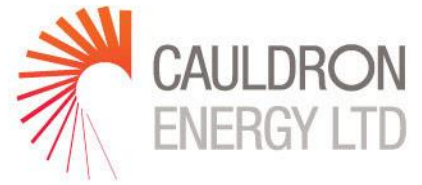


ASX Announcement

Quarterly Report for Period Ended 31 December 2016



25 January 2017

QUARTERLY REPORT – 31 DECEMBER 2016

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 December 2016.

Yours faithfully,

Tony Sage
Executive Chairman
Cauldron Energy Limited

Cauldron Energy Ltd

ABN 22 102 912 783

ASX Code CXU

329,289,708 shares

20,000,000 unlisted options

Board of Directors

Tony Sage
Executive Chairman

Qiu Derong
Non-Executive Director

Judy Li
Non-Executive Director

Mark Gwynne
Non-Executive Director

Xinyi Zhang
Non-Executive Director

Management

Catherine Grant-Edwards
Company Secretary

Jess Oram
Exploration Manager

HIGHLIGHTS

CORPORATE

- Director appointment
- Annual General Meeting held 24 November 2016
- \$2.5m placement completed
- Plans to recover judgement debt
- Issue of shares
- Issue of options
- Expiry of options

EXPLORATION & PROJECTS

- Yanrey Uranium Project
 - Continuation of the passive seismic survey over the Bennet Well Deposit comprising infill and extensions to areas of known mineralisation. Surveying aimed to improve the existing lithological framework of the deposit, improve the exploration model and aid planning the field leach tests (FLT) due to commence in the June 2017 quarter
 - Interpretation of the deposit-scale passive seismic data has successfully revealed extensions to the known palaeochannels and highlighted promising targets for further exploration to increase the existing Mineral Resource estimate
 - Passive seismic data collected in the distal parts of the tenement group with the purpose to help derive further exploration targets
 - Interpretation of the regional passive seismic data has successfully highlighted likely palaeochannels and drill targets for future exploration of prospective uranium targets
 - Cauldron also investigated an additional source of funding with the support of the Minerals Research Institute of Western Australia (MRIWA) for the purpose of conducting research fundamental for the design and implementation of the scheduled FLT
- Marree Uranium Project
 - Divestment of the Marree project has been completed

Cauldron Energy Ltd (**Cauldron** or the **Company**) is pleased to present its Quarterly Activities Report for the period ended 31 December 2016.

CORPORATE ACTIVITIES

Director Appointment

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

Annual General Meeting

The Company's Annual General Meeting (**AGM**) was held 24 November 2016 at 9:30am where all resolutions put to shareholders were passed on a show of hands. For more information, refer to the Notice of AGM and Results available via the Company's website at www.cauldronenergy.com.au.

\$2.5m Placement Completed

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

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

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

Plans to Recover Judgement Debt

Background

As previously announced in respect of the Company's legal proceedings against Guangzhou City Investment Management Co. Ltd (Guangzhou City), Cauldron received judgment in its favour in respect of its claim for breach of placement agreement. The judgement debt due and payable to the Company was for \$1 million plus interest (**Judgment Debt**). The Judgment Debt principal amount represents unpaid subscription funds (originally due to be paid to Cauldron 3 November 2014) pursuant to a placement agreement dated 6 June 2014 for the issue of 8,474,588 shares (**Guangzhou Placement Shares**) in Cauldron at an issue price of \$0.118 per share (**Guangzhou Placement Agreement**).

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

Recovery of balance of Judgement Debt

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

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

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

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

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

Issue of Shares

The Company issued the following shares during the period:

- 31,250,000 fully paid shares at \$0.08 per share in accordance with the Tao Placement Agreement for \$2,500,000 issued 24 November 2016;
- 1,562,500 fully paid shares at \$0.05 per share (market price at date of issue) as consideration for services provided to the Company issued 24 November 2016; and
- 8,474,588 fully paid shares were issued on 8 December 2016 in full satisfaction of the Company's obligations in respect of the Guangzhou Placement Agreement.

Issue of Options

On 24 November 2016, the Company issued 20,000,000 unlisted options at \$0.08 expiring 31 December 2018 (being, the Placement Options).

Lapse of Options

On 31 December 2016, 44,000,000 unlisted options exercisable at \$0.138 expired.

Cash at 31 December 2016

Cash available to the Company at the end of the December 2016 quarter was \$4.13 million.

EXPLORATION ACTIVITES: AUSTRALIA

In Australia, Cauldron has two project areas (Figure 1) covering more than 2,300 km² in Western Australia. Projects included:

- **Yanrey Project (Yanrey)** in Western Australia comprises 14 granted exploration licences (2,276 km²) and 7 applications for exploration licences (912 km²). Yanrey is prospective for large sedimentary-hosted uranium deposits.
- **Boolaloo Project (Boolaloo)** in Western Australia comprises 2 granted exploration licences (104km²) prospective for gold mineralisation.

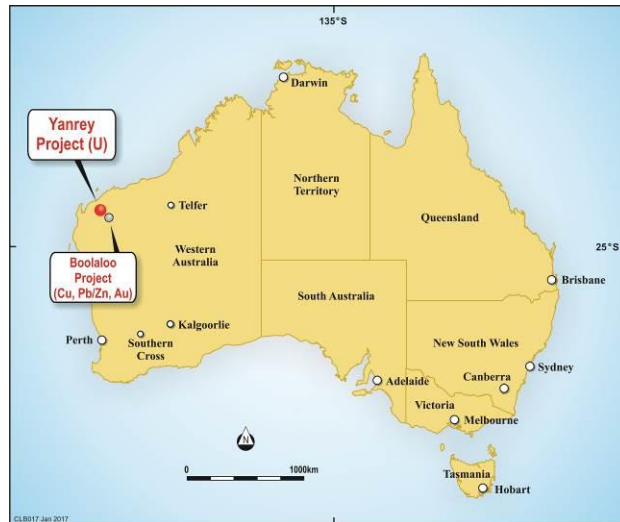


Figure 1: Major Project Locations in Australia

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

BENNET WELL (YANREY REGION)

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

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

Work completed during the quarter comprised:

1. Continuation of the passive seismic survey over the Bennet Well Deposit, incorporating areas of infill and extension to known mineralisation in and around the deposit.
2. Results of the infill/extensional passive seismic survey successfully highlighted areas of basement depression, indicating likely palaeochannels (Figure 4) and thus potential for the extension of known uranium mineralisation into these areas.
3. These results correlate well with observations from previous exploration that:
 - a. the palaeochannels hosting the Bennet Well Deposit do have a northwest-southeast strike, confirming the current lithological and morphological model for the deposit;
 - b. there is an area of shallow basement in the eastern part of Bennet Well East that correlates with observations from previous drilling and airborne magnetics survey data, in which a coarse-grained, pegmatitic granite has been intersected at very shallow depths;
 - c. there are areas of apparent “jogs” in the channels that are also likely produced as a result of the cross-cutting fault structures;
 - d. the palaeochannel depressions revealed by the survey also correlate well with the currently-defined uranium mineralisation outlines, confirming that the

mineralisation is not just confined to the deeper parts of the palaeochannels but is also situated on the shoulders of the channels.

4. The lithological framework for Bennet Well was enhanced by incorporating the basement topographic surface derived from the results of the passive seismic survey collected in areas having no drilling. The lithological framework will provide the basis for hydro-geological modelling fundamental to understanding groundwater fluid flow, in general; and mining-fluid flow from potential in-situ recovery type mining operations, in particular. The hydro-geological modelling (yet to be completed) will help to:
 - a. optimise the design of the field leach test (FLT) expected to commence in the June 2017 quarter;
 - b. de-risk the environmental impact of potential mining operations.
5. Cauldron investigated an additional source of funding in the form of support from the Minerals Research Institute of Western Australia (MRIWA). The support given will be for the purpose of research fundamentally necessary for understanding the chemistry of the mineralised orebody, the potential leaching characteristics of the host formation and the requirements for leaching reagents.

YANREY PROJECT

The Yanrey Project comprises a collection of fourteen exploration tenements in north-west Western Australia, one of which secures the Bennet Well Uranium Deposit. The project is prospective of sandstone-style uranium mineralisation capable of extraction by in-situ recovery mining techniques. Cauldron continued passive seismic surveying in areas distal to Bennet Well, within the greater Yanrey Project region both to the north and south of the Bennet Well Deposit. Results from this part of the survey program revealed:

- a. three areas of basement depression in the southern part of the Yanrey tenement package, between the Bennet Well Deposit and the NW Coastal Highway;
- b. the suggested strike of these southern targets is between west-northwest/south-southeast and northwest/southeast, similar to that seen at Bennet Well;
- c. two areas of basement depression situated approximately 13km northeast of Bennet Well, at the Manyingee South prospect, that coincide with the interpreted extension of the Paladin-owned Manyingee Deposit into Cauldron-owned tenements;
- d. the suggested strike of the Manyingee South targets currently appears to be between west-east and northwest-southeast, however further survey work is required to add more information to this model and further constrain future drill targets at this prospect.

Interpretation of the passive seismic data is assisting in generating prospective drilling targets for exploration follow-up.

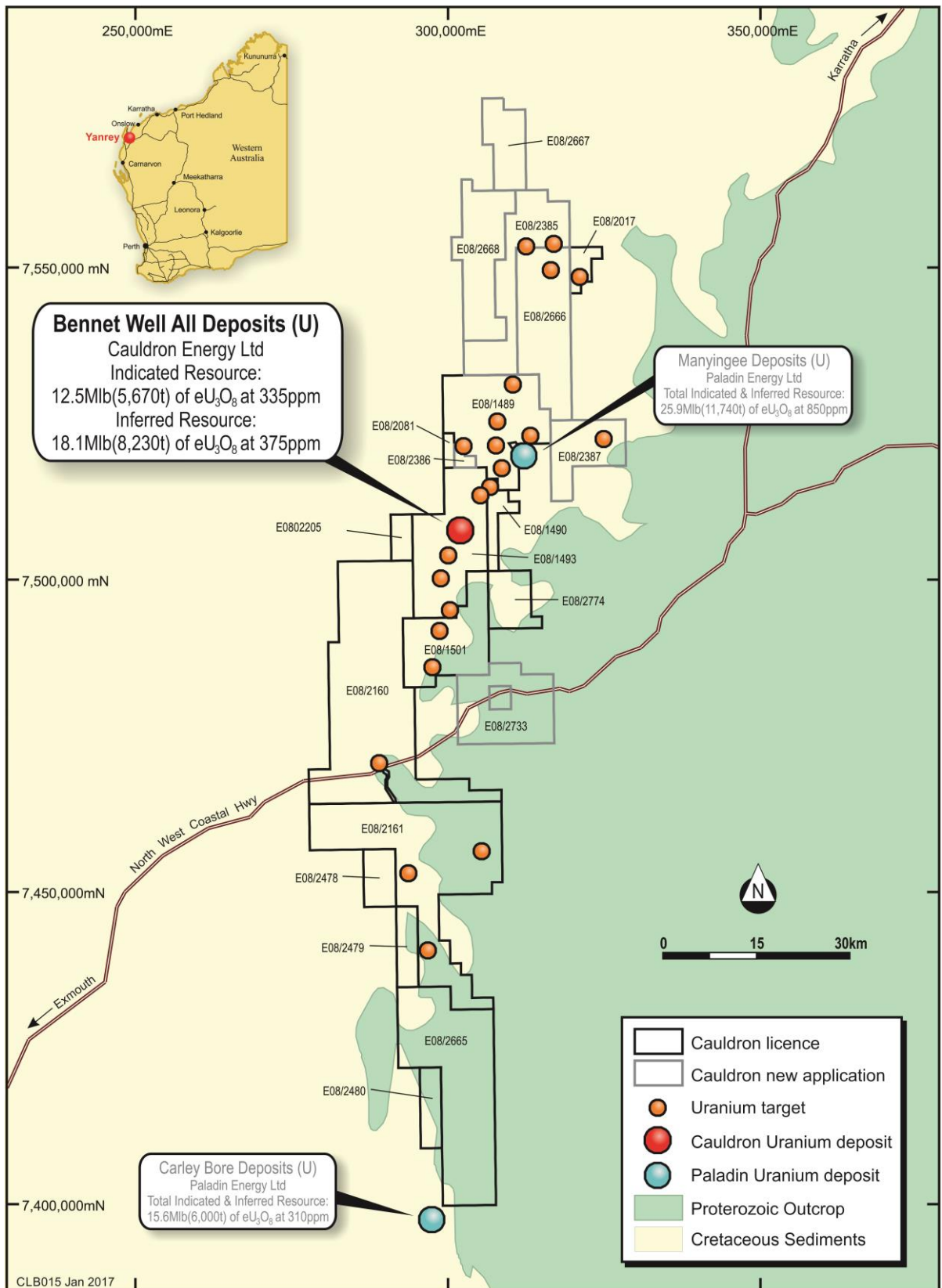


Figure 2: Yanrey Project – Deposit, Prospect and Target Locations

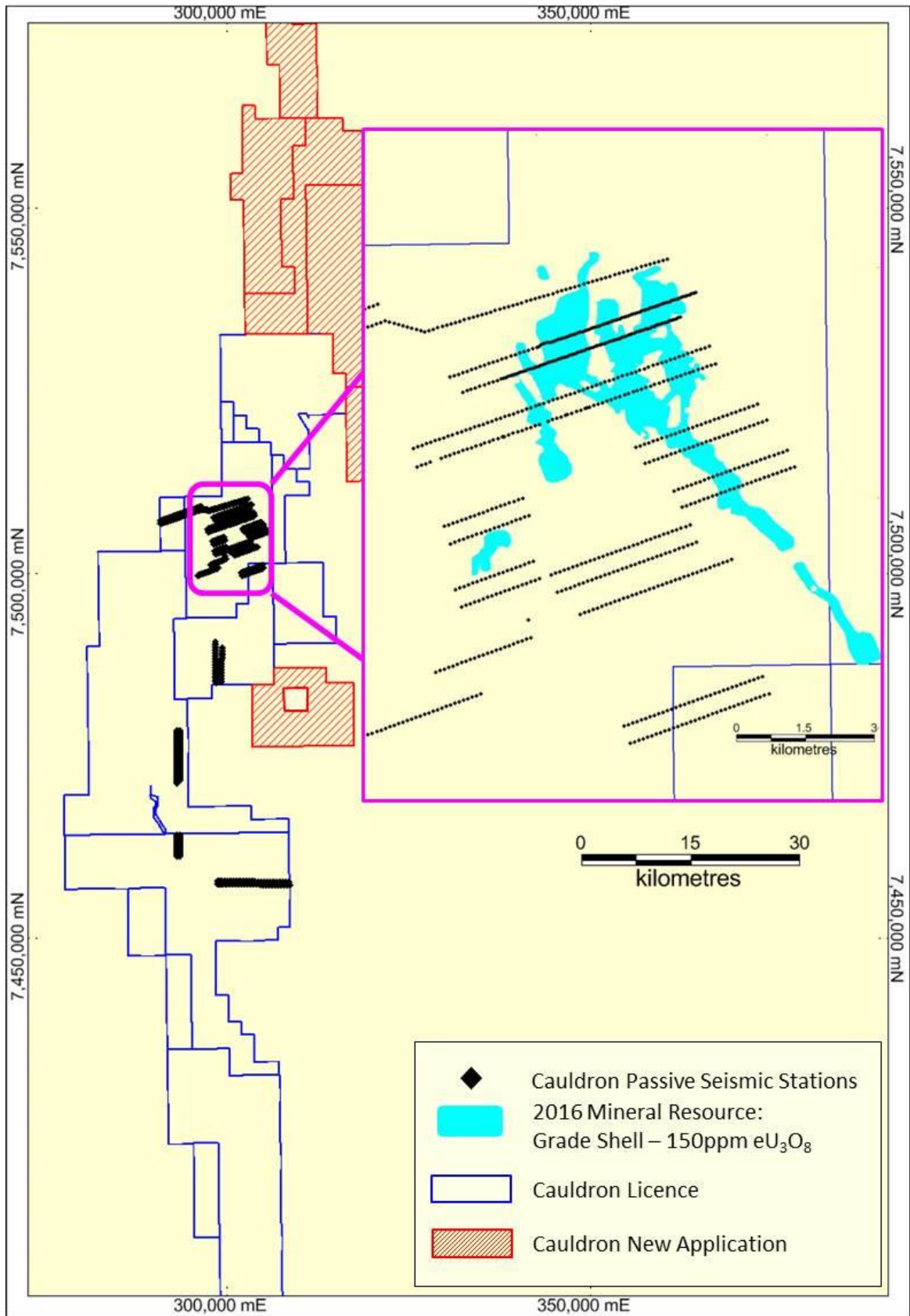


Figure 3: Yanrey Project – Passive Seismic Survey Stations. Image insert (pink border) outlines passive seismic conducted over the Bennet Well Deposit

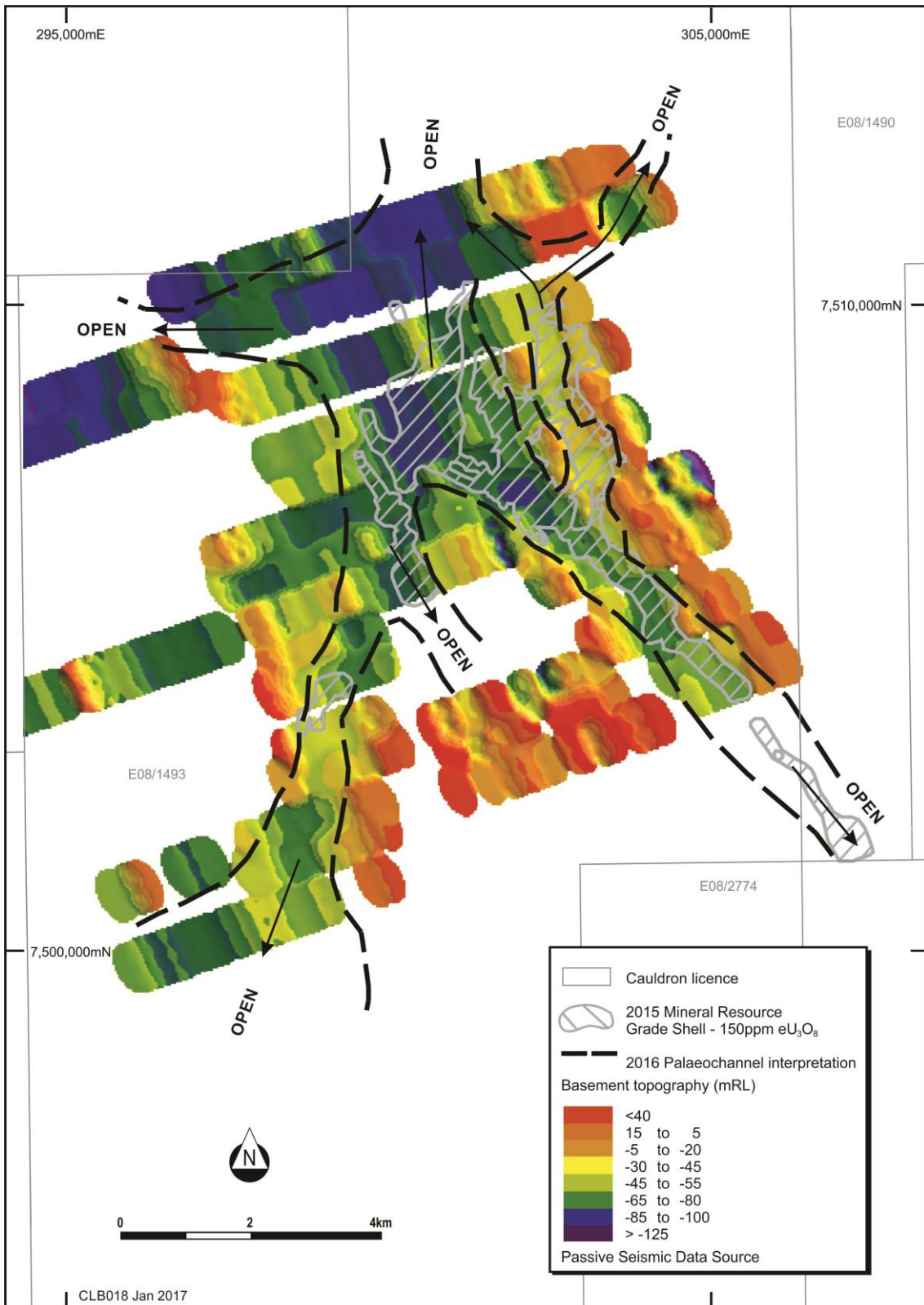


Figure 4: Passive Seismic survey results from the Bennet Well Deposit. Basement topography grid is derived from the passive seismic data

BOOLALOO PROJECT, WESTERN AUSTRALIA

The Boolaloo project ('Project'), held by Cauldron Energy, is a Greenfields base metal (Cu, Pb, Zn) and gold project located in the Ashburton Mineral Field, Western Australia. The Project is currently comprised of a single exploration lease, E08/2496, and contains no historic prospects or significant exploration.

The Project is prospective for structurally-hosted mineralisation located in fault jogs and cross cutting features, such as dolerite dykes and shears. Known gold deposits in the region include:

- Paulsen's Gold Mine (active) which has a current Total (Measured, Indicated and Inferred) Mineral Resource (JORC 2012) of 1,940,832 tonnes at 7.87g/t Au for 491,121 ounces of contained gold (Northern Star Resources Ltd, 2015); and
- The Mount Clement Gold Deposit located 5 km northeast of the project area, which has a Mineral Resource (Indicated, JORC 2012) of 526,000 tonnes at 2.40g/t Au for 46,600 ounces of contained gold (Northern Star Resources Ltd, 2015).

A geological review completed by Cape Lambert in 2014 identified several prospective structural and lithological targets within the Boolaloo Project that are thought to be prospective for base metal and gold mineralisation. There is a moderate-low potential to host gold (Au), silver (Ag), copper (Cu) and/or antimony (Sb), and base metal mineralisation within favourable NW-SE structures, SW-NE intrusives and their intersections. Evidence of local mineralisation (Au, Ag, Cu +/- Sb, base metals) is found in the Ashburton Formation associated with east-west and north-south fault/shear structures. Potential for mineralisation extending into the Project area exists with the same structures as well as within the metamorphosed rocks associated with the granite intrusion and possibly even the unconformity.

MARREE PROJECT, SOUTH AUSTRALIA

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

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

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

TENEMENT ADMINISTRATION: AUSTRALIA

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

As announced 29 August 2016, the Company received judgment in its favour against Forrest & Forrest Pty Ltd (**Forrest**) in respect of the Cauldron's application for exploration licences 08/2385, 08/2386 and 08/2387 (**ELAs**).

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

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

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

Energia Mineral's Application for Forfeiture for exploration licences 08/2160, 08/2161 and 08/2165

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

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

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

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

Cauldron lodged applications for Exploration Licences 08/2666-2668 (E08/2666-2668) on 5 December 2014. Forrest & Forrest Pty Ltd lodged objections against E08/2666-2668 on 6 January 2015. The Warden has accepted several adjournments of the first mention of the

objections, due to the DMP requirement to assess other applications that were first in line before Cauldron's applications for the same land. The matters are currently scheduled for mention on 20 January 2017.

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

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

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

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

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

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

EXPLORATION ACTIVITIES: ARGENTINA

In Argentina, Cauldron controls, through its wholly-owned subsidiary Cauldron Minerals Limited (**Cauldron Minerals**) 445 km² at its most advanced project, Rio Colorado, in Catamarca. The Project is a Cu-Ag target exhibiting characteristics similar to the globally significant sedimentary copper deposits. No work was completed in Argentina as Cauldron continues to await approval for drilling at the Rio Colorado Project.

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

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

End.

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

Cauldron Energy Limited

David Tasker – Professional Public Relations

Ph: (08) 9380 9555

Ph: (08) 9388 0944

Disclosure Statements

Competent Person Statement

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

Schedule of Tenements

Mining tenements held at 31 December 2016, including tenements acquired and disposed of during the quarter:

| Tenement reference | Project & Location | Acquired interest during the quarter | Disposed interest during the quarter | Interest at end of quarter |
|--------------------|------------------------------|--------------------------------------|--------------------------------------|----------------------------|
| E08/1489 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/1490 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/1493 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/1501 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2017 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2081 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2160 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2161 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2205 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2478 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2479 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2480 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2665 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| E08/2496 | BOOLALOO – WESTERN AUSTRALIA | - | - | 100% |
| E08/2638 | BOOLALOO – WESTERN AUSTRALIA | - | - | 100% |
| E08/2774 | YANREY – WESTERN AUSTRALIA | - | - | 100% |
| 393/2010 | Catamarca, Argentina | - | - | 100% |

Mining tenements with beneficial interest held in farm-in/farm-out agreements held at 31

December 2016, including interests acquired and disposed of during the quarter:

| Farm-in Agreement and Tenement reference | Project & Location | Acquired interest during the quarter | Disposed Interest during the quarter | Interest at end of quarter |
|--|---|--------------------------------------|--------------------------------------|----------------------------|
| 140/2007 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 141/2007 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 142/2007 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 143/2007 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 144/2007-581/2009 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 176/1997 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 232/2007 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 270/1995 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 271/1995 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |
| 43/2007 | Rio Colorado Project - Catamarca, Argentina | - | - | 51%* |

*Cauldron has signed an exclusive option agreement through its wholly owned subsidiary Cauldron Minerals Ltd with a private party (Dr Horacio Solis), to earn 92.5% in 230km² of the Rio Colorado uranium project in Argentina. The remainder of the project is (532km²) is held by Cauldron in the name of a related entity. Together, both areas will form the Rio Colorado Joint Venture. Cauldron has earned its Initial Interest of 51% in the project. The Company can earn 92.5% of the project by completing exploration expenditure of \$500,000 within three years following earning of the initial interest.

| Farm-out Agreement and Tenement reference | Project & Location | Acquired interest during the quarter | Disposed Interest during the quarter | Interest at end of quarter |
|---|-------------------------|--------------------------------------|--------------------------------------|----------------------------|
| EL5789 | MAREE - SOUTH AUSTRALIA | - | 62.56% | - |
| EL5788 | MAREE - SOUTH AUSTRALIA | - | 62.56% | - |
| EL4746 | MAREE - SOUTH AUSTRALIA | - | 62.56% | - |
| EL4794 | MAREE - SOUTH AUSTRALIA | - | 62.56% | - |
| EL5442 | MAREE - SOUTH AUSTRALIA | - | 62.56% | - |