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## APPENDIX 5B – SECOND QUARTER ACTIVITIES AND CASH FLOW REPORT

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

### HIGHLIGHTS

- **Drilling continues to confirm widespread economic grade uranium mineralization 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.**
- **This will be a relatively inexpensive exercise that 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 reduced channel sands.**

### 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 similar 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    | 4.3    | 0.022%                         | 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 mineralization distributed through more than 13 metres of coarse-grained channel sands, although only 4.3 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 mineralized 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 mineralized 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 mineralization 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 re-commence in early March and first priority will be to test for extensions of the Oban uranium mineralization 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.

A Referral of Proposed Action (ROPA) under the Environmental Protection and Biodiversity Conservation (EPBC) Act will be lodged with the Commonwealth Department of Environment and Water Resource (DEWR) and 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**

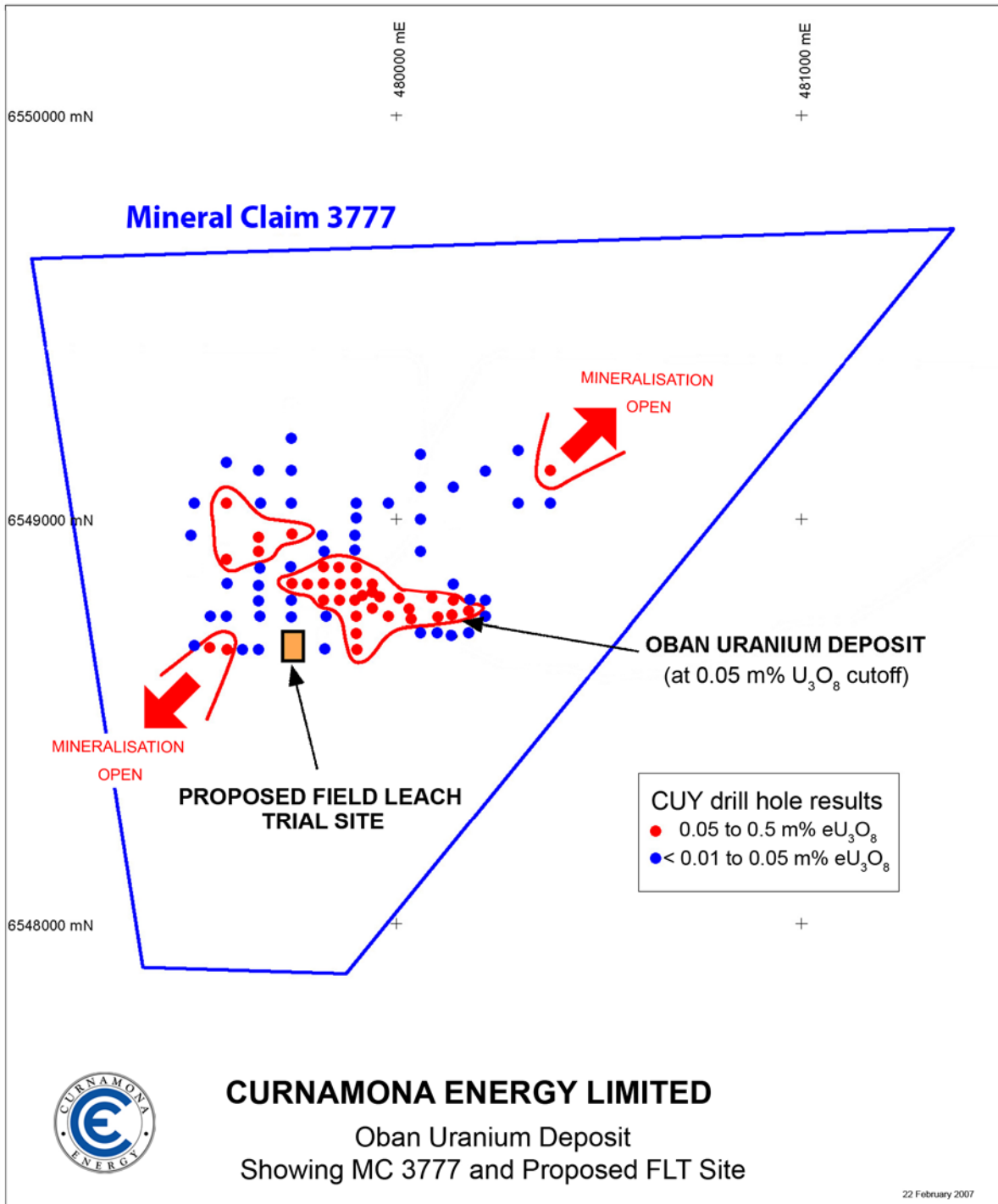
As at 31 January 2007 the Company had available funds of \$4.0 million, of which the majority is held in a term deposit. Expenditure on exploration for the next quarter is expected to be higher than the current quarter as the drilling programme picks up and equipment is purchased for the field leach trial processing plant.

Dr K R Johnson

## **CHAIRMAN**

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 mineralization 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.

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



## 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

ACN

112 712 115

Quarter ended ("current quarter")

31/01/07

Consolidated statement of cash flows

| <b>Cash flows related to operating activities</b>               | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors             |                            |                                       |
| 1.2 Payments for (a)exploration and evaluation                  | -244                       | -396                                  |
| (b) development   |                            |                                       |
| (c) production  |                            |                                       |
| (d) administration  | -98                        | -165                                  |
| 1.4 Dividends received  | 62                         | 124                                   |
| 1.5 Interest and other items of a similar nature received       |                            |                                       |
| 1.6 Interest and other costs of finance paid                    |                            |                                       |
| 1.7 Income taxes paid   |                            |                                       |
| 1.7 Other (provide details if material)                         |                            |                                       |
|   | -280                       | -437                                  |
| <b>Net Operating Cash Flows</b>                                 |                            |                                       |
| <b>Cash flows related to investing activities</b>               |                            |                                       |
| 1.8 Payment for purchases of:                                   |                            |                                       |
| (a)prospects  |                            |                                       |
| (b)equity investments   |                            |                                       |
| (c) other fixed assets  | -11                        | -22                                   |
| 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)                        |                            |                                       |
|   | -11                        | -22                                   |
| <b>Net investing cash flows</b>                                 |                            |                                       |
| 1.13 Total operating and investing cash flows (brought forward) | -291                       | -459                                  |

|   |   |      |      |
|---|---|------|------|
| <b>Cash flows related to financing activities</b> |   |      |      |
| 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)           |      |      |
| <b>Net financing cash flows</b>                   |   |      |      |
| <b>Net increase (decrease) in cash held</b>       |   | -291 | -459 |
| 1.20  | Cash at beginning of quarter/year to date     | 4278 | 4446 |
| 1.21  | Exchange rate adjustments to item 1.20        |      | -    |
| 1.22  | <b>Cash at end of quarter</b>                 | 3987 | 3987 |

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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 80                         |
| 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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|  |
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Financing facilities available

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             |                             |                        |
| 3.2 Credit standby arrangements |                             |                        |

Estimated cash outflows for next quarter

|                                | \$A'000 |
|--------------------------------|---------|
| 4.1 Exploration and evaluation | 300,000 |
| 4.2 Development                |         |
| <b>Total</b>                   | 300,000 |

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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 73                         | 76                          |
| 5.2 Deposits at call                             | 3914                       | 4202                        |
| 5.3 Bank overdraft                               |                            |                             |
| 5.4 Other (provide details)                      |                            |                             |
| <b>Total: cash at end of quarter</b> (item 1.22) | 3987                       | 4278                        |

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 | <b>Preference securities</b><br><i>(description)</i>   |              |               |   |  |
| 7.2 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |   |  |
| 7.3 | <b>+Ordinary securities</b>  | 59,287,103   | 59,287,103    |   |  |
| 7.4 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |              |               |   |  |
| 7.5 | <b>+Convertible debt securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.6 | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |              |               |   |  |

|      |   |  |   |   |  |
|------|---|--|---|---|--|
| 7.7  | <b>Options</b><br>(description and conversion factor) | 3,200,000<br>500,000<br>200,000<br>50,000<br>50,000<br>50,000<br>200,000 | Directors<br>Employee<br>Employee<br>Employee<br>Employee<br>Employee<br>Employee | <i>Exercise price</i><br>25 cents<br>62 cents<br>62 cents<br>55 cents<br>55 cents<br>55 cents<br>58 cents | <i>Expiry date</i><br>19/04/2010<br>14/07/2010<br>29/08/2010<br>15/05/2011<br>16/06/2011<br>20/02/2011<br>19/10/2011 |
| 7.8  | Issued during quarter                                 | 50,000   | Employee  | 58 cents  | 19/10/2011   |
| 7.9  | Exercised during quarter                              |  |   | <i>Exercise price</i>   | <i>Expiry date</i>   |
| 7.10 | Expired during quarter                                | 50,000   | Employee  | 55 cents  | 20/02/2011   |
| 7.11 | <b>Debentures</b><br>(totals only)                    |  |   |   |  |
| 7.12 | <b>Unsecured notes</b> (totals only)                  |  |   |   |  |

#### 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: 26 February 2007

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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