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

31 August 2006

Dear Sir / Madam,

## **APPENDIX 5B – FOURTH QUARTER ACTIVITIES AND CASH FLOW REPORT**

### **HIGHLIGHTS**

#### **CONTINUING EXPLORATION OF THE YARRAMBA PALAEOCHANNEL**

- Large areas of strongly anomalous radioactive responses (**> 5x background**) have been defined by wide-spaced drilling within the Yarramba palaeochannel and are priority follow targets.
- Detailed analysis of previous exploration data for the Oban prospect area indicates extensive anomalous uranium mineralization located in a classic roll front setting and targets have been identified for drilling in the next quarter.

### **REVIEW OF OPERATIONS**

#### **Progress of drilling**

Drilling was mainly concentrated within the Yarramba palaeovalley during the period with 75 holes for a total 6481.5 metres drilled. Effective drilling time during the quarter was reduced by more than half due to heavy rains that prevented access for several weeks and also mechanical problems.

The location of the southern portion of the Yarramba palaeochannel as revealed by recent drilling diverges quite considerably from that predicted on geological grounds and by the airborne electromagnetics. It is now thought that the presence of conductive graphitic basement rocks, masks the electromagnetic response of the conductive saline groundwaters contained in the palaeochannel in this area. Consequently, many holes that were targeted within the palaeochannel, on drilling, proved to be outside of it, and were therefore not effective in testing for uranium mineralization in the palaeochannel sands. Of the holes that did intersect palaeochannel sands, significant uranium indications were returned in 35% of cases (where “significant” is defined as a radiometric response greater than five times the background response). These areas, which are indicated on the accompanying map, are high priority for follow up infill drilling, At current drillhole spacing of more than 400 metres it would be possible to miss higher grade uranium mineralized “ribbons” along the palaeochannel margins.

In general, higher uranium concentrations were observed along the southern boundary of the Yarramba palaeochannel particularly in holes which intersected multiple sand horizons. Pyrite was detected in panned concentrates from many of the holes along with ilmenite, garnet, tourmaline and

other heavy minerals. The presence of pyrite is an important indicator of a favourable reduced geochemical trapping environment for uranium

Drilling of the Shylock tributary further delineated the course of the buried palaeochannel and three holes returned anomalous radiometric responses (greater than five times background response) which also require follow up.

Considerable work has been completed on re-evaluating the earlier uranium exploration drilling data for the Oban prospect area where discontinuous roll front style uranium mineralisation was discovered in carbonaceous and pyritic palaeochannel sands by earlier explorers. Integration of the open file drilling logs with modern space shuttle topographic data has permitted quite accurate 3D modeling of important subsurface contacts between the sand and clay formations. This in turn has identified the best places for future drill testing of the prospect area. Many of the earlier drilling results are quite encouraging and would be considered economic for an in situ leach operation at current uranium prices (eg 3 metres grading 0.12% eU<sub>3</sub>O<sub>8</sub>).

### **Forward exploration strategy**

During the next quarter it is planned to commence drilling at the Oban prospect area where it is evident that an attractive roll front geological setting exists based on comparatively wide spaced drilling by earlier explorers. Other high priority target areas in the region will also be followed up as drilling capacity permits.

### **FINANCE**

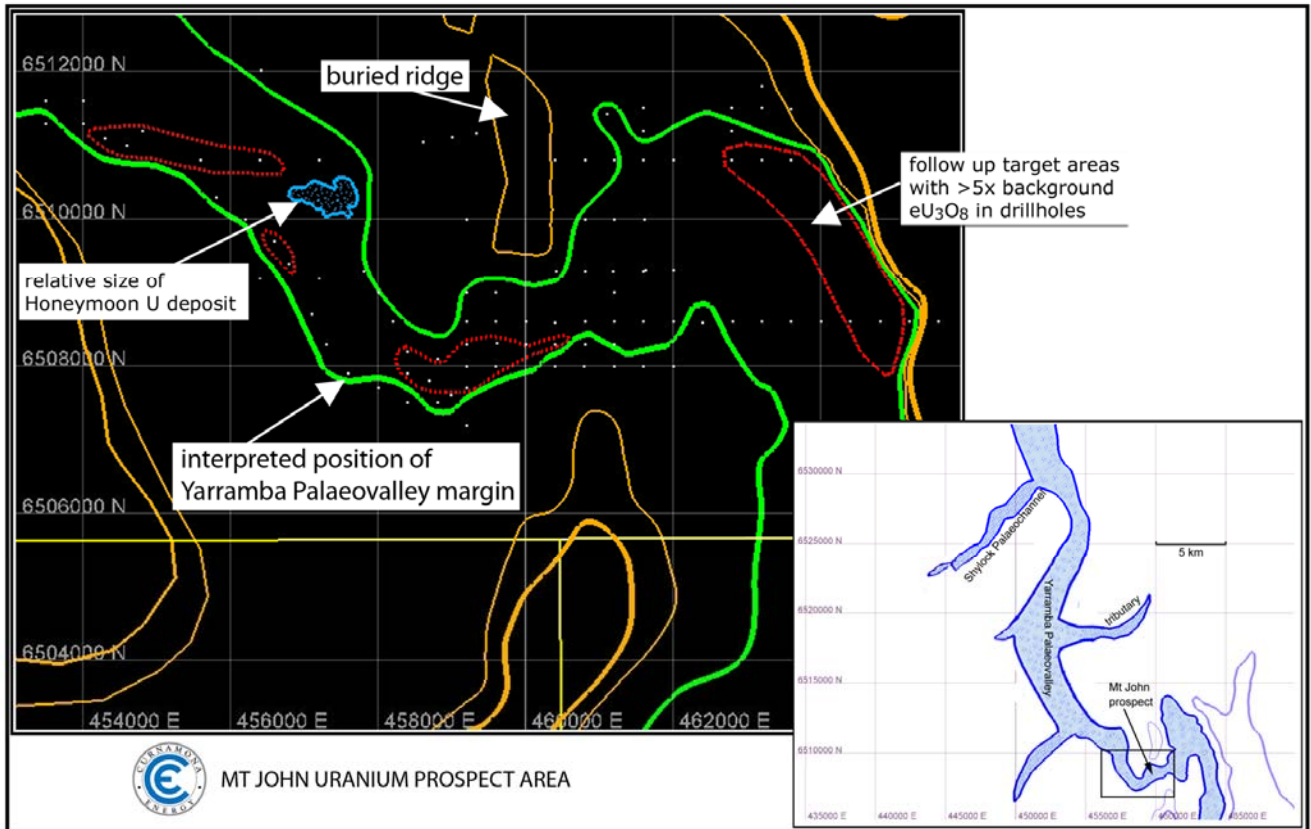
As at 31 July 2006 the Company had available funds of \$4.46 million, of which the majority is held in a term deposit. Expenditure on exploration for the next quarter is expected to be of the same order as that for this quarter as the drilling programme continues.

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. 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



**Summary of latest drilling results and interpretation, Mt John prospect area, Yarramba palaeochannel**

## 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")

31/7/06

Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	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	-208	-722
(b) development		
(c) production		
(d) administration	-76	-339
1.4 Dividends received	64	291
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)	1	1
	-220	-769
<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	-	-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)		
	-	-126
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (brought forward)	-220	-895

<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>		-220	-895
1.20	Cash at beginning of quarter/year to date	4666	5341
1.21	Exchange rate adjustments to item 1.20		-
1.22	<b>Cash at end of quarter</b>	4446	4446

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	95
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	
<b>Total</b>	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	105	88
5.2 Deposits at call	4341	4578
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	4446	4666

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> <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (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 (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>+Convertible debt securities</b> <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> <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	50,000 50,000	Employee Employee	55 cents 55 cents	15/05/2011 15/06/2011

7.9	Exercised during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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: 31 August 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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