



HD Cauldron **Energy** Ltd. - Quarterly Report for the quarter ended 31 March 2015

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Cauldron **Energy** Ltd is pleased to present its Quarterly Activities Report for the period ended 31 March 2015.

## TD CORPORATE ACTIVITIES

### Funding

As previously announced, the **Company** has entered into a series of placement agreements (Placement Agreement/s) with a range of **Chinese** investors to issue a total of 127,118,756 Shares (Placement Shares) at an issue price of \$0.118 per share (Issue Price) to raise a total of A\$15 **million** (Placement Funds) (before capital raising costs) (Placements).

The Placement Shares are to be issued (and the Placement Funds received) in various tranches, with the final tranche due to be received in December 2015.

During the March 2015 quarter, the **Company** received the final Starry World Investment Ltd (Starry World) instalment of A\$0.47 **million** in funding (before capital raising costs) and the **Company** issued 3,983,061 fully paid ordinary shares pursuant to the Starry World Placement Agreement entered into last year.

Starry World has now fulfilled its total A\$4 **million** funding commitment under the Starry World Placement Agreement (A\$1 **million** received in the September quarter; A\$2.53 **million** received in the December 2014 quarter; A\$0.47m received in the March 2015 quarter), and holds a significant shareholder interest in the **Company** of 13.5%.

As previously announced, in accordance with the Placement Agreements, the **Company** was due to receive the following Placement Funds during the December 2014 quarter:

A\$2 **million** from Beijing Joseph Investment Co. Ltd / Joseph Investment International Co. Ltd (Joseph Investment) in two equal tranches of A\$1 **million** by 2 October 2014 and 1 December 2014 respectively. To date, these funds have not been received by the **Company**;

A\$1 **million** from Guangzhou City Guangrong Investment Management Co Ltd (Guangrong City) on 3 November 2014. To date, these funds have not been received by the **Company** and

A\$0.3 **million** from Guangzhou Joseph Investment Co Ltd (Guangzhou Joseph) by 1 December 2014. To date, these funds have not been received by the **Company**.

In addition to the above, Placement Funds due from investors falling due in the future include: A\$2,000,000 due from Cauldron's Non-Executive Director Mr Qiu Derong by 30 June 2015 (Mr Qiu Derong has requested and the **Company** has granted him a short-term extension of the due date from 28 February 2015 to 30 June 2015) and

A further A\$1,700,000 due from Guangzhou Joseph by 1 December 2015.

The **Company** intends to take action to enforce its rights under the Placement Agreements to receive the Placement Funds.

#### Legal Proceedings

On 14 October 2014, the securities of Cauldron were placed in trading halt at the request of the **Company**, pending an announcement to be made to the market in relation to the outcome of a court hearing scheduled at the Supreme Court of New South Wales.

The **Company** announced that on the afternoon of 15 October 2014, the Supreme Court of New South Wales discharged injunctive ex parte orders obtained by Joseph Investment and Guangzhou City without notice to Cauldron on Sunday 12 October 2014.

The legal proceedings followed on from a written demand Cauldron made to Joseph Investment on 3 October 2014 to pay A\$1 **million** for the subscription of shares due to the **Company** on 2 October 2014 pursuant to a Placement Agreement dated 6 June 2014.

On 11 December 2014, the Supreme Court of New South Wales (**Equity** Division) made orders in favour of Cauldron that:

The legal proceedings commenced by the Plaintiffs against Cauldron (the Proceedings) be immediately transferred to the Supreme Court of Western Australia and

The Plaintiffs pay Cauldron's costs of the application to transfer the Proceedings.

Cauldron remains of the view that these legal proceedings are without merit and will be vigorously defended in the Supreme Court of Western Australia.

#### Cash at 31 March 2015

Cash available to the **Company** at the end of the March 2015 quarter was A\$1.4 **million**.

#### Issue of Shares

The **Company** has used its capacity under Listing Rule 7.1 to issue the following shares during the quarter:

3,983,061 fully paid shares at \$0.118 per share to raise A\$0.47 **million** (before capital raising costs) (part of the Placement Shares detailed above).

#### Lapsed Options

During the quarter the **Company** announced the following unlisted employee and consultant options lapsed in accordance with the term on which the employee and consultant options were issued:

850,000 unlisted options exercisable at \$0.20 expiring 30 June 2015 and

350,000 unlisted options exercisable at \$0.138 expiring 31 December 2015.

#### EXPLORATION ACTIVITIES: AUSTRALIA

In Australia, Cauldron has two project areas covering more than 6,000 km<sup>2</sup> in two known **uranium** provinces in South Australia and Western Australia. Projects include:

Yanrey Project (Yanrey) and Uaroo Joint Venture in Western Australia. Yanrey comprises 13 granted exploration licences (2,422 km<sup>2</sup>) and 7 applications for exploration licences (1,120 km<sup>2</sup>). Uaroo Joint Venture comprises 2 granted exploration licences (114km<sup>2</sup>). Yanrey is prospective for large sedimentary hosted **uranium** deposits.

Marree Joint Venture in South Australia comprising five granted exploration licences (2,794 km<sup>2</sup>) prospective for sedimentary hosted **uranium** deposits as well as base metal mineralization.

## BENNET WELL (YANREY REGION)

The mineralization at Bennet Well is a shallow accumulation of **uranium** hosted in unconsolidated sands close to surface (less than 100 m downhole depth) in Cretaceous sedimentary units of the Ashburton Embayment.

The Bennet Well deposit is comprised of three spatially separate deposits; namely Bennet Well East, Bennet Well Central, and Bennet Well South.

Work completed during the March 2015 quarter involved a second phase of more detailed logging of the diamond drill core acquired in 2014, sampling for various analytical purposes, and the initiation of a revision of the current geological and mineralization model at Bennet Well based on information gathered during the relogging exercise.

### Relogging of the 2014 Bennet Well core

The re-logging of core from drillholes BW0056, BW0061, BW0070, BW0071, BW0072 and BW0073 was conducted for the following purposes:

Determination of depositional environments, based on changing grain sizes and cyclical sedimentary sequences; distribution and abundance of glauconite; the presence of any fossilised marine flora/fauna; which will be used to aid in correlation of the host and capping sequences to mineralization that establishes the geological and **mining** parameters required for an in-situ leach operation

Oxidation state as evidenced by colour, minerals present (for example goethite, limonite and haematite), the presence of organic material such as wood fragments, lignites, plant roots, sulphide minerals (for example pyrite and marcasite), which will be used to develop proximity indicators to **ore** that aid generation of further drill targets

Structures present within the core - that is fault breccias and gouges; that aid in establishing the structural architecture of the host palaeo-channel system

### Determination of basement lithology

Basement structures and how these might be instrumental as possible controls on the formation and distribution of the **uranium** mineralization

**Uranium** mineralization appears to be situated within organic-rich sands and clays, proximal to the contact with the underlying weathered granitic basement. Occurrence of the mineralization is coincident with a 'mixed' zone of chemically oxidised and reduced material, indicated by patches of orange-brown within intervals of otherwise grey-brown sediments.

This is supportive of the mechanism of **uranium** precipitation in which **uranium** is transported in the U6+ oxidation state within ferric, or oxidised, fluids. **Uranium** minerals formed with this uranyl ion are soluble and therefore easily carried by the oxygen-rich fluids. After migration into a chemical environment that is reduced, the valency of the uranyl ion is reduced to the U4+ state in which it precipitates into a non-soluble **uranium** oxide.

The 'hanging wall' sequence to the mineralization is in the form of a tightly-bound, marine sedimentary package of glauconite-rich, silty to medium-grained sands, clays and occasional gravel beds lithological units that sometimes appear to grade up or down in grain size. This cyclical change is representative of changing sea level, or transgression (sea level increase) and regression (sea level fall).

In addition to the grain size changes, the glauconitic 'greensand' units also appear to have been once inhabited by marine life, as evidenced by the disturbed nature of the sediments (patches of grey sand with no glauconite present and a 'chaotic' depositional pattern), multiple fossilised burrows and small plant rootlets. The burrows suggest that the host sediments were once an ocean floor in either shallow marine or deeper marine environments, whereas the plant rootlets occur in sediments more indicative of a near-shore depositional setting.

Observations were also made of zones of differently coloured, highly weathered and sometimes oxidised material bearing variably-sized clasts of basement. These zones appear to occur within the weathered granites underlying mineralization, which may suggest the presence of fault structures that propagated as the basin was extending.

These structures could play an important role in the migration of uraniferous fluids or reducing fluids which fundamentally control the location, grade and style of mineralization at the Bennet Well deposit.

The relogging program was completed towards the end of the March 2015 quarter. Information gathered from this exercise is currently being used to assist in the revision of the current mineralization model at Bennet Well, with the aim of improving the exploration model to fundamentally improve the odds of exploration success.

Sampling of core holes BW0056, BW0061, BW0070, BW0071, BW0072 and BW0073

A suite of samples were selected for the purpose of analysing the physical characteristics, such as porosity, permeability and density of core from Bennet Well East and Bennet Well Central.

The following is a summary of the porosity and permeability data:

a noticeable decrease in the porosity between the greensand aquiclude (34%) and the underlying carbonaceous sands (26-29%) that host the **uranium** mineralization;

an increase in the permeability as the porosity decreases within the high grade section of the mineralization;

high permeability within the carbonaceous sands and gravels of the **ore** zone (200-8000 md);

The basal two metres of the overlying greensand unit has low permeability (ranges from 20-170 md) but high porosity (28-34%)

In general, it is expected that porosity varies in positive correlation with permeability. The results of this data show that ranges in permeability vary with respect to porosity. Even with this porosity-permeability anomaly, this data shows that the fundamental requirement for the viability of an in-situ leach operation exists, that is an aquiclude of low permeability overlays and is in contact with the **ore** host having high permeability.

The true representation of the permeability/porosity of the host/aquiclude units can only be accurately measured in-situ.

After each core hole was re-logged, a suite of samples was collected for the purpose of geochemical assay. The samples are scheduled for assay sometime in the June 2015 quarter.

The physical characterisation data of core was used to improving the accuracy of downhole well-log lithological interpretation and, consequently, in the development of the geological and mineralization model for the Bennet Well Resource Area.

#### Water sampling

Samples were collected from five bores around the Bennet Well Resource Area. Two of the bores were drilled during the 2014 drilling program, while the other three comprised station bores belonging to the Yanrey cattle station on which the Bennet Well project is situated.

Water was collected in specially prepared bottles and submitted to MPL Laboratories (also known as Envirolab Group) in Myaree, W.A, the largest environmental analytical laboratory in Australia. Analysis comprised testing the site water samples for salinity, acidity, electrical conductivity and radiogenic concentrations, to establish suitability for use in the planned Field Leach Trials (FLT).

Results from the sampling suggest that the quality of the ground water remains the same as that indicated by the first round of samples collected in 2013, and that the water will be suitable for use in the FLT.

#### YANREY PROJECT

The Yanrey Project comprises exploration tenements detailed in the Schedule of Tenements at the end of this document. The Bennet Well **Uranium** Deposit is situated within this project area.

Work done during the March 2015 quarter comprised the initiation of an in-house technical appraisal of all regional areas in the larger Yanrey tenement package with the aim of generating targets for further exploration work. This involved the use of the comprehensive review of all available geophysical data as compiled by consultant Kim Frankcombe, in the previous quarter.

The objective of this technical appraisal is to:

review the **uranium** exploration potential of the as-yet under-explored areas in the current tenement package and generate targets for follow-up geophysical surveys, and for further drilling.

This work is ongoing however, the exploration model currently being developed for the Bennet Well Resource Area will be applied to the larger Yanrey region and used in conjunction with the results from this review, with the overall aim of exploring for analogues of the Bennet Well Deposit.

#### MARREE BASE METALS PROJECT, SOUTH AUSTRALIA

Cauldron has completed no base metal exploration work at Marree during the quarter due to the desire to progress the Yanrey/Bennet Well **uranium** project.

#### MARREE **URANIUM** PROJECT, SOUTH AUSTRALIA

Cauldron has completed no **uranium** exploration work at Marree during the quarter due to the desire to progress the Yanrey/Bennet Well **uranium** project.

#### TENEMENT ADMINISTRATION: AUSTRALIA

##### Objection to Cauldron's Applications for exploration licences 08/2385-2387

Cauldron lodged applications for exploration licences 08/2385-2387 (Exploration Licences) on 4 April 2012. Forrest & Forrest Pty Ltd lodged objections against the Cauldron applications on 8 May 2012. The applications and objections were heard before the Perth **Mining** Warden over 9 to 12 December 2013. As announced on 14 February 2014, the **Mining** Warden recommended that the **uranium** exploration licences sought by Cauldron to conduct exploration on and adjacent to pastoral leases on the Minderoo pastoral station in Western Australia's Pilbara region be refused.

As announced on 7 January 2015, Cauldron received confirmation, from the Department of Mines and Petroleum on 5 January 2015, that the Minister reversed the Warden's decision and that there is sufficient grounds to allow the Cauldron applications to proceed through the determination process under the **Mining** Act 1978. The grant of these applications continues to be assessed by the Department of Mines and Petroleum at present.

##### Energia Mineral's Objection and Application for Forfeiture

On 14 August 2013 Energia Minerals Limited (ASX: EMX) lodged objections to applications for exemption from expenditure and lodged applications for forfeiture affecting exploration licences 08/2160, 08/2161 and 08/2165 held by Cauldron (Tenements).

The applications for exemption (and associated objections) and applications for forfeiture relate to the expenditure year ending 20 May 2013 (in relation to exploration licence 08/2160) and 14 June 2013 (in relation to exploration licences 08/2161 and 08/2165). The proceedings are administrative in nature and are commenced under the **Mining** Act 1978 (WA) (Act).

The matter of the exemptions was heard on 15-16 April 2015 before the Perth **Mining** Warden. Judgement was reserved.

##### Objection to Cauldron's Applications for exploration licences 08/2666-2668

Cauldron lodged applications for Exploration Licences 08/2666-2668 (E08/2666-2668) on 5 December 2014. Forrest & Forrest Pty Ltd lodged objections against E08/2666-2668 on 6 January 2015. The objections were listed for 1st

mention at the Perth Warden's Court on 6 March 2015 which was adjourned by consent of both parties to a 2nd mention currently scheduled for 5 June 2015. These legal proceedings are currently at an early stage, with no negotiation between the parties commenced at this point in time.

#### Gnulli and Budina Native Title Claimants Objection to Expedited Procedure for E08/2665

On 12 February 2015, both the Gnulli and Budina Native Title Claimants lodged objections to the expedited Native Title procedure being applied to the grant of Cauldron's application for Exploration Licence 08/2665. The matters are now under the guidance of the National Native Title Tribunal to oversee the negotiation of heritage agreements with both Claimants, with the Preliminary Conference listed for 16 June 2015.

#### Cauldron's Objection to and Application for Forfeiture of Energia Minerals' E08/1644

On 25 February 2015, Cauldron lodged an objection to the application for exemption from expenditure for 2014 for Exploration Licence 08/1644 (E08/1644), held by Energia Minerals Limited. On the same day Cauldron also lodged an application for Forfeiture of E08/1644. The matters are listed for 1st Mention Hearing at the Perth Warden's Court on 24 April 2015 and are currently in the early stages of a lengthy legal process.

#### EXPLORATION ACTIVITIES: ARGENTINA

In Argentina, Cauldron controls, through its wholly-owned subsidiary Cauldron Minerals Limited (Cauldron Minerals), and an agreement with Caudillo Resources S.A. (Caudillo) more than 3,400 km<sup>2</sup> of ground in six project areas located in four provinces.

During the quarter Cauldron completed the significant step towards gaining statutory approval for drilling at flagship project, Rio Colorado, having completed an independent Environmental Report. The University of Catamarca has completed this report which is now with the Department of **Mining** in Catamarca for review. The final step required for drilling, the Social Review is currently underway.

Cauldron is working to gain access to the project area to enable the continuation of exploration activities which will **lead** to a drill program in the near term. Cauldron expects to be drilling in the September 2015 quarter.

For further information, visit [www.cauldronenergy.com.au](http://www.cauldronenergy.com.au) [<http://www.cauldronenergy.com.au>]

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