

Chairman's Letter

Dear Fellow Shareholder,

It has been a difficult year for the uranium industry and Callabonna Uranium Limited ('Callabonna' or 'the Company').

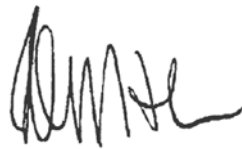
The tragic events at Fukushima, Japan have focused worldwide attention on the safety of nuclear power generators with a consequential adverse effect on the attitudes towards uranium exploration and mine development.

Prior to Fukushima, Callabonna's exploration activities were curtailed, firstly by the usual extreme summer heat and then by an extended and widespread wet season which made access to the Company's projects impossible.

I am pleased to report that exploration activity at all of the Company's projects has now returned to normal. Drilling at the Curnamona South project is underway and drilling at projects in Queensland and the Northern Territory is planned to commence in the near future. We eagerly look forward to the drilling results which will, in significant part, determine the future direction of the Company.

I take this opportunity to thank our staff and my fellow Directors for their contribution over the past year.

Yours sincerely



Peter J. Nightingale
Chairman

