ASX Announcement

20 October 2009

CAULDRON ENERGY LTD

Cauldron and Korean partners commence 4,000 metre drilling programme at South Australian Marree Uranium Project

Highlights:

- **Part of the $6.2 Million Joint Venture between Cauldron, KORES, Daewoo and LG International.**
- **Drilling 35-40 holes across 16 km strike length.**
- **Highly targeted exploration based on encouraging results from previous company drilling programs, and airborne electromagnetic surveys identifying prospective buried targets.**
- **Targeting mineralisation similar to the high-grade Beverley Four Mile deposit located southeast of the Marree Uranium Project.**

Australian resources company, **Cauldron Energy Limited** (**ASX: CXU**) ("Cauldron" or "the Company"), has stepped up exploration activities at its Marree Uranium Project in South Australia, confirming commencement of a 4,000 metre drilling programme, targeting mineralisation similar to the high-grade Beverley Four Mile deposit (located southeast of Marree).

The Marree Uranium Project comprises of five granted exploration licences covering 2,794 sq km in the Eromanga Basin, adjacent to the uranium enriched Mount Babbage Inlier. The exploration activities at the project are fully funded by a joint venture agreement between the company and a Korean consortium, comprising of the Korean Government (KORES), Daewoo International Corporation and LG International Corporation. The Korean participants can earn up to an aggregate 50 percent interest in the Marree Project by funding AUD$6.2M of exploration activities over three years, commencing 2009.

The project area includes the Tertiary Eyre and Namba Formations, host to several sedimentary roll-front uranium occurrences including the Beverley and Honeymoon Well uranium deposits, and the recently discovered high grade uranium mineralisation at Beverley Four Mile. Interpretation of drainage patterns and data from the company's recently completed airborne radiometric/magnetic survey indicates uranium is being actively shed into the Marree project area from the adjacent uranium-rich Mount Babbage Inlier.

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ASX Code CXU
73.0 million ordinary shares
5.3 million unlisted options

Market Cap
~A$36.5 million (@50c)

Tony Sage
Executive Chairman

Terry Topping
Chief Executive Officer

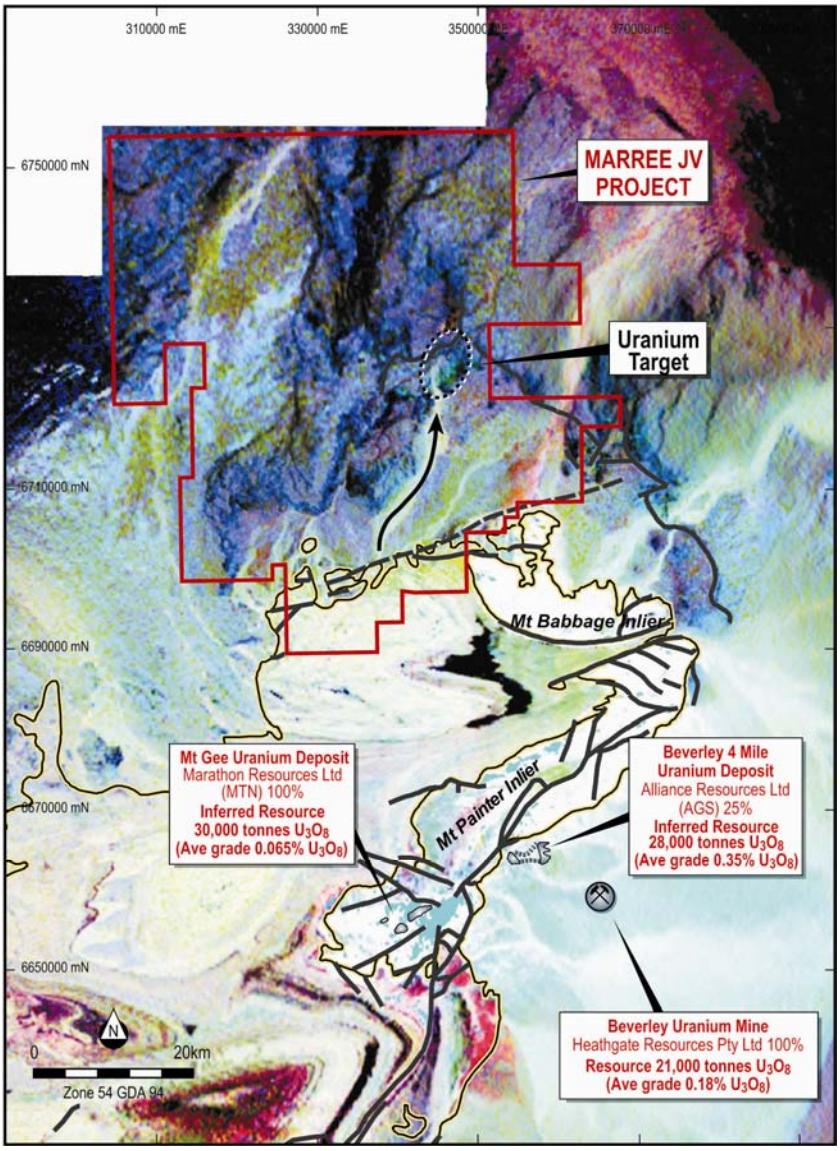
Brett Smith
Executive Director

Kent Hunter
Non-executive Director

Stephen Brockhurst
Company Secretary

This drilling is the first programme in a new phase of exploration which will target uranium mineralisation in the Eyre and Namba Formation sands, adjacent to a basement fault structure associated with basement sourcing artesian springs. It is thought these structures may provide an additional pathway for uranium enriched fluids to enter the basin and interact with the target sand units.

The mud rotary drilling programme will comprise 35-40 holes for approximately 4,000m in the south-eastern part of the project. The broadly spaced drilling on 1000 x 2000m and 400 x 800m spacings will test and infill approximately a 16km strike length of an interpreted palaeochannel system, where drilling, previously completed by the company, intersected anomalous uranium, including 1.75m at 51 ppm U_3O_8 within a weakly oxidised package of mudstone interbedded with gravels and sands below a lignitic horizon. Significant thicknesses of anomalous uranium up to 10x background were intersected over four kilometres of strike within variably reduced and oxidised lignitic mudstone associated with coarse sands.



Marree JV Project – Total Count (U, Th, K) Airborne Radiometrics

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Disclosure Statement

Competent Person Statement

The information in this report to which this statement is attached that relates to Cauldron Energy Limited's Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brett Smith and Mr Terry Topping who are Members of the Australasian Institute of Mining and Metallurgy. Mr Smith and Mr Topping are full-time employees of Cauldron Energy Limited. Mr Smith and Mr Topping have sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration. They are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Both Mr Smith and Mr Topping consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.