



(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

**CONSOLIDATED
HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2013**

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CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN

Antony Sage

EXECUTIVE DIRECTOR

Brett Smith

NON-EXECUTIVE DIRECTOR

Qiu Derong

COMPANY SECRETARY

Catherine Grant

PRINCIPAL & REGISTERED OFFICE

32 Harrogate Street
West Leederville WA 6007
Telephone: (08) 9380 9555
Facsimile: (08) 9380 9666

AUDITORS

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

SHARE REGISTRAR

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

STOCK EXCHANGE LISTING

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

BANKERS

National Australia Bank
50 St Georges Terrace
Perth WA 6000

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DIRECTORS' REPORT

The directors of Cauldron Energy Limited ("Cauldron" or "Company") submit their report, together with the consolidated financial statements comprising Cauldron and its controlled entities (together the "Consolidated Entity") for the half-year ended 31 December 2013.

1. DIRECTORS

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

Antony Sage (Executive Chairman)
Brett Smith (Executive Director)
Qiu Derong (Non-executive Director)

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

2. OPERATING RESULTS

The loss after tax of the Consolidated Entity for the half-year ended 31 December 2013 amounted to \$2,066,071 (31 December 2012: 4,404,042).

3. 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 6,000 km² of uranium prospective tenements across South Australia and Western 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 half-year ended 31 December 2013:

Conversion of convertible notes

In July 2013, the Consolidated Entity secured \$1.5 million in funding via the execution of converting loan agreements with two of its major shareholders (Cape Lambert Resources Ltd and Mr Qiu Derong). Pursuant to the terms of the converting loan agreements, the Consolidated Entity received a total of \$1.5 million, which automatically converted into ordinary shares in the Consolidated Entity, upon receipt of shareholder approval at the Consolidated Entity's 2013 Annual General Meeting on 22 November 2013. The converting loans, plus interest at 10% per annum were converted into 13,824,102 fully paid ordinary shares, at a conversion price of \$0.1125 per share. The conversion price was calculated based on 80% 10 day VWAP of shares on ASX before the date of the shareholder approval on 22 November 2013.

Convertible notes issued

Two major Cauldron shareholders advanced the Consolidated Entity short term loans totaling \$400,000 (\$200,000 each) for operating expenses that are either repayable or convertible into shares (subject to receipt of shareholder approval).

Options issued

During the period the Consolidated Entity issued 3,000,000 unlisted options exercisable at \$0.20 each on or before 30 September 2015 in consideration for overseas marketing services performed on behalf of the Consolidated Entity, as approved at Cauldron's Annual General Meeting on 22 November 2013.

DIRECTORS' REPORT**New substantial shareholder**

During the period the Consolidated Entity announced one of its major shareholders, Mr Derong Qiu, signed a share transfer agreement with one of the leading investment companies in China Beijing Joseph Investment Corporation Ltd ("Joseph Investments"). Mr Qiu, a non-executive director of the Consolidated Entity, held a 26.25% stake in Cauldron. Pursuant to the terms of the agreement, Mr Qiu transferred approximately half of his shareholding in Cauldron (representing 13% of the Consolidated Entity) to Joseph Investments in consideration for 5.46% of the corporate shares of Joseph Investment.

Following this share exchange, Joseph Investments became a significant shareholder of Cauldron, holding 13% of the Consolidated Entity's shares (increasing to 14.25% following the Placement for \$600,000 detailed below). Mr Qiu continues to hold 13.25% of the Consolidated Entity's shares.

Shares issued

During the period the Consolidated Entity completed a placement of 4,615,385 fully paid ordinary shares at \$0.13 per share to Joseph Investments to raise \$600,000.

Options lapsed / forfeited

No options were forfeited or lapsed during the period.

Energia Minerals takeover bid

Earlier in 2013, the Consolidated Entity announced its intent to bid for all of the shares in Energia Minerals Limited (ASX: EMX) ("Energia") in an all scrip takeover on a one (1) Cauldron share for eight (8) Energia shares basis ("Takeover Offer"). The Consolidated Entity has varied the Takeover Offer by extending the offer period to 1 May 2014.

If successful, the merged entity will hold a contiguous tenement package with a strike of over 190km in a highly prospective uranium province in the Carnarvon Basin region of Western Australia.

The Takeover Offer is subject to, amongst other conditions, a minimum acceptance condition of 90% of the issued shares in Energia at the end of the offer period.

PROJECT INFORMATION

The Consolidated Entity owns or has interests in several uranium and base metals projects in Australia and Argentina. The maturity of these projects varies from grass-roots exploration to resource definition in regions fertile for uranium mineralisation and resources.

AUSTRALIAN PROJECTS

In Australia Cauldron has two main project areas covering more than 5,000 km² in two known uranium provinces in South Australia and Western Australia. Projects include:

- Marree Joint Venture Project ("Marree Joint Venture") in South Australia comprising 5 granted exploration licences (2,794 km²) prospective for sedimentary hosted uranium deposits as well as base metal mineralisation;
- Yanrey Project ("Yanrey") including the Uaroo Joint Venture ("Uaroo") (70% and manager) in Western Australia. Yanrey comprises 13 granted exploration licences (3,085 km²). Uaroo Joint Venture comprises 2 granted exploration licences (114 km²). Yanrey is prospective for large sedimentary hosted uranium deposits;

DIRECTORS' REPORT

During the half-year, the following exploration activities were carried out:

Marree Joint Venture

- The Consolidated Entity commissioned an independent geophysical report on the gravity survey conducted over the historical Ooloo Mine area at Cauldron's Marree Base Metals Project in South Australia. The report, by highly experienced geophysicist Kim Frankcombe (Frankcombe), show an anomalous density zone with an extensive shell extending over 1km deep – the limits of which can be confidently interpreted based on the parameters of the gravity survey. This semi-vertical feature contrasts with the surrounding shallow-dipping geology. The Consolidated Entity believes the results of this independent geophysical report highlight the significant potential for base metal mineralisation at Marree, classifying the Marree project as a potential company-making asset.
- During the last quarter of 2013, a short program of geological mapping and rock chip sampling was conducted over several prospects at the Marree South Base Metals prospects. The areas covered by the 10-day mapping excursion included the Ooloo, Mt Freeling, Gilead P Beck prospects and various zinc anomalies identified during previous mapping programs. Required rehabilitation was also completed for the recent Marree Base Metals RC drilling, ensuring that all tenements are now in good standing.

Yanrey

- The Consolidated Entity was very pleased to report on the completed diamond core drilling programme completed at Yanrey's Bennet Well prospect on E08/1493, which identified significant high grade uranium extensions to the previously reported uranium resources (refer to ASX announcement dated 7 February 2013).
- A total of eight core holes were drilled at Bennet Well, with four holes at Bennet Well East, three holes at Bennet Well South and one hole drilled at Bennet Well Deep South. Geochemical assay results for the drill core show an overall 20.0% increase in the total amount of uranium when compared to the deconvolved down-hole gamma probe data. Significant uranium grades were identified in all eight core holes drilled in the Bennet Well region, with the most significant intersection of 6.46m @ 567 ppm eU₃O₈ (downhole gamma) derived from YNDD018, located on the most northern drill line at Bennet Well South. The corresponding core, geochemical, assay returned a significant intersection of 5.1m @ 1209 ppm U₃O₈, representing a 68% increase in total uranium grade for the main mineralised zone in this drillhole.
- On the southern end of Bennet Well South, drillhole YNDD020 identified two significant uranium zones totalling 2.1m @ 1188 ppm U₃O₈ from geochemical assay data. This demonstrates that the high grade uranium mineralisation extends further south than current drill lines.
- Both high grade uranium intersections, located at either end of the Bennet Well South Prospect, highlight the potential to get significant resource upgrades for the Bennet Well Project area. The aim of future drilling will be to define the extent of the mineralisation and improve confidence to Indicated and Measured resources in line with project development goals.
- On 30 January 2014 Cauldron announced that diamond core assays from its recent drilling program at the Bennet Well deposit (within the Yanrey Uranium Project in Western Australia) have shown at least a 20% increase in the total uranium grades estimated from gamma probes. For further detail please refer to ASX announcement dated 31 January 2014.

DIRECTORS' REPORT*Mawson*

During the period the Consolidated Entity surrendered EL4793 known as the Mawson Project in South Australia, following a decision by the Board that this tenement was not as prospective as other tenements currently owned by the Consolidated Entity.

ARGENTINA PROJECTS

In Argentina, Cauldron controls, through its wholly-owned subsidiary Jackson Global Limited (Jackson Global), and an agreement with Caudillo Resources S.A. (Caudillo) more than 3,400km² of ground in 6 project areas in 4 provinces.

Jackson Global

- The Rio Colorado project in Catamarca Province covers an area of 454km² and comprises 4 granted mining leases (minas), 6 granted exploration licences (cateos) and 4 mining lease applications. The deposit intermittently outcrops over a strike of 17km with numerous small scale historical workings focussed on the sandstone hosted uranium-copper-silver mineralisation; and
- Las Marias in San Juan Province comprising 2 granted exploration licences and 9 applications covering an area of 793km². The project displays outcropping sandstone hosted uranium deposits, but is also prospective for copper, silver and gold.

Caudillo Resources

- Los Colorados Project in La Rioja Province comprising 1 granted mining lease and 1 granted exploration licence. The project includes the old Los Colorados Uranium Mine, which has a quoted production of approximately 55 tonnes of uranium concentrate (1992 and 1996), from roll-front sandstone hosted uranium mineralisation; and
- Esperanza Project in La Rioja Province comprising 8 licences (756km²) prospective for sandstone hosted uranium deposits.

Cauldron also has several applications pending for exploration licences in the Catamarca, San Juan, La Rioja and Santa Cruz provinces.

During the half-year, the Consolidated Entity's strategy in Argentina was to progress exploration in the provinces in which its projects are held in a cost effective manner, maintain and consolidate its position in Argentina, whilst implementing measures to preserve cash.

COMPETENT PERSON STATEMENT

The information in this half-year 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 a director 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 consents to the inclusion in this half-year report of the matters based on his information, in the form and context in which it appears.

4. SUBSEQUENT EVENTS

On 30 January 2014 Cauldron announced that Company Secretary Claire Tolcon had resigned from her position with the Company effective 31 January 2014. Following the resignation of Ms Tolcon, the Board announced the appointment of Ms Catherine Grant as Company Secretary.

DIRECTORS' REPORT

On 31 January 2014 Cauldron announced that diamond core assays from its recent drilling program at the Bennet Well deposit (within the Yanrey Uranium Project in Western Australia) have shown at least a 20% increase in the total uranium grades estimated from gamma probes. For further detail please refer to ASX announcement dated 31 January 2014.

On 6 February 2014 the Consolidated Entity announced that it had varied the Energia Takeover Offer by extending the offer period to 1 May 2014

On 14 February 2014, the Consolidated Entity announced that the Mining Warden had recommended that three uranium exploration licences (08/2385, 08/2386 and 08/2387) sought by Cauldron to conduct exploration on and adjacent to pastoral leases on the Minderoo pastoral station in Western Australia's Pilbara region be refused. The Warden will now recommend that the Minister refuse to grant the exploration licences. The Minister is not bound to follow the Warden's recommendation and may grant the exploration licences irrespective of the Warden's recommendation. Cauldron advised that it will urge the Minister for Mines and Petroleum not to follow the Mining Warden's recommendation to block the granting of three exploration licences to the Company.

On 20 February 2014, the Consolidated Entity announced that preliminary testwork results from the Bennet Well deposit in Western Australia show acid and carbonate / bicarbonate leaching methods have achieved high uranium extraction and provide the Consolidated Entity with options as to the most preferred method of extraction. For further detail please refer to ASX announcement dated 20 February 2014.

On 26 February 2014, the Consolidated Entity issued 5,000,000 unlisted options to consultants and employees with an exercise price of \$0.20 on or before 30 June 2015 (subject to vesting conditions).

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2013 has been received and is included on page 7.

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



Mr Antony Sage
Executive Chairman

PERTH
5 March 2014

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF CAULDRON ENERGY LIMITED

As lead auditor for the review of Cauldron Energy Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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



Brad McVeigh
Director

Perth, 5 March 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Note	31 December 2013 \$	31 December 2012 \$
Revenue	3(a)	3,236	73,460
Other income	3(b)	-	188,000
Administration expenses		(143,945)	(96,625)
Employee benefits expenses		(139,588)	(62,102)
Directors fees		(137,663)	(433,958)
Share based payments	4	(243,951)	(148,371)
Compliance and regulatory expenses		(67,336)	(68,829)
Legal expenses		(637,948)	(49,891)
Consultancy expenses		(187,843)	(292,320)
Occupancy expenses		(8,846)	(29,620)
Travel expenses		(46,359)	(28,583)
Net fair value gain/(loss) on financial assets through profit and loss		95,842	(1,664,068)
Gain/(loss) on disposal of financial assets		5,295	(5,367)
Depreciation		(16,494)	(9,188)
Finance costs		(59,471)	(91,041)
Realised foreign exchange loss		(11,930)	(5,945)
Impairment losses	5	(814,140)	(1,679,594)
Loss before income tax expense		(2,411,141)	(4,404,042)
Income tax benefit	6	345,070	-
Loss for the period		(2,066,071)	(4,404,042)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit and loss:		-	-
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		(240,415)	(204,436)
Other comprehensive loss for the period after income tax		(240,415)	(204,436)
Total comprehensive loss attributable to members of the Company		(2,306,486)	(4,608,478)
Earnings/(loss) per share			
Basic earnings/(loss) per share (cents per share)		(1.27)	(3.01)

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	Note	31 December 2013 \$	30 June 2013 \$
		<hr/>	<hr/>
CURRENT ASSETS			
Cash and cash equivalents		487,283	214,006
Trade and other receivables		542,179	127,118
Financial assets through profit and loss		653,173	572,302
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		1,682,635	913,426
NON CURRENT ASSETS			
Restricted cash		79,000	217,761
Loan receivable	7	-	-
Exploration and evaluation expenditure	8	9,836,846	9,384,605
Property, plant and equipment		28,092	46,105
		<hr/>	<hr/>
TOTAL NON CURRENT ASSETS		9,943,938	9,648,471
		<hr/>	<hr/>
TOTAL ASSETS		11,626,573	10,561,897
CURRENT LIABILITIES			
Trade and other payables		1,051,729	504,537
Financial liabilities	9	403,581	-
Provisions		37,537	16,989
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		1,492,847	521,526
NON CURRENT LIABILITIES			
		<hr/>	<hr/>
TOTAL NON CURRENT LIABILITIES		-	-
		<hr/>	<hr/>
TOTAL LIABILITIES		1,492,847	521,526
		<hr/>	<hr/>
NET ASSETS		10,133,726	10,040,371
EQUITY			
Issued capital	10	39,504,686	37,348,796
Reserves		1,449,075	1,445,539
Accumulated losses		(30,820,035)	(28,753,964)
		<hr/>	<hr/>
TOTAL EQUITY		10,133,726	10,040,371
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Note	31 December 2013 \$	31 December 2012 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(966,639)	(1,412,248)
Interest received		36,084	36,084
Interest paid		-	(91,041)
Administration service fees received		-	36,721
<i>Net cash used in operating activities</i>		(930,555)	(1,430,484)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(1,323,877)	(766,089)
Reimbursement of exploration and evaluation incurred on behalf of other parties		17,028	202,021
Payments for plant and equipment		-	(33,033)
Refund of environmental bonds and deposits		138,761	-
Bonds and deposits put in place		-	(10,361)
Loans repaid by other entities		-	-
Funding provided to Caudillo Resources SA		(146,275)	(120,071)
Proceeds from sales of equity investments		20,265	-
<i>Net cash used in investing activities</i>		(1,294,098)	(727,533)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options (net of transaction costs)		600,000	1,947,656
Proceeds from converting loans		1,900,000	-
<i>Net cash provided by financing activities</i>		2,500,000	1,947,656
Net increase/(decrease) in cash held		275,347	(210,361)
Effects of exchange rate changes on cash		(2,070)	(4,199)
Cash and cash equivalents at beginning of period		214,006	2,927,111
Cash and cash equivalents at end of period		487,283	2,712,551

The accompanying notes form part of these financial statements

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	Issued Capital	Accumulated Losses	Option Premium Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	37,348,796	(28,753,964)	2,357,499	(911,960)	10,040,371
Loss attributable to members of the parent entity	-	(2,066,071)	-	-	(2,066,071)
Other comprehensive loss	-	-	-	(240,415)	(240,415)
Total comprehensive loss for the period	-	(2,066,071)	-	(240,415)	(2,306,486)
Transaction with owners, directly in equity					
Shares issued during the period, net of costs	2,155,890	-	-	-	2,155,890
Share based payment expense recognised for value of options vested during the period	-	-	243,951	-	243,951
Options forfeited during the period	-	-	-	-	-
Balance at 31 December 2013	39,504,686	(30,820,035)	2,601,450	(1,152,375)	10,133,726
Balance at 1 July 2012	23,593,625	(20,857,099)	2,121,146	(753,794)	4,103,878
Loss attributable to members of the parent entity	-	(4,404,042)	-	-	(4,404,042)
Other comprehensive loss	-	-	-	(204,436)	(204,436)
Total comprehensive loss for the period	-	(4,404,042)	-	(204,436)	(4,608,478)
Transaction with owners, directly in equity					
Shares issued during the period, net of costs	13,755,170	-	-	-	13,755,170
Share based payment expense recognised for value of options vested during the period	-	-	148,371	-	148,371
Options forfeited during the period	-	-	-	-	-
Balance at 31 December 2012	37,348,795	(25,261,141)	2,269,517	(958,230)	13,398,941

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

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.

This general purpose financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Consolidated Entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any announcements made by Cauldron during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Consolidated Entity’s 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

b. Changes in accounting policy

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

(i) AASB 10, Consolidated Financial Statements

AASB 10 is effective for accounting periods beginning on or after 1 January 2013 and replaces the guidance on control and consolidation in AASB 127, Consolidated and Separate Financial Statements, and Interpretation 112, Consolidation – Special Purpose Entities. It introduces a single definition of control of an entity, focusing on the need to have both exposure, or rights, to variable returns and the power to affect those returns, before control is present. The Consolidated Entity has reviewed its investments in other entities and concluded that the application of AASB 10 does not have any impact on the amounts recognised in the consolidated interim financial statements.

(ii) AASB 11, Joint Arrangements

AASB 11 is effective for accounting periods beginning on or after 1 January 2013 and introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how contractual rights and obligations are shared by the parties to the joint arrangements. Based on the assessment of contractual rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionally consolidate is no longer permitted. Parties to a joint operation continue to account for their direct right to, and their share of, jointly held revenues, expenses, assets and liabilities of the joint operation. The Consolidated Entity has assessed the nature of its joint arrangements and the application of AASB 11 does not have any impact on the amounts recognised in the consolidated interim financial statements.

(iii) AASB 12, Disclosure of Interests in Other Entities

AASB 12 is effective for accounting periods beginning on or after 1 January 2013 and sets out the required disclosures for entities reporting under AASB 10 and AASB 11, replacing the disclosure requirements currently found in AASB 128, Investments in Associates and Joint Ventures. The application of AASB 12 requires a number of disclosures which are consistent with previous disclosures made by the Consolidated Entity and has no impact on the amounts recognised in the consolidated interim financial statements.

(iv) AASB 13, Fair Value Measurement

AASB 13 is effective for accounting periods beginning on or after 1 January 2013 and provides guidance on how to measure fair value and enhance fair value disclosures. The application of AASB 13 has not changed the Consolidated Entity's measurement techniques for determining fair value.

(v) AASB 119, Amendments to Employee Benefits

AASB 119 is effective for accounting periods beginning on or after 1 January 2013 and sets out the required disclosures for entities reporting under AASB 119. An amended version of AASB 119 'Employee Benefit' with revised requirements for pension and other post-employment benefits, termination benefits and other change requires a number of disclosures which are consistent with previous disclosures made by the Consolidated Entity. AASB 119 amendments to Employee Benefits have no impact on the amounts recognised in the consolidated interim financial statements.

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 Consolidated Entity incurred a loss of \$2,066,071 and a net cash inflow of \$275,347 for the half-year ended 31 December 2013. At 31 December 2013, the Consolidated Entity has cash and cash equivalents of \$487,283.

During the half-year ended 31 December 2013, the Consolidated Entity received a total of \$1,900,000 in funding via the execution of converting loan agreements with two of its major shareholders (\$1,500,000 has been converted to shares). In addition, a further \$600,000 was received via a share placement to a new significant shareholder (Joseph Investments).

The ability of the Consolidated Entity to continue as a going concern is dependent upon the ability of the Consolidated Entity to secure funding. Funding is currently being sought by the directors, which at the date of this report has not yet been finalised. This funding will be required to fund the Consolidated Entity's future planned expenditure.

The directors are confident that the Consolidated Entity will be able to secure additional funding to enable it to meet its obligations as and when they fall due.

Should the Consolidated Entity not achieve the matters set out above, there is material uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern and meet its debts as and when they fall due.

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

	Mineral exploration		Other		Total	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Interest received	-	-	3,236	36,739	3,236	36,739
Gain on disposal of assets	-	-	-	-	-	-
Administration service fee	-	36,721	-	-	-	36,721
Income on termination of JV	-	188,000	-	-	-	188,000
Income tax benefit (Research and Development tax incentive refund)	345,070	-	-	-	345,070	-
Total segment revenue and other income	345,070	244,721	3,236	36,739	348,306	261,460

Segment net operating profit/ (loss) after tax	(423,438)	(1,480,925)	(1,642,633)	(2,923,117)	(2,066,071)	(4,404,042)
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Segment net operating profit/ (loss) after tax includes the following significant items:

Interest and other finance charges	-	-	(59,471)	(91,041)	(59,471)	(91,041)
Share based payments	-	-	(243,951)	(148,371)	(243,951)	(148,371)
Net fair value gain/(loss) on financial assets through profit and loss	-	-	95,842	(1,664,068)	95,842	(1,664,068)
Gain/(loss) on disposal of financial assets	-	-	5,295	(5,367)	5,295	(5,367)
Impairment of loans to other entities	-	-	(129,928)	-	(129,928)	-
Impairment of exploration expenditure	(684,212)	(1,679,594)	-	-	(684,212)	(1,679,594)

	Mineral exploration		Other		Total	
	31 Dec 13 \$	30 Jun 13 \$	31 Dec 13 \$	30 Jun 13 \$	31 Dec 13 \$	30 Jun 13 \$
Segment assets	10,455,656	9,972,618	1,170,917	589,279	11,626,573	10,561,897
Segment assets include:						
Capitalised exploration expenditure	9,836,846	9,384,605	-	-	9,836,846	9,384,605
Financial assets	-	-	653,173	572,302	653,173	572,302
Other assets	618,810	588,013	517,744	16,977	1,136,554	604,990
	10,455,656	9,972,618	1,170,917	589,279	11,626,573	10,561,897
Segment liabilities	(1,055,310)	(126,493)	(437,537)	(395,033)	(1,492,847)	(521,526)

Segment information by geographical region

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

	31 December 2013 \$	30 June 2013 \$
Australia	10,012,635	8,752,724
Argentina	1,613,938	1,809,173
	11,626,573	10,561,897

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3. REVENUE AND OTHER INCOME

	31 December 2013	31 December 2012
	\$	\$
(a) Revenue		
Interest received	3,236	36,739
Administration fees received	-	36,721
	3,236	73,460
(b) Other Income		
Termination payment	-	188,000
	-	188,000

4. SHARE BASED PAYMENTS

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

Options issued to employees and consultants (a)	243,951	148,371
	243,951	148,371

- (a) On 1 August 2012, the Consolidated Entity issued 800,000 unlisted options with vesting conditions to a Consultant with an exercise price of \$0.20 and an expiry date of on or before 30 June 2014.

On 19 September 2012, the Consolidated Entity issued 1,000,000 unlisted options to a Consultant with an exercise price of \$0.20 and an expiry date of on or before 18 September 2015.

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.

On 22 November 2013, the Consolidated Entity issued 3,000,000 unlisted options to a Director with an exercise price of \$0.20 and an expiry date of on or before 30 September 2015.

Summary of movement in unlisted options:

	31 December 2013	31 December 2012
	No	No
Outstanding at the beginning of the period	4,300,000	15,366,462
Granted	3,000,000	1,800,000
Exercised	-	(2,663,124)
Expired, forfeited and lapsed	-	(10,203,338)
Outstanding at the end of the period	7,300,000	4,300,000

5. IMPAIRMENT LOSSES

	31 December 2013 \$	31 December 2012 \$
Impairment of exploration and evaluation expenditure (a)	684,212	1,667,875
Impairment of loan and other receivables	129,928	11,719
	814,140	1,679,594

- (a) The Consolidated Entity has assessed the carrying amount of the exploration and evaluation expenditure in accordance with AASB 6 Exploration for and Evaluation of Mineral Resources and has recognised an impairment expense of \$684,212 during the current half year (2012: \$1,667,875) following the decision not to continue exploration in certain areas within South Australia and Western Australia.

6. INCOME TAX BENEFIT

	31 December 2013 \$	31 December 2012 \$
Research and development tax incentive refund	345,070	-

7. LOAN RECEIVABLE

	31 December 2013 \$	30 June 2013 \$
Caudillo Resources SA (a)	1,298,791	1,210,355
Provision for non-recovery (a)	(1,298,791)	(1,210,355)
	-	-

The Consolidated Entity's wholly owned subsidiary Jakaranda Minerals Limited ("Jakaranda") has provided a draw-down facility ("First Loan") up to \$650,000 to Caudillo Resources SA ("Caudillo"), which is included in this balance. The First Loan and interest (LIBOR + 2%) was required to be repaid in cash by 21 February 2013, or Jakaranda may elect to convert the First Loan into an 80% interest in the issued capital of Caudillo. At 31 December 2013, this draw-down facility has been utilised. The Consolidated Entity intends to elect to convert the First Loan into an 80% equity interest in Caudillo, the execution of which is currently in the process of being completed.

As detailed in the 30 June 2013 Annual Report, the Consolidated Entity has agreed to provide a further draw-down facility ("Second Loan") from Jakaranda to Caudillo for \$650,000. The Second Loan and interest (LIBOR + 2%) is repayable, at the election of Caudillo, by way of:

- (i) cash; or
- (ii) subject to Caudillo and Jakaranda obtaining all necessary shareholder and regulatory approvals, the issue to the Jakaranda of fully paid ordinary shares in the capital of Caudillo based on a deemed issue price per Caudillo share of \$100 (Argentinean pesos).

Until such time as the First Loan and Second Loan are repaid or converted to an equity interest in Caudillo the Consolidated Entity has conservatively provided for the non-recovery of the loans in full. As a result of this, an impairment expense of \$1,204,485 has been recognised in the Statement of Comprehensive Income in the year ended 30 June 2013.

8. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2013	30 June 2013
	\$	\$
Exploration and evaluation expenditure	9,836,846	9,384,605
<i>Movements:</i>	31 December 2013	31 December 2012
	\$	\$
Carrying value at beginning of period	9,384,605	9,332,498
Exploration expenditure incurred	1,136,453	1,794,156
Exploration expenditure reimbursed/reimbursable	-	(367,211)
Exploration expenditure written off	(684,212)	(1,667,875)
Divestment of exploration assets	-	-
Carrying value at end of period	9,836,846	9,091,568

9. FINANCIAL LIABILITIES

	31 December 2013	30 June 2013
	\$	\$
Convertible loan notes (i)	400,000	-
Interest payable on convertible loan notes (i)	3,581	-
	403,581	-

- (i) In November 2013 the Consolidated Entity entered into short term loan agreements with Cape Lambert and Mr Qiu Derong. Cape Lambert and Mr Qiu Derong have each lent the Consolidated Entity \$200,000 (for a total of \$400,000), which may be converted into shares at a conversion rate of \$0.13 per share (with an interest rate of 10% per annum) (subject to shareholder approval).

10. ISSUED CAPITAL

	31 December 2013		30 June 2013	
	\$		\$	
Ordinary shares issued and fully paid	39,504,686		37,348,796	
	2013	2013	2012	2012
	Number of shares	\$	Number of shares	\$
<i>Movements</i>				
Balance at beginning of period	159,622,605	37,348,796	96,280,029	23,593,625
Shares issued upon conversion of convertible notes (i)	13,824,102	1,555,890	58,829,452	11,765,889
Shares issued in placement (ii)	4,615,385	600,000	-	-
Shares issued upon exercise of options	-	-	2,663,124	1,198,406
Shares issued pursuant to underwriting agreement (iii)	-	-	1,850,000	832,500
Share issue costs	-	-	-	(41,625)
	178,062,092	39,504,686	159,622,605	37,348,795

- (i) In July 2013, the Consolidated Entity secured \$1.5 million in funding via the execution of converting loan agreements with two of its major shareholders (Cape Lambert Resources Ltd and Mr Qiu Derong). Pursuant to the terms of the

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converting loan agreements, the Consolidated Entity received a total of \$1.5 million, which automatically converted into ordinary shares in the Consolidated Entity, upon receipt of shareholder approval at the Consolidated Entity's 2013 Annual General Meeting on 22 November 2013. The converting loans, plus interest at 10% per annum were converted into 13,824,102 fully paid ordinary shares, at a conversion price of \$0.1125 per share. The conversion price was calculated based on 80% 10 day VWAP of shares on ASX before the date of the shareholder approval on 22 November 2013.

- (ii) In December 2013 the Consolidated Entity completed a placement of 4,615,385 fully paid ordinary shares at \$0.13 per share to Joseph Investments to raise \$600,000.
- (iii) In October 2012, the Consolidated Entity entered into an agreement with Barclay Wells Limited to partially underwrite the exercise of the outstanding listed options in the Consolidated Entity, to \$832,500. The underwriting and exercise of listed options generated \$1,989,281 proceeds (net of fees).

11. CONTROLLED ENTITIES

There have been no changes to the Consolidated Entity's controlled entities detailed in the recent 30 June 2013 annual report.

12. CONTINGENT ASSETS AND LIABILITIES

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

13. RELATED PARTY INFORMATION

During the period, the following convertible loan note arrangements were entered into with directors and director-related entities:

Convertible loan notes

In July 2013, the Consolidated Entity secured \$1.5 million in funding via the execution of converting loan agreements with its two major shareholders. Upon receipt of shareholder approval at the Consolidated Entity's 2013 Annual General Meeting on 22 November 2013, the following fully paid ordinary shares were issued upon conversion of the loans (including accrued interest at 10% per annum):

- 6,042,839 shares issued to Cape Lambert Resources Limited ("Cape Lambert") (Mr Sage is a director of Cape Lambert) (settlement of \$680,116); and
- 7,781,263 shares issued to Mr Qiu Derong (settlement of \$875,774).

In addition, the Consolidated Entity entered into short term loan agreements with Cape Lambert and Mr Qiu Derong. Cape Lambert and Mr Qiu Derong have each lent the Consolidated Entity \$200,000 (for a total of \$400,000), which may be converted into shares at a conversion rate of \$0.13 per share (with an interest rate of 10% per annum). As at 31 December 2013, these loans (and accrued interest) were outstanding. Refer to note 9 for further details.

14. FINANCIAL INSTRUMENTS

Risk management activities

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

Financial instruments

Set out below is an overview of financial instruments held by the Consolidated Entity:

	31 December 2013	30 June 2013
	\$	\$
Financial assets:		
Cash and cash equivalents	487,283	214,006
Trade and other receivables	542,179	127,118
Financial assets at through profit and loss	653,173	572,302
Total current	1,682,635	913,426
Restricted cash	79,000	217,761
Total non-current	79,000	217,761
Total assets	1,761,635	1,131,187
Financial liabilities:		
Trade and other payables	1,051,729	504,537
Convertible loan notes	403,581	-
Total current	1,455,310	504,537
Total liabilities	1,455,310	504,537

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	Carrying amount	Fair value
	\$	\$
Financial assets:		
Cash and cash equivalents	487,283	487,283
Trade and other receivables	542,179	542,179
Financial assets at through profit and loss	653,173	653,173
Total current	1,682,635	1,682,635
Restricted cash	79,000	79,000
Total non-current	79,000	79,000
Total assets	1,761,635	1,761,635
Financial liabilities:		
Trade and other payables	1,051,729	1,051,729
Convertible loan notes	403,581	403,581
Total current	1,455,310	1,455,310
Total liabilities	1,455,310	1,455,310

Fair value hierarchy

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using the quoted prices in active markets.

Level 2 – the fair value is calculated using inputs other than quote prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset and liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value is summarised below:

	Period ended 31 December 2013			Total
	Quoted market price (Level 1) \$	Valuation technique- market observable inputs (Level 2) \$	Valuation technique-non market observable inputs (Level 3) \$	
Financial assets recognised at fair value through profit or loss				
Shares in listed entities	653,173	-	-	653,173
	<u>653,173</u>	<u>-</u>	<u>-</u>	<u>653,173</u>
	Year ended 30 June 2013			Total
	Quoted market price (Level 1) \$	Valuation technique- market observable inputs (Level 2) \$	Valuation technique-non market observable inputs (Level 3) \$	
Financial assets recognised at fair value through profit or loss				
Shares in listed entities	572,302	-	-	572,302
	<u>572,302</u>	<u>-</u>	<u>-</u>	<u>572,302</u>

15. EVENTS SUBSEQUENT TO REPORTING DATE

On 30 January 2014 Cauldron announced that Company Secretary Claire Tolcon had resigned from her position with the Company effective 31 January 2014. Following the resignation of Ms Tolcon, the Board announced the appointment of Ms Catherine Grant as Company Secretary.

On 31 January 2014 Cauldron announced that diamond core assays from its recent drilling program at the Bennet Well deposit (within the Yanrey Uranium Project in Western Australia) have shown at least a 20% increase in the total uranium grades estimated from gamma probes. For further detail please refer to ASX announcement dated 31 January 2014.

On 6 February 2014 the Consolidated Entity announced that it had varied the Energia Takeover Offer by extending the offer period to 1 May 2014

On 14 February 2014, the Consolidated Entity announced that the Mining Warden had recommended that three uranium exploration licences (08/2385, 08/2386 and 08/2387) sought by Cauldron to conduct exploration on and adjacent to pastoral leases on the Minderoo pastoral station in Western Australia's Pilbara region be refused. The Warden will now recommend that

the Minister refuse to grant the exploration licences. The Minister is not bound to follow the Warden's recommendation and may grant the exploration licences irrespective of the Warden's recommendation. Cauldron advised that it will urge the Minister for Mines and Petroleum not to follow the Mining Warden's recommendation to block the granting of three exploration licences to the Company.

On 20 February 2014, the Consolidated Entity announced that preliminary testwork results from the Bennet Well deposit in Western Australia show acid and carbonate / bicarbonate leaching methods have achieved high uranium extraction and provide the Consolidated Entity with options as to the most preferred method of extraction. For further detail please refer to ASX announcement dated 20 February 2014.

On 26 February 2014, the Consolidated Entity issued 5,000,000 unlisted options to consultants and employees with an exercise price of \$0.20 on or before 30 June 2015 (subject to vesting conditions).

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

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DIRECTORS' DECLARATION

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

- a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2013 and its performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b) subject to the matters described in note 1(c), there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the board

A handwritten signature in black ink, appearing to read 'A Sage', is written over the printed name of Mr Antony Sage.

Mr Antony Sage
Executive Chairman

PERTH
5 March 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cauldron Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cauldron Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cauldron Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cauldron Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd



Brad McVeigh
Director

Perth, 5 March 2014