

ASX Announcement

5 May 2010



Dear Shareholder

Spin-out of non-core uranium assets into Eclipse Uranium IPO

I am writing to update you on the significant developments that have transpired at Cauldron Energy Limited, and to highlight the Company's recent decision to divest our non-core uranium assets in the Northern Territory.

The formation of Cauldron Energy Limited via the merger of Scimitar Resources Limited and Jackson Minerals Limited created an asset rich uranium exploration company. Since this merger, the Company has been engaged in a process of divestment or sale of both non-uranium and non-core exploration ground. This strategy has enabled Cauldron to focus financial and technical resources on its key uranium assets in Australia and Argentina. The Directors believe by channelling the Company's resources to the exploration of core projects, maximum value will be returned to shareholders in the short to medium term.

As you may be aware, on 5 March 2010 Cauldron announced to the Australian Securities Exchange (ASX) that it planned to divest its non-core uranium assets held in the Northern Territory of Australia via a spin-out into a new Initial Public Offering, Eclipse Uranium Ltd (Eclipse). The agreement between Cauldron and Eclipse is subject to Eclipse being granted permission to list its securities on the ASX before 31 July 2010.

The divestment will deliver to Cauldron a significant share holding and board representation in a cashed-up entity that has the sole focus of exploring and developing uranium exploration ground in the Northern Territory. A successful listing of Eclipse on the ASX will give Cauldron 25,000,000 shares in the company, equating to a holding of between 20% and 33% depending on the amount raised from the Initial Public Offering.

Eclipse will have a large landholding, having already acquired exploration assets from Dourado Resources (see ASX:DUO announcements dated 5 March and 23 April 2010). These exploration projects are well positioned in fertile uranium provinces, and are relatively un-explored for uranium, despite their prospectivity and the Northern Territory being a major focus for uranium exploration in Australia.

As a shareholder and supporter of Cauldron Energy Limited, I would like to invite you to view the Initial Public Offering Prospectus of Eclipse Uranium Limited. Eclipse has recently lodged its Prospectus with ASIC and a digital copy is available on their web site www.eclipseuranium.com.au.

ABN 22 102 912 783

35 Richardson Street
WEST PERTH WA 600

PO BOX 1916
West Perth WA 6872

ASX Code CXU
88.70 M ordinary shares
13.2 M unlisted options

Market Cap
A\$23 million (@26c)

Board of Directors

Tony Sage
Executive Chairman

Terry Topping
Chief Executive Officer

Brett Smith
Executive Director

Qiu Derong
Non-executive Director

Kent Hunter
Non-executive Director

Stephen Brockhurst
Company Secretary

If you would like to receive a hard copy of the Prospectus please contact our office on 08 9211 5777 and we will arrange for a copy to be mailed to you.

Cauldron proposes a very field-active year in 2010; we have commenced drilling in South Australia, and have committed to drilling at Las Marias in Argentina and Yanrey in Western Australia before the end of this financial year. I look forward to reporting to you on Cauldron's activities and achievements throughout this process.



Tony Sage
Executive Chairman

End.

For further information, visit www.cauldronenergy.com.au or contact:

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