CAULDRON ENERGY LIMITED

ABN 22 102 912 783

NOTICE OF ANNUAL GENERAL MEETING

TIME:	1.00 pm (WST)
DATE:	Tuesday, 24 November 2009
PLACE:	Kailis Function Room 101 Oxford Street LEEDERVILLE WA 6007

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.
Should you wish to discuss the matters in this Notice of Annual General Meeting please do not hesitate to contact the Company Secretary on (08) 9211 5777.

Cauldron Energy Limited
ABN 22 102 912 783

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

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Cauldron Energy Limited
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NOTICE OF ANNUAL GENERAL MEETING

Time and Place of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of Cauldron Energy Limited (the "**Company"**) will be held at the Kailis Function Room, 101 Oxford Street, LEEDERVILLE WA 6007 on 24 November 2009 at 1.00 pm.

The Explanatory Statement that accompanies and forms part of this Notice of Annual General Meeting describes in more detail the matters to be considered.

AGENDA

ORDINARY BUSINESS

Reports and Accounts

To receive the financial report of the Company for the year ended 30 June 2009, together with the directors' report and the auditor's report.

RESOLUTIONS

Resolution 1 – Adoption of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass, with or without modification, the following resolution:

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report."

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

Resolution 2 – Re-election of Mr Kent Hunter

To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That, Mr Kent Hunter, being a Director, retires by rotation in accordance with clause 11.3 of the Constitution and, being eligible, is hereby re-elected as a Director."

Resolution 3 – Re-election of Mr Antony Sage

To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That, Mr Antony Sage, being a Director, appointed on 4 June 2009, retires in accordance with clause 11.12 of the Constitution and, being eligible, is hereby re-elected as a Director."

Resolution 4 – Re-election of Mr Brett Smith

To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That, Mr Brett Smith, being a Director, appointed on 4 June 2009, retires in accordance with clause 11.12 of the Constitution and, being eligible, is hereby re-elected as a Director."

Resolution 5 – Grant of Options to Mr Terence Topping

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That for the purposes of Section 208 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to grant:

a) 500,000 Class A Options; and

b) 500,000 Class B Options,

to Mr Topping (or his nominee) on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting."

Voting Exclusion: For the purpose of ASX Listing Rule 10.13 and Section 224 of the Corporations Act the Company will disregard any votes cast on Resolution 5 by Mr Topping or any associate of Mr Topping and any person who might receive a benefit, except a benefit solely in the capacity of a security holder (if the resolution is passed). However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Grant of Options to Mr Kent Hunter

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That for the purposes of Section 208 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to grant:

a) 300,000 Class A Options; and

b) 300,000 Class B Options,

to Mr Hunter (or his nominee) on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting."

Voting Exclusion: For the purpose of ASX Listing Rule 10.13 and Section 224 of the Corporations Act the Company will disregard any votes cast on Resolution 6 by Mr Hunter or any associate of Mr Hunter and any person who might receive a benefit, except a benefit solely in the capacity of a security holder (if the resolution is passed). However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Grant of Options to Mr Brett Smith

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That for the purposes of Section 208 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to grant:

a) 500,000 Class A Options; and

b) 500,000 Class B Options,

to Mr Smith (or his nominee) on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting."

Voting Exclusion: For the purpose of ASX Listing Rule 10.13 and Section 224 of the Corporations Act the Company will disregard any votes cast on Resolution 7 by Mr Smith or any associate of Mr Smith and any person who might receive a benefit, except a benefit solely in the capacity of a security holder (if the resolution is passed). However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 – Grant of Options to Stephen Brockhurst

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to grant:

a) 200,000 Class A Options; and

b) 200,000 Class B Options,

to Mr Brockhurst on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

Resolution 9 – Issue of Shares and Options to Mr Antony Sage

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That for the purposes of Section 208 of the Corporations Act and ASX Listing Rule 10.11, and all other purposes, this meeting hereby approves and authorises the Directors to issue and allot:

a) 600,000 Shares;

b) 500,000 Class A Options; and

c) 500,000 Class B Options,

to Mr Sage (or his nominee) on the terms and conditions set out in the Explanatory Statement that forms part of this Notice of Meeting."

Voting Exclusion: For the purpose of ASX Listing Rule 10.13 and Section 224 of the Corporations Act the Company will disregard any votes cast on Resolution 9 by Mr Sage or any associate of Mr Sage and any person who might receive a benefit, except a benefit solely in the capacity of a security holder (if the resolution is passed). However, the Company need not disregard a vote if it is cast by such a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 – Ratification of Previous Placement

To consider and if thought fit to pass, with or without amendment, the following ordinary resolution:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 6,108,612 Shares to Dempsey Resources Pty Ltd by way of a Convertible Note, on the date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 10 by placement allottees and any associate of such allottee. However the Company need not disregard a vote if: a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 11 – Ratification of Previous Placement

To consider and if thought fit to pass, with or without amendment, the following ordinary resolution:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of 3,000,000 Shares to Ewok Holdings Limited, on the date and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on Resolution 11 by placement allottees and any associate of such allottee. However the Company need not disregard a vote if: a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 12 – Approval of Issue and Allotment of Shares

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue and allot 9,224,721 Shares at an issue price of 15 cents and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: In accordance with ASX Listing Rule 7.3.8, the Company will disregard any votes cast on Resolution 12 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 12 is passed, and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 13 - Approval of the Employee Incentive Scheme

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolution:

"That, for the purposes of Exception 9 of Rule 7.2 of the ASX Listing Rules and for all other purposes, approval is given for the Company to adopt, administer and issue securities under its employee incentive scheme as an exception to Listing Rule 7.1 and on the terms and conditions set out in the Explanatory Memorandum"

Voting Exclusion: In accordance with ASX Listing Rule 7.2, the Company will disregard any votes cast on Resolution 13 by any director of the Company, any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of the security holder, if resolution 13 is passed and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 14 - Approval of Future Capital Raising

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 10,000,000 Shares on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

PROXIES

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of the member. If two proxies are appointed, and a member does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a member of the Company.

2. In order to vote on behalf of a company that is a shareholder of Cauldron Energy, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

3. Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged at the registered office of the Company, at 35 Richardson Street, WEST PERTH WA 6005, or by facsimile (61 8) 9211 5700 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

4. An instrument appointing a proxy:

   a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;

   b) may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;

   c) shall be deemed to confer authority to demand or join in demanding a poll; and

   d) shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act 2001 and the Listing Rules;

VOTING EXCLUSION

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

ATTENDANCE AND VOTING ELIGIBILITY

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that Shares held at 1.00 pm WST on 22 November 2009 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time.

BY ORDER OF THE BOARD

Terence Topping
Director
Dated: 20 October 2009

Enquiries

All enquiries in relation to the contents of the Notice of Annual General Meeting or Explanatory Statement should be directed to the Company's Chief Executive Office, Mr Terence Topping or Company Secretary, Mr Stephen Brockhurst (telephone: +61 8 9211 5777).

Cauldron Energy Limited

ABN 22 102 912 783

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at the Kailis Function Room, 101 Oxford Street**, LEEDERVILLE WA 6007 on 24 November 2009 at 1.00 pm.**

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of Meeting.

1. RESOLUTION 1 – Remuneration report (Non-binding Resolution)

Section 249L(2) of the Corporations Act requires the Company to inform Shareholders that a resolution on the Remuneration Report will be put at the Annual General Meeting. Section 250R(2) of the Act requires that the Director's seek approval of the Remuneration Report relating to Director's and nominated executive employees as contained within the Company's Annual Report from Shareholders at the Annual General Meeting.

However, in accordance with section 250R(3) of the Act, Shareholders should note that Resolution 1 is an "advisory only" resolution and does not bind the Directors or the Company. The Directors will however take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The Remuneration Report is contained in the Company's 2009 Annual Report. Copies of the Remuneration Report may also be obtained by contacting the Company on (08) 9211 5777.

The Remuneration Report includes all of the information required by Section 300A of the Corporations Act, including:

a) board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the Company;

b) discussion of the relationship between such policy and the Company's performance; and

c) the prescribed details in relation to the remuneration of each Director and certain executives.

Following consideration of the Remuneration Report, the Chairman, in accordance with section 250SA of the Act, will give Shareholders a reasonable opportunity to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

2. RESOLUTION 2 – Re-election of Mr Kent Hunter

Clause 11.3 of the Constitution provides that, at the annual general meeting in every year one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more (except the Managing Director), must retire from office. A retiring Director is eligible for re-election. The Directors to retire at any annual general meeting must be those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire must (unless they otherwise agree among themselves) be determined by lot.

Mr Kent Hunter retires and seeks re-election in accordance with clause 11.3 of the Constitution.

Details regarding Mr Hunter are set out in the Company's 2009 Annual Report.

3. RESOLUTION 3 – Re-election of Antony Sage

Clause 11.12 of the Constitution provides that any Director appointed under clause 11.11 of the Constitution holds office until the next annual general meeting of the Company and is then eligible for re-election.

Mr Antony Sage, who was appointed on 4 June 2009, seeks re-election in accordance with clause 11.12 of the Constitution.

Details regarding Mr Antony Sage are set out in the 2009 Annual Report.

The Directors recommend the re-election of Mr Antony Sage.

4. RESOLUTION 4 – Re-election of Brett Smith

Clause 11.12 of the Constitution provides that any Director appointed under clause 11.11 of the Constitution holds office until the next annual general meeting of the Company and is then eligible for re-election.

Mr Brett Smith, who was appointed on 4 June 2009, seeks re-election in accordance with clause 11.12 of the Constitution.

Details regarding Mr Brett Smith are set out in the 2009 Annual Report.

The Directors recommend the re-election of Mr Brett Smith.

5. RESOLUTIONS 5, 6, 7 and 9 – Grant of Options and Shares to Related Parties

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue:

a) 500,000 Class A Options and 500,000 Class B Options to Mr Terence Topping;

b) 500,000 Class A Options and 500,000 Class B Options to Mr Kent Hunter;

c) 300,000 Class A Options and 300,000 Class B Options to Mr Brett Smith; and

d) 500,000 Class A Options and 500,000 Class B Options and 600,000 fully paid ordinary shares to Mr Antony Sage , (together, **Related Party Securities** and Messers, Topping, Hunter, Smith and Sage are together, **Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and

b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Related Party Securities to the Related Parties (as the context requires) requires the Company to obtain Shareholder approval because the grant of the Related Party Securities constitutes giving a financial benefit and as Directors, Messrs Topping, Hunter, Smith and Sage are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Related Party Securities to the Related Parties.

5.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of the Related Party Securities:

a) the related parties are Messrs Topping, Hunter, Smith and Sage and they are related parties by virtue of being Directors;

b) the maximum number of Related Party Securities (being the nature of the financial benefit being provided) to be granted to the Related Parties is:

    i. 500,000 Class A Options and 500,000 Class B Options to Mr Terence Topping;

    ii. 300,000 Class A Options and 300,000 Class B Options to Mr Kent Hunter;

    iii. 500,000 Class A Options and 500,000 Class B Options to Mr Brett Smith; and

    iv. 500,000 Class A Options and 500,000 Class B Options and 600,000 fully paid ordinary shares to Mr Antony Sage;

c) the Class A Options will be exercisable at 60 cents on or before 30 November 2011 on the terms contained in Annexure A;

d) the Class B Options will be exercisable at 80 cents on or before 30 November 2011 on the terms contained in Annexure B;

e) the Related Party Securities will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;

f) the Related Party Securities will be granted for nil cash consideration, accordingly no funds will be raised;

g) the value of the Related Party Securities and the pricing methodology is set out in Annexure C;

h) the Board agreed to allocate to Mr Sage 600,000 fully paid ordinary shares on 8 September 2009 at a deemed price of 25 cents valuing the package at $150,000, primarily due to Mr Sage's current cash remuneration being well below market rates. The Board strongly believed at this time that this amount was appropriate for an Executive Chairman with Mr Sage's experience and access into financial markets.

At the date that this Notice of Annual General Meeting the Company's share price was 47 cents, valuing the shares at $282,000. The Board still believes this to be an appropriate remuneration for Mr Sage and his experience he brings to the Company;

i) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mr Terence Topping	4,526,031	1,000,000[1]
Mr Kent Hunter	4,020,027	500,000[2]
Mr Brett Smith	11,844	Nil
Mr Antony Sage	1,994,600	Nil

[1] Held by Kingswave Nominees Pty Ltd, a company in which Mr Topping has an interest. The Options are exercisable at $0.80 each on or before 30 November 2010.

[2] Held by Kouta Bay Pty Ltd ATF the Houndy Family Trust, a company in which Mr Hunter has an interest. The Options exercisable at $0.80 each on or before 30 November 2010.

The remuneration and emoluments from the Company to the Related Parties for both the current financial year and previous financial year are set out below:

Related Party	Current Financial	Previous

	Year	Financial Year
Mr Terence Topping	$52,500	$231,000
Mr Kent Hunter	$15,000	$12,688
Mr Brett Smith	$45,000	$154,366
Mr Antony Sage	$33,000	Nil

j) if all Director Options granted to the Related Parties are exercised (together with the Shares issue to Mr Antony Sage), a total of 4,200,000 Shares would be allotted and issued under Resolutions 5, 6, 7 and 9. This will increase the number of Shares on issue from 72,899,362 to 76,599,362 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Shares to be issued	Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr Terence Topping	72,899,362	1,000,000	Nil	1,000,000	1.35%
Mr Kent Hunter	72,899,362	600,000	Nil	600,000	0.81%
Mr Brett Smith	72,899,362	1,000,000	Nil	1,000,000	1.35%
Mr Antony Sage	72,899,362	1,000,000	600,000	1,000,000	2.14%
TOTAL		**3,600,000**	**600,000**	**3,600,000**	**5.661%**

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

k) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	$0.50	22, 23 and 24 September 2009
Lowest	$0.10	17 November 2008
Last	$0.47	19 October 2009

l) the primary purpose of the grant of Options to the Related Parties is to provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company in their respective roles as Directors. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

m) the primary purpose of the grant of Shares to Mr Sage is to provide cost effective consideration and ongoing remuneration to Mr Sage for his commitment and contribution to the Company in his role as Executive Chairman. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Shares to Mr Sage upon the terms proposed and further, aligns the interests of Mr Sage with those of the Company;

n) the Board acknowledges the grant of Options to Mr Kent Hunter is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Options to Mr Kent Hunter reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;

o) Mr Terence Topping declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board (other than Mr Terence Topping) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;

p) Mr Kent Hunter declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board (other than Mr Kent Hunter) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;

q) Mr Brett Smith declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board (other than Mr Brett Smith) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and

r) Mr Antony Sage declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9. The Board (other than Mr Antony Sage) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Securities to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Related Party Securities to the Related

Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTION 8 – Grant of Options to Stephen Brockhurst

Resolution 8 seeks Shareholder approval for the allotment and issue of:

a) 200,000 Class A Options; and

b) 200,000 Class B Options,

(together, **Brockhurst Options**) to Stephen Brockhurst, the Company Secretary of the Company.

The effect of Resolution 8 will be to allow the Directors to issue the Brockhurst Options during the period of 3 months after the Annual General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The following information is provided in relation to the issue of the Brockhurst Options pursuant to and in accordance with Listing Rule 7.3:

a) the maximum number of Options to be issued is 200,000 Class A Options and 200,000 Class B Options;

b) the Class A Options will be exercisable at 60 cents on or before 30 November 2011 on the terms set out in Annexure A;

c) the Class B Options will be exercisable at 80 cents on or before 30 November 2011 on the terms set out in Annexure B;

d) the Shares issued upon exercise of the Brockhurst Options will rank equally with the Company's current issued Shares;

e) the Brockhurst Options will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;

f) no funds will be raised from the issue of the Brockhurst Options. The purpose of the issue of the Brockhurst Options is to provide cost effective consideration to Mr Brockhurst for his ongoing commitment and contribution to the Company in his role as Company Secretary. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Brockhurst Options upon the terms proposed; and

g) the Company intends to use the raised from the exercise of the Brockhurst Options for general working capital purposes.

7. RESOLUTION 10 - Ratification of Placement Pursuant to Converting Loan Agreement

Resolution 10 seeks Shareholder ratification of the issue of 6,108,612 Shares on the terms set out below.

7.1 Background to Resolution 10

On 15 July 2009 the Company issued 6,108,612 ordinary shares as the result of the exercise of a Converting Loan with Dempsey Resources Limited (**Dempsey**) (**Converting Loan Issue**). The Shares were issued at an issue price of $0.15 each.

The Company was not required to obtain Shareholder approval of the Converting Loan Issue as Dempsey is not a related party of the Company and the Shares were issued under the Company's 15% placement capacity.

7.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities. Approval is sought under Resolution 10 to allow the Company to ratify the issue and allotment of the 6,108,612 ordinary shares to Dempsey Resources Limited pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the Converting Loan Issue the subject of Resolution 10 in accordance with ASX Listing Rule 7.5:

a) the number of securities allotted by the Company was 6,108,612 ordinary shares;

b) the Shares were issued and allotted on 15 July 2009;

c) the Shares were allotted for cash consideration of $0.15 per Share;

d) the issued Shares are fully paid ordinary Shares and rank equally with the existing Shares on issue;

e) the allottee of the Shares was Dempsey Resources Pty Ltd, which is an unrelated party to the Company (as those terms are defined in the Corporations Act); and

f) the Shares were issued pursuant to the Convertible Loan between the Company and Dempsey.

7.3 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 10. The Board believes that the ratification of the Share issue the subject of Resolution 10 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 10 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

8. RESOLUTION 11 – Ratification of Previous Placement

Resolution 11 seeks Shareholder ratification of the issue of 3,000,000 Shares on the terms set out below.

8.1 Background to Resolution 11

On 15 July 2009 the Company issued 3,000,000 ordinary shares to Ewok Holdings Limited as the consideration for public relations, corporate advisory and marketing services provided to the Company (**Ewok Issue**). The Shares were issued at a deemed issue price of $0.31 each, being the price of Shares on the date of issue.

The Company was not required to obtain Shareholder approval of the Ewok Issue as Ewok is not a related party of the Company and the Shares were issued under the Company's 15% placement capacity.

8.2 ASX Listing Rule 7.4

Under Chapter 7 of the ASX Listing Rules, there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities. Approval is sought under Resolution 11 to allow the Company to ratify the issue and allotment of the 3,000,000 ordinary shares to Ewok Holdings Limited pursuant to ASX Listing Rule 7.4. The reason for an approval under ASX Listing Rule 7.4 is to reinstate the Company's capacity to issue up to 15% of its issued Shares without the approval of its Shareholders in any 12 month period.

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval of the share issue the subject of Resolution 11 in accordance with ASX Listing Rule 7.5:

a) the number of securities allotted by the Company was 3,000,000 ordinary shares;

b) the Shares were issued and allotted on 15 July 2009;

c) the Shares were issued at a deemed issue price of $0.31 per Share;

d) the issued Shares are fully paid ordinary Shares and rank equally with the existing Shares on issue;

e) the allottee of the Shares was Ewok Holdings Limited, which is an unrelated party to the Company; and

f) no funds were raised from the issue of the Shares as the Shares were issued in consideration for public relations, corporate advisory and marketing services provided to the Company.

8.3 Directors' Recommendation

None of the Directors has a material personal interest in the subject matter of Resolution 11. The Board believes that the ratification of the Share issue the subject of Resolution 11 is beneficial for the Company. The Board recommends Shareholders vote in favour of Resolution 11 as it provides the Company with the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months without shareholder approval.

9. RESOLUTION 12 – Approval of Issue and Allotment of Shares

Resolution 12 seeks Shareholder approval for the issue of 9,224,721 Shares pursuant to remaining amount outstanding on the Convertible Loan with Dempsey Resources Pty Ltd.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 12 to allow Shareholders to assess the proposed facility for the future issue of up to 9,224,721 Shares:

a) the maximum number of securities to be issued to pursuant to the Placement is 9,224,721 Shares;

b) the Shares the subject of Resolution 12 will be issued and allotted no later than three (3) months after the date of this Meeting or such later date as approved by ASX;

c) the deemed issue price of the Shares proposed to be allotted and issued will be at $0.15 per share;

d) the allottee in respect of Resolution 12 is Dempsey Resources Pty Ltd, which is an unrelated party to the Company;

e) the Shares to be issued will rank pari-passu on allotment and issue with the existing Shares of the Company; and

f) no funds will be raised from the issue of the Shares as the Shares will be issued as satisfaction of the Company's obligations under the Convertible Loan between the Company and Dempsey.

10. RESOLUTION 13 – Approval of the Employee Incentive Scheme

The Company has established an Employee Incentive Scheme, the terms of which were approved by shareholders on 30 November 2006 ("**Scheme**"). Resolution 13 is a resolution which seeks shareholder approval in accordance with Exception 9 of Rule 7.2 of the ASX Listing Rules for the Company to issue securities under the Scheme without prior shareholder approval and in reliance on the exception to Listing Rule 7.1

Listing Rule 7.1 places certain restrictions on the extent to which a listed company may issue certain securities, including options. The effect is that shareholder approval is required before the company may issue securities representing more than 15% of the capital of the company within a 12 month period. However, certain issues are exempt from the restrictions of Listing Rule 7.1 and are effectively disregarded for the purposes of determining the number of securities which a company may issue within a 12 month period.

Exempt issues include an issue of securities to persons participating in an employee incentive Scheme where shareholders have approved the issue of securities under the scheme as an exemption from Listing Rule 7.1. Shareholder approval must be given in a general meeting held not more than 3 years before the date of issue when the notice of meeting contains or is accompanied by certain prescribed information (set out below) (Exception 9 of Listing Rule 7.2).

In order to take advantage of the exemption from Listing Rule 7.1 and allow the Company flexibility to issue securities, shareholders are requested to approve the issue of securities under the Scheme as an exemption from Listing Rule 7.1. This approval will be effective for a period of 3 years from the date of the Resolution. It should be noted that Resolution 12 does not approve the issue of any Scheme Options to any Director of the Company. Scheme Options cannot be granted to Directors or associates of the Company unless prior approval of shareholders is obtained in accordance with the Listing Rules.

The main purposes of the Scheme is to give an additional incentive to Directors, employees and consultants of the Company to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its Directors, employees and consultants for their efforts.

If Scheme options are exercised, it will have the effect of increasing the Company's cash position by the amount of the exercise price multiplied by the number of options exercised. It will also increase the number of Shares that are on issue by the number of options exercised.

Shares issued pursuant to the exercise of Scheme Options will rank pari passu in all respects with the Company's existing Shares.

Application will not be made for official quotation on the ASX of the Scheme Options.

In accordance with Exception 9 of Listing Rule 7.2, Shareholders are provided with the following information.

A summary of the significant terms of the Employee Incentive Scheme follows:

a) The maximum number of Scheme Options that can be issued under the Scheme is that number which equals 5% of the then current number of Shares on issue.

b) Directors, employee and consultants of the Company will be eligible to participate in the Scheme. Subject to the Listing Rules, the Board of Directors shall determine the number of Scheme Options (if any) to the allocated to the various Directors, employees and consultants of the Company.

c) Directors of the Company will be entitled to participate in the Scheme subject to all necessary approvals pursuant to the Corporations Act and the Listing Rules being obtained.

d) The issue price of each Scheme Option will be nil.

e) The exercise price of each Scheme Option to be the greater of :

    i. 125% of the market value (as defined in “Annexure D”) of the Company’s Shares on the date on which the Scheme Options are issued

    ii. 20 cents; or

    iii. any greater price determined by the Board of Directors.

f) Each Scheme Option entitles the Option holder to subscribe for and be allotted one Share.

g) All Scheme Options have an expiry date determined by the Board and at any time between 2 and 5 years after the date of grant of the options.

Full terms and conditions of the Scheme are outlined in Annexure D.

The following Options have issued under the Scheme since disclosure of the terms of the Scheme as approved by shareholder on 30 November 2006:

300,000	$0.305 options expiring 22 December 2010;
900,000	$0.61 options expiring 31 October 2011;
100,000	$0.85 options expiring 26 March 2012

There has been no change to the number or terms of securities to be issued, the mechanism for pricing or payment, or any other material terms of the Scheme since its disclosure in the Notice of Meeting for the Annual General Meeting dated 30 November 2006.

NOTE: Shares and Options currently on issue are:

72,899,362	Ordinary fully paid shares
4,000,000	$0.80 options expiring 30 November 2010
300,000	$0.305 options expiring 22 December 2010
900,000	$0.61 options expiring 31 October 2011
100,000	$0.85 options expiring 26 March 2012
86,667	$1.50 options expiring 31 May 2011;

33,333	$1.65 options expiring 31 May 2011;
400,000	$2.25 options expiring 31 December 2009;
66,667	$1.50 options expiring 31 December 2009;
306,667	$1.50 options expiring 30 June 2010;
420,000	$2.63 options expiring 30 June 2010;
106,667	$3.00 options expiring 27 November 2009;
106,667	$3.75 options expiring 27 November 2010

The highest and lowest ASX trading prices of the Company's fully paid shares in the last 12 months are:

High:	50.0 cents	23 September 2009
Low:	10.0 cents	17 November 2008

Latest Available trading prices (19 October 2009):

Ordinary fully paid shares 47 cents.

11. RESOLUTION 14 – Approval of Placement

Resolution 14 seeks Shareholder approval for the allotment and issue of 10,000,000 Shares (**General Offer**).

The effect of Resolution 14 will be to allow the Directors to issue the Shares pursuant to the General Offer during the period of 3 months after the Annual General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity.

The following information is provided in relation to the General Offer pursuant to and in accordance with Listing Rule 7.3:

a) the maximum number of Shares to be issued is 10,000,000;

b) the Shares will be issued at an issue price of not less than 80% of the volume weighted average price of shares over 20 trading days prior to the date of issue;

c) the Shares will rank equally with the Company's current issued Shares;

d) the Shares will be issued no later than three (3) months after the date of the General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;

e) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;

f) the Shares are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares; and

g) the Company intends to use the raised from the General Offer for general working capital purposes.

GLOSSARY OF TERMS

In this Explanatory Statement:

"ACN"	Australian Company Number
"Company"	Cauldron Energy Limited (ABN 22 102 912 783).
"ASIC"	Australian Securities and Investments Commission.
"ASX"	Australian Stock Exchange Limited (ACN 008 624 691)
"ASX Listing Rules" or "Listing Rules"	The Official Listing Rules of ASX as amended from time to tie.
"Constitution"	The Constitution of the Company
"Corporations Act"	The Corporations Act 2001 (Commonwealth).
"Director"	A director of the Company.
"Meeting"	The Meeting of the Company to be held on 24 November 2009.
"Notice of Annual General Meeting"	The notice convening the Meeting, which accompanies this Explanatory Statement.
"Resolutions"	Resolutions in the Notice of Annual General Meeting.
"Share"	A fully paid ordinary share in the capital of the Company.
"Shareholder"	The registered holder of a Share in the Company.

Cauldron Energy Limited

ABN 22 102 912 783

ANNEXURE "A"

Terms and Conditions of Class A Options

The terms and conditions of the Class A Options are as follows:

a) Each Class A Option entitles the holder to subscribe for one Share in the capital of the Company at the exercise price of 60 cents per Share.

b) Subject to paragraph (c) below, the Options are exercisable at any time after 30 November 2010 and prior to 5.00pm Perth time on 30 November 2011 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.

c) An Option Holder may exercise some only of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.

d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application will not be made to ASX for official quotation of the Options.

e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.

f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.

h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 30 November 2011 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

Cauldron Energy Limited
ABN 22 102 912 783

ANNEXURE "B"

<u>Terms and Conditions of Class B Options</u>

The terms and conditions of the Class B Options are as follows:

b) Each Class B Option entitles the holder to subscribe for one Share in the capital of the Company at the exercise price of 80 cents per Share.

b) Subject to paragraph (c) below, the Options are exercisable at any time after 30 November 2010 and prior to 5.00pm Perth time on 30 November 2011 by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.

c) An Option Holder may exercise some only of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.

d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application will not be made to ASX for official quotation of the Options.

e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.

f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.

h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to 30 November 2011 the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

ANNEXURE "C"

ESTIMATE OF THE VALUE OF CLASS A OPTIONS

An estimate of the value of the Class A Options that are proposed to be granted (pursuant to the passing of Resolutions 5, 6, 7 and 9) using the Black and Scholes Options Pricing Model has been calculated as set out below:

	Name of Allottee	Number of Options	Estimated Value using Black & Scholes Model **$**
Resolution 5	Topping	500,000	62,700
Resolution 6	Hunter	300,000	37,620
Resolution 7	Smith	500,000	62,700
Resolution 9	Sage	500,000	62,700
	Total	1,800,000	225,720

The estimated value of the Options was calculated using the following assumptions:

1. risk free rate of 3.25% based on the Reserve Bank of Australia cash rate;
2. current share price of 47.0 cents;
3. dividend yield of 0%;
4. forecast volatility of 80%: the volatility rate based on the range to which the shares have been trading on the Australian Stock Exchange (ASX). It is not uncommon to have lower or higher volatility for mining exploration companies.
5. option exercise price of 60 cents; and
6. option expiry date of 30 November 2011.
7. discount for unlisted options of 30% for non negotiability and/or lack of liquidity.

Value of Directors Options equaled $0.1254 per option

ESTIMATE OF THE VALUE OF CLASS B OPTIONS

An estimate of the value of the Class B Options that are proposed to be granted (pursuant to the passing of Resolutions 5, 6, 7 and 9) using the Black and Scholes Options Pricing Model has been calculated as set out below:

	Name of Allottee	Number of Options	Estimated Value using Black & Scholes Model **$**
Resolution 5	Topping	500,000	49,840
Resolution 6	Hunter	300,000	29,910
Resolution 7	Smith	500,000	49,840
Resolution 9	Sage	500,000	49,840
	Total	1,800,000	179,430

The estimated value of the Options was calculated using the following assumptions:

1. risk free rate of 3.25% based on the Reserve Bank of Australia cash rate;
2. current share price of 47.0 cents;
3. dividend yield of 0%;
4. forecast volatility of 80%: the volatility rate based on the range to which the shares have been trading on the Australian Stock Exchange (ASX). It is not uncommon to have lower or higher volatility for mining exploration companies.
5. option exercise price of 80 cents; and
6. option expiry date of 30 November 2011.
7. discount for unlisted options of 30% for non negotiability and/or lack of liquidity.

Value of Directors Options equaled $0.0997 per option

ANNEXURE "D"

Terms and Conditions of the Cauldron Employee Incentive Scheme

As an incentive to employees of Cauldron, the Company has adopted a scheme called the Cauldron Employee Incentive Scheme **("Scheme")**.

The purpose of the Scheme is to give employees, directors, executive officers and consultants of the Company an opportunity, in the form of options, to subscribe for ordinary shares in the Company. The Directors consider the Scheme will enable the Company to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Company more successful.

Participants in the Scheme

The Board may offer free options to persons ("Eligible Persons") who are:

- Full-time or part-time employees;
- directors; or
- consultants and any persons who are concerned, or take part in the management, of the Company or any subsidiary.

Upon receipt of such an Offer, the Eligible Person may nominate an associate acceptable to the Board to be issued with the options.

Terms of Options

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

- 125% of the market value (as defined in the attached Terms and Conditions) of the Company's shares on the date on which the options are issued;
- 20 cents; or
- any greater price determined by the Board,

whichever is the greatest.

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

Options may not be transferred without the approval of the Board. Quotation of options on the Australian Stock Exchange ("ASX") will not be sought. However, in the event that the Company is listed on ASX, it will apply to ASX for official quotation of shares issued on the exercise of options.

Restrictions on Issues and Exercise of Options

The Board may not offer options under the Scheme if the total number of shares which would be issued were each option accepted, together with the number of shares in the same class or options to acquire such shares issued pursuant to all employee or executive share schemes during the previous five years, exceeds 5% of the total number of issued shares in that class as at the date of the offer.

Options may only be issued or exercised within the limitations imposed by the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

The Directors will not be able to participate in the Scheme without shareholder approval being first obtained in a General Meeting.

Exercise of Options

Options may be exercised at any time between 2 and 5 years after the date of grant of the options.
If an Eligible Person leaves the employment of the group:

(i) 2 years or more after options are issued; or
(ii) because of retirement at or after 55 years of age, disablement, retrenchment, death or any other circumstances approved by the Board,

the options may be exercised within 30 days (or 3 months in the case of death), or any longer period permitted by the Board. If not exercised in that time, the options lapse.

If an Eligible Person leaves the employment of the group earlier than 2 years after options are issued and (ii) above does not apply, the options lapse.

If an Eligible Person acts fraudulently, dishonestly or in breach of obligations to the Company or any subsidiary then, at the Board’s discretion, options issued for that person will lapse.

Unexercised options will automatically lapse five years after they are issued.

Participation in Future Issues

The holders of options will only participate in new issues, including bonus issues, if they have exercised the options at that time and provided such exercise is permitted by the terms of the option.
If there is a bonus issue to shareholders, the number of shares over which the option is exercisable may be increased by the number of shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

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 options may be reduced in accordance with Listing Rule 6.22.

Capital Reconstruction

In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the 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.

PROXY FORM

APPOINTMENT OF PROXY
CAULDRON ENERGY LIMITED
ABN 22 102 912 783

I/We

being a shareholder of Cauldron Energy Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting or the Chair's nominee, as my/our proxy to act generally for me/us and to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at Kailis Function Room, 101 Oxford Street, LEEDERVILLE WA 6007 on 24 November 2009 at 1.00 pm and at any adjournment thereof.

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box below. By marking this box, you acknowledge that the Chair may exercise your proxy even if he/she has an interest in the outcome of the Resolutions and that votes cast by the Chair of the meeting for those Resolutions other than as proxy holder will be disregarded because of that interest. Proxies appointing the Chair which do not specify the way in which the proxy is to vote on a particular Resolution will be recorded as voting in favour of the Resolution. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

☐

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	☐	☐	☐
Resolution 2	Re-election of Mr Kent Hunter	☐	☐	☐
Resolution 3	Re-election of Antony Sage	☐	☐	☐
Resolution 4	Re-election of Brett Smith	☐	☐	☐
Resolution 5	Grant of Options to Mr Terence Topping	☐	☐	☐
Resolution 6	Grant of Options to Mr Kent Hunter	☐	☐	☐
Resolution 7	Grant of Options to Mr Brett Smith	☐	☐	☐
Resolution 8	Grant of Options to Mr Stephen Brockhurst	☐	☐	☐
Resolution 9	Issue of Shares and Options to Mr Antony Sage	☐	☐	☐
Resolution 10	Ratification of Previous Placement	☐	☐	☐
Resolution 11	Ratification of Previous Placement	☐	☐	☐
Resolution 12	Approval of Issue and Allotment of Shares	☐	☐	☐
Resolution 13	Approval of the Employee Incentive Scheme	☐	☐	☐
Resolution 14	Approval of Future Capital Raising	☐	☐	☐

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

Signed this day of 2009

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

CAULDRON ENERGY LIMITED
ABN 22 102 912 783
Instructions for Completing "Appointment of Proxy" Form

1. A Shareholder entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. Where more than one proxy is to be appointed or voting intentions cannot be adequately expressed using this form an additional form of proxy is available from the Company or you may copy this form.

2. A duly appointed proxy need not be a Shareholder of the Company. In the case of joint holders, all must sign.

3. Corporate Shareholders should comply with the execution requirements set out on the proxy form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For a company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a proxy form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.

5. Where a proxy form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

6. To vote by proxy, please complete and sign the proxy form enclosed and either:

   (a) send the proxy form by post to Cauldron Energy Limited, PO Box 1916, WEST PERTH WA 6872; or

   (b) send the proxy form by facsimile to the Company on facsimile number (08) 9211 5700,

   so that it is received not later than 1.00pm WST on 22 November 2009.

   Proxy forms received later than this time will be invalid.