

REVIEW OF OPERATIONS

Progress of drilling

Drilling was mainly concentrated within the Yarramba palaeovalley during the period, with 75 holes for a total 6481.5 metres drilled. Effective drilling time during the quarter was reduced by more than half due to heavy rains that prevented access for several weeks, and also mechanical problems.

The location of the southern portion of the Yarramba palaeochannel, as revealed by recent drilling, diverges quite considerably from that predicted on geological grounds and by the airborne electromagnetics. It is now thought that the presence of conductive graphitic basement rocks masks the electromagnetic response of the conductive saline groundwaters contained in the palaeochannel in this area. Consequently, many holes that were targeted within the palaeochannel, on drilling proved to be outside of it, and were therefore not effective in testing for uranium mineralisation in the palaeochannel sands.

Of the holes that did intersect palaeochannel sands, significant uranium indications were returned in 35% of cases (where "significant" is defined as a radiometric response greater than five times the background response). These areas, which are indicated on the accompanying map, are high priority for follow up infill drilling. At the current drillhole spacing of more than 400 metres it would be possible to miss higher grade uranium mineralised "ribbons" along the palaeochannel margins.

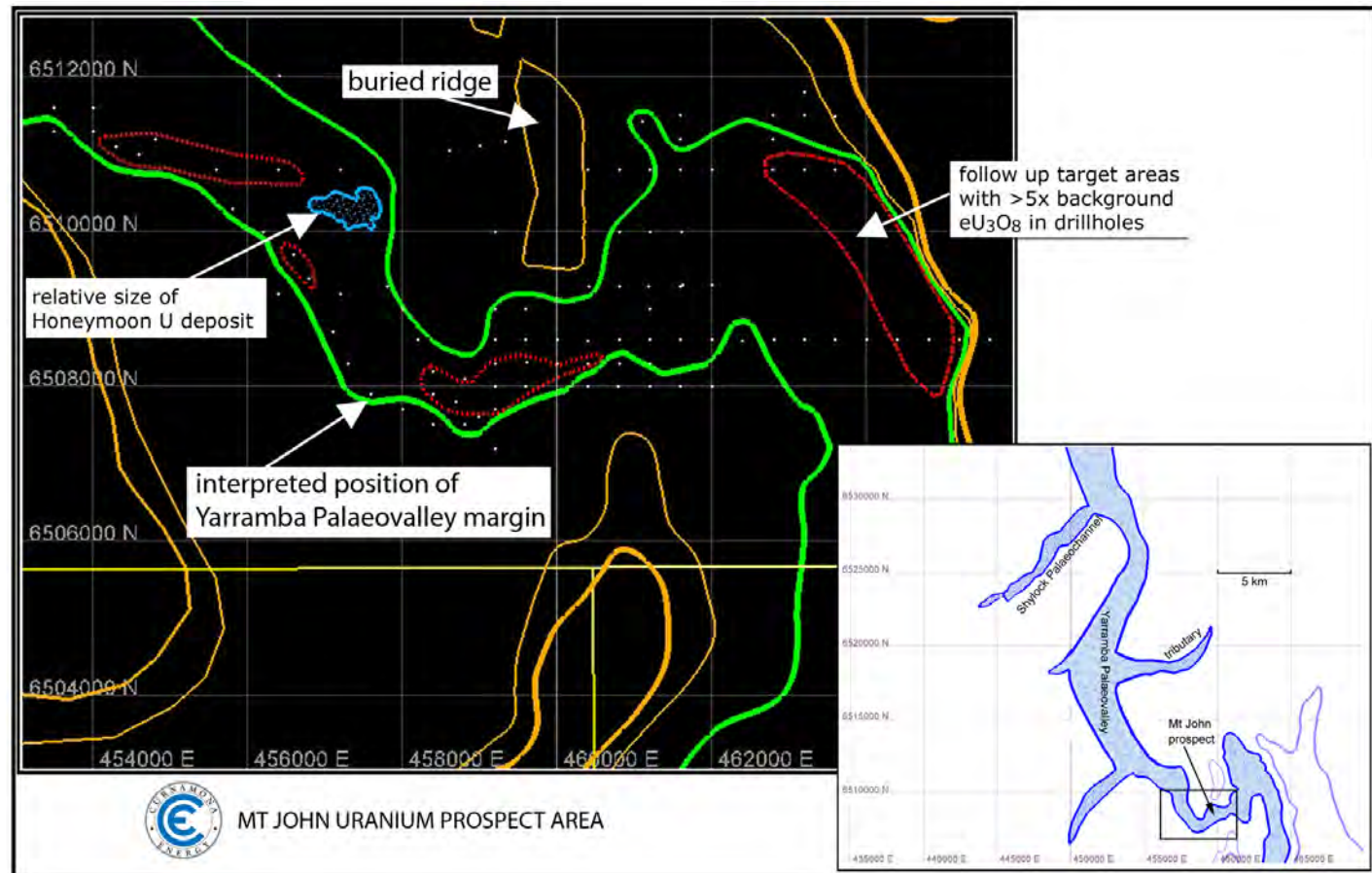
In general, higher uranium concentrations were observed along the southern boundary of the Yarramba palaeochannel, particularly in holes which intersected multiple sand horizons. Pyrite was detected in panned concentrates from many of the holes along with ilmenite, garnet, tourmaline

and other heavy minerals. The presence of pyrite is an important indicator of a favourable reduced geochemical trapping environment for uranium.

Drilling of the Shylock tributary further delineated the course of the buried palaeochannel, and three holes returned anomalous radiometric responses (greater than five times background response) which also require follow up.

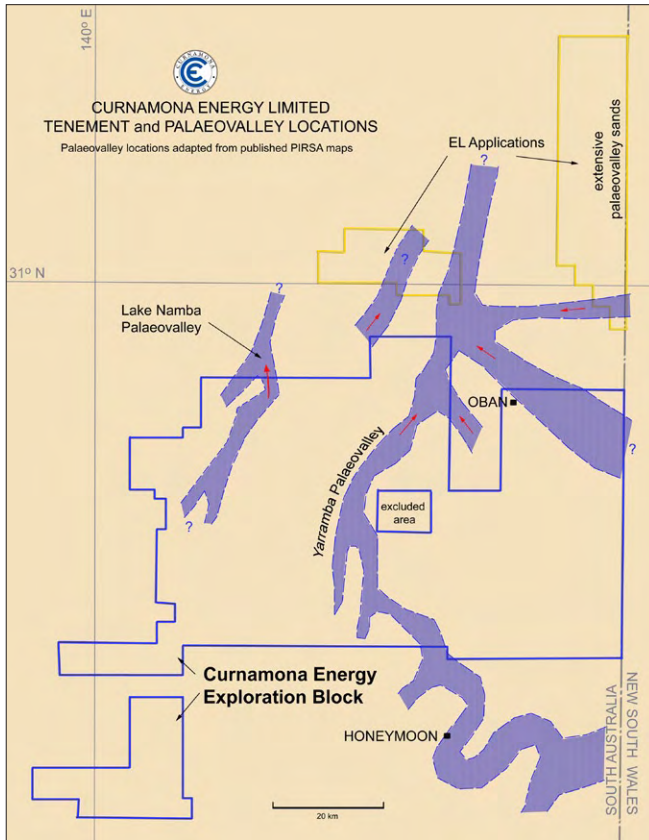
Considerable work has been completed on re-evaluating the earlier uranium exploration drilling data for the Oban prospect area where discontinuous roll front style uranium mineralisation was discovered in carbonaceous and pyritic palaeochannel sands by earlier explorers.

Integration of the open file drilling logs with modern space shuttle topographic data has permitted quite accurate 3D modelling of important subsurface contacts between the sand and clay formations. This in turn has identified the best places for future drill testing of the prospect area. Many of the earlier drilling results are quite encouraging and would be considered economic for an in situ leach operation at current uranium prices (eg 3 metres grading 0.12% eU₃O₈).



Forward exploration strategy

During the next quarter it is planned to commence drilling at the Oban prospect area where it is evident that an attractive roll front geological setting exists, based on comparatively wide spaced drilling by earlier explorers. Other high priority target areas in the region will also be followed up as drilling capacity permits.



FINANCE

As at 31 July 2006 the Company had available funds of \$4.46 million, of which the majority is held in a term deposit. Expenditure on exploration for the next quarter is expected to be of the same order as that for this quarter as the drilling programme continues.

Dr K R Johnson
CHAIRMAN

Further technical details relating to Curnamona Energy activities will be found on the Company's website:

www.curnamona-energy.com.au

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 mineralisation 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.

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CURNAMONA ENERGY LIMITED

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HIGHLIGHTS

CONTINUING EXPLORATION OF THE YARRAMBA PALAEOCHANNEL

- Large areas of strongly anomalous radioactive responses (> 5x background) have been defined by wide-spaced drilling within the Yarramba palaeochannel and are priority follow up targets.
- Detailed analysis of previous exploration data for the Oban prospect area indicates extensive anomalous uranium mineralisation located in a classic roll front setting, and targets have been identified for drilling in the next quarter.

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