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

30 May 2006

Dear Sir / Madam,

APPENDIX 5B – THIRD QUARTER ACTIVITIES AND CASH FLOW REPORT

HIGHLIGHTS

CONTINUING EXPLORATION OF THE YARRAMBA PALAEOCHANNEL

- Drilling has continued to define the location and nature of the **Yarramba palaeochannel**.
- Gamma ray logs continue to show radioactive responses within the palaeochannel sands indicating **an active uranium migrating system**
- Drilling and logging equipment continues to perform well.

REVIEW OF OPERATIONS

Progress of drilling

Drilling within the Yarramba palaeovalley continued during the period with 55 holes for a total 4,505 metres drilled. Drilling was split between testing the main Yarramba palaeochannel and the Shylock tributary.

In the Yarramba palaeochannel some difference between airborne electromagnetic (HoistEM) response and location of the channel sands has been revealed by drilling and is caused by the presence of basement rocks containing abundant highly conductive graphite. This graphite masks the response of saline groundwaters contained in the palaeochannel.

West of a bar interpreted from gravity images, the Yarramba palaeochannel has diverged from its predicted location, however drilling has now mapped out its true course. Additional promising targets in this area remain to be tested.

Within the Shylock tributary, downhole gamma ray logs recorded geologically significant responses in several holes and confirm previous anomalous uranium levels reported in earlier Pasminco mineral drillholes. While the calculated U₃O₈ equivalence values are not of economic grade-widths, the gamma ray logs clearly record a history of uranium bearing solutions in the vicinity.

New Exploration Licence applications

The Company applied for three new exploration licences in its own right during the quarter, lying north of the current exploration block and covering a total area of 1458 square kilometres. (see

map). All licence applications cover areas of known palaeovalleys or blanket Tertiary sands based on previous reconnaissance drilling.

Earlier drilling and interpretation of geophysical images indicates that the direction of flow of the palaeochannel system is likely to be from Curnamona Craton basement rocks forming higher ground in the east toward Lake Frome in the west. This possibility will be evaluated during drill testing and will determine the orientation of planned future drill traverses and geophysical surveys.

Forward exploration strategy

Reconnaissance drilling to define the course of the Yarramba palaeovalley will continue into the first part of the next quarter. It is also planned to complete first pass drilling of the Shylock tributary during the next quarter in an area where reduced pyritic sands are recorded near to the confluence with the main Yarramba palaeochannel.

Following this, the drilling rig will be moved to the Oban prospect area where discontinuous roll front style uranium mineralisation was discovered in carbonaceous and pyritic Tertiary sands in comparatively wide spaced drilling by earlier explorers. The best result reported from here was 3 metres grading 0.12% eU₃O₈, and there is considered to be good potential to identify extensions of this mineralisation through further systematic drilling.

FINANCE

As at 30 April 2006 the Company had available funds of \$4.67 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

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

140° E



CURNAMONA ENERGY LIMITED TENEMENT and PALAEOVALLEY LOCATIONS

Palaeovalley locations adapted from published PIRSA maps

31° N

Lake Namba
Palaeovalley

EL Applications

extensive
palaeovalley sands

OBAN

excluded
area

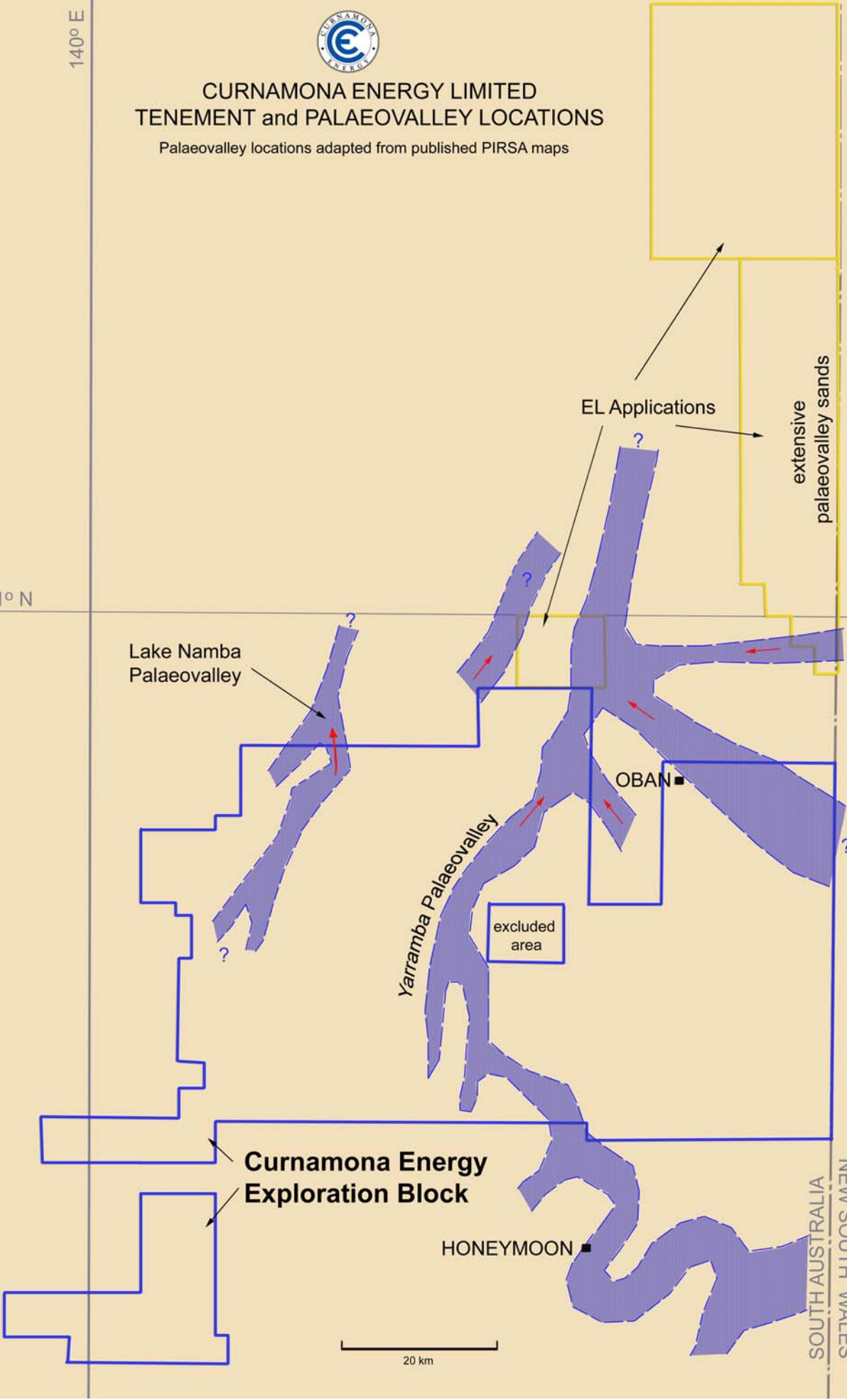
Yarramba Palaeovalley

**Curnamona Energy
Exploration Block**

HONEYMOON

20 km

NEW SOUTH WALES
SOUTH AUSTRALIA



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")

30/4/06

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | | |
| 1.2 Payments for (a)exploration and evaluation | -155 | -514 |
| (b) development | | |
| (c) production | | |
| (d) administration | -94 | -263 |
| Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 69 | 227 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Other (provide details if material) | 1 | 1 |
| | -179 | -549 |
| 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 | -18 | -126 |
| 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) | | |
| | -18 | -126 |
| Net investing cash flows | | |
| 1.13 Total operating and investing cash flows (brought forward) | -197 | -675 |

| | | | |
|---|---|------|------|
| 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 | | -197 | -675 |
| 1.20 | Cash at beginning of quarter/year to date | 4863 | 5341 |
| 1.21 | Exchange rate adjustments to item 1.20 | | - |
| 1.22 | Cash at end of quarter | 4666 | 4666 |

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 | 127 |
| 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

| |
|--|
| |
|--|

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

| |
|--|
| |
|--|

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 | 88 | 54 |
| 5.2 Deposits at call | 4578 | 4809 |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 4666 | 4863 |

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: 30 May 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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