

## REVIEW OF OPERATIONS

### Progress of Drilling – Oban Prospect

Curnamona Energy Limited (Curnamona Energy – ASX:CUY) continued to focus on drilling the Oban prospect area (located 60 kilometres north of the Honeymoon uranium deposit) during the quarter. 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 Honeymoon and the recent Beverley 4 Mile uranium discovery of Alliance Resources/Quasar Resources.

At the end of the quarter 89 holes had been sunk, with further economic grade uranium mineralised intervals up to 6.5 metres thick and grades up to 0.44 % eU<sub>3</sub>O<sub>8</sub> discovered. Best results achieved since the last quarterly report are listed below:

Drillhole	Metres	eU <sub>3</sub> O <sub>8</sub>	m% eU <sub>3</sub> O <sub>8</sub>
CEY 61	3.6	0.051%	0.181%
CEY 62	3.2	0.092%	0.296%
CEY 64	3.7	0.029%	0.11%
CEY 74	4.8	0.073%	0.35%
CEY 87	5.4	0.024%	0.126%
CEY 89	4.4	0.023%	0.10%

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

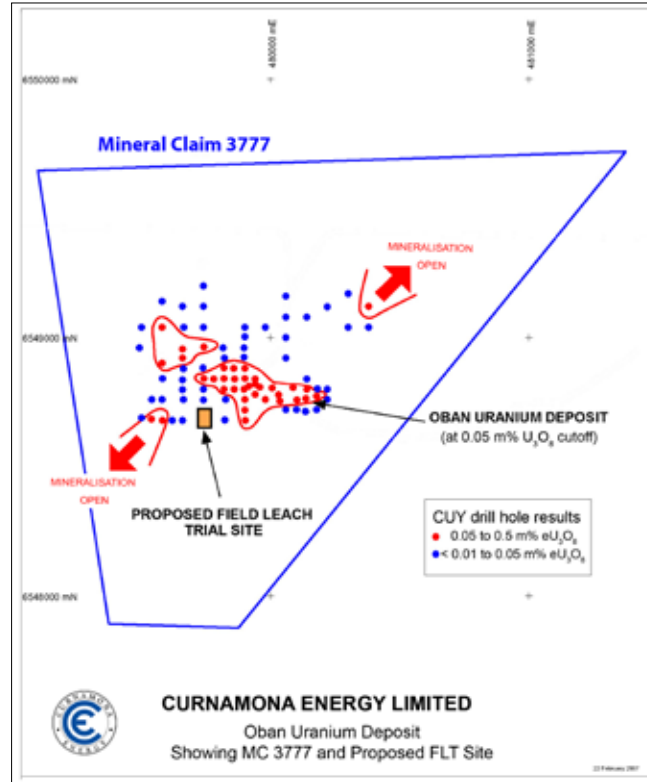
Drillhole CEY 89, the most westerly hole drilled so far, has mineralisation distributed through more than 13 metres of coarse-grained channel sands, although only 4.6 metres has a grade above the 0.01% eU<sub>3</sub>O<sub>8</sub> cutoff. Lying almost 900 metres east of CEY 89 is the similarly well mineralised drillhole CEY 74, which is the most easterly hole drilled so far. Notably, mineralisation is open to the west and north of CEY 89 and east of CEY 74.

### Field Leach Trial At Oban

The palaeochannel sands 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.

To this end, Curnamona Energy's wholly owned subsidiary, Oban Energy Pty Limited, has pegged a Mineral Claim over the Oban uranium project area. Subject to obtaining required approvals from PIRSA and other relevant government agencies, field leach trials are permitted on a Mineral Claim, but product cannot be sold.



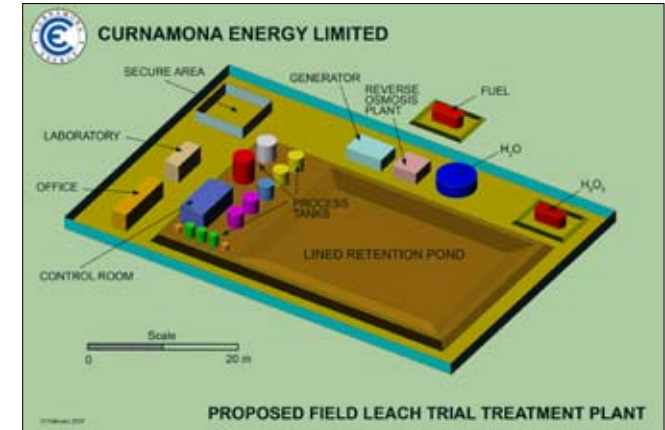
It is planned to commence the field leach trial on a well mineralised area (average Grade Thickness of 0.2 m% eU<sub>3</sub>O<sub>8</sub>) covering some 100,000 square metres. The in situ value of gamma-indicated uranium in this small area is over \$70 million at current spot uranium prices, with the potential for a tenfold increase in the immediate vicinity.

The planned key parameters of the field leach trial are:

- Simple five hole patterns, consisting of four injection bores at each corner of a square with a central extraction bore
- One pattern to be on line at any time

- Design throughput 10 litres per second
- Ion Exchange Resins to be used
- Plant capacity 20-40 tonnes of U<sub>3</sub>O<sub>8</sub> per annum
- Collect baseline EIS data

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.



### Drilling At Other Prospects

Reconnaissance drilling of several other prospects in the region was completed in November and December, partly to confirm the location of the channel sands and also to meet expenditure commitments on certain exploration licences. Although no economically significant gamma responses were observed, the coarse-grained, prospective reduced sands intersected in several cases definitely warrant future follow up drilling. The exercise was hindered by sandy terrain which made drilling access difficult, and in some cases impossible, to certain planned drill sites. To overcome this problem, Curnamona Energy has purchased an inexpensive, second hand heavy duty 6 wheel drive water truck in excellent condition, that will greatly aid with drill rig access in the future.

Thirteen holes were drilled in the Lake Namba palaeochannel, where sands up to 25 metres thick were intersected in a relatively steep sided channel. Significant gamma responses were previously detected at the nearby Mongala prospect and further drilling is required to follow up the indicated uranium mineralisation at this location.

The location of the northern reaches of the Yarramba palaeochannel was established by five drillholes some 25 kilometres downstream from the Shylock tributary, where reduced, lignitic sands up to almost 40 metres thick were intersected. Future drilling will aim to track the change in oxidation state within the palaeochannel sands upstream from this location, where uranium would be expected to accumulate.

### Forward exploration planning

Exploration drilling is planned to recommence in early March and first priority will be to test for extensions of the Oban uranium mineralisation that is open to the northeast and southwest. Construction of a semi-permanent camp near Oban is in progress, that will service both the exploration drilling crew and field leach trial personnel.

Curnamona Energy's present drilling rig is likely to be occupied full time at Oban for the foreseeable future on exploration work, and in drilling and casing test holes for the field leach programme. Since there is considerable work available for a second drill rig on regional exploration (eg drilling extensive untested sections of the Yarramba palaeochannel), Curnamona Energy is currently seeking to acquire another second hand rotary mud rig that it can use to complement the work of its current drill rig. It has already purchased a second heavy duty 6 wheel drive cab chassis truck that can be used to mount a new drilling rig or as a water truck if necessary.

A Declaration of Environmental Factors will be lodged with PIRSA as soon possible in support of the field leach trial operation. 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.

### FINANCE

As at 31 January 2007 the Company had available funds of \$3.98 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.

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

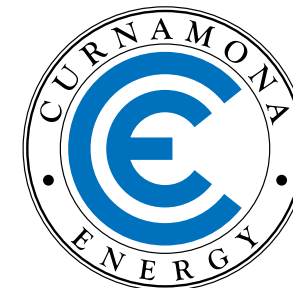
*The information in this report has been prepared by geologists Dr Bob Johnson and Mr Mark Randell who are members of the Australasian Institute of Mining and Metallurgy and Dr Chris Giles who is a member of The Australian Institute of Geoscientists. Drs Johnson and Giles are employed by the Company 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

ACN 112 712 115



Quarterly Report  
February 2007

### HIGHLIGHTS

#### **GOOD DRILLING RESULTS FROM OBAN JUSTIFY COMMENCEMENT OF A FIELD LEACH TRIAL**

- *Drilling continues to confirm widespread economic grade uranium mineralisation in channel sands at Oban.*
- *A Mineral Claim has been pegged over the Oban area with the view to commencing a field leach trial on the uranium mineralisation.*
- *For a relatively small outlay, the field leach trial will conclusively determine the amenability of the resource to in situ leach extraction methods.*
- *Reconnaissance drilling in other palaeochannels in the region has confirmed the presence of prospective channel sands.*

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