CAULDRON ENERGY LTD

(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

CONSOLIDATED
HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2016

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
Antony Sage

NON-EXECUTIVE DIRECTORS
Qiu Derong
Judy Li
Mark Gwynne
Xinyi Zhang

COMPANY SECRETARY
Catherine Grant-Edwards

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

BANKERS
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100 St Georges Terrace
Perth WA 6000

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 2016.

1. DIRECTORS

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

Antony Sage (Executive Chairman)
Qiu Derong (Non-executive Director)
Judy Li (Non-executive Director)
Mark Gwynne (Non-executive Director)
Xinyi Zhang (Non-executive Director) (Appointed 1 January 2017)

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 2016 amounted to $1,238,735 (31 December 2015: 2,066,368).

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 2,000 km2 of uranium prospective tenements and a smaller gold prospective project covering over 100km2within Western Australia. The Company also has an interest in a large project with defined uranium mineralisation and prospects for copper and gold in Argentina. These tenement holdings allow for diversification, both geologically and with regards to differing political sentiment and policy towards exploration and mining within each region.

CORPORATE

The following significant transactions and events occurred during the period:

Annual General Meeting

The Company held its annual general meeting on 24 November 2016 ("AGM"). All resolutions put to shareholders were passed.

Placement

As announced 19 September 2016, the Company entered into a $2.5 million placement agreement with a new Chinese sophisticated investor Yidi Tao ("Tao Placement Agreement") for 31,250,000 fully paid ordinary shares ("Tao Shares") at an issue price of $0.08 per share ("Tao Placement"). The subscription funds were received during the period.

The Tao Placement Agreement included an offer of 20 million unlisted options exercisable at $0.08 on or before 31 December 2018 ("Placement Options").

The Tao Shares and Placement Options were issued following receipt of shareholder approval at the Company's annual general meeting on 24 November 2016.

Legal proceedings

Background

In respect of the Company's legal proceedings against Guangzhou City Investment Management Co. Ltd ("Guangzhou City"), Cauldron received judgment in its favour in respect of its claim for breach of placement agreement. The judgement debt due and payable to the Company was for $1 million plus interest ("Judgment Debt"). The Judgment Debt principal amount represents unpaid subscription funds (originally due to be paid to Cauldron 3 November 2014) pursuant to a placement agreement dated 6 June 2014 for the issue of 8,474,588

DIRECTORS' REPORT

shares ("Guangzhou Placement Shares") in Cauldron at an issue price of $0.118 per share ("Guangzhou Placement Agreement").

Guangzhou City was the registered holder of 33,898,812 shares in Cauldron ("Shares"). On 17 May 2016, upon the Company's ex parte application, Master Sanderson made orders appointing a receiver (Mr Kim Wallman of HLB Mann Judd (Insolvency WA)) ("Receiver") over the Shares to recover payment of the Judgment Debt in accordance with the powers afforded by the *Civil Judgments Enforcement Act*. On 5 July 2016, the Receiver completed the sale of the Shares to a series of investors for $508,455 (before costs).

Recovery of balance of Judgement Debt

The Company seeks to enforce payment of the outstanding balance of the Judgment Debt in accordance with the powers afforded by the *Civil Judgments Enforcement Act.*

On 8 December 2016, Cauldron issued all 8,474,588 Guangzhou Placement Shares to Guangzhou City, in full satisfaction of the Company's obligations pursuant to the Guangzhou Placement Agreement. Cauldron has used its 15% placement capacity under Listing Rule 7.1 to issue the Gaungzhou Placement Shares to Guangzhou City.

On 11 August 2016, Master Sanderson made orders ("Orders") to the effect that:

- Upon the issue of the Guangzhou Placement Shares to the Guangzhou City, an immediate holding lock be placed over the shares to prevent any dealings in the shares, save for dealings in the shares which are authorised by the Receiver in the exercise of his duties as Receiver pursuant to the Orders; and
- Upon the issue of the Guangzhou Placement Shares, the Receiver be appointed over the shares.

It is anticipated that the Receiver will exercise his power for the purpose of realising the balance of the Judgment Debt, similar to the process previously undertaken.

Issue of shares

The Company issued the following during the half-year ended 31 December 2016:

- 31,250,000 fully paid shares at $0.08 per share in accordance with the Tao Placement Agreement for $2,500,000;
- 1,562,500 fully paid shares at $0.05 per share to a consultant as consideration for services provided to the Company
- 8,474,588 fully paid shares were issued in full satisfaction of the Company's obligations in respect of the Guangzhou Placement Agreement (further details above).

Issue of options

The Company issued the following during the half-year ended 31 December 2016:

- 20,000,000 unlisted options at $0.08 expiring 31 December 2018 ("Placement Options")

The Placement Options were issued following receipt of shareholder approval at the Company's AGM.

Options exercised

There were no options exercised during the period.

Options lapsed

The following options expired or lapsed during the period:

- 44,000,000 unlisted options exercisable at $0.138 with an expiry date of 31 December 2016.

DIRECTORS' REPORT

PROJECT INFORMATION

In Western Australia, Cauldron currently has two project areas (***Figure 1***) covering more than 2,300 km^2 in two areas. Projects include:

- **Yanrey Project (Yanrey)** in Western Australia comprises 14 granted exploration licences (2,276km^2) and 7 applications for exploration licences (912 km^2). Yanrey is prospective for large sedimentary-hosted uranium deposits. The Bennet Well Uranium Deposit is located within the Yanrey Project area

- **Boolaloo Project (Boolaloo)** in Western Australia comprises 2 granted exploration licences (104km^2) prospective for gold mineralisation.

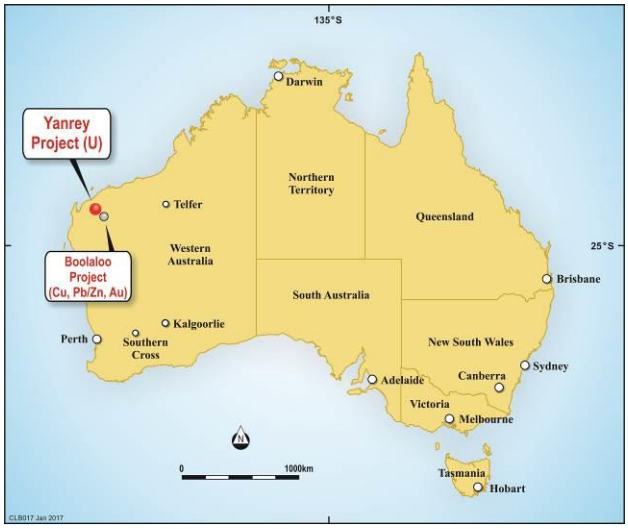

Figure 1: Map Location of Cauldron Projects

During the period, Cauldron relinquished the tenements that formed the Marree Project in South Australia and subsequently terminated the Joint Venture Agreement associated with this Project.

BENNET WELL (YANREY REGION)

The mineralisation at Bennet Well is a shallow accumulation of uranium hosted in unconsolidated sands close to surface (less than 100 m downhole depth) in Cretaceous sedimentary units of the Ashburton Embayment.

The Bennet Well deposit is comprised of four spatially separate deposits; namely Bennet Well East, Bennet Well Central, Bennet Well South and Bennet Well Channel.

Work completed during the reporting period consisted of the initiation of a geophysical (Passive Seismic) survey over the Yanrey Project area. The Passive Seismic survey technique utilises the natural high frequency seismicity in the ground to map depth to basement, the contact between the cover sediments and the underlying basement bedrock, with the aim of detecting areas of depression that indicate potential mineralised palaeochannels. The survey itself was conducted in a two-phases; with the first comprising an orientation survey over the Bennet Well Uranium Deposit (***Figure 2***), to test the suitability of the survey technique by comparing the resulting depths to basement with that intersected by drilling. The orientation consisted of six survey lines with a station spacing of 50 to 100 m. Both station spacings were trialled and the spacing of 100 m was deemed the most appropriate based on initial results. The orientation survey led to the following:

1. Interpretation of the results showed that the system is capable of providing an important input into the exploration model developed for understanding the localisation of mineralisation. The results of the orientation survey:
    a. showed the topographic surface of the basement sequence (that underlays the sequence that is host to mineralisation) could be mapped to relatively high accuracy;
    b. showed that an inexpensive non-drilling technique can be used to expand the exploration model and generate drilling targets in proximity to Bennet Well as well as into areas that have no previous drilling;
    c. showed that an inexpensive non-drilling technique can be used to establish an important parameter of the hydro-geological framework of the deposit;
    d. allowed definition of station and line spacing required to delineate areas where mineralisation is not known to exist but remain prospective simply because of the paucity of exploration work completed to date;

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2. Collection of passive seismic data proximal to the Bennet Well deposit in strike extensions of known channelised portions of the deposit, and in lateral juxtaposition to the west of the deposit.

3. The lithological framework for Bennet Well was enhanced by incorporating the basement topographic surface derived from the results of the passive seismic survey collected in areas having no drilling. The lithological framework will provide the basis for hydro-geological modelling fundamental to understanding groundwater fluid flow, in general; and mining-fluid flow from potential in-situ recovery type mining operations, in particular. The hydro-geological modelling (yet to be completed) will help to:
    a. optimise the design of the field leach test (FLT) expected to commence in the June 2017 quarter;
    b. de-risk the environmental impact of potential mining operations.

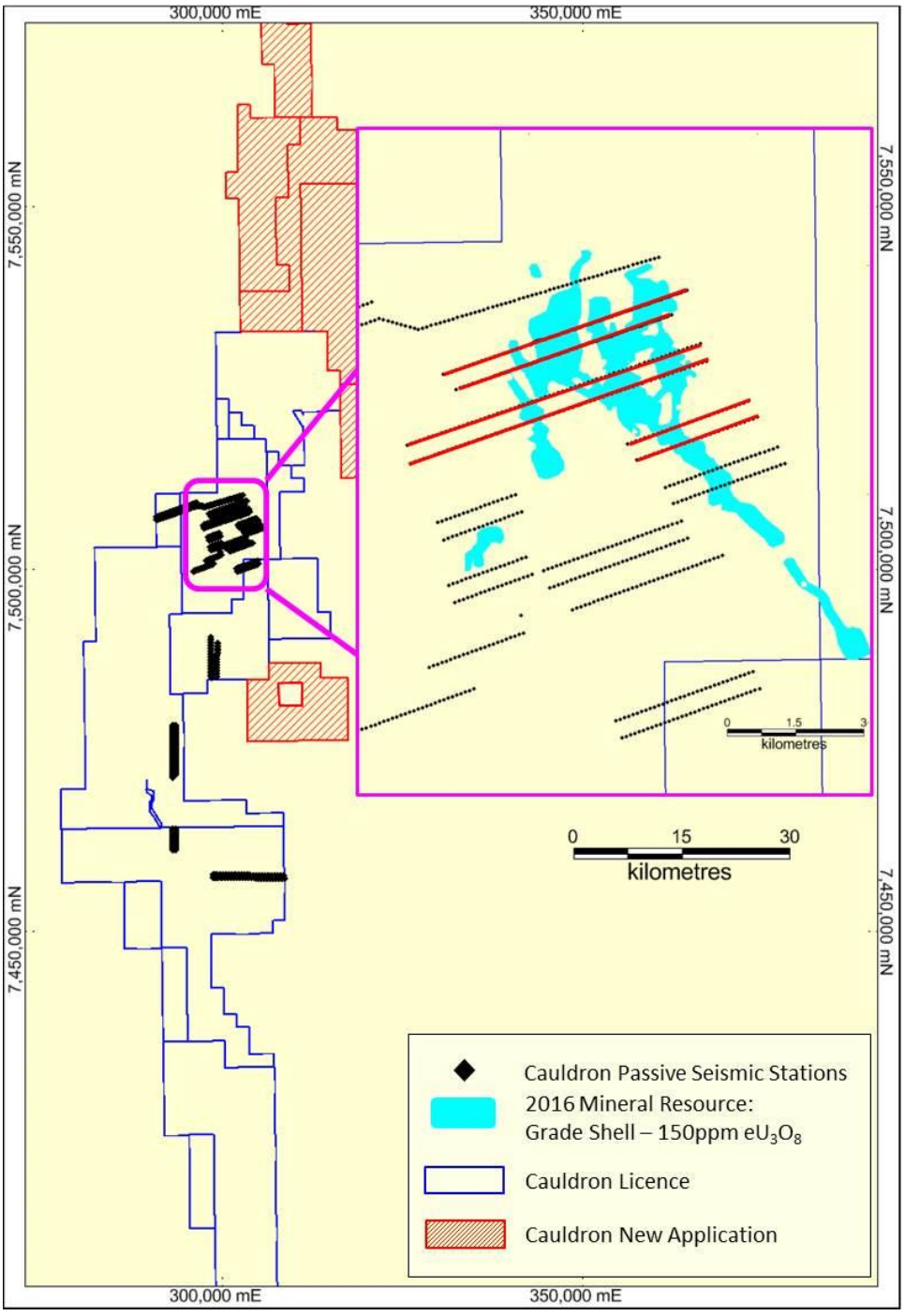

Figure 2: Yanrey Project – Passive Seismic Survey Stations. Image insert (pink border) outlines in red the 1st Phase Orientation Survey over the Bennet Well Deposit

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The second phase of the Passive Seismic survey involved the following components:

1. Continuation of the passive seismic survey over the Bennet Well Deposit, incorporating areas of infill and extension to known mineralisation in and around the deposit.

2. Results of the infill/extensional passive seismic survey successfully highlighted areas of basement depression, indicating likely palaeochannels (***Figure 3)*** and thus potential for the extension of known uranium mineralisation into these areas.

3. These results correlate well with observations from previous exploration that:

    a. the palaeochannels hosting the Bennet Well Deposit do have a northwest-southeast strike, confirming the current lithological and morphological model for the deposit;

    b. there is an area of shallow basement in the eastern part of Bennet Well East that correlates with observations from previous drilling and airborne magnetics survey data, in which a coarse-grained, pegmatitic granite has been intersected at very shallow depths;

    c. there is a significant and sudden deepening of the basement in the western part of the deposit that has been observed previously from drilling at Bennet Well South. This may likely be due to one of a number of large regional fault structures that cross-cuts the deposit, and may provide ideal pathways for reducing agents such as hydrocarbon-bearing fluids or methane gas; and

    d. there are areas of apparent "jogs" in the channels that are also likely produced as a result of the cross-cutting fault structures described in point (c).

4. The palaeochannel depressions revealed by the survey also correlate well with the currently-defined uranium mineralisation outlines, confirming that the mineralisation is not just confined to the deeper parts of the palaeochannels but is also situated on the shoulders of the channels.

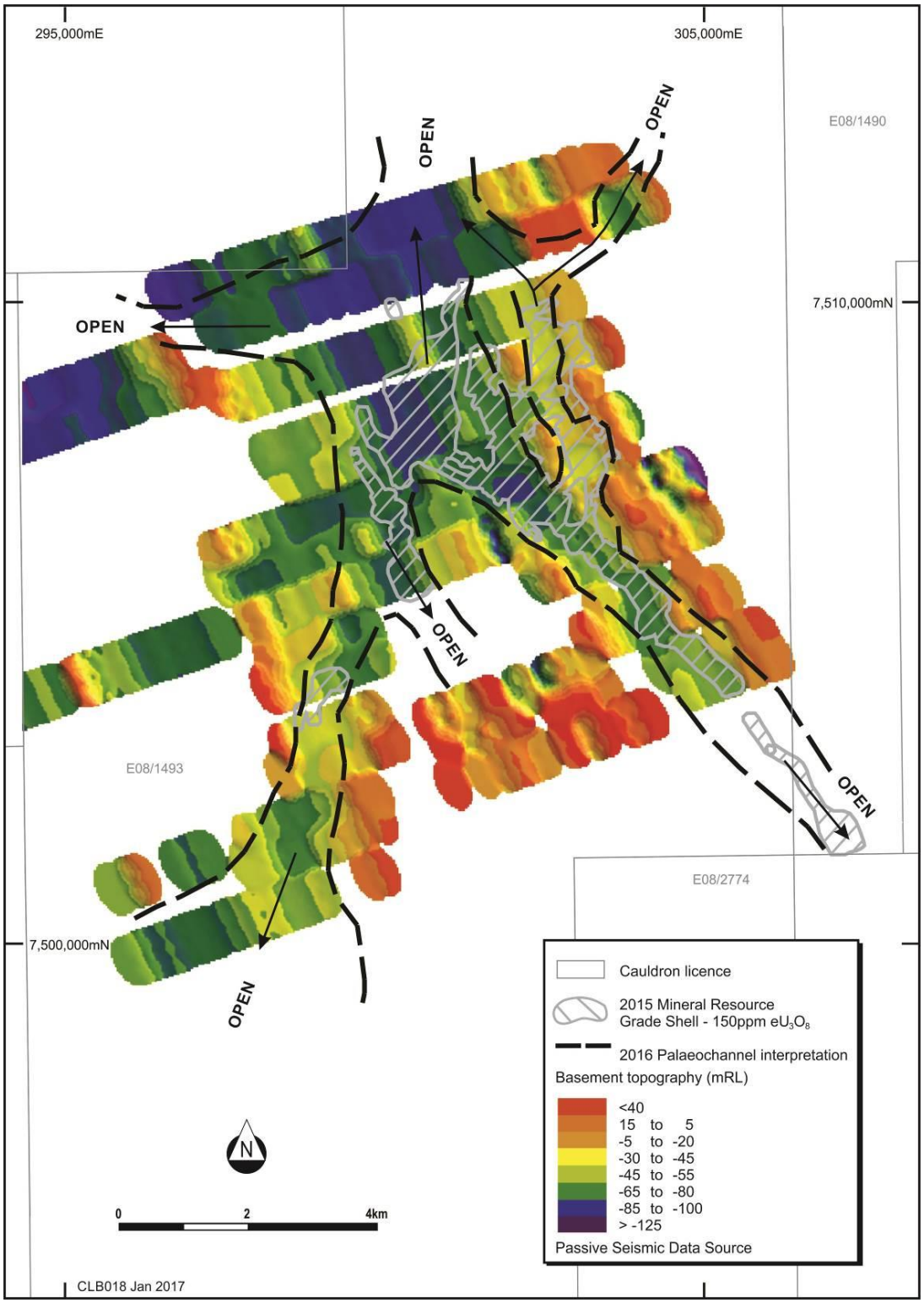

Figure 3: Passive Seismic Survey results from the Bennet Well Deposit. Basement topography grid has been derived from the passive seismic data.

YANREY PROJECT

The Yanrey Project comprises a collection of twelve exploration tenements in north-west Western Australia, one of which secures the Bennet Well Uranium Deposit. The project is prospective of sandstone-style uranium mineralisation capable of extraction by in-situ recovery mining techniques.

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A major, project-scale, technical review of the potential mineralisation in the Yanrey tenement group was undertaken in 2015 and updated in the first half of 2016. A total of seventeen targets were produced from this work, as shown in Figure 4. The derivation of these Exploration Targets has already been reported previously and will not be reiterated here (please refer to ASX announcement dated 22 September 2015). These areas were utilised to design the Passive Seismic survey conducted in the current reporting period.

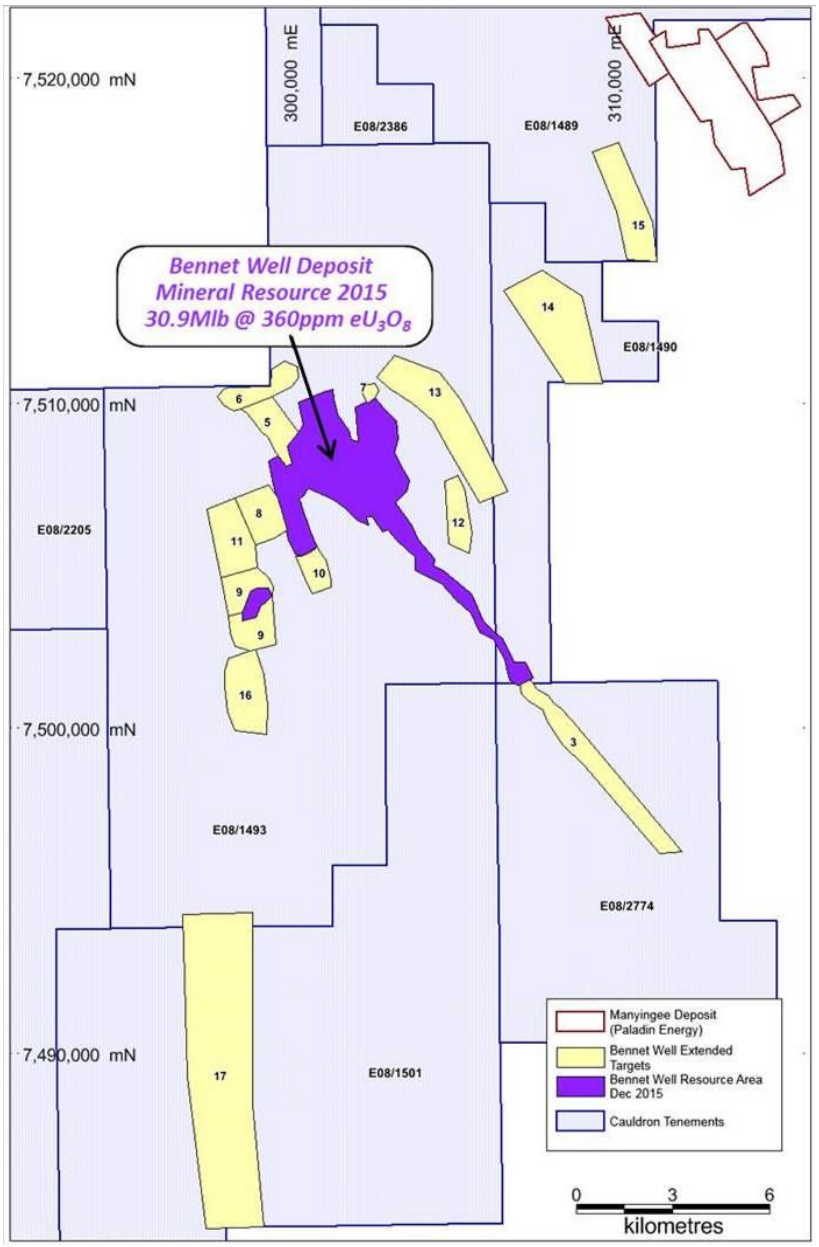

Figure 4: Plan view of the Exploration Targets surrounding the Bennet Well Deposit and within the larger Yanrey Project area

Passive seismic surveying was also conducted within the more regional areas of the Yanrey Project, covering Exploration Targets 15 and 17, shown in Figure 4. The results showed:

a. three areas of basement depression in the southern part of the Yanrey tenement package, between the Bennet Well Deposit and the NW Coastal Highway;

b. the suggested strike of these southern targets is between west-northwest/south-southeast and northwest/southeast, similar to that seen at Bennet Well;

c. two areas of basement depression situated approximately 13 km northeast of Bennet Well, at the Manyingee South prospect, that coincide with the interpreted extension of the Paladin-owned Manyingee Deposit into Cauldron-owned tenements; and

d. the suggested strike of the Manyingee South targets currently appears to be between west-east and northwest-southeast, however further survey work is required to add more information to this model and further constrain future drill targets at this prospect.

MARREE PROJECT, SOUTH AUSTRALIA

On 22 June 2016, Cauldron offered to divest its percentage interest in the Marree Project to its Korean Joint Venture partners. The Koreans declined to take up the Cauldron offer on 20 September 2016. After failing to locate a potential buyer for the Project through WA contacts, Cauldron contacted a broker in South Australia to seek potential divestment parties for the Project but no positive responses were returned.

Consequently, Cauldron permitted three (EL4746, EL4794 and EL5442) of the Maree tenements to expire without renewal and surrendered the remaining two tenements (EL5788 and EL5789) on 18 November 2016, after receiving consent for the release from the Marree Joint Venture Korean partners on 15 November 2016.

The relinquishment of the Marree Project has relieved the Company of the requirement for over $2 million in expenditure obligations and permits Cauldron to focus on progressing its Yanrey/Bennet Well uranium project.

TENEMENT ADMINISTRATION: AUSTRALIA

Objection to Cauldron's Applications for exploration licences 08/2385-2387

Cauldron lodged applications for exploration licences 08/2385, 08/2386 and 08/2387 on 4 April 2012. Forrest & Forrest Pty Ltd lodged objections to the applications under the Mining Act. On 5 January 2015, the Minister for Mines decided there were sufficient grounds to allow the applications to proceed through the determination process under the Mining Act and the Native Title Act. On 1 April 2015, Forrest & Forrest Pty Ltd requested the applications return to the warden. The warden declined to have any further hearing of the applications and the applications have successfully passed through the Native Title process. On 27 August 2015, Forrest & Forrest Pty Ltd made application to the Supreme Court of Western Australia for judicial review of the Minister's decision to progress each application through the determination process under the Mining Act and the Native Title Act ("Forrest Application"). The Forrest Applicationfor judicial review was heard on 19 April 2016.

On 26 August 2016, The Honourable Justice Tottle handed down his decision dismissing the Forrest Application and making formal orders for Forrest to pay Cauldron's legal costs.

Subsequently, as announced 16 September 2016, the Company received notice that Forrest has lodged an appeal in the Western Australian Court of Appeal against the decision. The date of the hearing of the appeal has not been fixed and is currently expected to be delayed until May or June 2017. The Company will inform shareholders of any material developments.

Energia Mineral's Objection and Application for Forfeiture

On 14 August 2013 Energia Minerals Limited (ASX: EMX) lodged objections to applications for exemption from expenditure and lodged applications for forfeiture affecting exploration licences 08/2160, 08/2161 and 08/2165 held by Cauldron (Tenements). The applications for exemption (and associated objections) and applications for forfeiture relate to the expenditure year ending 20 May 2013 (in relation to exploration licence 08/2160) and 14 June 2013 (for exploration licences 08/2161 and 08/2165). The proceedings are administrative in nature and are commenced under the Mining Act 1978 (WA) (Act).

The matter of the exemptions was heard by Warden Maughan 15-16 April 2015. On 22 May 2015, the Warden recommended that the exemptions be refused in each instance. Cauldron has since surrendered E08/2165 in its entirety and lodged a submission to the Minister, requesting his approval of the exemption applications for E08/2160 and E08/2161. On 9 March 2016, the Minister for Mines refused Cauldron's applications for exemption from expenditure for the Tenements.

Exploration Licences 08/2160 and 08/2161 are currently proceeding through the warden's court process for the forfeiture applications and are scheduled for mention on 24 February 2017.

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Objection to Cauldron's Applications for exploration licences 08/2666-2668

Cauldron lodged applications for Exploration Licences 08/2666-2668 (E08/2666-2668) on 5 December 2014. Forrest & Forrest Pty Ltd lodged objections against E08/2666-2668 on 6 January 2015. The Warden has accepted several adjournments of the first mention of the objections, due to the DMP requirement to assess other applications that were first in line before Cauldron's applications for the same land. The matters are currently scheduled for mention on 20 January 2017.

First in line applications with regard to the land under E08/2667 and E08/2668 have been refused, which now puts Cauldron's applications at the forefront for grant. However, E08/2666 remains second in line for assessment so the matters are adjourned on the basis of the delay in assessment for this one tenement.

Cauldron has contacted Forrest & Forrest Pty Ltd for provision of an access agreement to procure the withdrawal of objections against E08/2667-2668 and is currently awaiting a response. No significant negotiation between the parties has commenced.

Red Sky Stations Pty Ltd Objection to Tenement Application for E08/2733

Red Sky lodged an objection against the application for E08/2733 (applied for by Ashrock Nominees Pty Ltd) on the basis that exploration on the tenement would be detrimental to their pastoral lease (Uaroo). In December 2015, Red Sky provided Ashrock with a draft access agreement to resolve the issue and withdraw the objection. . Cauldron purchased E08/2733 from Ashrock in May 2016 and has taken over this matter. Cauldron has provided a revised draft access agreement to Red Sky for their comment, as at 24 August 2016, but to date no response has been received. The Objection is proceeding through Warden's court and is currently scheduled for mention on 24 February 2017.

African Royalty Company Pty Ltd Application for Forfeiture against Cauldron's E08/2638 (Boolaloo)

On 10 October 2016, African Royalty Company Pty Ltd (ASX: ARC) lodged an application for forfeiture #495145 (Forfeiture) against Cauldron's Boolaloo tenement E08/2638, as expenditure for 2016 not met for the tenement. ARC will get a 14 day exclusive period to lodge an application over the area of E08/2638, if forfeiture is upheld. The matter was adjourned for mention only until 17 February 2017 at the first mention at the Warden's court on 9 December 2016.

EXPLORATION ACTIVITES: ARGENTINA

In Argentina, Cauldron controls, through its wholly-owned subsidiary Cauldron Minerals Limited ("Cauldron Minerals"), 445 km^2 at its most advanced project, Rio Colorado, in Catamarca. The Project is a Cu-Ag target exhibiting characteristics similar to the globally significant sedimentary copper deposits.

No work was completed in Argentina as Cauldron is awaiting approval for drilling at the Rio Colorado Project.

The Company has been re-negotiating an agreement with Caudillo Resources S.A. (Caudillo) for four mining tenements at the Los Colorados Project in La Rioja, Argentina, with the intention of replacing it with more prospective land. The negotiations are ongoing.

During the period, Cauldron received confirmation of the release of applications for tenements in both its Bella Vista and Las Marias Projects in San Juan, Argentina. The grant of the applications had been stalled for several years and the Company relinquished these properties to focus its attention on the most prospective projects in Rio Colorado in Argentina and Yanrey in Western Australia.

Disclosure Statements

Competent Person Statement

The information in this report that relates to exploration results is based on information compiled by Mr Jess Oram, Exploration Manager of Cauldron Energy. Mr Oram is a Member of the Australasian Institute of Geoscientists who has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2012). Mr Oram consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

JORC Code, 2012 Edition – Table 1

Bennet Well Mineral Resource - December 2015

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Part	Criteria	Explanation	Comment
1-1	**Sampling Techniques**	*Nature and quality of sampling (e.g. cut channels, random chips, or specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments etc.). These examples should not be taken as limiting the broad meaning of sampling.*	The Passive Seismic geophysical survey technique does not involve the collection of a physical sample. Instead, it relies on the measurement of the natural seismicity in the ground to map the contact between the soft cover sediments (in which the uranium mineralisation is hosted) and the underlying, generally more fresh and hard, bedrock of the basement (known, at Bennet Well, to be granitic gneiss). The survey technique involves the establishment of station lines, spaced 400 metres (m) apart, and individual station points with a nominal spacing of 100 metres (m). (The orientation survey conducted in July 2016 also trialled the effectiveness of a 50 metres (m) station spacing, however this proved to be too time-consuming and reduced the cost-effective nature of the survey technique. A spacing of 100 m was then selected and found to be adequate for first-pass exploration purposes. If, however, any rocky outcrop was discovered, the station spacing was extended to 200 m in order to account for the poor quality of data resulting from the occurrence of shallow basement. Given that the thickness of cover sediments above these areas of shallow basement is less than elsewhere in the deposit, the resulting frequency plots are often distorted and it can be difficult to deduce a single peak resonance frequency. If required at a later date, the station spacing could then always be decreased to the 50 m spacing in order to provide more information on an interesting target.) The survey involved the use of 2 Tromino seismometers, hired through the Resource Potentials Pty Ltd geophysical consultancy company, based in Perth, WA. Each Tromino unit is a small, shoe-box sized, instrument which is secured by pushing the three, pointed metal "legs" of the unit into the ground at the pre-designated "sample" (i.e. station) coordinate and set to record for a period of 16 minutes. When the instrument has finished recording data, the unit is removed from the station point and moved 100 m to the next station. The process is repeated until the end of the working day, or until the survey line has been completed. At the end of each survey day, both instruments are taken to two Control points, established during the orientation survey for the purpose of Quality Control and to check the repeatability of the units. Both instruments are placed each Control point and another set of recordings are taken. The data collected during the day is then downloaded onto a field computer and processed to give a resulting resonant frequency value that represents the contact between the overlying unconsolidated sediments and the underlying fresher basement. The processed data appear in the form of 2 graphs: 1. an Amplitude graph that plots the speed of the horizontal and vertical components against the resonant frequencies measured during the survey; 2. a ratio graph known as a HVSR plot (or Horizontal-over-Vertical Spectral Ratio) that plots the ratio of the horizontal divided by the vertical component against frequency. The boundary between the softer "cover" sediments and the fresher basement lithologies creates a difference in acoustic resonance between the horizontal

DIRECTORS' REPORT

Part	Criteria	Explanation	Comment
			and vertical seismic waves, due to the difference in density contrast between the 2 respective "Layers". This difference appears on the Amplitude plot (graph 1) as a small, eye-shaped feature that produces a corresponding peak in the HVSR plot (graph 2). The frequency at which that peak occurs is then the resonant frequency at that particular survey station. This resonant frequency value is then used in the depth modelling step to give a final Depth to Basement value.
		Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Although no physical samples are collected during the Passive Seismic survey, a Quality Control procedure was still established in order to test the repeatability of the resulting data. Two Control points were chosen, during the orientation survey, based on fixed (i.e. permanent) structures, close to the field office, with a fixed coordinate location that is highly unlikely to change. As the locations of these two Control points are known and permanent, the resulting measured peak frequencies and derived depths to basement are assumed to always be within a tight and consistent range. At the end of every day during the survey period, a reading was taken by placing both instruments down at each Control point. When the data were later downloaded and analysed, the results of these Control checks were then plotted against time and any observed variation in the resulting peak frequencies would indicate a corresponding change (if any) in the instruments' recording capabilities. Resource Potentials Pty Ltd, a Perth-based geophysical consultant company, is currently the West Australian representative for the Italian company, Micromed, who owns the Tromino instrumentation. Accordingly, Cauldron acquired the two Tromino units on hire for the duration of the survey (i.e. 3 – 4 months). At the end of the field season in December 2016, both instruments were brought back to the Resource Potentials office in Perth and checked for calibration requirements.
		Aspects of the determination of mineralisation that are Material to the Public Report.	The Passive Seismic survey does not directly detect or determine the existence of uranium mineralisation in the survey area. This exploration tool instead maps out the basement depressions indicative of potentially mineralised palaeochannels and palaeovalleys. The following describes the data collection process: Data was collected at 100 m spaced intervals (stations) along survey lines spaced 400 m apart. Each unit (Tromino) was positioned at a pre-designated survey station and set to record for a period of 16 minutes. When the instrument has finished recording data, the unit is removed from the station point and moved 100 m to the next station. The process is repeated until the survey line has been completed. If, however, any rocky outcrop was discovered, the station spacing was extended to 200 m in order to account for the poor quality of data resulting from the occurrence of shallow basement. Given that the thickness of cover sediments above these areas of shallow basement is less than elsewhere in the deposit, the resulting frequency plots are often distorted and it can be difficult to deduce a single peak resonance frequency. Once all of the data is collected, it is processed to extract a resonance frequency value which is then put into the numerical depth calibration model. This model was constructed by plotting the known depths from drilling (completed in 2014 and 2015) against the peak frequencies resulting from the passive seismic survey of the same drillholes in July 2016. A linear trendline was fitted to the resulting scatter plot and the gradient equation of this line gave the depth calibration model. Results from both the orientation survey and the subsequent extension and infill surveys, over Bennet Well, were applied to this depth calibration model to

Part	Criteria	Explanation	Comment
			generate a set of depth to basement values for the deposit. The depths were found to be consistent with the exploration model of the basement derived from drilling data, thereby indicating that the survey technique was successfully and accurately representative of the in-situ information collected during drilling. A second modelling and interpretation technique was also utilised that involved the use of a Resonance Frequency equation and density information representative of the in-situ formations. The Resonance Frequency equation is: ƒ= [Vs/(4*H)] where: ƒ = resonance frequency (Hz) Vs = shear wave velocity (m/s) of the cover sediment sequence ("Layer 1"), and / or the basement ("Layer 2", known to be granitic at Bennet Well) H = depth to basement (m) Once the peak frequencies were collected from the survey, the depth calibration model was applied to give a set of depth-to-basement values. These depths ("H" in the above equation) and the initial resonance frequencies were then used to rearrange the above equation to produce a shear wave velocity value for "Layer 1" as the cover sediments. In most cases, this velocity value would be between 600 and 700 m/s. An average, arbitrary density value was assigned to each layer based on density measurements collected from a combination of downhole geophysical surveying and core testwork conducted during the 2013 and 2014 exploration programs. An average value of 1.9 g/cc was assigned to the unconsolidated sediments of Layer 1, whereas the harder, more fresh granitic Layer 2 was assigned the average density value of 2.2 g/cc. The software used to process the raw data has an additional tool to produce depth and velocity models for Layers 1 and 2 (cover and basement, respectively). A model was produced for each survey station and then plotted against the corresponding depths-to-basement derived using the numerical depth calibration model. The results from both modelling techniques were found to correlate very well with each other and with the depth-to-basement values observed from drilling.
	Drilling Techniques	*Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015).
1-2	**Drill Sample Recovery**	*Method of recording and assessing core and chip sample recoveries and results assessed.*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.

Part	Criteria	Explanation	Comment
		Measures taken to maximise sample recovery and ensure representative nature of the samples.	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
		Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the natural seismicity of the host sediments for a period of 16 minutes.
1-3	**Logging**	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). All geological data used in the derivation of the Depth To Basement model were from the drilling conducted in 2014 and 2015. From these 2 drilling programs, all mud rotary chips were geologically logged and used to assist in the interpretation of the downhole geophysical data. Uranium assay for a potential in-situ recovery project requires mineralisation to be hosted in a porous sedimentary sequence that is readily leachable, and is determined for the former geophysical data and the mud rotary chips. Part of the geological information utilised in the Depth To Basement model derivation came from the drill core collected during the 2014-2015 exploration drilling programs referred to above. This drill core was also geologically logged in greater detail than that undertaken during the logging of the mud rotary chips. The information collected was later used in a deposit-wide geological interpretation exercise and the subsequent establishment of a working 3D exploration model that has also been used in the design of the regional-scale Passive Seismic geophysical survey. No geotechnical data was collected due to the generally flat-lying geology and mostly unconsolidated sediments. No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
		Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.	As reported in 2014 and 2015, the geological logging completed was both qualitative (sediment/rock type, colour, degree of oxidation, etc.) and quantitative (recording of specific depths and various geophysical data). The chip samples were sieved and photographed wet (lightly sprayed with water) and dry. Selected half-core zones were also photographed by Core Labs Australia, (Kewdale, W.A.), showing the cut and cleaned surfaces. No drilling was conducted during the reporting period of July to December

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Part	Criteria	Explanation	Comment
			2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015).
		The total length and percentage of the relevant intersections logged.	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). All mud rotary chip samples and diamond core samples from the 2014 – 2015 exploration programs were logged both geologically and with the downhole geophysical sondes.
1-4	**Sub-Sampling Techniques and Sample Preparation**	*If core, whether cut or sawn and whether quarter, half or all core taken.*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
		If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
		For all sample types, the nature, quality and appropriateness of the sample preparation technique.	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
		Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	Although no physical samples are collected during the Passive Seismic survey, a Quality Control procedure was still established in order to test the repeatability of the resulting data. Two Control points were chosen, during the orientation survey, based on fixed (i.e. permanent) structures, close to the field office, with a fixed coordinate location that is highly unlikely to change. As the locations of these two Control points are known and permanent, the resulting measured peak frequencies and derived depths to basement are assumed to always be within a tight and consistent range. At the end of every day during the survey period, a reading was taken by

Part	Criteria	Explanation	Comment
			placing both instruments down at each Control point. When the data were later downloaded and analysed, the results of these Control checks were then plotted against time and any observed variation in the resulting peak frequencies would indicate a corresponding change (if any) in the instruments' recording capabilities.
		Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	The initial Passive Seismic orientation conducted over the Bennet Well Deposit also involved the survey of 71 drillholes which involved placing both instruments into the ground at the concrete drill collar marker. All 71 drillholes were drilled during the 2014 and 2015 drilling campaigns (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). The depths to basement had already been physically confirmed during the drilling of these holes. A numerical Depth-To-Basement model was then derived by plotting the known depth to basement from the drillholes against the resulting peak frequencies from the passive seismic survey of the same drillholes. A linear trendline was fitted to the resulting scatter plot and the gradient equation of this line gave the depth calibration model. Results from both the orientation survey and the subsequent extension and infill surveys, over Bennet Well, were applied to this depth calibration model to generate a set of depth to basement values for the deposit. The depths were found to be consistent with the exploration model of the basement derived from drilling data, thereby indicating that the survey technique was successfully and accurately representative of the in-situ information collected during drilling. A second modelling and interpretation technique was also utilised that involved the use of a Resonance Frequency equation and density information representative of the in-situ formations. The Resonance Frequency equation is: ƒ= [Vs/(4*H)] where: ƒ = resonance frequency (Hz) Vs = shear wave velocity (m/s) of the cover sediment sequence ("Layer 1"), and / or the basement ("Layer 2", known to be granitic at Bennet Well) H = depth to basement (m) Once the peak frequencies were collected from the survey, the depth calibration model was applied to give a set of depth-to-basement values. These depths ("H" in the above equation) and the initial peak frequencies were then used to rearrange the above resonance frequency equation to produce a shear wave velocity value for "Layer 1" as the cover sediments. In most cases, this velocity value would be between 600 and 700 m/s. An average, arbitrary density value was assigned to each layer based on density measurements collected from a combination of downhole geophysical surveying and core testwork conducted during the 2013 and 2014 exploration programs. An average value of 1.9 t/m^3 was assigned to the unconsolidated sediments of Layer 1, whereas the harder, more fresh granitic Layer 2 was assigned the average density value of 2.2 t/m^3. The software used to process the raw data has an additional tool to produce depth and velocity models for Layers 1 and 2 (cover and basement, respectively). A model was produced for each survey station and then plotted against the corresponding depths-to-basement derived using the numerical depth calibration model. The results from both modelling techniques was found to correlate very well with each other and with the depth-to-basement values observed from drilling.
		Whether sample sizes are appropriate to the grain size of the material being	No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.

Part	Criteria	Explanation	Comment
		sampled.	"Station spacing" will be used here instead of "sample size" as there are no physical samples collected. "Grain size" is not relevant here also as the passive seismic exploration tool surveys the macro scale of palaeochannels rather than the micro scale of individual grain sizes. The orientation survey involved testing the suitability of the survey method and involved the following: • Station spacings of 50 m and 100 m were trialled. The smaller-scale, 50 m spaced station data produced high resolution information however the length of time taken to measure each station was doubled and the number of stations surveyed in a day was halved, thus doubling the total length of time to survey a single line, which was no longer cost-effective; • A nominal spacing of 100 m per station was therefore chosen as the most suitable spacing to allow good data collection, good resolution of data and a good rate of productivity. • If, however, any rocky outcrop was discovered, the station spacing was extended to 200 m in order to account for the poor quality of data resulting from the occurrence of shallow basement. Given that the thickness of cover sediments above these areas of shallow basement is less than elsewhere in the deposit, the resulting frequency plots are often distorted and it can be difficult to deduce a single peak resonance frequency.
1-5	**Quality of Assay Data and Laboratory Tests**	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes. The data collected is purely quantitative and based on a numerical result from the station surveyed. The technique is therefore not considered to be "partial" or "total" in the same sense as a geochemical assay. However, this survey technique is considered to be a very effective, regional-scale exploration tool.
		For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	The initial Passive Seismic orientation conducted over the Bennet Well Deposit also involved the survey of 71 drillholes which involved placing both instruments into the ground at the concrete drill collar marker. All 71 drillholes were drilled during the 2014 and 2015 drilling campaigns (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). The depths to basement had already been physically confirmed during the drilling of these holes. A numerical Depth-To-Basement model was then derived by plotting the known depth to basement from the drillholes against the resulting peak frequencies from the passive seismic survey of the same drillholes. A linear trendline was fitted to the resulting scatter plot and the gradient equation of this line gave the depth calibration model, which is as follows: y = 149.78x^-1.046 where: "y" = depth to basement "x" = resonant frequency from the passive seismic survey for that particular station Results from both the orientation survey and the subsequent extension and infill surveys, over Bennet Well, were applied to this depth calibration model to generate a set of depth to basement values for the deposit. The depths were found to be consistent with the exploration model of the basement derived from drilling data, thereby indicating that the survey technique was successfully and accurately representative of the in-situ information collected during drilling. A second modelling and interpretation technique was also utilised that involved the use of a Resonant Frequency equation and density information

Part	Criteria	Explanation	Comment
			representative of the in-situ formations. The Resonant Frequency equation is: ƒ= [Vs/(4*H)] where: ƒ = Resonant frequency (Hz) Vs = shear wave velocity (m/s) of the cover sediment sequence ("Layer 1"), and / or the basement ("Layer 2", known to be granitic at Bennet Well) H = depth to basement (m) Once the peak frequencies were collected from the survey, the depth calibration model was applied to give a set of depth-to-basement values. These depths ("H" in the above equation) and the initial peak frequencies were then used to rearrange the above resonance frequency equation to produce a shear wave velocity value for "Layer 1" as the cover sediments. In most cases, this velocity value would be between 600 and 700 m/s. An average, arbitrary density value was assigned to each layer based on density measurements collected from a combination of downhole geophysical surveying and core testwork conducted during the 2013 and 2014 exploration programs. An average value of 1.9 t/m^3 was assigned to the unconsolidated sediments of Layer 1, whereas the harder, more fresh granitic Layer 2 was assigned the average density value of 2.2 t/m^3. The software used to process the raw data has an additional tool to produce depth and velocity models for Layers 1 and 2 (cover and basement, respectively). A model was produced for each survey station and then plotted against the corresponding depths-to-basement derived using the numerical depth calibration model. The results from both modelling techniques was found to correlate very well with each other and with the depth-to-basement values observed from drilling.
		Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	Although no physical samples were collected during the Passive Seismic survey, a Quality Control procedure was still established in order to test the repeatability of the resulting data. Two Control points were chosen, during the orientation survey, based on fixed (i.e. permanent) structures, close to the field office, with a fixed coordinate location that is highly unlikely to change. As the locations of these two Control points are known and permanent, the resulting measured peak frequencies and derived depths to basement are assumed to always be within a tight and consistent range. At the end of every day during the survey period, a reading was taken by placing both instruments down at each Control point. When the data were later downloaded and analysed, the results of these Control checks were then plotted against time and any observed variation in the resulting peak frequencies would indicate a corresponding change (if any) in the instruments' recording capabilities.
1-6	**Verification of Sampling and Assaying**	*The verification of significant intersections by independent or alternative company personnel.*	As no drilling was conducted during the reporting period, and no physical samples were collected, the geophysical data do not produce any significant intersection information. The data resulting from the passive seismic survey, however, have been cross-checked and verified by Resource Potentials Pty Ltd, Perth, and also cross-checked with Cauldron by alternative personnel.
		The use of twinned holes.	No drilling was completed during the reporting period.
		Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	Data is collected on the Tromino units in the form of 2 seismograph "trace" files, with the extensions of ".ASS" and ".TRC". Each Tromino unit is hired out along with a software package named GRILLA. When the data is processed, GRILLA automatically forms a "TRACES" database on the computer into which the individual trace files from each station are saved.

Part	Criteria	Explanation	Comment
			Once the individual trace files are processed, a resonance frequency can then be interpreted from the correlation between the eye-shaped feature on the Amplitude plot and the Horizontal-to-Vertical Spectral Ratio (HVSR) plot. The resonance frequency is measured in Hertz (Hz). The last step of the process involves the modelling of the depth to basement value, consisting of: 1. assigned shear wave velocities for Layers 1 and 2 (cover and basement, respectively), in metres/second (m/s) 2. average densities for each layer in tonnes per cubic metre (t/m^3) and 3. depth to basement (or contact with basement) in metres (m) During field collection, hard copy paper log sheets are used to record: a. line name b. station name c. partition number (file number on the Tromino unit) d. time of recording e. comments – into which observations such as ground conditions, lithology (e.g. sand, or clay), atmospheric conditions such as wind These field log sheets and all of the individual peak frequencies and modelled depths are then entered directly into a MS Access database for subsequent upload into the main SQL database and server. The raw GRILLA files and all modelling files are kept on the main server, and backed up at regular intervals.
		Discuss any adjustment to assay data.	The equation derived for the depth calibration model is as follows: y = 149.78x^-1.046 where: "y" = depth to basement "x" = resonant frequency from the passive seismic survey for that particular station The calculation used to derive shear velocities from resonant frequencies is as follows: ƒ= [Vs/(4*H)] where: ƒ = resonant frequency (Hz) Vs = shear wave velocity (m/s) of the cover sediment sequence ("Layer 1"), and / or the basement ("Layer 2", known to be granitic at Bennet Well) H = depth to basement (m)
1-7	**Location of Data Points**	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	The method to locate collars is by a real-time kinematic GPS system having an accuracy of plus or minus 0.5 m in the X-Y-Z plane, collected by qualified surveyor, Phil Richards of MHR Surveyors, WA. The relative level is determined from levelling to a grid derived from LIDAR survey having an RL accuracy of 0.2 m. No downhole surveys were conducted on the holes used in the derivation of depth calibration model. These holes were completed in the 2014 and 2015 exploration periods and were all drilled vertically, with theshallow drillhole depths relative to wide drill spacing having minimal effect on potential mis-position of mineralised intercepts.
		Specification of the grid system used.	The grid system used at the Bennet Well-Yanrey project area is MGA_GDA94, Zone 50. All data is recorded using Easting and Northing and AHD.
		Quality and adequacy	The primary topographic control is from a high resolution LIDAR survey flown in

Part	Criteria	Explanation	Comment
		of topographic control.	early 2015.
1-8	**Data Spacing and Distribution**	*Data spacing for reporting of Exploration Results.*	The orientation survey comprised stations spacings of 50 m and 100 m. Field results from the orientation soon revealed that the 50 m station spacing was not necessary and that the 100 m spacing would be sufficient for the purpose of using the passive seismic survey technique. For the extensional/infill surveys and more regional surveys, a nominal spacing of 100 m was utilised. This was shown by the orientation to be the most appropriate spacing to give adequate coverage and resolution of the target palaeochannels. If, however, any rocky outcrop was discovered, the station spacing was extended to 200 m in order to account for the poor quality of data resulting from the occurrence of shallow basement. Given that the thickness of cover sediments above these areas of shallow basement is less than elsewhere in the deposit, the resulting frequency plots are often distorted and it can be difficult to deduce a single peak resonance frequency.
		Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	Previous drilling campaigns have shown that the channels forming the Bennet Well Deposit are often between 200 m and 1 km wide. The 100 m station spacing has been shown to be adequate for providing good resolution of basement topography for the purpose of highlighting potential palaeochannel features. In areas of potential shallow basement subcrop and noticeable outcrop, the extended 200 m station spacing has also been shown to provide a good enough resolution over the target areas.
		Whether sample compositing has been applied.	No drilling was conducted and no physical samples were collected in the July – December 2016 half-yearly reporting period, therefore the method of sample compositing was not implemented.
1-9	**Orientation of Data in Relation to Geological Structure**	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	No drilling was conducted during the reporting period, however all drillholes utilised in the derivation of the depth calibration model were drilled vertically and sample the true width of uranium mineralisation. All drillholes used for the depth calibration model were drilled during the 2014 and 2015 exploration periods and have already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015).
		If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	No sampling bias is observed by the orientation of the drill holes. No sampling bias is observed by the orientation and / or spacing of the passive seismic survey stations and lines, as they were specifically designed to provide full coverage of potential channel features and fault structures observed on regional-scale, airborne magnetics and electromagnetic survey data.
1-10	**Sample Security**	*The measures taken to ensure sample security.*	No drilling was conducted during the reporting period, nor were any physical samples collected. Survey station data (i.e. "samples") collected during the passive seismic survey were downloaded at the end of everyday onto a secured field laptop and backed up onto a portable hard drive. After data entry was completed into a MS Access database, this was also backed up on the field laptop and the

Part	Criteria	Explanation	Comment
			portable hard drive. On arrival back in the central Perth office, all of this data was placed onto the main Perth server, which is backed up on a regular basis.
1-11	**Audits or Reviews**	*The results of any audits or reviews of sampling techniques and data.*	Cauldron's Competent Person has verified all sampling techniques and data collection is of high standard and no reviews are required at this stage.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Part	Criteria	Explanation	Comment
2-1	**Mineral Tenement and Land Tenure Status**	*Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	All of the passive seismic surveying was completed on exploration tenements E08/1493, E08/1489, E08/1490, E08/1501, E08/2160, E08/2161, E08/2205 and E08/2774, all of which are wholly owned by Cauldron. A Native Title Agreement is struck with the Thalanyji Traditional Owners which covers 100% of the tenements listed above.
		The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	These tenements are in good standing and Cauldron is unaware of any impediments for exploration on these leases.
2-2	**Exploration Done by Other Parties**	*Acknowledgment and appraisal of exploration by other parties.*	A 70 km long regional redox front and several palaeochannels were identified by open hole drilling by CRA Exploration Pty Ltd (CRAE) during the 1970s and early 1980s. CRAE drilled over 200 holes in the greater Yanrey Project area, resulting in the discovery of the Manyingee Deposit and the identification of uranium mineralisation in the Bennet Well channel and the Spinifex Well Channel. Uranium mineralisation was also identified in the Ballards and Barradale Prospects.
2-3	**Geology**	*Deposit type, geological setting and style of mineralisation.*	At least 15 major palaeochannels have been identified in the greater Yanrey project area at the contact between the Cretaceous aged marine sediments of the Carnarvon Basin and the Proterozoic Yilgarn Block which lies along the granitic and metamorphic ancient coastline. These palaeochannels have incised the underlying Proterozoic-aged granite and metamorphic rocks, which are subsequently filled and submerged by up to 150m of mostly unconsolidated sand and clay of Mesozoic, Tertiary and Quaternary age. The channels sourced from the east enter into a deep north-south trending depression that was probably caused by regional faulting and may be a depression formed at the former Mesozoic-aged coastline.
2-4	**Drill Hole Information**	*A summary of all information material to the understanding of the exploration results including a tabulation of the following*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial

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Part	Criteria	Explanation	Comment
		information for all Material drill holes: • *Easting and northing of the drill hole collar;* • *Elevation or RL (Reduced Level – elevation above sea level in metres) of the drill collar;* • *Dip and azimuth of the hole;* • *Down hole length and interception depth;* • *Hole length* *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract for the understanding of the report, the Competent Person should clearly explain why this is the case.*	Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015).
2-5	**Data Aggregation Methods**	*In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). However, all average reporting intervals are derived from applying a cut-off grade of 150 ppm U_3O_8 for a minimum thickness of 0.40 m.
		Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
		The assumptions used for any reporting of metal equivalent values should be clearly stated.	No metal equivalents are used.
2-6	**Relationship Between Mineralisation Widths and Intercept Lengths**	*These relationships are particularly important in the reporting of Exploration Results.*	All drilling at Bennet Well is vertical. The recent 3D interpretation and establishment of a mineralisation model has determined that the uranium mineralisation dips very shallowly (no more than 2-3°) to the west at Bennet Well East, yet at Bennet Well Central the mineralisation is observed to follow the contours of the underlying granitic basement. The overall dip of the mineralisation in the Bennet Well Resource Area could be described as sub-horizontal therefore, all

Part	Criteria	Explanation	Comment
			mineralisation values could be considered to be true width.
		If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.	The recent 3D interpretation and establishment of a mineralisation model has determined that the uranium mineralisation dips very shallowly (no more than 2-3°) to the west at Bennet Well East, yet at Bennet Well Central the mineralisation is observed to follow the contours of the underlying granitic basement. The overall dip of the mineralisation in the Bennet Well Resource Area could be described as sub-horizontal therefore, all mineralisation values could be considered to be true width.
		If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').	The recent 3D interpretation and establishment of a mineralisation model has determined that the uranium mineralisation dips very shallowly (no more than 2-3°) to the west at Bennet Well East, yet at Bennet Well Central the mineralisation is observed to follow the contours of the underlying granitic basement. The overall dip of the mineralisation in the Bennet Well Resource Area could be described as sub-horizontal therefore, all mineralisation values could be considered to be true width.
2-7	**Diagrams**	*Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Included in this report
2-8	**Balanced Reporting**	*Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	No drilling was conducted during the reporting period of July to December 2016. All drill data used in the derivation of the depth to basement model, was collected during the 2014 and 2015 exploration programs and has already been reported on (refer to ASX Announcement 27 February 2015, CXU Half Year Financial Report – 31 December 2014, and ASX Announcement 12 February 2016, CXU Half Yearly Financial Report – 31 December 2015). No physical samples are collected during the Passive Seismic geophysical survey method. A measurement is taken by a small, shoebox-sized instrument that is secured into the ground at the designated coordinate and set to record the ground's natural seismicity for a period of 16 minutes.
2-9	**Other Substantive Exploration Data**	*Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating*	Metallurgical sighter testing was completed by the Australian Nuclear Science and Technology Organisation (ANSTO) for the diamond core drilled in 2013, with further testing planned for core drilled in 2014. Geochemical assaying was also completed for the diamond core from both 2013 and 2014. These data however have not been used in the derivation of Depth to Basement model reported here. Sampling information will therefore not be included here as it is deemed irrelevant for the purpose of this report.

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Part	Criteria	Explanation	Comment
		substances.	
2-10	**Further Work**	*The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).*	The Yanrey/Bennet Well Passive Seismic Survey is scheduled to recommence in the June 2017 quarter, as there are still several targets surrounding the currently defined Bennet Well Deposit that require testing for potential extensions to known mineralisation. Additionally, there are still areas in the greater, regional Yanrey Project that remain to be tested with the Passive Seismic survey tool. It is currently envisaged that drilling will occur in future exploration programs in order to fully test the promising palaeochannel targets that are highlighted by the Passive Seismic survey conducted in the 2nd Half Yearly reporting period of 2016.
		Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	All appropriate plans have been included in this report.

DIRECTORS' REPORT

4. SHARES UNDER OPTION

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

Grant Date	Class of Shares	Exercise Price	Number of Options	Expiry Date	Listed / Unlisted
24 November 2016	Ordinary	$0.08	20,000,000	31 December 2018	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.

5. SUBSEQUENT EVENTS

The Company appointed Ms Xinyi Zhang as a Non-executive Director with effect from 1 January 2017.

On 5 January 2017, 33,898,318 fully paid ordinary shares ("Escrowed Shares") were released from escrow. The Escrowed Shares, which were acquire by a series of investors via off market transfers, were subject to voluntary escrow provisions for six months from 5 July 2016.

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.

6. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 31 December 2016 has been received and is included on page 26.

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

Mr Antony Sage
Executive Chairman

PERTH
15 February 2017

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CAULDRON ENERGY LIMITED

As lead auditor for the review of Cauldron Energy Limited for the half-year ended 31 December 2016, 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 15 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 $	31 December 2015 $
Revenue	3(a)	17,902	316
Other income	3(b)	-	574,546
Administration expenses		(43,893)	(49,814)
Employee benefits expenses		(187,590)	(272,838)
Directors fees		(174,000)	(113,091)
Share based payments	8	(78,125)	(1,190,727)
Compliance and regulatory expenses		(83,749)	(207,917)
Legal expenses		(161,671)	(381,726)
Consultancy expenses		(84,179)	(157,620)
Occupancy expenses		(66,797)	(64,868)
Travel expenses		(7,903)	(47,722)
Exploration expenditure		(10,813)	(92,185)
Net fair value loss on financial assets	5	(279,313)	-
Gain on disposal of financial assets		7,359	-
Gain on disposal of other assets		-	31,892
Depreciation		(48,213)	(74,310)
Finance costs		-	-
Realised foreign exchange loss		(97)	(803)
Impairment losses	4	(37,653)	(19,501)
Loss before income tax expense		(1,238,735)	(2,066,368)
Income tax expense		-	-
Loss for the period		(1,238,735)	(2,066,368)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences arising on translation of foreign operations		(10,058)	(186,122)
Other comprehensive loss for the period after income tax		(10,058)	(186,122)
Total comprehensive loss attributable to members of the Company		(1,248,793)	(2,252,490)
Loss per share for the year attributable to the members of Cauldron Energy Ltd			
Basic earnings/(loss) per share (cents per share)		(0.42)	(0.81)
Diluted earnings/(loss) per share (cents per share)		(0.42)	(0.81)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		4,127,716	2,808,356
Trade and other receivables		83,606	128,345
Financial assets	5	1,101,224	1,103,046
TOTAL CURRENT ASSETS		5,312,546	4,039,747
NON CURRENT ASSETS			
Exploration and evaluation expenditure	6	9,823,756	9,227,557
Property, plant and equipment		243,486	286,850
TOTAL NON CURRENT ASSETS		10,067,242	9,514,407
TOTAL ASSETS		**15,379,788**	**13,554,154**
CURRENT LIABILITIES			
Trade and other payables		457,677	463,496
Provisions		76,942	67,344
TOTAL CURRENT LIABILITIES		534,619	530,840
TOTAL LIABILITIES		**534,619**	**530,840**
NET ASSETS		**14,845,169**	**13,023,314**
EQUITY			
Issued capital	7	55,514,134	52,443,486
Reserves		4,305,751	4,315,809
Accumulated losses		(44,974,716)	(43,735,981)
TOTAL EQUITY		**14,845,169**	**13,023,314**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 $	31 December 2015 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(825,513)	(1,171,010)
Interest received		16,242	316
Net cash used in operating activities		(809,271)	(1,170,694)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(623,626)	(1,587,160)
R&D Tax Incentive refund		-	1,649,378
Payments for plant and equipment		(4,894)	-
Funding provided to Caudillo Resources SA		(17,317)	(68,827)
Repayment from Caudillo Resources SA		-	44,228
Proceeds from sales of equity investments		74,542	15,560
Purchase of equity investments		(291,934)	-
Net cash from/(used in) investing activities		(863,229)	53,179
Cash Flows from Financing Activities			
Proceeds from issue of shares and options (net of transaction costs)		2,992,523	2,128,932
Net cash provided by financing activities		2,992,523	2,128,932
Net increase/(decrease) in cash held		1,320,023	1,011,417
Effects of exchange rate changes on cash		(663)	(4,025)
Cash and cash equivalents at beginning of period		2,808,356	1,216,478
Cash and cash equivalents at end of period		**4,127,716**	**2,223,870**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2016	52,443,486	(43,735,981)	5,808,481	(1,492,672)	13,023,314
Loss attributable to members of the parent entity	-	(1,238,735)	-	-	(1,238,735)
Other comprehensive loss	-	-	-	(10,058)	(10,058)
Total comprehensive loss for the period	-	(1,238,735)	-	(10,058)	(1,248,793)
Transaction with owners, directly in equity					
Shares issued during the period, net of costs	3,070,648	-	-	-	3,070,648
Balance at 31 December 2016	**55,514,134**	**(44,974,716)**	**5,808,481**	**(1,502,730)**	**14,845,169**
Balance at 1 July 2015	48,029,486	(39,757,657)	4,617,754	(1,344,677)	11,544,906
Loss attributable to members of the parent entity	-	(2,066,368)	-	-	(2,066,368)
Other comprehensive loss	-	-	-	(186,122)	(186,122)
Total comprehensive loss for the period	-	(2,066,368)	-	(186,122)	(2,252,490)
Transaction with owners, directly in equity					
Shares issued during the period, net of costs	2,414,000	-	-	-	2,414,000
Share based payment expense recognised for value of options issued/vested during the period	-	-	1,190,727	-	1,190,727
Balance at 31 December 2015	**50,443,486**	**(41,824,025)**	**5,808,481**	**(1,530,799)**	**12,897,143**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016 and considered together with any announcements made by Cauldron during the half-year ended 31 December 2016 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 2016 annual financial report for the financial year ended 30 June 2016, 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.

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Impact of standards issued by not yet applied by the Consolidated Entity

There were no new standards issued since 30 June 2016 that have been applied by the Consolidated Entity. The 30 June 2016 annual report disclosed that the Consolidated Entity anticipated no new material impacts arising from initial application of those standards issued by not yet applied at that date, and this remains the assessment as at 31 December 2016.

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 in assessing performance and in determining the allocation of resources. All activities are inter-related and discrete information is reported as a single segment being mineral exploration (for primary reporting) and principally in two geographical segments (for secondary reporting) being Australia and Argentina.

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

	31 December 2016 $	30 June 2016 $
Australia	15,357,660	13,521,554
Argentina	22,128	32,600
	15,379,788	13,554,154

3. REVENUE AND OTHER INCOME

	31 December 2016 $	31 December 2015 $
(a) Revenue		
Interest received	17,902	316
	17,902	316
(b) Other income		
Net fair value gain on financial assets	-	568,358
Fuel tax credits	-	310
Other	-	5,878
	-	574,546

4. IMPAIRMENT LOSSES

	31 December 2016 $	31 December 2015 $
Impairment of exploration and evaluation expenditure	13,736	-
Impairment of loan and other receivables	23,917	81,810
Reversal of previously impaired loans and receivables	-	(62,309)
	37,653	19,501

5. FINANCIAL ASSETS

	31 December 2016 $	30 June 2016 $
Financial assets at fair value through profit and loss (listed investments)	1,101,224	1,065,334
Financial assets at fair value through profit and loss (unlisted investments)	-	37,712
	1,101,224	1,103,046

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

	31 December 2016 $	30 June 2016 $
Movements:		
Opening balance at beginning of the period	1,103,046	419,667
Acquisition of equity securities (non-cash)	52,740	31,892
Acquisition of equity securities (cash)	291,934	44,512
Disposal of equity securities	(67,183)	(41,642)
Fair value gain/(loss) through profit and loss	(279,313)	648,617
Closing balance at end of the period	1,101,224	1,103,046

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2016 $	30 June 2016 $
Exploration and evaluation expenditure	9,823,756	9,227,557
Movements:		
Carrying value at beginning of period	9,227,557	10,204,649
Exploration expenditure incurred	609,935	2,561,467
Impairment of exploration expenditure	(13,736)	(1,641,604)
Foreign exchange movements	-	(97,577)
Royalties for Regions grant	-	(150,000)
R&D Tax Incentive	-	(1,649,378)
Carrying value at end of period	9,823,756	9,227,557

7. ISSUED CAPITAL

	31 December 2016 $	30 June 2016 $
Ordinary shares issued and fully paid	55,514,134	52,443,486

	31 December 2016 Number of shares	31 December 2016 $	30 June 2016 Number of shares	30 June 2016 $
Movements				
Balance at beginning of period	288,002,620	52,443,486	251,104,266	48,029,486
Shares issued (a)	-	-	16,949,178	2,000,000
Shares issued (b)	-	-	16,949,176	2,000,000
Shares issued (c)	31,250,000	2,500,000	-	-
Shares issued (d)	8,474,588	508,455	-	-
Shares issued (e)	1,562,500	78,125	-	-
Shares issued upon exercise of options (f)	-	-	3,000,000	414,000
Share issue costs	-	(15,932)	-	-
	329,289,708	**55,514,134**	**288,002,620**	**52,443,486**

Shares issued pursuant to placement agreements

(a) Mr Qiu Derong was a party to a placement agreement for a total of $2,000,000 ("Subscription Sum"). In June 2015, the Company received $1,714,932 in cash from Mr Qiu Derong, with the balance of $285,068 to settle director fee payments owing to Mr Qiu in respect of his services (together, $2,000,000). The cash component of the Subscription Sum ($1,714,932) was held in trust by the Company until the placement shares were issued (included in current payables as at 30 June 2015). Following receipt of shareholder approval at the 9 November 2015 annual general meeting, 16,949,178 fully paid shares were issued.

(b) In March 2016, Cauldron received $2,000,000 from MGT Resources Ltd ("MGT Resources") pursuant to a placement agreement and issued 16,9,49,176 fully paid shares using the Company's capacity under Listing Rule 7.1. This share issue was subsequently ratified by Shareholders at the Company's 24 November 2016 annual general meeting.

(c) In September 2016, Cauldron entered into a placement agreement with a new Chinese investor Yidi Tao for 31,250,000 fully paid ordinary shares at an issue price of $0.08 per share for a total of $2,500,000 ("Tao Placement"). The shares were issued following receipt of Shareholder approval at the Company's annual general meeting on 24 November 2016.

(d) As detailed in the Company's 2016 annual report, Cauldron received judgment in its favour in respect of its claims against Guangzhou City Investment Management Co. Ltd ("Guangzhou City"). The judgement debt due and payable to the Company was for $1 million plus interest ("Judgment Debt"). The Judgment Debt principal amount represents unpaid subscription funds (originally due 3 November

2014) pursuant to a placement agreement dated 6 June 2014 for the issue of 8,474,588 shares ("Guangzhou Placement Shares") in Cauldron at an issue price of $0.118 per share ("Guangzhou Placement Agreement").

Guangzhou City was the registered holder of 33,898,812 shares in Cauldron ("Shares"). On 17 May 2016, upon the Company's ex parte application, Master Sanderson made orders appointing a receiver (Mr Kim Wallman of HLB Mann Judd (Insolvency WA)) ("Receiver") over the Shares to recover payment of the Judgment Debt in accordance with the powers afforded by the *Civil Judgments Enforcement Act*. On 5 July 2016, the Receiver completed the sale of the Shares to a series of investors for $508,455 (before costs).

The Company seeks to enforce payment of the outstanding balance of the Judgment Debt in accordance with the powers afforded by the *Civil Judgments Enforcement Act.* On 8 December 2016, Cauldron issued all 8,474,588 Guangzhou Placement Shares to Guangzhou City, in full satisfaction of the Company's obligations pursuant to the Guangzhou Placement Agreement.

On 11 August 2016, Master Sanderson made orders ("Orders") to the effect that:

- Upon the issue of the Guangzhou Placement Shares to the Guangzhou City, an immediate holding lock be placed over the shares to prevent any dealings in the shares, save for dealings in the shares which are authorised by the Receiver in the exercise of his duties as Receiver pursuant to the Orders; and
- Upon the issue of the Guangzhou Placement Shares, the Receiver be appointed over the shares.

It is anticipated that the Receiver will exercise his power for the purpose of realising the balance of the Judgment Debt, similar to the process previously undertaken.

As detailed above, the Company has issued 8,474,588 ordinary shares (under holding lock pursuant to the Orders). Cauldron has used its 15% placement capacity under Listing Rule 7.1 to issue the Guangzhou Placement Shares to Guangzhou City.

Shares issued to consultant

(e) Following receipt of shareholder approval at the Company's annual general meeting on 24 November 2016, the Company issued 1,562,500 fully paid ordinary shares to a consultant ("Consultant Shares") as consideration for investor relations and marketing support services. This share issue constitutes an equity-settled share based payment transaction and have been valued in reference to the market price of the shares on date of grant, being $0.05 per share (refer note 8), on the basis of the value of the services provided.

Shares issued upon exercise of unlisted options

(f) In December 2015, 3,000,000 share options were exercised at $0.138 each providing $414,000 funding.

The Company has authorised share capital amounting to 329,289,708 shares with no par value.

8. SHARE BASED PAYMENTS

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

	31 December 2016 $	31 December 2015 $
Options issued to directors, employees and consultants	-	1,190,727
Shares issued to consultants (refer note 7(e))	78,125	-
	78,125	1,190,727

There were no new unlisted options issued during the period as a share based payment transaction.

9. OTHER UNLISTED OPTIONS

The following refers to unlisted options issued by the Company, other than those issued as share based payment transactions.

Options Granted during the period

The Company issued the following unlisted options during the half-year ended 31 December 2016:

- 20,000,000 unlisted options at $0.08 expiring 31 December 2018 to investor ("Placement Options").

The Placement Options were issued following receipt of shareholder approval at the Company's recent AGM.

Options expired or lapsed during the period

On 31 December 2016, 44,000,000 unlisted options with an exercise price of $0.138 expired.

Options on issue at 31 December 2016

The outstanding balance of options at 31 December 2016 (other than those granted as a share based payment) is represented by:

- 20,000,000 Placement Options with an exercise price of $0.08 and an expiry date of on or before 31 December 2018.

10. CONTROLLED ENTITIES

There have been no changes to the Consolidated Entity's controlled entities detailed in the recent 30 June 2016 annual report.

11. CONTINGENT ASSETS AND LIABILITIES

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

12. RELATED PARTY INFORMATION

Financial Assets

At 31 December 2016, Cauldron held 25,628,112 shares in Fe Limited (ASX: FEL) (30 June 2016: 23,773,112) with a market value of $640,703 (30 June 2016: $832,612). Mr Antony Sage and Mr Mark Gwynne are directors of FEL.

Significant shareholders

Mr Qiu Derong holds a significant interest of 14.44% in the issued capital of Cauldron Energy at 31 December 2016 (30 June 2016: 16.51%). Mr Qiu Derong is a director of Cauldron.

Cape Lambert, via its wholly owned subsidiary Dempsey Resources Pty Ltd ("Dempsey"), holds a significant interest of 15.93% (30 June 2016: 14.9%) in the issued capital of Cauldron at 31 December 2016. Mr Antony Sage is a director of Cape Lambert.

Executive Chairman consulting agreement

During the period, the Company entered into a new consulting agreement with Okewood Pty Ltd ("Okewood"), a company controlled by Mr Sage, for the provision of executive chairman services. The agreement is for a three year term, effective from 1 July 2016. The agreement is subject to a three month termination notice clause, without cause, for either party. In accordance with the agreement, Okewood is entitled to a set fee of $240,000 per annum (exclusive of GST).

13. FINANCIAL INSTRUMENTS

Fair value measurement

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

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

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

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	1,101,224	-	-	1,101,224

30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	1,065,334[1]	-	37,712[2]	1,103,046

[1] Level 1 held for trading investments at 30 June 2016 includes an investment in Fe Ltd shares that have been based on a quoted price on 8 April 2016, being the last date of trading prior to Fe Ltd being suspended from trading pending compliance with Chapters 1 and 2 of the ASX Listing Rules. Fe Ltd was reinstated to official quotation on 15 December 2016.

[2] The fair value of financial instruments that are not traded in active markets is determined using valuation techniques based on the present value of net cash inflows from future profits and subsequent disposal of the securities.

14. EVENTS SUBSEQUENT TO REPORTING DATE

The Company appointed Ms Xinyi Zhang as a Non-executive Director with effect from 1 January 2017.

On 5 January 2017, 33,898,318 fully paid ordinary shares ("Escrowed Shares") were released from escrow. The Escrowed Shares, which were acquire by a series of investors via off market transfers, were subject to voluntary escrow provisions for six months from 5 July 2016.

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.

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 2016 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) 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

Mr Antony Sage
Executive Chairman

PERTH
15 February 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cauldron Energy Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cauldron Energy Ltd, which comprises the consolidated statement of financial position as at 31 December 2016, 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 2016 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 Ltd, 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 Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 Ltd 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 2016 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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 15 February 2017