

ASX Announcement

9 February 2021

Company Update - WA Sands Project

Cauldron Energy Limited (**Cauldron** or the **Company**) (ASX: CXU) is pleased to provide the following update with respect to its WA Sands Project, comprising a number of river sand leases located at the mouths of the Carnarvon, Onslow and Derby rivers in Western Australia, collectively covering an area of approximately 482 square kilometres.

In late December 2020, as announced to market in its ASX announcement of 22 December 2020, Cauldron entered into an agreement to acquire a 100% interest in the WA Sands Project, subject to shareholder approval and other conditions precedent (**Agreement**).

Under the terms of the Agreement, Quarry Park Pty Ltd, Onslow Resources Limited, Anthony Warren Slater and Regent Point Pty Ltd, collectively referred to as the Vendors, will transfer to Cauldron a 100% ownership interest in the leases listed in Table 1 included at Appendix A (**Tenements**), together with all of the technical information pertaining to the Tenements and the benefit of any third-party agreements in exchange for:

- a) 20 million fully paid CXU ordinary shares (**Initial Share Consideration**) comprising:
 - (i) 4,000,000 Shares payable within 2 Business Days of Cauldron obtaining shareholder approval on 29 January 2021 (**Initial Payment Shares**),
 - (ii) 8,000,000 Shares payable on the transfer of the last Granted Tenements to Cauldron (**SPA Tranche 1 Shares**), and
 - (iii) 8,000,000 Shares payable on the transfer of the last of the Tenement Applications to Cauldron (**SPA Tranche 2 Shares**), plus
- b) production payments of \$250,000 for the Carnarvon Tenements upon the entering into of commercial production at Carnarvon as defined in the Acquisition Agreement, and \$250,000 for the Derby Tenements upon the entering into of commercial production at Derby as defined in the Acquisition Agreement, and \$500,000 for the Onslow Tenements upon the entering into of commercial production at Onslow as defined in the Acquisition Agreement, to be settled in cash or shares (based on an assumed share price of \$0.035) by mutual agreement (**Production Payments**), plus
- c) a royalty equal to \$1.00 per tonne or 2% of sales revenue (calculated based upon FOB prices) where Cauldron elects to undertake a mining operation as defined in the Acquisition Agreement (**Royalty**).

(together referred to as the **Consideration**)

On 29 January 2021, shareholder approval was gained at the Company's Annual General Meeting with Cauldron's shareholders resolving to approve the issue of the Initial Payment Shares, SPA Tranche 1 Shares and SPA Tranche 2 Shares to the Vendors.

On 1 February 2021, Cauldron issued the Initial Payment Shares to the Vendors as stipulated under the Agreement.

ABN

22 102 912 783

Address

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WEST PERTH WA 6005

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West Leederville WA 6007

ASX Code

CXU

Securities on Issue

451,999,512 shares

6,833,395 Options (*exercise price: \$0.03; expiry 31 Dec 2021*)

16,666,666 Options (*exercise price: \$0.03; expiry 31 Mar 2022*)

10,000,000 Unlisted Options
(*exercise: \$0.03; expiry 16-Sep-22*)

6,000,000 Unlisted Options
(*exercise: \$0.05; expiry 16-Sep-23*)

9,000,000 Performance Rights
(*expiring 10 August 2025*)

Board of Directors

Simon Youds
Non-Executive Chairman

Jess Oram
Executive Director & Chief Executive Officer

Qiu Derong
Non-executive Director

Judy Li
Non-executive Director

Chenchong Zhou
Non-executive Director

Michael Fry
Company Secretary

As at the date of this Company Update, the SPA Tranche 1 Shares and the SPA Tranche 2 Shares have not been issued and are subject to the Granted Tenements and Tenement Applications respectively being transferred to Cauldron in good standing and free of encumbrance.

Cauldron notes that one of the Tenements, being Mining Lease Application 09/150, is listed as “dead” on the register maintained by the Department of Mines, Industry Regulation and Safety of Western Australia. Cauldron identified this fact as part of its due diligence conducted prior to entering into the Agreement. The recording of MLA09/150 as “dead” follows a decision in the Western Australian Supreme Court in the case *Onslow Resources Ltd v The Minister for Mines and Petroleum* [2020] WASC 310, in which the Justice determined that the application for ML09/150 was invalid. Onslow Resources Limited is presently appealing this decision, as is its right.

MLA09/150 is not considered material to the overall transaction by Cauldron and the acquisition of the remaining Tenements will proceed whether or not Onslow Resources Limited succeeds in its appeal. In the event that Onslow Resources Limited does not succeed in its appeal, the parties are agreed that they may consider an adjustment to the Initial Share Consideration to be paid to the Vendors by Cauldron under the Agreement, or a replacement of the tenement.

In addition, Cauldron notes that with respect to Mining Lease 08/487, that on 22 January 2021 proceedings were commenced against Quarry Park Pty Ltd, the Mining Registrar, the WA Minister for Mines and Petroleum and the Company in relation to the validity of ML08/487, and further, an interim injunction was heard on 27 January 2021 to prevent Quarry Park Pty Ltd and Cauldron from executing or lodging a transfer of ML08/487. Following the hearing an interim injunction was ordered which restricts the transfer of the tenement pending a decision on the injunction being handed down. The Company anticipates that a decision will be delivered within a fortnight.

While the Company is confident that the matter will not result in any loss of ground, it does not consider ML08/487 to be material to the overall transaction by Cauldron and the acquisition of the remaining Tenements will proceed whether or not ML08/487 is declared invalid. In the event that ML08/487 is deemed invalid, the parties are agreed that they may consider an adjustment to the Initial Share Consideration to be paid to the Vendors by Cauldron under the Agreement, or a replacement of the tenement.

As stated above, MLA09/150 and ML08/487 are both not material to the overall transaction and Cauldron will proceed with the acquisition of the remaining Tenements whether or not each, or both, are ultimately included. For this reason, the recent legal developments in relation to each tenement were not considered necessary for disclosure under ASX listing 3.1 and by extension, was not relevant to the resolutions approved by Cauldron’s shareholders at its Annual General Meeting on 29 January 2021, or subsequent issue of 4,000,000 shares to the Vendors of the WA Sands Project, nor to the Cleansing Notice issued by the Company on 1 February 2021.

In addition, we note the following: Cauldron’s shareholders voted 100% in favour of the resolutions pertaining to the WA Sands Project, the orders relating to the issue of interim injunction restricting transfer of the tenement ML08/487 was handed down post the proxies closing for the AGM, and even were this information released to market in the form of an ASX announcement prior to the Annual General Meeting, it is the Company’s view that the result of the resolutions would be unchanged.

In the event however that there was a significant change to the Initial Share Consideration payable to the Vendors arising from the matters referred to above, Cauldron may consider whether to re-seek shareholder approval for issue of the SPA Tranche 1 Shares and/or SPA Tranche 2 Shares.

AUTHORISATION FOR RELEASE

This Company Update has been authorised for release by the Company's Chairperson, Mr Simon Youds.

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For further information please contact:

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APPENDIX A

WA Sands Project Tenements to be Acquired

Tenement	Location	Legal and Beneficial Holder	Interest	Area (sq. kms)	Grant Date	Expiry Date
ELA09/1816	Carnarvon	Onslow Resources Ltd	100%	81	Under application	N/a
MLA09/150 *	Carnarvon	Onslow Resources Ltd	100%	6		
ELA04/2548	Derby	Regent Point Pty Ltd	100%	331	Under application	N/a
E08/2328	Onslow	Quarry Park Pty Ltd	100%	36	3/12/2015	2-Dec-20
E08/2329	Onslow	Quarry Park Pty Ltd	100%	21	11/06/2013	10-Jun-23
E08/2642	Onslow	Anthong Warren Slater	100%	6	29/09/2015	28-Sep-20
M08/487	Onslow	Quarry Park Pty Ltd	100%	1	12/04/2013	11-Apr-34
L08/71	Onslow	Quarry Park Pty Ltd	100%	0	29/04/2013	28-Apr-34
Total				482		

*: listed as 'dead' on Department of Mines, Industry Regulation and Safety of Western Australia register; decision currently the subject of appeal

Table 1: List of Tenements being acquired from Vendors