

19 December 2012

Drilling to commence at major new South Australian base metals discovery in January 2013

HIGHLIGHTS

- **Intense exploration program at Marree Project in South Australia identifies numerous new base-metal gossans**
- **Gossans are within recently discovered 8km x 10km silver-lead-zinc anomaly and are to be focus of drilling program in early January 2013**
- **Heritage clearance of first ten drill sites underway**
- **Additional drill targets expected to be identified from soil and gravity surveys**
- **Preliminary results from surface geochemistry and geophysics support gossan trends**
- **Drill rig mobilised pre-Christmas for early start in new-year**

Diversified Australian exploration company Cauldron Energy Limited (ASX: CXU) ("Cauldron" or "the Company") will commence drilling at its recently discovered 8km x 10km silver-lead-zinc anomaly (refer ASX announcement dated 17 October 2012), within the Marree Project in South Australia, in early January 2013.

This drilling program, the first ever on the significant base-metals anomaly, follows the identification of numerous base-metal gossans from a recent intensive exploration program. This program included geological mapping, surface soil and rock-chip sampling and a ground gravity survey.

Preliminary results have been received and were used to fast-track the definition of drill targets within the project. Drilling is expected to commence in the first week of January, 2013, with heritage clearance of the first ten drill sites being completed this coming week.

Exploration has identified outcropping gossans anomalous in base metals. The anomalism of outcropping gossans have been initially tested using hand-held XRF machines, with physical (wet) geochemical test results expected back from laboratories in the next two weeks.

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Company Secretary

Soil geochemical and gravity surveys are still being conducted. Preliminary results suggest anomalous trends, some coincident with defined gossans, exist and will result in the definition of additional drill targets for drilling early in 2013.

To assist in the early definition of drill targets, soil samples collected have been routinely tested in-field. In addition to field testing, all samples will be sent to independent laboratory for analysis and validation. These results are expected late January 2013.

About the Marree Base Metal Discovery

The Marree Uranium Project, located 550 km north of Adelaide, comprises five granted Exploration Licences covering 2,571 km in the Eromanga Basin, adjacent to the uranium-rich Mount Babbage Inlier.

In addition to the recent base-metal discovery, 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.

Project highlights include:-

- Farm in and Joint Venture agreement signed with Korean Consortium.
- First Korean government investment in an Australian uranium project.
- Korean consortium: government-owned Korea Resources Corporation with Daewoo and LG International.
- \$6.2 million over three years, to sole fund exploration at Marree (\$4.9 million spent to date).

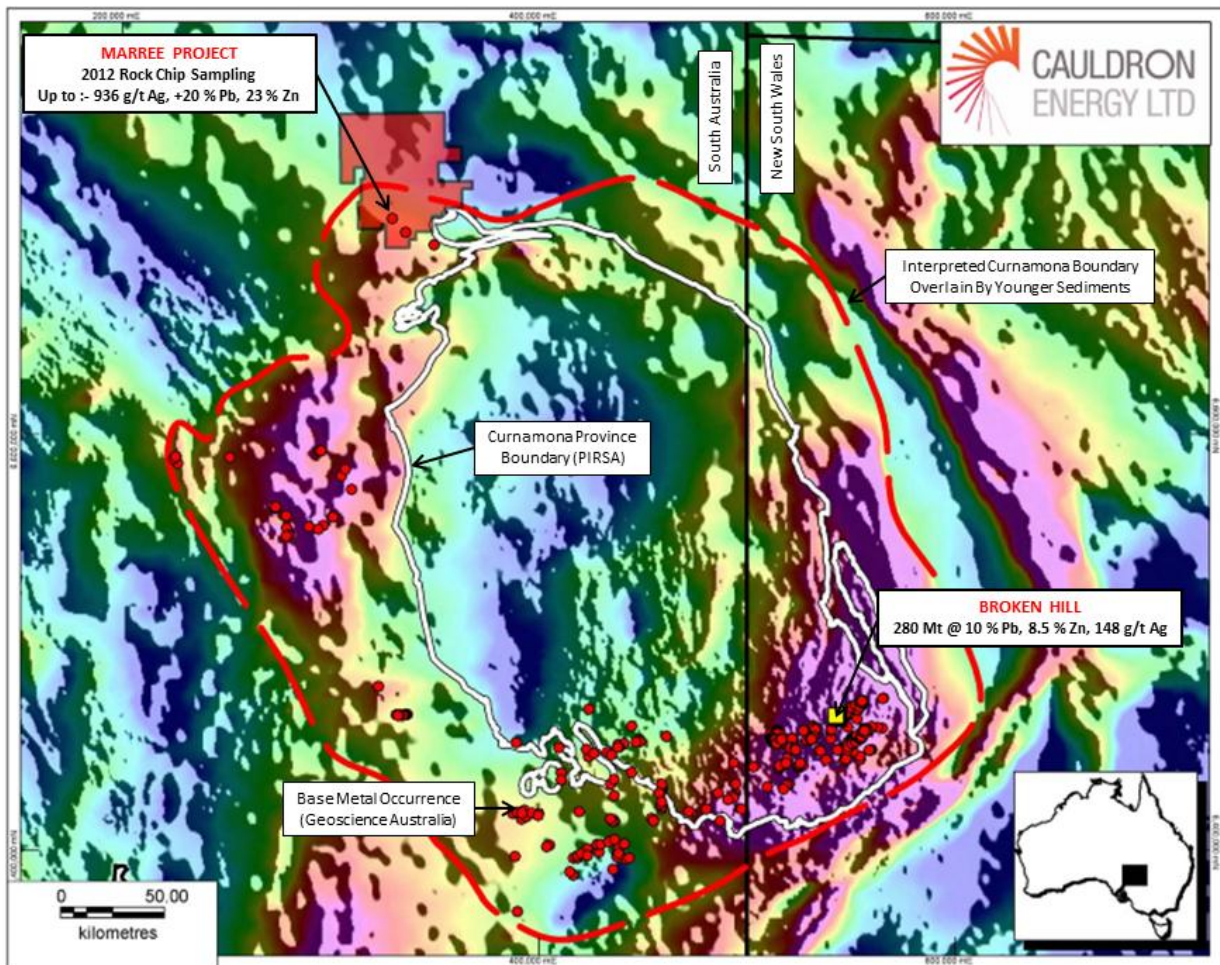


Figure 1:- Marree Project Location Plan – Gravity image with G.A. Ag-Pb-Zn occurrences

Base metal mineralisation is located in Proterozoic aged Adelaidean sediments within the Curnamona Province. Within the Marree Project, previous geological interpretation had these units covered by more recent sediments that are more favourable for sandstone hosted uranium mineralisation (e.g. Beverley and 4-Mile Uranium Deposits).

The Company has determined outcropping Proterozoic units, favourable for base metal mineralisation, are much more extensive than previously believed. Although most of the rocks are extremely weathered and possibly altered, recently completed geophysics supports this theory (Figures 1 and 2).

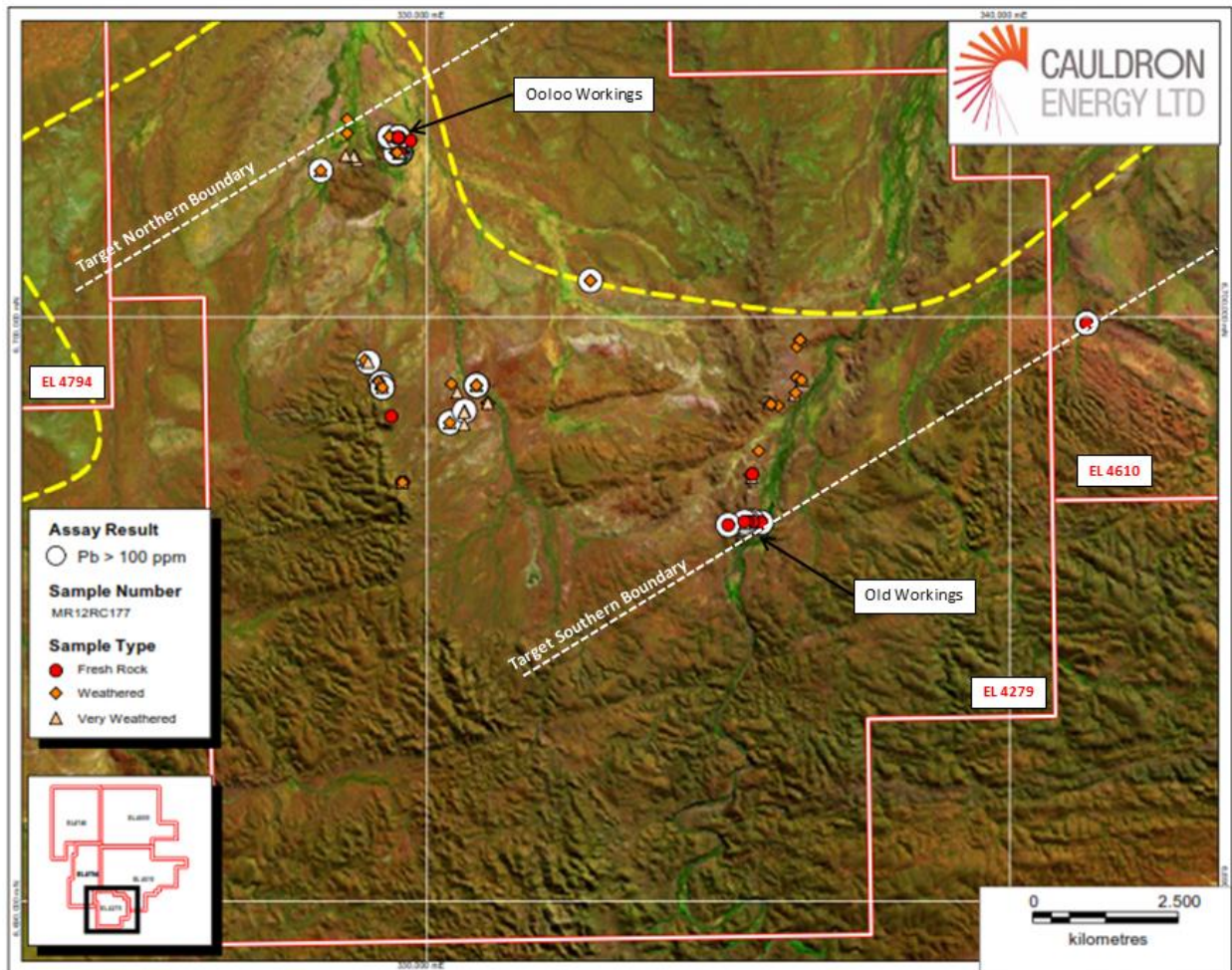


Figure 2:- Base metal prospect sample locations and target area over Landsat image

Within the Marree Project, there are several silver-lead-zinc-copper prospects that were identified and mined in the 1920's and 1930's. Some of these prospects indicate multiple lodes over several hundred metres strike. They appear as small scale operations with exceptional metal tenor (Table 1).

The majority of these samples are relatively fresh and contain visible sulphide mineralisation. Within these areas, quartz veining is extensive, with mineralisation associated with both veining and the host sandstones.

Two main areas of historical workings appear to border the northern and southern margins of the anomalous area. Between these two prospects there exists thin recent sand cover over extremely weathered and altered Proterozoic Adelaidean sediments. Both veining and iron rich gossans (some displaying remnant sulphide minerals) are abundant.

Table 1:- Rock-chip assay results from areas of historical workings. Co-ordinate datum GDA94 (MGA54).

Sample Number	Easting	Northing	Au	Ag	Cu	Pb		Zn	
			ppm	ppm	ppm	ppm	%	ppm	%
MR12RC246	329492.2	6703076.3	1.7	96.8	1560	>10000	8.88	>10000	7.22
MR12RC247	329492.1	6703076.3	0.64	104	3840	>10000	5.25	>10000	9.49
MR12RC248	329492.1	6703076.3	0.21	9.9	359	7090		5240	
MR12RC249	329492.1	6703076.3	0.51	126	1640	>10000	3.25	>10000	8.06
MR12RC250	329492.1	6703076.3	0.64	92.1	533	>10000	14.8	>10000	3.67
MR12RC251	329492.1	6703076.3	0.17	6.6	105	2380		1460	
MR12RC252	329492.1	6703076.3	1.47	160	3110	>10000	>20.0	>10000	22.6
MR12RC253	329492.1	6703076.3	0.08	49.4	53	>10000	7.91	4110	
MR12RC263	329516.7	6703072.4	1.72	142	4630	>10000	6.37	>10000	13.6
MR12RC264	329516.7	6703072.3	0.01	45.2	103	>10000	5.64	8740	
MR12RC265	329516.7	6703072.4	0.13	19.4	767	5030		>10000	5.24
MR12RC266	329516.7	6703072.4	0.19	8.2	227	2200		2780	
MR12RC267	329516.7	6703072.3	0.03	1.7	33	580		1040	
MR12RC268	329516.7	6703072.3	<0.01	27	35	>10000	2.62	2400	
MR12RC269	329516.7	6703072.3	0.02	43.7	36	>10000	3.96	4390	
MR12RC270	329516.7	6703072.4	0.08	9.6	437	741		>10000	4.65
MR12RC482	329513.3	6703080.8	0.69	49.5	471	2520		>10000	8.24
MR12RC483	329513.2	6703080.9	<0.01	1.2	22	49		1300	
MR12RC497	341315.4	6699898.5	<0.01	8.9	19	3780		11	
MR12RC498	341316.6	6699894.2	<0.01	4.4	149	269		10	
MR12RC499	335739.9	6696482.7	0.11	936	325	>10000	>20.0	28	
MR12RC500	335740.7	6696484.6	1.41	66.8	733	>10000	5.35	241	
MR12RC502	335600.7	6696494.4	0.01	55.5	307	>10000	3.94	15	
MR12RC505	335507.6	6696499.6	0.06	26	405	>10000	3.71	20	
MR12RC507	335450.5	6696493.9	<0.01	1.5	18	1370		12	
MR12RC508	335168.5	6696437	0.01	1.5	10	358		23	

Rock-chips taken away from the historical workings are deeply weathered and leached of most minerals and metals. In such terrain, lead is the metal most resistant to leaching, with results of greater than 100 ppm considered very significant. Of 118 samples taken, 53 contained lead (Pb) at greater than 100 ppm; another 13 were geological samples, specifically not testing for mineralisation.

These assay results indicate a classic base metal signature of Pb-Zn-S-As-Au-Cd-Ag-Sb. Gold appears as a good accessory mineral (up to 1.72 g/t Au) to the base metals. Copper was noted in the field and tested up to 1.88% Cu, however its distribution and relationship with the silver-lead-zinc mineralisation could not be correlated.

End.

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Disclosure Statements***Analytical Method***

Laboratory:- Australia Laboratory Services Pty Ltd (ALS)

Techniques used:

ME – ICP61 Four Acid “Near Total” Digestion for 33 elements (Inductively Coupled Plasma with both Atomic Emission Spectrometry and Mass Spectroscopy)

Au – AA25 Ore Grade Fire Assay Fusion

Re-assay of higher grade base metal results using OG62

Ag – OG62 All OG62 Assays are a Four Acid Digestion with ICP-AES finish (Inductively Coupled

Cu – OG62 Plasma – Atomic Emission Spectrometry) for Ore Grade material

Pb – OG62

Zn – OG62

Competent Person Statement

The information in this announcement to which this statement is attached that relates to Cauldron Energy Limited's exploration results is based on information compiled by Mr Brett Smith who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Smith is a full time employee of Cauldron Energy Limited and has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration. Mr Smith is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.' Mr Smith consents to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.