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The Manager
Companies Announcements Office
Australian Stock Exchange Ltd
10th Floor, 20 Bond Street
SYDNEY NSW 2000

27 February 2006

Dear Sir / Madam,

APPENDIX 5B – SECOND QUARTER ACTIVITIES AND CASH FLOW REPORT

HIGHLIGHTS

DRILLING ENCOURAGEMENT FROM YARRAMBA PALAEOCHANNEL

- Initial drilling intersected **typical Yarramba palaeochannel sands** at the location predicted by an earlier airborne geophysical survey.
- Gamma ray logs show responses from radioactive material within the palaeochannel sands indicating **an active uranium migrating system**
- Drilling and logging equipment is performing well.

REVIEW OF OPERATIONS

Drilling within the Yarramba palaeovalley commenced during the period. It is pleasing to report that the drill rig and ancillary equipment performed to expectations with an average of 1 to 1.5 holes drilled and logged per day. All equipment was capably manned by Curnamona Energy personnel.

Some 30 holes were completed during the period for a total 2,845 metres drilled. The siting of the holes was guided by the earlier airborne electromagnetic survey, which highlighted conductive salty ground water that is concentrated within the palaeochannel sands. In most holes comparatively thick sequences of relatively coarse-grained sands were cut, indicative of the central, higher energy portions of the palaeochannel. Such parts of the palaeochannels are considered to be less prospective than the lower energy backwater and swampy reaches where there is the possibility for accumulation of organic matter which acts as a reducing chemical trap for the oxidizing uranium bearing solutions. Notably, in some later holes thin siltstone interbeds were logged indicating migration away from the central palaeochannel and the possibility of more organic matter and favourable uranium trap sites.

Gamma ray logs, which measure the down hole radioactivity in the drill holes, and can therefore give an indication of the uranium levels, **recorded geologically significant responses in several holes**. While the calculated U₃O₈ equivalence values are not of economic grade-widths, the gamma ray logs clearly record a history uranium bearing solutions in the vicinity. This is significant as it indicates favourable physical and chemical conditions for uranium migration in the palaeochannel sands in this area. Notably, gamma ray responses were associated with silty interbeds in one drillhole, suggesting fixing of uranium has also occurred.

Drilling will continue during the next period with the aim of locating and testing the lower energy parts of the Yarramba palaeochannel in this area on a wider more reconnaissance scale. Hole spacings will be closed in where downhole logging shows signs of anomalous radioactivity, with the objective of defining the limits of possible uranium mineralisation.

Over the next eighteen months some 400 drillholes are planned on various targets within Curnamona Energy's tenement area. The number of drillholes completed at each prospect area, and their precise locations will be subject to continuous review as logging results for each prospect area come to hand and are assessed. This drilling will be continuous subject to weather and mechanical availability of equipment. Any significant drilling and logging results will be reported to the market as they come to hand. Unlike conventional drilling, where assay results can take some weeks to finalise, downhole logging gives an instant read out of the radioactivity and hence likely uranium mineralisation in the vicinity.

Other target areas further north along the Yarramba palaeovalley and elsewhere in the Lake Namba palaeovalley and Oban prospect areas will be drilled subsequently. In view of the positive results of Curnamona Energy's recent airborne electromagnetic survey, it is expected that this method will be employed in other prospect areas, in order to assist with drill targeting.

The outlook for uranium continues to remain positive as the result of global warming and energy issues. Curnamona Energy is therefore well positioned to benefit from this positive sentiment as it continues to explore its prospective tenement holding for new palaeochannel hosted uranium deposits.

FINANCE

As at 31 January 2006 the company had available funds of \$4.86 million, of which the majority is held in a term deposit. Expenditure on exploration for the next quarter is expected to be higher owing to the continuous programme of drilling that is planned.

Dr K R Johnson
CHAIRMAN

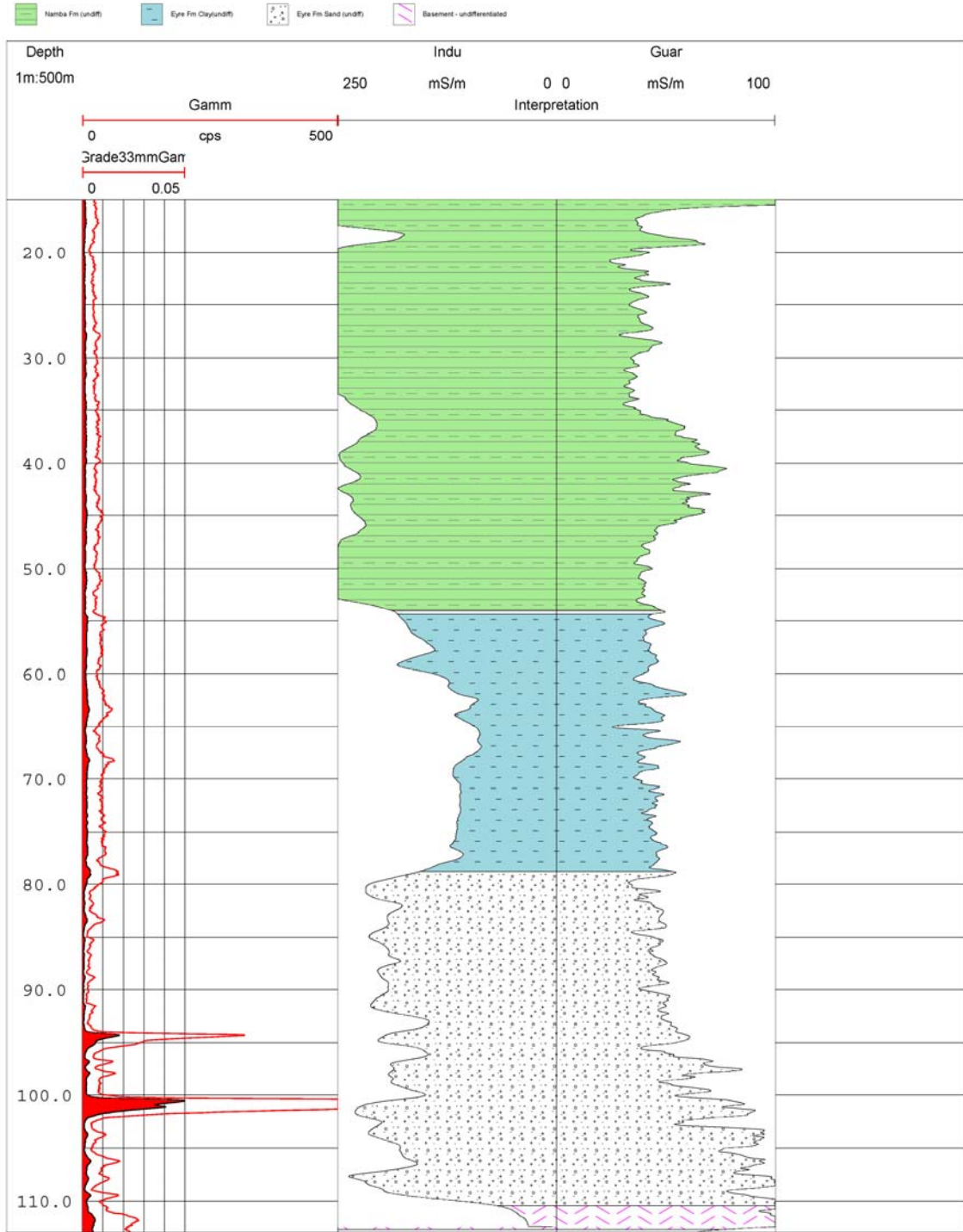
The information in this report has been prepared by geologists Dr Bob Johnson and Mr Mark Randell who are members of the Australasian Institute of Mining and Metallurgy and Dr Chris Giles who is a member of The Australian Institute of Geoscientists. All are adherents to the respective Institutes' codes and recommended practices and have had a minimum of five years experience in the types of activities being reported.

Enquiries should be directed to Dr Bob Johnson, Chairman, on (08) 8338 9292



Tenement: Mulyungarie
Co-ords (AGD66) 460400E 6508300N
Date
Geologist M H Randell

Hole ID CEM021



Geological and gamma ray log for drillhole CEM 021
(gamma ray log shows good responses within the central palaeochannel sands)

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CURNAMONA ENERGY LIMITED

ABN

112 712 115

Quarter ended ("current quarter")

31/1/06

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a)exploration and evaluation	-132	-359
(b) development		
(c) production		
(d) administration	-75	-169
Dividends received		
1.4 Interest and other items of a similar nature received	67	158
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
	-140	-370
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	-29	-108
1.9 Proceeds from sale of:(a)prospects		
(b)equity investments		
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	-29	-108
Net investing cash flows		
1.13 Total operating and investing cash flows (brought forward)	-169	-478

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
Net financing cash flows			
Net increase (decrease) in cash held		-169	-478
1.20	Cash at beginning of quarter/year to date	5032	5341
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	4863	4863

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	76
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

The payments relate to management and consulting fees payable to entities associated with the directors pursuant to contracts entered into with the Company, and also reimbursement of expenses incurred by directors on behalf of the Company

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	250,000
4.2 Development	
Total	250,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	54	67
5.2 Deposits at call	4809	5274
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	4863	5341

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference + securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	59,287,103	59,287,103		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	3,200,000 500,000 250,000	Directors Employee Employee	<i>Exercise price</i> 25 cents 62 cents 62 cents	<i>Expiry date</i> 19/04/2010 14/07/2010 29/08/2010
7.8	Issued during quarter				

7.9	Exercised during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Director/Company secretary)

Date: 27 February 2006

Print name: Dr KR Johnson.....

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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