTIVE DIRECTOR

Kent Hunter

COMPANY SECRETARY

Stephen Brockhurst

PRINCIPAL & REGISTERED OFFICE

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WEST PERTH WA 6005
Telephone: (08) 9211 5777
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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 Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CXU

BANKERS

National Australia Bank
50 St Georges Terrace
PERTH WA 6000

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the Cauldron Energy Limited and its controlled entities (referred to hereafter as "the Consolidated Entity") for the half-year ended 31 December 2010.

DIRECTORS

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

Antony Sage
Terence Topping (Resigned 4 February 2011)
Brett Smith
Kent Hunter
Qiu Derong

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

RESULTS

The loss after tax for the half-year ended 31 December 2010 was \$1,710,893 (31 December 2009 loss of \$4,926,110).

REVIEW OF OPERATIONS

Cauldron Energy Limited (ASX: CXU) is an Australian exploration company resulting from the merger of Scimitar Resources Limited and Jackson Minerals Limited. Cauldron retains an experienced board of directors and management team with proven success in the resources sector, and is a leading Australian uranium exploration company.

Cauldron controls over 16,000 sq km of uranium prospective tenements across three states in Australia, and large projects with defined uranium mineralisation in Argentina; this allows for diversification, both geologically and with regards to differing political sentiment and policy towards uranium exploration and mining within each region.

YANREY URANIUM PROJECT, WESTERN AUSTRALIA (100%)

The Yanrey Project covers 1,930 sq km of Mesozoic sediments which are highly prospective for sandstone hosted uranium mineralisation, amenable to In-situ Recovery (ISR) mining, similar to Paladin Resources Ltd's (ASX: PDN) adjoining Manyingee deposit. Included in the Consolidated Entity's project is the Bennet Well deposit containing an inferred JORC compliant resource of 4.8 million pounds of eU_3O_8 at a grade of 300ppm eU_3O_8 .

Exploration undertaken by the Consolidated Entity indicates that the project contains an Initial Exploration Target of 25 to 35 million pounds U_3O_8 at a grade of 300 to 900 ppm for the Yanrey Project, as announced during the September quarter 2009.

The Exploration Target is for sandstone hosted roll front uranium mineralisation. It is based on historical exploration conducted during the early 1980's, which has identified a 60km regional redox front associated with prospective palaeochannels.

Previous exploration on the Yanrey Project indicates at least eleven favourable palaeochannels, including five (5) recently discovered mineralised palaeochannels. These channels are close to known uranium resources at Bennet Well and Manyingee and include potential extensions to mineralisation within channels leading from these deposits. In particular, mineralisation at Bennet Well remains open to the north and northeast, where drilling by the Consolidated Entity intersected 4.32m at 488 ppm eU_3O_8 . In addition to these targets, the Consolidated Entity believes it has over 90 km² of untested prime target areas which are favourable for uranium mineralisation.

During the second half of 2010 the Consolidated Entity completed a 4,585m air core drilling program targeting a number of these regional channel targets within the Yanrey Project, including the Barradale and North and South Ballards palaeochannel systems, where the Consolidated Entity is earning 70% of the uranium rights in a joint venture with Atomic Resources Limited (ASX: ATQ).

DIRECTOR'S REPORT (Continued)

The drilling identified a new zone of uranium mineralisation within a major palaeochannel system, located 1.5 km south west of the Consolidated Entity's Bennet Well uranium deposit. Drilling on the eastern side of the channel returned a number of significant results, including 1.00m at 852 ppm eU_3O_8 in hole YNAC 264 and multiple thick intersections of high grade uranium, including 1.28 metres at 1318 ppm eU_3O_8 and 2.18 metres at 657 ppm eU_3O_8 in hole YNAC 278. The uranium mineralisation in this channel is defined over a strike length of 500 metres and remains open to the north.

Reconnaissance drilling in the western side of the channel intersected a zone of high-grade mineralisation, including 1.00m at 699 ppm eU_3O_8 in hole YNAC 277.

The results of this work identified a significant new target zone, potentially up to 4 kilometres in length, along the western margin of the channel. The mineralisation in YNAC 264, 277 and 278 remains open on broad spacing and covers a strike of over 2.5km which remains open to the north.

Exploration drilling at the Ballards Channel approximately 30 kilometres south of Bennet Well identified uranium mineralisation within reduced zones at the base of the channel. A number of holes returned significant uranium intercepts with the highest uranium grade, 1.88 metres at 430 ppm eU_3O_8 intersected in hole YNAC 296.

Drilling at the Barradale palaeochannel 10 kilometres further to the south intersected numerous bands of silcrete of varying thickness and hardness, within the channel sediments. A number of the silcrete bands are dominated by pyrite and due to the hardness, many could not be drilled through with Aircore. Silcrete is known to cap roll front uranium deposits such as Beverley Four-Mile in South Australia so this channel remains highly prospective for uranium mineralisation. The channel has been drilled to a strike length of over one kilometre and remains open to the north and south.

MARREE URANIUM PROJECT JOINT VENTURE, SOUTH AUSTRALIA (75%)

The Marree uranium project, located 550km north of Adelaide, comprises five Exploration Licences in the Eromanga Basin adjacent to the uranium-rich Mount Babbage Inlier. The Marree Project is fully funded by a joint venture agreement between the Consolidated Entity and a Korean consortium, comprising of the Korean Government (KORES), Daewoo International Corporation and LG International Corporation. The Korean participants can earn up to an aggregate 50 percent interest in the Marree Project by funding AUD\$6.2M of exploration activities over three years; exploration activities commenced in mid-2009.

Exploration drilling completed during the first half of 2010 at MacDonnell Creek within the Blanchewater Prospect identified a two kilometre long, northeast trending zone of uranium mineralisation, between 400-800 metres wide, associated with an interpreted redox front within the Eyre Formation. Significant results from this area include 0.60m at 180 ppm eU_3O_8 , up to a peak of 245 ppm, within broad zones (up to 20m) of anomalous uranium.

During the second half of 2010 the Consolidated Entity completed 30 holes for 2,266m of mud rotary drilling at the Redbanks Well prospect of the Marree JV Project. The drilling identified a six kilometre long redox front within the Eyre Formation associated with anomalous uranium mineralisation, up to 10 x background. Significant results from this drilling include 0.35m at 127 ppm eU_3O_8 , up to a peak of 153 ppm.

The broadly spaced drilling tested approximately 13 km strike length of an interpreted palaeochannel system, previously untested by drilling. Downhole geological and geophysical logging confirmed the presence of both oxidised and reduced sands of interpreted Eyre and Namba Formation, recorded anomalous uranium mineralisation up to 153 ppm and identified a redox front with variably oxidised and reduced sediments which will be the focus of further follow-up drilling.

The redox front extends over approximately 6 km and is unconstrained by drilling to the north and east. Significant uranium anomalism was identified within MAMR116 with 0.35m @ 127 ppm eU_3O_8 encountered within reduced Eyre Formation sands. A further 10 km strike length of Tertiary palaeochannel sequences remain untested to the north of the anomalous uranium encountered in drillhole MAMR116.

DIRECTOR'S REPORT (Continued)

WEST LAKE FROME PROJECT, SOUTH AUSTRALIA (100%)

The West Lake Frome Project comprises three granted exploration licences covering 1,444 km² in the Curnamona Province of South Australia, host to the world class uranium deposits at Beverley and Beverley Four Mile.

The project area is located between the eastern escarpment of the Flinders Ranges and the western edge of Lake Frome, with the uranium-rich source rocks of the Mount Painter Inlier to the north and the uraniferous Willyama Complex to the south. The project lies along the Arrowie-Paralana Fault system which defines the western boundary of the Frome Embayment. This regional fault system is thought to be associated with the significant uranium mineralisation at the Beverley Four Mile deposit, 40 km to the north.

Interpretation of radiometric and geophysical data suggests that uranium is being shed into the West Lake Frome Project from the adjacent North Flinders Ranges and potentially from subsurface granitoids of the Bimbowrie suite. Previous drilling is very sparse but indicates the presence of Namba and Eyre formations, host to the Beverley, Beverley 4 Mile, Goulds Dam and Honeymoon uranium deposits.

Exploration completed by Cauldron has included an Airborne Tempest EM survey covering two areas of the West Lake Frome Project. The 1,050 line kilometre survey identified a strongly conductive sediment package intersected by basement fault structures as well as indicating the presence of near surface palaeo-drainages.

During the second half of 2010 the Consolidated Entity entered into a Farm-in and Joint Venture agreement with Uranium Equities Limited (**ASX: UEQ**) whereby UEL will fund A\$5 million of exploration expenditure at Cauldron's West Lake Frome Uranium Project in South Australia.

Under the terms of the agreement, UEQ can earn an 80% interest in the West Lake Frome Project by funding A\$5 million of exploration expenditure over (5) five years. UEQ to fund A\$0.7 million before UEQ can withdraw from the joint venture, including a minimum 4,000 metres of rotary mud drilling.

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 762km² 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.

LAS MARIAS URANIUM PROJECT, ARGENTINA (100%)

The Las Marias Project covers 660km² 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 Consolidated Entity, indicates an average uranium anomalism of between 100 to 550 ppm eU₃O₈ up to three metres in width.

BEADELL PROJECT, WESTERN AUSTRALIA (80%)

The Beadell Project comprises two granted exploration licenses and two exploration licence applications located in the south-eastern part of the Rudall Complex, 450 km east of Newman in Western Australia.

The project is located in a highly prospective region rich with base metal deposits, including Mount Cotton (Cu, Pb, Zn, U) located seven kilometres to the north west, Nifty (Cu, Pb, Zn), Maroochydore (Cu, Pb, Zn), Kintyre (U) and Copper Hills (Cu, Au).

Interpretation and analysis of the project geology, ground and airborne geophysical data, including ground based gravity, regional magnetic surveys and Tempest AEM identified two significant conductive zones that are

DIRECTOR'S REPORT (Continued)

anomalous to the regional geology. The AEM anomalies which are linked by a large north trending regional fault system, show features that are consistent with what could be expected from massive sulphide mineralisation.

During the second half of 2010, the Consolidated Entity completed a reverse circulation (RC) drilling program, six holes for 1,702 metres, targeting the southern "bulls-eye" AEM anomaly. The drilling, on 200m x 100m and 200m x 200m spacing's, intersected broad zones of copper, lead and zinc mineralisation, including a number of individual narrow higher grade zones of copper and gold. Significant results include; 1m at 7840 ppm Cu and 8.55 g/t Au, 1m at 5090 ppm Cu, 6990 ppm Pb and 6230 ppm Zn and 28m at 1794 ppm Pb and 2045 ppm Zn

Interpretation of the results indicates that the source of the geophysical anomaly identified by the AEM is below the extent of the current drilling and remains to be tested by deeper drilling. Cauldron believes the anomaly has yet to be tested, with current phase of drilling intersecting up-dip near surface extensions to the target.

AMADEUS URANIUM PROJECT, NORTHERN TERRITORY (100%)

The Amadeus Project comprises three exploration licences (EL 24704, EL 24876 and EL 24870) covering 2,106km² in the Amadeus Basin, 50 km south of Alice Springs, similar to the adjacent Pamela and Angela Project Joint Venture (Paladin Energy Minerals (50%), and Cameco Australia (50%)). The typical geology intersected by recent drilling consists of interbedded sandstone, siltstone and conglomerate of the Undandita Sandstone Member. The Undandita Member is the youngest unit in the Amadeus Basin and is the host for the Angela and Pamela uranium deposits as well as a number of other uranium prospects throughout the basin.

ECLIPSE URANIUM PROJECT, NORTHERN TERRITORY (100%)

The Eclipse Uranium Project covers 6,191 sq km in the Ngalia Basin, 250 km northwest of Alice Springs. The Consolidated Entity's granted tenements cover an area of 2,908 sq km which are primarily located in the south-east of the project area, adjacent to the New Well Uranium Deposit, which has a published Inferred resource of 3,351 tonnes U₃O₈.

Cauldron's southern licences cover the northern half of Lake Lewis and associated internal drainages. Airborne radiometric data indicates that uranium enriched material is present in these drainages and is depositing around the margins of Lake Lewis, and at trap sites along the drainage system.

During the first half of 2010 Cauldron and Eclipse Uranium Ltd ("Eclipse") signed a Deed of Option which grants Eclipse an option to acquire several projects in the Northern Territory from Cauldron. The Deed of Option has been extended and the IPO has subsequently closed. Eclipse was admitted to the official list of ASX Limited on 15 February 2011.

CORPORATE

On the 1st October 2010, the Consolidated Entity issued 8,872,048 options to subscribe for ordinary fully paid shares at an exercise price of \$0.45 on or before 31 October 2012, for a consideration of \$0.01 per option.

On the 19th October 2010, the Consolidated Entity issued 4,000,000 listed options to subscribe for ordinary fully paid shares at an exercise price of \$0.45 on or before 31 October 2012, in lieu of a services fee for the provision of corporate advisory.

On the 20th October 2010, the Consolidated Entity issued 2,000,000 unlisted options to subscribe for ordinary fully paid shares at an exercise price of \$0.45 on or before 20 October 2015, to employees.

On the 21st October 2010, the Consolidated Entity issued 5,946 ordinary fully paid shares, at an issue price of \$0.45 on the conversion of options.

On the 27th November 2010 106,667 unlisted options exercisable at \$3.75 lapsed due to the expiry.

On the 30th November 2010 4,000,000 unlisted options exercisable at \$0.80 lapsed due to the expiry.

DIRECTOR'S REPORT (Continued)

On the 22nd December 2010 50,000 unlisted options exercisable at \$0.305 lapsed due to the expiry.

On the 30th December 2010, the Consolidated Entity issued 250,000 ordinary fully paid shares, at an issue price of \$0.305 on the conversion of options.

SUBSEQUENT EVENTS

On the 4th February 2011, CEO, Mr Terry Topping, resigned from the Consolidated Entity.

On the 16th February 2011, the Consolidated Entity was issued 25,000,000 shares in Eclipse Uranium Ltd as a result of Eclipse exercising the option to acquire the Consolidated Entity's non-core Northern Territory uranium assets under the Deed of Option dated 5th March 2010.

On the 21st February 2011, the Consolidated Entity announced that its wholly owned subsidiary Jakaranda Minerals Limited ("Jakaranda") will provide Caudillo Resources SA ("Caudillo") with a draw-down facility of up to AUD\$650,000. This loan and interest (LIBOR + 2%) on this loan will be required to be repaid within two years from this date (unless extended by mutual agreement). Caudillo cannot seek any additional funding while this agreement is in place, or enter into any agreements/contracts without written consent from Jakaranda. At Jakaranda's discretion, the loan may be paid back in cash or equity in Caudillo.

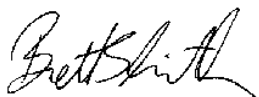
The Group has an investment in FE Limited, as of 14th March 2011, the fair value of FE limited is \$2,039,492 which has significantly increased since 31 December 2010 carrying at \$920,386.

No other matters or circumstances have arisen since the end of the financial period 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.

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

The lead auditor's independence declaration is set out on page 19 of the half-year ended 31 December 2010.

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



Mr. Brett Smith
Executive Director

Dated this 15th day of March 2011

**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Half-Year Ended 31 December 2010

| | Note | 31 December 2010 \$ | 31 December 2009 \$ |
|---|------|---------------------------|---------------------------|
| Revenue from ordinary activities | 3 | 278,624 | 88,069 |
| Net fair value gain on financial assets | | 299,637 | 533,179 |
| Administration expenses | | (147,865) | (135,966) |
| Employee benefits expense | | (243,175) | (231,265) |
| Depreciation expenses | | (20,827) | (35,460) |
| Finance costs | | (478,537) | (300,276) |
| Consultancy expenses | | (161,572) | (111,602) |
| Compliance and regulatory expenses | | (219,138) | (219,930) |
| Occupancy expenses | | (106,255) | (116,362) |
| Directors fees | | (250,420) | (799,982) |
| Promotional and marketing | | (123,856) | (134,374) |
| Share based payments | | (269,740) | (288,000) |
| Travel expenses | | (70,202) | (67,355) |
| Provision for VAT | | (17,503) | (18,991) |
| Loss on sale of financial assets | | (110,750) | - |
| Exploration expenditure write-off | | - | (687,941) |
| Loss on sale of subsidiary | | - | (2,399,854) |
| Other expenses | | (69,314) | - |
| Loss before income tax expense | | (1,710,893) | (4,926,110) |
| Income tax expense | | - | - |
| Loss from continuing operations | | (1,710,893) | (4,926,110) |
| Other comprehensive income | | | |
| Exchange differences arising on translation of foreign operations | | (283,770) | (16,887) |
| Total comprehensive income for the period | | (1,994,663) | (4,942,997) |
| Total comprehensive income attributable to members | | (1,994,663) | (4,942,997) |
| Basic earnings / (loss) per share (cents per share) | | (1.93) | (7.38) |

The accompanying notes form part of this financial report.

CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

| | Note | 31 December 2010 \$ | 30 June 2010 \$ |
|--|------|---------------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 1,863,114 | 5,131,039 |
| Trade and other receivables | 5 | 1,273,224 | 2,891,761 |
| Financial assets | | 1,592,635 | 1,510,942 |
| TOTAL CURRENT ASSETS | | 4,728,973 | 9,533,742 |
| NON CURRENT ASSETS | | | |
| Trade and other receivables | 5 | 1,772,932 | 21,153 |
| Exploration and evaluation expenditure | | 13,689,669 | 12,182,269 |
| Property, plant and equipment | | 93,794 | 118,117 |
| TOTAL NON CURRENT ASSETS | | 15,556,395 | 12,321,539 |
| TOTAL ASSETS | | 20,285,368 | 21,855,281 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 928,753 | 965,996 |
| Short-term provisions | | 145,098 | 120,495 |
| TOTAL CURRENT LIABILITIES | | 1,073,851 | 1,086,491 |
| NON CURRENT LIABILITIES | | | |
| Financial liabilities | | 9,300,000 | 9,300,000 |
| TOTAL NON CURRENT LIABILITIES | | 9,300,000 | 9,300,000 |
| TOTAL LIABILITIES | | 10,373,851 | 10,386,491 |
| NET ASSETS | | 9,911,517 | 11,468,790 |
| EQUITY | | | |
| Issued capital | 6 | 22,900,125 | 22,821,199 |
| Reserves | | 1,035,448 | 1,789,797 |
| Accumulated losses | | (14,024,056) | (13,142,206) |
| TOTAL EQUITY | | 9,911,517 | 11,468,790 |

The accompanying notes form part of this financial report.

CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Half-Year Ended 31 December 2010

| | 31 December 2010 \$ | 31 December 2009 \$ |
|--|------------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (1,359,378) | (946,469) |
| Interest received | 101,298 | 18,083 |
| Administration funds received from joint venture | 75,302 | 35,925 |
| Interest paid | (483,254) | (362,091) |
| Payments for exploration and evaluation | (2,008,582) | (462,697) |
| NET CASH USED IN OPERATING ACTIVITIES | (3,674,614) | (1,717,249) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for plant and equipment | (2,158) | (16,070) |
| Proceeds from sale of financial assets | 301,424 | 50,990 |
| Purchase of financial assets | (194,229) | (25,000) |
| Loans to unrelated parties | (190,529) | (675,251) |
| Repayment of loans from unrelated parties | 320,006 | - |
| Net cash disposed of by sale of subsidiary | - | (61,626) |
| Deposit refunds | - | 274,545 |
| Proceeds from sale of tenements | - | 500 |
| NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES | 234,514 | (451,912) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loans from related parties | - | 349,823 |
| Proceeds from issue of convertible notes | - | 4,000,000 |
| Proceeds from issue of ordinary shares | 78,926 | 3,000,000 |
| Payment of share issue costs | - | (506,000) |
| Proceeds from issue of options | 93,249 | - |
| NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES | 172,175 | 6,843,823 |
| Net increase/(decrease) in cash held | (3,267,925) | 4,674,662 |
| Cash at beginning of period | 5,131,039 | 364,819 |
| CASH AT END OF REPORTING PERIOD | 1,863,114 | 5,039,481 |

The accompanying notes form part of this financial report.

CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Half-Year Ended 31 December 2010

| | Issued Capital | Foreign Translation Reserve | Option Premium Reserve | Accumulated Total Losses | |
|--|-----------------------|------------------------------------|-------------------------------|---------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2009 | 17,739,374 | 11,350 | 1,069,810 | (5,655,569) | 13,164,965 |
| Shares issued during the period (net of transaction costs) | 5,082,001 | - | - | - | 5,082,001 |
| Options issued during period | - | - | 653,399 | - | 653,399 |
| Lapse of options | 207 | - | (207) | - | - |
| Total comprehensive income | - | (16,887) | - | (4,926,110) | (4,942,997) |
| Balance at 31 December 2009 | 22,821,582 | (5,537) | 1,723,002 | (10,581,679) | 13,957,368 |
| Balance at 1 July 2010 | 22,821,199 | (168,718) | 1,958,515 | (13,142,206) | 11,468,790 |
| Shares issued during the period (net of transaction costs) | 78,926 | - | - | - | 78,926 |
| Options issued during period | - | - | 358,464 | - | 358,464 |
| Lapse of options | - | - | (829,043) | 829,043 | - |
| Total comprehensive income | - | (283,770) | - | (1,710,893) | (1,994,663) |
| Balance at 31 December 2010 | 22,900,125 | (452,488) | 1,487,936 | (14,024,056) | 9,911,517 |

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS
For the Half-Year Ended 31 December 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report of Cauldron Energy Limited and its controlled entities (the Consolidated Entity) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 15 March 2011. Cauldron Energy Limited is a company incorporated in Australia and limited by shares.

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standards AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

This half-year financial report is intended to provide users with an update on the latest annual financial statements of the Consolidated Entity. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Consolidated Entity. It is therefore recommended that this half-year financial report be read in conjunction with the annual financial report of the Consolidated Entity for the year ended 30 June 2010, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this half-year financial report as were applied in the most recent annual financial report, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2010, as noted below.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Comparative Figures

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

Changes in Accounting Policies and Disclosures

In the half-year ended 31 December 2010, the Consolidated Entity has reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010. The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period. It has been determined by the Consolidated Entity that there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and, therefore no change is necessary to the Consolidated Entity's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Half Year Ended 31 December 2010

2. OPERATING SEGMENTS

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the half-year the consolidated entity operated in one business segments (for primary reporting) being mineral exploration and principally in two geographical segment (for secondary reporting) being:

- (i) Australia
- a. Exploration – Yanrey;
 - b. Exploration – Maree JV;
 - c. Exploration – Lake Frome;
 - d. Exploration – Northern Territory and
 - e. Exploration – Australia Other

- (ii) Argentina

(a) Segment performance

| | Exploration – Yanrey | Exploration – Maree JV | Exploration – Lake Frome | Exploration – Northern Territory | Exploration – Australia Other | Exploration – Argentina | Treasury | Total Operations |
|--|-------------------------|---------------------------|--------------------------------|--|-------------------------------------|----------------------------|----------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Half Year Ended 31 December 2010 | | | | | | | | |
| Revenue | | | | | | | | |
| Interest revenue | - | - | - | - | - | - | 203,323 | 203,323 |
| Joint venture administration fee | - | 62,632 | - | - | - | - | - | 62,632 |
| Total segment revenue | - | 62,632 | - | - | - | - | 203,323 | 265,955 |
| <i>Reconciliation of segment result to net profit before tax</i> | | | | | | | | |
| Unallocated revenue | - | - | - | - | - | - | - | 12,669 |
| Total group revenue | - | 62,632 | - | - | - | - | 203,323 | 278,624 |
| Segment net profit/(loss) before tax | - | - | - | - | - | (499,619) | (268,076) | (767,695) |
| <i>Reconciliation of segment result to net loss before tax</i> | | | | | | | | |
| Amounts not included in segment result but reviewed by the board: | | | | | | | | |
| - net fair value gain/(loss) on financial assets | | | | | | | | 188,887 |
| - exploration expenditure written off | | | | | | | | - |
| Unallocated items: | | | | | | | | |
| - other | | | | | | | | (1,132,085) |
| Net loss before tax from continuing operations | | | | | | | | (1,710,893) |

**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Half Year Ended 31 December 2010

| | Exploration – Yanrey | Exploration – Maree JV | Exploration – Lake Frome | Exploration – Northern Territory | Exploration – Australia Other | Exploration – Argentina | Treasury | Total Operations |
|--|-------------------------|---------------------------|--------------------------------|--|-------------------------------------|----------------------------|---------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Half Year Ended 31 December 2009 | | | | | | | | |
| Revenue | | | | | | | | |
| Interest revenue | - | - | - | - | - | - | 12,579 | 12,579 |
| Joint venture administration fee | - | 75,490 | - | - | - | - | - | 75,490 |
| Total segment revenue | - | 75,490 | - | - | - | - | 12,579 | 88,069 |
| <i>Reconciliation of segment result to net profit before tax</i> | | | | | | | | |
| Unallocated revenue | - | - | - | - | - | - | - | - |
| Total group revenue | - | 75,490 | - | - | - | - | 12,579 | 88,069 |
| Segment net profit/(loss) before tax | - | - | - | - | - | (428,131) | (198,959) | (627,090) |
| <i>Reconciliation of segment result to net loss before tax</i> | | | | | | | | |
| Amounts not included in segment result but reviewed by the board: | | | | | | | | |
| - net fair value gain/(loss) on financial assets | | | | | | | | 533,179 |
| - exploration expenditure written off | | | | | | | | (687,941) |
| Unallocated items: | | | | | | | | |
| - other | | | | | | | | (4,144,258) |
| Net loss before tax from continuing operations | | | | | | | | (4,926,110) |

**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Half Year Ended 31 December 2010

(b) Segment assets

| | Exploration – Yanrey \$ | Exploration – Maree JV \$ | Exploration – Lake Frome \$ | Exploration – Northern Territory \$ | Exploration – Australia Other \$ | Exploration – Argentina \$ | Treasury \$ | Total Operations \$ |
|--|-------------------------------|---------------------------------|--------------------------------------|--|---|----------------------------------|------------------|---------------------------|
| As at 31 December 2010 | | | | | | | | |
| Segment assets | 4,997,440 | - | 1,132,293 | 2,516,473 | 3,578,105 | 1,465,358 | 1,863,114 | 15,552,783 |
| Segment asset increases (decreases) for the half year: | | | | | | | | |
| - capital | 653,749 | - | 62,663 | 231,445 | 678,480 | 94,764 | - | 1,721,101 |
| - expenditure | - | - | - | - | - | - | - | - |
| - acquisitions | - | - | - | - | - | - | - | - |
| | 653,749 | - | 62,663 | 231,445 | 678,480 | 94,764 | - | 1,721,101 |
| <i>Reconciliation of segment assets to entity assets</i> | | | | | | | | |
| Financial assets | | | | | | | | 1,592,635 |
| Loan receivable | | | | | | | | 1,750,000 |
| Unallocated assets | | | | | | | | 1,389,950 |
| Total entity assets | | | | | | | | 20,285,368 |

| | Exploration – Yanrey \$ | Exploration – Maree JV \$ | Exploration – Lake Frome \$ | Exploration – Northern Territory \$ | Exploration – Australia Other \$ | Exploration – Argentina \$ | Treasury \$ | Total Operations \$ |
|---|-------------------------------|---------------------------------|--------------------------------------|--|---|----------------------------------|------------------|---------------------------|
| As at 30 June 2010 | | | | | | | | |
| Segment assets | 4,343,691 | - | 1,069,630 | 2,285,028 | 2,899,625 | 1,584,295 | 5,131,039 | 17,313,308 |
| Segment asset increases (decrease) for the year: | | | | | | | | |
| - capital | 445,089 | - | 84,022 | - | 413,161 | 807,845 | - | 1,750,117 |
| - expenditure | - | - | - | - | - | - | - | - |
| - acquisitions | - | - | - | - | - | - | - | - |
| | 445,089 | - | 84,022 | - | 413,161 | 807,845 | - | 1,750,117 |
| <i>Reconciliation of segment assets to entity assets</i> | | | | | | | | |
| Financial assets | | | | | | | | 1,510,942 |
| Loan receivable | | | | | | | | 1,750,000 |
| Unallocated assets | | | | | | | | 1,281,031 |
| Total entity assets | | | | | | | | 21,855,281 |

**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Half Year Ended 31 December 2010

(c) Segment liabilities

| | Exploration – Yanrey \$ | Exploration – Maree JV \$ | Exploration – Lake Frome \$ | Exploration – Northern Territory \$ | Exploration – Australia Other \$ | Exploration – Argentina \$ | Treasury \$ | Total Operations \$ |
|---|-------------------------------|---------------------------------|--------------------------------------|--|---|----------------------------------|----------------|---------------------------|
| As at 31 December 2010 | | | | | | | | |
| Segment liabilities | - | - | - | - | - | 107,416 | - | 107,416 |
| <i>Reconciliation of segment liabilities to total liabilities</i> | | | | | | | | |
| Financial liabilities | | | | | | | | 9,300,000 |
| Unallocated liabilities | | | | | | | | 966,435 |
| Total entity liabilities | | | | | | | | 10,373,851 |
| | | | | | | | | |
| | Exploration – Yanrey \$ | Exploration – Maree JV \$ | Exploration – Lake Frome \$ | Exploration – Northern Territory \$ | Exploration – Australia Other \$ | Exploration – Argentina \$ | Treasury \$ | Total Operations \$ |
| As at 30 June 2010 | | | | | | | | |
| Segment liabilities | - | - | - | - | - | 228,793 | - | 228,793 |
| <i>Reconciliation of segment liabilities to total liabilities</i> | | | | | | | | |
| Financial liabilities | | | | | | | | 9,300,000 |
| Unallocated liabilities | | | | | | | | 857,698 |
| Total entity liabilities | | | | | | | | 10,386,491 |

3. REVENUE

| | 31 December 2010 \$ | 31 December 2009 \$ |
|---|---------------------------|---------------------------|
| The following revenue and expense items are relevant in explaining the financial performance for the half-year: | | |
| Interest revenue | 203,323 | 12,579 |
| Other revenue | 75,301 | 75,490 |
| | <u>278,624</u> | <u>88,069</u> |

4. 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.

**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Half Year Ended 31 December 2010

5. TRADE AND OTHER RECEIVABLES

| | 31 December 2010 \$ | 30 June 2010 \$ |
|---|---------------------------|--------------------|
| Current | | |
| Trade and other receivables | 1,187,455 | 1,105,898 |
| Loan receivables (i) | - | 1,750,000 |
| Other | 85,769 | 35,863 |
| | <u>1,273,224</u> | <u>2,891,761</u> |
| Non Current | | |
| Loans receivables (i) | 1,750,000 | - |
| Amounts receivable from related parties | 20,031 | 17,675 |
| Environmental bonds | 2,901 | 3,478 |
| | <u>1,772,932</u> | <u>21,153</u> |

(i) The loan receivable is secured by registered mortgages over plant and equipment held by borrower, which has been independently assessed to have a fair value of \$10,420,000. Both parties have agreed to extend the loan arrangement.

The loan advanced incurs interest at 12% per annum.

6. ISSUED CAPITAL

| | 31 December 2010 No | 30 June 2010 No | 31 December 2010 \$ | 30 June 2010 \$ |
|---|---------------------------|-----------------------|---------------------------|-----------------------|
| ISSUED AND FULLY PAID UP CAPITAL | | | | |
| Ordinary Shares | | | | |
| Opening balance | 88,724,083 | 63,390,753 | 22,821,199 | 17,739,374 |
| Shares issued during period | - | 25,333,330 | - | 6,642,001 |
| Exercise of options | 255,946 | - | 78,926 | - |
| Transaction costs relating to share issues | - | - | - | (1,560,176) |
| Closing balance | <u>88,980,029</u> | <u>88,724,083</u> | <u>22,900,125</u> | <u>22,821,199</u> |

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Half Year Ended 31 December 2010

7. CONTINGENT ASSETS & LIABILITIES

The Jackson Global Limited Branch Office in Argentina has personnel hired who do not have an employment relationship. These professionals provide services as Geologists, Lawyers and consultants and became a free lance treatment. These services provided to the Branch Office are almost exclusive. In most cases the invoice issued by the service providers have a correlative numbering thus veiling an employment relationship since they only provide services to the Branch Office. This could bring about a social security and income tax contingency for employer's contributions and withholding that have not been paid which accrued amount has been estimated as December 31, 2010 in AUD 122,739 (in ARS 496.229).

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.

There have been no other changes in contingent assets and liabilities since the last annual reporting date.

8. SUBSEQUENT EVENTS

On the 4th February 2011, CEO, Mr Terry Topping, resigned from the Consolidated Entity.

On the 16th February 2011, Cauldron were issued 25,000,000 shares in Eclipse Uranium Ltd as a result of Eclipse exercising the option to acquire Cauldron's non-core Northern Territory uranium assets under the Deed of Option dated 5th March 2010.

On the 21st February 2011, the Consolidated Entity announced that its wholly owned subsidiary Jakaranda Minerals Limited ("Jakaranda") will provide Caudillo Resources SA ("Caudillo") with a draw-down facility of up to AUD\$650,000. This loan and interest (LIBOR + 2%) on this loan will be required to be repaid within two years from this date (unless extended by mutual agreement). Caudillo cannot seek any additional funding while this agreement is in place, or enter into any agreements/contracts without written consent from Jakaranda. At Jakaranda's discretion, the loan may be paid back in cash or equity in Caudillo.

The Group has an investment in FE Limited, as of 14th March 2011, the fair value of FE limited is \$2,039,492 which has significantly increased since 31 December 2010 carrying at \$920,386.

No other matters or circumstances have arisen since the end of the financial period 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.

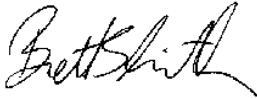
**CAULDRON ENERGY LTD ABN 22 102 912 783
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION
For the Half Year Ended 31 December 2010

The Directors of the Consolidated Entity declare that:

1. The financial statements and notes, as set out on pages 7 to 17 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date.
2. 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.



Mr. Brett Smith
Executive Director

Dated this 15th day of March 2010

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 review of the financial report of Cauldron Energy Limited and Controlled Entities for the half year ended 31 December 2010 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 review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants



CHRIS WATTS
Director

DATED at PERTH this 15th day of March 2011

Independent Auditor's Review Report

To the Members of Cauldron Energy Limited

We have reviewed the accompanying half-year financial report of Cauldron Energy Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Cauldron Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

**Bentleys Audit
& Corporate (WA) Pty Ltd**
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Independent Auditor's Review Report

To the Members of Cauldron Energy Limited (Continued)



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cauldron Energy Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS
Chartered Accountants

CHRIS WATTS
Director

DATED at PERTH this 15th day of March 2011