CAULDRON ENERGY LTD

(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
Tony Sage

CHIEF EXECUTIVE OFFICER
Terence Topping

EXECUTIVE DIRECTOR
Brett Smith

NON-EXECUTIVE DIRECTOR
Qiu Derong

NON-EXECUTIVE DIRECTOR
Kent Hunter

COMPANY SECRETARY
Stephen Brockhurst

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STOCK EXCHANGE LISTING
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(Home Exchange: Perth, Western Australia)
Code: CXU

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PERTH WA 6000

DIRECTORS' REPORT

The directors of Cauldron Energy Limited submit their report, together with the financial statements of the "Consolidated Entity" for the financial year ended 30 June 2010.

1. INFORMATION ON DIRECTORS

The names and particulars of the directors of the Consolidated Entity during or since the end of the financial year are:

Tony Sage	Executive Chairman	
Qualifications	B.Bus, FCPA, CA, FTIA	
Experience	Mr Tony Sage has more than 25 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and was formerly a successful funds manager with Growth Equities Mutual for 13 years. In the past 13 years he has been involved in the management and financing of several listed exploration and mining companies including Gabriel Resources Ltd, Cape Lambert Iron Ore Ltd (formerly Hamill Resources Ltd), International Goldfields Ltd, NFX Gold Ltd and Global Iron Ltd. Mr Sage is currently also a director of ASX-listed companies Cape Lambert Iron Ore Ltd, International Goldfields Ltd, Global Iron Ltd and Tianshan Goldfields Ltd. Mr Sage is an astute businessman. In 2008 he was personally responsible for the sale of Cape Lambert's 1.56bt Australian magnetite project to the China Metallurgical Group Corporation for AUD$400 million. This sale returned AUD$100 million to shareholders, during the height of the global financial crisis. The remaining capital is currently being invested into the exploration and mining industry of Australia, providing a much needed financial stimulus during difficult economic times.	
Directorships of listed companies held within the last 3 years	Cape Lambert Resources Limited	December 2000 to present
	International Goldfields Limited	January 2006 to present
	Tianshan Goldfields Limited	February 2009 to present
	Corvette Resources Limited	February 2009 to present
	Fe Limited	August 2009 to present
	Global Iron Limited	October 2007 to present
Interest in Shares & Options	Fully Paid Ordinary Shares	5,594,600
	80 cent Options expiring 30 November 2011	500,000
	60 cent Options expiring 30 November 2011	500,000
Date appointed	4 June 2009	

DIRECTORS' REPORT (cont)

Terence Topping	Chief Executive Officer	
Qualifications	BAppSc, B Sc (Hons), Finsia	
Experience	Mr Topping is a geologist with over 15 years of experience in the management of listed public companies. Since 1985, he has gathered experience as an exploration geologist searching for gold, diamonds, base metals and uranium. Mr Topping was co-founder of Taipan resources NL, which listed as a gold-exploration company in 1993 and remained a director until June 2002. Mr Topping is currently a non-executive director of Goldminco Corporation, a Toronto Stock Exchange-VE listed gold and base metals exploration company. Mr Topping's corporate exposure to North America has been invaluable in Cauldron's dealings with investors and financial institutions in that region.	
Interest in Shares & Options	Fully Paid Ordinary Shares 80 cent Options expiring 30 November 2010 80 cent Options expiring 30 November 2011 60 cent Options expiring 30 November 2011	4,526,031 1,000,000 500,000 500,000
Date appointed	21 November 2002	
Brett Smith	Executive Director	
Qualifications	B.Sc(Geol), M.AusIMM MAIG.	
Experience	Mr Smith had acquired over 20 years of experience in the mining and exploration industry as a geologist, manager, consultant and director. His industry experience is broad, dominated by exploration and resource definition for mining operations. He is currently Chairman of Australian junior energy company, Blackham Resources Ltd. Mr Smith is primarily responsible for Cauldron's strategic move into Argentina. In 2007 Mr Smith was part of the Blackham Resources board that secured AUD$40M in standby equity, at the height of the worldwide "sub-prime" financial crisis, for the tender on a large Russian coking coal project. Although this tender was unsuccessful, the equity raising brought together financial investors from Australia, Britain and Russia. To this day Blackham is the only Australian company to have ever received a qualified bidder status in Russia.	
Directorships of listed companies held within the last 3 years	Blackham Resources Limited Jacka Resources Limited	July 2007 to present October 2009 to present
Interest in Shares & Options	Fully Paid Ordinary Shares 80 cent Options expiring 30 November 2011 60 cent Options expiring 30 November 2011	11,844 500,000 500,000
Date appointed	4^{th} June 2009	

DIRECTORS' REPORT (cont)

Kent Hunter	Non-Executive Director
Qualifications	B.Bus CA
Experience	Mr Hunter is a Chartered Accountant with over 20 years' corporate and company secretarial experience. He has been involved in the listing of over 20 junior gold and mineral exploration companies on ASX in the past 10 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently the managing director of Red Emperor Resources NL and non-executive director of Cazaly Resources Limited, and is company secretary of three other ASX listed entities. Due to his extensive participation in the creation of new companies in Australia, Mr Hunter has very strong links to financial houses, funds and institutions throughout Australia.

Directorships of listed companies held within the last 3 years	Cazaly Resources Limited	August 2003 to present
	Red Emperor Resources NL	August 2007 to present
	Gryphon Minerals Limited	January 2004 to November 2008
	Elixir Petroleum Limited	March 2004 to November 2007
	Venture Minerals Limited	May 2006 to July 2008
Interest in Shares & Options	Fully Paid Ordinary Shares	4,020,027
	80 cent Options expiring 30 November 2010	500,000
	80 cent Options expiring 30 November 2011	300,000
	60 cent Options expiring 30 November 2011	300,000
Date appointed	21 November 2002	

Qiu Derong	Non-Executive Director
Experience	Mr Qiu is a highly experienced industrialist with more than 25 years experience in the architecture, construction and real estate industries in China as well as over 15 years of experience in the management of enterprises and projects throughout the country. Mr Qiu has a MBA obtained from the Oxford Commercial College, a joint program operated by Oxford University in China. Mr Qiu is currently an executive chairman of Shanghai Yizhao Investment Group Co. Ltd, Tianjin Yizhao Investment Group Co. Ltd and Panda Investment LLC in the USA. Since 2007 Mr Qiu has successfully invested in a range of projects and companies with exploration and mining assets throughout China, including those with exposure to copper, gold, coal and iron ore.

Interest in Shares & options	Fully Paid Ordinary Shares	5,400,000
	50 cent Options expiring 30 November 2011	1,800,000
Date appointed	6 November 2009	

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

DIRECTORS' REPORT (cont)

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this director's report, on pages 14 to 15.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Stephen Brockhurst (B. Com)

Mr Brockhurst is an Accountant with 12 years experience including corporate advisory and company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst was a Director and Company Secretary of Bannerman Resources Limited from incorporation to July 2007 and Ironbark Gold Limited to August 2007 and is currently Company Secretary of Monitor Energy Limited. Mr Brockhurst is currently a Director of Stirling Minerals Limited, Red Emperor Resources NL and Jacka Resources Limited.

2. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTVITIES

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

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

3. OPERATING RESULTS

The loss of the Consolidated Entity after providing for income tax amounted to $7,494,321 (2009: $2,082,276).

4. REVIEW OF OPERATIONS

Cauldron is a leading Australian uranium exploration company which retains an experienced board of directors and management team, with proven success in the resources sector.

Cauldron controls over 17,000 km^2 of uranium prospective tenements across three states in Australia and large projects with defined uranium mineralisation in Argentina This allows for diversification not only geologically but also with regard to differing political sentiment and policy within each region towards uranium exploration and mining.

Exploration of these 100% owned projects continued in the financial year with drilling completed in all three states.

CORPORATE

During December 2009 the company announced a capital raising of $10 million from Chinese investors. The investment in Cauldron was made by Chinese industrialists Mr Qiu Derong and Mr Qiu Dekang, principals of Shanghai Yizhao Investment Group Co Limited.

The investment by Mr Qiu Derong and Mr Qiu Dekang occured in two tranches. $7 million via a Convertible Note facility and $3 million via a Placement.

DIRECTORS' REPORT (cont)

Placement
The first tranche, by way of a Placement, has seen Cauldron place a total of 6 million shares at an issue price of $0.50 per share, to raise $3 million. These shares were issued pursuant to shareholder approval obtained at the Company's Annual General Meeting on 24 November 2009. There is also a free attaching option to subscribe for Shares on the basis of one option for every three Shares subscribed for. The Options are exercisable at $0.50 on or before 30 November 2011.

Convertible Note Facility
Under the terms of the agreement, the Convertible Note holders have the right before the repayment date of 31 July 2012 to convert the Note into ordinary shares in Cauldron, subject to the receipt of all necessary regulatory approvals (if any) including from Cauldron shareholders. The conversion price will be $0.50 with a coupon rate of 10%.

The company has received the full amount of the convertible note by January 2010.

Board appointment
In light of the significant investment by the Chinese investors, the Cauldron board unanimously agreed to the appointment of Mr Qiu Derong as a Non Executive Director. Mr Qiu is a highly experienced industrialist with more than 25 years experience in the architecture, construction, real estate industries in China and with over 15 years of experience in the management of enterprises and projects throughout the country.

Asset sales and restructure
During October 2009 Cauldron finalised a Share Sale Agreement with Buka Gold Ltd (ASX: BKG) (since renamed Fe Limited (ASX: FEL)), whereby Buka has acquired 100% ownership of Cauldron's subsidiary Jackson Minerals as well as ownership of Cauldron's interest in other non-uranium exploration projects, as listed below. The cash/script deal, valued at approximately $1 million, has seen Cauldron become a major shareholder of Buka, with approximately 13% of the issued stock.

The assets owned by Cauldron that were transferred to Buka under the Agreement include:

- Kalgoorlie Regional Gold Project
- Crossroads Gold Project
- Kalgoorlie Nickel Project
- Peak Hill Project
- Northcote Gold Project
- Mt Elvire Project
- Bardoc Project
- Bungalbin JV

During the March quarter Cauldron and Eclipse Uranium Ltd ("Eclipse") signed a Deed of Option which grants Eclipse an option to acquire four (4) granted Exploration Licenses and five (5) Exploration License applications currently held by Cauldron Energy in the Northern Territory.

The key project within this portfolio is the Eclipse Project, which consists of three (3) granted Exploration Licenses and three (3) Exploration License applications covering 5,438 km^2 of the Ngalia Basin, prospective for sandstone and calcrete hosted uranium mineralisation.

Settlement of the acquisition of Cauldron's tenements by Eclipse is subject to Eclipse being granted permission to list its securities on ASX.

Once the Option is exercised by Eclipse and the conditions under the agreement are met, including being accepted to the official list of ASX, Cauldron will be issued 25,000,000 shares in Eclipse and therefore will hold between 29% and 33% of Eclipse at time of listing (depending on amount raised via IPO).

DIRECTORS' REPORT (cont)

PROJECT INFORMATION

Yanrey Uranium Project, WA. (100%)

The Yanrey project is situated 85 km to the south of Onslow and covers sediments that are highly prospective for sandstone hosted roll front uranium mineralisation, similar to that at the adjacent Manyingee Uranium Deposit (Paladin Resources Ltd, ASX code PDN), which was successfully field trialed by In-situ Recovery (ISR) mining during the 1980's. Exploration by the Company has outlined an Inferred Resource of 2,200 tonnes (4.8 million lb) at 300 ppm eU3O8 at Bennett Well. On 15 September 2009, the Company announced an initial exploration target for the Yanrey Project of 25 to 35 million pounds of U3O8 at a grade of 300 to 900 ppm.

Work conducted by the Company indicates that the project contains at least eleven favourable palaeochannels targets, including five (5) newly discovered mineralised palaeochannels. These are all close to known uranium resources at Bennet Well and Manyingee and include potential extensions in palaeochannels leading from those resources. In addition to these targets, the company believes it has over 90 km^2 of untested prime target areas which are favourable for uranium mineralisation. Target generation and program planning has continued through the year with a 4,000 metre drilling program completed in the September quarter 2010.

Lake Frome Uranium Project, SA

The Company has ten granted Exploration Licences covering four project areas in the Lake Frome region of South Australia. The Frome Embayment is host to the Beverley Uranium Mine which has a resource of 21,000t U3O8, the Honeymoon and Goulds Dam uranium deposits of 2,900t and 2,000t U3O8 respectively and the Beverley Four Mile deposit of 32,000t U3O8 held by Heathgate Resources and Alliance Resources. Exploration by the company continued during the year with broadly spaced drilling at the Marree Project in October 2009 identifying anomalous uranium mineralisation over an area of 12km by 4km. The drilling returned a peak result of 245 ppm eU3O8 with anomalous mineralisation intersected over broad zones of up to 20 metres.

On 20 October 2008 the company announced it had entered into a Farm-In and Joint Venture Agreement with a Korean Consortium to jointly explore, drill and develop its highly prospective Marree Uranium Project. Under the agreement, the Korean Participants are entitled to earn up to an aggregate 50% interest in the joint venture by funding $6,200,000 in expenditure on the project licences within three years.

Exploration drilling completed during the first year of the JV identified anomalous uranium mineralisation over 12 km across widths up to 4 km at the Blanchewater prospect. Drilling returned a number of significant results, including 0.60 metres at 180 ppm eU3O8, up to a peak of 245 ppm in hole MAMR052, along with significant widths (up to 20 m) of anomalous uranium in variably reduced and oxidised lignitic sandstones and clays. This work has highlighted the potential of the Project to be a fertile environment for uranium deposition. Exploration of the JV area in now entering its second year with further drilling planned for October 2010.

Rio Colorado Uranium Project, Argentina (CXU earning 92.5%)

Cauldron through its wholly owned subsidiary, Jackson Global Limited, has the right to earn 92.5% of the Rio Colorado uranium-copper-silver Project in Catamarca, the main mining province of Argentina.

The Rio Colorado Project comprises 762 km^2, containing a 16 km long zone of outcropping mineralised (uranium, copper and silver) continental red bed sandstones. Extensive surface sampling of uranium mineralised outcrop indicates ore zones 10-20 metres wide, including zones between 300 to 3000 ppm U3O8 over widths up to 10.7metres. Mapping and sampling at the northern end of the mineralised sandstones indicates continuity over at least 5 km, which remains open to the south.

DIRECTORS' REPORT (cont)

The Company is currently undertaking negotiations for the commencement of a 3,000 metre drilling program. Completion of this drilling will earn Cauldron its initial 51% interest in the project and trigger the commencement of an earn-in period that will see the Company acquire 92.5% of the project.

Las Marias Uranium Project, Argentina (100%)

The Las Marias Project covers 660 km^2 in the province of San Juan and includes areas of historical uranium exploration, dating from the 1970's. Outcropping uranium mineralisation occurs within strata bound sandstones, over 7 km of strike and is conformable with the local stratigraphy. Radiometric anomalism suggests that the mineralised units extend under cover. Initial investigations by the company, indicates an average uranium anomalism of between 100 to 550 ppm eU3O8 up to three metres in width.

Amadeus Project, NT (100%)

The Amadeus project comprises three granted exploration licenses covering 1,469 km^2 in the Amadeus Basin, adjacent to the Pamela and Angela uranium deposits. The company completed a first pass 3,900m drilling program of the Orange Creek prospect in August 2008, intersecting significant uranium mineralisation over 9 km of a regional redox front.

Eclipse Uranium Project, NT (100%)

The Eclipse Uranium Project is comprised of four granted exploration licences and three licence applications covering 5,646 km^2 in the Ngalia Basin, 250 km north-west of Alice Springs. The basin was the centre of active uranium exploration during the 1970's and early 1980's, with the focus on roll front uranium mineralisation within the Mount Eclipse Sandstone and carnotite mineralisation within recent surficial and near surface calcrete horizons. A number of significant uranium occurrences and deposits are located within the basin including the Bigrlyi Uranium deposit, 10,590t U3O8 owned by Energy Metals Limited and the New Well deposit owned by Deep Yellow Ltd. The Project is prospective for sandstone hosted and near surface calcrete uranium mineralisation.

During the year the company became involved in the Joint Systems Uranium (JSU) Ngalia Basin Project being conducted by the CSIRO. The project, a collaboration between, CSIRO, the NT and SA governments and fellow uranium explorers Thundelarra Exploration Ltd. (ASX: THX) and Energy Metals Ltd. (ASX: EME) aims to identify the geological, structural, mineralogical, alteration and fluid flow characteristics of uranium mineralisation within the Ngalia basin. The project will be funded by all parties and is expected to provide a robust understanding and framework that will drive future uranium exploration and mineralisation discoveries in the area. The 18 month project formally commenced during December 2009.

Adelaide River Project, NT (100%)

The Adelaide River Project comprises one exploration licence, covering 184 km^2, approximately 100 km south of Darwin. The project is prospective for vein hosted uranium mineralisation within sediments of the Pine Creek Orogen. An airborne radiometric/magnetic survey completed by the company has identified a number of uranium targets that will be the focus of the company's exploration during the coming year.

Boolaloo Project , WA (100%)

The Boolaloo Project which covers 1,700 km^2, is located in the Pilbara region of Western Australia and contains the newly discovered Minga Bore copper, lead, silver and gold prospect. Drilling, surface sampling and prospecting have continued to confirm the existence of a large mineralised system, in what is believed to be a new mineral province.

DIRECTORS' REPORT (cont)

Visible copper mineralisation at the prospect is extensive, over widths not previously identified at Boolaloo. Malachite rich sandstones and quartz breccias have returned results of between 1.48% and 20.3% copper. Outcrops of massive chalcocite and malachite (for example 0.5 to 1m wide zones marginal to quartz veining) have returned between 16.2% and 49.7% copper. The average result for all samples is 12.7% copper. Accessory metals detected include silver up to 3.41 oz/t, averaging 0.5 oz/t; and lead up to 6.12%, averaging 0.34%.

Defined gold mineralisation in the region is associated with radiometric (uranium) anomalism and provides encouragement for an IOCG deposit style target.

Wallbrook Gold Resources, WA (Production Royalty)

The Wallbrook Gold Resources formed part of the company's SLTZ Project. In 2007 these resources were sold to Saracen Mineral Holdings Limited, who own and operate the Carosue Gold Plant, immediately to the south of the resource area.

As part of this sale, on the commencement of mining at Wallbrook, Cauldron will receive 5 million Saracen shares (ASX code SAR) and a $1/tonne royalty for the first two million tonnes mined from the project. Saracen has obtained financing for the recommissioning the Carosue mill, and is expected to commence production early in 2010.

Northcote Project, QLD (15% - free carried to DTM)

The Northcote Project in far north Queensland contains a combined measured, indicated and inferred resource of 195,000 ounces of gold and 8,000 tonnes of antimony (as detailed by Republic Gold, 30 June, 2008).

5. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR

The Consolidated Entity intends to continue its focus on the uranium sector, and to provide shareholders exposure to the sector through exploration, and project generation.

As exploration progresses the Consolidated Entity may decide to add projects to or divest projects from its current portfolio.

6. SIGNFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial year:

On 15 July 2009, the Consolidated Entity issued 6,108,612 ordinary fully paid shares at $0.15 (of an anticipated issue of 15,333,333 ordinary fully paid shares) pursuant to the conversion terms of the convertible note issued to Dempsey Resources Limited on the 29 December 2008. The remaining 9,224,721 ordinary fully paid shares were issued on 30 November 2009 after the receipt of shareholder approval.

On 13 August 2009 the Consolidated Entity completed the convertible note agreement with Dempsey Resources Pty Ltd ("Dempsey") and other sophisticated investors raising $1.9 million. Under the terms of the agreement, Dempsey has the right before the repayment date of 31 July 2012 to convert the note into ordinary shares in the Consolidated Entity. The conversion price will be $0.50 and an interest rate of 10% pa will be paid on the convertible note.

On 26 November 2009, the Consolidated Entity subsequently disposed of 100% of its interest in Jackson Minerals Limited. The proceeds on disposal of $1,170,386 were received partially in deferred cash of $250,000 and partially in shares of $920,386.

On 9 December 2009 the Consolidated Entity received the first tranche of a $10 million Chinese investment via a placement of 6 million shares at an issue price of $0.50 per share, to raise $3 million. The second tranche of $7 million was completed via a convertible note facility. On 8 January 2010, the Consolidated Entity received $2 million as part of the second tranche, and on 8 February 2010 received the final $5 million.

DIRECTORS' REPORT (cont)

On 5 March 2010 the Consolidated Entity announced its intention to divest its non-core uranium assets held in the Northern Territory of Australia via a spin-out into a new Initial Public Offering ("IPO"), Eclipse Uranium Ltd ("Eclipse"). The agreement between Cauldron and Eclipse is subject to Eclipse being granted permission to list its securities on the ASX before 31 July 2010. The divestment will deliver to Cauldron a significant share holding of 25,000,000 shares and board representation in a cashed-up entity that has the sole focus of exploring and developing uranium exploration ground in the Northern Territory.

On 30 April 2010 the Consolidated Entity commenced a drilling program and has identified a number of target areas at its Marree Uranium JV Project in South Australia. The drilling will target the south-east side of the project, Spring Creek, as a region favourable for high-grade uranium mineralisation, similar in style to the world class uranium deposits at Beverley and Beverley Four Mile.

On 14 May 2010 the Consolidated Entity commenced drilling at its Las Marias uranium project, located in the province of San Juan, Argentina, the first drill program at the project by the Consolidated Entity.

On 25 June 2010 the Consolidated Entity announced that it has extended the closing date for the acceptance of applications for the capital raising for Eclipse to 5 July 2010. Eclipse has also advised that it has exercised its option to purchase a number of tenements including 4 exploration licences and 5 exploration licence applications.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

7. SUBSEQUENT EVENTS

On 16 July 2010 the Consolidated Entity announced that Eclipse has resolved to keep its IPO Prospectus open for a further period. Eclipse also announced that it has had 3 of its exploration licence applications in the Northern Territory granted.

On 21 July 2010 the Consolidated Entity announced that it had extended and enhanced the uranium discovery made by itself in October 2009 at its Marree Uranium Project in South Australia.

On 17 August 2010 the Consolidated Entity announced that it has identified significant new uranium targets at its Yanrey Uranium Project in Western Australia.

On 26 August 2010 the Consolidated Entity announced a pro-rata non-renounceable entitlement offer of up to 8,872,408 options on the basis of 1 option for every 10 shares held on the record date of 6 September 2010.

On 30 August 2010 the Consolidated Entity announced it had entered into a Farm-in and Joint Venture agreement with Uranium Equities Limited ("UEL") whereby UEL will fund $5 million of exploration expenditure at the West Lake Frome Uranium Project in South Australia.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

DIRECTORS' REPORT (cont)

8. FUTURE DEVELOPMENTS

The Consolidated Entity will continue its mineral exploration and development activity at and around its exploration projects with the object of commercialising its resources.

9. ENVIRONMENTAL ISSUES

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of the development, the directors have determined that the NGER Act will have no effect on the company for neither the current, nor subsequent financial year. The director will reassess this position as and when the need arises.

10. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

11. SHARES UNDER OPTION

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

Grant Date	Exercise Price	Number of Shares	Expiry Date
22 December 2005	$0.30	300,000	22 December 2010
8 November 2006	$0.61	900,000	31 October 2011
26 March 2008	$0.85	100,000	26 March 2012
12 December 2008	$0.80	4,000,000	30 November 2010
7 August 2009	$ 1.50	86,667	31 May 2011
7 August 2009	$ 1.65	33,333	31 May 2011
7 August 2009	$ 3.75	106,667	27 November 2010
30 November 2009	$0.60	2,900,000	30 November 2011
30 November 2009	$0.80	2,000,000	30 November 2011
26 March 2010	$0.50	2,000,000	30 November 2011

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

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

During the year ended 30 June 2010 there were no issues of ordinary shares as a result of the exercise of options

12. INDEMNITY AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the *Corporations Act 2001* every Officer, auditor or agent of the Consolidated Entity shall be indemnified out of the property of the Parent Entity against any liability incurred by him in his capacity as Officer, auditor or agent of the Parent Entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

DIRECTORS' REPORT (cont)

13. MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year and the number of meetings attended by each director were as follows:

Director	Directors Meetings Number Eligible to Attend	Directors Meetings Meetings Attended	Remuneration Committee Number Eligible to Attend	Remuneration Committee Meetings Attended
Tony Sage	2	2	-	-
Terence Topping	2	2	1	1
Brett Smith	2	2	-	-
Qiu Derong	1	1	-	-
Kent Hunter	2	2	1	1

The Consolidated Entity does not have a formally constituted audit committee as the board considers that the Consolidated Entity's size and type of operation do not warrant such a committee.

14. AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and is included on page 17 of the annual report.

15. FINANCIAL POSITION

The net assets of the Consolidated Entity have decreased by $1,696,175 from $13,164,965 at 30 June 2009 to $11,468,790 at 30 June 2010 largely as a result of:

- The disposal of Jackson Minerals limited and it's subsidiaries whereby net assets of $3,570,240 were disposed of; and
- The take up of convertible notes during the year totalling $6,700,000 (net).

The cash position of the Consolidated Entity during the year has increased by $4,766,220 from $364,819 at 30 June 2009 to $5,131,039 at 30 June 2010. The increase in cash is due to $10 million received via capital raising from Chinese investors.

The Parent Entity maintains a strategy of adding value through exploration and acquisition of mineral properties, with a view to finding a sound financially attractive development opportunity as soon as possible.

Future funding sources will depend on both exploration success for each project as well as divestment and acquisition decisions.

16. REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cauldron Energy Limited's directors for the financial year ended 30 June 2010. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details
- Remuneration policy
- Company Performance, shareholder wealth and directors' and executives' remuneration
- Remuneration of directors
- Employment contracts of directors and executives

DIRECTORS' REPORT (cont)

16. REMUNERATION REPORT (continued)

DIRECTOR DETAILS

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

Tony Sage	*Executive Chairman*
Terence Topping	*Chief Executive Officer*
Brett Smith	*Executive Technical Director*
Kent Hunter	*Non-Executive Director*
Qiu Derong	*Non-Executive Director (Appointed 6 November 2009)*

REMUNERATION POLICY

The remuneration policy of Cauldron Energy Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Cauldron Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Consolidated Entity, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

Further options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Consolidated Entity and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes option pricing model.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing director in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Consolidated Entity.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND EXECUTIVES' REMUNERATION

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by the issue of shares to the majority of the directors and executives to encourage the alignment of personal and shareholder interest.

DIRECTORS' REPORT (cont)

16. REMUNERATION REPORT (continued)

REMUNERATION OF DIRECTORS

Details of the nature and amount of emoluments of each director are as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENTS		TOTAL
	Salary, Fees & Leave	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$
Directors								
Tony Sage – Executive Chairman								
2010	120,000	-	-	-	-	288,000	127,743	535,743
2009	-	-	-	-	-	-	-	-
Terence Topping – Chief Executive Officer (i)								
2010	210,000	-	-	18,900	-	-	127,743	356,643
2009	231,000	-	-	-	-	-	-	231,000
Brett Smith – Executive Technical Director								
2010	200,373	-	-	17,057	-	-	127,743	345,173
2009	11,640	-	-	1,048	-	-	-	12,688
Kent Hunter – Non Executive Director (ii)								
2010	60,000	-	-	5,400	-	-	76,646	142,046
2009	60,000	-	-	5,400	-	-	-	65,400
Qiu Derong – Non Executive Director (iv)								
2010	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
Stephen Brockhurst – Company Secretary (ii)								
2010	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
Andrew McBain – Non Executive Director (iii)								
2010	-	-	-	-	-	-	-	-
2009	50,000	-	-	4,500	-	-	-	54,500
Nadaisan Logaraj – Non Executive Director (iii)								
2010	-	-	-		-	-	-	
2009	53,375	-	-	4,500	-	-	-	57,875
Total Remuneration Directors								
2010	590,373	-	-	41,357	-	288,000	459,875	1,379,605
2009	406,015	-	-	15,448	-	-	-	421,463

i) In 2009, an aggregate amount of $231,000 was paid, or was due and payable to Kingswave Nominees Pty Ltd, a company controlled by Mr Terence Topping, for the provision of directorship and geological services to the Consolidated Entity.

ii) An aggregate amount of $155,711 (2009: $88,966) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter and Mr Stephen Brockhurst, for the provision of company secretarial services and corporate compliance to the Consolidated Entity.

iii) Mr Andrew McBain and Mr Nadaisan Logaraj resigned as Non Executive Directors on 4 June 2009.

iv) Mr Qiu Derong was appointed as a Non Executive Director on 6 November 2009.

v) There were no long term benefits paid to the directors during the year (2009: nil).

CAULDRON ENERGY LTD

DIRECTORS' REPORT (cont)

16. REMUNERATION REPORT (continued)

Percentage of remuneration represented by options

	%
Tony Sage	27
Terence Topping	45
Brett Smith	50
Kent Hunter	30
Qiu Derong	0

Performance related Bonuses and Share Based Payments

	Remuneration type	No. granted	Grant date	Grant Value $	Reason for grant	No. vested	% vested /paid during year	% forfeited during year	Percentage remaining as unvested %	Expiry date for vesting
Tony Sage	Options	500,000	30 Nov 2009	$300,000	(a)	-	-	-	100%	30 Nov 2011
Terence Topping	Options	500,000	30 Nov 2009	$300,000	(a)	-	-	-	100%	30 Nov 2011
Brett Smith	Options	500,000	30 Nov 2009	$300,000	(a)	-	-	-	100%	30 Nov 2011
Kent Hunter	Options	300,000	30 Nov 2009	$180,000	(a)	-	-	-	100%	30 Nov 2011
Tony Sage	Options	500,000	30 Nov 2009	$400,000	(a)	-	-	-	100%	30 Nov 2011
Terence Topping	Options	500,000	30 Nov 2009	$400,000	(a)	-	-	-	100%	30 Nov 2011
Brett Smith	Options	500,000	30 Nov 2009	$400,000	(a)	-	-	-	100%	30 Nov 2011
Kent Hunter	Options	300,000	30 Nov 2009	$240,000	(a)	-	-	-	100%	30 Nov 2011
Tony Sage	Shares	600,000	30 Nov 2009	$288,000	(b)	-	100	-	-	-

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

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

17. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

DIRECTORS' REPORT (cont)

18. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Consolidated Entity's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2010.

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

Terence Topping
Chief Executive Officer

PERTH
Dated this 29th day of September 2010

Bentleys
Thinking ahead

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To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Cauldron Energy Limited and Controlled Entities for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS	**RANKO MATIC CA**
Chartered Accountants	**Director**

DATED at PERTH this 29th day of September 2010

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Thinking ahead

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& Corporate (WA) Pty Ltd
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Independent Auditor's Report

To the Members of Cauldron Energy Limited

We have audited the accompanying financial report of Cauldron Energy Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of Cauldron Energy Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the Company and the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2010. The directors of Cauldron Energy Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Cauldron Energy Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC CA
Director

DATED at PERTH this 29th day of September 2010

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at asx.com.au/supervision/governance/index.htm.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Company's Code of Conduct is located on its website (www.cauldronenergy.com.au).

1.2 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

CORPORATE GOVERNANCE (cont)

- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is located on its website (www.cauldronenergy.com.au).

1.3 Remuneration Committee

1.3.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Remuneration Committee comprises Mr K Hunter, Mr T Topping and Mr S Brockhurst.

1.3.2 Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

1.4 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 8 September 2009. The Board resolved that given the Australian and International economic climate, it was not appropriate to consider amendment to the current remuneration structure. The Board further resolved to address the current remuneration strategy as and when appropriate.

1.4.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

There are no retirement benefits for senior executives.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

CORPORATE GOVERNANCE (cont)

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

1.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Board recognises that the following criteria are not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another group member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company and its affairs.

CORPORATE GOVERNANCE (cont)

- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Company and the Independent Director must ensure that materiality thresholds are not breached.

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

2.2 Role of the Chairman and CEO

As per recommendation 2.3 the roles of chair and chief executive officer in Cauldron Energy Limited are not exercised by the same individual and their separate roles and responsibilities were agreed by the board and set out in a statement of authority.

Mr T Sage was appointed as Executive Chairman and is responsible for leadership of the board and for the efficient organisation and conduct of the board's functioning. Mr T Sage facilitates the effective contribution of all directors and promotes constructive and respectful relations between directors.

Mr T Topping was appointed as Chief Executive Officer and is responsible for:

- Developing with the Board, a consensus for Cauldron Energy Limited's vision and direction;
- Constructing with Board, programs to implement this vision;
- Negotiating the terms and conditions of appointment of key personnel for Board approval;
- Appointing key personnel;
- Conducting the remuneration review of all direct reports with the outcome being subsequently presented to the Remuneration and Nomination Committee for its consideration, endorsement and recommendation for adoption by the Board;
- Subject to endorsement by the Remuneration and Nominations Committee of the quantum of the general increase to apply to senior executives, carrying out the review on an individual basis.
- Approving the terms and conditions of appointment of all other staff members;
- Providing strong leadership to, and effective management of, the Company in order to:
  - encourage cooperation and teamwork;
  - build and maintain staff morale at a high level; and
  - build and maintain a strong sense of staff identity with, and a sense of allegiance to, the Company.
- Ensuring the Company has appropriate risk management processes for ensuring that it complies with laws and regulations relating to safety, health and environment delivering safe workplace for all personnel;
- Ensuring a culture of compliance generally, and specifically in relation to share trading and financial risk management policies;
- Carrying out the day-to-day management of the company;
- Forming other committees and working parties from time to time to assist in the orderly conduct and operation of the company;
- Keeping the Board informed, at an appropriate level, of all activities of the Company; and
- Ensuring that all personnel act with the highest degree of ethics and moral integrity.

CORPORATE GOVERNANCE (cont)

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. As the whole Board only consists of five (5) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role. Matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all Directors, who are experienced public company Directors.

2.4 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least two Directors with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience. The Company's Director Selection Procedure is located on its website (www.cauldronenergy.com.au).

2.5 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was introduced via the Board Charter first adopted on 25 September 2004 and has since been re-adopted by the Board on 8 September 2009. It will be implemented for the financial year ended 30 June 2010. A performance evaluation of senior executives was undertaken during the financial year ended 30 June 2010 in accordance with the Board Charter. The objective of this evaluation is to provide ongoing best practice corporate governance to the Company. The Company's Performance Evaluation Policy is located on its website (www.cauldronenergy.com.au).

2.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 Company Code of Conduct

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Company is committed to:

- applying the company's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

The Board through the Chief Executive Officer monitors the company's compliance with the Code of Conduct periodically. The Code of Conduct was reviewed and re-adopted by the Board on 8 September 2009 to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

CORPORATE GOVERNANCE (cont)

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the company policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Company. If a situation where a conflict of interest arises the Managing Director is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Any breach of Corporate Governance is to be reported directly to the Managing Director.

3.1.1 Corporate Responsibility

The company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.
A copy of the Company's Code of Conduct is available on the Company's website (www.cauldronenergy.com.au).

3.2 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles. The Code of Conduct addresses the maintenance of the confidence in the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The Company's Code of Conduct is located on its website (www.cauldronenergy.com.au).

3.3 Trading in Company Shares

On 8 September 2009 the Board reviewed and re-adopted its Share Trading Policy. The Board periodically reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations under to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met. The Company's Share Trading Policy is located on its website (www.cauldronenergy.com.au).

3.4 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

CORPORATE GOVERNANCE (cont)

3.5 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

3.6 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

3.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

The Audit Committee consists of three members, and is chaired by the, Mr K Hunter. The Audit Committee Charter sets out its role, responsibilities and membership requirements. The Charter reflects the matters set out in the commentary and guidance for Recommendation 4.3.

For information on the skills, experience and expertise of the Audit Committee members, refer to the Directors' Report.

Details of the members and their attendance at meetings of the Audit Committee are included in the Directors' Report.

The Company is at variance with Recommendation 4.2 in that the Audit Committee does not consist only of non-executive directors or a majority of independent directors and is not chaired by an independent chairman. The Board considers that this composition is appropriate given the current size of the Company. Furthermore, the Board considers that the Audit Committee is of a sufficient size and possesses sufficient technical expertise to discharge its mandate effectively.

Below is a summary of the role and responsibilities of an Audit Committee.

4.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Audit Committee comprises Mr K Hunter, Mr T Topping and Mr S Brockhurst.

Additionally, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

4.1.2 Audit Committee Charter

The Audit Committee has adopted a Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Audit Committee refers to the Charter to ensure they are meeting all the requirements otherwise delegated to an audit committee. A copy of the Audit Committee Charter is available on the Company's website (www.cauldronenergy.com.au).

4.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.
The Audit Committee each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

CORPORATE GOVERNANCE (cont)

4.1.4 External Auditor

The Board has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Company's website (www.cauldronenergy.com.au).

4.2 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. The Board sets aside time at meetings to discuss any risk management issues and Directors are encouraged to give priority to such issues.

In developing its risk management policies, the Board has taken into consideration any legal obligations and the reasonable expectations of its stakeholders in relation to risk management. The Chair is accountable to the Board for effective risk management. The Board undertakes to review the management of material business risks at least annually.

On 29 September 2010 Mr T Topping (Chief Executive Officer) and Mr S Brockhurst (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company's Continuous Disclosure Policy is located on its website (www.cauldronenergy.com.au)

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information. The Company's Shareholder Communication Policy is available on the Company's website (www.cauldronenergy.com.au).

CORPORATE GOVERNANCE (cont)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Risk Management Policies

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company has established a risk register and assessment procedure which is tabled at each board meeting and any change in risk elements are identified and discussed. In addition, the Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment.

The Company's risk management strategy was formally reviewed and re-adopted by the Board on 8 September 2009 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website (www.cauldronenergy.com.au).

7.2 Attestations by CEO and CFO

It is the Board's policy, that the CEO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

8.1.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Remuneration Committee comprises Mr K Hunter, Mr T Topping and Mr S Brockhurst.

8.1.2 Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

CORPORATE GOVERNANCE (cont)

8.2 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 8 September 2009. The Board resolved that given the Australian and International economic climate, it was not appropriate to consider amendment to the current remuneration structure. The Board further resolved to address the current remuneration strategy as and when appropriate.

8.2.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

There are no retirement benefits for senior executives.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

8.2.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation. There are no retirement benefits for Non-Executive Directors.

8.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report. The Company's Remuneration Statement is located on its website (www.cauldronenergy.com.au).

Principle / Recommendation	**Requirement**	**Compliance**	**Reference**
Principle 1	**Lay Solid Foundations for Management and Oversight**		
Recommendation 1.1	Functions of the Board and Senior Executives	Yes	1.1, 1.2, Website
Recommendation 1.2	Performance Evaluation of Senior Executives	Yes	1.4
Recommendation 1.3	Reporting on Principle 1	Yes	1.1, 1.2, Website
Principle 2	**Structure the Board to Add Value**		
Recommendation 2.1	Independent Directors	No	2.1
Recommendation 2.2	Independent Chair	No	2.1

CORPORATE GOVERNANCE (cont)

Recommendation 2.3	Role of the Chair and CEO	Yes	2.3, Website
Recommendation 2.4	Establishment of Nomination Committee	No	2.3
Recommendation 2.5	Performance Evaluation Process	Yes	2.5, Website
Recommendation 2.6	Reporting on Principle 2	Yes	2.1,2.3,2.5, Website
Principle 3	**Promote Ethical and Responsible Decision Making**		
Recommendation 3.1	Directors' and Senior Executives' Code of Conduct	Yes	3.1, Website
Recommendation 3.2	Company Security Trading Policy	Yes	3.3, Website
Recommendation 3.3	Reporting on Principle 3	Yes	3.1, 3.2, 3.3, Website
Principle 4	**Safeguard Integrity in Financial Reporting**		
Recommendation 4.1	Establishment of Audit Committee	Yes	4.1
Recommendation 4.2	Structure of Audit Committee	Yes	4.1.3
Recommendation 4.3	Audit Committee Charter	Yes	4.1.2, Website
Recommendation 4.4	Reporting on Principle 4	Yes	4.1, 4.1.1, 4.1.2, 4.1.3, Website
Principle 5	**Make Timely and Balanced Disclosure**		
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	Yes	5.1, Website
Recommendation 5.2	Reporting on Principle 5	Yes	5.1, Website
Principle 6	**Respect the Rights of Shareholders**		
Recommendation 6.1	Communications Strategy	Yes	6.1, Website
Recommendation 6.2	Reporting on Principle 6	Yes	6.1, Website
Principle 7	**Recognise and Manage Risk**		
Recommendation 7.1	Policies on Risk Oversight and Management of Material Business Risks	Yes	7.1, Website
Recommendation 7.2	Attestations by CEO and CFO	Yes	7.2
Recommendation 7.3	Risk Management and Internal Control	Yes	7.1, Website
Recommendation 7.4	Reporting on Principle 7	Yes	7.1, Website
Principle 8	**Renumerate Fairly and Responsibly**		
Recommendation 8.1	Establishment of Remuneration Committee	Yes	8.1, 8.3, Website
Recommendation 8.2	Executive and Non-Executive Director Remuneration	Yes	8.2.1, 8.2.2
Recommendation 8.3	Reporting on Principle 8	Yes	8.1, 8.2.1, Website

CAULDRON ENERGY LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue and other income	3	326,191	204,035
Administration expenses		(303,451)	(402,793)
Employee benefits expenses		(482,498)	(172,353)
Depreciation expenses		(54,261)	(25,563)
Finance costs		(745,127)	(151,863)
Consultancy expenses		(247,105)	(164,382)
Compliance and regulatory expenses		(348,700)	(256,413)
Occupancy expenses		(248,736)	(144,450)
Directors fees		(330,076)	(180,849)
Promotional and marketing		(190,680)	(131,595)
Share based payments		(1,168,489)	-
Travel expenses		(125,466)	(44,724)
Exploration costs expensed as incurred		(77,346)	(8,187)
Impairment of VAT receivable		(54,693)	(11,904)
Impairment of loan		(393,808)	-
Impairment of goodwill		-	(262,955)
Net fair value gain/(loss) on financial assets		11,807	(278,716)
Exploration expenditure write-off		(662,029)	(81,509)
Loss before income tax expense		(5,094,467)	(2,114,221)
Income tax expense	5	-	-
Loss for the year from continuing operations		(5,094,467)	(2,114,221)
Discontinued Operations			
Profit/(loss) from discontinued operations after income tax	4	(2,399,854)	31,945
Net loss for the year		(7,494,321)	(2,082,276)
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		(180,068)	11,350
Other comprehensive income for the year after income tax		(180,068)	11,350
Total comprehensive income attributable to members of the company		**(7,674,389)**	**(2,070,926)**
Earnings Per Share			
From continuing and discontinued operations:			
Basic loss per share (cents per share)	15	(9.19)	(4.28)
From continuing operations:			
Basic loss per share (cents per shares)	15	(6.25)	(4.34)

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010

	Note	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	19	5,131,039	364,819
Trade and other receivables	6	2,891,761	722,559
Financial assets	7	1,510,942	517,362
TOTAL CURRENT ASSETS		9,533,742	1,604,740
NON CURRENT ASSETS			
Trade and other receivables	6	21,153	292,592
Exploration and evaluation expenditure	8	12,182,269	15,047,705
Property, plant and equipment	9	118,117	143,230
TOTAL NON CURRENT ASSETS		12,321,539	15,483,527
TOTAL ASSETS		**21,855,281**	**17,088,267**
CURRENT LIABILITIES			
Trade and other payables	10	965,996	1,258,519
Financial liabilities	11	-	2,305,395
Short-term provisions	12	120,495	59,388
TOTAL CURRENT LIABILITIES		1,086,491	3,623,302
NON CURRENT LIABILITIES			
Financial liabilities	11	9,300,000	300,000
TOTAL NON CURRENT LIABILITIES		9,300,000	300,000
TOTAL LIABILITIES		**10,386,491**	**3,923,302**
NET ASSETS		**11,468,790**	**13,164,965**
EQUITY			
Issued capital	13	22,821,199	17,739,374
Reserves	14	1,789,797	1,081,160
Accumulated losses		(13,142,206)	(5,655,569)
TOTAL EQUITY		**11,468,790**	**13,164,965**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,420,093)	(1,447,282)
Interest received		107,266	45,675
Interest paid		(765,302)	(7,871)
Payments for exploration and evaluation		(873,264)	(2,312,801)
Administration funds received from joint venture		118,206	-
Net cash used in operating activities	19	(3,833,187)	(3,722,279)
Cash Flows from Investing Activities			
Payment of environmental bonds		-	(665)
Payments for plant and equipment		(36,166)	(21,648)
Purchase of equity investments		(132,000)	(83,494)
Proceeds from the sale of tenements		500	-
Refund of deposits paid		154,505	-
Net cash disposed of by sale of subsidiary		(61,626)	-
Redemption of convertible note		-	(1,250,000)
Loans to unrelated parties		(2,590,325)	(14,902)
Loans to related parties		(3,242)	(98,153)
Proceeds from sales of equity investments		67,040	222,936
Proceeds from merger acquisition		-	118,004
Net cash used in investing activities		(2,601,314)	(1,127,922)
Cash Flows from Financing Activities			
Proceeds from issue of shares		3,000,000	-
Transaction costs relating to the issue of shares		(506,175)	-
Proceeds from convertible notes		9,000,000	2,600,000
Net cash provided by financing activities		11,493,825	2,600,000
Net increase/ (decrease) in cash held		5,059,324	(2,250,201)
Effects of exchange rate changes on cash		(293,104)	4,305
Cash and cash equivalents at beginning of financial year		**364,819**	**2,610,715**
Cash and cash equivalents at end of financial year	19	**5,131,039**	**364,819**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated Losses	Reserves	Total
	$	$	$	$
Balance at 1 July 2008	**13,025,416**	**(3,924,933)**	**1,421,450**	**10,521,933**
Loss attributable to members of the parent entity	-	(2,082,276)	-	(2,082,276)
Other comprehensive income		-	11,350	11,350
Total other comprehensive income for the year	-	(2,082,276)	11,350	(2,070,926)
Transaction with owners, directly in equity				
Shares issued during the year, net of costs	4,713,958	-	-	4,713,958
Transfer of value of lapsed options	-	351,640	(351,640)	-
Balance at 30 June 2009	**17,739,374**	**(5,655,569)**	**1,081,160**	**13,164,965**
Balance at 1 July 2009	**17,739,374**	**(5,655,569)**	**1,081,160**	**13,164,965**
Loss attributable to members of the parent entity	-	(7,494,321)	-	(7,494,321)
Other comprehensive income	-	-	(180,068)	(180,068)
Total other comprehensive income for the year	-	(7,494,321)	(180,068)	(7,674,389)
Transaction with owners, directly in equity				
Shares issued during the year, net of costs	5,081,825	-	-	5,081,825
Options issued during the year	-	-	896,389	896,389
Transfer of value of lapsed options	-	7,684	(7,684)	-
Balance at 30 June 2010	**22,821,199**	**(13,142,206)**	**1,789,797**	**11,468,790**

The accompanying notes form part of these financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

CONTENTS

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

This financial report includes the consolidated financial statements and notes of Cauldron Energy Limited and controlled entities ('"Consolidated Entity" or "Group"), and the separate financial statements and notes of Cauldron Energy Limited as an individual parent entity ("Parent Entity").

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Cauldron Energy Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

A controlled entity is any entity over which Cauldron Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in Note 18 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the Consolidated Entity during the year, their operating results have been included from the date control was obtained.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Parent Entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Statement of Comprehensive Income.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont)

b. Foreign Currency Transactions and Balances

Functional and presentation Currency

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

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Group companies

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

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

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

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

d. Income Tax

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

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

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

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

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

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

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

e. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

f. Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

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

<u>Financial Assets at Fair Value through Profit or Loss</u>

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

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

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

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

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

Loans and Receivables

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

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

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

Derecognition of financial assets
Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated Entity neither transfers nor retains substantially all the risks or rewards of ownership and continues to control the transferred asset, the Consolidated Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated Entity retains substantially all the risk and rewards to ownership of a transferred financial asset, the Consolidated Entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

g. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

h. Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.
The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**	
	2010	**2009**
Plant and equipment	40.0%	40.0%
Office furniture and equipment	40.0%	40.0%
Motor vehicle	40.0%	40.0%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

i. Exploration and Evaluation Expenditure

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

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

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

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

j. Impairment of assets

The end of the period, the Consolidated Entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

k. Trade and Other Payables

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

l. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

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

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

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

m. Employee Benefits

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to reporting date.

Equity-settled compensation

The Consolidated Entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

n. Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provision for restoration and rehabilitation
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligation includes the costs of removing facilities, abandoning sites and restoring the affected areas.

o. Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and evaluation costs
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

Non-Derivative Instruments (Convertible Notes)

A note convertible by the holder into a fixed number of ordinary shares comprises two components:

(i) a financial liability, being a contractual obligation to deliver cash or another financial asset; and

(ii) an equity instrument, being a call option exercisable by the holder to convert the note into ordinary shares.

The convertible note liability has been accounted for using the discounted net present value (NPV) method as per AASB 139. The discount rate used in this calculation is 12% which takes in to consideration current business loan rates (over a similar period) and market risk. The residual value of the calculated net present value of the future cash-flows is recognised as the equity component of the financial instrument, and is included in issued capital on the balance sheet.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

r. Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009. The following is an overview of the key changes.

Recognition and measurement impact

Recognition of acquisition costs - The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations - The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Measurement of non-controlling interest - For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the *full goodwill method*) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies - The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont)

Business combinations achieved in stages -The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the statement of comprehensive income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

Disclosure impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact

Identification and measurement of segments - AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont)

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes - *the* revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity - the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income - the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  a. the objective of the entity's business model for managing the financial assets; and
  b. the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

AASB 2009–8: Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

AASB 2009–9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

AASB 2009–10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

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

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

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

The financial report was authorised for issue on 29 September 2010 by the board of directors

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont)

2. SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the year the Consolidated Entity operated in one business segments (for primary reporting) being mineral exploration and principally in two geographical segment (for secondary reporting) being:

(i) Australia
  a. Exploration – Yanrey;
  b. Exploration – Maree JV;
  c. Exploration – Lake Frome;
  d. Exploration – Northern Territory and
  e. Exploration – Australia Other

(ii) Argentina

Basis of accounting for purposes of reporting by operating segments

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

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

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

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

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

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

- administration and other operating expenses not directly related to a specific segment.

Comparative information
This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

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CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

2. SEGMENT INFORMATION (continued)

(a) Segment performance

	Exploration – Yanrey $	Exploration – Maree JV $	Exploration – Lake Frome $	Exploration – Northern Territory $	Exploration – Australia Other $	Exploration – Argentina $	Treasury $	Total Operations $
Full Year Ended 30 June 2010								
Revenue								
Interest revenue	-	-	-	-	-	-	203,223	203,223
Joint venture administration fee	-	113,367	-	4,839	-	-	-	118,206
Other	-	-	-	-	-	4,762	-	4,762
Total segment revenue	**-**	**113,367**	**-**	**4,839**	**-**	**4,762**	**203,223**	**326,191**
Segment net loss after tax	**-**	**-**	**-**	**-**	**(662,029)**	**(766,650)**	**(429,191)**	**(1,857,870)**
Reconciliation of segment result to net loss after tax								
Amounts not included in segment result but reviewed by the board:								
- net fair value gain/(loss) on financial assets								11,807
- impairment of loan								(393,808)
Unallocated items:								
- finance costs								(745,127)
- other								(2,109,469)
Net loss after tax from continuing operations								(5,094,467)
Discontinued operations after tax								(2,399,854)
Net loss after tax								**(7,494,321)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

2. SEGMENT INFORMATION (continued)

(a) Segment performance

	Exploration – Yanrey $	Exploration – Maree JV $	Exploration – Lake Frome $	Exploration – Northern Territory $	Exploration – Australia Other $	Exploration – Argentina $	Treasury $	Total Operations $
Full Year Ended 30 June 2009								
Revenue								
Interest revenue	-	-	-	-	-	-	47,001	47,001
Realised gain on sale of investment	-	-	-	-	-	-	112,637	112,637
Joint venture administration fee	-	44,317	-	-	-	-	80	44,397
Total segment revenue	**-**	**44,317**	**-**	**-**	**-**	**-**	**159,718**	**204,035**
Segment net loss after tax	**-**	**-**	**-**	**-**	**(81,509)**	**(23,847)**	**(94,207)**	**(199,563)**
Reconciliation of segment result to net loss after tax								
Amounts not included in segment result but reviewed by the board:								
- net fair value gain/(loss) on financial assets								(278,716)
Unallocated items:								
- finance costs								(151,863)
- other								(1,484,079)
Net loss after tax from continuing operations								**(2,114,221)**
Discontinued operations after tax								31,945
Net loss after tax								**(2,082,276)**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

2. SEGMENT INFORMATION (continued)

(b) Segment assets

As at 30 June 2010	Exploration – Yanrey $	Exploration – Maree JV $	Exploration – Lake Frome $	Exploration – Northern Territory $	Exploration – Australia Other $	Exploration – Argentina $	Treasury $	Total Operations $
Segment assets	**4,343,691**	**-**	**1,069,630**	**2,285,028**	**2,519,760**	**1,964,160**	**5,131,039**	**17,313,308**
Segment asset increases/(decreases) for the year:								
- capital expenditure	445,089	-	84,022	-	413,161	807,845	-	942,272
- acquisitions	-	-	-	-	-	-	-	-
	445,089	-	84,022	-	413,161	807,845	-	942,272
Reconciliation of segment assets to entity assets								
Financial assets								1,510,942
Loan receivable								1,750,000
Unallocated assets								1,281,031
Total entity assets								**21,855,281**

As at 30 June 2009	Exploration – Yanrey $	Exploration – Maree JV $	Exploration – Lake Frome $	Exploration – Northern Territory $	Exploration – Australia Other $	Exploration – Argentina $	Treasury $	Total Operations $
Segment assets	**3,898,602**	**-**	**985,609**	**2,372,471**	**6,683,316**	**1,156,305**	**364,819**	**15,461,122**
Segment asset increases/(decreases) for the year:								
- capital expenditure	346,377	-	-	-	1,034,300	1,156,305	-	2,536,982
- acquisitions	-	-	-	-	-	-	-	-
	346,377	-	-	-	1,034,300	1,156,305	-	2,536,982
Reconciliation of segment assets to entity assets								
Financial assets								517,362
Unallocated assets								1,109,783
Total entity assets								**17,088,267**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

2. SEGMENT INFORMATION (continued)

(c) Segment liabilities

As at 30 June 2010	Exploration – Yanrey $	Exploration – Maree JV $	Exploration – Lake Frome $	Exploration – Northern Territory $	Exploration – Australia Other $	Exploration – Argentina $	Treasury $	Total Operations $
Segment liabilities	**-**	**-**	**-**	**-**	**-**	**228,793**	**-**	**228,793**
Reconciliation of segment liabilities to total liabilities								
Financial liabilities								9,300,000
Unallocated liabilities								857,698
Total entity liabilities								**10,386,491**

As at 30 June 2009	Exploration – Yanrey $	Exploration – Maree JV $	Exploration – Lake Frome $	Exploration – Northern Territory $	Exploration – Australia Other $	Exploration – Argentina $	Treasury $	Total Operations $
Segment liabilities	**-**	**-**	**-**	**-**	**-**	**63,263**	**-**	**63,263**
Reconciliation of segment liabilities to total liabilities								
Financial liabilities								2,600,000
Unallocated liabilities								1,260,039
Total entity liabilities								**3,923,302**

	2010 $	2009 $
(d) Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	321,429	204,035
Argentina	4,762	-
Total revenue	326,191	204,035
(e) Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	19,891,121	15,931,962
Argentina	1,964,160	1,156,305
Total assets	21,855,281	17,088,267

(f) Major customers

The entity has only one customer who it provides joint venture administration services to.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

3. REVENUE AND OTHER INCOME

	2010 $	2009 $
(a) Revenue and other income		
Other Revenue		
- Interest received	203,223	47,001
- Joint Venture administration service fee	113,367	44,317
	316,590	91,318
Other Income		
- Realised gain on sale of investment	-	112,637
- Other	9,601	80
	9,601	112,717
Total revenue and other income	326,191	204,035

4. DISCONTINUED OPERATIONS

During the 2009 financial year the Consolidated Entity undertook to sell its subsidiary, Jackson Minerals Limited ("Jackson Minerals"), and as a result Jackson Minerals is disclosed in this financial report as a discontinued operation. On 26 November 2009, the Consolidated Entity subsequently disposed of 100% of its interest in Jackson Minerals Limited. The proceeds on disposal of $1,170,386 were received partially in deferred cash of $250,000 and partially in shares of $920,386.

The discontinued operation was previously represented in the "Exploration – Australia Other" segment in the Segment Information note.

The results of the discontinued operations for the year until disposal are presented below:

	2010 $	2009 $
a) Results of discontinued operations		
Revenues	-	1,543
Expenses	-	(5,447)
Provision for annual leave transfer	-	35,849
	-	31,945
Loss on sale after income tax	(2,399,854)	-
Total profit/(loss) attributable to discontinued operations	(2,399,854)	31,945
b) Cash flows attributable to discontinued operations		
Net cash outflows from operating activities	-	(61,998)
Net cash outflows from investing activities	-	(658)
Net cash inflows from financing activities	-	49,950
Net increase/(decrease) of cash held	-	(12,706)

c) The net assets of Jackson Minerals at the date of disposal were as follows:

	26 November 2009 $
Net assets disposed of	3,570,240
Loss on disposal	(2,399,854)
Total consideration	1,170,386

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

5. INCOME TAX EXPENSE	**2010 $**	**2009 $**
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
Total income tax expense/(income) attributable to entity	**-**	**-**
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Loss before tax	(7,494,321)	(2,082,276)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2009: 30%):	(2,248,297)	(624,682)
<u>Add:</u>		
Tax effect of:		
Non-deductible expenses	940,673	188,886
Derecognition of previously recognized tax losses	872,914	-
Current year capital losses not recognised	1,635	-
Movement in unrecognised temporary differences	2,100	123,551
Additional prior year losses recognised	-	382,386
Current year tax losses not recognised	492,369	-
<u>Less:</u>		
Tax effect of:		
Under/(Over) Provision for Prior Year	-	(832)
Deductible equity raising costs	(61,394)	(69,309)
Total income tax expense/(income) attributable to entity	**-**	**-**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

5. INCOME TAX EXPENSE (continued)	**2010 $**	**2009 $**
(c) Recognised deferred tax balances		
Deferred tax balances have been recognised in respect of the following:		
Deferred tax assets		
Annual Leave	34,560	17,816
Investments	71,694	78,048
Other Accruals	17,703	56,469
Previously expensed borrowing costs	2,917	12,875
Previously expensed capital raising costs	35,363	100,431
Tax losses	3,059,030	3,931,944
	3,221,267	**4,197,583**
Deferred tax liabilities		
Prepayments	-	(160)
Exploration	(3,179,392)	(4,181,999)
Plant & Equipment	(7,574)	(11,476)
Unearned Income	(29,171)	(3,948)
Other DTL's	(5,130)	-
	(3,221,267)	**(4,197,583)**
Net recognised deferred tax assets/(liabilities)	**-**	**-**

(d) Unrecognised deferred tax balances

Deferred tax balances have not been recognised in respect of the following:

Deferred tax assets		
Carry forward revenue losses	4,869,103	3,503,820
Carry forward capital losses	383,055	381,420
Capital raising costs	166,895	92,681
Other	2,099	-
	5,421,152	**3,977,921**
Deferred tax liabilities		
Exploration	-	-
Other	-	-
	-	**-**

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
(b) the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation adversely affect the Parent Entity in utilising the benefits.

The Consolidated Entity currently has no franking credits.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

6. TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
Current		
Trade receivables	296,695	48,879
Other receivables (i)	809,203	664,900
Loan receivables (ii)	1,750,000	-
Other	35,863	8,780
	2,891,761	722,559
Non-Current		
Amounts receivable from related parties	17,675	14,610
Environmental Bonds	3,478	277,982
	21,153	292,592

(i) Other receivables consist of an amount of $344,000 from the Marree Joint Venture. This amount relates to money owed to the Consolidated Entity for the reimbursement of employee expenditure on the joint venture.

(ii) Temporary loans advanced during the year incur interest at 12% per annum. Loans are secured by registered mortgages over plant and equipment.

7. FINANCIAL ASSETS

	2010 $	2009 $
Current financial assets at fair value through profit and loss	1,510,942	517,362

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

Fair value of listed and unlisted investments is calculated with reference to current market prices at balance date.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

8. EXPLORATION AND EVALUATION EXPENDITURE

	2010 $	2009 $
Non-Current		
Brought forward	15,047,705	7,702,848
Exploration expenditure during the year	1,997,558	2,019,159
Exploration assets acquired	-	6,050,382
JV exploration expenditure reimbursed	(284,206)	(643,175)
Disposal of assets on sale of subsidiary	(3,916,759)	-
Impairment of exploration expenditure	(662,029)	(81,509)
Carrying Amount at the end of year	12,182,269	15,047,705

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon:

- the continuance of the Consolidated Entity's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Consolidated Entity's Australian exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

The recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of uranium.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

9. PLANT AND EQUIPMENT

	2010 $	2009 $
Plant and equipment - office		
At cost	358,882	331,841
Accumulated depreciation	(284,604)	(256,027)
	74,278	75,814
Office furniture and equipment		
At cost	51,801	49,694
Accumulated depreciation	(44,143)	(42,470)
	7,658	7,224
Plant and equipment - field		
At cost	83,854	83,854
Accumulated depreciation	(58,264)	(41,282)
	25,590	42,572
Motor Vehicles		
At cost	55,626	55,626
Accumulated depreciation	(45,035)	(38,006)
	10,591	17,620
Total plant and equipment	118,117	143,230

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

2010	Plant & Equipment Office $	Office Furniture & Equipment $	Plant & Equipment - Field $	Motor Vehicles $	Total $
Balance at beginning of the year	75,814	7,224	42,572	17,620	143,230
Additions	27,041	2,107	-	-	29,148
Depreciation expense	(28,577)	(1,673)	(16,982)	(7,029)	(54,261)
Carrying amount at 30 June 2010	74,278	7,658	25,590	10,591	118,117

2009	Plant & Equipment Office $	Office Furniture & Equipment $	Plant & Equipment - Field $	Motor Vehicles $	Total $
Balance at beginning of the year	34,156	935	5,102	-	40,193
Additions	16,794	-	-	-	16,794
Acquired via merger acquisition	45,000	6,978	41,373	18,455	111,806
Depreciation expense	(20,136)	(689)	(3,903)	(835)	(25,563)
Carrying amount at 30 June 2009	75,814	7,224	42,572	17,620	143,230

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

10. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Current		
Trade payables	262,373	612,783
Other payables and accruals	703,623	645,736
	965,996	1,258,519

Trade payables are non interest bearing and are normally settled on 28 day terms. Other payables are non interest bearing and have an average term of 60 days.

11. FINANCIAL LIABILITIES

	2010 $	2009 $
Current		
Lease liabilities (note 16)	-	5,395
Convertible Note	-	2,300,000
	-	2,305,395
Non-current		
Lease liabilities (note 16)	-	-
Convertible Note	9,300,000	300,000
	9,300,000	2,605,395

On 13 August 2009 Cauldron Energy Ltd announced it had received convertible note funding totalling $1.975 million, including $1.5 million from Dempsey Resources Pty Ltd, a wholly owned subsidiary of Cape Lambert Iron Ore Ltd.

On February 2010 Cauldron Energy Ltd announced it had received the final tranche of convertible note funding totalling $7 million from Shanghai Yizhao Investment Group Co Limited, a Chinese Investment company controlled by Mr Qiu Derong.

For all convertible notes issued during the year, the holder has the right before the repayment date of 31 July 2012 to convert the Note into ordinary shares in Cauldron Energy. The conversion price is $0.50 with a coupon rate of 10%.

Due to the calculated discount net present value of the future cash-flows of the liability exceeding the issue proceeds of the convertible notes, there is no residual value which would have been recognised as the equity component of these financial instruments.

Therefore the gross issue proceeds of the convertible notes for $9,300,000 have been initially recognised in the financial statements as a financial liability.

12. SHORT-TERM PROVISIONS

	2010 $	2009 $
Current		
Employee benefits	120,495	59,388

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

13. ISSUED CAPITAL

	2010 No	2009 No	2010 $	2009 $
ISSUED AND FULLY PAID UP CAPITAL OF NO PAR VALUE				
Ordinary Shares				
Opening balance	63,390,753	50,111,996	17,739,374	13,025,416
Shares issued during the year, net of transaction costs	25,333,330	13,278,757	5,081,825	4,713,958
Closing balance	88,724,083	63,390,753	22,821,199	17,739,374

Terms and Conditions

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up of the Consolidated Entity, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. The Company's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

	2010 $	2009 $
Cash and cash equivalents	5,131,039	364,819
Trade and other receivables	2,912,914	1,015,151
Trade and other payables	(965,996)	(1,258,519)
Working capital position	7,077,957	121,451

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

14. RESERVES

	2010 $	2009 $
Share-based payment reserve (a)	1,958,514	1,069,810
Foreign translation reserve (b)	(168,717)	11,350
Reserves at the end of the reporting year	1,789,797	1,081,160
<u>Share-based payment reserve (a)</u>		
Reserve at the beginning of the reporting year	1,069,810	1,421,450
Options issued during the year	896,389	-
Transfer of value of lapsed options to issued capital	(7,685)	(351,640)
	1,958,514	1,069,810

<u>Share-based Payment Reserve (a)</u>

The share based payment reserve arises on the grant of share options to employees and consultants. Amounts are transferred out of the reserve and into retained earnings when options are exercised. Refer note 21 for further details.

<u>Foreign Translation Reserve (b)</u>

Exchange differences relating to the translation from the functional currencies of the Consolidated Entity's foreign controlled entities into Australian dollars are brought to account by entries made directly to the currency translation reserve.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

15. EARNINGS PER SHARE

	2010 Cents per share	2009 Cents per share
Basic earnings per share		
Continuing operations	(6.25)	(4.34)
Discontinued operations	(2.94)	0.06
	(9.19)	(4.28)

	$	$
(a) Profit/(loss) used in the calculation of basic earnings per share		
Continuing operations	(5,094,467)	(2,114,221)
Discontinued operations	(2,399,854)	31,945
	(7,494,321)	(2,082,276)

	Number of shares	*Number of shares*
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share:	81,568,438	48,654,216

16. COMMITMENTS

Exploration Expenditure Commitments

In order to maintain rights of tenure to mining tenements subject to these agreements, the Consolidated Entity would have the following discretionary exploration expenditure requirements up until expiry of leases. These expenditure commitments also include any future rental leases over tenements. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable.

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

Office Rental Commitments

The office lease is a non-cancellable lease due to expire in August 2011, with rent payable monthly in advance.

Total operating lease commitments for the Consolidated Entity are:

	2010 $	2009 $
Not longer than one year	2,301,652	2,979,867
Longer than one year, but not longer than five years	1,242,596	2,775,384
Longer than five years	-	19,000
	3,544,248	5,774,251

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

16. COMMITMENTS (continued)

Finance lease commitments – Company as lessee

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2010 $	2009 $
Within one year		
After one year but not more than five years	-	-
Total minimum lease repayments	-	5,709
Less amounts representing finance charges	-	(314)
Present value of minimum lease payments	-	5,395
Included in the financial statements as:		
Current interest-bearing liabilities	-	5,395
Non current interest-bearing liabilities	-	-
Total included in interest-bearing liabilities	-	5,395

17. CONTINGENT LIABILITIES/ASSETS

Included in the Consolidated Entity's exploration asset portfolio are the Wallbrook Production Royalty assets, the licenses of which were sold in 2007 to Saracen Mineral Holdings Limited (who own and operate the Carosue Gold Plant).

As part of this sale, on the commencement of mining at Wallbrook, Cauldron will receive 5 million Saracen shares (ASX code SAR) and a $1/tonne royalty for the first two million tonnes mined from the project.

Apart from the above, the Consolidated Entity has no contingent liabilities or assets at the year end.

18. CONTROLLED ENTITIES

Details of Cauldron Energy Limited's subsidiaries are:

Name	Principal Activities	Date/Country of Incorporation	Shares	Ownership Interest 2010 %	Ownership Interest 2009 %	Carry amount of investment 2010 $	Carry amount of investment 2009 $
Unlisted:							
Ronin Energy Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	5	5
Jackson Minerals Ltd	Mining exploration	24 April 2006 Australia	Ord	-	100	-	2,959,693
Jackson Global Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	1	1
Jakaranda Minerals Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	1	1
Fair value of investment in subsidiary						**7**	**2,959,700**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

19. CASH FLOW INFORMATION

	2010 $	2009 $
Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
- (Loss) from ordinary activities after income tax	(7,494,321)	(2,082,276)
Non-cash flows in operating loss		
- Depreciation	54,261	25,563
- Equity settled share based payments	708,617	-
- Net fair value (gain)/loss on investments	(11,807)	278,716
- Profit on sale of investments	-	(112,637)
- Impairment of goodwill	-	262,955
- Cost of merger acquisition	-	(253,609)
- Realised foreign exchange loss	-	7,046
- Write off of loan	393,808	-
- Loss on sale of subsidiary	2,399,854	-
Cash flows not in operating loss		
- Capital raising costs	(1,054,000)	-
Changes in assets and liabilities		
- Decrease/(Increase) in operating receivables & prepayments	(2,169,203)	(494,686)
- Decrease/(Increase) in exploration and evaluation expenditure	3,576,414	(1,294,475)
- Increase/(Decrease) in trade and other creditors, and accruals	(346,818)	(54,835)
- Increase/(Decrease) in provisions and other employee entitlements	110,008	(4,041)
Net cash inflows (outflows) from Operating Activities	**(3,833,187)**	**(3,722,279)**

Non-cash Financing and Investing Activities

During the year there were share based payments to brokers for capital raising costs to the value of $1,054,000 which were not reflected in the statement of cash flows.

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2010 $	2009 $
Cash at bank	1,237,770	364,819
Deposits at call	3,893,269	-
Cash and cash equivalents	5,131,039	364,819

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

20. FINANCIAL RISK MANAGEMENT

Financial risk management

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

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

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

	2010 $	2009 $
Financial Assets		
Cash and cash equivalents	5,131,039	364,819
Financial assets at fair value through profit and loss		
- Held for trading	1,510,942	517,362
Trade and other receivables	2,912,914	1,015,151
Total Financial Assets	9,554,895	1,897,332
Financial Liabilities		
Trade and other payables	965,996	1,258,519
Financial liabilities	9,300,000	2,605,395
Total Financial Liabilities	10,265,996	3,863,914

Financial risk management policies

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit rate risk and liquidity risk.

The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the Board and they provide written principles for overall risk management.

Financial risk exposures and management

The main risks arising from the Consolidated Entity's financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont)

20. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

(i) Foreign Currency Risk

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Given the few transactions the Board does not consider there to be a need for policies to hedge against foreign currency risk. The Consolidated Entity's has no significant exposure to foreign currency risk as at the reporting date.

With instruments being held by overseas operations, fluctuations in currency may impact on the Consolidated Entity's financial results. Foreign currencies are reviewed by the Board regularly to mitigate its exposure.

(ii) Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.. Cash and cash equivalents on deposit at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

The effect on loss and equity as a result of changes in the interest rate.

CHANGE IN LOSS	**2010**		**2009**	
	Change	**$**	**Change**	**$**
Increase in interest rate by 200 basis points	+102,621	7,391,700	+7,296	2,074,980
Decrease in interest rate by 200 basis points	-102,621	7,596,942	-7,296	2,089,572

CHANGE IN EQUITY				
	Change	**$**	**Change**	**$**
Increase in interest rate by 200 basis points	+102,621	11,571,411	+7,296	13,172,261
Decrease in interest rate by 200 basis points	-102,621	11,366,169	-7,296	13,157,669

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

(iii) Price Risk

The Consolidated Entity is exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified on the balance sheet as current financial assets at fair value through profit and loss. The Consolidated Entity is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Consolidated Entity diversifies its portfolio which is done in accordance with the limits set by the Consolidated Entity.

The majority of the Consolidated Entity's equity investments are publicly traded and are included on the ASX 200 Index.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010 (cont)

20. FINANCIAL RISK MANAGEMENT (continued)

The table below summarises the impact of increases/decreases of the index on the Consolidated Entity's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2009 – 10%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

	Impact on Post-Tax Profit/(Loss)		Impact on Equity	
	2010	2009	2010	2009
Index	$	$	$	$
ASX 200	146,094	49,236	146,094	49,236

(b) Credit Risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents and credit exposures to wholesale and retail customers and suppliers. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

	2010	2009
	$	$
Financial assets:		
Cash and cash equivalents		
AAA	5,131,039	364,819

(c) Liquidity Risk

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

20. FINANCIAL RISK MANAGEMENT (continued)

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

2009	**Within 1 Year $**	**1 to 5 Years $**	**Over 5 Years $**	**2010 total $**
Financial assets				
Cash	364,819	-	-	364,819
Held for trading investments	517,362	-	-	517,362
Receivables	1,015,151	-	-	1,015,151
	1,897,332	-	-	1,897,332
Financial Liabilities				
Trade and other payables	1,258,519	-	-	1,258,519
Financial liabilities	2,305,395	300,000	-	2,605,395
	3,563,914	300,000	-	3,863,914

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

20. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair Value Estimation

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

Financial Instruments Measured at Fair Value

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

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

2010	**Level 1 $000**	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial assets:				
Financial assets at fair value through profit or loss:				
Investments held-for-trading	1,460,942	50,000	-	1,510,942
2009				
Financial assets:				
Financial assets at fair value through profit or loss:				
Investments held-for-trading	492,362	25,000	-	517,362

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

21. SHARE BASED PAYMENTS

a) A summary of the movements of all company options issued is as follows

	Number	Weighted average exercise price
Options outstanding as at 30 June 2008	9,300,000	$0.74
Granted	-	-
Expired	(4,000,000)	$0.75
Exercised	-	-
Options outstanding as at 30 June 2009	5,300,000	$0.74
Granted	8,473,334	$0.93
Expired	(1,346,667)	$2.20
Exercised	-	-
Options outstanding as at 30 June 2010	12,426,667	$0.71

Options exercisable as at 30 June 2010	7,526,667
Options exercisable as at 30 June 2009	5,300,000

The weighted average remaining contractual life of options outstanding at year end was 386 days. The exercise price of outstanding shares at the end of the reporting period ranged from $0.35 to $3.75.

The weighted average fair value of options granted during the year was $0.05 (2009: nil). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.93
Weighted average life of the option:	1.69 years
Expected share price volatility:	0.98
Risk-free interest rate:	3.70%

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

21. SHARE BASED PAYMENTS (continued)

b) Employee Share Incentive Scheme

The Employee Incentive Scheme ("EIS") was approved by shareholders at 30 November 2006.

The purpose of the Scheme is to give employees, directors, executive officers and consultants of the Parent Entity an opportunity, in the form of options, to subscribe for ordinary shares in the Parent Entity. The Directors consider the Scheme will enable the Parent Entity to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Parent Entity more successful. During the financial year there were no issues of options under this scheme.

Terms of Options

There is no issue price for the options. The exercise price for the options will be:

125% of the market value of the Parent Entity's shares on the date on which the options are issued or 20 cents; or any greater price determined by the Board, whichever is the greatest.

Shares issued on exercise of options will rank equally with other ordinary shares of the Parent Entity.

There were no options issued through EIS during the year.

c) Director share-based payments

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Cauldron Energy Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

Options granted to directors are as follows:

Grant Date	Number
30 November 2009 (i)	1,800,000
30 November 2009 (ii)	1,800,000
26 March 2010 (iii)	1,800,000

(i) These options have an exercise price of $0.60 and expire on the 30 November 2011.
(ii) These options have an exercise price of $0.80 and expire on the 30 November 2011.
(iii) These options have an exercise price of $0.50 and expire on the 30 November 2011.

For further details of these options refer to the Directors Report.

d) Shares granted to Directors as share based payments are as follows:

Grant Date	Number
30 November 2009	600,000

The weighted average fair value of the above shares, determined by reference to market price, was $0.48.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

22. PARENT ENTITY DISCLOSURES

Financial position

	2010 $	2009 $
Assets		
Current assets	9,180,761	4,317,968
Non-current assets	10,739,292	13,976,514
Total assets	19,920,053	18,294,482
Liabilities		
Current liabilities	857,700	3,132,114
Non-current liabilities	9,300,000	300,000
Total liabilities	10,157,700	3,432,114
Equity		
Issued capital	22,821,199	17,739,374
Accumulated losses	(15,017,360)	(3,946,816)
Reserves		
Share-based payments	1,958,514	1,069,810
Total equity	9,762,353	14,862,368

Financial performance

	2010 $	2009 $
Profit/(loss) for the year	(11,078,228)	(376,208)
Total comprehensive income/(loss)	(11,078,228)	(376,208)

Exploration Expenditure Commitments

In order to maintain rights of tenure to mining tenements subject to these agreements, the Parent Entity would have the following discretionary exploration expenditure requirements up until expiry of leases. These expenditure commitments also include any future rental leases over tenements. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable.

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

Office Rental Commitments

The office lease is a non-cancellable lease due to expire in August 2011, with rent payable monthly in advance.

Total operating lease commitments for the Parent Entity are:

	2010 $	2009 $
Not longer than one year	2,301,652	2,979,867
Longer than one year, but not longer than five years	1,242,596	2,775,384
Longer than five years	-	19,000
	3,544,248	5,774,251

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

22. PARENT ENTITY DISCLOSURES (continued)

Contingent liabilities/assets

Included in the exploration asset portfolio are the Wallbrook Production Royalty assets, the licenses of which were sold in 2007 to Saracen Mineral Holdings Limited (who own and operate the Carosue Gold Plant).

As part of this sale, on the commencement of mining at Wallbrook, Cauldron will receive 5 million Saracen shares (ASX code SAR) and a $1/tonne royalty for the first two million tonnes mined from the project.

Loans to Controlled Entities

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

Subsidiaries	2010 $	2009 $
Ronin Energy Ltd	14,785	11,720
Jackson Minerals Ltd	-	44,277
Jackson Global Ltd	-	2,780,602
Jakaranda Minerals Ltd	18,639	626
Total value of loans provided to subsidiaries	**33,424**	**2,837,225**

CAULDRON ENERGY LTD

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

23. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's key management personnel for the year ended 30 June 2010.

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

	2010 $	2009 $
Short-term employee benefits	590,373	406,015
Post-employment benefits	41,357	15,448
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	747,875	-
	1,379,605	**421,463**

Options and Rights Holdings

	Balance 1 July 09	Granted as remuneration	Options Exercised	Options Lapsed	Balance 30 June 2010	Vested and Exercisable 30 June 2010	Unexercisable 30 June 2010
Tony Sage	-	1,000,000	-	-	1,000,000	-	1,000,000
Terence Topping	1,000,000	1,000,000	-	-	2,000,000	1,000,000	1,000,000
Brett Smith	-	1,000,000	-	-	1,000,000	-	1,000,000
Kent Hunter	500,000	600,000	-	-	1,100,000	500,000	600,000
Qiu Derong	-	-	-	-	-	-	-
	1,500,000	**3,600,000**	**-**	-	**5,100,000**	**1,500,000**	**3,600,000**

Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1 July 09	Received as remuneration	Received on exercise	Net Change Other *	Balance 30 June 10
Tony Sage	1,994,600	600,000	-		2,594,600
Terence Topping	4,526,031	-	-	-	4,526,031
Brett Smith	11,844	-	-	-	11,844
Kent Hunter	4,020,027	-	-	-	4,020,027
Qiu Derong	-	-	-	5,400,000	5,400,000
	10,552,502	**600,000**	**-**	**5,400,000**	**16,552,502**

* Net Change Other refers to shares purchased or sold during the year.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont)

24. RELATED PARTY INFORMATION

Transactions with Directors, Director Related Entities and other Related Entities

i) Payments to Director Related Entities

- In 2009 an amount for $231,000 was paid, or was due and payable to Kingswave Nominees Pty Ltd, a company controlled by Mr Terence Topping, for the provision of directorship and geological services to the Company.
- An aggregate amount of $155,711 (2009:$88,966) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter and Mr Stephen Brockhurst, for the provision of company secretarial services and corporate compliance to the Company.

ii) Equity interests in subsidiaries

Details of percentage of ordinary shares held in subsidiaries are disclosed in note 18 to the financial statements.

25. REMUNERATION OF AUDITORS

	2010 $	2009 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report	50,000	46,250
Remuneration of other auditors of subsidiaries for :		
- Auditing or reviewing the financial report	4,500	3,730
	54,500	49,980

26. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 July 2010 the Consolidated Entity announced that Eclipse has resolved to keep its IPO Prospectus open for a further period. Eclipse also announced that it has had three of its exploration licence applications in the Northern Territory granted.

On 21 July 2010 the Consolidated Entity announced that it had extended and enhanced the uranium discovery made by itself in October 2009 at its Marree Uranium Project in South Australia.

On 17 August 2010 the Consolidated Entity announced that it has identified significant new uranium targets at its Yanrey Uranium Project in Western Australia.

On 26 August 2010 the Consolidated Entity announced a pro-rata non-renounceable entitlement offer of up to 8,872,408 options on the basis of one option for every ten shares held on the record date of 6 September 2010.

On 30 August 2010 the Consolidated Entity announced it had entered into a Farm-in and Joint Venture agreement with Uranium Equities Limited (UEL) whereby UEL will fund $5 million of exploration expenditure at the West Lake Frome Uranium Project in South Australia.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial year.

DIRECTORS' DECLARATION

The directors of the Consolidated Entity declare that:

1. the financial statements and notes, as set out on pages 31 to 77, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001;

   (b) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and Consolidated Entity; and

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Terence Topping
Chief Executive Officer

PERTH
Dated this 29th day of September 2010

CAULDRON ENERGY LTD

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the holding Parent Entity as at 14 September 2010 were as follows:

	Class of Equity Securities
Number Held	**Fully Paid Ordinary Shares**
1-1,000	125,523
1,001 - 5,000	1,846,158
5,001 -10,000	3,143,477
10,001 -100,000	19,161,142
100,001 and over	64,447,783
TOTALS	88,724,083

Holders of less than a marketable parcel - nil

Substantial Shareholders

The names of the substantial shareholders listed in the Consolidated Entity's register as at 14 September 2010:

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

Voting Rights

Ordinary Shares

In accordance with the holding Consolidated Entity's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Consolidated Entity states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

Restricted Securities

The Consolidated Entity has issued no restricted securities.

ADDITIONAL SHAREHOLDER INFORMATION (cont)

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 14 September 2010 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Dempsey Resources Pty Ltd	15,333,333	17.28%
Mr Derong Qiu and Mr Dekang Qiu	5,400,000	6.09%
Kouta Bay Pty Ltd	3,836,694	4.32%
Okewood Pty Ltd	3,000,000	3.38%
Mr Antony William Paul Sage	2,594,600	2.92%
Terence Topping	2,500,000	2.82%
Mr Michael Lim	2,000,000	2.25%
Kingswave Nominees Pty Ltd	1,800,000	2.03%
GW International Pty Ltd	1,367,848	1.54%
Australian Capital Markets Pty Ltd	907,501	1.02%
Mr Erwin John Clayton	855,200	0.96%
Terry James Gardiner	764,000	0.86%
Canifare Pty Ltd	756,288	0.85%
Mr Peter Pinto	731,140	0.82%
Ms Concettina Schiavello	690,000	0.78%
Cape Lambert Iron Ore Ltd	672,177	0.76%
Miss Barbara Kay Alessi	610,000	0.69%
Mr David John Brady and Mrs Kathleen Ellen Brady and Mr Robert Francis Brady	605,000	0.68%
Megabay Holdings Pty Ltd	600,000	0.68%
DAEM Nominees Pty Ltd	595,532	0.67%
	45,619,313	**51.40%**

CAULDRON ENERGY LTD

SCHEDULE OF MINERAL TENEMENTS
AS AT 14 SEPTEMBER 2010

AUSTRALIA

Amadeus

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

Beadell

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

Boolaloo Project

Tenement	Status	Equity	Comment
E08/1605	Granted	100%	
E08/1615	Granted	100%	
E08/1702	Granted	100%	
E08/1703	Granted	100%	
E08/1756	Granted	100%	
ELA 08/2123	Application	100%	
ELA 08/2141	Application	100%	
ELA 08/2152	Application	100%	
ELA 08/2153	Application	100%	

Eclipse NT

Tenement	Status	Equity	Comment
EL 24623	Application	100%	
EL 24624	Application	100%	
EL 24625	Granted	100%	
EL 24627	Application	100%	
EL 24637	Granted	100%	
EL 24808	Granted	100%	
EL 24861	Application	100%	
EL 24862	Application	100%	
EL 24880	Granted	100%	

Lake Frome

Tenement	Status	Equity	Comment
EL 3388	Granted	100%	
EL 3389	Granted	100%	
EL 3390	Granted	100%	
EL 3391	Granted	100%	
EL 3392	Granted	100%	
EL 3410	Granted	100%	
EL 3502	Granted	100%	
EL 3510	Granted	100%	
EL 3557	Granted	100%	
EL 4279	Granted	100%	

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

Yanrey Uranium

Tenement	Status	Equity	Comment
EL 08/1435	Granted	0%	CXU earning 100%
EL 08/1489	Granted	100%	
EL 08/1490	Granted	100%	
EL 08/1493	Granted	100%	
EL 08/1494	Granted	0%	CXU earning 70%
EL 08/1495	Granted	0%	CXU earning 70%
EL 08/1501	Granted	100%	
EL 08/1588	Granted	100%	
EL 08/1589	Granted	100%	
EL 08/1590	Granted	100%	
EL 08/2017	Granted	100%	
EL 08/2081	Granted	100%	
ELA 08/2018	Application	100%	
ELA 08/2160	Application	100%	
ELA 08/2161	Application	100%	
ELA 08/2164	Application	100%	
ELA 08/2165	Application	100%	
ELA 08/2186	Application	100%	
ELA 08/2192	Application	100%	
ELA 08/2205	Application	100%	

ARGENTINA

Rio Colorado Project - Catamarca

Tenement	Status	Equity	Comment
165/2008	Application	100.00%	Mining Lease
176/1997	Granted	92.50%	Earn In - Mining Lease
270/1995	Granted	92.50%	Earn In - Mining Lease
271/1995	Granted	92.50%	Earn In - Mining Lease
142/2007	Application	100.00%	Exploration Lease
141/2007	Application	100.00%	Exploration Lease
140/2007	Application	100.00%	Exploration Lease
232/2007	Application	100.00%	Exploration Lease
144/2007	Application	92.50%	Earn In - Exploration Lease
43/2007	Application	92.50%	Earn In - Exploration Lease
143/2007	Application	92.50%	Earn In - Exploration Lease
567/2008	Application	100.00%	Mining Lease
568/2008	Application	100.00%	Mining Lease
569/2008	Application	100.00%	Mining Lease
570/2008	Application	100.00%	Mining Lease

Rio Colorado Project - La Rioja

Tenement	Status	Equity	Comment
30-C-2007	Granted	100%	Exploration Lease
31-C-2007	Granted	100%	Exploration Lease
32-C-2007	Granted	100%	Exploration Lease

Las Marias Project - San Juan

Tenement	Status	Equity	Comment
1124-330-J-2007	Application	100%	Exploration Lease
1124-306-W-2007	Granted	100%	Exploration Lease
1124-331-J-2007	Application	100%	Exploration Lease
1124-329-J-2007	Application	100%	Exploration Lease
1124-328-J-2007	Application	100%	Exploration Lease

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

1124-327-J-2007	Application	100%	Exploration Lease
1124-326-J-2007	Application	100%	Exploration Lease
1124-325-J-2007	Application	100%	Exploration Lease
1124-324-J-2007	Application	100%	Exploration Lease
1124-323-J-2007	Application	100%	Exploration Lease
1124-322-J-2007	Application	100%	Exploration Lease
1124-656-J-2007	Application	100%	Exploration Lease
1124-093-J-2008	Application	100%	Exploration Lease
1124-333-2008	Application	100%	Exploration Lease

Regional - San Juan

Tenement	Status	Equity	Comment
1124-228-J-2008	Application	100%	Exploration Lease
1124-178-J-2008	Application	100%	Exploration Lease

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