ASX Announcement

17 October 2012

Base Metals Discovery in South Australia

HIGHLIGHTS

- **Cauldron identifies a large 8km x 10km silver-lead-zinc anomaly at its Marree project in South Australia;**
- **Same geological province and similar metal association to the world-class Broken Hill deposits;**
- **Extensive nature of mineralisation has not previously been recognised, with rocks extremely weathered and leached, predominantly under shallow cover;**
- **Mineral correlations indicate a classic base metal signature of silver-lead-zinc-sulphur-gold-arsenic-cadmium-antimony;**
- **Peak rock-chip results taken from recently identified historical (1920-1930's) workings on the less-weathered margins of anomaly include:-**
  - **936 g/t Silver**
  - **+20 % Lead**
  - **23 % Zinc**
  - **1.72 g/t Gold**
  - **1.88 % Copper**
- **Company to accelerate exploration including detailed surface sampling and high resolution geophysics over entire area; and**
- **Drilling to take place as a matter of priority.**

Australian diversified exploration company Cauldron Energy Limited (ASX: CXU) ("Cauldron" or "the Company") is pleased to announce that a reconnaissance exploration program, consisting of surface sampling and mapping, on a previously unexplored tenement package within the Marree Project in South Australia has identified extensive base metal mineralisation.

These high-grade base metals results are potentially of a significant scale.

The anomalism is located in the same geological province that hosts the world-class Broken Hill silver-lead-zinc deposits (Figure 1), with the Company believing it is significant due to its size and tenor.

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ASX code: CXU

155,314,772 ordinary shares
12.66 listed options
500,000 unlisted options

Commenting on the discovery, Head of Operations (Consulting) Mr Simon Youds said there was strong potential, in light of these results, of Marree being a major base metals find.

“The significance of finding this silver-lead-zinc anomaly in terms of value is immense and has the potential to be a company-maker for Cauldron,” he said.

“While it is early days, Cauldron will focus on accelerating exploration activities at Marree so that drilling can be conducted on the anomaly as soon as practically possible.

“It is important that the exploration on this high-grade anomaly is done in a coordinated and diligent manner.”

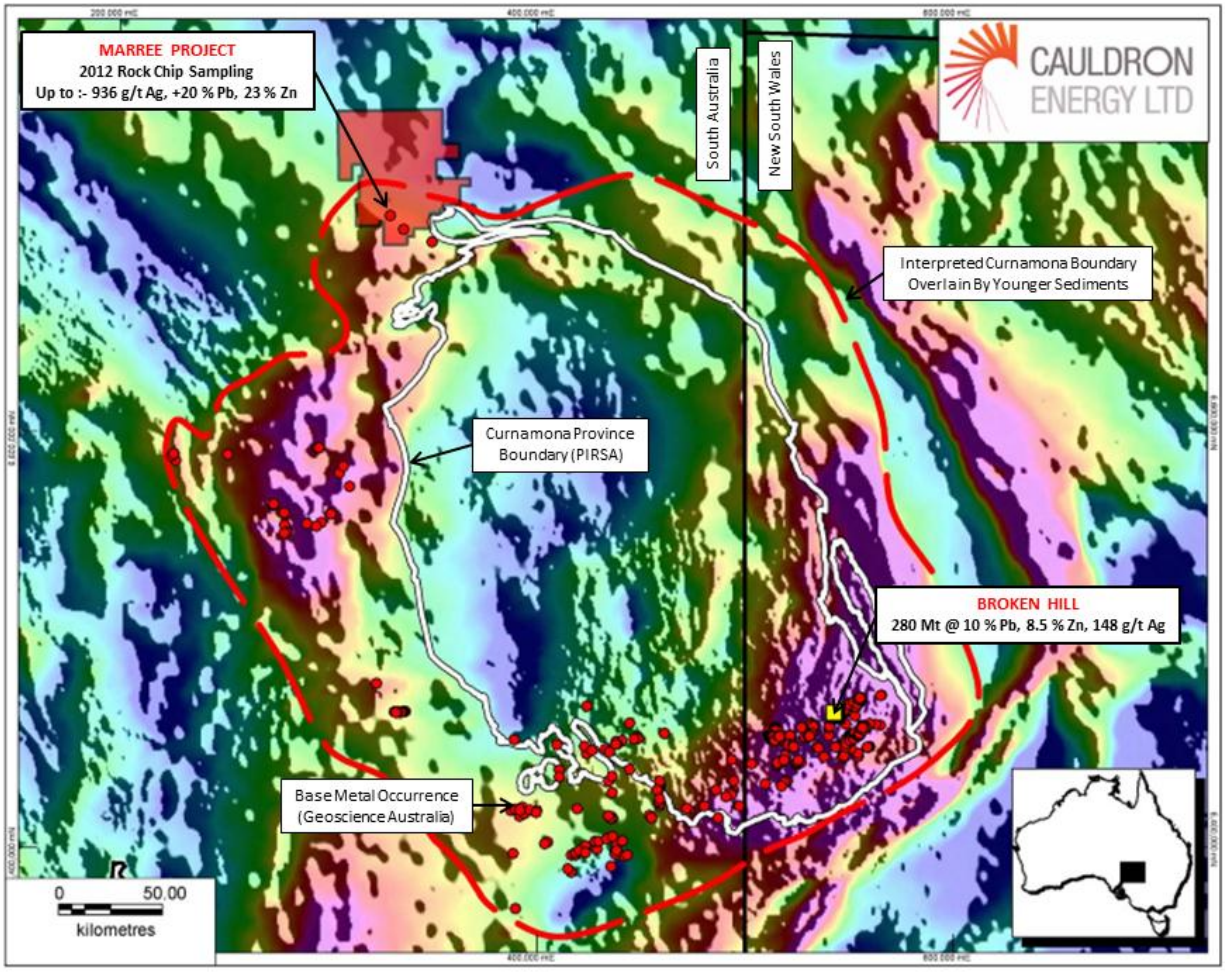

Figure 1:- Marree Project Location Plan – Gravity image with G.A. Ag-Pb-Zn occurrences

Overview

Mineralisation is located in Proterozoic aged Adelaidian sediments within the Curnomona Province. Within the Marree Project, previous geological interpretation had these units covered by more recent sediments that are more favourable for sandstone hosted uranium mineralisation (e.g. Beverley and 4-Mile Uranium Deposits).

The Company has determined outcropping Proterozoic units, favourable for base metal mineralisation, are much more extensive than previously believed. Although most of the rocks are extremely weathered and possibly altered, recently completed geophysics supports this theory (Figures 1 and 2).

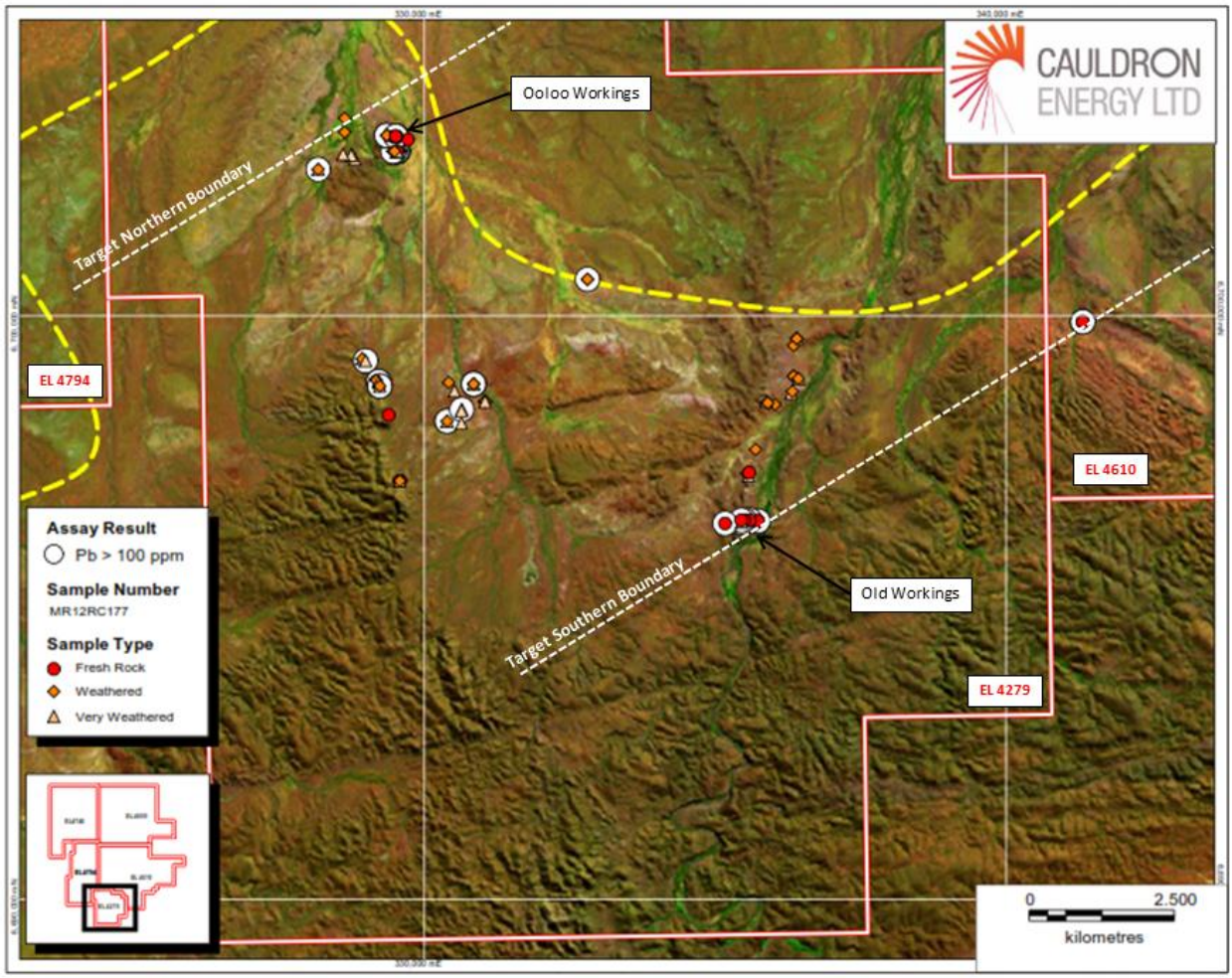

Figure 2:- Base metal prospect sample locations and target area over Landsat image

Within the Marree Project, there are several silver-lead-zinc-copper prospects that were identified and mined in the 1920's and 1930's. Some of these prospects indicate multiple lodes over several hundred metres strike. They appear as small scale operations with exceptional metal tenor (Table 1).

The majority of these samples are relatively fresh and contain visible sulphide mineralisation. Within these areas, quartz veining is extensive, with mineralisation associated with both veining and the host sandstones.

Two main areas of historical workings appear to border the northern and southern margins of the anomalous area. Between these two prospects there exists thin recent sand cover over extremely weathered and altered Proterozoic Adelaidian sediments. Both veining and iron rich gossans (some displaying remnant sulphide minerals) are abundant.

Table 1:- Rock-chip assay results from areas of historical workings. Co-ordinate datum GDA94 (MGA54).

Sample Number	Easting	Northing	Au	Ag	Cu	Pb		Zn	
			ppm	ppm	ppm	ppm	%	ppm	%
MR12RC246	329492.2	6703076.3	1.7	96.8	1560	>10000	8.88	>10000	7.22
MR12RC247	329492.1	6703076.3	0.64	104	3840	>10000	5.25	>10000	9.49
MR12RC248	329492.1	6703076.3	0.21	9.9	359	7090		5240	
MR12RC249	329492.1	6703076.3	0.51	126	1640	>10000	3.25	>10000	8.06
MR12RC250	329492.1	6703076.3	0.64	92.1	533	>10000	14.8	>10000	3.67
MR12RC251	329492.1	6703076.3	0.17	6.6	105	2380		1460	
MR12RC252	329492.1	6703076.3	1.47	160	3110	>10000	>20.0	>10000	22.6
MR12RC253	329492.1	6703076.3	0.08	49.4	53	>10000	7.91	4110	
MR12RC263	329516.7	6703072.4	1.72	142	4630	>10000	6.37	>10000	13.6
MR12RC264	329516.7	6703072.3	0.01	45.2	103	>10000	5.64	8740	
MR12RC265	329516.7	6703072.4	0.13	19.4	767	5030		>10000	5.24
MR12RC266	329516.7	6703072.4	0.19	8.2	227	2200		2780	
MR12RC267	329516.7	6703072.3	0.03	1.7	33	580		1040	
MR12RC268	329516.7	6703072.3	<0.01	27	35	>10000	2.62	2400	
MR12RC269	329516.7	6703072.3	0.02	43.7	36	>10000	3.96	4390	
MR12RC270	329516.7	6703072.4	0.08	9.6	437	741		>10000	4.65
MR12RC482	329513.3	6703080.8	0.69	49.5	471	2520		>10000	8.24
MR12RC483	329513.2	6703080.9	<0.01	1.2	22	49		1300	
MR12RC497	341315.4	6699898.5	<0.01	8.9	19	3780		11	
MR12RC498	341316.6	6699894.2	<0.01	4.4	149	269		10	
MR12RC499	335739.9	6696482.7	0.11	936	325	>10000	>20.0	28	
MR12RC500	335740.7	6696484.6	1.41	66.8	733	>10000	5.35	241	
MR12RC502	335600.7	6696494.4	0.01	55.5	307	>10000	3.94	15	
MR12RC505	335507.6	6696499.6	0.06	26	405	>10000	3.71	20	
MR12RC507	335450.5	6696493.9	<0.01	1.5	18	1370		12	
MR12RC508	335168.5	6696437	0.01	1.5	10	358		23	

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Rock-chips taken away from the historical workings (Table 2) are deeply weathered and leached of most minerals and metals. In such terrain, lead is the metal most resistant to leaching, with results of greater than 100 ppm considered very significant. Of 118 samples taken, 53 contained lead (Pb) at greater than 100 ppm; another 13 were geological samples, specifically not testing for mineralisation (tables 1 and 2).

These assay results indicate a classic base metal signature of Pb-Zn-S-As-Au-Cd-Ag-Sb. Gold appears as a good accessory mineral (up to 1.72 g/t Au) to the base metals. Copper was noted in the field and tested up to 1.88% Cu, however its distribution and relationship with the silver-lead-zinc mineralisation could not be correlated.

On-going Exploration

The Company is encouraged by these initial exploration results and proposes to accelerate exploration activities at Marree so that drilling can be conducted on this anomaly as soon as possible.

Immediate work programs will include systematic coverage of the target zone with soil sampling and ground geophysics.

This work will be conducted as a priority in tandem with drilling at the Yanrey Uranium Project in Western Australia this month.

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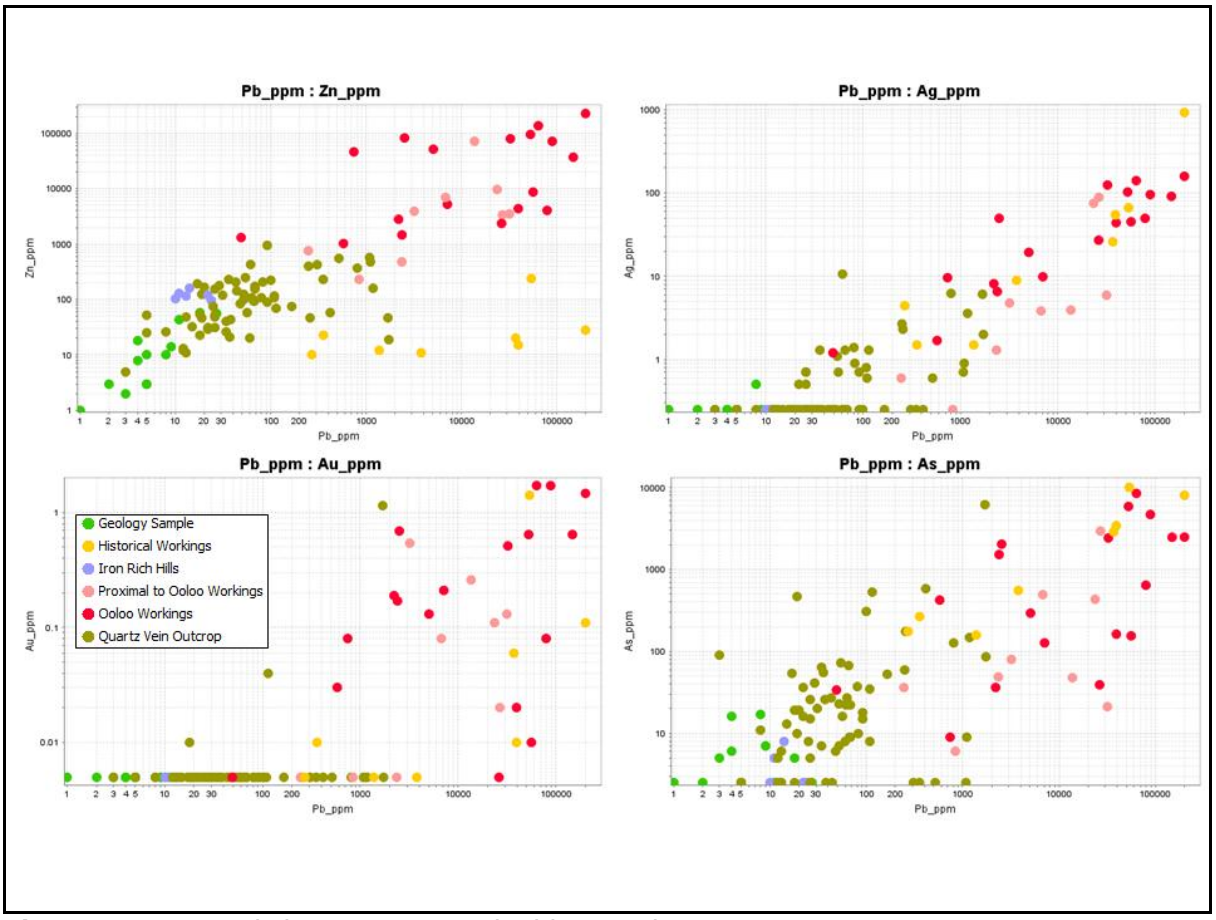

Figure 3:- Geostatistics – Marree rock-chip samples

About the Marree Project

The Marree Uranium Project, located 550 km north of Adelaide, comprises five granted Exploration Licences covering 2,571 km in the Eromanga Basin, adjacent to the uranium-rich Mount Babbage Inlier.

The project area includes the Tertiary Eyre and Namba Formations, host to several sedimentary roll-front uranium occurrences including the Beverley and Honeymoon Well uranium deposits, and the recently discovered high grade uranium mineralisation at Beverley Four Mile.

Project highlights include:-

- Farm in and JV agreement signed with Korean Consortium.
- First Korean government investment in an Australian uranium project.
- Korean consortium: government-owned Korea Resources Corporation with Daewoo and LG International.
- $6.2 million over three years, to sole fund exploration at Marree.

Table 2:- Rock-chip assay results distal from historical workings. Co-ordinate datum GDA94 (MGA54).

Sample Number	Easting	Northing	Au	Ag	Cu	Pb		Zn	
			ppm	ppm	ppm	ppm	%	ppm	%
MR12RC157	328937.1	6699266	<0.01	<0.5	2	3		5	
MR12RC162	328993.3	6699234.2	<0.01	<0.5	59	353		233	
MR12RC165	329217.7	6698870.7	<0.01	3.6	1240	1180		158	
MR12RC167	329217.6	6698869.8	<0.01	1.4	1860	80		109	
MR12RC168	329219.4	6698869.8	<0.01	0.8	255	108		109	
MR12RC170	329184.8	6698896.8	<0.01	<0.5	88	44		142	
MR12RC171	329216.4	6698869.3	<0.01	1.3	2640	65		98	
MR12RC176	329580.6	6697169.4	<0.01	<0.5	224	31		119	
MR12RC177	329580.3	6697169.3	<0.01	<0.5	8	5		25	
MR12RC182	329393.4	6698295.6	<0.01	<0.5	7	5		53	
MR12RC183	329240.8	6698794.4	<0.01	0.7	64	1080		580	
MR12RC189	329239.2	6698793.5	<0.01	2.3	831	257		47	
MR12RC194	330393.2	6698194.1	1.15	6.1	74	1690		47	
MR12RC195	330395.6	6698195.3	0.04	1.3	68	114		69	
MR12RC202	330641.5	6698157.1	<0.01	<0.5	8	34		40	
MR12RC204	330648.4	6698398.5	<0.01	<0.5	349	100		226	
MR12RC205	330637.9	6698376.2	<0.01	<0.5	32	19		126	
MR12RC210	330523.1	6698710.4	<0.01	1.3	54	36		229	
MR12RC212	330423.3	6698860.3	<0.01	<0.5	12	68		175	
MR12RC215	330852.2	6698832.3	<0.01	<0.5	2340	416		58	
MR12RC216	330852.2	6698832.3	<0.01	1.1	86	54		251	
MR12RC217	330854.1	6698831.5	<0.01	6.2	108	803		367	
MR12RC218	330854.1	6698831.5	<0.01	2.7	130	250		404	
MR12RC222	331046.4	6698529.2	<0.01	<0.5	16	20		169	
MR12RC223	331046.4	6698528.5	<0.01	<0.5	13	29		180	
MR12RC224	331046.3	6698528.5	<0.01	<0.5	132	19		46	
MR12RC229	331044.9	6698527.7	<0.01	<0.5	13	17		193	
MR12RC230	331045.1	6698528.3	<0.01	<0.5	27	43		205	
MR12RC235	320493.9	6708436.3	<0.01	<0.5	13	10		103	
MR12RC236	320494.6	6708441.7	<0.01	<0.5	16	14		160	
MR12RC237	320494.8	6708441.9	<0.01	<0.5	11	11		129	
MR12RC238	320494.8	6708441.9	<0.01	<0.5	18	24		96	
MR12RC239	320494.8	6708441.9	<0.01	<0.5	12	13		116	
MR12RC242	326692.8	6708043.5	<0.01	<0.5	16	22		120	
MR12RC254	329535.2	6702819.8	0.11	76	719	>10000	2.35	9570	
MR12RC255	329535.1	6702820.4	0.08	3.8	103	6770		6930	
MR12RC256	329534.9	6702820.1	0.02	89	3670	>10000	2.67	3380	
MR12RC257	329534.9	6702820	0.54	4.8	**1.88%**	3190		3950	
MR12RC258	329534.9	6702819.9	0.26	3.9	**1.19%**	>10000	1.365	>10000	7.26
MR12RC259	329534.8	6702820	<0.01	0.6	126	246		753	
MR12RC260	329534.8	6702820	0.13	5.9	1410	>10000	3.16	3510	

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Table 2 Continued

Sample Number	Easting	Northing	Au	Ag	Cu	Pb		Zn	
			ppm	ppm	ppm	ppm	%	ppm	%
MR12RC261	329491.4	6702823.5	<0.01	1.3	23	2350		482	
MR12RC262	329461.4	6702822.6	<0.01	<0.5	43	838		234	
MR12RC271	329371.1	6703088.7	<0.01	0.9	11	1100		476	
MR12RC272	329357.2	6703092.4	<0.01	0.6	10	516		561	
MR12RC273	329357	6703092.3	<0.01	<0.5	2	307		421	
MR12RC280	332807.4	6700628.4	<0.01	0.7	4	56		58	
MR12RC281	332804.9	6700627.1	<0.01	<0.5	81	165		75	
MR12RC283	336403.9	6699606.9	<0.01	<0.5	2	37		21	
MR12RC284	336403.8	6699606.9	<0.01	<0.5	27	52		124	
MR12RC285	336346.2	6699488.5	<0.01	<0.5	3	13		11	
MR12RC286	336402.1	6699607.6	<0.01	<0.5	8	38		44	
MR12RC287	336402.2	6699607.9	<0.01	0.7	15	26		48	
MR12RC291	336347.9	6698963.4	<0.01	<0.5	14	68		157	
MR12RC292	336347.3	6698963.7	<0.01	<0.5	29	48		85	
MR12RC293	336347.3	6698963.5	<0.01	<0.5	53	63		108	
MR12RC295	336433.3	6698918.8	<0.01	<0.5	5	13		48	
MR12RC296	336433	6698918.8	<0.01	<0.5	21	8		26	
MR12RC297	336307.5	6698674.6	<0.01	<0.5	43	91		89	
MR12RC299	336327.8	6698705	<0.01	<0.5	188	22		29	
MR12RC301	336024.4	6698482.2	<0.01	<0.5	9	67		92	
MR12RC304	335900.9	6698506.4	<0.01	0.9	31	82		209	
MR12RC305	335887.5	6698537	<0.01	0.5	6	22		31	
MR12RC307	335908.3	6698509.7	<0.01	<0.5	32	52		99	
MR12RC308	335698.7	6697710.9	<0.01	<0.5	75	25		74	
MR12RC309	335576.6	6697262.8	<0.01	10.7	129	61		432	
MR12RC311	335538.5	6697295.3	<0.01	<0.5	4	18		23	
MR12RC312	335583.1	6697311.1	<0.01	<0.5	15	60		20	
MR12RC480	329728.7	6703020.5	<0.01	<0.5	6	12		12	
MR12RC481	329725	6703023.6	<0.01	<0.5	16	12		13	
MR12RC485	328634.2	6703147.1	<0.01	0.7	11	91		950	
MR12RC486	328635.5	6703389.2	<0.01	0.5	8	26		52	
MR12RC487	328814.4	6702685.4	0.01	<0.5	7	18		54	
MR12RC488	328745	6702761	<0.01	<0.5	3	15		32	
MR12RC490	328747.3	6702759.4	<0.01	0.7	27	26		155	
MR12RC491	328605.3	6702774.1	<0.01	<0.5	10	26		31	
MR12RC493	328178.5	6702510.1	<0.01	0.6	115	109		117	
MR12RC494	328178.3	6702509.3	<0.01	<0.5	6	34		26	
MR12RC506	335460	6696462.9	<0.01	2	13	1730		19	
MR12RC017*	334331	6741823.6	<0.01	<0.5	4	<2		<2	
MR12RC175*	329580.2	6697168.6	<0.01	<0.5	20	27		56	
MR12RC174*	329579.8	6697170.1	<0.01	<0.5	138	18		58	
MR12RC173*	329581.3	6697169.8	<0.01	<0.5	79	11		43	

Table 2 Continued

Sample Number	Easting	Northing	Au	Ag	Cu	Pb		Zn	
			ppm	ppm	ppm	ppm	%	ppm	%
MR12RC046*	338296.7	6735710.3	<0.01	<0.5	55	9		14	
MR12RC014*	334786.4	6742050.9	<0.01	0.5	7	8		10	
MR12RC018*	334336.3	6741822.1	<0.01	<0.5	7	5		3	
MR12RC019*	333955.5	6742630.2	<0.01	<0.5	7	5		3	
MR12RC048*	338320.5	6735648.1	<0.01	<0.5	5	5		10	
MR12RC013*	334786.3	6742050.9	<0.01	<0.5	6	4		8	
MR12RC159*	328938	6699266.7	<0.01	<0.5	2	4		18	
MR12RC015*	334786.4	6742050.9	<0.01	<0.5	5	3		2	
MR12RC029*	335100.7	6738117.2	<0.01	<0.5	3	2		3	

(* = Geological sample – not targeting mineralisation)

End.

For further information, visit **www.cauldronenergy.com.au** or contact:

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Disclosure Statements

Analytical Method

Laboratory:- Australia Laboratory Services Pty Ltd (ALS)

Techniques used:

ME – ICP61 Four Acid "Near Total" Digestion for 33 elements (Inductively Coupled Plasma with both Atomic Emission Spectrometry and Mass Spectroscopy)

Au – AA25 Ore Grade Fire Assay Fusion

Re-assay of higher grade base metal results using OG62
Ag – OG62 All OG62 Assays are a Four Acid Digestion with ICP-AES finish (Inductively Coupled
Cu – OG62 Plasma – Atomic Emission Spectrometry) for Ore Grade material
Pb – OG62
Zn – OG62

Competent Person Statement

The information in this announcement to which this statement is attached that relates to Cauldron Energy Limited's exploration results is based on information compiled by Mr Brett Smith who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Smith is a full time employee of Cauldron Energy Limited and has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration. Mr Smith is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Smith consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.

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