

Cauldron Energy Limited

ABN 22 102 912 783

Entitlements Issue Prospectus

For a pro rata non renounceable entitlements issue of up to 8,872,408 New Options on the basis of 1 New Option for every 10 Shares held by Shareholders as at 5.00pm (WST) on 6 September 2010 at an issue price of 1 cent per New Option to raise up to \$88,724 (Offer).

Each New Option is exercisable at \$0.45 for 1 Share in the Company on or before 5.00pm (WST) on 31 October 2012.

The Company will seek quotation of the New Options on ASX within 7 days of the date of this Prospectus.

Important Notice

This is an important document which requires your immediate attention. It should be read in its entirety before deciding to participate. If you are in doubt about what to do or have any questions about the New Options offered under this Prospectus, please contact your professional adviser without delay.

The investment offered pursuant to this Prospectus should be considered speculative.

Cauldron Energy Limited

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IMPORTANT INFORMATION

This Prospectus is dated 26 August 2010 and was lodged with ASIC on that date. Neither ASIC nor ASX, nor any of their officers, take any responsibility for the contents of this Prospectus.

The expiry date of the Prospectus is 26 September 2011 (**Expiry Date**). No applications for New Options will be accepted nor will any New Options be issued on the basis of this Prospectus after the Expiry Date.

The offer contained in this Prospectus is only available for acceptance by Shareholders with a registered address as at the Record Date in Australia or New Zealand. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe the requirements of these laws. Non-observance by such persons may violate securities laws. Any recipient of this Prospectus residing outside Australia and New Zealand should consult their professional advisers on requisite formalities. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Investors can only apply for New Options on the accompanying Acceptance Form and on the terms and conditions referred to in this Prospectus. Please read carefully the instructions on the reverse of the Acceptance Form regarding an application for New Options pursuant to this Prospectus.

In preparing this Prospectus, regard has been had to the fact that as the Company is a disclosing entity for the purposes of the Corporations Act, it is subject to regular reporting and disclosure obligations. Accordingly, certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

Foreign Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

The Offer to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is [Part 5](#) of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made. There are differences in how securities are regulated under Australian law. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

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The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the New Options is not New Zealand dollars. The value of the New Options will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the New Options to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus, the Company will apply to the ASX for quotation of the New Options offered under this Prospectus. If quotation is granted, the New Options offered under this Prospectus will be able to be traded on the ASX. Shareholders resident in New Zealand wishing to trade the securities through that market may have to make arrangements for a participant in that market to sell the securities on their behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to Shareholders resident in New Zealand about the securities and trading may differ from securities markets that operate in New Zealand.

This document is important and it should be read in its entirety. The New Options to be issued pursuant to this Prospectus should be viewed as a speculative investment and investors should refer to the Risk Factors affecting the Company set out in Section 3. Accordingly, before deciding to apply for New Options, potential investors should consider whether or not such New Options are a suitable investment having regard to their personal circumstances. If in doubt, potential investors should consult their stockbroker, solicitor, accountant or other professional adviser prior to completing and lodging an Acceptance Form.

No person is authorised to give any information or to make any representation in relation to the Offer which is not contained in this Prospectus and any such information may not be relied upon as having been authorised by the Directors.

A copy of this Prospectus can be downloaded from the Company's website at www.cauldronenergy.com.au. The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. There is no facility for Applications to be accepted electronically or by applying online. The Corporations Act prohibits any person from passing on to another person the Acceptance Form unless it is attached to or accompanied by a complete and unaltered version of the Prospectus. The Company will not accept a completed Acceptance Form if it has reason to believe that the Applicant has not received a complete and unaltered copy of the Prospectus. Any person may obtain a hard copy of this Prospectus by contacting the Company prior to the Closing Date.

A number of terms and abbreviations used in this Prospectus have defined meanings set out in Section 8.

Cauldron Energy Limited

CORPORATE DIRECTORY

Directors

Tony Sage	(Executive Chairman)
Terence Topping	(Chief Executive Officer)
Brett Smith	(Executive Director)
Qui Derong	(Non Executive Director)
Kent Hunter	(Non Executive Director)

Share Registry*

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Company Secretary

Stephen Brockhurst

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Registered Office

35 Richardson Street
WEST PERTH WA 6005

Auditors*

Bentleys
Level 1
12 Kings Park Road
WEST PERTH WA 6005

Principal Place of Business

35 Richardson Street
WEST PERTH WA 6005

Stock Exchange Listing

Australian Securities Exchange
Code: CXU

Telephone: +61 8 9211 5777
Facsimile: +61 8 9211 5700
Website: www.cauldronenergy.com.au

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

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CHIEF EXECUTIVE OFFICER'S LETTER

26 August 2010

Dear Shareholder

The Board is pleased to offer Shareholders the opportunity to participate in a 1 for 10 non-renounceable entitlements issue of New Options.

All Shareholders registered as at 5.00pm WST on 6 September 2010 will be entitled to participate in a non-renounceable entitlements issue of New Options on the basis of 1 New Option for every 10 Shares then held.

The Closing Date for acceptances is 5.00pm (WST) on 24 September 2010.

The Company will seek quotation of the New Options on ASX within seven (7) days of the date of this Prospectus.

The Board recommends all Shareholders take up their entitlements and advises that each of the Directors will fully take up their respective entitlements. Funds raised from the Offer will be used for working capital purposes and to pay the expenses of the Offer.

The Board takes this opportunity to thank all Shareholders for their support and looks forward to your continued support in the future.

Yours faithfully



Terence Topping
Chief Executive Officer

Cauldron Energy Limited

TIMETABLE AND IMPORTANT DATES*

EVENT	DATE
Prospectus lodged with ASIC and ASX	26 August 2010
Notice sent to Shareholders	30 August 2010
'Ex' Date	31 August 2010
Record Date for determining Shareholders entitlements	6 September 2010
Despatch of Prospectus to Shareholders	10 September 2010
Closing Date	24 September 2010
Securities quoted on a deferred settlement basis	27 September 2010
Notify ASX of under-subscriptions	29 September 2010
Deferred settlement trading commences	1 October 2010

Shareholders should consult their brokers or professional advisors in regards to the definition of 'Ex' Date and Record Date to ensure that their entitlement to participate in the Offer is assured.

* These dates are determined based upon the current expectations of the Directors and may be changed with 5 Business Days prior notice. As such, the date the New Options are expected to commence trading on ASX may vary.

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SECTION 1 DETAILS OF THE OFFER

1.1 Purpose of the Offer

The Offer is being undertaken to reward Shareholders for their ongoing support of the Company. The funds raised by the Offer of approximately \$88,724 will be applied towards working capital and meeting the expenses associated with the Offer.

1.2 Details of the Offer

The Company is making a pro-rata non-renounceable entitlements issue to Shareholders who are registered on the Record Date of up to 8,872,408 New Options at an issue price of 1 cent each to raise approximately \$88,724 (before costs of the Offer).

The New Options will be offered on the basis of one (1) New Option for every ten (10) Shares then held. The terms and conditions of the New Options are set out in Section 2 of this Prospectus.

In the calculation of any Entitlement, fractions will be rounded up to the nearest whole number.

1.3 Entitlement

The number of New Options to which each Shareholder is entitled is shown on the enclosed personalised Acceptance Form. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be the maximum Entitlement.

Shareholders may accept their Entitlement in full or part by returning a completed Acceptance Form to the Company's share registry by 5.00 pm WST on 24 September 2010.

1.4 Non-Renounceable Issue

The offer of New Options pursuant to this Prospectus is non-renounceable. This means Shareholders cannot sell or otherwise transfer their Entitlements. Shareholders who do not accept their Entitlement will receive no benefit.

1.5 Terms and Conditions of New Options

Each New Option issued will give the holder the right to subscribe for one fully paid ordinary share in the Company at an exercise price of \$0.45 per Share at any time up to 5:00pm (WST) on 31 October 2012. The exercise price of the New Options and the number of Shares issued on exercise of the New Options may be adjusted in accordance with the terms and conditions of the New Options.

The terms and conditions on which the New Options are issued are set out in Section 2 of this Prospectus.

1.6 No Minimum Subscription/ Oversubscriptions

There is no minimum subscription for the Offer and oversubscriptions will not be accepted.

1.7 Existing Optionholders

The entitlements issue may have to be increased by up to 1,242,667 New Options (raising up to a further \$12,427) if existing Options are exercised prior to the Record Date.

The maximum number of New Options which could therefore be issued under this Prospectus is 10,115,075.

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However, the market price of Shares at the date of this Prospectus is such that it is unlikely any of the existing Options will be exercised. It has been assumed for the purposes of this Prospectus that:

- no existing Options will be exercised prior to the Record Date; and
- the maximum number of New Options that will be issued is 8,872,408.

1.8 Issue Price

The issue price is one (1) cent for each New Option payable in full in Australian currency on the acceptance of the Offer as follows:

- Cheque drawn on and payable at any Australian bank;
- Money Order;
- Bank draft drawn on and payable at any Australian bank; or
- Bpay.

1.9 Underwriting

This Offer is not underwritten.

1.10 Action Required

Your acceptance of the Offer must be made on the Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on the Acceptance Form;
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of New Options you wish to accept in the space provided on the Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at one (1) cent per New Option); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

The offer is non-renounceable so that a holder of Shares may not sell or transfer all or part of their Entitlement.

1.11 Payment by Cheque/Bank Draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Cauldron Energy Limited – Option Issue" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date of 24 September 2010.

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1.12 Shortfall

If any Shortfall remains after Shareholders have taken up their Entitlements, the Directors reserve the right pursuant to Listing Rule 7.2 (exception 3) to place any Shortfall with parties selected by them. All Shortfall will be placed within 3 months of the Closing Date and will be issued on the same terms as are being offered to Shareholders pursuant to this Prospectus. New Options not taken up by Shareholders will not be placed to the Directors or any associates of the Directors.

1.13 Allocation and Allotment of New Options

The New Options will be allotted and issued as soon as practicable after 24 September 2010. Where the number of New Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Statements of holding for the New Options will be mailed as soon as possible after the Closing Date. Pending the allotment and issue of the New Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act 2001. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

No New Options will be allotted and issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

1.14 Quotation of New Options

The Company will apply to ASX for quotation of the New Options within seven days after the date of this Prospectus. If an application for quotation of the New Options is not made within seven days after the date of this Prospectus, or ASX does not grant permission for official quotation of the New Options within three months after the date of this Prospectus, applications will be dealt with in accordance with section 724 of the Corporations Act. No interest will be paid on any returned Application Money.

The fact that ASX may grant official quotation to the New Options is not to be taken in any way as an indication of the merits of the Company or the New Options now offered for subscription.

1.15 How to Apply for New Options

If you wish to take up all of your Entitlement, complete the enclosed Acceptance Form in accordance with the instructions set out and lodge the form together with your cheque for the amount shown on the form so that it reaches the Company's share registry by no later than 5.00pm WST on 24 September 2010:

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

or Advanced Share Registry Services
PO BOX 1156
NEDLANDS WA 6909

Cheques and drafts should be made payable to "Cauldron Energy Limited – Option Issue" and crossed "Not Negotiable".

If you wish to take up part of your Entitlement, complete the enclosed Acceptance Form in respect of the New Options you wish to take up in accordance with the instructions set out in the form and lodge the form together with your cheque for the relevant amount (being the number of New Options you wish to take up multiplied by 1 cent per New Option) so that it reaches the Company's share registry by no later than 5.00pm WST on 24 September 2010.

If you do not wish to take up any of your Entitlement, you do not need to take any action and your Entitlement to the New Options will lapse.

The Offer is non-renounceable so that a holder of Shares may not sell or transfer all or part of their Entitlement.

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1.16 CHESS And Issuer Sponsorship

The Company will not be issuing Option certificates. The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders in circumstances in which there have been any changes in their security holding in the Company during the preceding month.

1.17 Overseas Investors

The offer contained in this Prospectus is only available for acceptance by Shareholders with a registered address as at the Record Date in Australia or New Zealand. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or to extend such an invitation. No action has been taken to register this Prospectus or otherwise to permit a public offering of New Options in any jurisdiction outside Australia or New Zealand.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to exercise their Entitlement under the Offer.

1.18 Privacy Disclosure

Persons who apply for New Options pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for New Options, to provide facilities and services to Shareholders, and to carry out various administrative functions.

Access to the information collected may be provided, from time to time, to the Company's agents and service providers and to ASX, ASIC and other regulatory bodies on the basis that they deal with such information in accordance with the relevant privacy laws.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1088* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules.

If the information requested is not supplied, applications for New Options will not be processed. In accordance with privacy laws, information collected in relation to specific Shareholders can be obtained by that Shareholder through contacting the Company or the Share Registry.

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1.19 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the New Options. Taxation consequences will depend on particular circumstances.

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for New Options under this Prospectus, as it is not possible to provide a comprehensive summary of possible taxation consequences. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the New Options in the Company or dealing with an Entitlement under this Offer.

1.20 Enquiries

If you have any questions concerning your entitlement, please contact the Company Secretary, Stephen Brockhurst on (08) 9388 8041, or fax (08) 9388 8042, or contact your professional adviser.

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SECTION 2 RIGHTS ATTACHING TO SECURITIES

2.1 Terms and Conditions of New Options

The New Options are granted on the following terms and conditions:

- (a) Each New Option entitles the holder to acquire one fully paid ordinary share in the Company. To obtain the right given by each New Option, the New Optionholder must exercise the New Options in accordance with the terms and conditions of the New Options.
- (b) The New Options may be exercised at any time on or before 5.00pm (WST) on 31 October 2012 (**Expiry Date**). Any New Options not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each New Option will be \$0.45 (**Exercise Price**).
- (d) The New Options held by each New Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) Each New Option may be exercised by forwarding to the Company at its principal office before the Expiry Date:
 - (i) A written exercise notice, duly completed, and
 - (ii) payment of the Exercise Price per New Option exercised. (**Exercise Note**)
- (f) An Exercise Note is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) The New Options may be transferred at any time until the Expiry Date subject to any restrictions on the transfer of a New Option that may be imposed by ASX in circumstances where the Company is listed on ASX.
- (h) All Shares allotted upon the Exercise of the New Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will apply for quotation of the New Options on ASX.
- (j) New Optionholders can only participate in new issues of securities provided they have first exercised their New Options in which case the New Optionholders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the New Options.
- (k) Shares issued on the exercise of New Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of a New Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of a New Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.
- (l) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the New Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- (m) If there is a bonus issue to shareholders, the number of Shares over which the New Option is exercisable may be increased by the number of Shares which the holder of the New Option would have received if the New Option had been exercised before the record date for the bonus issue.
- (n) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the New Options may be reduced in accordance with Listing Rule 6.22.

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2.2 Rights attaching to Shares upon conversion of the New Options

The rights attaching to the Shares underlying the New Options are derived through a combination of statute, the Company's constitution, common law, the Listing Rules and other applicable legislation. The following is a broad summary (though not an exhaustive or definitive statement) of the more significant current rights and liabilities that attach to Shares in the Company.

(a) **Voting Rights**

Subject to any rights or restrictions attached to any class of shares, whether by their issue, the Constitution, the Listing Rules or the Corporations Act, at a general meeting each Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote on a show of hands. Upon a poll, every Shareholder present in person or by proxy, company representative or attorney, is entitled to one vote for each fully paid share that the Shareholder holds.

(b) **General Meetings**

Each Shareholder is entitled to receive notice of and to be present, to vote and to speak at a general meeting of the Company. Further, each Shareholder is entitled to receive all notices, accounts and other documents required to be furnished to Shareholders under the constitution of the Company, the Listing Rules or the Corporations Act.

(c) **Dividend Rights**

The Company may in general meeting declare a dividend which shall not exceed the amount recommended by Directors. Dividends are payable in proportion to the number of Shares held by Shareholders. The Company does not expect to pay dividends in the short to medium term.

(d) **Transfer of Shares**

Subject to the constitution of the Company, the Corporations Act, the ASTC Settlement Rules and the Listing Rules, Shares are freely transferable. Shares may only be transferred by a proper instrument in writing delivered to the Company, and the transferor is deemed to remain the holder of the Shares until the name of the transferee is entered into the Company's register of members. The Company may decline to register a transfer where permitted by law, the Listing Rules or the ASTC Settlement Rules.

(e) **Changes in Capital**

Subject to the Corporations Act, the constitution of the Company and the Listing Rules, the Directors may consolidate, or divide the Shares, allot, issue or otherwise dispose of new Shares on such terms and conditions as they determine.

(f) **Variation of Rights**

The Company may only modify or vary the rights attaching to any class of Shares by a special resolution of the Company and a special resolution passed at a meeting of the holders of the issued Shares of that class.

(g) **Rights on Winding Up**

Subject to the rights of holders of Shares with special rights in a winding up (at present there are none), on a winding up of the Company all assets that may be legally distributed among members will be distributed in proportion to the number of Shares held by them, irrespective of the amount paid up.

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SECTION 3 RISK FACTORS

3.1 Risks Associated with Investment

Prospective investors should be aware that the market price of the New Options following official quotation may be influenced by many unpredictable factors and that subscribing for New Options involves various risks. The value of the Company's securities on the ASX may rise and fall depending on a range of factors, some of which are beyond the control of the Company.

The Company is in its early development stage. Any profitability in the future from the Company's business will be dependent upon the successful exploration, development, production and marketing of uranium from the Company's projects.

The New Options being offered under this Prospectus are considered speculative due to the present stage of development of the Company. This Prospectus carries no guarantee with respect to the return of capital or price at which the New Options or Shares resulting from the exercise of the New Options will trade.

The factors detailed below should be considered by any potential investors, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Options. This is by no means an exhaustive list of the risks that may affect the Company.

3.2 Share Market

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance.

Share market conditions are affected by many factors including but not limited to the following:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- mineral price fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital;
- terrorism or other hostilities; and
- other factors beyond the control of the Company.

3.3 Exploration Risk

The successful exploration and development of mineral properties is speculative. Most exploration projects do not result in the discovery of commercially viable deposits. The mineral tenements of the Company are at various stages of exploration. There can be no assurance that exploration of tenements held or acquired by the Company in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited into a producing mine.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

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3.4 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

3.5 Native Title and Title Risks

Both the *Native Title Act 1993* (Cth), related State Native Title legislation and Aboriginal Land Rights and Aboriginal Heritage legislation may affect the Company's ability to gain access to prospective exploration areas or obtain production titles.

Compensatory obligations may be necessary in settling Native Title claims if lodged over any tenements acquired by the Company. The existence of outstanding registered Native Title claims means that the grant of a tenement in respect of a particular tenement application may be significantly delayed or thwarted pending resolution of future act procedures in the Native Title Act. The level of impact of these matters will depend, in part, on the location and status of the tenements acquired by the Company. At this stage it is not possible to quantify the impact (if any) which these developments may have on the operations of the Company.

3.6 Environmental Risks and Regulations

The Company's projects are subject to Commonwealth and State laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the Tenements.

3.7 Commercialisation Risks

Even if the Company discovers commercial quantities of minerals, there is a risk the Company will not achieve a commercial return. The Company may not be able to transport the minerals at a reasonable cost or may not be able to sell the minerals to customers at a rate which would cover its operating and capital costs. The Company has to receive regulatory and environmental approval to convert its exploration permits into production concessions. There is a risk that these approvals may not be obtained.

3.8 Economic and Government Risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries including, but not limited to, the following:

- general economic conditions in Australia and its major trading partners;
- changes in Government policies, taxation and other laws;
- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the commodities (resources) sector;
- movement in, or outlook on, interest rates and inflation rates; and
- natural disasters, social upheaval or war in Australia or overseas.

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3.9 Compliance Risk

The Company has acquired an interest in various mining tenements. Title to these tenements is subject to the Company, as tenement holder, complying with the terms and conditions of each tenement, including the minimum annual expenditure commitments. There is a risk that if the Company does not comply with the terms and conditions of each tenement, it may lose its interest in the relevant tenement.

The Company has implemented appropriate policies and practices to mitigate the risk that the terms and conditions attaching to each of the tenements it has acquired an interest in are not complied with.

3.10 Future Capital Requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer, will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities

3.11 Reliance on Key Personnel and Employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

Cauldron Energy Limited

SECTION 4 EFFECT OF THE OFFER

4.1 Use of Funds

Under the Offer, approximately 8,872,408 New Options are available for issue and will be issued if the Offer is fully subscribed (either by Shareholders accepting the offer under this Prospectus or pursuant to the Directors' discretion to place any Shortfall referred to in Section 1.12 of this Prospectus).

After expenses of the Offer, the proceeds from the Offer of New Options will be approximately \$76,724 (assuming that the Offer is fully subscribed and none of the existing Options on issue are exercised). These funds will be applied to the general working capital requirements of the Company over the next 12 months.

The proceeds of the Offer will be used as follows (assuming full subscription):

Use of Funds	Full Subscription (\$)
Working Capital	76,724
Costs of the Offer	12,000
Total	88,724

If less than the full subscription is received, the funds will be applied firstly to the costs of the Offer and then to the Company's working capital.

4.2 Effect of the Offer

Assuming the Offer is fully subscribed, and none of the existing Options on issue are exercised, the principal effect of the Offer will be to:

- (a) increase cash reserves by approximately \$76,724 after deducting estimated expenses of the Offer; and
- (b) increase the number of Options on issue from 12,426,667 as at the date of this Prospectus to 21,299,075 Options.

Cauldron Energy Limited

4.3 Pro Forma Balance Sheet

Set out below is:

- (a) an unaudited balance sheet of the Company as at 30 June 2010 that was prepared on the assumption that all Options pursuant to the Offer in this Prospectus are issued; and
- (b) an unaudited pro-forma balance sheet of the Company as at 30 June 2010 incorporating the effect of the Offer.

	Unaudited Balance Sheet as at 30 June 2010 (\$)	Unaudited Proforma Balance Sheet as at 30 June 2010 (\$)
Current Assets		
Cash and cash equivalents	4,866,003	4,942,727
Trade and other receivables	2,432,108	2,432,108
Total Current Assets	7,298,111	7,374,835
Non-Current Assets		
Trade and other receivables	286,056	286,056
Financial assets	2,035,869	2,035,869
Plant & equipment	143,607	143,607
Exploration & evaluation expenditure	15,662,944	15,662,944
Total Non-Current Assets	18,128,476	18,128,476
Total Assets	25,426,587	25,503,311
Current Liabilities		
Trade and other payables	655,263	655,263
Provisions	224,937	224,937
Total Current Liabilities	880,200	880,200
Non-Current Liabilities		
Financial liabilities	9,300,000	9,300,000
Total Non-Current Liabilities	9,300,000	9,300,000
Total Liabilities	10,180,200	10,180,200
Net assets	15,246,387	15,323,111
Equity		
Issued Capital	22,821,199	22,897,923
Reserves	1,722,786	1,722,786
Retained profit/(losses)	(9,297,598)	(9,297,598)
Total Equity	15,246,387	15,323,111

Cauldron Energy Limited

4.4 Effect on Capital Structure

A comparative table of the changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue at date of Prospectus	88,724,083
Shares offered pursuant to the Offer	Nil
Total Shares on issue after completion of the Offer	88,724,083

Options

	Number
Unquoted exercisable at \$0.80 on or before 30 November 2010	4,000,000
Unquoted exercisable at \$0.305 on or before 22 December 2010	300,000
Unquoted exercisable at \$0.61 on or before 31 October 2011	900,000
Unquoted exercisable at \$0.85 on or before 26 March 2012	100,000
Unquoted exercisable at \$1.50 on or before 31 May 2011	86,667
Unquoted exercisable at \$1.65 on or before 31 May 2011	33,333
Unquoted exercisable at \$3.75 on or before 27 November 2010	106,667
Unquoted exercisable at \$0.60 on or before 30 November 2011	2,900,000
Unquoted exercisable at \$0.80 on or before 30 November 2011	2,000,000
Unquoted exercisable at \$0.60 on or before 30 November 2011	2,000,000
Options offered pursuant to the Offer	8,872,408
Total Options on issue after completion of the Offer	21,299,075

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SECTION 5 ADDITIONAL INFORMATION

5.1 Nature of this Prospectus

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act. This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities, such as the Company, to issue a prospectus for continuously quoted securities with modified disclosure requirements if they satisfy certain requirements.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

- the effect of the Offer on the Company; and
- the rights and liabilities attaching to the New Options offered by this Prospectus.

The Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Shareholders should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the New Options.

5.2 Continuous Reporting and Disclosure Obligations

The Company is listed on ASX and its Shares are quoted on ASX under the code “CXU”.

The Company is a “disclosing entity” for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

The Company, as a disclosing entity under the Corporations Act, states that it will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the lodgement of the Company’s Annual Report on 30 September 2009 free of charge to any Shareholder who so requests prior to the Closing Date. A list of those documents for the period 30 September 2009 to the time of lodging this Prospectus is set out in Section 6.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

ASX maintains files containing publicly available information for all listed companies. The Company’s file is available for inspection during at ASX during normal office hours.

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5.3 Market Prices of Shares

The highest and lowest recorded closing market sale prices of the Shares quoted on ASX during the three (3) month period immediately prior to the date of this Prospectus were \$0.32 on 10 June 2010 and \$0.21 on 5 July 2010 respectively.

The last closing market sale price of the Shares on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was \$0.23.

5.4 Litigation

There are no litigation, arbitration or proceedings against or involving the Company as at the date of this Prospectus.

5.5 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- to induce him to become, or to qualify him as, a Director; or
- for services rendered by him in connection with the formation or promotion of the Company or the Offer.

All Directors have stated that they intend to take up their full Entitlement under the Offer. The direct and indirect interests of the Directors in the securities of the Company as at the date of this Prospectus are as follows:

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
Tony Sage	-	5,594,600	-	1,000,000
Terence Topping	-	4,526,031	1,000,000	1,000,000
Brett Smith	-	11,844	-	1,000,000
Qui Derong	5,400,000	-	1,800,000	-
Kent Hunter	15,000	4,005,027	-	1,100,000

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal share. The Company paid to the Directors a total of \$570,000 for the year ended 30 June 2010. In addition to the above, the Directors have been paid fees totalling \$47,500 from the end of the previous financial year until the date of this Prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

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The annual financial report for the period ended 30 June 2009 details amounts paid to Directors prior to 1 July 2009.

- Each Director is a party to a Deed of Access and Indemnity with the Company.
- The Company has effected Directors' and Officers' Liability and Corporate Reimbursement insurance on behalf of the Directors. The Company intends to maintain this insurance.

5.6 Consents

Steinepreis Paganin has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in the Prospectus as solicitors to the Offer in the form and context in which it is named.

Mining Corporate Pty Ltd ("Mining Corporate") has given and has not before lodgement of this Prospectus withdrawn its written consent to be named in the Prospectus as the Company's compliance manager in the form and context in which it is named.

Neither Steinepreis Paganin nor Mining Corporate Pty Ltd have made any statement included in this Prospectus, nor any statement on which a statement in this Prospectus is based and do not accept any responsibility for the contents of this Prospectus.

5.7 Disclosure of Interests of Non-Directors

No person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or has held within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer, other than as set out below or elsewhere in this Prospectus.

No person has paid or agreed to pay any amount or has given or agreed to give any benefit to an underwriter, or a person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, other than as set out below or elsewhere in this Prospectus.

Steinepreis Paganin has acted as solicitors to the Offer and has performed legal work in relation to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling approximately \$2,500 (excluding GST and disbursements) to Steinepreis Paganin for this work. Work in relation to the Offer after the date of this Prospectus will be charged at usual rates.

Mining Corporate has acted as corporate compliance advisors to the Offer. The Company estimates as at the date of this Prospectus that it will pay amounts totalling approximately \$2,000 (excluding GST and disbursements) to Mining Corporate for this work. Work in relation to the Offer after the date of this Prospectus will be charged at usual rates.

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5.8 Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Acceptance Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic version of the form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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SECTION 6 INFORMATION AVAILABLE TO SHAREHOLDERS

The Company will provide a copy of each of the following documents, free of charge, to any Shareholder who so requests prior to the Offer of the New Options pursuant to this Prospectus:

- (a) the Annual Financial Report for the Company for the period ended 30 June 2009 and the Half Year Report for the period ended 31 December 2009 ; and
- (b) the documents set out below used to notify ASX of information relating to the Company during the period from 30 September 2009 to the date of this Prospectus.

Date	ASX Announcement
17 August 2010	CXU makes new high-grade discovery at Yanrey Uranium Project
2 August 2010	Amended Quarterly Cashflow Report
30 July 2010	Quarterly Cashflow Report
30 July 2010	Quarterly Activities Report
26 July 2010	Letter to shareholders from Carina Capital
21 July 2010	Drilling confirms uranium mineralisation at Marree Project
19 July 2010	Notice of initial substantial holder
19 July 2010	Change of Director's Interest Notice
16 July 2010	Eclipse Uranium Ltd Extended Prospectus Announcement
16 July 2010	DUO: Eclipse Uranium Limited IPO Prospectus to be kept open
1 July 2010	Option Expiry
25 June 2010	DUO: Extension to closing date of Eclipse Uranium share offer
25 June 2010	Eclipse Uranium share offer extension to closing date
20 May 2010	CXU CEO interview with Boardroom Radio
14 May 2010	Cauldron commences drilling in Argentina
5 May 2010	Spinout of non-core uranium assets into Eclipse Uranium IPO
30 April 2010	Quarterly Cashflow Report
30 April 2010	Quarterly Activities Report
30 April 2010	Drilling commences at Marree Uranium Project
26 March 2010	Change of Director's Interest Notice
26 March 2010	Appendix 3B
16 March 2010	Half Yearly Accounts
10 March 2010	CXU commences drilling program across uranium assets
5 March 2010	DUO: Spin out of uranium assets into Eclipse Uranium Ltd
5 March 2010	CXU to spin out NT uranium assets into Eclipse Uranium IPO
8 February 2010	CXU receives final tranche of A\$10M Chinese investment
29 January 2010	Appendix 5B
29 January 2010	Quarterly Report
8 January 2010	CXU receives A\$2M from second tranche of A\$10M investment
6 January 2010	Lapse of options
10 December 2009	Change in substantial holding from CFE
9 December 2009	Notice of initial substantial holder
9 December 2009	Appendix 3B
9 December 2009	Cauldron receives first tranche of A\$10M Chinese investment

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3 December 2009	Change in substantial holding from CFE
1 December 2009	Change in Directors Interest Notice x 4
1 December 2009	Appendix 3B and Section 708A
30 November 2009	Lapse of options
27 November 2009	Becoming a substantial holder for BKG
24 November 2009	Results of meetings
24 November 2009	Drilling confirms large uranium target in South Australia
10 November 2009	Initial Directors interest notice
10 November 2009	Cauldron raises A\$10M from strategic Chinese investors
6 November 2009	Trading Halt
30 October 2009	Quarterly Cashflow Report
30 October 2009	Quarterly Activities Report
23 October 2009	Notice of Annual General Meeting/Proxy Form
21 October 2009	Lapse of Unexercised Options
20 October 2009	Drilling commenced at Marree Uranium Project
16 October 2009	Buka to acquire Cauldron's non-uranium assets
1 October 2009	Full Year Statutory Accounts

Please note that all of the above documents are available from the ASX webpage at www.asx.com.au or the Company website www.cauldronenergy.com.au.

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SECTION 7 DIRECTORS' CONSENT

This Prospectus is dated 26 August 2010 and is issued by Cauldron Energy Limited.

The Directors have made all reasonable enquires and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquires and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors knowledge, before any issue of New Options pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of Cauldron Energy Limited has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

Signed for and on behalf of Cauldron Energy Limited.



Terence Topping
Cauldron Energy Limited
Chief Executive Officer
26 August 2010

Cauldron Energy Limited

SECTION 8 DEFINITIONS

“**Acceptance Form**” means the personalised Acceptance Form accompanying this Prospectus.

“**Applicant**” means an applicant for New Options who duly completes an Acceptance Form and pays the applicable Application Money.

“**Application**” means a valid application for New Options under this Prospectus.

“**Application Money**” means the aggregate amount of money payable for New Options applied for in the Acceptance Form.

“**ASIC**” means the Australian Securities and Investments Commission.

“**ASX**” means ASX Limited (ABN 98 008 624 691).

“**Business Day**” means any day which is defined to be a Business Day pursuant to Listing Rule 19.12 of the Listing Rules.

“**CHESS**” means Clearing House Electronic Sub-register System of ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

“**Closing Date**” means 5:00 pm (WST) on 24 September 2010 or such other date as may be determined by the Directors consistent with this Prospectus.

“**Company or Cauldron Energy**” means Cauldron Energy Limited (ABN 22 102 912 783).

“**Corporations Act**” means the Corporations Act 2001 (Cth).

“**Constitution**” means the constitution of the Company.

“**Cth**” means the Commonwealth of Australia.

“**Directors**” means the directors of the Company.

“**Dollars**” or “**\$**” means dollars in Australian currency.

“**Entitlement**” means the entitlement of a Shareholder who is eligible to participate in the Offer.

“**Exercise Price**” means the exercise price of the New Options being \$0.45.

“**GST**” means goods and service tax levied in Australia pursuant to A New Tax System (Goods and Services Tax) Act 1999 (Cth).

“**Listing Rules**” means the Listing Rules of the ASX.

“**New Option**” means an option to acquire one fully paid ordinary share in the Company issued pursuant to this Prospectus which entitles the New Optionholder to subscribe for one fully paid ordinary share in the Company at an exercise price of \$0.45 per Share at any time up to 5.00pm (WST) 31 October 2012.

“**New Optionholders**” means any holders of New Options in the Company.

“**Offer**” means the offer of approximately 8,872,408 New Options under this Prospectus.

“**Option**” means an option to acquire a Share in the capital of the Company.

“**Optionholder**” means the holder of an Option as recorded in the register of the Company.

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“**Prospectus**” means this prospectus dated 26 August 2010.

“**Record Date**” means the date to determine who is eligible to be offered New Options in accordance with this Prospectus which is 5:00pm (WST) on 6 September 2010.

“**SCH Business Rules**” means the business rules of ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532) as the approved Securities Clearing House under the Corporations Act.

“**Share**” means a fully paid ordinary share in the Company.

“**Shareholder**” means the holder of a Share as recorded in the register of the Company.

“**Shortfall**” means the number of New Options comprising the difference between the New Options the subject of the Offer and the number of New Options for which valid applications have been received and accepted by the Company by the Closing Date.

“**WST**” means Western Standard Time in Perth, Western Australia.