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Dear Fellow Shareholders,

Curnamona Energy's drilling during this quarter has been very successful in expanding the area of potentially economic uranium mineralisation at the Oban prospect. In fact we were able to report our best ever uranium intersection of 8.2 metres of 0.08% eU<sub>3</sub>O<sub>8</sub>. To give you an idea of the value at present uranium prices, 0.08% (or 800 ppm) U<sub>3</sub>O<sub>8</sub> is worth approximately A\$200/tonne or roughly equivalent to 8 g/t gold. The advantage of *in situ* recovery uranium is that very low uranium grades can still be profitably treated because there are no mining or expensive processing costs, so that almost all of the uranium in the sands can be economically treated. This means that most of the uranium mineralisation drilled in the Oban area could potentially be profitably extracted without shifting one tonne of rock!

While we are optimistic that *in situ* recovery will work at Oban - based on its similarity to other deposits in the region like Beverley and Honeymoon, it is nevertheless critical to conclusively establish this point. For this reason we are presently working hard to obtain the permits from relevant authorities to construct a field leach trial plant at Oban in order to test the viability of *in situ* leach extraction of uranium from Oban. This permitting is not a straightforward process as numerous parties must be consulted and must provide approvals.

As the drilling proceeds we are progressively developing a better understanding of the geological setting at Oban, and it appears that this is not a typical buried palaeochannel sand setting. There is still a lot of prospective area to explore at Oban, especially to the north and south along a prospective zone that is defined by significant uranium hits in earlier drillholes.

During the next quarter we plan to return to exploration of untested portions of the Yarramba palaeochannel. Our earlier results in the southern part of the Yarramba palaeochannel last year were very encouraging given the wide-spaced drilling, while the northern Yarramba palaeochannel is totally uncharted exploration territory given the lack of previous drilling. In our judgment there are excellent prospects for a new uranium discovery in the Yarramba palaeochannel, especially if we can locate the major regional oxidation front where uranium is likely to accumulate.

The recent volatility in the share market has adversely affected the share price of many junior uranium explorers. In this environment, it is likely that investors will be more discerning and will identify those explorers with uranium resources that have a reasonable chance of being brought into production within the next few years. Curnamona Energy is set apart from most other juniors because it has a significant discovery at Oban in South Australia which permits the mining of uranium. With over \$9 million cash, its own drilling capacity and an ability to conduct its own field leach trials, Curnamona Energy has the real prospect of becoming Australia's next uranium producer as pointed out by Peter Strachan in his recent report.

The outlook for your Company is bright, with the prospect of production from Oban in the near term, and further discoveries likely in the future in the extensive palaeochannel sands of the region.

Yours sincerely

Bob Johnson  
Chairman