CAULDRON ENERGY LTD

(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

CONTENTS

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
Antony Sage

EXECUTIVE DIRECTOR
Brett Smith

NON-EXECUTIVE DIRECTOR
Qiu Derong

COMPANY SECRETARY
Claire Tolcon

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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 2012.

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
	Kupang Resources Limited**	September 2010 to present
	Global Strategic Resources NL	June 2012 to present
	African Iron Limited	January 2011 to March 2012
	* Listed on National Stock Exchange of Australia	
	** Formerly Chameleon Mining NL	
Interest in Shares & Options	Fully Paid Ordinary Shares	5,594,600
	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 Limited	July 2010 to present
	Eclipse Metals Limited	March 2010 to November 2011
Interest in Shares & Options	Fully Paid Ordinary Shares	11,844

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 45 cent Options expiring 31 October 2012	36,900,000 540,000

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 12.

COMPANY SECRETARY

Ms Claire Tolcon has over 14 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 $380,737 (2011: $7,334,156).

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
In September 2011, Cauldron divested part of its interest in the Boolaloo and Beadell Projects. Under the terms of the transaction, Cauldron received $0.3 million cash and retained a 20% free carried interest in each of the projects until a decision to mine is made.

Divestment of Non-core Uranium Assets
In November 2011, Cauldron realised the deferred consideration and royalty that it was entitled to in respect of the Wallbrook Project located in the Eastern Goldfields of Western Australia. Cauldron sold the Wallbrook Project to Saracen Minerals Holdings Limited (ASX: SAR) (Saracen) in March 2007 which included a deferred consideration comprising the issue of Saracen shares upon the commencement of mining operations and a $1/tonne royalty on the first two million tonnes mined from the Wallbrook Project.

Cauldron negotiated the realisation of the deferred consideration and received 5,000,000 Saracen shares as final settlement for the deferred consideration and royalty. The Saracen shares were subsequently sold on-market generating $3.95 million (before costs). A gain on sale of $3.2 million has been recognised in the statement of comprehensive income.

Shares and Options Issued

During the year ended 30 June 2012, the following equity instruments were issued:

Shares issued
On 12 September 2011 Cauldron completed a placement of 7,300,000 shares at an issue price of 10 cents per share to raise $0.73 million (before costs).

Unlisted options issued
On 11 June 2012, the Consolidated Entity issued 2,000,000 unlisted options to an Executive Consultant with an exercise price of $0.20 and an expiry date of on or before 30 June 2014.

Options lapsed / forfeited
During the period, the following unlisted options were forfeited or lapsed:

Number	Exercise price	Expiry date
300,000	$0.45	20 October 2015
100,000	$0.45	20 October 2011
900,000	$0.61	31 October 2011
2,900,000	$0.60	30 November 2011
2,000,000	$0.80	30 November 2011
2,000,000	$0.50	30 November 2011
100,000	$0.85	26 March 2012

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; and
- 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 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 is currently in the process of completing preparations for a 5,000m drilling program at Yanrey to further define the extent of mineralisation on the eastern side of the Bennet Well Resource area as well as the very prospective Bennet Well South region where drilling completed in 2010 included 1.5m @ 1152 ppm eU3O8. The Native Title Heritage Issues which have prevented further drilling around the Bennet Well Resource Area have been resolved so Cauldron can continue to add extensions to the current inferred resource.

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 $6.0 million of exploration activities over three years. Exploration activities commenced in mid-2009. To date, the Korean participants have contributed $4.9 million.

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 Blanchewater, 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 2012, Cauldron completed a mud rotary drilling program at MacDonnell Creek Northeast and at Red Banks Well. In total 39 holes were drilled for a total of 4,982 metres:

<u>Red Banks Well:</u>
At Red Banks Well at total of 15 holes for 1502 metres was completed. The drilling completed was selective infill drilling between the previously drilled 3.2km by 1.6km spaced drill holes. Drilling confirmed that there was significant uranium mineralisation within mostly oxidised sands and clays within the Eyre Formation. While the tenor of mineralisation is low, it is an important indicator of a fertile environment for uranium deposits. The two best results from the recent drilling were:

- 3.37m at 67 ppm eU3O8 from 81 metres in hole MAMR180; and
- 1.34m at 75 ppm eU3O8 from 84.5 metres in hole MAMR179.

[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.

The sediments drilled at Red Banks Well were mostly oxidised with minor increasing levels of more reduced material on the most northern drill line. Further drilling is recommended to the north and east of the current drilling area where sediments within the Eyre Formation appear to be becoming more reduced.

MacDonnell Creek:
At MacDonnell Creek Northeast a total of 24 holes for 3,980 metres was completed. Drilling was targeting the extension to the recently discovered uranium bearing palaeochannel at MacDonnell Creek. Drilling could not identify any extensions to the target channel and as a result drilling was cut short of the planned 5000 metres in this region. Drilling showed a mostly reduced Eyre Formation unit which contained no significant uranium mineralisation.

Cauldron is currently completing preparation for a tenement wide soil sampling and mapping program to further define drilling targets based on previously completed drilling. Plans are also being prepared to complete a 3000 to 5000m drilling program towards the end of 2012 to complete follow-up drilling from the recent work and to test any soil anomalies detected in the planned soil sampling program.

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.

Late last year UEQ completed a 20-hole reconnaissance rotary mud drilling program on the Frome Embayment tenements which includes the West Lake Frome Project Joint Venture tenements. Over half of the holes drilled were located on the Joint Venture tenements. Drilling identified anomalous downhole gamma values with the highest grades encountered in hole WC004 located in EL4612, which is part of the West Lake Frome Joint Venture:

- 0.37m at 143ppm eU3O8 from 194.5m (peak of 186.7ppm eU3O8); and
- 1.09m at 152ppm eU3O8 from 197.2m (peak of 291.2ppm eU3O8).

BEADELL PROJECT, WESTERN AUSTRALIA (20%)

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.

In September 2011, Cauldron divested interest in the Boolaloo and Beadell Projects to Rumble Resources Ltd ("Rumble"). Pursuant to the terms of the transactions, Cauldron has transferred to Rumble 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 received cash consideration of $250,000.

BOOLALOO PROJECT, WESTERN AUSTRALIA (20%)

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).

In September 2011, Cauldron divested interest in the Boolaloo and Beadell Projects to Rumble Resources Ltd ("Rumble"). Pursuant to the terms of the transactions, Cauldron has transferred to Rumble an 80% interest in the Boolaloo Project (which is comprised of EL08/0605, EL08/1756, EL08/2123, EL08/2141, EL08/2152 and ELA08/2153. Under the terms of the transactions Cauldron received cash consideration of $50,000. Rumble will also assume all the environmental and rehabilitation work required to be carried out in respect of the Boolaloo Project.

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%).

Cauldron is currently evaluating the possibility of joining a CSIRO study of the Amadeus and Ngalia Basins to further assist in identifying exploration drill targets.

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 the June 2012 quarter, a review of the project was undertaken to identify exploration targets for upcoming work.

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 was entitled to receive 5 million Saracen shares (ASX: SAR) and a $1/tonne royalty for the first two million tonnes mined from the project.

In November 2011, Cauldron negotiated the realisation of the deferred consideration and received 5,000,000 Saracen shares as final settlement for the deferred consideration and royalty. The Saracen shares were subsequently sold on-market generating $3.8 million (before costs). A gain on sale of $3.2 million has been recognised in the statement of comprehensive income.

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.

In December 2011, a newly elected provincial government took office in Catamarca, where Cauldron's Rio Colorado Project is located. The new Provincial Government is aligned with the Federal Government and has committed to progressing exploration and mining projects that will benefit the province, a very encouraging development.

Cauldron has recently completed regional airborne geophysical and remote sensing data sets for Rio Colorado and Las Marias preparatory to defining and prioritising the next stages of exploration. Historically planned drill programs are being reviewed.

Cauldron continues with the evaluation of this project and is progressing the engagement with the local community and government to move this project forward. Establishing access for drill testing is on the current agenda.

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.

Cauldron has recently completed regional airborne geophysical and remote sensing data sets for Rio Colorado and Las Marias preparatory to defining and prioritising the next stages of exploration.

Recent interpretation and field reconnaissance work has highlighted the likely presence of gold in the Las Marias Project which along with uranium will be the focus for future exploration.

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 Resources SA ("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.

During the year, Caudillo completed a 20-hole reverse circulation drilling program for a total of 1,027 metres of drilling aimed at testing for extensions to the Los Colorados mine. Assay results identified uranium mineralisation associated with what is interpreted to be roll-front style uranium environment adjacent to the old mine.

Consistent broad zones of anomalous uranium mineralisation were intersected, with the mineralised trend extending from the old open cut mine to the south and remaining open. However, the difference between the tenor of surface and in-pit channel sampling (commonly plus 1,000ppmU) and the drilling results requires further explanation. Caudillo is currently sourcing down-hole gamma-logging equipment to further analyse the uranium mineralisation within the holes. In summary, assay results (+1m and +100ppm U_3O_8) included:

-	LCR11-018	1.0m at 739 ppm U_3O_8 from 31.5m
		2.5m at 250 ppm U_3O_8 from 36.5m
-	LCR11-017	1.5m at 904 ppm U_3O_8 from 31.5m
		1.0m at 198 ppm U_3O_8 from 34.0m
		1.5m at 431 ppm U_3O_8 from 37.0m
-	LCR11-019	1m at 256 ppm U_3O_8 from 28.0m
-	LCR11-020	1m at 336 ppm U_3O_8 from 28.5m

Following drilling completed on extensions to the mine, the Company has been reviewing drilling and surface sampling data to identify additional prospective area for uranium mineralisation. This work will define additional areas for drilling.

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 2 August 2012, Cauldron announced that all holders of the $11.3 million Convertible Notes in the Company had elected to convert their Convertible Notes into shares in the Company. The Convertible Notes were converted into shares at a deemed issue price of $0.20 per share. 58,829,452 shares were issued as a result.

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
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	500,000	20 October 2015	Unlisted
11 June 2012	$0.20	2,000,000	30 June 2014	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 2012 there were no ordinary shares issued (2011: 255,946 issued for $78,926 consideration) as a result of the exercise of options.

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

One directors meeting was held during the year. This meeting took place on 12 December 2011 and all directors were in attendance. 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 2012 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 2012.

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

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.

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									
2012	120,000	-	-	-	-	-	-	120,000	-
2011	120,000	-	-	-	-	-	-	120,000	-
Brett Smith – Executive Technical Director									
2012	109,003	-	-	-	-	-	-	109,003	-
2011	136,085	-	-	-	-	-	-	136,085	-
Qiu Derong – Non Executive Director									
2012	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-
Kent Hunter – Non Executive Director (resigned on 31 March 2011)									
2012	-	-	-	-	-	-	-	-	-
2011	49,050	-	-	-	-	-	-	49,050	-
Terence Topping – Chief Executive Officer (resigned on 4 February 2011)									
2012	-	-	-	-	-	-	-	-	-
2011	173,831	-	-	13,395	-	-	-	187,226	-
Total Remuneration Directors									
2012	229,003	-	-	-	-	-	-	229,003	-
2011	478,966	-	-	13,395	-	-	-	492,361	-

Performance related Bonuses and Share Based Payments

There were no options or shares issued to directors during the year ended 30 June 2012 (2011: nil).

There are no employment contracts between the company and the directors.

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 2012.

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
13 September 2012

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd

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Australia

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To The Board of Directors

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

As lead audit director for the audit of the financial statements of Cauldron Energy Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 13th day of September 2012

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 2012. 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	Establish 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.	No
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 Company's policy concerning diversity. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	No
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	No
3.5	Companies should provide the information 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.	No
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.	No
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	No
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

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

CORPORATE GOVERNANCE (cont)

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 but he does not meet the Company's criteria for independence. Mr B Smith and Mr A Sage are Executive Directors of the Company and do not meet the Company's criteria for independence. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

An Independent Director is a Non-Executive Director and:

CORPORATE GOVERNANCE (cont)

- 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 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	4 years & 3 months	(Executive Chairman)
Mr Brett Smith	4 years & 3 months	(Executive Director)
Mr Qiu Derong	3 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 has 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

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 1 day prior to, and 1 day after, the release of the Company's half yearly or yearly results.
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.

Diversity Policy

Recommendation 3.2 of the Principles states that companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet established a Diversity Policy. However, as the Company develops, the Board will consider adopting such a policy.

Recommendation 3.3 of the Principles states that the board should disclose in each annual report the measurable objective for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.

Recommendation 3.4 of the Principles states that the board should disclose in each annual report:

(a) the proportion of women employees in the whole organisation;
(b) women in senior executive positions; and
(c) women on the board.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved with Ms Claire Tolcon as the Company Secretary and Ms Catherine Grant as Financial Controller holding senior executive positions in the Company. The Company only has a very small number of employees.

Audit and Risk Committee

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.

CORPORATE GOVERNANCE (cont)

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 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

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 total remuneration of Non-Executive Directors has 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;

CORPORATE GOVERNANCE (cont)

- 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.

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 consists three members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

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

CORPORATE GOVERNANCE (cont)

- 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).

Remuneration Committee

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.

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- 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.

CORPORATE GOVERNANCE (cont)

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.

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 consists three members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

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.

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- 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.

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Shareholder Communication

CORPORATE GOVERNANCE (cont)

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 2012

	Note	2012 $	2011 $
Revenue	3(a)	224,514	420,162
Other income	3(b)	3,729,412	3,675,718
Administration expenses		(390,846)	(403,444)
Employee benefits expenses		(239,477)	(509,641)
Directors fees		(229,003)	(382,575)
Share based payments		(14,205)	(59,702)
Compliance and regulatory expenses		(134,236)	(142,818)
Consultancy expenses		(475,261)	(750,839)
Occupancy expenses		(73,136)	(233,410)
Travel expenses		(84,783)	(133,361)
Net fair value (loss)/gain on financial assets		(1,586,216)	(568,303)
Profit/(loss) on disposal of financial assets		72,632	(130,630)
Depreciation		(21,230)	(41,601)
Finance costs	4	(1,130,906)	(984,448)
Realised foreign exchange gain/(loss)		(21,731)	12,686
Impairment of associate	12(b)	-	(2,600,000)
Impairment of receivables		-	(17,439)
Impairment of loan receivable	9(a)	-	(1,427,759)
Impairment of plant and equipment		(6,265)	(20,352)
Impairment of exploration expenditure		-	(3,036,400)
Loss before income tax expense		(380,737)	(7,334,156)
Income tax expense	5	-	-
Loss for the year		**(380,737)**	**(7,334,156)**
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(123,088)	(461,989)
Other comprehensive income for the year after income tax		(123,088)	(461,989)
Total comprehensive income attributable to members of the Company		**(503,825)**	**(7,796,145)**
Earnings/(loss) Per Share			
Basic earnings/(loss) per share (cents per share)	19	(0.40)	(8.26)
Diluted earnings/(loss) per share (cents per share)	19	(0.40)	(8.26)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	23(b)	2,927,111	968,307
Trade and other receivables	6	145,789	516,272
Financial assets	7	2,660,302	1,768,003
Loan receivables	9	-	-
TOTAL CURRENT ASSETS		5,733,202	3,252,582
NON CURRENT ASSETS			
Restricted cash	8	221,592	302,352
Loan receivables	9	996,010	365,068
Exploration and evaluation expenditure	10	9,332,498	10,112,253
Property, plant and equipment	11	36,290	59,540
Investment in associate	12	-	2,600,000
TOTAL NON CURRENT ASSETS		10,586,390	13,439,213
TOTAL ASSETS		**16,319,592**	**16,691,795**
CURRENT LIABILITIES			
Trade and other payables	13	900,643	1,454,312
Financial liabilities	14	11,300,000	2,000,000
Provisions	15	15,071	37,485
TOTAL CURRENT LIABILITIES		12,215,714	3,491,797
NON CURRENT LIABILITIES			
Financial liabilities	14	-	9,300,000
TOTAL NON CURRENT LIABILITIES		-	9,300,000
TOTAL LIABILITIES		**12,215,714**	**12,791,797**
NET ASSETS		**4,103,878**	**3,899,998**
EQUITY			
Issued capital	16	23,593,625	22,900,125
Reserves	17	1,367,352	1,476,235
Accumulated losses	18	(20,857,099)	(20,476,362)
TOTAL EQUITY		**4,103,878**	**3,899,998**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,814,383)	(2,476,236)
Interest received		120,654	126,957
Interest paid		(782,269)	(697,524)
Administration service fees received		111,826	90,493
Net cash used in operating activities	23(a)	(2,364,172)	(2,956,310)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(2,032,379)	(3,511,885)
Reimbursement for exploration and evaluation incurred on behalf of other parties		1,220,094	1,450,262
Payment of environmental bonds		-	(298,874)
Payments for plant and equipment		(5,045)	(10,829)
Purchase of equity investments		-	(1,360,599)
Payment for investment in associate		-	(200,000)
Proceeds from the sale of tenements		300,000	-
Refund of deposits paid		81,515	-
Loans repaid by other entities		573,863	600,000
Funding provided to Caudillo Resources SA		(648,001)	(299,076)
Proceeds from sales of equity investments		4,144,116	404,605
Net cash from investing activities		3,634,163	(3,226,396)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options, net of transaction costs		693,500	172,175
Proceeds from issue of convertible loan note		-	2,000,000
Net cash from financing activities		693,500	2,172,175
Net increase/ (decrease) in cash held		1,963,491	(4,010,531)
Effects of exchange rate changes on cash		(4,687)	(152,201)
Cash and cash equivalents at beginning of financial year		968,307	5,131,039
Cash and cash equivalents at end of financial year		**2,927,111**	**968,307**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated Losses	Option Premium Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2011	**22,900,125**	**(20,476,362)**	**2,106,941**	**(630,706)**	**3,899,998**
Loss attributable to members of the parent entity	-	(380,737)	-	-	(380,737)
Other comprehensive income	-	-	-	(123,088)	(123,088)
Total comprehensive income for the year	-	(380,737)	-	(123,088)	(503,825)
Transaction with owners, directly in equity					
Shares issued during the year, net of costs	693,500	-	-	-	693,500
Share based payments expense recognised for value of options issued/vested during the year	-	-	29,529	-	29,529
Options forfeited during the year	-	-	(15,324)	-	(15,324)
Balance at 30 June 2012	**23,593,625**	**(20,857,099)**	**2,121,146**	**(753,794)**	**4,103,878**
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**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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. At 30 June 2012, the Consolidated Entity has recognised liabilities attributable to convertible loan notes of $11,300,000.

On 2 August 2012, Cauldron announced that all holders of the convertible notes in the Company had elected to convert their Convertible Notes into shares in the Company. The Convertible Notes were converted into shares at a deemed issue price of $0.20 per share.

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 2012

Accounting Standards and Interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods.

Reference	Title	Summary	Application date of standard	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	1 July 2012
AASB 2011-3**	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049. Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13.	1 July 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2013	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Reference	Title	Summary	Application date of standard	Application date for Group
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 January 2013	1 July 2013
Annual Improvements 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 - Borrowing costs IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment - Classification of servicing equipment IAS 32 Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	1 July 2013

The Consolidated Entity is in the process of determining the impact of the above on its financial statements. The Consolidated Entity has not elected to early adopt any new Standards or Interpretations.

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 22 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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:

Class of Fixed Asset	**Depreciation Rate**	
	2012	**2011**
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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.
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.

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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.

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

NOTES TO THE FINANCIAL STATEMENTS
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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.

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."

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 2012

	Uranium exploration		Other		Total	
	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$
Interest received	-	-	112,688	316,448	112,688	316,448
Gain on disposal of assets	3,155,575	3,675,718	-	-	3,155,575	3,675,718
Administration service fee	111,826	103,714	-	-	111,826	103,714
Other	-	-	-	-	-	-
Total segment revenue and other income	**3,267,401**	**3,779,432**	**112,688**	**316,448**	**3,380,089**	**4,095,880**
Segment net operating profit/ (loss) after tax	**3,155,123**	**547,720**	**(3,535,860)**	**(7,881,876)**	**(380,737)**	**(7,334,156)**
Segment net operating profit/ (loss) after tax includes the following significant items:						
Interest and other finance charges	-	-	(1,130,906)	(984,448)	(1,130,906)	(984,448)
Net fair value gain/(loss) on financial assets	-	-	(1,586,216)	(568,303)	(1,586,216)	(568,303)
Loss on disposal of financial assets	-	-	72,632	(130,630)	71,904	(130,630)
Impairment of associate	-	-	-	(2,600,000)	-	(2,600,000)
Impairment of loan	-	-	-	(1,427,759)	-	(1,427,759)
Impairment of exploration assets	-	(3,036,400)	-	-	-	(3,036,400)
Gain on disposal of exploration assets	3,155,575	-	-	-	3,155,575	-
Segment assets	**12,648,785**	**11,902,384**	**3,670,808**	**4,789,411**	**16,319,592**	**16,691,795**
Segment assets include:						
Capitalised exploration expenditure	9,332,498	10,112,253	-	-	9,332,498	10,112,253
Financial assets	-	-	2,660,302	1,768,003	2,660,302	1,768,003
Investments in associate	-	-	-	2,600,000	-	2,600,000
Other assets	3,316,286	1,790,131	1,010,506	421,408	4,326,792	2,211,539
	12,648,785	**11,902,384**	**3,670,808**	**4,789,411**	**16,319,592**	**16,691,795**
Segment liabilities	**(1,596,238)**	**(1,454,312)**	**(10,619,476)**	**(11,337,485)**	**(12,215,714)**	**(12,791,797)**

Segment information by geographical region

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

	2012	2011
	$	$
Australia	14,247,211	14,736,018
Argentina	2,072,381	1,955,777
	16,319,592	**16,691,795**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. REVENUE AND OTHER INCOME

	2012 $	2011 $
(a) Revenue		
Interest received	112,688	38,689
Interest on loan	-	277,759
Administration fees received	111,826	103,714
	224,514	420,162
(b) Other Income		
Gain on sale of exploration assets	3,155,575	3,675,718
Reversal of provision for non-recovery of loans	573,837	-
	3,729,412	3,675,718

4. FINANCE COSTS

	2012 $	2011 $
Interest on convertible notes	1,130,906	984,448
	1,130,906	984,448

5. INCOME TAX EXPENSE

	2012 $	2011 $
(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:	2012 $	2011 $
Loss before tax	(380,737)	(7,334,156)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2011: 30%)	(114,221)	(2,200,247)
Add tax effect of:		
Non-deductible expenses	91,408	421,301
De-recognition of previously recognised tax losses	110,031	1,684,959
Less tax effect of:		
Under/(over) provision for prior year	(87,218)	93,987
Total income tax expense/(income) attributable to entity	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 $	2011 $
(c) Recognised deferred tax balances		
Deferred tax balances have been recognised in respect of the following:		
Deferred tax assets		
Annual Leave	4,521	11,246
Investments	1,497,449	1,021,584
Other Accruals	203,251	179,780
Loan receivable	-	428,328
Plant & equipment	-	6,106
Previously expensed capital raising costs	35,363	35,363
Tax losses	585,232	995,301
	2,325,816	2,677,708
Deferred tax liabilities		
Exploration	(2,325,515)	(2,591,689)
Accrued interest receivable	-	(83,328)
Unearned income	(301)	(2,691)
	(2,325,816)	(2,677,708)
Net recognised deferred tax assets/(liabilities)	-	-

(d) Unrecognised deferred tax balances

The Consolidated Entity has $15,141,040 (2011: $15,110,839) gross tax losses arising in Australia that are available indefinitely for offset against future profit of the Company in which the losses arose.

6. TRADE AND OTHER RECEIVABLES

	2012 $	2011 $
Current		
Trade receivables	127,289	434,101
Accrued income	-	12,390
Accrued interest	1,004	8,971
Other receivables	3,001	4,472
Prepayments	14,495	56,338
	145,789	516,272

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. FINANCIAL ASSETS

	2012 $	2011 $
Financial assets		
Financial assets at fair value through profit and loss	2,660,302	1,768,003
	2,660,302	1,768,003

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.

	2012 $	2011 $
Movements:		
Opening balance at beginning of the year	1,768,003	1,510,942
Purchase of equity securities	-	1,360,599
Equity securities previously reclassified as an associate	2,600,000	-
Sale of equity securities	(121,485)	(535,235)
Fair value gain/(loss) through profit and loss	(1,586,216)	(568,303)
	2,660,302	1,768,003

8. RESTRICTED CASH

	2012 $	2011 $
Restricted cash		
Cash deposits	-	86,000
Bank guarantees	221,592	216,352
	221,592	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.

9. LOAN RECEIVABLES

	2012 $	2011 $
Current		
Unrelated parties (a)	682,000	1,427,759
Provision for non-recovery (a)	(682,000)	(1,427,759)
	-	-
Non-current		
Caudillo Resources SA (b)	971,814	341,941
Other related parties	24,196	23,127
	996,010	365,068

a) The loan was due for repayment in August 2010. During the current financial year, a total of $573,837 was repaid. The balance owing, including interest, was provided for in full at 30 June

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2011. Therefore, a gain of $573,837 has been recognised in the statement of comprehensive income for the year ended 30 June 2012.

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"), which is included in this balance. 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. At 30 June 2012, the draw-down facility has been utilised.

10. EXPLORATION AND EVALUATION EXPENDITURE

	2012 $	2011 $
Exploration and evaluation expenditure	9,332,498	10,112,253
Movements:		
Carrying value at beginning of year	10,112,253	12,182,269
Exploration expenditure incurred (a)	1,711,927	3,511,885
Exploration expenditure reimbursed/reimbursable	(1,397,257)	(1,221,219)
Divestment of exploration assets (b)	(1,094,425)	(1,324,282)
Impairment of exploration expenditure	-	(3,036,400)
Carrying value at end of year	9,332,498	10,112,253

a) Included in exploration expenditure incurred during 2012 is expenditure of $1,118,262 incurred by the Consolidated Entity on behalf of the Marree Joint Venture Project. Of this amount, $1,064,453 has been invoiced and reimbursed by the Marree Joint Venture during 2012, while $53,809 has been invoiced to the Joint Venture at balance date, but not reimbursed.

b) In September 2011, the Consolidated Entity divested part of its interest in the Boolaloo and Beadell Projects. Consideration received was $300,000 and the retainment of a 20% free carried interest in each of the projects until a decision to mine in made. The carrying value of these assets in the Consolidated Entity's books on divestment was $284,225, resulting in a profit on sale of $15,776 recognised in the statement of comprehensive income.

In November 2011, the the Consolidated Entity realised the deferred consideration and royalty that it was entitled to in respect of the sale of the Wallbrook Project to Saracen Minerals Holdings Limited (ASX: SAR) in March 2007. 5,000,000 Saracen shares were received as final settlement for the deferred consideration and royalty, which were subsequently sold on market for $3,950,000. The carrying value of these assets in the Consolidated Entity's books on divestment was $810,200, resulting in a profit on sale of $3,139,799 recognised 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 2012

11. PLANT AND EQUIPMENT

	2012 $	2011 $
Plant and equipment		
At cost	159,430	104,698
Accumulated depreciation	(124,512)	(76,789)
	34,918	27,909
Motor vehicles		
At cost	2,500	58,126
Accumulated depreciation	(1,128)	(49,509)
	1,372	8,617
Total plant and equipment	36,290	59,540

Movements:

2012	Plant & equipment $	Motor vehicles $	Total $
Balance at beginning of year	50,923	8,617	59,540
Additions	6,228	-	6,228
Depreciation expense	(18,100)	(3,130)	(21,230)
Impairment expense	(2,605)	(2,932)	(5,537)
Disposals	-	(1,183)	(1,183)
Foreign currency differences arising from translating functional currency to presentation currency	(1,528)	-	(1,528)
Carrying value at 30 June 2012	34,918	1,372	36,290

2011	Plant & equipment $	Motor vehicles $	Total $
Balance at beginning of year	107,526	10,591	118,117
Additions	-	-	-
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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

12. INVESTMENT IN ASSOCIATE

	2012 $	2011 $
Shares in associates accounted for using the equity method	-	2,600,000

(a) Investment details

	2012 $	2011 $
Listed		
Eclipse Uranium Limited	-	2,600,000

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

	2012 $	2011 $
Carrying amount at beginning of year	2,600,000	-
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)
Equity securities reclassified to financial assets at fair value through profit and loss (note 7) (ii)	(2,600,000)	-
Carrying amount at end of year	-	2,600,000

(i) During the prior 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.

(ii) During the current year, the Consolidated Entity has reclassified its interest in Eclipse to financial assets at fair value through profit and loss on the basis that significant influence over Eclipse ceased to exist.

(c) Fair value of investment

The fair value of the Consolidated Entity's investment in Eclipse at 30 June 2011 was determined by reference to published price quotations in an active market.

(d) Summarised financial information

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

	2012 $	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 2012

13. TRADE AND OTHER PAYABLES

	2012 $	2011 $
Current		
Trade payables	205,051	610,926
Accrued interest on convertible loan notes	635,562	286,925
Other payable – Marree Joint Venture	-	71,438
Other payables and accruals	60,030	485,023
	900,643	1,454,312

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

14. FINANCIAL LIABILITIES

	2012 $	2011 $
Current		
Convertible loan notes (a)	11,300,000	2,000,000
Non-current		
Convertible loan notes	-	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 31 July 2012 to convert the note into ordinary shares in Cauldron. The note has a coupon interest rate of 10% per annum.

Included in 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	11,300,000	$0.20	10%	31 July 2012

15. PROVISIONS

	2012 $	2011 $
Current		
Employee benefits	15,071	37,485
	15,071	37,485

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

16. ISSUED CAPITAL

	2012 No.	2012 $	2011 No.	2011 $
Issued and fully paid up ordinary shares				
Opening balance	88,980,029	22,900,125	88,724,083	22,821,199
Shares issued during the year, net of transaction costs	7,300,000	693,500	255,946	78,926
	96,280,029	23,593,625	88,980,029	22,900,125

The Company has authorised share capital amounting to 96,280,029 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 $23,593,625 at 30 June 2012 (2011: $22,900,125). 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.

17. RESERVES

	2012 $	2011 $
Reserves		
Option premium reserve (a)	2,121,146	2,106,941
Foreign currency translation reserve (b)	(753,794)	(630,706)
	1,367,352	1,476,235

	2012 $	2011 $
(a) Option premium reserve		
Reserve balance at beginning of year	2,106,941	1,958,514
Listed options issued during the year	-	128,724
Share based payments to employees & consultants (refer note 25)	29,529	43,783
Unlisted options forfeited during the year (refer note 25)	(15,324)	(24,080)
Reserve balance at end of year	2,121,146	2,106,941

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(b) Foreign currency translation reserve	2012 $	2011 $
Reserve balance at beginning of the year	(630,706)	(168,717)
Foreign currency exchange differences arising on translation of foreign operations	(123,088)	(461,989)
Reserve balance at end of year	(753,794)	(630,706)

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.

18. ACCUMULATED LOSSES

	2012 $	2011 $
Balance at beginning of year	(20,476,362)	(13,142,206)
Loss for the year	(380,737)	(7,334,156)
Balance at end of year	(20,857,099)	(20,476,362)

19. LOSS PER SHARE

	2012 Cents per share	2011 Cents per share
Basic loss per share		
Continuing operations	(0.40)	(8.26)
	(0.40)	(8.26)
	$	$
Loss used in calculation of basic loss per share		
Continuing operations	(380,737)	(7,334,156)
	(380,737)	(7,334,156)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	94,820,029	88,858,694

There are 2,500,000 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

20. COMMITMENTS

Exploration Expenditure Commitments

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.

Office Rental Commitments

The Consolidated Entity entered into a sub-lease for office premises for a period of 5 years terminating on 31 March 2017.

Total commitments for the Consolidated Entity are:

	2012 $	2011 $
Within one year	2,331,390	3,042,014
Between one and five years	143,964	-
Longer than five years	-	-
	2,475,354	3,042,014

21. CONTINGENT ASSETS AND LIABILITIES

During the year, the Consolidated Entity realised the contingent asset disclosed in its 30 June 2011 annual report. In November 2011, Cauldron negotiated the realisation of the deferred consideration and royalty and received 5,000,000 Saracen shares as final settlement for the deferred consideration and royalty.

The Consolidated Entity has no contingent liabilities or assets at the year end.

22. CONTROLLED ENTITIES

Details of Cauldron Energy Limited's subsidiaries are:

Name	Principal activities	Date/Company of Incorporation	Shares	Ownership Interest 2012 %	Ownership Interest 2011 %	Investment Carrying Amount 2012 $	Investment Carrying Amount 2011 $
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

23. CASH FLOW INFORMATION

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

	2012 $	2011 $
Loss from ordinary activities after income tax	(380,737)	(7,334,156)
Non-cash flows in operating loss:		
Depreciation	21,230	41,601
Equity settled share based payments	14,205	59,702
Net fair value (gain)/loss on investments	1,586,216	568,303
Realised gain on disposal of financial assets	(72,632)	130,630
Gain on divestment of exploration assets	(3,155,575)	(3,675,718)
Foreign exchange (gain)/loss	(21,731)	(12,686)
Impairment of associate	-	2,600,000
Impairment of loan	-	1,427,759
Impairment of exploration expenditure	-	3,036,400
Impairment of plant and equipment	6,265	20,352
Impairment of receivables	-	17,439
Reversal of provision for non-recovery of loans	(573,837)	-
Cash flows not in operating loss:		
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	157,262	225,411
Decrease/(increase) in interest receivable	7,967	(189,491)
Increase/(decrease) in trade and other payables	69,609	60,037
Increase/(decrease) in provisions	(22,414)	68,107
Net cash inflows/(outflows) from operating activities	(2,364,172)	(2,956,310)

(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:

	2012 $	2011 $
Cash at bank	2,895,137	923,213
Deposits at call	-	-
Cash in transit	31,974	45,094
Cash and cash equivalents	2,927,111	968,307

(c) Non-cash investing activities

There were no investing activities during the year which were not reflected in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

24. 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:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	2,927,111	968,307
Financial assets at fair value through profit and loss	2,660,302	1,768,003
Trade and other receivables	145,789	516,272
Loan receivables	996,010	365,068
	6,729,212	3,617,650
Financial Liabilities		
Trade and other payables	900,643	1,454,312
Financial liabilities	11,300,000	11,300,000
	12,200,643	12,754,312

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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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.

	2012		2011	
	Change	$	Change	$
Change in loss:				
Increase in interest rate by 200 basis points	+58,542	322,195	+19,403	7,314,753
Decrease in interest rate by 200 basis points	-58,542	439,279	-19,403	7,353,559

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% (2011 – 10%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

	Impact on Post-Tax Profit/(Loss)	
	2012	2011
	$	$
Index		
ASX 200	266,030	176,800

(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:

	2012	2011
	$	$
Financial assets		
Cash and cash equivalents (AA)	2,927,111	968,307
	2,927,111	968,307

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(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.

2012	Within 1 Year $	1 to 5 Years $	Over 5 Years $	2012 Total $
Financial assets				
Cash	2,927,111	221,592	-	3,148,703
Held for trading investments	2,660,302	-	-	2,660,302
Receivables and loans	145,789	996,010	-	1,141,799
	5,733,202	1,217,602	-	6,950,804
Financial Liabilities				
Trade and other payables	900,643	-	-	900,643
Financial liabilities	11,300,000	-	-	11,300,000
	12,200,643	-	-	12,200,643

2011	Within 1 Year $	1 to 5 Years $	Over 5 Years $	2011 Total $
Financial assets				
Cash	968,307	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

(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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

2012	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	2,606,594	53,708	-	2,660,302
2011				
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	1,714,295	53,708	-	1,768,003

25. SHARE BASED PAYMENTS

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

	2012 $	2011 $
Options issued to employees and consultants (a)	29,529	43,783
Options forfeited during the year (a)	(15,324)	(24,080)
Options issued to directors	-	-
	14,205	19,703

(a) On 11 June 2012, the Consolidated Entity issued 2,000,000 unlisted options with vesting conditions to an Executive Consultant with an exercise price of $0.20 and an expiry date of on or before 30 June 2014.

During the year, 400,000 options were forfeited prior to vesting, resulting in reversal of $15,324 through the statement of comprehensive income.

The share based payment expense for the year is $14,205, net of forfeited options.

(b) 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:

	2012 No.	2012 WAEP
Outstanding at the beginning of the year	8,800,000	$0.61
Granted during the year	2,000,000	$0.20
Expired	(7,900,000)	$0.63
Forfeited	(400,000)	$0.45
Outstanding at year end	2,500,000	$0.25
Exercisable at the end of the year	-	-
Not exercisable at the end of the year	2,500,000	$0.25

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

The outstanding balance at 30 June 2012 is represented by:

- 500,000 Employee Options with an exercise price of $0.45 each exercisable on or before 20 October 2015; and
- 2,000,000 Consultant Options with an exercise price of $0.20 each exercisable on or before 30 June 2014.

(c) Remaining contractual life

The remaining contractual life for Options outstanding at 30 June 2012 is 2.26 years.

(d) Fair value

The fair value of the Options granted during the year was $0.07.

(e) 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:

	2012 Consultant Options
Dividend yield (%)	Nil
Expected volatility (%)	85.14%
Risk free interest rate (%)	2.40%
Exercise price ($)	$0.20
Marketability discount (%)	Nil
Expected life of options (years)	2.06
Share price at grant date ($)	$0.16
Value per Option ($)	$0.07

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

26. PARENT ENTITY DISCLOSURES

	2012 $	2011 $
Financial Position		
Assets		
Current assets	2,969,295	7,177,502
Non-current assets	18,448,081	13,412,078
Total assets	21,417,376	20,589,580
Liabilities		
Current liabilities	12,181,687	3,444,168
Non-current liabilities	-	9,300,000
Total liabilities	12,181,687	12,744,168
Equity		
Issued capital	23,593,625	22,900,125
Accumulated losses	(16,479,082)	(17,161,654)
Reserves	2,121,146	2,106,941
Total equity	9,235,689	7,845,412
Financial Performance		
Profit/(loss) for the year	682,572	(6,529,399)
Total comprehensive income/(loss)	682,572	(6,529,399)

Loans to Controlled Entities

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

	2012 $	2011 $
Subsidiaries		
Ronin Energy Ltd	21,750	20,681
Jackson Global Ltd	6,406,816	5,735,247
Jakaranda Minerals Ltd	699,731	102,076
Total value of loans provided to subsidiaries	7,128,297	5,858,004

Commitments

Total commitments for the Parent Entity are:

	2012 $	2011 $
Within one year	1,849,990	2,989,720
Between one and five years	179,964	-
Longer than five years	-	-
	2,029,954	2,989,720

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Contingent Liabilities and Assets

The contingent liabilities and assets of the Parent Entity are consistent with the Consolidated Entity (refer to note 21).

27. 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 2012.

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

	2012 $	2011 $
Short-term employee benefits	229,003	478,966
Post-employment benefits	-	13,395
	229,003	492,361

Options and Rights Holdings

	Balance 1 July 2011	Granted	Exercised	Lapsed	Net change other	Balance 30 June 2012	Vested and Exercisable 30 June 2012	Unexercisable 30 June 2012
Antony Sage	1,559,460	-	-	(1,000,000)	-	559,460	559,460	-
Brett Smith	1,000,000	-	-	(1,000,000)	-	-	-	-
Qiu Derong	2,340,000	-	-	(1,800,000)	-	540,000	540,000	-
	4,899,460	**-**	**-**	**(3,800,000)**	**-**	**1,099,460**	**1,099,640**	**-**

Shareholdings

	Balance 1 July 2011	Received as remuneration	Received on exercise	Net Change Other (a)	Balance 30 June 2012
Antony Sage	5,594,600	-	-	-	5,594,600
Brett Smith	11,844	-	-	-	11,844
Qiu Derong	5,400,000	-	-	-	5,400,000
	11,006,444	**-**	**-**	**-**	**11,006,444**

(a) 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 28.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

28. RELATED PARTY INFORMATION

Transactions with Directors, Director Related Entities and other Related Entities

Payments to Director Related Entities

During the year The Consolidated Entity paid $56,070 (2011: $6,288) to Fe Limited for the reimbursement of employee costs. Mr Sage is a director of Fe Limited.

During the year, an aggregate amount of $69,392 was paid, or was due and payable to Cape Lambert Resources Ltd ("Cape Lambert") for reimbursement of employee, consultancy and occupancy costs (2011: $57,463). Mr Sage is a director of Cape Lambert.

No amount 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 (2011: $181,604). Mr Hunter resigned as a director on 31 March 2011 and Mr Brockhurst resigned as company secretary on 31 March 2011.

Equity interests in subsidiaries

Details of percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements.

Financial Assets

At 30 June 2012, Cauldron held 15,695,835 shares in Fe Limited (ASX: FEL) (2011: 15,695,835) with a market value of $486,571 (2011: $2,066,410). Mr Antony Sage is a director of FEL.

At 30 June 2012, Cauldron held 26,000,000 shares in Eclipse Metals Limited (ASX: EUL) (2011: 26,000,000) with a market value of $1,950,000 (2011: $2,600,000). Mr Brett Smith was a director of EUL until his resignation in November 2011.

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 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.

29. REMUNERATION OF AUDITORS

	2012 $	2011 $
Paid or payable to Bentleys for:		
- Audit or review of the Consolidated Entity financial report	40,000	35,775
Remuneration of the auditors of subsidiaries for:		
- Audit or review of the financial report	10,330	15,518
	50,330	51,293

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

30. EVENTS SUBSEQUENT TO REPORTING DATE

On 2 August 2012, Cauldron announced that all holders of the $11.3 million Convertible Notes in the Company had elected to convert their Convertible Notes into shares in the Company. The Convertible Notes were converted into shares at a deemed issue price of $0.20 per share. 58,829,452 shares were issued as a result.

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 2012 are in accordance with the Corporations Act 2001, including:

        (i) giving a true and fair view of its financial position as at 30 June 2012 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 2012.

On behalf of the board

Mr Antony Sage
Executive Chairman

PERTH
13 September 2012

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Cauldron Energy Limited

We have audited the accompanying financial report of Cauldron Energy Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, 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 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 and Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company and Consolidated Entity's financial position as at 30 June 2012 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.

Report on the Remuneration Report

We have audited the Remuneration Report from pages 11 to 12 in the directors' report of the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 13th day of September 2012

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 31 August 2012 were as follows:

	Class of Equity Securities
Number Held	**Fully Paid Ordinary Shares**
1-1,000	105,926
11,001 - 5,000	1,524,207
5,001 -10,000	2,433,588
10,001 -100,000	18,606,125
100,001 and over	132,439,635
TOTAL	**155,109,481**

There are 1,744 shareholders holding a total of 155,109,481 shares.

There are 637 shareholders holding less than a marketable parcel of shares.

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 31 August 2012:

Shareholder	Number
Cape Lambert Resources Limited & Dempsey Resources Pty Ltd	37,539,049
Mr Derong Qiu and Mr Dekang Qiu	36,900,000

Options

The Company currently has 12,866,462 listed options exercisable at $0.45 each on or before 31 October 2012, 500,000 unlisted options exercisable at $0.45 each on or before 20 October 2015 and 2,000,000 unlisted options exercisable at $0.20 each on or before 30 June 2014.

Voting Rights

<u>Ordinary Shares</u>

In accordance with the Company'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.

<u>Options</u>

Holders of options do not have a right to vote.

Restricted Securities

The Company does not currently have any restricted securities on issue.

ADDITIONAL SHAREHOLDER INFORMATION

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders in the Company as at 31 August 2012 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Mr Derong Qiu & Mr Dekang Qiu	36,900,000	23.79%
Dempsey Resources Pty Ltd	35,162,785	22.67%
Kouta Bay Pty Ltd <The Houndy Family A/C>	4,775,676	3.08%
Megabay Holdings Pty Ltd	3,500,000	2.26%
Okewood Pty Ltd	3,000,000	1.93%
Lanoti Pty Limited <Pinto Super Fund A/C>	2,633,409	1.70%
Mr Antony William Paul Sage <Egas Super Fund A/C>	2,594,600	1.67%
Mr Michael Hoay-Chew Lim & Mrs Catherine Mae Lim	2,383,140	1.54%
Canifare Pty Ltd	1,816,821	1.17%
Cape Lambert Resources Limited	1,681,264	1.08%
Terence Topping <The TKT A/C>	1,605,000	1.04%
Australian Global Capital Pty Ltd	1,500,000	0.97%
Sharic Superannuation Pty Ltd <The Farris Superfund A/C>	1,150,000	0.74%
Mrs Barbara Kay Alessi	1,037,610	0.67%
Raass Pty Ltd <RA Super Fund A/C>	1,000,592	0.65%
Sams Watchmaker Jeweller Pty Ltd <Super Fund A/C>	972,019	0.63%
Mr Gregory John Loughridge & Mrs Kathryn Linda Loughridge <Talisman S/F A/C>	950,000	0.61%
Australian Capital Markets Pty Ltd	907,501	0.58%
Mr Erwin John Clayton	855,200	0.55%
Sivertree Nominees Pty Ltd	761,901	0.49%
	105,187,518	**67.82%**

CAULDRON ENERGY LTD

SCHEDULE OF MINERAL TENEMENTS AS AT 15 AUGUST 2012

AUSTRALIA

Amadeus

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

Beadell

Tenement	Status	Equity	Comment
E45/2405	Granted	20%	Reduced by 60% during the year
E45/2406	Granted	20%	Reduced by 60% during the year
E45/3799	Granted	20%	Reduced by 60% during the year
E45/3823	Granted	20%	Reduced by 60% during the year

Boolaloo Project

Tenement	Status	Equity	Comment
E08/1605	Granted	20%	Reduced by 80% during the year
E08/1756	Granted	20%	Reduced by 80% during the year
E08/2123	Granted	20%	Reduced by 80% during the year
E08/2141	Granted	20%	Reduced by 80% during the year
E08/2152	Granted	20%	Reduced by 80% during the year

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 4746 (EL 3510)	Granted	60%	Marree Joint Venture
EL 4794 (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	70%	
EL 08/1495	Granted	70%	
EL 08/1501	Granted	100%	
EL 08/2017	Granted	100%	
EL 08/2081	Granted	100%	
EL 08/2161	Granted	100%	
EL 08/2164	Granted	100%	
EL 08/2165	Granted	100%	
EL 08/2192	Granted	100%	
EL 08/2205	Granted	100%	
EL 08/2160	Granted	100%	
EL 08/2244	Granted	100%	
EL 08/2245	Granted	100%	

SCHEDULE OF MINERAL TENEMENTS AS AT 15 AUGUST 2012 (cont)

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 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%	

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%	
571/09	Granted	100%	

SCHEDULE OF MINERAL TENEMENTS AS AT 15 AUGUST 2012 (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	Granted	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