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2nd September 2008

Dear Fellow Shareholders

The recent price gyrations of uranium stocks provide a good example of the cycles of speculation that move our stock markets. Uranium, a commodity that had been despised and forgotten for three decades suddenly sprang into the limelight for good fundamental reasons – a looming undersupply in light of massive new demand caused by new nuclear power plant construction. Over optimism and the ensuing speculation pushed the price of uranium and uranium stocks to record highs. Now we are witnessing the exact opposite, with good uranium stocks languishing through investor disinterest. Many companies floated in the heat of the boom, with mediocre projects will not survive. Some uranium projects will not be able to funded, as we have already witnessed in South Australia.

Ironically, the fundamental reasons for the sudden interest in uranium in the first place are still valid, and if anything have intensified with rising global oil and gas prices and the current pre-occupation with greenhouse gas emissions and punitive carbon taxes. As a response, many countries have escalated construction of new-generation, safe nuclear reactors as their governments realize that there are no currently viable alternatives to meeting their future national energy needs.

The above is also the story of Curnamona Energy, which has seen its share price decline sharply, yet is better placed than ever to become a new uranium producer. For example, during this quarter PIRSA granted a retention lease over the Oban deposit, which gives us the right to proceed with our planned field leach trial at Oban. Moreover, recent drilling has expanded the limits of the Oban deposit. We are confident that there is sufficient uranium at Oban to support an in situ leach (ISL) operation for many years. The only proviso is that the uranium is able to be leached via conventional ISL technology, which the field leach trial aims to establish.

Before we can actually proceed with the field leach trial we must submit further comprehensive documentation to PIRSA in the form of a mining and rehabilitation program, which requires collection of a considerable amount of environmental and hydrological field data and this takes time. While the regulatory process is frustratingly slow, we are systematically working through all the remaining documentary requirements. We still remain on track to become Australia's fourth uranium mine, which would be a major achievement for a small company like Curnamona Energy.

Also, through our exploration at Oban, we have gained a much better understanding of the distribution and controls on uranium mineralization in the region. There are excellent prospects of finding new ISL uranium deposits, as our drilling crews push into the country to the north of Oban. Critical to this has been granting of exploration licences over new prospective areas we have identified, and our all terrain exploration capacity.

I am excited by Curnamona Energy's future prospects and feel confident in the knowledge that we have sufficient funding to meet our twin objectives of establishing a field leach trial at Oban and discovering new ISL uranium deposits. You can rest assured that we will continue to work at full stretch in order to complete outstanding regulatory permitting requirements so that the field leach trial can commence in the shortest time possible.

Yours faithfully,

Dr K R Johnson
CHAIRMAN