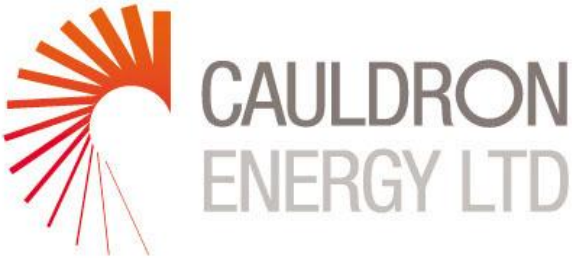

(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

CAULDRON ENERGY LTD

CONTENTS

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
Antony Sage

EXECUTIVE DIRECTOR
Brett Smith

NON-EXECUTIVE DIRECTOR
Qiu Derong

COMPANY SECRETARY
Claire Tolcon

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32 Harrogate Street
West Leederville WA 6007
Telephone: (08) 9380 9555
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Nedlands WA 6009
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STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CXU

BANKERS
National Australia Bank
50 St Georges Terrace
Perth WA 6000

ANZ
77 St Georges Terrace
Perth WA 6000

DIRECTORS' REPORT

The directors of Cauldron Energy Limited ("Cauldron") submit their report, together with the consolidated financial statements comprising Cauldron and its controlled entities (together the "Consolidated Entity") for the financial year ended 30 June 2013.

1. INFORMATION ON DIRECTORS

The names and particulars of the directors of the Consolidated Entity during or since the end of the financial year are as follows. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Antony Sage	Executive Chairman	
Qualifications	B.Bus, FCPA, CA, FTIA	
Experience	Mr Sage has in excess of 25 years' experience in the fields of corporate advisory services, funds management, capital raising and management of several mining/exploration companies. Mr Sage is based in Western Australia and was formerly a successful funds manager with Growth Equities Mutual for a period of 13 years. During the last 15 years he has been involved in the management and financing of several listed exploration and mining companies.	
Directorships of listed companies held within the last 3 years	Cape Lambert Resources Limited	December 2000 to present
	Fe Limited	August 2009 to present
	Kupang Resources Limited	September 2010 to present
	Matrix Metals Ltd	December 2010 to present
	Global Strategic Metals NL	June 2012 to present
	International Petroleum Limited*	January 2006 to present
	African Iron Limited	January 2011 to March 2012
	African Petroleum Corporation Limited *	October 2007 to June 2013
	International Goldfields Limited	February 2009 to May 2013
	* Listed on National Stock Exchange of Australia	
Interest in Shares & Options	Fully Paid Ordinary Shares	5,894,600

Brett Smith	Executive Director	
Qualifications	B.Sc(Geol), M.AusIMM MAIG.	
Experience	Mr Smith has over 21 years of experience in the mining and exploration industry as a geologist, manager, consultant and director. His industry experience is broad, dominated by exploration and resource definition for mining operations. Mr Smith is primarily responsible for Cauldron's strategic move into Argentina.	
Directorships of listed companies held within the last 3 years	Jacka Resources Limited	October 2009 to present
	Corazon Mining Limited	July 2010 to present
	Metals of Africa Limited	October 2012 to present
	Eclipse Metals Limited	March 2010 to November 2011
	Blackham Resources Limited	July 2007 to June 2013
Interest in Shares & Options	Fully Paid Ordinary Shares	11,844

Qiu Derong	Non-Executive Director	
Experience	Mr Qiu is a highly experienced industrialist with more than 26 years' experience in the architecture, construction and real estate industries in China as well as over 16 years of experience in the management of enterprises and projects throughout the country. Mr Qiu has a MBA obtained from the Oxford Commercial College, a joint program operated by Oxford University in China.	
Directorships of listed companies held within the last 3 years	None	
Interest in Shares & options	Fully Paid Ordinary Shares	41,900,000

Remuneration of key management personnel

Information about the remuneration of directors and senior management is set out in the remuneration report of this director's report, on pages 11 to 12. The term key management personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, including any director (executive or otherwise) of the Consolidated Entity.

COMPANY SECRETARY

Ms Claire Tolcon has over 15 years' experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She has previously practised as a partner of a corporate law firm for a number of years before joining the Company. Ms Tolcon holds a Bachelor of Law and Bachelor of Commerce (Accounting) degree and has completed a Graduate Diploma of Applied Corporate Governance with the Chartered Secretaries Australia Ltd and a Graduate Diploma in Applied Finance with FINSIA.

2. PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTVITIES

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

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

3. OPERATING RESULTS

The loss of the Consolidated Entity after providing for income tax amounted to $7,896,865 (2012: $380,737).

4. REVIEW OF OPERATIONS

Cauldron is an Australian exploration company resulting from the merger of Scimitar Resources Limited and Jackson Minerals Limited. Cauldron retains an experienced board of directors with proven success in the resources sector.

Cauldron controls over 6,000km^2 of uranium prospective tenements across South Australia and Western Australia, and large projects with defined uranium mineralisation in Argentina; this allows for diversification, both geologically and with regards to differing political sentiment and policy towards uranium exploration and mining within each region.

CORPORATE

The following significant transactions occurred during the financial year:

Conversion of convertible notes
In early August 2012, 100% of the convertible notes in Cauldron, totalling $11.3 million, were converted into fully paid ordinary shares in the company. The convertible notes were converted at a deemed issue price of $0.20 per share, which represented an 81% premium to the closing price of the shares at the time of conversion of $0.11 per share.

Underwriting and exercise of listed options
In late October 2012, Cauldron entered into an agreement with Barclay Wells Limited to partially underwrite the exercise of the outstanding listed options in the company, to $832,500. The underwriting and the exercise of listed options generated $1,989,281 proceeds (net of fees) for Cauldron during the year.

Shares and Options Issued
During the year ended 30 June 2013, the following equity instruments were issued:

Shares issued
On 2 August 2012 the Consolidated Entity issued 58,829,452 shares upon the conversion of 100% of the convertible notes in Cauldron, totalling $11.3 million, at a deemed issue price of $0.20 per share.

On 31 October 2012 the Consolidated Entity issued 2,663,124 shares upon the exercise of listed options at $0.45 per share to raise $1,198,406. The Consolidated Entity also issued 1,850,000 shares upon the underwriting of listed options at $0.45 per share to raise $832,500 (before costs).

Unlisted options issued
On 1 August 2012, the Consolidated Entity issued 800,000 unlisted options to a Consultant with an exercise price of $0.20 and can be exercised on or before 30 June 2014.

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

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

Number	Exercise price	Expiry date
10,203,338	$0.45	31 October 2012

Uranium Equities Limited Withdrawal from West Lake Frome Joint Venture
The West Lake Frome Project was the subject of a Farm-in and Joint Venture agreement with Uranium Equities Limited (ASX: UEQ) (Uranium Equities) whereby Uranium Equities was to manage and fund $5 million of exploration expenditure over 5 years to earn an 80% interest in West Lake Frome Project. In October 2012, following a strategic review of its Frome Basin Projects, Uranium Equities elected to withdraw from the West Lake Frome Joint Venture. In satisfaction of its obligations to the Consolidated Entity under the Farm-In and Joint Venture agreement, Uranium Equities issued 4,000,000 Uranium Equities shares to the Consolidated Entity.

Energia Minerals takeover bid
In March 2013, the Consolidated Entity announced its intent to bid for all of the shares in Energia Minerals Limited (ASX:EMX) (Energia) in an all scrip takeover on a one (1) Cauldron Energy share for eight (8) Energia shares basis (Takeover Offer). If successful, the merged entity will hold a contiguous tenement package with a strike of over 190km in a highly prospective uranium province in the Carnarvon Basin region of Western Australia.

The Takeover Offer is subject to, amongst other conditions, a minimum acceptance condition of 90% of the issued shares in Energia at the end of the offer period. The Consolidated Entity has extended the offer period to 16 November 2013 (unless further extended).

PROJECT INFORMATION

AUSTRALIA

YANREY URANIUM PROJECT, WESTERN AUSTRALIA (100%) INCLUDING THE UAROO JV (70% AND MANAGER)

The Yanrey Project is located 70km south of Onslow in Western Australia. The project covers Mesozoic sediments, which are highly prospective for sandstone hosted roll front uranium mineralisation amenable to In-situ Recovery (ISR) mining. Other uranium projects in the district include Paladin Energy Ltd's (ASX: PDN) adjoining 24 million lbs Manyingee uranium deposit in the north and Energia Minerals Limited's (ASX: EMX) 12 million lbs Carley Bore uranium deposit to the south.

The Yanrey Project includes:

- the Bennet Well deposits with a total Inferred and Indicated Mineral Resource of 15.7 Mlb at 270 ppm eU_3O_8 estimated at a 150 ppm cut-off (refer ASX announcement dated 7 February 2013 for full details); and
- an Exploration Target[1] estimate of 30 to 115 million pounds U_3O_8 at a grade of 250 to 900 ppm in 11 paleochannel systems (refer ASX announcement dated 21 February 2013 for full details).

The new paleochannels confirmed in the Bennet Well area include additional high grade Well East and Bennet Well South indicate a larger area of mineralisation reflected in the Exploration Target size upgrade.

The recent increase in actual mineralisation, which has led to a significantly improved potential for the Yanrey region creates the need for a scoping study for ISR production be initiated for the region.

Following the success of the October 2012 drilling at Yanrey, a 300% increase in the inferred resource at the Bennet Well prospect was announced. This drilling success resulted in the re-interpretation of the target model and the confirmation of two additional areas of potentially economic mineralisation (Bennet Well East and South). This has resulted in the review of the Exploration Target for the Yanrey Project (refer ASX Announcement 21 February 2013).

MARREE URANIUM PROJECT JOINT VENTURE, SOUTH AUSTRALIA (60% (increasing))

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

The Marree Project was formed by way of a joint venture agreement between Cauldron and a Korean consortium, comprising of the Korean Government (KORES), Daewoo International Corporation and LG International Corporation. Cauldron is the Manager of the project. The terms of the joint venture agreement enabled the Korean participants to earn up to an aggregate 50% interest in the Marree Project by funding $6.0 million of exploration activities over an earn-in period. Exploration activities commenced in mid-2009. The earn-in period of this joint venture agreement ended in January 2013, at which point the Korean participants had contributed a total of $4.9 million. At the end of the earn-in period, the parties' interests in the tenements are as follows:

- Cauldron 60%; and
- Korean participants 40%.

In line with the terms of the joint venture agreement, following the earn-in period, the parties are required to participate in expenditure of the Marree Project pro-rata to their ownership interests, otherwise the parties interests will be diluted. Since January 2013, Cauldron has continued to the exploration works, thus diluting the Korean participants' interests.

At the Company's Marree Base Metals Project in South Australia, analysis of historical captured Induced Polarisation ("IP) data identified potential extensions to the Ooloo Silver-Lead Mine ("Ooloo"). A large

[1] *The Exploration Target has yet to be fully drill tested and is conceptual in nature. There has been insufficient exploration to define a mineral resource and it is uncertain if future exploration will result in the determination of a mineral resource.*

high-grade polymetallic zone at the Mt Freeling Prospect (Figure 1) was identified during the quarter's planned field mapping programme. This new prospect at Mt Freeling and the discovery of the large resistive body at Ooloo highlights the growing potential of Marree's exciting base metal and precious metal region.

In April 2013 the Company contracted ExploreGeo to undertake the reprocessing of historical IP data of the Ooloo Mine region, originally completed by McPhar Geophysics in 1970 for Mid-East Minerals NL.

The analysis of the IP data at Ooloo identified a large resistive zone southwest of the historical Ooloo Silver-Lead Mine, estimated to be 1.5km long by 500m wide. This analysis has provided Cauldron with new potential drill targets both undercover and close to known mineralisation.

Following the signing of Heritage Agreements with the Traditional Owners, Cauldron now has permission to access to the Ooloo mine region to conduct exploration activities including drilling. Priority work at Ooloo includes geochemical confirmation of resistivity response; and pending results, additional mapping may be conducted, followed by a drilling program later in 2013.

Recently completed field mapping by the Company at Marree has identified a large series of workings within a 2km^2 radius including a 1.6m long mineralised fault zone with an alteration corridor up to 200m wide at Marree's Mt Freeling Prospect.

Geochemical assays of field samples have confirmed consistent high-grade base and precious metal values over a large area including peak results of:

- 2,830 g/t silver
- 33.9% lead
- 6.45 g/t gold
- 3.23% zinc
- 2.52% copper

Priority work at Mt Freeling includes the completion of additional field mapping and geochemical sampling to identify the extent and tenor of any mineralization later in 2013. The Consolidated Entity is currently conducting a mapping programme, to be followed up by an exploration drilling programme to test the already defined areas.

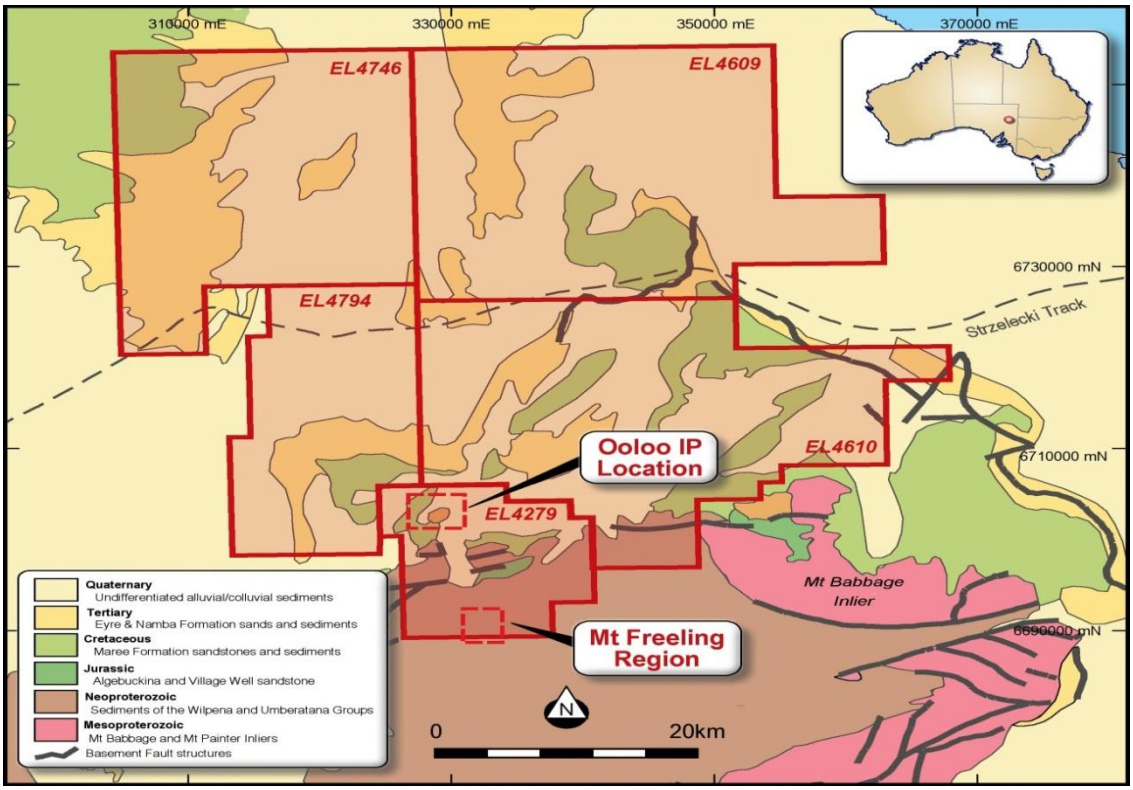

Figure 1: Marree Project – Location of recently completed work

WEST LAKE FROME PROJECT, SOUTH AUSTRALIA

The West Lake Frome Project comprises three granted exploration licences covering 1,444 km^2 in the Curnamona Province of South Australia.

In October 2012, following a strategic review of its Frome Basin Projects, Uranium Equities elected to withdraw from the West Lake Frome Joint Venture. In satisfaction of its obligations to the Consolidated Entity under the Farm-In and Joint Venture agreement, Uranium Equities issued 4,000,000 Uranium Equities shares to the Consolidated Entity.

Following this withdrawal, the Consolidated Entity conducted a strategic review of the tenements comprising the West Lake Frome Project and the decision was made to surrender these tenements. These tenements were surrendered in early 2013.

BEADELL PROJECT, WESTERN AUSTRALIA (20% - 40%)

The Beadell Project is located 450km east of Newman in Western Australia in the south-eastern part of the Rudall Complex in a highly prospective region with several base metal deposits, including Mount Cotton (Cu, Pb, Zn, U), Nifty (Cu), Maroochydore (Cu, Pb, Zn), Kintyre (U) and Copper Hills (Cu, Au).

In September 2011, Cauldron divested interest in the Boolaloo and Beadell Projects to Rumble Resources Ltd (Rumble). Pursuant to the terms of the transactions, Cauldron transferred to Rumble a 60% interest in E45/2405 and E/2406 and an 80% interest in ELA 45/3799 and ELA 45/3823 (comprising the Beadell Project).

BOOLALOO PROJECT, WESTERN AUSTRALIA (20%)

The Boolaloo Project is located 270km east of Exmouth in the Ashburton Basin within a known base metal province with numerous historical and current mines including Paulsens Gold Mine and Mount Clement Gold Mine.

In September 2011, Cauldron divested interest in the Boolaloo and Beadell Projects to Rumble Resources Ltd (Rumble). Pursuant to the terms of the transactions, Cauldron has transferred to Rumble an 80% interest in the Boolaloo Project (which is comprised of EL08/0605, EL08/1756, EL08/2123, EL08/2141, EL08/2152 and ELA08/2153.

AMADEUS URANIUM PROJECT, NORTHERN TERRITORY (100%)

The Amadeus Project is located in the Amadeus Basin 50km south of Alice Springs.

In late 2012 the decision was made to surrender the three tenements comprising the Amadeus Uranium Project. After reviewing these tenements, it was not considered prudent to assign resources to this project given the high potential alternative investments elsewhere in the Consolidated Entity's portfolio.

GLENCOE PROJECT (100%)

The Glencoe Uranium Project is located in the Lake Frome region 450km northeast of Adelaide. The Project is prospective for roll front type uranium mineralisation within sediments of the Tertiary Lake Eyre Basin, contained within the Carnanto and Yalkapo Paleochannels which traverse the Project.

In early 2013 the decision was made to surrender the Glencoe project tenement. After reviewing these tenements, it was not considered prudent to assign resources to this project given the high potential alternative investments elsewhere in the Consolidated Entity's portfolio.

MAWSON PROJECT (100%)

The Mawson Uranium Project is located in the prospective Mount Painter Complex, 500km north of Adelaide. The licence is 5km to the southwest of the Marathon Resources Limited's 66 million lbs Mt Gee uranium deposit. The project covers the southern extension of the Mount Painter Complex and the continuation of the Paralana Fault zone. Reactivation of this fault is believed to be an important factor in

the localisation of the uranium mineralisation at the Mount Gee and Mount Painter Breccia hosted uranium deposits. No work was completed on this project during the current year.

ARGENTINA

RIO COLORADO URANIUM PROJECT, ARGENTINA (CXU earning 92.5%)

Rio Colorado in Catamarca Province covers an area of 454 km^2 and comprises four granted mining leases (minas), six granted exploration licences (cateos) and four mining lease applications. The deposit intermittently outcrops over a strike of 17 km with numerous small scale historical workings focused on the sandstone hosted uranium-copper-silver mineralisation.

Cauldron, through its wholly owned subsidiary Cauldron Minerals Ltd (formerly Jackson Global Ltd), has the right to earn 92.5% of the Rio Colorado uranium-copper-silver project in Catamarca, one of the principal mining provinces in Argentina.

The Rio Colorado Project comprises a 17km long zone of outcropping mineralised (uranium, copper and silver) continental red bed sandstones. Extensive surface sampling of uranium mineralised outcrop indicates ore zones 10-20m wide, including zones between 300 to 3,000 ppm U_3O_8 over widths up to 10.7m. Mapping and sampling at the northern end of the mineralised sandstones indicates continuity over at least 5 km, which remains open to the south.

The team in Argentina continues to assist with recent Government efforts in the process of communication and education in the local community. Cauldron's strategy throughout the current year was to progress exploration in a cost effective manner, whilst implementing measures to preserve cash.

LAS MARIAS URANIUM PROJECT, ARGENTINA (100%)

Las Marias in San Juan Province comprising two granted exploration licences and nine applications covering an area of 793 km^2. The project displays outcropping sandstone hosted uranium deposits, but is also prospective for copper, silver and gold.

Cauldron, through its wholly owned subsidiary Cauldron Minerals Ltd (formerly Jackson Global Ltd) has granted leases and applications over ground prospective for uranium mineralisation in San Juan, one of the principal mining provinces in Argentina. The Las Marias Project includes areas of historical uranium exploration, dating from the 1970s. Cauldron Minerals Ltd is the first company to receive environmental clearance for the exploration and bulk testing for uranium in this province.

Within the Las Marias Project, outcropping uranium mineralisation is defined within strata bound sandstones, with over 7km of strike, conformable with the local stratigraphy. Radiometric anomalism suggests that the mineralised units extend under cover, throughout the project area. Initial investigations by the Company, indicates an average outcropping uranium anomalism of between 100 to 550 ppm U_3O_8 up to three metres in width, with samples peaking at 1,305 ppm U_3O_8.

The review of the Las Marias gold sampling program continues, however, to date shortfalls in the sampling program have been identified, resampling is being conducted. There remains a strong potential for gold mineralisation in the area and an effective geochemical program is needed to understand this potential value to the Company.

LOS COLORADOS PROJECT, ARGENTINA (CXU earning 80%)

Cauldron through its wholly owned subsidiary Jakaranda Minerals Limited (Jakaranda), entered into an agreement with Argentinean company Caudillo Resources SA (Caudillo) early in 2011 to explore the historic Los Colorados Uranium Mine in the province of La Rioja in Argentina.

The uranium mineralisation mined from 1992-1996 is of the sandstone hosted roll front style and is hosted within Carboniferous age clastic sediments and is observed in the walls of the open pit. This, along with historical drill records, indicates the mineralisation extends beyond the boundary of the mined area. Old mine records indicate grades from 0.26 to 1.22% U_3O_8 in dark shale units within and on the margins of the open pit that host the uranium mineralisation. Additionally, this style of deposit supports the likelihood of further roll-front horizons existing elsewhere within the project. The Los Colorados deposit was discovered solely because it outcropped at the surface.

In August 2011, Caudillo completed a 20 hole reverse circulation drilling program for a total of 1,027 metres of drilling aimed at testing for extensions to the Los Colorados mine. Geochemical assay results confirm the presence of roll-front style uranium mineralisation adjacent to the old mine with the most significant result from geochemical assay being 0.5m @ 1946 ppm U_3O_8.

COMPETENT PERSON STATEMENT

The information in this Annual Report that relates to Cauldron Energy Limited's Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brett Smith, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Smith is a director of Cauldron Energy Limited. Mr Smith has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Smith is consents to the inclusion in this Annual Report of the matters based on his information, in the form and context in which it appears.

5. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR

The Consolidated Entity intends to continue its focus on the uranium sector.

6. SIGNFICANT CHANGES IN STATE OF AFFAIRS

There have been no changes in the state of affairs of the Consolidated Entity other than those disclosed in the review of operations.

7. SUBSEQUENT EVENTS

Funding secured via Converting Loan Agreements with major shareholders
On 10 July 2013, the Consolidated Entity announced that it had secured $1.5 million in funding via the execution of converting loan agreements with its two major shareholders. Pursuant to the terms of the converting loan agreements, the Consolidated Entity received $1.5 million funding on 31 July 2013, which will be automatically converted into ordinary shares in the Consolidated Entity, subject to receipt of shareholder approval at its 2013 Annual General Meeting.

Government grant secured – Royalties for Regions Co-funded Government-Industry Drilling Program
On 10 July 2013, the Consolidated Entity announced that it had secured government grants as part of the WA Exploration Incentive Scheme up to $300,000 to assist in funding drilling activities in the Yanrey region of Western Australia. These funds are subject to strict guidelines and are to be utilised for direct drilling costs only.

Extension of closing date for takeover offer for Energia Minerals
On 26 July 2013, the Consolidated Entity announced that it had resolved to extend the Energia takeover offer period to 16 November 2013 (unless further extended).

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

8. ENVIRONMENTAL ISSUES

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

9. DIVIDENDS PAID OR RECOMMENDED

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

10. SHARES UNDER OPTION

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

Grant Date	Class of Shares	Exercise Price	Number of Options	Expiry Date	Listed / Unlisted
20 October 2010	Ordinary	$0.45	500,000	20 October 2015	Unlisted
11 June 2012	Ordinary	$0.20	2,000,000	30 June 2014	Unlisted
1 August 2012	Ordinary	$0.20	800,000	30 June 2014	Unlisted
19 September 2012	Ordinary	$0.20	1,000,000	18 September 2015	Unlisted

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

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

During the year ended 30 June 2013 there were 2,663,124 ordinary shares issued for $1,198,406 consideration (2012: nil) as a result of the exercise of options.

11. INDEMNITY AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the *Corporations Act 2001* every Officer or agent of the Consolidated Entity shall be indemnified out of the property of the Consolidated Entity against any liability incurred by him in his capacity as Officer, auditor or agent of the Consolidated Entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premiums paid, the nature of the liability covered by the policies, the limit of liability and the name of the insurer.

12. MEETINGS OF DIRECTORS

Two directors meeting were held during the year and all directors were in attendance. The Consolidated Entity does not have a formally constituted audit committee or remuneration committee as the board considers that the Consolidated Entity's size and type of operation do not warrant such committees.

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2013 has been received and is included on page 14 of the annual report.

14. REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cauldron's directors for the financial year ended 30 June 2013.

KEY MANAGEMENT PERSONNEL

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

Antony Sage	Executive Chairman
Brett Smith	Executive Technical Director
Qiu Derong	Non-Executive Director

The named persons held their positions for the duration of the financial year and up to the date of this report.

REMUNERATION POLICY

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

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

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND EXECUTIVES' REMUNERATION

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

REMUNERATION OF DIRECTORS

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

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENTS		TOTAL	Remuneration share based payment
	Salary, Fees & Leave	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$	%
Directors									
Antony Sage – Executive Chairman									
2013	120,000	-	-	-	-	-	-	120,000	-
2012	120,000	-	-	-	-	-	-	120,000	-
Brett Smith – Executive Technical Director									
2013	112,982	-	-	-	-	-	-	112,982	-
2012	109,003	-	-	-	-	-	-	109,003	-
Qiu Derong – Non Executive Director (i)									
2013	365,068	-	-	-	-	-	-	365,068	-
2012	-	-	-	-	-	-	-	-	-
Total Remuneration Directors									
2013	598,050	-	-	-	-	-	-	598,050	-
2012	229,003	-	-	-	-	-	-	229,003	-

(i) In his capacity as Non-Executive Director of Cauldron Energy Ltd, Mr Qiu Derong is entitled to a fee of $100,000 per annum, back-dated to his appointment on 6 November 2009. The amount of $365,068 recognised in 2013 relates to the fee paid and accrued for the period from the date of appointment to 30 June 2013.

Performance related Bonuses and Share Based Payments

There were no options or shares issued to directors as remuneration during the year ended 30 June 2013 (2012: nil).

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

15. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

16. NON AUDIT SERVICES

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2013.

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

Mr Antony Sage
Executive Chairman

PERTH
5 September 2013

Bentleys
THINKING AHEAD

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ABN 33 121 222 802
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F +61 8 9226 4300
bentleys.com.au

To The Board of Directors

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

As lead audit director for the audit of the financial statements of Cauldron Energy Limited for the financial year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 5th day of September 2013

CORPORATE GOVERNANCE

The Board of Directors of Cauldron Energy Limited (**Cauldron**) is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council's (**CGC**) Corporate Governance Principles and Recommendations (**Recommendations**) and CGC published guidelines.

In accordance with ASX Listing Rule 4.10.3, this corporate governance statement discloses the extent to which the Company has followed the Recommendations by detailing the Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. The Company is pleased to advise that the Company's practices are largely consistent with CGC guidelines, however, in areas where they do not correlate, the Company is working toward compliance or do not consider that the practices are appropriate for the current size and scale of operations.

Cauldron corporate governance practices were in place throughout the year ended 30 June 2012. The current corporate governance policies are posted in a dedicated corporate governance information section of the Company's website at www.cauldronenergy.com.au.

Adherence to the Guide on Best Practice Recommendations

	Recommendation	Comply Yes / No
Principal 1 – Lay solid foundations for management and oversight		
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives.	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the guide to reporting on Principle 1.	Yes
Principal 2 – Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	No
2.2	The chairperson should be an independent director.	No
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No
2.4	The Board should establish a nomination committee.	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	Yes
Principal 3 – Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: 3.1.1 The practices necessary to maintain confidence in the Company's integrity. 3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. 3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	Provide the information indicated in the guide to reporting on Principle 3.	Yes

CORPORATE GOVERNANCE (cont)

		Comply Yes / No
Principal 4 – Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	No
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chairperson, who is not chairperson of the Board; and • has at least three members.	No
4.3	The audit committee should have a formal charter	Yes
4.4	Provide the information indicated in the guide to reporting on Principle 4.	Yes
Principal 5 – Make timely and balanced disclosure		
5.1	Companies should established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the guide to reporting on Principle 5.	Yes
Principal 6 – Respect the rights of shareholders		
6.1	Companies should design a communication policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the guide to reporting on Principle 6.	Yes
Principal 7 – Recognise and manage risk		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3	The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	Yes
Principal 8 – Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	No
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	No
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Provide the information indicated in the guide to reporting on Principle 8.	Yes

CORPORATE GOVERNANCE (cont)

The Board of Directors

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

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

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website: www.cauldronenergy.com.au.

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

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Structure of the Board

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

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Qiu Derong is a Non-Executive Director but he does not meet the Company's criteria for independence. Mr B Smith and Mr A Sage are Executive Directors of the Company and

CORPORATE GOVERNANCE (cont)

do not meet the Company's criteria for independence. However, their experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Antony Sage is the Executive Chairman of the Company and does not meet the Company's criteria for independence. The Board believes his experience and knowledge of the Company makes him the most appropriate person to lead the Board.

The role of Chief Executive Officer of the Company has been discharged jointly by Executive Directors, Mr Brett Smith and Mr Tony Sage. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes, Mr Brett Smith and Mr Tony Sage acting jointly in this role remain the most appropriate people to fulfil this role.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Mr Antony Sage	4 years & 3 months	(Executive Chairman)
Mr Brett Smith	4 years & 3 months	(Executive Director)
Mr Qiu Derong	3 year & 10 months	(Non-Executive Director)

Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company.

The performance of the Chief Executive Officer (Executive Director) is monitored by the Board as a whole. A formal performance review of the Chief Executive Officer did not occur during the year.

The performance of senior management is monitored by the Executive Chairman.

The Board has established formal practices to evaluate the performance of the Board, committees, non-executive Directors, the Chief Executive Officer, and senior management. Details of these practices are available on the Company's website. No formal performance evaluation of the Board, individual directors of senior management took place during the year.

CORPORATE GOVERNANCE (cont)

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

Securities Trading Policy

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. Additionally, the Board and other employees may not deal in the Company's securities 1 day prior to, and 1 day after, the release of the Company's half yearly or yearly results.
Approval is required by Directors and employees before they trade in securities.

As is required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by a Director in the securities of the Company.

Diversity Policy

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

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

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

The Company has adopted a diversity policy which provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board is primarily responsible for setting achievable objectives on gender diversity and monitoring the progress of the Company towards them on an annual basis. Due to the size and scale of operations of the Company, the Board has determined that a long term gender diversity objective is more appropriate.

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

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

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

CORPORATE GOVERNANCE (cont)

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

While there are no female board members, the roles of Company Secretary and Chief Financial Officer are discharged by females. As at 30 June 2013, 50% of the employees of the Company were females.

Audit and Risk Committee

Due to the current size of the Board, the functions of the Audit and Risk Committee are discharged by the Board as a whole. The Board reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval. The Board each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Board as a whole is also responsible for establishing policies on risk oversight and management.

Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of the operations of the Company and the size of the Board, risk management issues are considered by the Board as a whole. In accordance with Recommendation 7.1, the Board has established a formal policy for risk management and a framework for monitoring and managing material business risks on an ongoing basis. The policies and procedures adopted are directed at meeting the following objectives:

- effectiveness and efficiency in the use of the Company's resources.
- compliance with applicable laws and regulations.
- preparation of reliable published financial information.

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

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

Attestations by CEO

It is the Board's policy, that the CEO makes the attestations recommended by the CGC as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the role of CEO is being discharged by the Executive Chairman and the Executive Director jointly. The certification required in accordance with section 295A of the Corporations Act is provided by the Executive Chairman prior to acceptance by the Board as a whole. The Board has received assurance that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Remuneration Committee

Due to the current size of the Board, the functions of the Remuneration Committee are discharged by the Board as a whole. The Board as a whole, is charged with the responsibility in respect of establishing appropriate remuneration levels and incentive policies for employees, executives and directors.

The Board is responsible for setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and amending the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's

CORPORATE GOVERNANCE (cont)

performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

Remuneration Policy

Directors' Remuneration has been approved by resolutions of the Board when Directors have been appointed to the Company, and resolutions of Shareholders when the total remuneration of Non-Executive Directors has increased.

Senior Executive Remuneration Policy

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

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

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

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

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

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

Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

Nomination Committee

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

Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's

CORPORATE GOVERNANCE (cont)

performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with relevant industry experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

Continuous Disclosure

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

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

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

Shareholder Communication

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Revenue	3(a)	141,341	224,514
Other income	3(b)	188,000	3,729,412
Administration expenses		(355,532)	(390,846)
Employee benefits expenses		(129,207)	(239,477)
Directors fees		(598,050)	(229,003)
Share based payments		(236,353)	(14,205)
Compliance and regulatory expenses		(116,437)	(134,236)
Consultancy expenses		(550,791)	(388,560)
Legal fees		(287,084)	(86,701)
Occupancy expenses		(59,082)	(73,136)
Travel expenses		(61,056)	(84,783)
Net fair value loss on financial assets		(2,268,478)	(1,586,216)
Profit/(loss) on disposal of financial assets		(8,242)	72,632
Depreciation		(22,107)	(21,230)
Finance costs	4	(91,041)	(1,130,906)
Realised foreign exchange loss		(13,320)	(21,731)
Impairment of receivables		(56,767)	-
Impairment of loan receivable	9(b)	(1,204,485)	-
Impairment of plant and equipment		-	(6,265)
Impairment of exploration expenditure	10	(2,168,174)	-
Loss before income tax expense		(7,896,865)	(380,737)
Income tax expense	5	-	-
Loss for the year		**(7,896,865)**	**(380,737)**
Other comprehensive income; net of income tax			
Items that will not be reclassified subsequently to profit or loss:			
-		-	-
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(158,166)	(123,088)
Other comprehensive income for the year after income tax		(158,166)	(123,088)
Total comprehensive income attributable to members of the Company		**(8,055,031)**	**(503,825)**
Earnings/(loss) Per Share			
Basic earnings/(loss) per share (cents per share)	18	(5.16)	(0.40)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	23(b)	214,006	2,927,111
Trade and other receivables	6	127,118	145,789
Financial assets	7	572,302	2,660,302
TOTAL CURRENT ASSETS		913,426	5,733,202
NON CURRENT ASSETS			
Restricted cash	8	217,761	221,592
Loan receivables	9	-	996,010
Exploration and evaluation expenditure	10	9,384,605	9,332,498
Property, plant and equipment	11	46,105	36,290
TOTAL NON CURRENT ASSETS		9,648,471	10,586,390
TOTAL ASSETS		**10,561,897**	**16,319,592**
CURRENT LIABILITIES			
Trade and other payables	12	504,537	900,643
Financial liabilities	13	-	11,300,000
Provisions	14	16,989	15,071
TOTAL CURRENT LIABILITIES		521,526	12,215,714
TOTAL LIABILITIES		**521,526**	**12,215,714**
NET ASSETS		**10,040,371**	**4,103,878**
EQUITY			
Issued capital	15	37,348,796	23,593,625
Reserves	16	1,445,539	1,367,352
Accumulated losses	17	(28,753,964)	(20,857,099)
TOTAL EQUITY		**10,040,371**	**4,103,878**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 $	2012 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(2,052,596)	(1,814,383)
Interest received		51,948	120,654
Interest paid		(260,712)	(782,269)
Administration service fees received		89,119	111,826
Net cash used in operating activities	23(a)	(2,172,241)	(2,364,172)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(2,992,375)	(2,032,379)
Reimbursement for exploration and evaluation incurred on behalf of other parties		751,850	1,220,094
Payments for plant and equipment		(33,050)	(5,045)
Proceeds from the sale of tenements		-	300,000
Refund of deposits paid		3,830	81,515
Loans repaid by other entities		-	573,863
Funding provided to Caudillo Resources SA		(257,329)	(648,001)
Proceeds from sales of equity investments		-	4,144,116
Net cash from/ (used in) investing activities		(2,527,074)	3,634,163
Cash Flows from Financing Activities			
Proceeds from issue of shares and options, net of transaction costs		1,989,281	693,500
Proceeds from issue of convertible loan note		-	-
Net cash from financing activities		1,989,281	693,500
Net increase/ (decrease) in cash held		(2,710,034)	1,963,491
Effects of exchange rate changes on cash		(3,071)	(4,687)
Cash and cash equivalents at beginning of financial year		2,927,111	968,307
Cash and cash equivalents at end of financial year		**214,006**	**2,927,111**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2013

	Issued Capital	Accumulated Losses	Option Premium Reserve	Foreign Currency Translation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2012	**23,593,625**	**(20,857,099)**	**2,121,146**	**(753,794)**	**4,103,878**
Loss attributable to members of the parent entity	-	(7,896,865)	-	-	(7,896,865)
Other comprehensive income	-	-	-	(158,166)	(158,166)
Total comprehensive income for the year	-	(7,896,865)	-	(158,166)	(8,055,031)
Transaction with owners, directly in equity					
Shares issued during the year, net of costs	13,755,171	-	-	-	13,755,171
Share based payments expense recognised for value of options issued/vested during the year	-	-	236,353	-	236,353
Balance at 30 June 2013	**37,348,796**	**(28,753,964)**	**2,357,499**	**(911,960)**	**10,040,371**
Balance at 1 July 2011	**22,900,125**	**(20,476,362)**	**2,106,941**	**(630,706)**	**3,899,998**
Loss attributable to members of the parent entity	-	(380,737)	-	-	(380,737)
Other comprehensive income	-	-	-	(123,088)	(123,088)
Total comprehensive income for the year	-	(380,737)	-	(123,088)	(503,825)
Transaction with owners, directly in equity					
Shares issued during the year, net of costs	693,500	-	-	-	693,500
Share based payments expense recognised for value of options issued/vested during the year	-	-	29,529	-	29,529
Options forfeited during the year	-	-	(15,324)	-	(15,324)
Balance at 30 June 2012	**23,593,625**	**(20,857,099)**	**2,121,146**	**(753,794)**	**4,103,878**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial report covers Cauldron Energy Limited ("Cauldron") and its controlled entities ("the Consolidated Entity"). Cauldron is a public listed company, incorporated and domiciled in Australia.

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

b. Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c. Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Consolidated Entity incurred a loss for the year of $7,896,865 and net cash outflows of $2,172,241. At 30 June 2013, the Consolidated Entity has cash and cash equivalents of $214,006.

The ability of the Consolidated Entity to continue as a going concern is dependent upon the ability of the Consolidated Entity to secure funding.

On 10 July 2013, the Consolidated Entity announced that it had secured $1.5 million in funding via the execution of converting loan agreements with its two major shareholders. Pursuant to the terms of the converting loan agreements, the Consolidated Entity received $1.5 million funding on 31 July 2013, which will be automatically converted into ordinary shares in the Consolidated Entity, subject to receipt of shareholder approval at its 2013 Annual General Meeting. The funds raised will be utilised to continue exploration activities at the Marree and Yanrey Projects in Australia and to fund its general working capital requirements in the short term.

Additional funding is currently being sought by the directors, which at the date of this report has not yet been finalised. This additional funding will be required to fund the Consolidated Entity's future planned expenditure.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

d. Application of New and Revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Standards and Interpretations affecting the reported results or financial position

Amendments to AASB 112 'Income Taxes'	The Consolidated Entity is not affected by the adoption of this standard as the Company does not hold investment property.

Accounting Standards & Interpretations in issue but not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011- 7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'	1 January 2013	30 June 2014

The Consolidated Entity has not elected to early adopt any new Standards or Interpretations.

The Consolidated Entity is in the process of determining the impact of the above on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

e. Principles of Consolidation

A controlled entity is any entity over which Cauldron Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in note 21 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.

f. Foreign Currency Transactions and Balances

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

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

g. Goods and Services Tax

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

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

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

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

h. Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

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

i. Cash and Cash Equivalents

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

j. Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

The Consolidated Entity has the following financial instruments:

Financial Assets at Fair Value through Profit or Loss

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with gains or losses being recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

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

Loans and Receivables

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

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

Debt and equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Impairment

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired.

Derecognition of financial assets

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

k. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

l. 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	
	2013	2012
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.

m. 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.
When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

n. Impairment of Assets

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

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

o. Trade and Other Payables

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

p. Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement. All revenue is stated net of the amount of goods and services tax (GST).

q. Provisions and Employee Benefits

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
Provisions are measures at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

estimated future obligation includes the costs of removing facilities, abandoning sites and restoring the affected areas.

Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

r. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s. Share based payments

Equity-settled share based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes options pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods and services received is recognised at the current fair value determined at each reporting date.

t. Critical accounting judgements, estimates and assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year are discussed below.

Share based payment transactions
The Consolidated Entity measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options is determined by an internal valuation using Black-Scholes option pricing model, while the fair value of shares is determined based on the market bid price at date of issue.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Income taxes

The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Consolidated Entity has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

u. Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

v. Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

Information about other business activities and operating segments that do not meet the quantitative criteria set out in AASB 8 "Operating Segments" are combined and disclosed in a separate category called "other."

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

2. SEGMENT INFORMATION

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

Basis of accounting for purposes of reporting by operating segments

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

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

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

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

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

- administration and other operating expenses not directly related to uranium exploration
- interest income
- interest expense
- convertible loan notes
- loans to other entities
- held for trading investments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	Uranium exploration		Other		Total	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Interest received	-	-	52,223	112,688	52,223	112,688
Gain on disposal of assets	-	3,155,575	-	-	-	3,155,575
Administration service fee	89,119	111,826	-	-	89,119	111,826
Termination of WLF joint venture	188,000	-	-	-	188,000	-
Total segment revenue and other income	**277,119**	**3,267,401**	**52,223**	**112,688**	**329,342**	**3,380,089**
Segment net operating profit/ (loss) after tax	**(2,000,083)**	**3,155,123**	**(5,896,782)**	**(3,535,860)**	**(7,896,865)**	**(380,737)**
Segment net operating profit/ (loss) after tax includes the following significant items:						
Interest and other finance charges	-	-	(91,041)	(1,130,906)	(91,041)	(1,130,906)
Net fair value gain/(loss) on financial assets	-	-	(2,268,478)	(1,586,216)	(2,268,478)	(1,586,216)
Gain/(l)oss on disposal of financial assets	-	-	(8,242)	72,632	(8,242)	72,632
Impairment of loan receivable	-	-	(1,204,485)	-	(1,204,485)	-
Impairment of exploration assets	(2,168,174)	-	-	-	(2,168,174)	-
Gain on disposal of exploration assets	-	3,155,575	-	-	-	3,155,575
Segment assets	**9,972,618**	**12,648,785**	**589,279**	**3,670,808**	**10,561,897**	**16,319,592**
Segment assets include:						
Capitalised exploration expenditure	9,384,605	9,332,498	-	-	9,384,605	9,332,498
Financial assets	-	-	572,302	2,660,302	572,302	2,660,302
Other assets	588,013	3,316,286	16,977	1,010,506	604,990	4,326,792
	9,972,618	**12,648,785**	**589,279**	**3,670,808**	**10,561,897**	**16,319,592**
Segment liabilities	**(126,493)**	**(1,596,238)**	**(395,033)**	**(10,619,476)**	**(521,526)**	**(12,215,714)**

Segment information by geographical region

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

	2013	2012
	$	$
Australia	8,752,724	14,247,211
Argentina	1,809,173	2,072,381
	10,561,897	**16,319,592**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. REVENUE AND OTHER INCOME

	2013 $	2012 $
(a) Revenue		
Interest received	52,222	112,688
Administration fees received	89,119	111,826
	141,341	224,514
(b) Other Income		
Gain on sale of exploration assets	-	3,155,575
Reversal of provision for non-recovery of loans	-	573,837
Termination of West Lake Frome joint venture agreement	188,000	-
	188,000	3,729,412

4. FINANCE COSTS

	2013 $	2012 $
Interest on convertible notes	91,041	1,130,906
	91,041	1,130,906

5. INCOME TAX EXPENSE

	2013 $	2012 $
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:	2013 $	2012 $
Loss before tax	(7,896,865)	(380,737)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2012: 30%)	(2,369,059)	(114,221)
Add tax effect of:		
Non-deductible expenses	70,906	91,408
De-recognition of previously recognised tax losses	585,232	110,031
Current year tax losses not recognised	1,699,962	-
Less tax effect of:		
Under/(over) provision for prior year	12,959	(87,218)
Total income tax expense/(income) attributable to entity	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 $	2012 $
(c) Recognised deferred tax balances		
Deferred tax balances have been recognised in respect of the following:		
Deferred tax assets		
Annual Leave	5,097	4,521
Investments	1,948,095	1,497,449
Other Accruals	2,328	203,251
Loan receivable	363,107	-
Previously expensed capital raising costs	35,363	35,363
Tax losses	-	585,232
	2,353,990	2,325,816
Deferred tax liabilities		
Exploration	(2,314,891)	(2,325,515)
Unearned income	(19,493)	(301)
Other receivables	(19,606)	-
	(2,353,990)	(2,325,816)
Net recognised deferred tax assets/(liabilities)	-	-

(d) Unrecognised deferred tax balances

The Consolidated Entity has $16,818,270 (2012: $14,123,862) gross tax losses arising in Australia that are available indefinitely for offset against future profit of the Company in which the losses arose.

(e) The Consolidated Entity has unrecognised temporary differences for which no deferred tax asset is recognised in the statement of financial position of $175,754 (2012: nil) which are available indefinitely for offset against future taxable income subject to the Consolidated Entity continuing to meet relevant statutory tests.

6. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
Current		
Trade receivables	164,746	127,289
Provision for non-recovery of trade receivables	(61,352)	-
Accrued interest	1,279	1,004
Other receivables	5,468	3,001
Prepayments	16,977	14,495
	127,118	145,789

7. FINANCIAL ASSETS

	2013 $	2012 $
Financial assets		
Financial assets at fair value through profit or loss	572,302	2,660,302
	572,302	2,660,302

NOTES TO THE FINANCIAL STATEMENTS
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Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of investments is calculated with reference to current market prices at balance date.

Movements:		
Opening balance at beginning of the year	2,660,302	1,768,003
Acquisition of equity securities	188,720	-
Equity securities previously reclassified as an associate	-	2,600,000
Disposal of equity securities	(8,242)	(121,485)
Fair value gain/(loss) through profit or loss	(2,268,478)	(1,586,216)
	572,302	2,660,302

8. RESTRICTED CASH

	2013 $	2012 $
Restricted cash		
Bank guarantees	217,761	221,592
	217,761	221,592

The above restricted cash balances relates to term deposits held with financial institutions as security for bank guarantees issued to various environmental regulatory departments in respect of the potential rehabilitation exploration areas.

9. LOAN RECEIVABLES

	2013 $	2012 $
Current		
Unrelated parties (a)	-	682,000
Provision for non-recovery (a)	-	(682,000)
	-	-
Non-current		
Caudillo Resources SA (b)	1,210,355	971,814
Provision for non-recovery (b)	(1,210,355)	-
Other related parties	-	24,196
	-	996,010

a) The loan was due for repayment in August 2010. The balance owing, including interest, was provided for in full at 30 June 2011.

b) The Consolidated Entity's wholly owned subsidiary Jakaranda Minerals Limited ("Jakaranda") has provided a draw-down facility ("First Loan") up to $650,000 to Caudillo Resources SA ("Caudillo"), which is included in this balance. The First Loan and interest (LIBOR + 2%) was required to be repaid in cash by 21 February 2013, or Jakaranda may elect to convert the First Loan into an 80% interest in the issued capital of Caudillo. At 30 June 2013, this draw-down facility has been utilised. The Consolidated Entity intends to elect to convert the First Loan into an 80% equity interest in Caudillo, and the execution of this is currently in the process of being completed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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

(i) cash; or

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

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

10. EXPLORATION AND EVALUATION EXPENDITURE

	2013 $	2012 $
Exploration and evaluation expenditure	9,384,605	9,332,498
Movements:		
Carrying value at beginning of year	9,332,498	10,112,253
Exploration expenditure incurred (a)	2,972,131	1,711,927
Exploration expenditure reimbursed	(751,850)	(1,397,257)
Divestment of exploration assets	-	(1,094,425)
Impairment of exploration expenditure (b)	(2,168,174)	-
Carrying value at end of year	9,384,605	9,332,498

a) Included in exploration expenditure incurred during 2013 is expenditure of $1,071,454 incurred by the Consolidated Entity on behalf of the Marree Joint Venture Project. Of this amount, $646,820 has been reimbursed by the Marree Joint Venture during 2013.

Included in exploration expenditure incurred during 2013 is expenditure of $462,800 incurred by the Consolidated Entity on behalf of the UAROO Joint Venture. Of this amount $105,030 has been reimbursed by Cauldron's 30% partner in the joint venture.

b) The Consolidated Entity has assessed the carrying amount of exploration and evaluation expenditure in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and has recognised an impairment expense of $2,168,174 during the current year (2012: nil) following the decision not to continue exploration in certain areas of Lake Frome, South Australia and the Amadeus project, Northern Territory. The impairment expense is shown as a separate line item in the Statement of Comprehensive Income.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. PLANT AND EQUIPMENT

	2013 $	2012 $
Plant and equipment		
At cost	190,287	159,430
Accumulated depreciation	(145,007)	(124,512)
	45,280	34,918
Motor vehicles		
At cost	2,500	2,500
Accumulated depreciation	(1,675)	(1,128)
	825	1,372
Total plant and equipment	46,105	36,290

Movements:

2013	Plant & equipment $	Motor vehicles $	Total $
Carrying value at beginning of year	34,918	1,372	36,290
Additions	31,991	-	31,991
Depreciation expense	(21,560)	(547)	(22,107)
Foreign currency differences arising from translating functional currency to presentation currency	(69)	-	(69)
Carrying value at end of year	45,280	825	46,105

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

12. TRADE AND OTHER PAYABLES

	2013 $	2012 $
Current		
Trade payables	338,440	205,051
Accrued interest on convertible loan notes	-	635,562
Other payables and accruals	166,097	60,030
	504,537	900,643

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

13. FINANCIAL LIABILITIES

	2013 $	2012 $
Current		
Convertible loan notes (a)	-	11,300,000
	-	11,300,000

(a) In early August 2012, 100% of the convertible notes in Cauldron, totalling $11.3 million, were converted into fully paid ordinary shares in the company (Shares). The convertible notes were converted at a deemed issue price of $0.20 per Share, which represented an 81% premium to the closing price of the Shares at the time of conversion of $0.11 per share.

Included in the convertible loan notes was an amount of $3,500,000 from Dempsey Resources Pty Ltd ("Dempsey"), a wholly owned subsidiary of Cape Lambert Resources Ltd (ASX: CFE). Also included in the convertible loan notes was an amount of $6,300,000 from Shanghai Yizhao Investment Group Co Limited, a Chinese investment company controlled by Mr Qiu Derong, a director of Cauldron.

14. PROVISIONS

	2013 $	2012 $
Current		
Employee benefits	16,989	15,071
	16,989	15,071

15. ISSUED CAPITAL

	2013 $	2012 $
Ordinary shares issued and fully paid	37,348,796	23,593,625
	37,348,796	23,593,625

	2013 No.	2013 $	2012 No.	2012 $
Issued and fully paid up ordinary shares				
Opening balance	96,280,029	23,593,625	88,980,029	22,900,125
Shares issued during the year	-	-	7,300,000	730,000
Shares issued upon conversion of convertible notes (refer note 13(a))	58,829,452	11,765,890	-	-
Shares issued upon exercise of options	2,663,124	1,198,406	-	-
Shares issued pursuant to underwriting agreement (a)	1,850,000	832,500	-	-
Share issue costs	-	(41,625)	-	(36,500)
	159,622,605	37,348,796	96,280,029	23,593,625

(a) In late October 2012, the Consolidated Entity entered into an agreement with Barclay Wells Ltd to partially underwrite the exercise of the outstanding listed options in the Consolidated Entity, to $832,500. The underwriting and exercise of listed options generated $1,989,281 proceeds (net of fees).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Company has authorised share capital amounting to 159,622,605 shares with no par value.

Terms and Conditions

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

Capital risk management

Capital managed by the Board includes shareholder equity, which was $37,348,796 at 30 June 2013 (2012: $23,593,625). The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns to shareholders and benefits to other stakeholders. The Company's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Due to the nature of the Consolidated Entity's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Consolidated Entity's capital risk management is to balance the current working capital position against the requirements of the Consolidated Entity to meet exploration programmes and corporate overheads.

16. RESERVES

	2013 $	2012 $
Reserves		
Option premium reserve (a)	2,357,499	2,121,146
Foreign currency translation reserve (b)	(911,960)	(753,794)
	1,445,539	1,367,352

		2013 $	2012 $
(a)	**Option premium reserve**		
	Reserve balance at beginning of year	2,121,146	2,106,941
	Share based payments to employees & consultants (refer note 24)	236,353	29,529
	Unlisted options forfeited during the year	-	(15,324)
	Reserve balance at end of year	2,357,499	2,121,146

The option premium reserve arises on the grant of share options to employees, directors and consultants (share based payments) and to record the issue, exercise and lapsing of listed options.

		2013 $	2012 $
(b)	**Foreign currency translation reserve**		
	Reserve balance at beginning of the year	(753,794)	(630,706)
	Foreign currency exchange differences arising on translation of foreign operations	(158,166)	(123,088)
	Reserve balance at end of year	(911,960)	(753,794)

Exchange differences relating to the translation from the functional currencies of the Consolidated Entity's foreign controlled entities into Australian dollars are recognised directly in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

17. ACCUMULATED LOSSES

	2013 $	2012 $
Balance at beginning of year	(20,857,099)	(20,476,362)
Loss for the year	(7,896,865)	(380,737)
Balance at end of year	(28,753,964)	(20,857,099)

18. LOSS PER SHARE

	2013 Cents per share	2012 Cents per share
Basic loss per share		
Continuing operations	(5.16)	(0.40)
	(5.16)	(0.40)
	$	**$**
Loss used in calculation of basic loss per share		
Continuing operations	(7,896,865)	(380,737)
	(7,896,865)	(380,737)
	No.	**No.**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	152,938,145	94,820,029

There are 4,300,000 share options excluded from the calculation of diluted earnings per share (that could potentially dilute basic earnings per share in the future) because they are anti-dilutive for each of the periods presented.

19. COMMITMENTS

Mineral Tenement Discretionary Commitments

In order to maintain current rights of tenure to mining tenements, the Consolidated Entity has the following discretionary exploration expenditure and rental requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2013 $	2012 $
Within one year	1,312,627	2,293,000
Between one and five years	899,378	-
Longer than five years	-	-
	2,212,005	2,293,000

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

Office Rental Commitments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Total office rental commitments for the Consolidated Entity are:

	2013 $	2012 $
Within one year	38,390	38,390
Between one and five years	105,574	143,964
Longer than five years		-
	143,964	182,354

20. CONTINGENT ASSETS AND LIABILITIES

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

21. CONTROLLED ENTITIES

Details of Cauldron Energy Limited's subsidiaries are:

Name	Country of Incorporation	Date/Company of Incorporation	Shares	Ownership Interest		Investment Carrying Amount	
				2013 %	2012 %	2013 $	2012 $
Ronin Energy Ltd	Australia	24 April 2006	Ord	100	100	5	5
Cauldron Minerals Ltd (formerly Jackson Global Ltd)	Australia	24 April 2006	Ord	100	100	1	1
Jakaranda Minerals Ltd	Australia	24 April 2006	Ord	100	100	1	1
Raven Minerals Ltd	Australia	24 April 2006	Ord	100	100	5	5
						12	12

22. JOINT VENTURES

The Consolidated Entity has the following significant interests in joint ventures:

(a) Marree - 60% (increasing)

The Marree Project was formed by way of a joint venture agreement between Cauldron and a Korean consortium, comprising of the Korean Government (KORES), Daewoo International Corporation and LG International Corporation. Cauldron is the Manager of the project. The terms of the joint venture agreement enabled the Korean participants to earn up to an aggregate 50% interest in the Marree Project by funding $6.0 million of exploration activities over an earn-in period. Exploration activities commenced in mid-2009. The earn-in period of this joint venture agreement ended in January 2013, at which point the Korean participants had contributed a total of $4.9 million. At the end of the earn-in period, the parties' interests in the tenements are as follows:

- Cauldron 60%; and
- Korean participants 40%.

In line with the terms of the joint venture agreement, following the earn-in period, the parties are required to participate in expenditure of the Marree Project pro-rata to their ownership interests, otherwise the parties interests will be diluted. Since January 2013, Cauldron has continued to the exploration works, thus diluting the Korean participants' interests.

(b) Uaroo – 70%

The Consolidated Entity has earned in a 70% interest in, and is the manager of the Uaroo Joint Venture, which comprises 2 granted exploration licenses in the Yanrey project area of Western Australia. The other 30% interest holder in the Joint Venture is Intra Energy Corporation Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

23. CASH FLOW INFORMATION

	2013 $	2012 $
(a) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(7,896,865)	(380,737)
Non-cash flows in operating loss:		
Depreciation	22,107	21,230
Equity settled share based payments	236,353	14,205
Net fair value (gain)/loss on investments	2,268,478	1,586,216
Realised gain on disposal of financial assets	8,242	(72,632)
Gain on divestment of exploration assets	-	(3,155,575)
Foreign exchange (gain)/loss	(13,320)	(21,731)
Impairment of loan	1,210,355	-
Impairment of exploration expenditure	2,168,174	-
Impairment of plant and equipment	-	6,265
Impairment of receivables	56,767	-
Reversal of provision for non-recovery of loans	-	(573,837)
Acquisition of equity securities	(188,000)	-
Other	54,140	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	(24,460)	157,262
Decrease/(increase) in interest receivable	(275)	7,967
Increase/(decrease) in trade and other payables	124,478	69,609
Increase/(decrease) in provisions	1,917	(22,414)
Increase/(decrease) in interest payable	(194,466)	-
Net cash inflows/(outflows) from operating activities	(2,172,241)	(2,364,172)

(b) Reconciliation of cash and cash equivalents

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

	2013 $	2012 $
Cash at bank	214,006	2,895,137
Deposits at call	-	-
Cash in transit	-	31,974
Cash and cash equivalents	214,006	2,927,111

(c) Non-cash activities

In early August 2012, 100% of the convertible notes in Cauldron, totalling $11.3 million, were converted into fully paid ordinary shares in the company (Shares). The convertible notes were converted at a deemed issue price of $0.20 per Share, which represented an 81% premium to the closing price of the Shares at the time of conversion of $0.11 per share. A total of 58,829,452 shares were issued as a result.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

24. FINANCIAL RISK MANAGEMENT

Financial risk management

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

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

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

	2013 $	2012 $
Financial Assets		
Cash and cash equivalents	214,006	2,927,111
Financial assets at fair value through profit or loss	572,302	2,660,302
Trade and other receivables	127,118	145,789
Loan receivables	-	996,010
	913,426	6,729,212
Financial Liabilities		
Trade and other payables	504,537	900,643
Financial liabilities	-	11,300,000
	504,537	12,200,643

Financial risk management policies

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

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

Financial risk exposures and management

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

(a) Foreign currency risk

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

(b) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. Cash and cash equivalents on deposit at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity is exposed to movements in

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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.

	2013		2012	
	Change	$	Change	$
Change in loss:				
Increase in interest rate by 200 basis points	+4,280	7,892,585	+58,542	322,195
Decrease in interest rate by 200 basis points	-4,280	7,901,145	-58,542	439,279

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

(c) Price risk

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

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

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

The table below summarises the impact of increases/decreases of the index on the Consolidated Entity's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2012 – 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)	
	2013	2012
	$	$
Index		
ASX 200	57,230	266,030

(d) Credit risk

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

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

	2013	2012
	$	$
Financial assets		
Cash and cash equivalents (AA)	214,006	2,927,111
	214,006	2,927,111

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(e) Liquidity risk

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

Financial instrument composition and maturity analysis

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

2013	Within 1 Year $	1 to 5 Years $	Over 5 Years $	2013 Total $
Financial assets				
Cash	214,006	217,761	-	431,767
Held for trading investments	572,302	-	-	572,302
Receivables and loans	127,118	-	-	127,118
	913,426	217,761	-	1,131,187
Financial Liabilities				
Trade and other payables	504,537	-	-	504,537
Financial liabilities	-	-	-	-
	504,537	-	-	504,537

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

(f) Fair value estimation

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

Financial Instruments Measured at Fair Value

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

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

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

2013	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	572,302	-	-	572,302
2012				
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading investments	2,606,594	53,708	-	2,660,302

25. SHARE BASED PAYMENTS

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

	2013 $	2012 $
Options issued to employees and consultants (i)	236,353	29,529
Options forfeited during the year	-	(15,324)
	236,353	14,205

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

On 19 September 2012, the Consolidated Entity issued 1,000,000 unlisted options without vesting conditions to a Consultant with an exercise price of $0.20 and an expiry date of on or before 18 September 2015.

(a) Summary of options granted

The following table details the number and weighted average exercise price (WAEP) of, and movements in, unlisted options issued during the year:

	2013 No.	2013 WAEP
Outstanding at the beginning of the year	2,500,000	$0.25
Granted during the year	1,800,000	$0.20
Outstanding at year end	4,300,000	$0.23
Exercisable at the end of the year	2,900,000	$0.20
Not exercisable at the end of the year	1,400,000	$0.29

The outstanding balance at 30 June 2013 is represented by:

- 2,800,000 Consultant Options with an exercise price of $0.20 each exercisable on or before 30 June 2014;
- 1,000,000 Consultant Options with an exercise price of $0.20 each exercisable on or before 18 September 2015; and
- 500,000 Employee Options with an exercise price of $0.45 each exercisable on or before 20 October 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

(b) Remaining contractual life

The remaining contractual life for Options outstanding at 30 June 2013 is 4.41 years.

(c) Fair value

The fair value of the 800,000 Consultant Options granted during the year was $0.03.

The fair value of the 1,000,000 Consultant Options granted during the year was $0.09.

(d) Option pricing model

The fair value of the Options issued during the year is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the Options were granted.

The following table lists the inputs to the model:

	2013 800,000 Consultant Options
Dividend yield (%)	Nil
Expected volatility (%)	88%
Risk free interest rate (%)	2.86%
Exercise price ($)	$0.20
Marketability discount (%)	Nil
Expected life of options (years)	1.91
Share price at grant date ($)	$0.11
Value per Option ($)	$0.03

	2013 1,000,000 Consultant Options
Dividend yield (%)	Nil
Expected volatility (%)	88%
Risk free interest rate (%)	2.55%
Exercise price ($)	$0.20
Marketability discount (%)	Nil
Expected life of options (years)	3.00
Share price at grant date ($)	$0.16
Value per Option ($)	$0.09

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

26. PARENT ENTITY DISCLOSURES

	2013 $	2012 $
Financial Position		
Assets		
Current assets	278,787	2,969,295
Non-current assets	10,248,804	18,448,081
Total assets	10,527,591	21,417,376
Liabilities		
Current liabilities	487,220	12,181,687
Non-current liabilities	-	-
Total liabilities	487,220	12,181,687
Equity		
Issued capital	37,348,796	23,593,625
Accumulated losses	(29,665,923)	(17,129,081)
Reserves	2,357,498	2,121,146
Total equity	10,040,371	9,235,689
Financial Performance		
Profit/(loss) for the year	(12,536,842)	32,572
Total comprehensive income/(loss)	(12,536,842)	32,572

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:

	2013 $	2012 $
Subsidiaries		
Ronin Energy Ltd	24,197	21,750
Cauldron Minerals Ltd (formerly Jackson Global Ltd)	7,081,763	6,406,816
Jakaranda Minerals Ltd	853,025	699,731
Raven Minerals Ltd	26,643	-
Total value of loans provided to subsidiaries	7,985,628	7,128,297

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Commitments

Total commitments for the Parent Entity are:

	2013 $	2012 $
Within one year	1,351,017	2,331,390
Between one and five years	1,004,952	143,964
Longer than five years	-	-
	2,355,969	2,475,354

Contingent Liabilities and Assets

The contingent liabilities and assets of the Parent Entity are consistent with the Consolidated Entity (refer to note 20).

27. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Consolidated Entity's key management personnel ("KMP") for the year ended 30 June 2013.

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

	2013 $	2012 $
Short-term employee benefits	598,050	229,003
	598,050	229,003

Options and Rights Holdings

	Balance 1 July 2012	Granted	Exercised	Lapsed	Net change other (a)	Balance 30 June 2013	Vested and Exercisable 30 June 2013	Unexercisable 30 June 2013
Antony Sage	559,460	-	(300,000)	(259,460)	-	-	-	-
Brett Smith	-	-	-	-	-	-	-	-
Qiu Derong	540,000	-	-	(540,000)	-	-	-	-
	1,099,460	-	(300,000)	(799,460)	-	-	-	-

Shareholdings

	Balance 1 July 2012	Received on conversion of convertible loan notes	Received on exercise	Net Change Other (a)	Balance 30 June 2013
Antony Sage	5,594,600	-	300,000	-	5,894,600
Brett Smith	11,844	-	-	-	11,844
Qiu Derong	5,400,000	31,500,000	-	5,000,000	41,900,000
	11,006,444	31,500,000	300,000	5,000,000	**47,806,444**

(a) Net Change Other refers to shares acquired or disposed of during the year.

Other Transactions with Key Management Personnel

For details of other transactions with KMP, refer to note 28.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

28. RELATED PARTY INFORMATION

Transactions with Directors, Director Related Entities and other Related Entities

Balances between the company and its subsidiaries which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of percentage of ordinary shares held in subsidiaries are disclosed in note 21 to the financial statements.

Details of transactions between the group and other related parties are disclosed below.

Payments to Director Related Entities

During the year The Consolidated Entity paid $54,435 was paid, or was due and payable to Fe Limited for the reimbursement of employee costs (2012: $56,070). Mr Sage is a director of Fe Limited.

During the year, an aggregate amount of $143,667 was paid, or was due and payable to Cape Lambert Resources Ltd ("Cape Lambert") for reimbursement of employee, consultancy and occupancy costs (2012: $69,392). Mr Sage is a director of Cape Lambert.

Financial Assets

At 30 June 2013, Cauldron held 15,695,835 shares in Fe Limited (ASX: FEL) (2012: 15,695,835) with a market value of $313,917 (2012: $486,571). Mr Antony Sage is a director of FEL.

Significant shareholders

Qiu Derong holds a significant interest of 26.25% in the issued capital of Cauldron Energy at 30 June 2013.

Cape Lambert, via its wholly owned subsidiary Dempsey Resources Pty Ltd ("Dempsey"), holds a significant interest of 21.05% in the issued capital of Cauldron Energy at 30 June 2013. Mr Sage is a director of Cape Lambert.

29. REMUNERATION OF AUDITORS

	2013 $	2012 $
Paid or payable to Bentleys for:		
- Audit or review of the Consolidated Entity financial report	36,650	40,000
Remuneration of the auditors of subsidiaries for:		
- Audit or review of the financial report	6,485	10,330
	43,135	50,330

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

30. EVENTS SUBSEQUENT TO REPORTING DATE

$1.5 million secured via Converting Loan Agreements with major shareholders

On 10 July 2013, the Consolidated Entity announced that it had secured $1.5 million in funding via the execution of converting loan agreements with its two major shareholders. Pursuant to the terms of the converting loan agreements, the Consolidated Entity received $1.5 million funding on 31 July 2013, which will be automatically converted into ordinary shares in the Consolidated Entity, subject to receipt of shareholder approval at its 2013 Annual General Meeting.

Government grant secured

On 10 July 2013, the Consolidated Entity announced that it had secured government grants totalling $300,000 to assist in funding drilling activities in the Yanrey region of Western Australia. These funds are subject to strict guidelines and are to be utilised for direct drilling costs only.

Extension of closing date for takeover offer for Energia Minerals

On 26 July 2013, the Consolidated Entity announced that it had resolved to extend the Energia takeover offer period to 16 November 2013 (unless further extended).

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

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   a) the financial statements and notes of Cauldron Energy Limited for the financial year ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of its financial position as at 30 June 2013 and its performance for the year ended on that date of the company and the Consolidated Entity; and

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

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b);

   c) Subject to the matters described in note 1(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the board

Mr Antony Sage
Executive Chairman

PERTH
5 September 2013

Independent Auditor's Report

To the Members of Cauldron Energy Limited

Bentleys
THINKING AHEAD

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Australia
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We have audited the accompanying financial report of Cauldron Energy Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a net loss of $7,896,865 during the year ended 30 June 2013. This condition, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Cauldron Energy Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 5th day of September 2013

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 2 September 2013 were as follows:

	Class of Equity Securities	
Number Held	**Fully Paid Ordinary Shares**	**Number of shareholders**
1-1,000	99,840	206
1,001 - 5,000	1,495,496	551
5,001 -10,000	2,607,724	325
10,001 -100,000	21,039,337	559
100,001 and over	134,380,208	145
TOTAL	**159,622,605**	**1,786**

There are 1,786 shareholders holding a total of 159,622,605 shares.

There are 689 shareholders holding less than a marketable parcel of shares.

Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 2 September 2013:

Shareholder	**Number**
Mr Derong Qiu and Mr Dekang Qiu	41,900,000
Cape Lambert Resources Limited & Dempsey Resources Pty Ltd	33,599,049

Options

The Company currently has 500,000 unlisted options exercisable at $0.45 each on or before 20 October 2015, 2,800,000 unlisted options exercisable at $0.20 each on or before 30 June 2014 and 1,000,000 unlisted options exercisable at $0.20 each on or before 18 September 2015.

Voting Rights

Ordinary Shares

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

Options

Holders of options do not have a right to vote.

Restricted Securities

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

ADDITIONAL SHAREHOLDER INFORMATION

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders in the Company as at 2 September 2013 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Mr Derong Qiu & Mr Dekang Qiu	41,900,000	26.25%
Dempsey Resources Pty Ltd	33,599,049	21.05%
Mr Michael Hoay-Chew Lim & Mrs Catherin Mae Lim	3,354,800	2.10%
Okewood Pty Ltd	3,300,000	2.07%
Lanoti Pty Limited <Pinto Super Fund A/C>	3,000,000	1.88%
Mr Antony William Paul Sage <Egas Super Fund A/C>	2,594,600	1.62%
Canifare Pty Ltd	1,917,450	1.20%
Kouta Bay Pty Ltd <The Houndy Family A/C>	1,550,000	0.97%
Kouta Bay Pty Ltd <The Houndy Family A/C	1,492,239	0.94%
Sams Watchmaker Jeweller Pty Ltd <Super Fund A/C	1,130,019	0.71%
Sharic Superannuation Pty Ltd <The Farris Superfund A/C>	1,040,000	0.65%
Mr Andre Kunz & Mrs Grace Kunz <IGS Retirement Fund A/C>	1,006,625	0.63%
Citcorp Nominees Pty Ltd	1,003,236	0.63%
Mr Gregory John Loughridge & Mrs Kathryn Linda Loughridge <Talisman S/F A/C:	850,000	0.53%
Australian Capital Markets Pty Ltd	850,000	0.53%
Redmont Resources Pty Ltd <Civmec Self Mgd Super A/C>	820,000	0.51%
Bolo Pty Ltd <Doncon Superfund A/C>	800,000	0.50%
Rumble Resources Ltd	750,000	0.47%
Agens Pty Ltd <the Mark Collins S/F A/C>	720,000	0.45%
Raass Pty Ltd <RA Super Fund A/C>	700,000	0.44%
	102,378,018	**64.13%**

SCHEDULE OF MINERAL TENEMENTS
AS AT 5 AUGUST 2013

AUSTRALIA

Beadell

Tenement	Status	Equity	Comment
E45/2405	Granted	20%	
E45/2406	Granted	20%	
E45/3799	Granted	20%	
E45/3823	Granted	20%	

Boolaloo Project

Tenement	Status	Equity	Comment
E08/1605	Granted	20%	
E08/1756	Granted	20%	
E08/2123	Granted	20%	
E08/2141	Granted	20%	
E08/2152	Granted	20%	

Lake Frome

Tenement	Status	Equity	Comment
EL 4793	Granted	100%	
EL 4279	Granted	60%	Marree Joint Venture
EL 4609	Granted	60%	Marree Joint Venture
EL 4610	Granted	60%	Marree Joint Venture
EL 4746	Granted	60%	Marree Joint Venture
EL 4794	Granted	60%	Marree Joint Venture

Yanrey

Tenement	Status	Equity	Comment
EL 08/1489	Granted	100%	
EL 08/1490	Granted	100%	
EL 08/1493	Granted	100%	
EL 08/1494	Granted	70%	
EL 08/1495	Granted	70%	
EL 08/1501	Granted	100%	
EL 08/2017	Granted	100%	
EL 08/2081	Granted	100%	
EL 08/2160	Granted	100%	
EL 08/2161	Granted	100%	
EL 08/2164	Granted	100%	
EL 08/2165	Granted	100%	
EL 08/2205	Granted	100%	
EL 08/2244	Granted	100%	
EL 08/2245	Granted	100%	

SCHEDULE OF MINERAL TENEMENTS
AS AT 15 AUGUST 2013 (cont)

ARGENTINA

Rio Colorado Project - Catamarca

Tenement	Status	Equity	Comment
165/2008	Granted	100%	
176/1997	Granted	92.5%	Earn In - Mining Lease
270/1995	Granted	92.5%	Earn In - Mining Lease
271/1995	Granted	92.5%	Earn In - Mining Lease
142/2007	Granted	100%	
141/2007	Granted	100%	
140/2007	Granted	100%	
232/2007	Granted	100%	
144/2007	Granted	92.5%	Earn In - Exploration Lease
43/2007	Granted	92.5%	Earn In - Exploration Lease
143/2007	Granted	92.5%	Earn In - Exploration Lease
321/2008	Granted	100%	
317/2008	Granted	100%	
316/2008	Granted	100%	
324/2008	Granted	100%	
307/2008	Granted	100%	
322/2008	Granted	100%	
312/2008	Granted	100%	
567/09	Rejected	100%	
568/09	Rejected	100%	
569/09	Rejected	100%	
570/09	Rejected	100%	
571/09	Granted	100%	

SCHEDULE OF MINERAL TENEMENTS
AS AT 15 AUGUST 2013 (cont)

Las Marias Project - San Juan

Tenement	Status	Equity	Comment
1124-330-J-2007	Application	100%	
1124-306-W-2007	Granted	100%	
1124-331-J-2007	Application	100%	
1124-329-J-2007	Application	100%	
1124-328-J-2007	Granted	100%	
1124-327-J-2007	Application	100%	
1124-326-J-2007	Application	100%	
1124-325-J-2007	Application	100%	
1124-324-J-2007	Application	100%	
1124-323-J-2007	Application	100%	
1124-322-J-2007	Application	100%	
1124-228-J-2008	Application	100%	
1124-656-J-2007	Application	100%	
1124-178-J-2008	Application	100%	
1124-093-J-2008	Application	100%	
1124-333-2008	Granted	100%	
1124-546-2010	Granted	100%	
1124-365-2012	Application	100%	
1124-366-2012	Application	100%	
1124-367-2012	Application	100%	

Bella Vista Project - Santa Cruz

Tenement	Status	Equity	Comment
426.857/JGL/11	Application	100%	
426.870/JGL/11	Application	100%	
426.868/JGL/11	Application	100%	
426.859/JGL/11	Application	100%	
426.869/JGL/11	Application	100%	
426.864/JGL/11	Application	100%	
426.862/JGL/11	Application	100%	
426.865/JGL/11	Application	100%	
426.860/JGL/11	Application	100%	
426.858/JGL/11	Application	100%	
426.867/JGL/11	Application	100%	
426.855/JGL/11	Application	100%	
426.863/JGL/11	Application	100%	
426.866/JGL/11	Application	100%	
426.861/JGL/11	Application	100%	

Notes:

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