

## REVIEW OF OPERATIONS

### Progress of drilling – Oban Prospect

During the quarter Curnamona Energy Limited (Curnamona Energy – ASX : CUY) focused on drilling the Oban prospect area located 60 kilometres north of the Honeymoon uranium deposit. Discontinuous roll front style uranium mineralisation in carbonaceous and pyritic palaeochannel sands was discovered in the region in the early 1980s by Marathon Petroleum Australia Ltd and subsequently followed up in 1998 by Paladin Resources NL when uranium prices were much lower than currently. Mineralisation is hosted by the same palaeochannel sand formation as at Honeymoon and the recent Beverley 4 Mile uranium discovery of Alliance Resources / Quasar Resources. Compilation of open file drilling data indicated a target area at Oban covering some 3 square kilometres in which there were widespread gamma responses with grades up to 0.25% eU<sub>3</sub>O<sub>8</sub>.

Results for 52 holes drilled to date in the area have confirmed the previous drilling results and indicated uranium mineralised intervals range between 1-7 metres thick, with grades up to 0.4% eU<sub>3</sub>O<sub>8</sub>. Nineteen holes returned grade x thickness (GT's) greater than 0.1m% eU<sub>3</sub>O<sub>8</sub> with best results of:

Drillhole	Metres	eU <sub>3</sub> O <sub>8</sub>	m% eU <sub>3</sub> O <sub>8</sub>
CEY 07	2.6	0.112%	0.291%
CEY 08	3.3	0.103%	0.340%
CEY 12	1.85	0.121%	0.224%
CEY 51	5.4	0.082%	0.44%

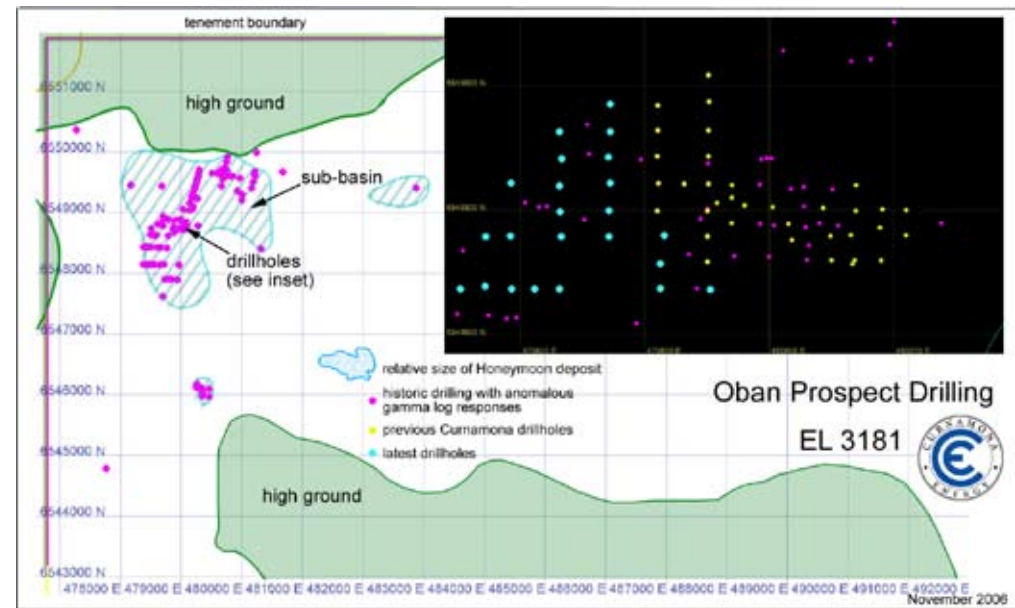
(applying a cutoff grade of 0.01% eU<sub>3</sub>O<sub>8</sub> based on gamma log responses).

At the end of the quarter a total area of approximately 170,000 square metres of uranium mineralised palaeochannel sands above the 0.1 metre % eU<sub>3</sub>O<sub>8</sub> cutoff boundary had been confirmed by 40-80

metre spaced drillholes within the target area (see map). As an indication of the potential value at current spot uranium prices, 0.1 metre % U<sub>3</sub>O<sub>8</sub> has an in-ground value of approximately A\$300 per square metre (assuming a density of 1.8 tonnes per cubic metre).

The palaeochannel sands have the advantage that they are amenable to in situ leach extraction which can strip most of the available uranium from a mineralised interval irrespective of the grade for a comparatively low capital outlay. On a cautionary note it is emphasised that the uranium must be proven to be in equilibrium, before the grades cited can be confidently related to actual U<sub>3</sub>O<sub>8</sub>. This will require assaying of representative core samples for uranium or use of direct measuring logging tools.

Curnamona Energy's immediate objective is to incrementally build the resource base within the 3 square kilometre target area at the Oban prospect by progressively stepping out from the central core area drilled thus far (see map). At this stage the host material appears to be a blanket of coarse-grained, lignite-bearing sands, deposited directly on older basement and in this respect it is somewhat different to the cleaner sands seen in the main Yarramba Palaeochannel. Oban appears to be a more classical overbank sand deposit which has trapped much organic debris in what might have been a backwater adjacent to the main river channel. This makes for a reducing host, evidenced by frequent organic pyrite in the sands, that is favourable for the chemical precipitation of the uranium dissolved in groundwater.



### Other areas

Ongoing research of PIRSA open file exploration records has identified several new prospect areas where previous drilling returned strongly anomalous gamma responses, which warrant follow up. Some of these areas lay on open ground to the north of Curnamona Energy's exploration areas and new EL applications were lodged to secure them.

Other areas of interest identified by the compilation work that lie within current exploration licences will be drill tested during the next quarter.

### Forward exploration strategy

In order to meet exploration licence expenditure obligations in other areas before the end of the year it is proposed to briefly suspend the resource drilling programme at Oban for several weeks during November and move roughly 60 kilometres to the west to drill test several promising palaeochannel prospects within the Lake Namba palaeovalley system. These include the Billeroo Dam prospect where drilling by Minad in 1980 discovered some strong gamma log responses that were never followed up.

Drilling will then return to the Oban area until the end of the year in order to continue with expanding the palaeochannel sand uranium resource within the 3 square kilometre target area. Knowledge gained from drilling at Oban will be invaluable in searching for repeat situations in the surrounding area where wide-spaced drilling has indicated there are several further potential target zones.

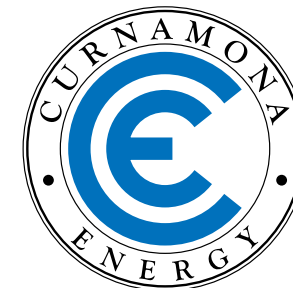
## FINANCE

As at 31 October 2006 the Company had available funds of \$4.28 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. PACE reimbursement of \$50,000 drilling expenditure in the Yarramba palaeochannel is likely to be credited during the next quarter.

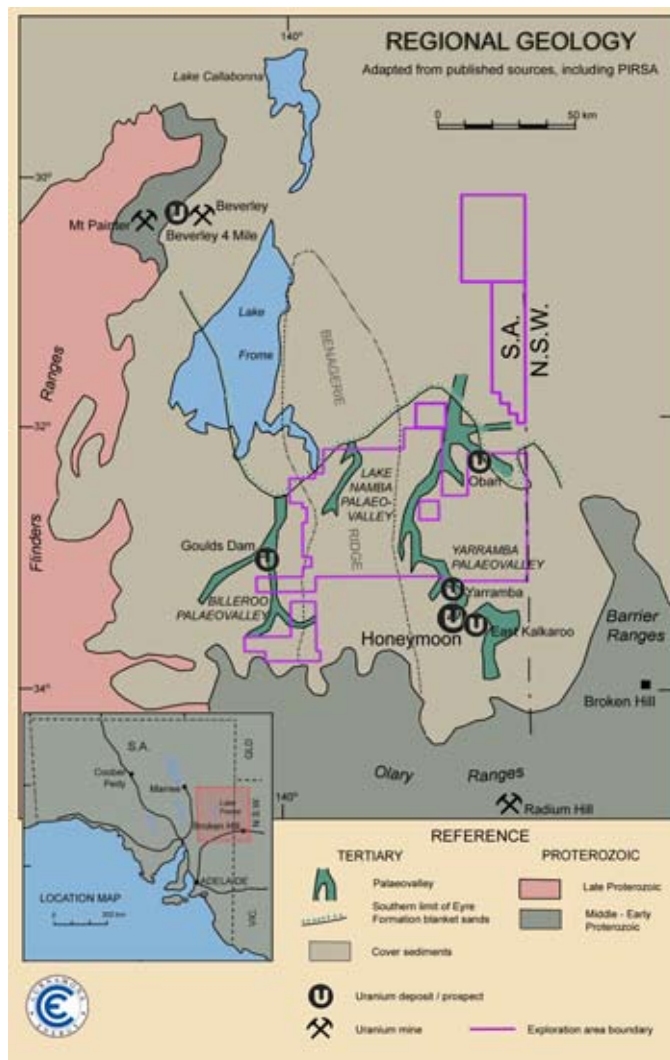
Dr K R Johnson  
CHAIRMAN

# CURNAMONA ENERGY LIMITED

ACN 112 712 115



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

[www.curnamona-energy.com.au](http://www.curnamona-energy.com.au)

## HIGHLIGHTS

### BUILDING A URANIUM RESOURCE AT OBAN

- Confirmation of widespread economic grade uranium mineralisation in channel sands at the Oban prospect
- Compilation of drilling data for other areas identifies further promising palaeochannel uranium prospects leading to new tenement applications

*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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