



Curnamona Energy Limited
63 Conyngham Street
Glenside 5065 South Australia
phone 61 8 8338 9292
fax 61 8 8338 9293
email info@curnamona-energy.com.au
ACN 112 712 115

ASX / Media Release

31 May 2007

APPENDIX 5B – THIRD QUARTER ACTIVITIES AND CASH FLOW REPORT

HIGHLIGHTS

- **Commonwealth Government allows field leach trials at Oban to proceed**
- **\$6.4 million raised via placement bringing available cash to \$10 million**
- **Purchase of second drilling rig to be mounted on all terrain vehicle**
- **Federal Labour Party moved to rescind its no new uranium mines policy**

REVIEW OF OPERATIONS

Corporate

During the quarter Curnamona Energy Limited (Curnamona Energy – ASX : CUY) completed a placement of 3.2 million shares at \$2 each to JP Morgan Asset Management, raising \$6.4 million. This brings total funds on hand to approximately \$10 million.

Field Activities

A field camp has been set up near to the Oban project that will allow convenient access to both the Oban project and planned exploration areas in the northern part of the Yarramba palaeochannel.

Another second hand mud drilling rig in good condition was purchased and is currently being mounted on one of Curnamona Energy's 6x6 trucks. Used in conjunction with a similar 6x6 water truck and tractor mounted backhoe/loader, this will provide Curnamona Energy with the capacity to drill throughout the sandy semi-desert terrain that covers much of the northern part of the tenement area. Without owning such specialized equipment Curnamona Energy would be severely restricted in its ability to drill the field leach test holes at Oban and to carry out its regional exploration programmes, owing to the unavailability of suitable drilling contractors

Some modifications to the existing drilling rig were also completed ahead of commencement of drilling operations. Extensive rain across the region cut off access and has delayed drilling for some weeks. As at the date of reporting drilling has just re-commenced after an almost one month delay caused by the rain.

Field Leach Trial At Oban

Palaeochannel sand hosted uranium deposits have the advantage that they are amenable to low cost *in situ* leach (ISL) extraction which can strip most of the available uranium from a mineralised interval irrespective of the grade for a comparatively low capital outlay. In order to determine the factors critical to successful ISL processing at Oban, such as permeability of the sands, uranium leachability / recovery and the extent of uranium disequilibrium, it has been decided to proceed with a simple field leach trial on a relatively well mineralized area (average Grade Thickness of 0.2 m% eU₃O₈) covering some 100,000 square metres.

Before the field leach trial can commence it is necessary to obtain relevant approvals from both the Commonwealth Government and State Government. To this end a Referral of Proposed Action (ROPA) under the Environmental Protection and Biodiversity Conservation (EPBC) Act was lodged with the Commonwealth Department of Environment and Water Resource (DEWR) and advice was received several weeks later, after due consideration by relevant technical experts, that trials can commence.

Required approvals are now being sought from PIRSA and other State Government authorities based on the work program lodged and now approved by the Commonwealth Government. Curnamona Energy is currently working through the various requirements with PIRSA experts.

Acquisition of necessary equipment for the field leach trial has commenced and planned site works and construction will commence once all required approvals are forthcoming.

Assuming the field leach trial is successful, Oban Energy would then move to obtain a Mining Lease and the right to sell uranium. It would upgrade the field leach trial pilot plant to a full scale operation, with sales of yellowcake slurry initially to existing producers

Forward exploration planning

Curnamona Energy's current cash balance of approximately \$10 million provides it with adequate funds to complete its immediate objectives of :

1. Constructing a field leach trial plant on the Oban deposit, subject to grant of requisite permitting approvals, which are currently being progressed.
2. Expanding the ISL uranium resources at Oban.
3. Testing some 40 kilometres of the lower Yarramba palaeochannel that has never been drilled before.
4. Upgrading drilling capacity to allow exploration in very prospective areas that were hitherto difficult to access because of extensive drift sand.

Exploration drilling has just re-commenced after the rain delay and for the next few weeks will be testing for extensions of the Oban uranium mineralization that is open to the northeast and southwest.

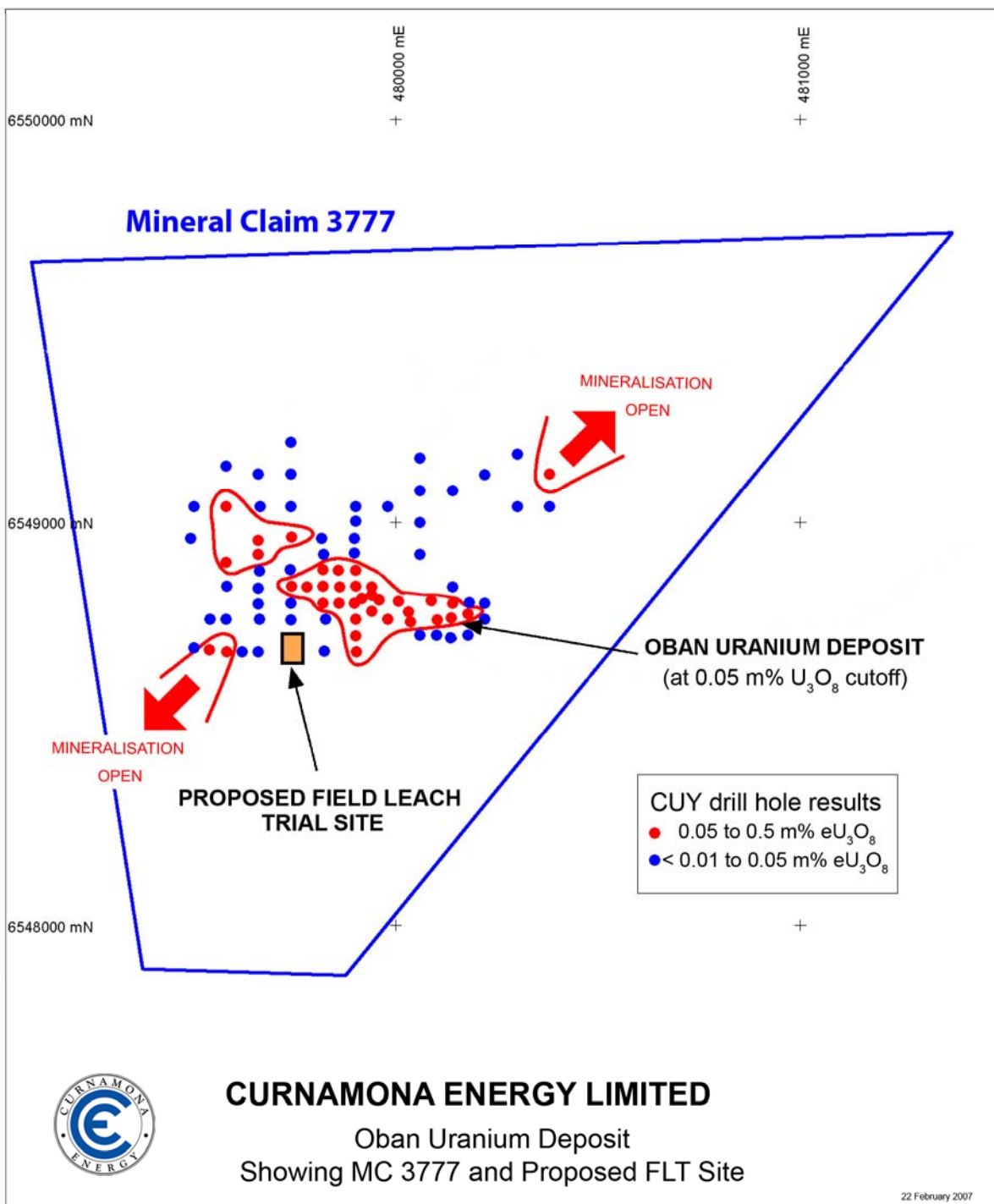
FINANCE

As at 30 April 2007 the Company had available funds of almost \$10 million, of which the majority is held in a term deposit. Expenditure on exploration for the next quarter is expected to be higher than the current quarter as the drilling programme picks up and equipment is purchased for the field leach trial processing plant.

CHAIRMAN

The information in this report has been prepared by geologists Dr Bob Johnson and Mr Mark Randell who are members of the Australasian Institute of Mining and Metallurgy and Dr Chris Giles who is a member of The Australian Institute of Geoscientists. Drs Johnson and Giles are employed by the Company on consulting contracts and Mr Randell is a full-time employee. They have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration to qualify as Competent Persons as defined in the JORC Code 2004. Drs Johnson and Giles and Mr Randell consent to the release of the information compiled in this report in the form and context in which it appears.

Enquiries should be directed to Dr Bob Johnson, Chairman, on (08) 8338 9292



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CURNAMONA ENERGY LIMITED

ACN

112 712 115

Quarter ended ("current quarter")

30/04/07

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | | |
| 1.2 Payments for (a)exploration and evaluation | -269 | -665 |
| (b) development | | |
| (c) production | | |
| (d) administration | -85 | -250 |
| 1.4 Dividends received | 70 | 194 |
| 1.5 Interest and other items of a similar nature received | | |
| 1.6 Interest and other costs of finance paid | | |
| 1.7 Income taxes paid | | |
| 1.7 Other (provide details if material) | | |
| | -284 | -721 |
| Net Operating Cash Flows | | |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a)prospects | | |
| (b)equity investments | | |
| (c) other fixed assets | -147 | -169 |
| 1.9 Proceeds from sale of:(a)prospects | | |
| (b)equity investments | | |
| (c)other fixed assets | | |
| 1.10 Loans to other entities | | |
| 1.11 Loans repaid by other entities | | |
| 1.12 Other (provide details if material) | -2 | -2 |
| | -149 | -171 |
| Net investing cash flows | | |
| 1.13 Total operating and investing cash flows (brought forward) | -433 | -892 |

| | | | |
|------|---|------|------|
| | Cash flows related to financing activities | 6400 | 6400 |
| 1.14 | Proceeds from issues of shares, options, etc. | | |
| 1.15 | Proceeds from sale of forfeited shares | | |
| 1.16 | Proceeds from borrowings | | |
| 1.17 | Repayment of borrowings | | |
| 1.18 | Dividends paid | | |
| 1.19 | Other (provide details if material) | | |
| | Net financing cash flows | | |
| | Net increase (decrease) in cash held | 5967 | 5508 |
| 1.20 | Cash at beginning of quarter/year to date | 3987 | 4446 |
| 1.21 | Exchange rate adjustments to item 1.20 | | |
| 1.22 | Cash at end of quarter | 9954 | 9954 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 89 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | |

1.25 Explanation necessary for an understanding of the transactions

The payments relate to management and consulting fees payable to entities associated with the directors pursuant to contracts entered into with the Company, and also reimbursement of expenses incurred by directors on behalf of the Company

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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| |
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Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | | |
| 3.2 Credit standby arrangements | | |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|---------|
| 4.1 Exploration and evaluation | 300,000 |
| 4.2 Development | |
| Total | 300,000 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 72 | 73 |
| 5.2 Deposits at call | 9882 | 3914 |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 9954 | 3987 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|--------------------|-------------------------------|----------------------------------|----------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | | | | |
| 6.2 Interests in mining tenements acquired or increased | EL 3748 | Granted application | | 100% |
| | EL 3749 | Granted application | | 100% |
| | EL 3750 | Granted application | | 100% |

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference + securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 62,487,103 | 62,487,103 | | |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 3,200,000 | 3,200,000 | 200 cents | Fully paid ordinary shares |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |

| | | | | | |
|------|---|--|---|---|--|
| 7.7 | Options (description and conversion factor) | 3,200,000 500,000 200,000 50,000 50,000 50,000 250,000 | Directors Employee Employee Employee Employee Employee Employee | <i>Exercise price</i> 25 cents 62 cents 62 cents 55 cents 55 cents 55 cents 58 cents | <i>Expiry date</i> 19/04/2010 14/07/2010 29/08/2010 20/02/2011 15/05/2011 16/06/2011 19/10/2011 |
| 7.8 | Issued during quarter | | | | |
| 7.9 | Exercised during quarter | | | <i>Exercise price</i> | <i>Expiry date</i> |
| 7.10 | Expired during quarter | | | | |
| 7.11 | Debentures (totals only) | | | | |
| 7.12 | Unsecured notes (totals only) | | | | |

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 30 May 2007

Print name: Dr KR Johnson.....

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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