

CONVERSION OF 100% OF CONVERTIBLE NOTES AT PREMIUM TO MARKET

Highlights:

- **100% of Convertible Notes, totalling \$11.3 million, have been converted into shares;**
- **Convertible Notes were converted at a deemed issue price of \$0.20 per share, which represents a significant premium to closing price on 26 July 2012 of \$0.11 per share;**
- **With Convertible Notes now converted Cauldron is well funded to advance its highly prospective uranium assets in Argentina and Australia; and**
- **Cauldron currently finalising a drilling program at its Yanery Uranium Project in Western Australia, which is expected to commence in the coming weeks.**

Australian uranium company Cauldron Energy Limited (ASX: CXU) (**Cauldron or the Company**), advises that further to its announcements on 26 July 2012 and 30 July 2012 all holders of the \$11.3 million Convertible Notes in the Company have elected to convert their Convertible Notes into shares in the Company.

The Convertible Notes were converted into shares at a deemed issue price of \$0.20 per share, which represents a 81% premium to the last closing price of \$0.11 per share on 26 July 2012

Commenting on the conversion of all Convertible Notes in the Company, Executive Chairman, Mr Tony Sage, said, "We are extremely pleased that one hundred per cent of Convertible Note holders chose to convert their notes to shares in the Company".

"This conversion rate, together with the fact the conversion occurred at such a premium to market, in our view is a significant show of support by shareholders in the quality of the Company's assets and our plans to develop them.

"With our financial future now secure we will plan to immediately progress the exploration activities at these assets."

Attached is an Appendix 3B for the issue of 58,829,452 fully paid ordinary shares following the receipt of conversion notices in respect of convertible notes totalling \$11.3million plus interest.

The Company gives notice pursuant to Section 708A(5)(e) of the Corporations Act.

The shares were issued without disclosure to the recipients under Part 6D.2, in reliance on Section 708A(5) of the Corporations Act.

Cauldron Energy Ltd.

ABN 22 102 912 783

32 Harrogate Street
WEST LEEDERVILLE WA 6007

PO Box 1385
WEST LEEDERVILLE WA 6901

ASX Code CXU

154,734,481 M ordinary shares

12.8 M listed options

500,000 unlisted options

Board of Directors

Tony Sage
Executive Chairman

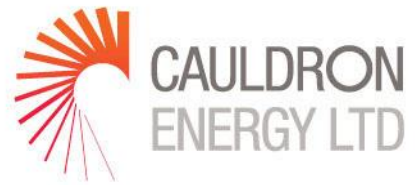
Brett Smith
Executive Director

Qiu Derong
Non-executive Director

Claire Tolcon
Company Secretary

ASX Announcement

2 August 2012



The Company, as at the date of this notice, has complied with:

- a) the provisions of Chapter 2M of the Corporations Act; and
- b) Section 674 of the Corporations Act.

There is no excluded information for the purposes of Section 708A(7) and (8) of the Corporations Act.

Yours faithfully
Cauldron Energy Limited

Tony Sage
Executive Chairman

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

CAULDRON ENERGY LIMITED

ABN

22 102 912 783

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------------------|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 58,829,452 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Yes	
5	Issue price or consideration	Deemed issue price of \$0.20 per share	
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Issued following the receipt of conversion notices in respect of convertible notes totalling \$11,300,000	
7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	31 July 2012 & 1 August 2012	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		155,109,481	Fully paid ordinary shares
		12,866,462	Listed Options exercisable at \$0.45 each on or before 31 October 2012

⁺ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	Number	⁺ Class
		500,000	Unlisted Options exercisable at \$0.45 on or before 20 October 2015
		2,000,000	Unlisted Options exercisable at \$0.20 on or before 30 June 2014
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)		

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the ⁺ securities will be offered	
14	⁺ Class of ⁺ securities to which the offer relates	
15	⁺ Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
19	Closing date for receipt of acceptances or renunciations	

⁺ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do ⁺ security holders dispose of their entitlements (except by sale through a broker)?	
33	⁺ Despatch date	

⁺ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought					
39	Class of +securities for which quotation is sought					
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment					
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)					
42	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"><thead><tr><th style="text-align: left; padding: 5px;">Number</th><th style="text-align: left; padding: 5px;">+Class</th></tr></thead><tbody><tr><td style="height: 60px;"></td><td style="height: 60px;"></td></tr></tbody></table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:


.....
(Company secretary)

Date: 2 August 2012

Print name:

CLAIRE TOLCON

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+ See chapter 19 for defined terms.