CAULDRON ENERGY LTD

(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

CAULDRON ENERGY LTD

CONTENTS

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
Antony Sage

EXECUTIVE DIRECTOR
Brett Smith

NON-EXECUTIVE DIRECTOR
Qiu Derong

COMPANY SECRETARY
Claire Tolcon

PRINCIPAL & REGISTERED OFFICE
18 Oxford Close
LEEDERVILLE WA 6007
Telephone: (08) 9380 9555
Facsimile: (08) 9322 2631

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

ANZ
77 St Georges Terrace
PERTH WA 6000

DIRECTORS' REPORT

The directors of Cauldron Energy Limited ("Cauldron") submit their report, together with the consolidated financial statements comprising Cauldron and its controlled entities (together the "Consolidated Entity") for the financial year ended 30 June 2011.

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

Antony Sage — Executive Chairman

Qualifications: B.Bus, FCPA, CA, FTIA

Experience: Mr Antony Sage has more than 26 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 14 years he has been involved in the management and financing of several listed exploration and mining companies.

Directorships of listed companies held within the last 3 years:

Cape Lambert Resources Limited	December 2000 to present
International Petroleum Limited*	January 2006 to present
International Goldfields Limited	February 2009 to present
Fe Limited	August 2009 to present
African Petroleum Corporation Limited*	October 2007 to present
Chameleon Mining NL	September 2010 to present
African Iron Limited	January 2011 to present

* Listed on National Stock Exchange of Australia

Interest in Shares & Options:

Fully Paid Ordinary Shares	5,594,600
80 cent Options expiring 30 November 2011	500,000
60 cent Options expiring 30 November 2011	500,000
45 cent Options expiring 31 October 2012	559,460

Brett Smith — Executive Director

Qualifications: B.Sc(Geol), M.AusIMM MAIG.

Experience: Mr Smith has over 21 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. Mr Smith is primarily responsible for Cauldron's strategic move into Argentina.

Directorships of listed companies held within the last 3 years:

Blackham Resources Limited	July 2007 to present
Jacka Resources Limited	October 2009 to present
Corazon Mining Ltd	July 2010 to present

Interest in Shares & Options:

Fully Paid Ordinary Shares	11,844
80 cent Options expiring 30 November 2011	500,000
60 cent Options expiring 30 November 2011	500,000

DIRECTORS' REPORT (cont)

Qiu Derong	Non-Executive Director	
Experience	Mr Qiu is a highly experienced industrialist with more than 26 years experience in the architecture, construction and real estate industries in China as well as over 16 years of experience in the management of enterprises and projects throughout the country. Mr Qiu has a MBA obtained from the Oxford Commercial College, a joint program operated by Oxford University in China.	
Directorships of listed companies held within the last 3 years	None	
Interest in Shares & options	Fully Paid Ordinary Shares	5,400,000
	50 cent Options expiring 30 November 2011	1,800,000
	45 cent Options expiring 31 October 2012	540,000
Terence Topping	Chief Executive Officer until resignation on 4 February 2011	
Qualifications	BAppSc, B Sc (Hons), Finsia	
Experience	Mr Topping is a geologist with over 16 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.	
Interest in Shares & Options	As at the date of his resignation, Mr Topping had an interest in the following shares and options:	
	Fully Paid Ordinary Shares	4,526,031
	45 cent Options expiring 31 October 2012	452,605
	80 cent Options expiring 30 November 2011	500,000
	60 cent Options expiring 30 November 2011	500,000
Kent Hunter	Non-Executive Director (resigned 31 March 2011)	
Qualifications	B.Bus CA	
Experience	Mr Hunter is a Chartered Accountant with over 21 years corporate and company secretarial experience.	
Interest in Shares & Options	As at the date of his resignation, Mr Hunter had an interest in the following shares and options:	
	Fully Paid Ordinary Shares	4,301,561
	45 cent Options expiring 31 October 2012	402,004
	80 cent Options expiring 30 November 2011	800,000
	60 cent Options expiring 30 November 2011	300,000

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 11 to 13.

DIRECTORS' REPORT (cont)

COMPANY SECRETARY

Ms Claire Tolcon was appointed 31 March 2011, the date on which Mr Stephen Brockhurst resigned.

Ms Tolcon has over 13 years experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She has previously practised as a partner of a corporate law firm for a number of years before joining the Company. Ms Tolcon holds a Bachelor of Law and Bachelor of Commerce (Accounting) degree and has completed a Graduate Diploma of Applied Corporate Governance with Chartered Secretaries Australia Ltd and a Graduate Diploma in Applied Finance with FINSIA.

2. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTVITIES

The principal activity of the Consolidated Entity during the financial year was uranium exploration.

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

3. OPERATING RESULTS

The loss of the Consolidated Entity after providing for income tax amounted to $7,334,156 (2010: $7,494,321).

4. REVIEW OF OPERATIONS

Cauldron is an Australian exploration company resulting from the merger of Scimitar Resources Limited and Jackson Minerals Limited. Cauldron retains an experienced board of directors with proven success in the resources sector.

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.

CORPORATE

The following significant transactions occurred during the financial year:

Divestment of Non-core Uranium Assets
During February 2011, the Consolidated Entity completed its divestment of non-core uranium assets held in the Northern Territory of Australia to Eclipse Uranium Ltd ("Eclipse"). Consideration comprised 25,000,000 Eclipse shares which equates to a 35.95% interest in Eclipse. In addition, Cauldron is represented by one seat on the Eclipse board. The gain on disposal amounted to $3,675,718 and has been recognised in the statement of comprehensive income.

Draw-down Facility Provided to Caudillo Resources SA
In February 2011, Jakaranda Minerals Limited ("Jakaranda"), a wholly owned subsidiary of the Consolidated Entity, entered into a facility agreement with Caudillo Resources SA ("Caudillo") to provide funding up to $650,000 to Caudillo. The loan and interest on the loan (LIBOR + 2%) is required to be repaid within two years. At Jakaranda's discretion, the loan may be paid back or converted into equity in Caudillo. If the loan is converted into equity, it will result in Jakaranda holding an 80% interest in Caudillo.

Convertible Note Facility
On 16 March 2011, the Consolidated Entity received $2,000,000 in convertible note funding from Dempsey Resources Pty Ltd ("Dempsey"), a wholly owned subsidiary of Cape Lambert Resources Ltd. The terms of the note allow Dempsey the right to convert the loan into ordinary

DIRECTORS' REPORT (cont)

shares in the Consolidated Entity before the repayment date of 16 March 2012, subject to shareholder approval. The convertible note has a coupon rate of 10% and the conversion price is the volume weighted average closing price of Cauldron shares as quoted on ASX over the last five trading days immediately preceding the conversion notice by the note holder, discounted by 20%.

Shares and Options Issued

During the year ended 30 June 2011, the following equity instruments were issued:

Shares:

- On 21 October 2010, the Consolidated Entity issued 5,946 ordinary fully paid shares pursuant to the exercise of options; and
- On 22 December 2010, the Consolidated Entity issued 250,000 ordinary fully paid shares pursuant to the exercise of options.

Listed Options:

- On 1 October 2010, the Consolidated Entity issued 8,872,048 listed options at an exercise price of $0.45 and an expiry date of 31 October 2012, for consideration of $0.01 per option; and
- On 19 October 2010, the Consolidated Entity issued 4,000,000 listed options with an exercise price of $0.45 and an expiry date of 31 October 2012, in lieu of a service fee to brokers.

Unlisted Options:

- On 20 October 2010, the Consolidated Entity issued 2,000,000 unlisted options to employees with an exercise price of $0.45 and an expiry date of on or before 20 October 2015. As at 30 June 2011, 1,100,000 of these options had lapsed as a consequence of the recipients ceasing to be employed.

PROJECT INFORMATION

AUSTRALIA

YANREY URANIUM PROJECT, WESTERN AUSTRALIA (100%) INCLUDING THE UAROO JV (EARNING 70% AND MANAGER)

The Yanrey Project is located 70km south of Onslow in Western Australia. The project covers Mesozoic sediments, which are highly prospective for sandstone hosted roll front uranium mineralisation amenable to In-situ Recovery (ISR) mining. Other uranium projects in the district include Paladin Energy Ltd's (ASX: PDN) adjoining 24 million lbs Manyingee uranium deposit in the north and Energia Minerals Limited's (ASX: EMX) 9.2 million lbs Carley Bore uranium deposit to the south.

The Yanrey Project includes:

- the Bennet Well deposit with a total Inferred Mineral Resource of 7.3 Mt at 300 ppm eU_3O_8 (4.8 million lbs eU_3O_8) (refer ASX announcement dated 9 July 2008 for full details) estimated at a 150 ppm cut-off;

- an Exploration Target[1] estimate of 25 to 35 million pounds U_3O_8 (11,000 to 16,000t) at a grade of 300 to 900 ppm in 11 paleochannel systems (refer ASX announcement dated 15 September 2009 for full details).

Mineralisation at Bennet Well remains open in all directions including the area known as Bennet Well North East where drilling in 2008 by Cauldron intersected a widespread zone of elevated uranium including 3.28m at 583 ppm eU_3O_8 in hole YNAC222 (refer ASX announcement dated

[1] The estimates of exploration target sizes should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimates of exploration target sizes are conceptual in nature and there has been insufficient results received from drilling completed to date to estimate a Mineral Resource compliant with the JORC (2004) guidelines. Furthermore, it is uncertain if further exploration will result in the determination of a Mineral Resource.

20 August 2008 for full details). There are also several other untested areas that are prospective for uranium mineralisation, that have been excluded from the exploration target estimate until further regional exploration is conducted.

Cauldron submitted a program of work in July 2009 for further extension and exploration drilling in the Bennett Well area but approvals have been delayed due to heritage issues. Planning has commenced to test selected priority regional paleochannel targets to the south of Bennett Well.

MARREE URANIUM PROJECT JOINT VENTURE, SOUTH AUSTRALIA (60%)

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 Cauldron and a Korean consortium, comprising of the Korean Government (KORES), Daewoo International Corporation and LG International Corporation. Cauldron is the Manager of the project. The Korean participants can earn up to an aggregate 50% interest in the Marree Project by funding $6.2 million of exploration activities over three years. Exploration activities commenced in mid-2009. To date, the Korean participants have contributed $3.8 million and have earned a 40% interest in the project.

Regional exploration undertaken by the Company has identified two major uranium-bearing Tertiary paleochannel systems termed the Blanchewater and Red Banks target areas. The main focus of exploration to date has been at the Blanchewater target area, which trends northeast for 50km across the project area varying from 2-8km wide. To date, 2 accumulations of uranium have been discovered by scout drilling being the George Creek and MacDonnell Creek prospects.

During the June 2011 quarter, a follow-up drilling program totalling 3,576m of mud rotary drilling in 33 holes was completed within the MacDonnell Creek (21 holes) and George Creek (12 holes) prospects at the Blanchewater target.

<u>MacDonnell Creek Prospect</u>

The drilling at MacDonnell Creek was focused on testing the tenor and continuity of the interpreted redox front on a drill spacing of 200 x 100m. This drilling returned several significant results (refer ASX announcement dated 14 July 2011 for full details) including:

- 1m at 263 ppm eU3O8 from 108.05m in hole MAMR132, and
- 0.65m at 235 ppm eU3O8 from 105.7m in hole MAMR134.

This drilling confirmed a large zone approximately 2km long and 400-800m wide of anomalous uranium mineralisation in reduced sedimentary rocks up to 20m thick. Moreover, a new, more confined and prospective paleochannel was delineated, which is interpreted to be the source of the high uranium values in the flanking reduced sedimentary rock package. Seven of the recent drill holes intercepted the new paleochannel with four of these containing significant uranium intercepts.

The sandstones in the new paleochannel are predominantly oxidized at MacDonnell Creek and low in uranium, with most of the uranium being precipitated in the reduced sediments on the channel margins. The significant uranium values located immediately above and below the channel indicate that large volumes of uranium have moved through the channel. The paleochannel is up to 300m wide and 12m deep and trends downstream to the northeast within the Tertiary Blanchewater paleochannel formation. This paleochannel represents a new target at Marree with excellent potential for a large downstream uranium accumulation at a redox front.

<u>George Creek Prospect</u>

At George Creek the drilling was conducted to close the drill spacing to a 500 x 1,000m pattern across an interpreted redox front and proximal to previous highly anomalous drill hole results.

DIRECTORS' REPORT (cont)

A zone of highly anomalous uranium has been identified around drill hole MAMR149, which returned a maximum intersection of 0.95 metres at 136 ppm eU_3O_8 within variably oxidised and reduced sands and clays of interpreted Eyre Formation (refer ASX announcement dated 14 July 2011 for full details).

WEST LAKE FROME PROJECT, SOUTH AUSTRALIA (100% DILUTING, UEQ MANAGER)

The West Lake Frome Project comprises three granted exploration licences covering 1,444 km^2 in the Curnamona Province of South Australia, host to the world class uranium deposits at Beverley and Beverley Four Mile.

The West Lake Frome Project is located 450km north of Adelaide 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.

The project is subject to a Farm-in and Joint Venture agreement with Uranium Equities Limited (ASX: UEQ). Under the terms of the agreement, UEQ can earn an 80% interest in the West Lake Frome Project by funding $5 million of exploration expenditure over (5) five years. UEQ to fund $0.7 million before UEQ can withdraw from the joint venture, including a minimum 4,000 metres of rotary mud drilling.

Exploration work proposals, submitted by UEQ, have been approved by the SA Government authorities, with heritage surveys and drilling operations scheduled for the September quarter 2011.

BEADELL PROJECT, WESTERN AUSTRALIA (80%)

The Beadell Project is located 450km east of Newman in Western Australia in the south-eastern part of the Rudall Complex in a highly prospective region with several base metal deposits, including Mount Cotton (Cu, Pb, Zn, U), Nifty (Cu), Maroochydore (Cu, Pb, Zn), Kintyre (U) and Copper Hills (Cu, Au).

Regional exploration has identified two significant conductive Airborne Electromagnetic ("AEM") anomalies that potentially represent massive sulphide mineralisation at depth. Scout drilling of the southern anomaly late in 2010 intersected broad zones of copper, lead and zinc mineralisation, including a number of individual narrow higher grade zones of copper and gold within broader zones of disseminated copper and iron sulphides. Further drilling is required to fully test the southern and northern anomalies.

BOOLALOO PROJECT, WESTERN AUSTRALIA (100%)

The Boolaloo Project is located 270km east of Exmouth in the Ashburton Basin within a known base metal province with numerous historical and current mines including Paulsens Gold Mine and Mount Clement Gold Mine.

Historical exploration coverage has been fragmentary. There are several targets including Minga Bore where scout drilling in 2007 and 2008 intersected base metals including 2m at 3.81% Cu, 6.52g/t Ag, 0.11% Pb and 0.60 g/t Au from 63m in hole MIRC027 (refer JAK:ASX announcements dated 27th August 2008 for full details).

Cauldron is currently completing a strategic review of the Beadell and Boolaloo Projects to ascertain how to progress these projects.

AMADEUS URANIUM PROJECT, NORTHERN TERRITORY (100%)

The Amadeus Project is located in the Amadeus Basin 50km south of Alice Springs. Exploration to date has focused on uranium mineralisation associated with a regionally extensive redox boundary similar to the nearby Pamela and Angela Uranium Deposits, which is a joint venture between Paladin Energy (50%), and Cameco Australia (50%).

DIRECTORS' REPORT (cont)

GLENCOE PROJECT (100%)

The Glencoe Uranium Project is located in the Lake Frome region 450km northeast of Adelaide. The Project is prospective for roll front type uranium mineralisation within sediments of the Tertiary Lake Eyre Basin, contained within the Carnanto and Yalkapo Paleochannels which traverse the Project.

During 2011 Cauldron Energy participated in Geoscience Australia's (GA) Frome Embayment Airborne EM survey, conducted under the Australian Government's Onshore Energy Security Program (OESP). Approximately 230 line kilometres were flown at 2.5km, to infill the 5km lines of the GA survey. Cauldron is currently awaiting the Airborne EM survey data.

MAWSON PROJECT (100%)

The Mawson Uranium Project is located in the prospective Mount Painter Complex, 500km north of Adelaide. The licence is 5km to the southwest of the Marathon Resources Limited's 66 million lbs Mt Gee uranium deposit.

The project covers the southern extension of the Mount Painter Complex and the continuation of the Paralana Fault zone. Reactivation of this fault is believed to be an important factor in the localisation of the uranium mineralisation at the Mount Gee and Mount Painter Breccia hosted uranium deposits. No work was completed on this project during this reporting period.

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: SAR) and a $1/tonne royalty for the first two million tonnes mined from the project.

ARGENTINA

RIO COLORADO URANIUM PROJECT, ARGENTINA (CXU earning 92.5%)

Rio Colorado in Catamarca Province covers an area of 454 km^2 and comprises four granted mining leases (minas), six granted exploration licences (cateos) and four mining lease applications. The deposit intermittently outcrops over a strike of 17 km with numerous small scale historical workings focussed on the sandstone hosted uranium-copper-silver mineralisation.

Cauldron, through its wholly owned subsidiary Jackson Global, has the right to earn 92.5% of the Rio Colorado uranium-copper-silver project in Catamarca, one of the principal mining provinces in Argentina.

The Rio Colorado Project comprises a 17km 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 3,000 ppm U_3O_8 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.

Work has commenced to procure regional airborne geophysical and remote sensing data sets prepatory to defining and prioritising ground exploration and drilling following initial exploration at Los Colarados.

DIRECTORS' REPORT (cont)

LAS MARIAS URANIUM PROJECT, ARGENTINA (100%)

Las Marias in San Juan Province comprising two granted exploration licences and nine applications covering an area of 793 km^2. The project displays outcropping sandstone hosted uranium deposits, but is also prospective for copper, silver and gold.

Cauldron, through its wholly owned subsidiary Jackson Global has granted leases and applications over ground prospective for uranium mineralisation in San Juan, one of the principal mining provinces in Argentina. The Las Marias Project includes areas of historical uranium exploration, dating from the 1970s. Jackson Global is the first company to receive environmental clearance for the exploration and bulk testing for uranium in this province.

Within the Las Marias Project, outcropping uranium mineralisation is defined within strata bound sandstones, with over 7km of strike, conformable with the local stratigraphy. Radiometric anomalism suggests that the mineralised units extend under cover, throughout the project area. Initial investigations by the Company, indicates an average outcropping uranium anomalism of between 100 to 550 ppm U_3O_8 up to three metres in width, with samples peaking at 1,305 ppm U_3O_8.

LOS COLORADOS PROJECT, ARGENTINA (CXU earning 80%)

Cauldron through its wholly owned subsidiary Jakaranda Minerals Limited ("Jakaranda"), entered into an agreement with Argentinean company Caudillo early in 2011 to explore the historic Los Colorados Uranium Mine in the province of La Rioja in Argentina.

The uranium mineralisation mined from 1992-1996 is of the sandstone hosted roll front style and is hosted within Carboniferous age clastic sediments and is observed in the walls of the open pit. This, along with historical drill records, indicates the mineralisation extends beyond the boundary of the mined area. Old mine records indicate grades from 0.26 to 1.22% U_3O_8 in dark shale units within and on the margins of the open pit that host the uranium mineralisation. Additionally, this style of deposit supports the likelihood of further roll-front horizons existing elsewhere within the project. The Los Colorados deposit was discovered solely because it outcropped at the surface.

Caudillo, assisted by Cauldron has completed planning and resourcing of a scout drilling program to test for extensions to the old mine and regional targets. The drill program commenced at Los Colorados during August 2011.

COMPETENT PERSON STATEMENT

The information in this Annual Report that relates to Cauldron Energy Limited's Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brett Smith, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Smith is an employee of Cauldron Energy Limited. Mr Brett Smith has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Smith is consents to the inclusion in this Annual Report of the matters based on his information, in the form and context in which it appears.

5. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR

The Consolidated Entity intends to continue its focus on the uranium sector.

6. SIGNFICANT CHANGES IN STATE OF AFFAIRS

There have been no changes in the state of affairs of the Consolidated Entity other than those disclosed in the review of operations.

7. SUBSEQUENT EVENTS

On 12 September 2011, Cauldron completed a share placement of 7,300,000 fully paid ordinary shares, raising $730,000 (before costs) to fund exploration expenditure and general working capital.

On 28 September 2011, Cauldron announced that it had divested interest in the Boolaloo and Beadell Projects located in the north of Western Australia to Rumble Resources Ltd ("Rumble"). Pursuant to the terms of the transactions, Cauldron has transferred to Rumble:

(a) An 80% interest in the Boolaloo Project (which is comprised of EL08/0605, EL08/1756, EL08/2123, EL08/2141, EL08/2152 and ELA08/2153; and
(b) A 60% interest in E45/2405 and E/2406 and an 80% interest in ELA 45/3799 and ELA 45/3823 (comprising the Beadell Project).

Under the terms of the transactions Cauldron will receive cash consideration of $300,000 and retain in interest in both projects. Rumble will also assume all the environmental and rehabilitation work required to be carried out in respect of the Boolaloo Project.

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. 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.

9. 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.

10. SHARES UNDER OPTION

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

Grant Date	Exercise Price	Number of Options	Expiry Date	Listed / Unlisted
8 November 2006	$0.61	900,000	31 October 2011	Unlisted
26 March 2008	$0.85	100,000	26 March 2012	Unlisted
30 November 2009	$0.60	2,900,000	30 November 2011	Unlisted
30 November 2009	$0.80	2,000,000	30 November 2011	Unlisted
26 March 2010	$0.50	2,000,000	30 November 2011	Unlisted
1 October 2010	$0.45	8,866,462	31 October 2012	Listed
19 October 2010	$0.45	4,000,000	31 October 2012	Listed
20 October 2010	$0.45	600,000	20 October 2015	Unlisted

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

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

During the year ended 30 June 2011 there were 255,946 ordinary shares issued as a result of the exercise of options for total consideration $78,926 (2010: nil).

DIRECTORS' REPORT (cont)

11. 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 or agent of the Consolidated Entity shall be indemnified out of the property of the Consolidated Entity against any liability incurred by him in his capacity as Officer, auditor or agent of the Consolidated 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. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premiums paid, the nature of the liability covered by the policies, the limit of liability and the name of the insurer.

12. MEETINGS OF DIRECTORS

There were no directors meetings held during the financial year, however all board matters were dealt with via circular resolutions. Eight circular resolutions were adopted during the year. The Consolidated Entity does not have a formally constituted audit committee or remuneration committee as the board considers that the Consolidated Entity's size and type of operation do not warrant such committees.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2011 has been received and is included on page 14 of the annual report.

14. REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cauldron's directors for the financial year ended 30 June 2011.

DIRECTOR DETAILS

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

Antony Sage	*Executive Chairman*
Brett Smith	*Executive Technical Director*
Qiu Derong	*Non-Executive Director*
Terence Topping	*Chief Executive Officer (Resigned 4 February 2011)*
Kent Hunter	*Non-Executive Director (Resigned 31 March 2011)*

REMUNERATION POLICY

The remuneration policy of Cauldron 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 believes the remuneration policy to be appropriate and effective in its ability to attract and retain appropriately skilled directors to run and manage the Consolidated Entity, as well as create goal congruence between directors and shareholders.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The executive directors in consultation with independent advisors determine payments to the non-executive directors and review 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.

DIRECTORS' REPORT (cont)

14. REMUNERATION 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. This has been achieved by the issue of options to the majority of directors to encourage the alignment of personal and shareholder interest.

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	Remuneration share based payment
	Salary, Fees & Leave	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$	%
Directors									
Antony Sage – Executive Chairman									
2011	120,000	-	-	-	-	-	-	120,000	-
2010	120,000	-	-	-	-	288,000	127,743	535,743	77.6%
Terence Topping – Chief Executive Officer (resigned on 4 February 2011)									
2011	173,831	-	-	13,395	-	-	-	187,226	-
2010	210,000	-	-	18,900	-	-	127,743	356,643	35.8%
Brett Smith – Executive Technical Director									
2011	136,085	-	-	-	-	-	-	136,085	-
2010	200,373	-	-	17,057	-	-	127,743	345,173	37.0%
Kent Hunter – Non Executive Director (i) (resigned on 31 March 2011)									
2011	49,050	-	-	-	-	-	-	49,050	-
2010	60,000	-	-	5,400	-	-	76,646	142,046	54.0%
Qiu Derong – Non Executive Director									
2011		-	-	-	-	-	-	-	-
2010		-	-	-	-	-	-	-	-
Total Remuneration Directors									
2011	478,966	-	-	13,395	-	-	-	492,361	-
2010	590,373	-	-	41,357	-	288,000	459,875	1,379,605	54.2%

i) An aggregate amount of $181,604 (2010: $155,711) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter and Mr Stephen Brockhurst, for the provision of company secretarial services and corporate compliance to the Consolidated Entity. Mr Hunter resigned as a director on 31 March 2011 and Mr Brockhurst resigned as company secretary on 31 March 2011.

Performance related Bonuses and Share Based Payments

The following table provides a summary of shares and options issued to directors in the form of share-based payments during the prior financial year. There were no options or shares issued to directors during the year ended 30 June 2011.

DIRECTORS' REPORT (cont)

14. REMUNERATION REPORT (cont)

Options

2010	No. granted	Grant date	Exercise price	Grant value	Reason for grant	No. vested	% vested / paid during 2010	% forfeited during year *	Percentage remaining as unvested %	Expiry date for vesting
Antony Sage	500,000	30 Nov 09	$0.60	$300,000	(a)	500,000	100%	-	-	30 Nov 11
Terrence Topping	500,000	30 Nov 09	$0.60	$300,000	(a)	500,000	100%	-	-	30 Nov 11
Brett Smith	500,000	30 Nov 09	$0.60	$300,000	(a)	500,000	100%	-	-	30 Nov 11
Kent Hunter	300,000	30 Nov 09	$0.60	$180,000	(a)	300,000	100%	-	-	30 Nov 11
Antony Sage	500,000	30 Nov 09	$0.80	$400,000	(a)	500,000	100%	-	-	30 Nov 11
Terrence Topping	500,000	30 Nov 09	$0.80	$400,000	(a)	500,000	100%	-	-	30 Nov 11
Brett Smith	500,000	30 Nov 09	$0.80	$400,000	(a)	500,000	100%	-	-	30 Nov 11
Kent Hunter	300,000	30 Nov 09	$0.80	$240,000	(a)	300,000	100%	-	-	30 Nov 11

* There were no forfeitures of options during 2011.

Shares

2010	No. granted	Grant date	Grant value	Reason for grant	% vested / paid during 2010
Antony Sage	600,000	30 Nov 09	$288,000	(b)	100

(a) The primary purpose of the grant of options is to provide cost effective consideration to the directors for their ongoing commitment and contribution to the Company.

(b) The primary purpose of the grant of shares to Mr Sage is to provide cost effective consideration and ongoing remuneration to Mr Sage for his commitment and contribution to the Company in his role as Executive Chairman.

15. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

16. NON AUDIT SERVICES

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2011.

This report of the Directors, incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.

Mr Antony Sage
Executive Chairman

PERTH
29 September 2011

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd

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

PO Box 44
West Perth WA 6872
Australia

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

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 2011 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

CHRIS WATTS CA
Director

DATED at PERTH this 29th day of September 2011

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road
West Perth WA 6005
Australia
PO Box 44
West Perth WA 6872
Australia
ABN 33 121 222 802
T +61 8 9226 4500
F +61 8 9226 4300
bentleys.com.au

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 Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and 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.

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 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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*.

Auditor's Opinion

In our opinion:

a. The financial report of Cauldron Energy Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, attention is drawn to the following matter. As a result of matters described in Note 1(c): 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 Consolidated Entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2011. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 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 2011, complies with section 300A of the *Corporations Act 2001*.

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 29th day of September 2011

CORPORATE GOVERNANCE

The Board of Directors of Cauldron Energy Limited (**Cauldron**) is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council's (**CGC**) Corporate Governance Principles and Recommendations (**Recommendations**) and CGC published guidelines.

In accordance with ASX Listing Rule 4.10.3, this corporate governance statement discloses the extent to which the Company has followed the Recommendations by detailing the Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. The Company is pleased to advise that the Company's practices are largely consistent with CGC guidelines, however, in areas where they do not correlate, the Company is working toward compliance or do not consider that the practices are appropriate for the current size and scale of operations.

Cauldron corporate governance practices were in place throughout the year ended 30 June 2011. The current corporate governance policies are posted in a dedicated corporate governance information section of the Company's website at www.cauldronenergy.com.au.

Adherence to the Guide on Best Practice Recommendations

	Recommendation	Comply Yes / No
	Principal 1 – Lay solid foundations for management and oversight	
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the guide to reporting on Principle 1.	Yes
	Principal 2 – Structure the Board to add value	
2.1	A majority of the Board should be independent directors.	No
2.2	The chairperson should be an independent director.	No
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes until February 2011
2.4	The Board should establish a nomination committee.	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	Yes
	Principal 3 – Promote ethical and responsible decision-making	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: 3.1.1 The practices necessary to maintain confidence in the Company's integrity. 3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. 3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Establish and disclose the policy concerning trading in Company securities by directors, senior executives and employees.	Yes
3.3	Provide the information indicated in the guide to reporting on Principle 3.	Yes

CORPORATE GOVERNANCE (cont)

		Comply Yes / No
Principal 4 – Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	Yes until March 2011
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chairperson, who is not chairperson of the Board; and • has at least three members.	No
4.3	The audit committee should have a formal charter	Yes
4.4	Provide the information indicated in the guide to reporting on Principle 4.	Yes
Principal 5 – Make timely and balanced disclosure		
5.1	Companies should established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the guide to reporting on Principle 5.	Yes
Principal 6 – Respect the rights of shareholders		
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the guide to reporting on Principle 6.	Yes
Principal 7 – Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	Yes
Principal 8 – Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	Yes until March 2011
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3	Provide the information indicated in the guide to reporting on Principle 8.	Yes

CORPORATE GOVERNANCE (cont)

The Board of Directors

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 it is 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 in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

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. Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website: www.cauldronenergy.com.au.

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.
- 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.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- 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.

Structure 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. Directors are appointed based on the specific skills required by the Company and on other attributes such as 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. Mr Qiu Derong is a Non-Executive Director. Mr B Smith and Mr A Sage are Executive Directors of the Company and do not meet the Company's criteria for

CORPORATE GOVERNANCE (cont)

independence. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

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;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- 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;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Antony Sage is the Executive Chairman of the Company and does not meet the Company's criteria for independence. The Board believes his experience and knowledge of the Company makes him the most appropriate person to lead the Board.

The role of Chief Executive Officer of the Company was undertaken by Mr Terry Topping until his resignation in February 2011. Since this time, the role of Chief Executive Officer has been discharged jointly by Executive Directors, Mr Brett Smith and Mr Tony Sage. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes, Mr Brett Smith and Mr Tony Sage acting jointly in this role remain the most appropriate people to fulfil this role.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Mr Antony Sage	2 years & 3 months	(Executive Chairman)
Mr Brett Smith	2 years & 3 months	(Executive Director)
Mr Qiu Derong	1 year & 10 months	(Non-Executive Director)

Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company.

The performance of the Chief Executive Officer (Executive Director) is monitored by the Board as a whole. A formal performance review of the Chief Executive Officer did not occur during the year.

The performance of senior management is monitored by the Executive Chairman.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive Directors, the Chief Executive Officer, and senior management. Details of these practices are available on the Company's website. No formal performance evaluation of the Board, individual directors of senior management took place during the year.

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 skill gaps where they are identified.

CORPORATE GOVERNANCE (cont)

Securities Trading Policy

On 22 December 2010, the Company adopted a new Securities Trading Policy in compliance with the ASX Listing Rules, which is located on the Company's website: www.cauldronenergy.com.au.

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. Additionally, the Board and other employees may not deal in the Company's securities during the 10 business days immediately before and 2 business days after:

- the release of the Company's half yearly or yearly results and the date of the board meeting to approve those results;
- the release of the Company's quarterly results;
- the deadline for the Company to publish its annual results announcement; and
- the annual general meeting.

Approval is required by Directors and employees before they trade in securities.

As is required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by a Director in the securities of the Company.

Audit and Risk Committee

During the year, the Company did have an audit committee that comprised of Messrs Hunter, Topping and Brockhurst. However, since the resignation of these persons during the financial year (March 2011), the Company has not had an audit committee and due to the current size of the Board, the functions of the Audit and Risk Committee are discharged by the Board as a whole. The Board reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval. The Board each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Board as a whole is also responsible for establishing policies on risk oversight and management.

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 the operations of the Company and the size of the Board, risk management issues are considered by the Board as a whole. In accordance with Recommendation 7.1, the Board has established a formal policy for risk management and a framework for monitoring and managing material business risks on an ongoing basis. The policies and procedures adopted are directed at meeting the following objectives:

- effectiveness and efficiency in the use of the Company's resources.
- compliance with applicable laws and regulations.
- preparation of reliable published financial information.

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.

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

Attestations by CEO

It is the Board's policy, that the CEO makes the attestations recommended by the CGC as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the role of CEO is being discharged by the Executive Chairman and the Executive Director jointly. The certification required in accordance with section 295A of the Corporations Act is provided by the Executive Chairman prior to acceptance by the Board as a whole. The Board has received

CORPORATE GOVERNANCE (cont)

assurance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Remuneration Committee

During the year, the Company did have an audit committee that comprised of Messrs Hunter, Topping and Brockhurst. However, since the resignation of these persons during the financial year (March 2011), the Company has not had a Remuneration Committee and due to the current size of the Board, the functions of the Remuneration Committee are discharged by the Board as a whole. The Board as a whole, is charged with the responsibility in respect of establishing appropriate remuneration levels and incentive policies for employees, executives and directors.

The Board is responsible for setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and amending 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.

Remuneration Policy

Directors' Remuneration has been approved by resolutions of the Board when Directors have been appointed to the Company, and resolutions of Shareholders when the remuneration of Non Executive Directors have increased.

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, the remuneration of senior executive may be comprised of the following:

- fixed fee 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.

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-Scholes option pricing model.

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.

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.

Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

CORPORATE GOVERNANCE (cont)

Nomination Committee

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 consisted of five members for the majority of the year and three members as at the date of this report, 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.

Responsibilities

The responsibilities of a Nomination Committee would 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 would also oversee 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.

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 one Director with relevant industry experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

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).

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).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Revenue	3(a)	420,162	316,590
Other income	3(b)	3,675,718	9,601
Administration expenses		(403,444)	(494,131)
Employee benefits expenses		(509,641)	(482,498)
Directors fees		(382,575)	(330,076)
Share based payments		(59,702)	(1,168,489)
Compliance and regulatory expenses		(142,818)	(348,700)
Consultancy expenses		(750,839)	(247,105)
Exploration costs expensed as incurred		-	(77,346)
Occupancy expenses		(233,410)	(248,736)
Travel expenses		(133,361)	(125,466)
Net fair value (loss)/gain on financial assets		(568,303)	11,807
Loss on disposal of financial assets		(130,630)	-
Depreciation		(41,601)	(54,261)
Finance costs	4	(984,448)	(745,127)
Realised foreign exchange gain/(loss)		12,686	-
Impairment of associate	13(b)	(2,600,000)	-
Impairment of receivables		(17,439)	(54,693)
Impairment of loan receivable	10(a)	(1,427,759)	(393,808)
Impairment of plant and equipment		(20,352)	-
Impairment of exploration expenditure		(3,036,400)	(662,029)
Loss before income tax expense		(7,334,156)	(5,094,467)
Income tax expense	5	-	-
Loss for the year from continuing operations		(7,334,156)	(5,094,467)
Discontinued Operations			
Loss from discontinued operations	6	-	(2,399,854)
Income tax expense		-	-
Net loss for the year		(7,334,156)	(7,494,321)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(461,989)	(180,068)
Other comprehensive income for the year after income tax		(461,989)	(180,068)
Total comprehensive income attributable to members of the Company		**(7,796,145)**	**(7,674,389)**
Loss Per Share			
From continuing and discontinued operations:			
Basic loss per share (cents per share)	20	(8.26)	(9.19)
From continuing operations:			
Basic loss per share (cents per shares)	20	(8.26)	(6.25)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	24(b)	968,307	5,131,039
Trade and other receivables	7	516,272	1,141,761
Financial assets	8	1,768,003	1,510,942
Loan receivables	10	-	1,750,000
TOTAL CURRENT ASSETS		3,252,582	9,533,742
NON CURRENT ASSETS			
Restricted cash	9	302,352	-
Loan receivables	10	365,068	21,153
Exploration and evaluation expenditure	11	10,112,253	12,182,269
Property, plant and equipment	12	59,540	118,117
Investment in associate	13	2,600,000	-
TOTAL NON CURRENT ASSETS		13,439,213	12,321,539
TOTAL ASSETS		**16,691,795**	**21,855,281**
CURRENT LIABILITIES			
Trade and other payables	14	1,454,312	965,996
Financial liabilities	15	2,000,000	-
Provisions	16	37,485	120,495
TOTAL CURRENT LIABILITIES		3,491,797	1,086,491
NON CURRENT LIABILITIES			
Financial liabilities	15	9,300,000	9,300,000
TOTAL NON CURRENT LIABILITIES		9,300,000	9,300,000
TOTAL LIABILITIES		**12,791,797**	**10,386,491**
NET ASSETS		**3,899,998**	**11,468,790**
EQUITY			
Issued capital	17	22,900,125	22,821,199
Reserves	18	1,476,235	1,789,797
Accumulated losses	19	(20,476,362)	(13,142,206)
TOTAL EQUITY		**3,899,998**	**11,468,790**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,476,236)	(2,420,093)
Interest received		126,957	107,266
Interest paid		(697,524)	(765,302)
Administration service fees received		90,493	118,206
Net cash used in operating activities	24(a)	(2,956,310)	(2,959,923)
Cash Flows from Investing Activities			
Payments for exploration and evaluation	11	(3,511,885)	(1,378,765)
Reimbursement for exploration and evaluation incurred on behalf of other parties		1,450,262	505,501
Payment of environmental bonds		(298,874)	-
Payments for plant and equipment		(10,829)	(36,166)
Purchase of equity investments		(1,360,599)	(132,000)
Payment for investment in associate		(200,000)	-
Proceeds from the sale of tenements		-	500
Refund of deposits paid		-	154,505
Net cash disposed of by sale of subsidiary		-	(61,626)
Loans repaid by other entities		600,000	-
Funding provided to Caudillo Resources SA		(299,076)	-
Loans to unrelated parties		-	(2,590,325)
Loans to related parties		-	(3,242)
Proceeds from sales of equity investments		404,605	67,040
Net cash used in investing activities		(3,226,396)	(3,474,578)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		172,175	3,000,000
Transaction costs relating to the issue of shares		-	(506,175)
Proceeds from issue of convertible loan note		2,000,000	9,000,000
Net cash provided by financing activities		2,172,175	11,493,825
Net increase/ (decrease) in cash held		(4,010,531)	5,059,324
Effects of exchange rate changes on cash		(152,201)	(293,104)
Cash and cash equivalents at beginning of financial year		**5,131,039**	**364,819**
Cash and cash equivalents at end of financial year		**968,307**	**5,131,039**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2011

	Issued Capital	Accumulated Losses	Option Premium Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2010	**22,821,199**	**(13,142,206)**	**1,958,514**	**(168,717)**	**11,468,790**
Loss attributable to members of the parent entity	-	(7,334,156)	-	-	(7,334,156)
Other comprehensive income	-	-	-	(461,989)	(461,989)
Total comprehensive income for the year	-	(7,334,156)	-	(461,989)	(7,796,145)
Transaction with owners, directly in equity					
Shares issued during the year, net of costs	78,926	-	-	-	78,926
Options issued during the year	-	-	172,507	-	172,507
Options forfeited during the year	-	-	(24,080)	-	(24,080)
Balance at 30 June 2011	**22,900,125**	**(20,476,362)**	**2,106,941**	**(630,706)**	**3,899,998**
Balance at 1 July 2009	**17,739,374**	**(5,655,569)**	**1,069,809**	**11,351**	**13,164,965**
Loss attributable to members of the parent entity	-	(7,494,321)	-	-	(7,494,321)
Other comprehensive income	-	-	-	(180,068)	(180,068)
Total comprehensive income for the year	-	(7,494,321)	-	(180,068)	(7,674,389)
Transaction with owners, directly in equity					
Shares issued during the year, net of costs	5,081,825	-	-	-	5,081,825
Options issued during the year	-	-	896,389	-	896,389
Transfer of value of lapsed options	-	7,684	(7,684)	-	-
Balance at 30 June 2010	**22,821,199**	**(13,142,206)**	**1,958,514**	**(168,717)**	**11,468,790**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

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

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

b. Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c. Going concern

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

The ability of the Consolidated Entity to continue its planned exploration activities is dependent upon the Consolidated Entity being able to fund the activities while meeting its financial obligations. On 12 September 2011, Cauldron completed a placement of 7,300,000 shares to raise $730,000 which will be used to fund exploration expenditure and general working capital requirements. At 30 June 2011, the Consolidated Entity has recognised liabilities attributable to convertible loan notes of $11,300,000. Unless the terms of the convertible loan notes are varied such that the conversion price is reduced and the loan notes are converted into equity, or the repayment dates are extended, the Consolidated Entity will be required to secure additional funding to repay the amounts owing. The directors are confident that the Consolidated Entity will be able to raise additional capital if required.

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

d. New Accounting Standards and Interpretations

Adoption of new accounting standards

The accounting policies are consistent with those of the prior year. No new accounting policies have been adopted during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

Accounting Standards and Interpretations issued but not yet effective

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

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Consolidated Entity has not yet determined any potential impact on the financial statements.

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

  The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

  - for-profit private sector entities that have public accountability; and
  - the Australian Government and state, territory and local governments.

  Since the Consolidated Entity is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

– AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Consolidated Entity.

– AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

  - clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Consolidated Entity.

– AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

– AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Consolidated Entity.

– AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Consolidated Entity has not yet determined any potential impact on the financial statements from adopting AASB 9.

– AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

The amendments are not expected to impact the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

e. 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 23 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.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

f. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Consolidated Entity's companies is measured using the currency of the primary economic environment in which that company operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Consolidated Entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Entity's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

g. 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.

h. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation
Cauldron Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Consolidated Entity recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2009.

i. 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 are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have an original maturity of three months or less.

j. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Consolidated Entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

The Consolidated Entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

The Consolidated Entity has the following financial instruments:

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with gains or losses being recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

Impairment

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired.

Derecognition of financial assets

Financial assets are derecognised 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.

k. Associates

Associates are entities over which the Consolidated Entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

After application of the equity method, the Consolidated Entity determines whether it is necessary to recognise an additional impairment loss on the Consolidated Entity's investment in its associate. The Consolidated Entity determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Consolidated Entity calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the expense in the statement of comprehensive income.

l. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

m. 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

Class of Fixed Asset	Depreciation Rate	
	2011	2010
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. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

n. Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

o. Impairment of Assets

The Consolidated Entity periodically reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. 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.

p. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Consolidated Entity during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

q. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

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

All revenue is stated net of the amount of goods and services tax (GST).

r. Provisions and Employee Benefits

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measures at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

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.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

s. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t. Share based payments

Equity-settled share based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes options pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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 Consolidated Entity's estimate of shares that will eventually vest.

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

u. Critical accounting judgements, estimates and assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

Share based payment transactions
The Consolidated Entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by an internal valuation using Black-Scholes option pricing model, while the fair value of shares is determined based on the market bid price at date of issue.

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 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.

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 Consolidated Entity's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Income taxes
The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations.
Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Consolidated Entity has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

v. Comparative Figures

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 2011 (cont)

w. Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

Information about other business activities and operating segments that do not meet the quantitative criteria set out in AASB 8 "Operating Segments" are combined and disclosed in a separate category called "other."

2. SEGMENT INFORMATION

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 year, the Consolidated Entity operated in one business segment (for primary reporting) being uranium exploration and principally in two geographical segments (for secondary reporting) being Australia and Argentina:

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Entity.

Inter-segment transactions
Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets
Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Consolidated Entity as a whole and are not allocated to specific segments. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to the Uranium Exploration segment as they are not considered part of the core operations of that segment:

- administration and other operating expenses not directly related to uranium exploration
- interest income
- interest expense
- convertible loan notes
- loans to other entities
- held for trading investments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

	Uranium exploration		**Other**		**Total**	
	2011 $	**2010 $**	**2011 $**	**2010 $**	**2011 $**	**2010 $**
Interest received	-	-	316,448	203,223	316,448	203,223
Gain on disposal of assets	3,675,718	-	-	-	3,675,718	-
Administration service fee	103,714	113,367	-	-	103,714	113,367
Other	-	9,601	-	-	-	9,601
Total segment revenue and other income	**3,779,432**	**122,968**	**316,448**	**203,223**	**4,095,880**	**326,191**
Segment net operating profit/ (loss) after tax	**547,720**	**(675,431)**	**(7,881,876)**	**(4,419,036)**	**(7,334,156)**	**(5,094,467)**
Segment net operating profit/ (loss) after tax includes the following significant items:						
Interest and other finance charges	-	-	(984,448)	(745,127)	(984,448)	(745,127)
Net fair value gain/(loss) on financial assets	-	-	(568,303)	11,807	(568,303)	11,807
Loss on disposal of financial assets	-	-	(130,630)	-	(130,630)	-
Impairment of associate	-	-	(2,600,000)		(2,600,000)	
Impairment of loan	-	-	(1,427,759)	(393,808)	(1,427,759)	(393,808)
Impairment of exploration assets	(3,036,400)	(662,029)	-	-	(3,036,400)	(662,029)
Segment assets	**11,902,384**	**12,300,386**	**4,789,411**	**9,554,895**	**16,691,795**	**21,885,281**
Segment assets include:						
Capitalised exploration expenditure	10,112,253	12,182,269	-	-	10,112,253	12,182,269
Financial assets	-	-	1,768,003	1,510,942	1,768,003	1,510,942
Investments in associate	-	-	2,600,000	-	2,600,000	-
Other assets	1,790,131	118,117	421,408	8,043,953	2,211,539	8,162,070
	11,902,384	**12,300,386**	**4,789,411**	**9,554,895**	**16,691,795**	**21,885,281**
Segment liabilities	**(1,454,312)**	**-**	**(11,337,485)**	**(10,386,491)**	**(12,791,797)**	**(10,386,491)**

Segment information by geographical region

The analysis of the location of total assets is as follows:

	2011 $	**2010 $**
Australia	14,736,018	19,891,121
Argentina	1,955,777	1,964,160
	16,691,795	**21,855,281**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

3. REVENUE AND OTHER INCOME

	2011 $	2010 $
(a) Revenue		
Interest received	38,689	203,223
Interest on loan	277,759	-
Administration fees received	103,714	113,367
	420,162	316,590
(b) Other Income		
Gain on sale of exploration assets	3,675,718	-
Other	-	9,601
	3,675,718	9,601

4. FINANCE COSTS

	2011 $	2010 $
Interest on convertible notes	(984,448)	(745,127)
	(984,448)	(745,127)

5. INCOME TAX EXPENSE

	2011 $	2010 $
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:	2011 $	2010 $
Loss before tax	(7,334,156)	(7,494,321)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2010: 30%)	(2,200,247)	(2,248,297)
Add tax effect of:		
Non-deductible expenses	421,301	940,673
De-recognition of previously recognised tax losses	1,684,959	872,914
Current year capital losses not recognised	-	1,635
Movement in unrecognised temporary differences	-	2,100
Current year tax losses not recognised	-	492,369
Less tax effect of:		
Under/(over) provision for prior year	93,987	-
Deductible equity raising costs	-	(61,394)
Total income tax expense/(income) attributable to entity	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

	2011 $	2010 $
(c) Recognised deferred tax balances		
Deferred tax balances have been recognised in respect of the following:		
Deferred tax assets		
Annual Leave	11,246	34,560
Investments	1,021,584	71,694
Other Accruals	179,780	17,703
Loan receivable	428,328	-
Plant & equipment	6,106	-
Previously expensed borrowing costs	-	2,917
Previously expensed capital raising costs	35,363	35,363
Tax losses	995,301	3,059,030
	2,677,708	3,221,267
Deferred tax liabilities		
Exploration	(2,591,689)	(3,179,392)
Plant & equipment	-	(7,574)
Accrued interest receivable	(83,328)	-
Unearned income	(2,691)	(29,171)
Other	-	(5,130)
	(2,677,708)	(3,221,267)
Net recognised deferred tax assets/(liabilities)	-	-

(d) Unrecognised deferred tax balances

The Consolidated Entity has $15,110,839 (2010: $16,373,406) gross tax losses arising in Australia that are available indefinitely for offset against future profit of the Company in which the losses arose.

6. DISCONTINUED OPERATIONS

During the 2009 financial year, the Consolidated Entity undertook to sell its subsidiary, Jackson Minerals Limited ("Jackson Minerals"), and as a result Jackson Minerals was disclosed in the annual report for the year ended 30 June 2010 as a discontinued operation. On 26 November 2009, the Consolidated Entity disposed of 100% of its interest in Jackson Minerals Limited. The proceeds on disposal of $1,170,386 (comprising cash of $250,000 and 10,458,935 shares in ASX listed Fe Limited valued at $920,386) resulted in a loss on sale after tax of $2,399,854.

7. TRADE AND OTHER RECEIVABLES

	2011 $	2010 $
Current		
Trade receivables (a)	434,101	1,044,522
Accrued income	12,390	-
Accrued interest	8,971	97,239
Other receivables	4,472	-
Prepayments	56,338	-
	516,272	1,141,761

a) Included in trade receivables at 30 June 2010 is an amount $344,294 receivable from the Marree Joint Venture. The amount relates to money owed to the Consolidated Entity for the reimbursement of employee and exploration expenditure on the joint venture which has been invoiced to Marree Joint Venture. At 30 June 2011, an amount was

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

owed by Cauldron to the Marree Joint Venture and has been classified within other payables (refer note 14).

8. FINANCIAL ASSETS

	2011 $	2010 $
Financial assets		
Financial assets at fair value through profit and loss	1,768,003	1,510,942
	1,768,003	1,510,942

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

The fair value of investments is calculated with reference to current market prices at balance date.

	2011 $	2010 $
Movements:		
Opening balance at beginning of the year	1,510,942	517,362
Purchase of equity securities	1,360,599	132,000
Equity securities received pursuant to a share based payment	-	920,386
Sale of equity securities	(535,235)	(70,613)
Fair value gain/(loss) through profit and loss	(568,303)	11,807
	1,768,003	1,510,942

9. RESTRICTED CASH

	2011 $	2010 $
Restricted cash		
Cash deposits	86,000	-
Bank guarantees	216,352	-
	302,352	-

The above restricted cash balances relates to term deposits held with financial institutions as security for bank guarantees issued to various environmental regulatory departments in respect of the potential rehabilitation exploration areas.

10. LOAN RECEIVABLES

	2011 $	2010 $
Current		
Unrelated parties (a)	1,427,759	1,750,000
Provision for non-recovery (a)	(1,427,759)	-
	-	1,750,000
Non-current		
Caudillo Resources SA (b)	341,941	-
Other related parties	23,127	21,153
	365,068	21,153

a) The loan was due for repayment in August 2010. During the current financial year, a total of $600,000 was repaid. The balance owing at 30 June 2011, including interest, has been provided for in full. An impairment expense of $1,427,529 has been recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

b) The Consolidated Entity's wholly owned subsidiary Jakaranda Minerals Limited ("Jakaranda") has provided a draw-down facility up to $650,000 to Caudillo Resources SA ("Caudillo"). The loan and interest (LIBOR + 2%) is required to be repaid in cash by 21 February 2013, or Jakaranda may elect to convert its loan into an 80% interest in the issued capital of Caudillo.

11. EXPLORATION AND EVALUATION EXPENDITURE

	2011 $	2010 $
Exploration and evaluation expenditure	10,112,253	12,182,269
Movements:		
Carrying value at beginning of year	12,182,269	15,047,705
Exploration expenditure incurred	3,511,885	1,997,558
Exploration expenditure reimbursed/reimbursable (a)	(1,221,219)	(284,206)
Divestment of exploration assets (b)	(1,324,282)	-
Disposal of assets on sale of subsidiary (refer note 6)	-	(3,916,759)
Impairment of exploration expenditure (c)	(3,036,400)	(662,029)
Carrying value at end of year	10,112,253	12,182,269

a) Included in exploration expenditure incurred during 2011 are the following:
- Expenditure of $1,193,638 expenditure incurred by the Consolidated Entity on behalf of the Marree Joint Venture Project. Of this amount, $896,430 has been invoiced and reimbursed by the Marree Joint Venture during 2011, while $297,208 has been incurred by the Consolidated Entity but had not been invoiced to the JV at balance date; and
- Expenditure of $324,789 expenditure incurred by the Consolidated Entity on behalf of Eclipse Uranium Limited ("Eclipse") for exploration. This entire amount has been invoiced to Eclipse, with $186,689 receivable at 30 June 2011.

b) During the year the Consolidated Entity completed the divestment of its non-core uranium assets held in the Northern Territory to Eclipse. Consideration received was 25,000,000 fully paid ordinary shares in Eclipse valued at $0.20 each. The carrying value of these assets in the Consolidated Entity's books on divestment was $1,324,282, resulting in a profit on sale of $3,675,718 recognised in the statement of comprehensive income.

c) The directors have assessed the carrying amount of capitalised exploration and evaluation expenditure in accordance with AASB 6 'Exploration for and Evaluation of Mineral Resources' and have recognised an impairment expense of $3,036,400 during the current year in the Statement of Comprehensive Income.

The carrying 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 Australian exploration properties may be subjected to claims 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 2011 (cont)

12. PLANT AND EQUIPMENT

	2011 $	2010 $
Plant and equipment – office		
At cost	104,698	358,882
Accumulated depreciation	(76,789)	(284,604)
	27,909	74,278
Office furniture and equipment		
At cost	14,559	51,801
Accumulated depreciation	(6,927)	(44,143)
	7,632	7,658
Plant and equipment – field		
At cost	83,854	83,854
Accumulated depreciation	(68,472)	(58,264)
	15,382	25,590
Motor vehicles		
At cost	58,126	55,262
Accumulated depreciation	(49,509)	(45,035)
	8,617	10,591
Total plant and equipment	59,540	118,117

Movements:

2011	Plant & equipment $	Motor vehicles $	Total $
Balance at beginning of year	107,526	10,591	118,117
Additions	3,048	2,500	5,548
Depreciation expense	(37,127)	(4,474)	(41,601)
Impairment expense	(20,352)	-	(20,352)
Foreign currency differences arising from translating functional currency to presentation currency	(2,172)	-	(2,172)
Carrying value at 30 June 2011	50,923	8,617	59,540

2010	Plant & equipment $	Motor vehicles $	Total $
Balance at beginning of year	125,610	17,620	143,230
Additions	29,148	-	29,148
Depreciation expense	(47,232)	(7,029)	(54,261)
Carrying value at 30 June 2010	107,526	10,591	118,117

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

13. INVESTMENT IN ASSOCIATE

	2011 $	2010 $
Shares in associates accounted for using the equity method	2,600,000	-

(a) Investment details

Listed		
Eclipse Uranium Limited	2,600,000	-

(b) Movements in the carrying amount of the investment in associates

Carrying amount at beginning of year	-	-
Acquisition of shares in associate	200,000	-
Equity securities received pursuant to a share based payment (i)	5,000,000	-
Impairment loss	(2,600,000)	-
Carrying amount at end of year	2,600,000	-

(i) During the current year, the Consolidated Entity completed the divestment of its non-core uranium assets held in the Northern Territory to Eclipse Uranium Limited ("Eclipse") (ASX: EUL). Consideration received comprised of 25,000,000 fully paid ordinary shares in Eclipse valued at $0.20 each.

(c) Fair value of investment

The fair value of the Consolidated Entity's investment in Eclipse has been determined by reference to published price quotations in an active market. The fair value of this investment at the reporting date is $2,600,000.

(d) Summarised financial information

The following table illustrates summarised financial information of the listed associate:

	2011 $
Extract from statement of financial position at 100%:	
Assets	13,476,626
Liabilities	333,627
Extract from statement of comprehensive income at 100%:	
Revenue	33,354
Net loss	532,043

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

14. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Current		
Trade payables	610,926	262,373
Accrued interest on convertible loan notes	286,925	-
Other payable – Marree Joint Venture	71,438	-
Other payables and accruals	485,023	703,623
	1,454,312	965,996

Trade payables are non interest bearing and are normally settled on 45 day terms.

15. FINANCIAL LIABILITIES

	2011 $	2010 $
Current		
Convertible loan notes (a)	2,000,000	-
Non-current		
Convertible loan notes (b)	9,300,000	9,300,000

(a) In March 2011, the Consolidated Entity received convertible loan note funding totalling $2,000,000 from Dempsey Resources Pty Ltd ("Dempsey"), a wholly owned subsidiary of Cape Lambert Resources Ltd (ASX: CFE). Dempsey has the right before the repayment date of 16 March 2012 to convert the note into ordinary shares in Cauldron. The note has a coupon interest rate of 10% per annum.

(b) Included in non-current convertible loan notes is an amount of $6,300,000 from Shanghai Yizhao Investment Group Co Limited, a Chinese investment company controlled by Mr Qiu Derong, a director of Cauldron.

Below is a summary of the key terms and conditions of the convertible loan notes on issue at balance date:

Classification	Principal $	Conversion price $	Coupon rate %	Maturity date
Current	2,000,000	*	10%	16 March 2012
Non-current	9,300,000	**	10%	31 July 2012

* Volume weighted average closing price of Cauldron shares as quoted on ASX over the last five trading days immediately preceding the conversion notice by the note holder, discounted by 20%.

** Lower of $0.50 and volume weighted average closing price of Cauldron shares as quoted on ASX over the last twenty trading days immediately preceding the conversion notice by the note holder, discounted by 15% subject to a minimum of $0.425.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

16. PROVISIONS

	2011 $	2010 $
Current		
Employee benefits	37,485	120,495
	37,485	120,495

17. ISSUED CAPITAL

	2011 No.	2011 $	2010 No.	2010 $
Issued and fully paid up ordinary shares				
Opening balance	88,724,083	22,821,199	63,390,753	17,739,374
Shares issued during the year, net of transaction costs	255,946	78,926	25,333,330	5,081,825
	88,980,029	22,900,125	88,724,083	22,821,199

The Company has authorised share capital amounting to 88,980,029 shares with no par value.

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

Capital managed by the Board includes shareholder equity, which was $22,900,125 at 30 June 2011 (2010: $22,821,199). The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns to shareholders and benefits to other stakeholders. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Consolidated Entity'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 Consolidated Entity's capital risk management is to balance the current working capital position against the requirements of the Consolidated Entity to meet exploration programmes and corporate overheads.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

18. RESERVES

	2011 $	2010 $
Reserves		
Option premium reserve (a)	2,106,941	1,958,514
Foreign currency translation reserve (b)	(630,706)	(168,717)
	1,476,235	1,789,797
(a) Option premium reserve		
Reserve balance at beginning of year	1,958,514	1,069,810
Listed options issued during the year (i)	128,724	-
Share based payments to employees (refer note 26)	43,783	436,614
Unlisted options forfeited during the year (refer note 26)	(24,080)	-
Share based payments to directors (refer note 26)	-	459,875
Transfer value of lapsed options to issued capital	-	(7,685)
Reserve balance at end of year	2,106,941	1,958,514

The option premium reserve arises on the grant of share options to employees, directors and consultants (share based payments) and to record the issue, exercise and lapsing of listed options.

(i) On 1 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. An additional 4,000,000 listed options were issued to the brokers employed in relation to this transaction for nil consideration. The fair value of the listed options issued to brokers was $40,000 and is included in share based payments expense in the statement of comprehensive income.

(b) Foreign currency translation reserve	2011 $	2010 $
Reserve balance at beginning of the year	(168,717)	11,351
Foreign currency exchange differences arising on translation of foreign operations	(461,989)	(180,068)
Reserve balance at end of year	(630,706)	(168,717)

Exchange differences relating to the translation from the functional currencies of the Consolidated Entity's foreign controlled entities into Australian dollars are recognised directly in the foreign currency translation reserve.

19. ACCUMULATED LOSSES

	2011 $	2010 $
Balance at beginning of year	(13,142,206)	(5,655,569)
Loss for the year	(7,334,156)	(7,494,321)
Transfer of value of lapsed options through profit and loss	-	7,684
Balance at end of year	(20,476,362)	(13,142,206)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

20. LOSS PER SHARE

	2011 Cents per share	2010 Cents per share
Basic loss per share		
Continuing operations	(8.26)	(6.25)
Discontinued operations	-	(2.94)
	(8.26)	(9.19)
	$	**$**
Loss used in calculation of basic loss per share		
Continuing operations	(7,334,156)	(5,094,467)
Discontinued operations	-	(2,399,854)
	(7,334,156)	(7,494,321)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	88,858,694	81,568,438

There are 8,800,000 share options excluded from the calculation of diluted earnings per share (that could potentially dilute basic earnings per share in the future) because they are anti-dilutive for each of the periods presented.

21. COMMITMENTS

<u>Exploration Expenditure Commitments</u>
In order to maintain rights of tenure to mining tenements, the Consolidated Entity is required to fulfil various minimum expenditure requirements up until expiry of the mining tenement leases. These obligations are not provided for in the financial statements.

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

<u>Office Rental Commitments</u>
The office lease is a non-cancellable lease which expired in August 2011.

Total commitments for the Consolidated Entity are:

	2011 $	2010 $
Within one year	3,042,014	2,301,652
Between one and five years	-	1,242,596
Longer than five years	-	-
	3,042,014	3,544,248

22. CONTINGENT ASSETS AND LIABILITIES

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 which owns and operates the Carosue Gold Plant.

As part of this sale, on the commencement of mining at Wallbrook, Cauldron will receive 5,000,000 Saracen shares (ASX: 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.

CAULDRON ENERGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

23. CONTROLLED ENTITIES

Details of Cauldron Energy Limited's subsidiaries are:

Name	Principal activities	Date/Company of Incorporation	Shares	Ownership Interest 2011 %	Ownership Interest 2010 %	Investment Carrying Amount 2011 $	Investment Carrying Amount 2010 $
Ronin Energy Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	5	5
Jackson Global Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	1	1
Jakaranda Minerals Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	1	1
						7	7

24. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax

	2011 $	2010 $
Loss from ordinary activities after income tax	(7,334,156)	(7,494,321)
Non-cash flows in operating loss:		
Depreciation	41,601	54,261
Equity settled share based payments	59,702	708,617
Net fair value (gain)/loss on investments	568,303	(11,807)
Realised loss on disposal of financial assets	130,630	-
Gain on divestment of exploration assets	(3,675,718)	-
Foreign exchange (gain)/loss	(12,686)	-
Impairment of associate	2,600,000	-
Impairment of loan	1,427,759	393,808
Impairment of exploration expenditure	3,036,400	-
Impairment of plant and equipment	20,352	-
Impairment of receivables	17,439	-
Loss on sale of subsidiary	-	2,399,854
Cash flows not in operating loss:		
Capital raising costs	-	(1,054,000)
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	225,411	(2,169,203)
Decrease/(increase) in interest receivable	(189,491)	-
Decrease/(increase) in exploration and evaluation expenditure	-	3,576,414
Increase/(decrease) in trade and other payables	60,037	(346,818)
Increase/(decrease) in provisions	68,107	110,008
Net cash inflows/(outflows) from operating activities	(2,956,310)	(3,833,187)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

(b) 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:

	2011 $	2010 $
Cash at bank	923,213	1,237,770
Deposits at call	-	3,893,269
Cash in transit	45,094	-
Cash and cash equivalents	968,307	5,131,039

(c) Non-cash investing activities

During the year, 25,000,000 ordinary shares valued at $5,000,000 were issued to Cauldron from Eclipse Uranium Limited as consideration for exploration assets sold, which were not reflected in the statement of cash flows.

25. FINANCIAL RISK MANAGEMENT

Financial risk management

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

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

The totals for each category of financial instruments, measured in accordance with AASB 139 are as follows:

	2011 $	2010 $
Financial Assets		
Cash and cash equivalents	968,307	5,131,039
Financial assets at fair value through profit and loss	1,768,003	1,510,942
Trade and other receivables	516,272	2,912,914
Loan receivables	365,068	21,153
	3,617,650	9,576,048
Financial Liabilities		
Trade and other payables	1,454,312	965,996
Financial liabilities	11,300,000	9,300,000
	12,754,312	10,265,996

Financial risk management policies

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

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 credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

(a) 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.

(b) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. 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 effect on loss and equity as a result of changes in the interest rate.

	2011		2010	
	Change	**$**	**Change**	**$**
Change in loss:				
Increase in interest rate by 200 basis points	+19,403	7,314,753	+102,621	7,391,700
Decrease in interest rate by 200 basis points	-19,403	7,353,559	-102,621	7,596,942

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

(c) Price risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified on the statement of financial position as current financial assets at fair value through profit and loss. The Consolidated Entity is not 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 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'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% (2010 – 10%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

	Impact on Post-Tax Profit/(Loss) 2011 $	2010 $
Index		
ASX 200	176,800	146,094

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

	2011 $	2010 $
Financial assets		
Cash and cash equivalents (AA)	968,307	5,131,039
	968,307	5,131,039

(e) 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.

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.

2011	Within 1 Year $	1 to 5 Years $	Over 5 Years $	2011 Total $
Financial assets				
Cash	968,607	302,352	-	1,270,959
Held for trading investments	1,768,003	-	-	1,768,003
Receivables and loans	516,272	365,068	-	881,340
	3,252,882	667,420	-	3,920,302
Financial Liabilities				
Trade and other payables	1,454,312	-	-	1,454,312
Financial liabilities	2,000,000	9,300,000	-	11,300,000
	3,454,312	9,300,000	-	12,754,312

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

2010	Within 1 Year $	1 to 5 Years $	Over 5 Years $	2010 Total $
Financial assets				
Cash	5,131,039	-	-	5,131,039
Held for trading investments	1,510,942	-	-	1,510,942
Receivables and loans	2,891,761	21,153	-	2,912,914
	9,533,742	21,153	-	9,554,895
Financial Liabilities				
Trade and other payables	965,996	-	-	965,996
Financial liabilities	-	9,300,000	-	9,300,000
	965,996	9,300,000	-	10,265,996

(f) 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.

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

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

2011	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	1,714,295	53,708	-	1,768,003

2010	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	1,460,942	50,000	-	1,510,942

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

26. SHARE BASED PAYMENTS

Total costs arising from share based payment transactions recognised during the year were as follows:

	2011 $	2010 $
Options issued to employees (a)	43,783	436,614
Options forfeited during the year (a)	(24,080)	-
Options issued to directors (b)	-	459,875
	19,703	896,489

(a) On 20 October 2010, the Consolidated Entity issued 2,000,000 unlisted options to employees at an exercise price of $0.45 on or before 20 October 2015.

During the year, 1,100,000 options were forfeited prior to vesting, resulting in reversal of $24,080 through the statement of comprehensive income.

The share based payment expense for the year is $19,703, net of forfeited options.

(b) During 2010, the directors received share based payments in the form of options (refer to the Directors report for details).

(c) Summary of options granted

The following table details the number and weighted average exercise price (WAEP) of, and movements in, unlisted options issued during the year:

	2011 No.	2011 WAEP
Outstanding at the beginning of the year	12,426,667	$0.71
Granted during the year	2,000,000	$0.45
Exercised	(250,000)	$0.30
Expired	(4,276,667)	$0.89
Forfeited	(1,100,000)	$0.45
Outstanding at year end	8,800,000	$0.61
Exercisable at the end of the year	7,900,000	$0.63
Not exercisable at the end of the year	900,000	$0.45

The outstanding balance at 30 June 2011 is represented by:

- 900,000 Employee Options with an exercise price of $0.61 each exercisable on or before 31 October 2011
- 900,000 Options issued to consultants with an exercise price of $0.60 each exercisable on or before 30 November 2011
- 1,800,000 Director Options and 200,000 Employee Options with an exercise price of $0.60 each exercisable on or before 30 November 2011
- 1,800,000 Director Options and 200,000 Employee Options with an exercise price of $0.80 each exercisable on or before 30 November 2011
- 2,000,000 Options issued to consultants with an exercise price of $0.50 each exercisable on or before 30 November 2011
- 100,000 Options issued to consultants with an exercise price of $0.85 each exercisable on or before 26 March 2012
- 900,000 Employee Options with an exercise price of $0.45 each exercisable on or before 20 October 2015

(d) Remaining contractual life

The remaining contractual life for Options outstanding at 30 June 2011 is 0.9 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

(e) Fair value

The fair value of the Options granted during the year was $0.16.

(f) Option pricing model

The fair value of the Options issued during the year is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the Options were granted.

The following table lists the inputs to the model:

	2011 Employee Options
Dividend yield (%)	Nil
Expected volatility (%)	100%
Risk free interest rate (%)	4.98%
Exercise price ($)	$0.45
Marketability discount (%)	Nil
Expected life of options (years)	5
Share price at grant date ($)	$0.24
Value per Option ($)	$0.16

27. PARENT ENTITY DISCLOSURES

	2011 $	2010 $
Financial Position		
Assets		
Current assets	7,177,502	9,180,761
Non-current assets	13,412,078	10,739,292
Total assets	20,589,580	19,920,053
Liabilities		
Current liabilities	3,444,168	857,700
Non-current liabilities	9,300,000	9,300,000
Total liabilities	12,744,168	10,157,700
Equity		
Issued capital	22,900,125	22,821,199
Accumulated losses	(17,161,654)	(15,017,360)
Reserves	2,106,941	1,958,514
Total equity	7,845,412	9,762,353
Financial Performance		
Profit/(loss) for the year	(6,529,399)	(11,078,228)
Total comprehensive income/(loss)	(6,529,399)	(11,078,228)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011 (cont)

commercial application of these projects or the sale to third parties. Details of loans provided are listed below:

	2011 $	2010 $
Subsidiaries		
Ronin Energy Ltd	20,681	14,785
Jackson Global Ltd	5,735,247	-
Jakaranda Minerals Ltd	102,076	18,639
Total value of loans provided to subsidiaries	5,858,004	33,424

Commitments

Total commitments for the Parent Entity are:

	2011 $	2010 $
Within one year	2,989,720	2,301,652
Between one and five years	-	1,242,596
Longer than five years	-	-
	2,989,720	3,544,248

Contingent Liabilities and Assets

The contingent liabilities and assets of the Parent Entity are consistent with the Consolidated Entity (refer to note 22).

28. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's key management personnel ("KMP") for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the company and Consolidated Entity during the year are as follows:

	2011 $	2010 $
Short-term employee benefits	478,966	590,373
Post-employment benefits	13,395	41,357
Share-based payments	-	747,875
	492,361	1,379,605

Options and Rights Holdings

	Balance 1 July 10	Granted	Exercised	Lapsed	Net change other	Balance 30 June 2011	Vested and Exercisable 30 June 2011	Unexercisable 30 June 2011
Antony Sage	1,000,000	-	-	-	559,460	1,559,460	1,559,460	-
Brett Smith	1,000,000	-	-	-	-	1,000,000	1,000,000	-
Qiu Derong	1,800,000	-	-	-	540,000	2,340,000	2,340,000	-
	3,800,000	**-**	**-**	**-**	**1,099,460**	**4,899,460**	**4,899,460**	**-**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

Shareholdings

	Balance 1 July 10	Received as remuneration	Received on exercise	Net Change Other (c)	Balance 30 June 11
Antony Sage	2,594,600	-	-	3,000,000	5,594,600
Brett Smith	11,844	-	-	-	11,844
Qiu Derong	5,400,000	-	-	-	5,400,000
	8,006,444	**-**	**-**	**3,000,000**	**11,006,444**

(a) As at the date of his resignation, Mr Hunter had an interest in 4,301,561 shares and 1,502,004 options.
(b) As at the date of his resignation, Mr Topping had an interest in 4,526,031 shares and 1,452,605 options.
(c) Net Change Other refers to shares purchased or sold during the year.

Other Transactions with Key Management Personnel

For details of other transactions with KMP, refer to Note 29.

29. RELATED PARTY INFORMATION

Transactions with Directors, Director Related Entities and other Related Entities

Payments to Director Related Entities

An aggregate amount of $181,604 (2010: $155,711) 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 Company.

During the year, the Consolidated Entity received 25,000,000 ordinary shares in Eclipse Uranium Limited ("Eclipse") as consideration for exploration assets sold to Eclipse (refer note 11(b)). In addition, an amount of $232,465 was paid to the Consolidated Entity by Eclipse for reimbursement of exploration expenditure, employee costs and occupancy costs. At 30 June 2011, $205,339 was receivable from Eclipse. Mr Smith is a director of Eclipse.

In 2011, the Consolidated Entity received $18,531 (2010: $89,371) from Fe Limited for the reimbursement of employee costs. The Consolidated Entity paid $6,288 (2010: nil) to Fe Limited for the reimbursement of employee costs. Mr Sage is a director of Fe Limited.

In 2011, an aggregate amount of $54,000 was paid, or was due and payable to Cape Lambert Resources Ltd ("Cape Lambert") for reimbursement of consultancy costs. In addition, $3,463 was due and payable to Cape Lambert for reimbursement of company secretarial services. Mr Sage is a director of Cape Lambert.

Equity interests in subsidiaries

Details of percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

Financial Assets

At 30 June 2011, Cauldron held 15,695,835 shares in Fe Limited (ASX: FEL) with a market value of $2,066,410. Mr Antony Sage is a director of FEL.

Convertible loan notes

Included in convertible loan notes is an amount of $6,300,000 from Shanghai Yizhao Investment Group Co Limited, a Chinese investment company controlled by Mr Qiu Derong, a director of

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (cont)

Cauldron. In addition, an amount of $3,500,000 from Dempsey, a wholly owned subsidiary of Cape Lambert Resources Ltd, of which Mr Antony Sage is a director.

30. REMUNERATION OF AUDITORS

	2011 $	2010 $
Paid or payable to Bentleys for:		
- Auditing or review of the Consolidated Entity financial report	35,775	50,000
Remuneration of the auditors of subsidiaries for:		
- Auditing or reviewing the financial report	15,518	4,500
	51,293	54,500

31. EVENTS SUBSEQUENT TO REPORTING DATE

On 12 September 2011, Cauldron completed a share placement for 7,300,000 fully paid ordinary shares, raising $730,000 (before costs) to fund exploration expenditure and general working capital.

On 28 September 2011, Cauldron announced that it had divested interest in the Boolaloo and Beadell Projects located in the north of Western Australia to Rumble Resources Ltd ("Rumble"). Pursuant to the terms of the transactions, Cauldron has transferred to Rumble:

(a) An 80% interest in the Boolaloo Project (which is comprised of EL08/0605, EL08/1756, EL08/2123, EL08/2141, EL08/2152 and ELA08/2153; and

(b) A 60% interest in E45/2405 and E/2406 and an 80% interest in ELA 45/3799 and ELA 45/3823 (comprising the Beadell Project).

Under the terms of the transactions Cauldron will receive cash consideration of $300,000 and retain in interest in both projects. Rumble will also assume all the environmental and rehabilitation work required to be carried out in respect of the Boolaloo Project.

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 year.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   a) the financial statements and notes of Cauldron Energy Limited for the financial year ended 30 June 2011 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of its financial position as at 30 June 2011 and its performance for the year ended on that date of the company and the Consolidated Entity; and

      (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b);

   c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the board

Mr Antony Sage
Executive Chairman

PERTH
29 September 2011

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the holding Parent Entity as at 13 September 2011 were as follows:

	Class of Equity Securities
Number Held	**Fully Paid Ordinary Shares**
1-1,000	111,988
1,001 - 5,000	1,648,544
5,001 -10,000	2,717,582
10,001 -100,000	19,435,532
100,001 and over	72,366,383
TOTAL	96,280,029

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 13 September 2011:

Shareholder	Number
Dempsey Resources Pty Ltd	15,333,333
Mr Derong Qiu and Mr Dekang Qiu	5,400,000

Voting Rights

<u>Ordinary Shares</u>

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.

Restricted Securities

The Consolidated Entity has issued no restricted securities.

ADDITIONAL SHAREHOLDER INFORMATION (cont)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 13 September 2011 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Dempsey Resources Pty Ltd	15,333,333	15.93%
Mr Derong Qiu and Mr Dekang Qiu	5,400,000	5.61%
Kouta Bay Pty Ltd	4,159,728	4.32%
Okewood Pty Ltd	3,000,000	3.18%
Mr Antony William Paul Sage	2,594,600	2.70%
Mr Michael Lim	2,283,140	2.37%
Terence Topping	2,105,000	2.19%
Kingswave Nominees Pty Ltd	1,800,000	1.87%
Cape Lambert Iron Ore Ltd	1,681,264	1.75%
Canifare Pty Ltd	1,610,000	1.62%
Mr Gregory John Loughridge and Mrs Kathryn Linda Loughridge	1,300,000	1.35%
Newton2 Pty Limited	1,276,683	1.33%
Sharic Superannuation Pty Ltd	1,000,000	1.04%
Sams Watchmaker Jeweller Pty Ltd	972,019	1.01%
Mr Peter Pinto	946,549	0.98%
Australian Capital Markets Pty Ltd	907,501	0.94%
Mrs Barbara Kay Alessi	900,000	0.94%
Mr Erwin John Clayton	855,200	0.89%
Mr Peter Pinto	771,140	0.80%
Mr Anthony Robert Ramage	707,046	0.73%
	49,603,203	**51.52%**

SCHEDULE OF MINERAL TENEMENTS
AS AT 13 SEPTEMBER 2011

AUSTRALIA

Amadeus

Tenement	Status	Equity	Comment
EL 24704	Granted	100%	
EL 24870	Granted	100%	
EL 24876	Granted	100%	
EL 25812	Application	100%	

Beadell

Tenement	Status	Equity	Comment
E45/2405	Granted	80%	
E45/2406	Granted	80%	
E45/3799	Granted	80%	
E45/3823	Granted	80%	

Boolaloo Project

Tenement	Status	Equity	Comment
E08/1605	Granted	100%	
E08/1756	Granted	100%	
E08/2123	Granted	100%	
E08/2141	Granted	100%	
E08/2152	Granted	100%	
E08/2153	Granted	100%	
E08/2313	Granted	100%	

Lake Frome

Tenement	Status	Equity	Comment
EL 3502	Granted	100%	
EL 4608	Granted	100%	
EL 4611	Granted	100%	
EL 4612	Granted	100%	
EL 4613	Granted	100%	
EL 3510	Granted	60%	Marree Joint Venture
EL 3557	Granted	60%	Marree Joint Venture
EL 4279	Granted	60%	Marree Joint Venture
EL 4609	Granted	60%	Marree Joint Venture
EL 4610	Granted	60%	Marree Joint Venture

Yanrey Uranium

Tenement	Status	Equity	Comment
EL 08/1489	Granted	100%	
EL 08/1490	Granted	100%	
EL 08/1493	Granted	100%	
EL 08/1494	Granted	-	CXU earning 70%
EL 08/1495	Granted	-	CXU earning 70%
EL 08/1501	Granted	100%	
EL 08/2017	Granted	100%	
EL 08/2081	Granted	100%	
EL 08/2161	Granted	100%	
EL 08/2165	Granted	100%	
EL 08/2205	Granted	100%	

SCHEDULE OF MINERAL TENEMENTS
AS AT 14 SEPTEMBER 2010 (cont)

ELA 08/2018	Application	100%
ELA 08/2160	Application	100%
ELA 08/2164	Application	100%
ELA 08/2192	Application	100%
ELA 08/2244	Application	100%
ELA 08/2245	Application	100%
ELA 08/2278	Application	100%
ELA 08/2279	Application	100%

Other

Tenement	Status	Equity	Comment
EL 10/317	Granted	100%	
EL 10/380	Granted	100%	
M 28/0245	Granted	100%	
M 31/0172	Granted	100%	
M 31/0188	Granted	100%	
M 31/0231	Granted	100%	
P 28/128	Granted	100%	
P 31/1740	Granted	100%	
P 31/1741	Granted	100%	
P 31/1742	Granted	100%	
P 31/1743	Granted	100%	
P 31/1749	Granted	100%	
P 31/1750	Granted	100%	
P 31/1751	Granted	100%	
P 31/1855	Granted	100%	
P 31/1855	Granted	100%	

ARGENTINA

Rio Colorado Project - Catamarca

Tenement	Status	Equity	Comment
165/2008	Granted	100%	
176/1997	Granted	92.5%	Earn In - Mining Lease
270/1995	Granted	92.5%	Earn In - Mining Lease
271/1995	Granted	92.5%	Earn In - Mining Lease
142/2007	Granted	100%	
141/2007	Granted	100%	
140/2007	Granted	100%	
232/2007	Granted	100%	
144/2007	Granted	92.5%	Earn In - Exploration Lease
43/2007	Granted	92.5%	Earn In - Exploration Lease
143/2007	Granted	92.5%	Earn In - Exploration Lease
321/2008	Granted	100%	
317/2008	Granted	100%	
316/2008	Granted	100%	
324/2008	Granted	100%	
307/2008	Granted	100%	
322/2008	Granted	100%	
312/2008	Granted	100%	
567/09	Application	100%	
568/09	Application	100%	
569/09	Application	100%	
570/09	Application	100%	
571/09	Granted	100%	

SCHEDULE OF MINERAL TENEMENTS
AS AT 14 SEPTEMBER 2010 (cont)

Las Marias Project - San Juan

Tenement	Status	Equity	Comment
1124-330-J-2007	Application	100%	
1124-306-W-2007	Granted	100%	
1124-331-J-2007	Application	100%	
1124-329-J-2007	Application	100%	
1124-328-J-2007	Granted	100%	
1124-327-J-2007	Application	100%	
1124-326-J-2007	Application	100%	
1124-325-J-2007	Application	100%	
1124-324-J-2007	Application	100%	
1124-323-J-2007	Application	100%	
1124-322-J-2007	Application	100%	
1124-228-J-2008	Application	100%	
1124-656-J-2007	Application	100%	
1124-178-J-2008	Application	100%	
1124-093-J-2008	Application	100%	
1124-333-2008	Application	100%	
1124-546-2010	Granted	100%	

Bella Vista Project - Santa Cruz

Tenement	Status	Equity	Comment
426.857/JGL/11	Application	100%	
426.870/JGL/11	Application	100%	
426.868/JGL/11	Application	100%	
426.859/JGL/11	Application	100%	
426.869/JGL/11	Application	100%	
426.864/JGL/11	Application	100%	
426.862/JGL/11	Application	100%	
426.865/JGL/11	Application	100%	
426.860/JGL/11	Application	100%	
426.858/JGL/11	Application	100%	
426.867/JGL/11	Application	100%	
426.855/JGL/11	Application	100%	
426.863/JGL/11	Application	100%	
426.866/JGL/11	Application	100%	
426.861/JGL/11	Application	100%	

Notes:
EL = Granted Exploration Licence
M = Granted Mining Lease
P = Granted Prospecting Licence
L = Miscellaneous Licence