

Operating and Financial Review

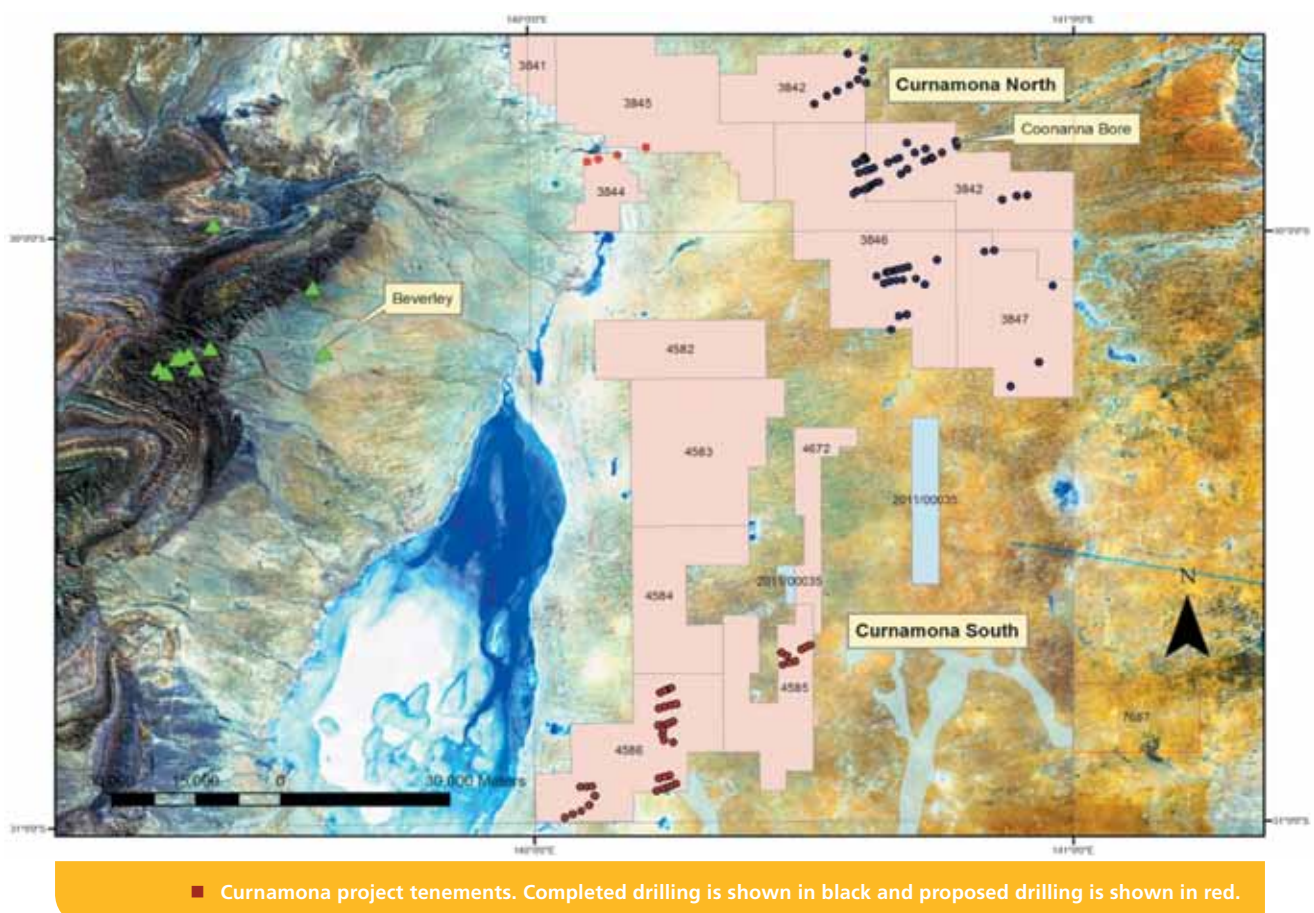
Curnamona Uranium Project, South Australia (100% CUU)

Background

The Curnamona project is 100% owned by Callabonna and comprises two largely contiguous areas of exploration licences covering a total of over 6,092 km². Located in the Frome Embayment, the Curnamona Craton area in South Australia, the licences are about 60 to 120 kilometres northeast and southeast of the Beverley Mine.

The Curnamona North project comprises six exploration licences totalling 3,370 km² and the Curnamona South project comprises seven exploration licenses covering 2,722 km². The Curnamona North project straddles the structural margin of the Curnamona Craton and the Curnamona South project, a basement ridge (the Benagerie Ridge) within the Craton. This is in a geological setting comparable to the Beverley Mine and the Beverley Four Mile deposit which are sandstone 'roll-front' style uranium deposits in Tertiary palaeochannels of the Callabonna sub-basin (Frome Embayment).

Callabonna is one of the first companies to systematically explore the Frome Embayment by flying very large regional Airborne Electromagnetic surveys ('AEM'). In 2008, Callabonna completed a high-resolution airborne electro-magnetic ('REPTM') survey over the Curnamona North project (3,400 line kilometres) to identify buried palaeo-channels of Tertiary age which are known to host uranium mineralisation elsewhere in the basin (Beverley and Beverley Four Mile). This survey successfully delineated large bodies of sand that were interpreted to be well developed palaeo-channels. In 2010 Callabonna contributed to infill flying the Geoscience Australia Frome Basin AEM survey. Results were received in April 2011 and extensions of known palaeo-channels have been interpreted in the Curnamona South project area from the data received.



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Curnamona North Project

Review of 2011

Whilst some anomalous uranium has been detected in the Company's drilling, the main outcome has been a better understanding of the Callabonna sub-basin (Frome Embayment) geology in this region that will benefit future exploration. The focus of exploration activity will shift to the western portion of the Curnamona North project closer to the Beverley Mine and interpreted palaeo-channels which drain the highly radioactive Mt Painter Block.

- A new interpretation suggests further drilling to west and south is warranted. Accordingly native title clearances and exploration work approvals have been sought.
- 72 holes have been drilled to date on the project (9,041 metres), including 51 holes which were drilled in the year ended 30 June 2011.
- Wet weather conditions finally halted the drilling program in late August 2010 and all drill holes have now been rehabilitated.

Details

Results of the drilling program have been reported in full and are available on the Company's website. Anomalous results from holes drilled late in 2009 include: CUN005 intersecting a 0.5 metre interval averaging 52ppm U_3O_8 with a peak of 70ppm U_3O_8 and CUN-017 intersecting a 0.5 metre interval averaging 22ppm U_3O_8 , with a peak of 73ppm U_3O_8 . Results from 2010 confirmed an area about 16 kilometres south-west of Coonanna bore, a cluster of holes within 600 metres of CUN005, CUN020 and CUN022 returned values of around 55ppm U_3O_8 over 0.25 to 0.3 metres in carbonaceous sand and clay. Additionally, in an area 5 kilometres south-west of Coonanna Bore, two holes, CUN034 and CUN046 returned values over 50ppm U_3O_8 . CUN034 contained three anomalous intervals in brown carbonaceous clay between 115.05 and 116.25 metres averaging 0.15 metres @ 66ppm U_3O_8 , 0.15 metres @ 74ppm U_3O_8 , and 0.2 metres @ 71ppm U_3O_8 ; peak values were 85ppm U_3O_8 .

Analysis of the litho-stratigraphy encountered in the 2009 and 2010 drilling programs and expanded insight provided by the recently completed basin wide AEM survey by Geoscience Australia has led to a reinterpretation of the geology of the project area. It is now considered likely that the linear sand bodies in the northern Frome Embayment are representative of a coastal shoreline sequence with rivers flowing from the west (Mt Painter Block, Beverley area) depositing material in tidal lagoonal areas and the shoreline sands further east.

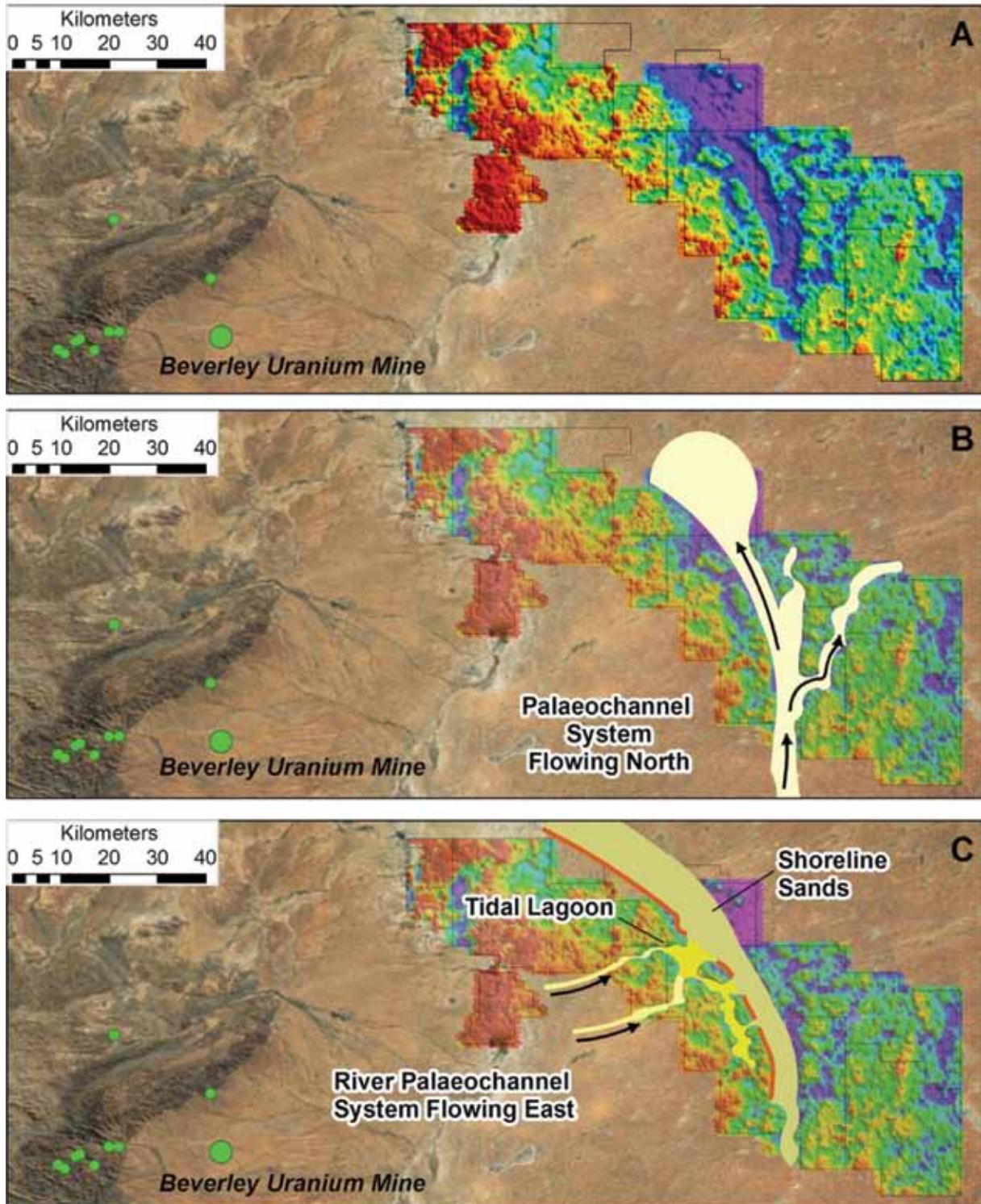
This interpretation has the previously interpreted large channel now representing an offshore barrier bar environment or a transgressive coastal sequence with smaller channels interpreted to the west being channels flowing into the coastal lagoonal sequence where sandy lignitic deposits are formed.

This reinterpretation has positive implications for exploration in the project area as it places the interpreted channels much closer to uraniumiferous crystalline basement to the west at Mt Painter. Callabonna is seeking expressions of interest from potential joint venture partners interested in sole funding further exploration in this area to earn an interest in the project.

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Evolving Interpretation of Curnamona North



■ Revised interpretation of the Curnamona North project area: (A) AEM data 2008 (B) original interpretation 2009 (C) revised interpretation based on drilling 2011. Note the shoreline sand body with palaeochannels flowing from the direction of Beverley and Mt Painter.

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Curnamona South Project

Review of 2011

Callabonna, ahead of the largely government funded Frome AEM survey, acquired five tenements from Newcrest Mining Limited in 2009 and then contributed to infill flying of this survey over these tenements and adjoining tenements in 2010/11. The main outcome from this basin wide survey is a new regional conductivity picture from which palaeo-channels and major lithological changes may be interpreted. Callabonna's exploration activities will focus on interpreted extensions of mineralised palaeo-channels which drain northward into the Company's tenements.

- A new interpretation has been made from the Frome AEM data suggesting three palaeo-channels extend into the southern portion of the project area. Accordingly native title clearances and exploration work approvals have been sought.
- Callabonna and other contributors have exclusive access to infill flying data for the first twelve months.

Details

A large regional AEM survey covering the eastern half of the Frome Embayment was funded as part of the Australian government's Onshore Energy Security Program. The survey, organised by Geoscience Australia and conducted using the TEMPEST system, was commenced in June 2010 and completed in April 2011 when data was delivered. This largely government funded survey is 35,000 line kilometres in total with a line spacing of 5 kilometres. Callabonna contributed to the cost of infill flying over an area of 5,142 km² covering the Curnamona South project and adjoining areas in partnership with others.

Interpretation of the newly acquired data by Callabonna has revealed interpreted extensions of both the Curnamona and Yaramba palaeo-channels within Callabonna's Curnamona South project area. These two channel systems are regionally significant as they host the Gould's Dam uranium deposit (Curnamona system) and Oban uranium deposit (Yaramba system) which are both located to the south of Callabonna's project area.

In addition to the interpreted channels from AEM, review of open file data has highlighted numerous drill holes that showed significant uranium (from down-hole gamma probe results) adjacent to other drill holes which contained significant thicknesses of oxidised sediment. The observations may indicate proximity to a regional scale roll front oxidation gradient which may be concentrating uranium.

A total of 40 drill holes are planned to test the newly interpreted extensions to the mineralised channel structures. Native title and environmental permitting has been received and drilling has commenced, although no results are yet available.

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Curnamona South Project Interpretation & Exploration



■ Curnamona South project: interpreted channels with proposed drillholes. The interpreted extension of the Curnamona channel is on the left, the Lake Namba in the middle and the Yarramba channel is the of the right.

Project	Tenement No.	Tenement Type	Locality	File Reference	Area (km ²)
Curnamona North	3845	EL	Callabonna	275/06	777
Curnamona North	3841	EL	Lake Callabonna	677/06	125
Curnamona North	3842	EL	Lake Yannerpi	679/06	901
Curnamona North	3846	EL	Coonee Creek	276/06	908
Curnamona North	3844	EL	Lake Callabonna South	274/06	131
Curnamona North	3847	EL	Quinyambie	277/06	528
Curnamona South	4582	EL	Benagerie Ridge A	85/10	338
Curnamona South	4583	EL	Benagerie Ridge B	86/10	654
Curnamona South	4584	EL	Benagerie Ridge C	87/10	407
Curnamona South	4585	EL	Benagerie Ridge D	88/10	404
Curnamona South	4586	EL	Benagerie Ridge E	89/10	571
Curnamona South	2011/0035	EL	Quinyambie	35/11	165
Curnamona South	4672	EL	Culberta Bore	95/10	183

■ Curnamona project exploration licences.

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Broken Hill West, NSW (100% CUU)

The eastern side of the Callabonna Sub-basin (Frome Embayment) overlaps buried Proterozoic rocks in fault contact with the Barrier ranges west of Broken Hill in NSW. Exploration for uranium is currently not permitted in NSW, however, it appears that the palaeo-channels in the Callabonna Sub-basin in South Australia extend into NSW. The Company's tenement area has potential for precious and base metals and there is a possibility that the NSW government may change its policy and allow exploration for uranium in NSW in the future.

Night time infrared imaging would be a useful exploration tool to delineate palaeo-channels in the western NSW lease areas. The channels are preferentially filled with water relative to the surrounding areas and this water heats up during the day. As night approaches the air and ground cool down but the bodies of water (or saturated sediments) cool more slowly than the surrounding dry soil areas thus creating preferential heat sources in areas saturated with water.

Callabonna is seeking expressions of interest from potential joint venture partners in the project.



■ Broken Hill West project tenements.

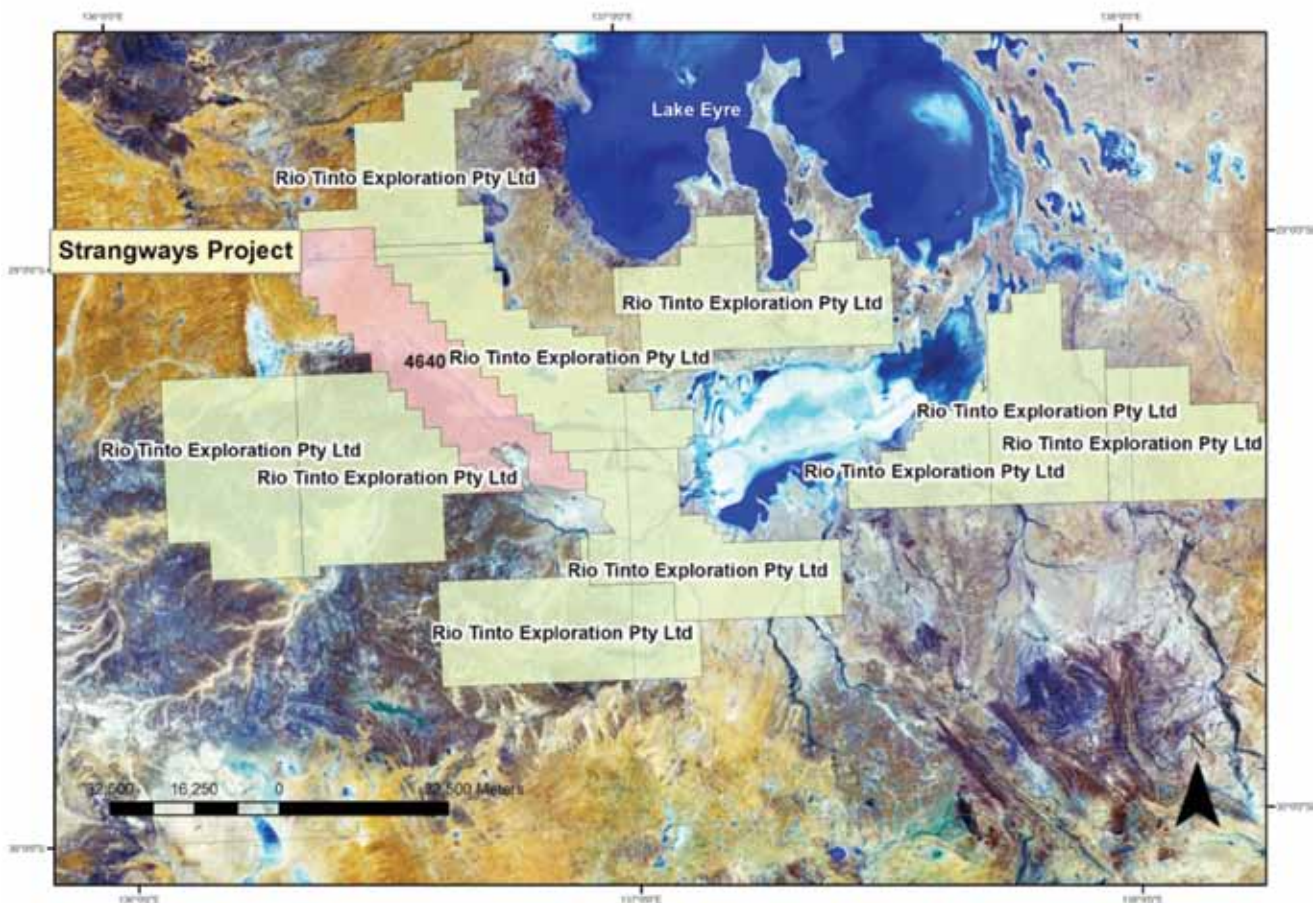
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Strangways Project, South Australia (100% CUU)

The Company holds EL 4640, which covers an area of 936 km² over a series of natural springs on the western side of Lake Eyre in South Australia. The line of springs are interpreted as being due to regional structures in the Eromanga Basin penetrating the Bulldog Shale and allowing waters of the Great Artesian Basin to escape into these natural springs. Regional sampling of spring waters and water bores

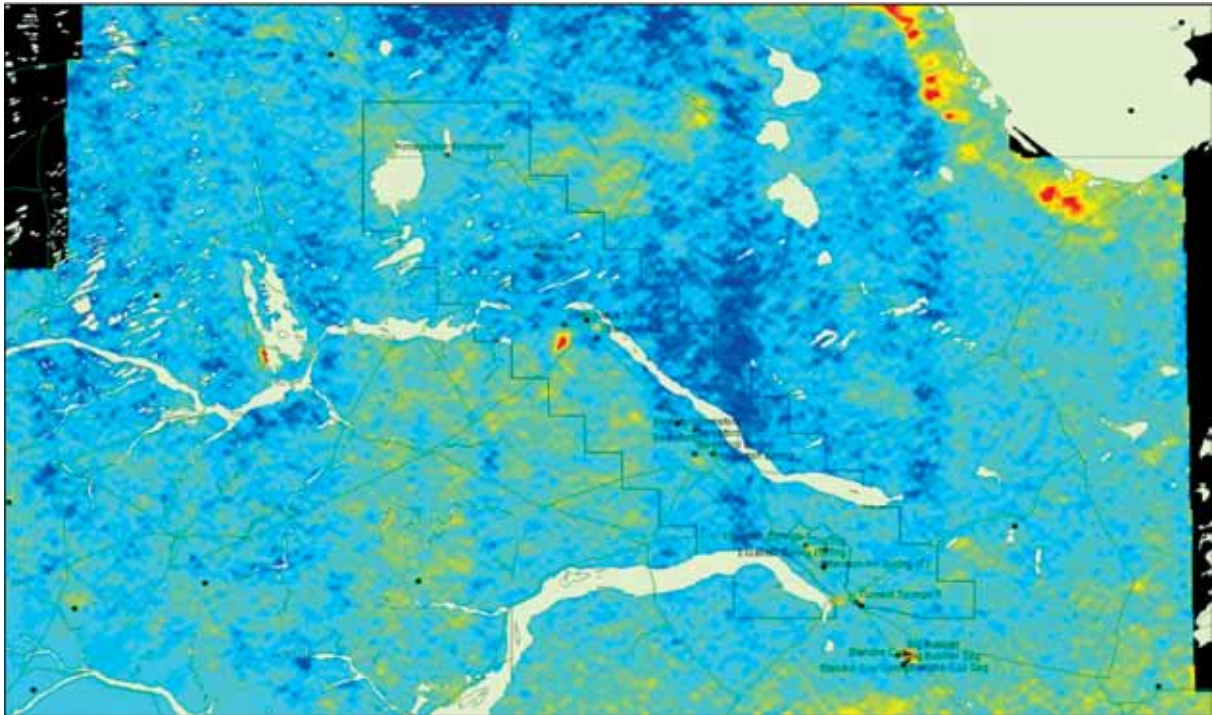
throughout central Australia conducted by Geoscience Australia highlighted waters from these springs as being high in uranium. Papers and presentations from Geoscience Australia have also highlighted this and that the region is prospective for Kazakhstan type uranium deposits.

Additionally, a number of the carbonate rock deposits associated with these mound springs also exhibit anomalous radioactivity in published airborne radiometric survey data sets.



■ Location of EL 4640 granted to Callabonna. This area has also attracted considerable interest from major explorers.

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- Radiometric image of EL 4640 showing that a number of spring discharge areas exhibit anomalously high radioactivity, in particular at Strangways. That would also appear to be true for discharge on the western side of Lake Eyre.

Ground reconnaissance by Callabonna confirmed the presence of anomalous radioactive mound spring deposits with up to 20 times background (up to 900cps) warranting further investigation. However, none of the high uranium in groundwater results recorded in the 1980s by Geoscience Australia have been able to be confirmed to date. There has been a significant reduction in flow over time at some of these springs and in many cases only sampling of very small seepages was possible. Whether such flow reduction has an effect on discharging uranium content is not clear and it also remains possible that these results do not reflect the waters at depth because uranium may have been precipitated out on organic matter within the zone of discharge.

The Company will make a more thorough investigation of the radiometrically anomalous mound springs deposits in order to determine precisely what the anomalous mineral species is. Ultimately exploration for uranium in artesian aquifers is a high cost business, not unlike oil exploration, so Callabonna is seeking expressions of interest from potential joint venture partners in the project.

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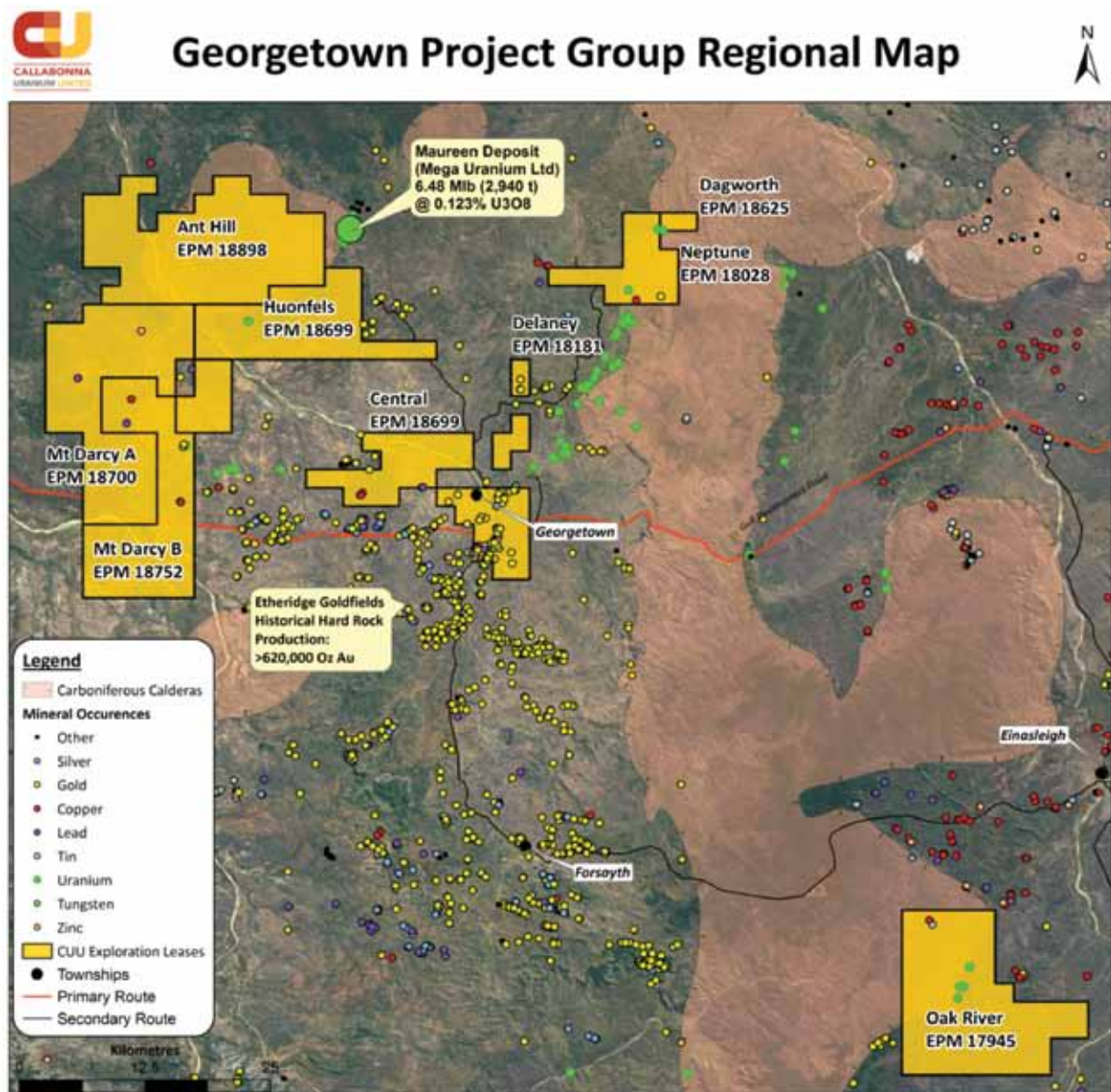
Georgetown Projects, Queensland (100% CUU)

Overview

Over the past two years, Callabonna has steadily built a substantial ground position in the highly prospective Georgetown Inlier in North Queensland where known uranium and gold deposits occur associated with Palaeozoic volcanic centres. Callabonna now has leases adjacent to major deposits and covering known areas of highly significant mineralisation. Additionally, the Company's careful tenement watch

and acquisition program led to Callabonna securing ground positions over several known gold projects. The highlights of Callabonna's Georgetown project acquisition included the securing of:

- The Dagworth Uranium project where high grade economically significant uranium intercepts have been made in the 1970s by Minatome.
- The Cornucopia epithermal gold project where low-sulphidation epithermal gold mineralisation was discovered in the 1980s and where induced polarisation offers the opportunity to define zones of higher grade gold mineralisation.



■ Georgetown project tenements.

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- The Delaney gold deposit where historical drilling along the Delaney Fault has defined a zone of high grade gold mineralisation and where significant geochemical and geological targets remain untested.
- The Georgetown gold fields where numerous historical gold operations exist associated with the Delaney Fault and where substantial potential remains for potentially large sulphidic gold resources.

Work during the past year has been restricted due to the fact that many of these leases are either still in applications status or were only recently granted. However, several reconnaissance trips have identified uranium minerals in outcrop at Oak River and extended the gold geochemical anomaly at Delaney. In September 2011, the Company entered into a Farm-in Agreement with Planet Metals Limited ('Planet') covering Callabonna's three gold exploration tenements at Georgetown (Hatch EPM 18181, Oak River EPM 17945 and Central EPMA 18699).

The key terms of the farm-in agreement are:

- Planet can earn a 51% interest in all three tenements by spending \$750,000 in total over a period of 2 years and 10 months. Planet's interest will cover all minerals for EPM 18181 and EPMA 18699 whereas for EPM 17945, Planet's interest covers only gold, precious and base metals, but excluding rare earths and uranium.
- A minimum of \$150,000 must be spent on exploration within 10 months of signing the agreement, including a 1,000 metre drill program. Planet has the option to withdraw from the agreement after this minimum expenditure requirement has been met.
- After satisfying this minimum expenditure requirement, Planet may elect to earn-in to the tenements by spending \$600,000 within a further 2 years, of which a minimum \$200,000 must be spent in the first year.

Volcanogenic Uranium Projects

Callabonna's North Queensland volcanogenic uranium projects are based on applying a relatively new exploration concept to follow up hitherto unexplored volcanic calderas or subsidence structures. In this area of far North Queensland, uranium is well known to outcrop at the marginal structures of the Newcastle

range volcanics and their equivalents. Some of these deposits are well known and are typically high grade with molybdenum and fluorite accessory minerals. Examples include Mega Uranium Ltd's Maureen, Trident and Ben Lomond deposits and Callabonna's Dagworth deposit. These known deposits all occur on the margins of the known subsidence structures which may represent 'smoke' to the yet undiscovered deposits buried within the calderas that may be potentially very much larger. The example type is the giant uranium deposits of the Streltsovskoye deposits in Russia, which all occur within a single circular caldera and contain an enormous uranium resource of over 700 million pounds U_3O_8 .

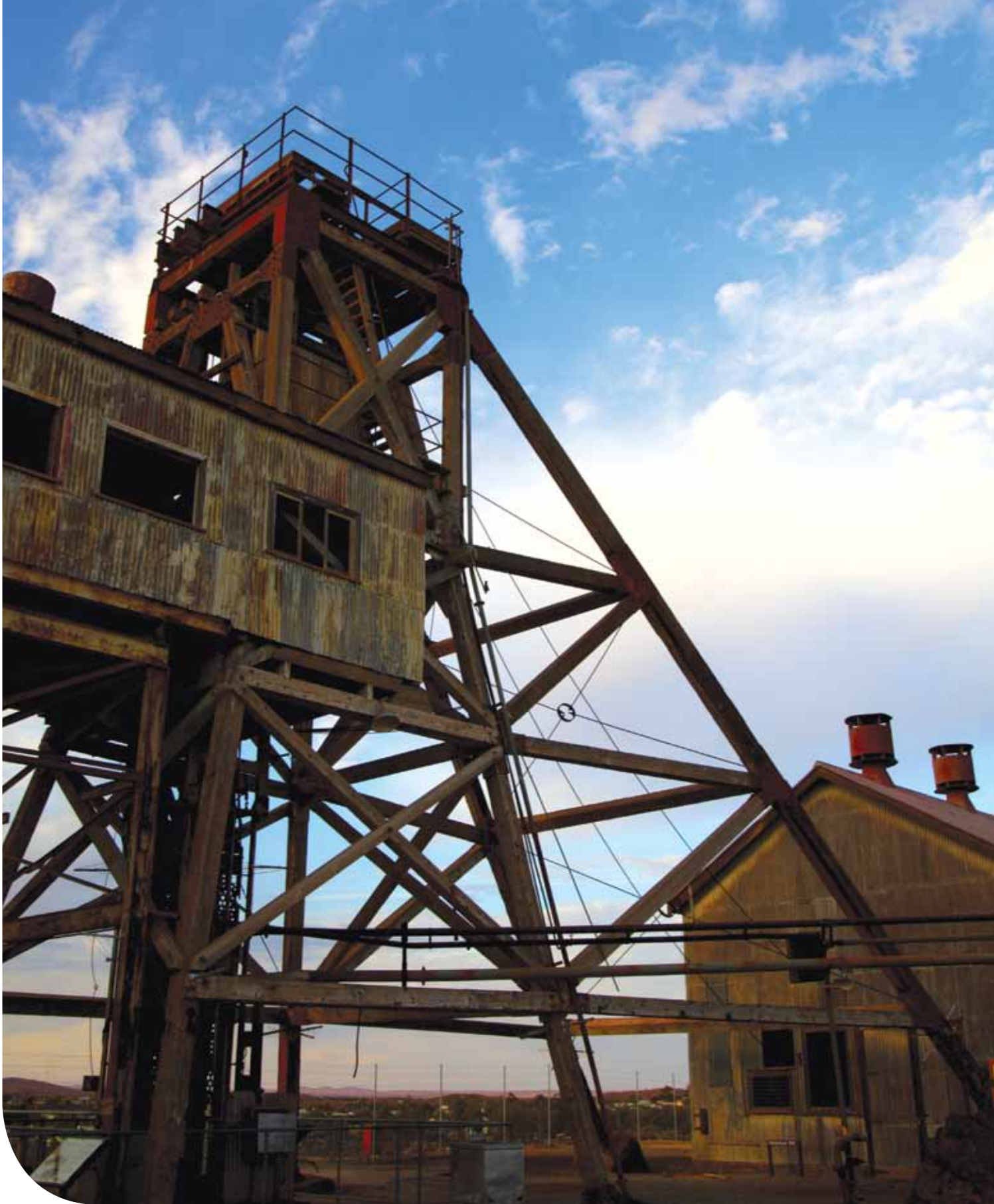
Callabonna has accumulated a large ground position in the prospective areas for this type of volcanogenic uranium mineralisation and has developed a plan to explore within the calderas proper; a strategy untried in this area before. Recent mapping by the Company and review of historic drill logs from the Dagworth uranium deposit has confirmed that sulphide zones occur with significant uranium intersections. Therefore fluid flow zones within the calderas will have induced polarisation anomalies associated with them, as will the basal sediments that also host the known uranium. The exploration plan involves using induced polarisation to target structures where fluids have moved, and thereby locating both uranium and potentially gold mineralisation.

The Company has an opportunity to extend and increase the known uranium resources at the Georgetown projects southward across an east-west fault into the large caldera area (EPM 18028, Neptune and EPM 18625, Dagworth) and at Maureen westward across the faulted margin into the large caldera area (EPM 18699, Huonfels and EPMA 18898, Ant Hill Creek). These areas are somewhat difficult to access and remain unexplored at depth.

The Company also has an opportunity to extend and increase the known outcropping uranium prospect westward across the faulted margin into the caldera area at Oak River (EPM 17945, Oak River). This area has a number of mapped faults that will be targeted.

It should also be noted that calderas of this style may also contain high value epithermal gold targets in structural focus zones and induced polarisation can indirectly locate these zones by highlighting the associated disseminated pyrite.

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The Exploration Model

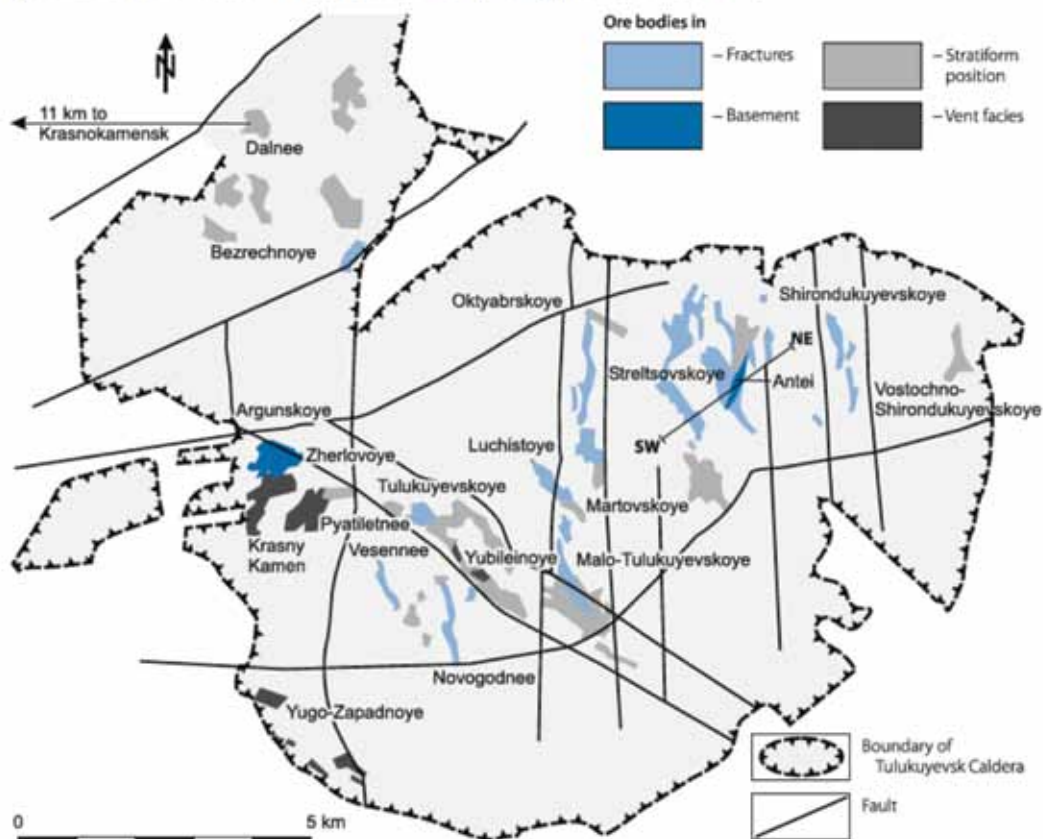
The Georgetown geological province of North Queensland hosts a number of Carboniferous aged caldera complexes that have a spatial association with most uranium occurrences within the region. The 20 kilometre wide Tulukuyevsk Caldera in the Streltsovskoye district of western Russia contains 18 defined uranium deposits with a combined uranium resource of 727 million pounds U_3O_8 at ore grades of more than 0.2% U_3O_8 (Nash, 2010).

Within the Tulukuyevsk Caldera, uranium mineralisation is located along structural features within both the basement and overlying volcanics. Most of the Streltsovskoye deposits have no distinct surficial radiometric anomalies as mineralisation occurs below 200 metres depth. Despite this the high grades and immense size means they remain extremely attractive targets.

The vast majority of historic uranium exploration within the Georgetown province has focused upon

prominent surface radiometric anomalies identified with airborne or ground geophysical surveys and generally associated with the caldera margins. Callabonna geologists believe there is enormous unrealised prospectivity for 'Streltsovskoye' style volcanogenic mineralisation within the interior of the Georgetown calderas and that previously discovered deposits (Maureen, Two Gee, Ben Lomond) may represent only minor occurrences within a very large uranium deposit camp. Only a small number of shallowly drilled exploration holes have been completed within the calderas and most of these have been gold mineralisation rather than uranium. Callabonna's recent And Hill application (EPMA 18898) covers the Maureen Caldera which is of similar dimensions to the Tulukuyevsk Caldera and has known uranium mineralisation at its outer margins (Maureen deposit). AEM data will be used to delineate deep penetrating geological structures and mobile metal ion soil geochemistry will be used to identify the mineralised structures.

Streltsovsk District, simplified map with surface projected contours of uranium deposits in the Lower Cretaceous-Upper Jurassic Tulukuyevsk Caldera (NE-SW section indicates position of Fig. 10.13) (after Krotkov et al. 1997)



■ Outline of the Tulukuyevsk Caldera. The shaded areas represent areas of uranium deposits which host over 700 million pounds of known U_3O_8 .

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Oak River Uranium Project, Queensland

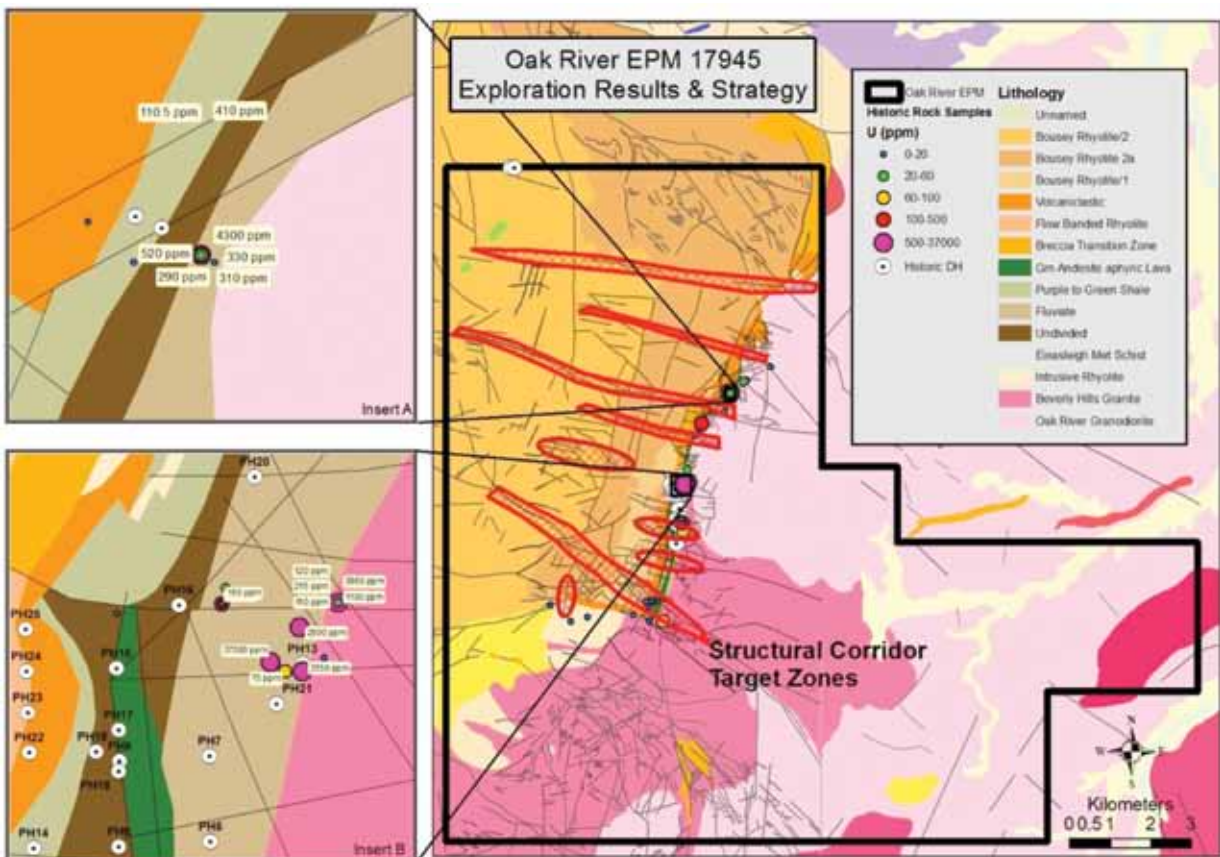
The Oak River exploration permit (EPM 17945) was granted in late 2010 and covers the south eastern margin of the Newcastle Range Volcanics where they sit within the Wirra Cauldron, a volcanic subsidence structure. The Oak River area was previously explored for uranium in the 1970s by German company Urangesellschaft who mapped the edge of the caldera area in detail, dug numerous costeans and drilled 28 holes targeting the basal sediments of the Newcastle Range Volcanics. This work was focused on the margins of the caldera and the central areas were never tested.

Initial reconnaissance work completed by Callabonna in April 2011 encountered visible vivid green and opaque green secondary uranium mineralisation in quartz mica sandstones. The visible secondary uranium

mineralisation is most likely torbernite and is probably after uraninite which has been identified in historical petrology by previous explorers. These mineralised sandstones returned assays up to 1,274ppm U_3O_8 .

The Oak River area is considered highly prospective because of the potential for mineralisation within the subsidence structure (caldera or cauldron). At structural positions within the caldera, coarse clastic sediments (host to mineralisation) are likely to have been focused in the early stages of extensional subsidence. Later in the evolution of the volcanic terrain uranium transporting fluids may also have been focused by these same structures.

The next steps at Oak River are to highlight the more significant structures and prioritise these using high resolution ground radiometrics and soil geochemistry and possibly induced polarisation.



- Oak River geology highlighting structural target zones (red hatched areas) within the volcanic subsidence structure. Note all historical exploration was focused at the margins of the structure.

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Neptune Uranium Project including Dagworth Uranium Prospect

The Dagworth Uranium project straddles Callabonna's EPM 18028 and EPMA 18625. Uranium mineralisation was discovered by Minatome in the 1970s with numerous holes over an area covering approximately 15 km² being drilled. Anomalous uranium intercepts occur in almost all drill holes and over 50% of holes contain intercepts exceeding 300ppm uranium from either assays or gamma log estimations. The mineralisation at Dagworth is hosted in the basal sedimentary and volcanic sequences adjacent to a major north-northeast trending structural zone. In the Dagworth area this structure splays significantly and major east over west reverse thrusting is evident. Where the basal sedimentary sequences occupy the hanging wall of these reverse thrusts they are often mineralised.

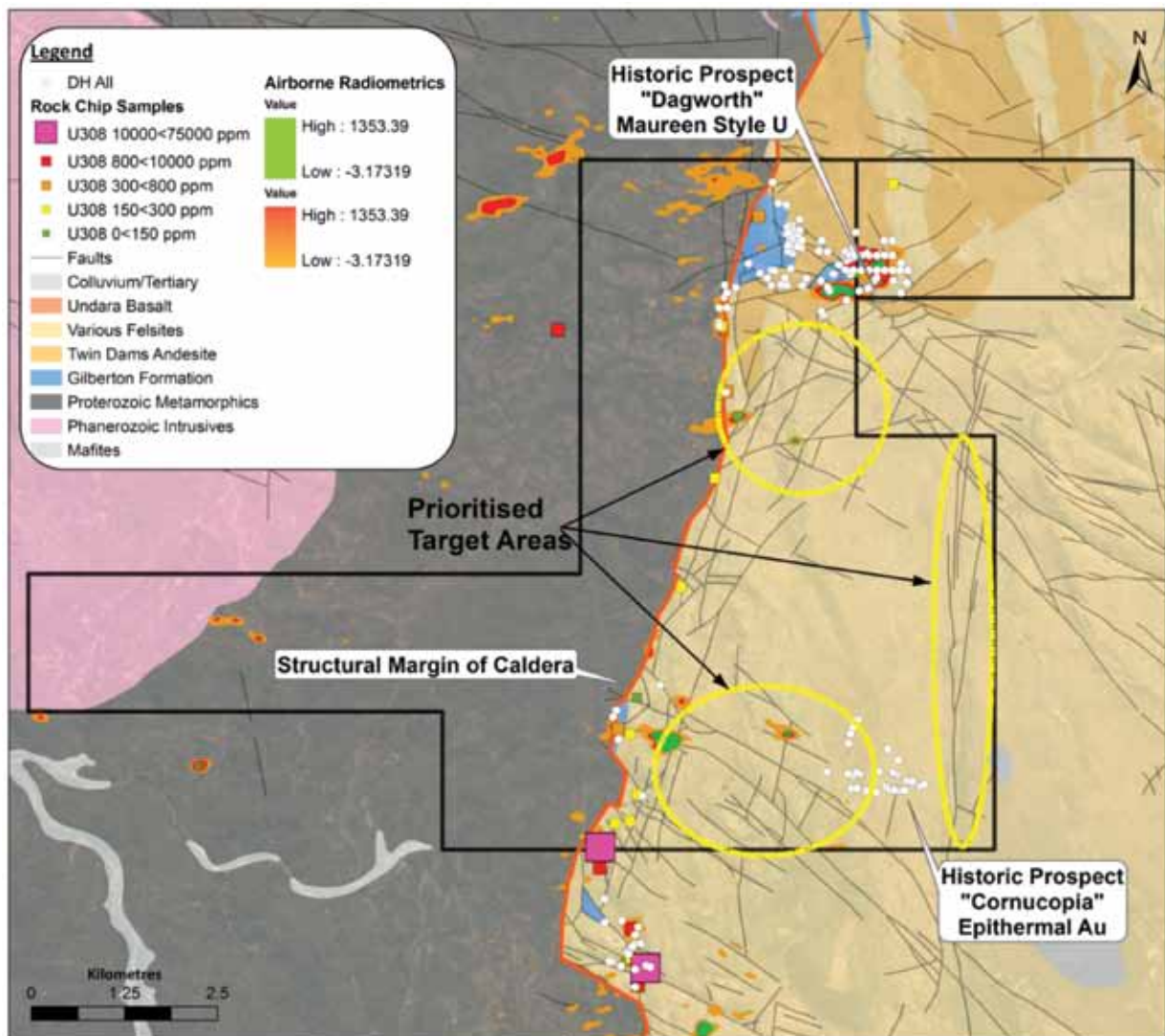
Some highlights of the captured historical data are shown below. Results are presented as either XRF assays [XRF] or estimated uranium values (U₃O₈) calculated from down hole gamma logs [Calc].

Hole ID	Intersection (metres)	U ₃ O ₈ ppm [XRF]	eU ₃ O ₈ ppm [Calc]	Cu ppm [XRF]	From (metres)	To (metres)
Dag P85	17.3	-	297.5	-	27.7	45.0
Dag P85	4.5	-	293.1	-	168.0	172.0
Dag P77	1.0	-	1354.7	-	198.3	199.3
Dag P46	3.0	711.5	-	-	54.0	63.0
Dag P54	5.0	351.4	-	-	27.0	32.0
Dag P54	2.0	872.6	-	-	40.0	42.0
Dag P54	1.0	283.0	-	-	47.0	48.0
Dag P54	2.0	642.7	-	-	50.0	52.0
Dag D14	0.3	247.6	-	10,500	96.0	96.3

Further south along the same structural zone, significant uranium mineralisation occurs within the same structural corridor in the Neptune lease and rock chip results of up to 7% have been returned from this area. Additionally, the Trident Uranium deposit, owned by Mega Uranium, is situated 2.5 kilometres south of Callabonna's Neptune lease on the same structural zone.

The implication for Callabonna's Dagworth and Neptune leases of this high grade uranium at both ends of the same structure are significant. Much of the Neptune lease area contains the same volcanics and sediments under cover or at depth along the structural zone hosting both the Trident and Dagworth mineralisation at either end. Callabonna's leases here are highly prospective for uranium mineralisation and we will be working to define drill targets immediately following granting of the exploration licences.

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■ Neptune (including Dagworth) uranium project showing structural corridors of interest and the Cornucopia epithermal gold prospect location.

Huonfels-Ant Hill Creek Uranium Project

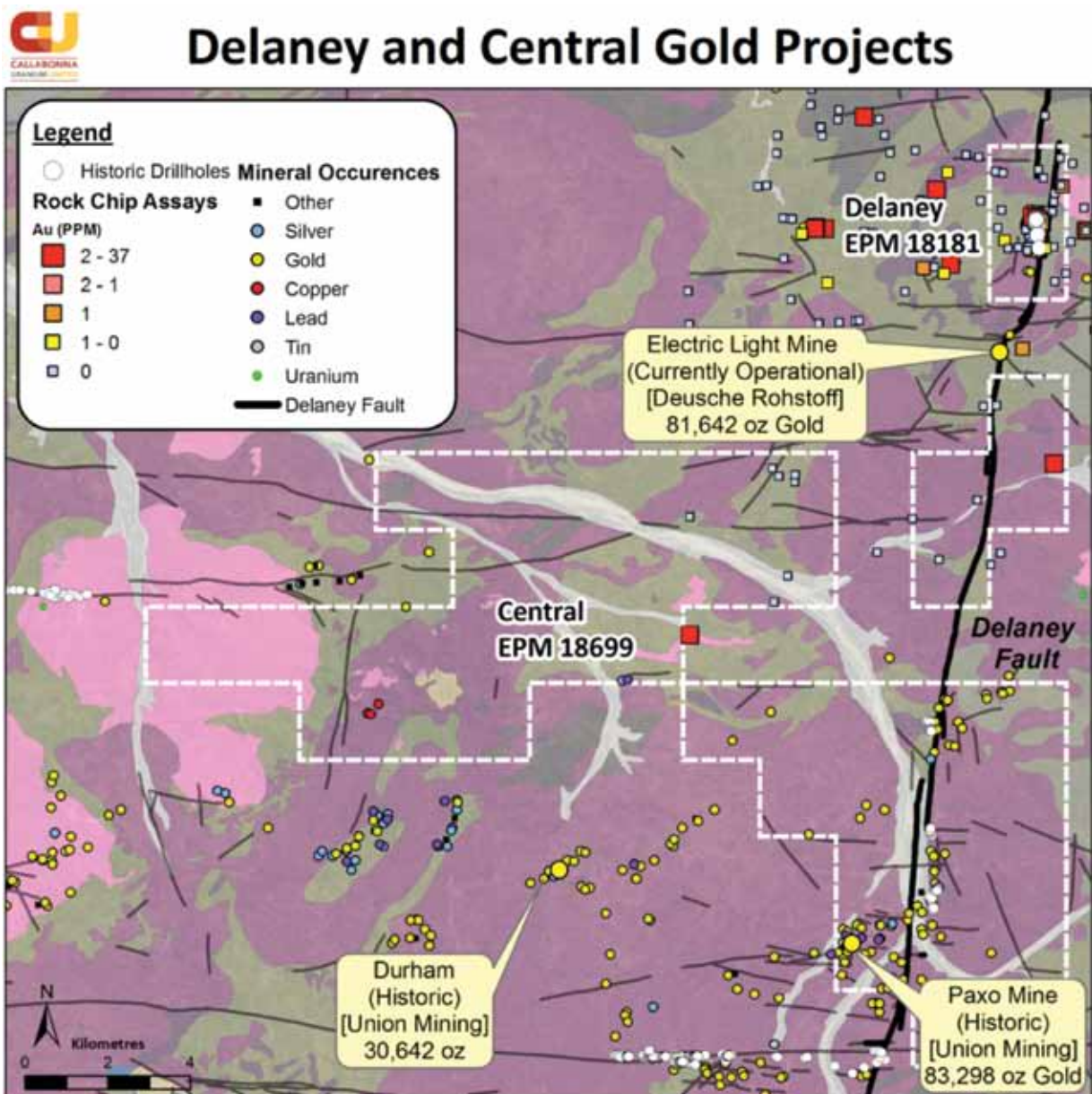
The Huonfels-Ant Hill Creek project consist of two leases (EPM 18699 and EPMA 18898) covering the majority of the Maureen Caldera. The uranium-molybdenum mineralisation at Maureen occurs in basal sequences of the Maureen Volcanics at the margins of the caldera. Callabonna has an opportunity to extend and increase the known outcropping uranium resource at Maureen westward across the faulted margin into the large caldera area looking for structural corridors within the caldera and targeting vein style mineralisation associated with fracturing of higher level volcanics within the caldera. Much of this area is under cover and requires a targeting tool for highlighting mineralisation within interpreted structural positions. Induced polarisation offers the perfect tool for this given the abundance of sulphide associated with the uranium mineralisation.

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Queensland Gold and Base Metals Projects

The North Queensland gold projects constitute the Delaney gold project and the Georgetown Central lease area which together cover some 16 kilometres of strike along the highly prospective Delaney Fault, with gold showings, mappable reefs, old workings and more recent oxide gold mining in the 1990s. Some of this is undercover. Locally, high grade oxide mineralisation potential and, at depth, sulphide mineralisation potential exists.

As outlined above, the Company entered into a Farm-in Agreement with Planet Metals Limited in September 2011 covering Hatch (EPM 18181), Oak River (EPM 17945) and Central (EPMA 18699). Planet has advised that it intends to focus its immediate exploration and drill program on the Delaney gold project within EPM 18181. Some geochemical sampling and mapping is also proposed within EPM 17945.



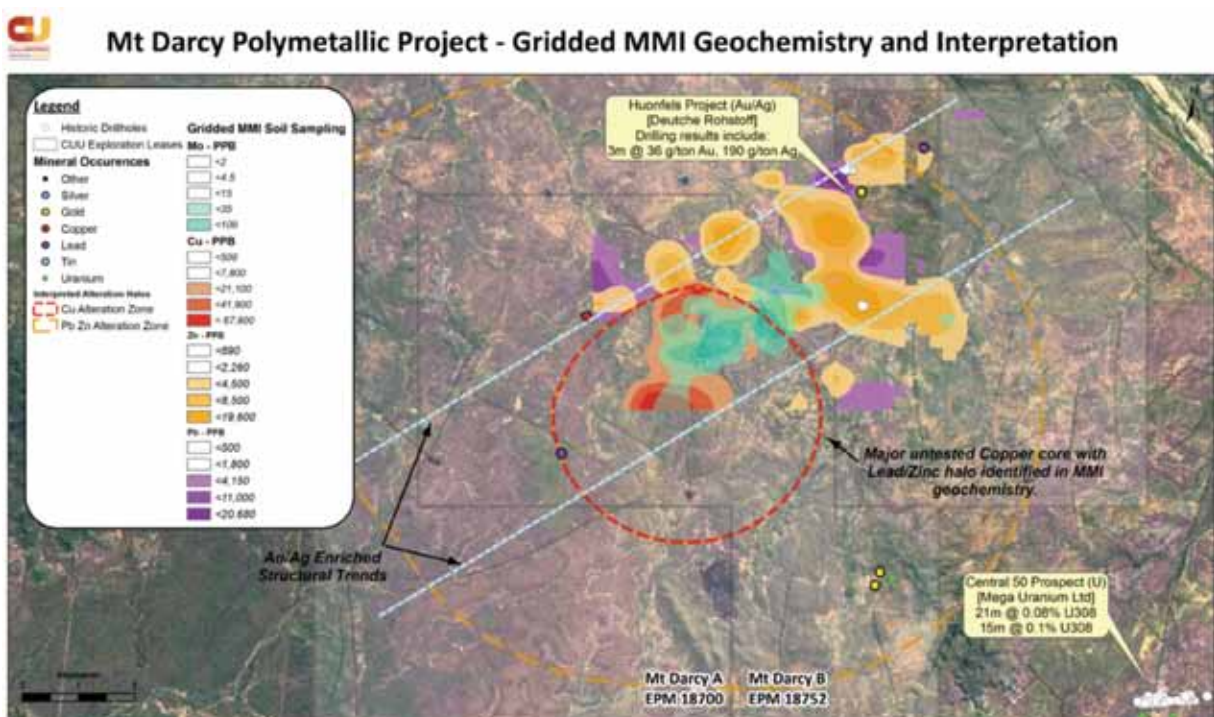
■ Georgetown gold project tenements.

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Mount Darcy Copper-Gold Project, Queensland (100% CUU)

The Mount Darcy project (EPMAs 18700 and 18752) is situated some 10 kilometres northwest of Georgetown and covers an area of caldera subsidence filled with younger sediments. The area is prospective for volcanic related uranium deposits of the Maureen and Ben Lomond type.

It also shows geochemical features typical of porphyry copper type zonation and is thought to be prospective for gold and copper deposits typical of the transitional zone between shallow epithermal gold deposits and deeper porphyry copper deposits.



■ Mount Darcy soil geochemistry highlighting zonation from central copper to outer lead zinc and silver.

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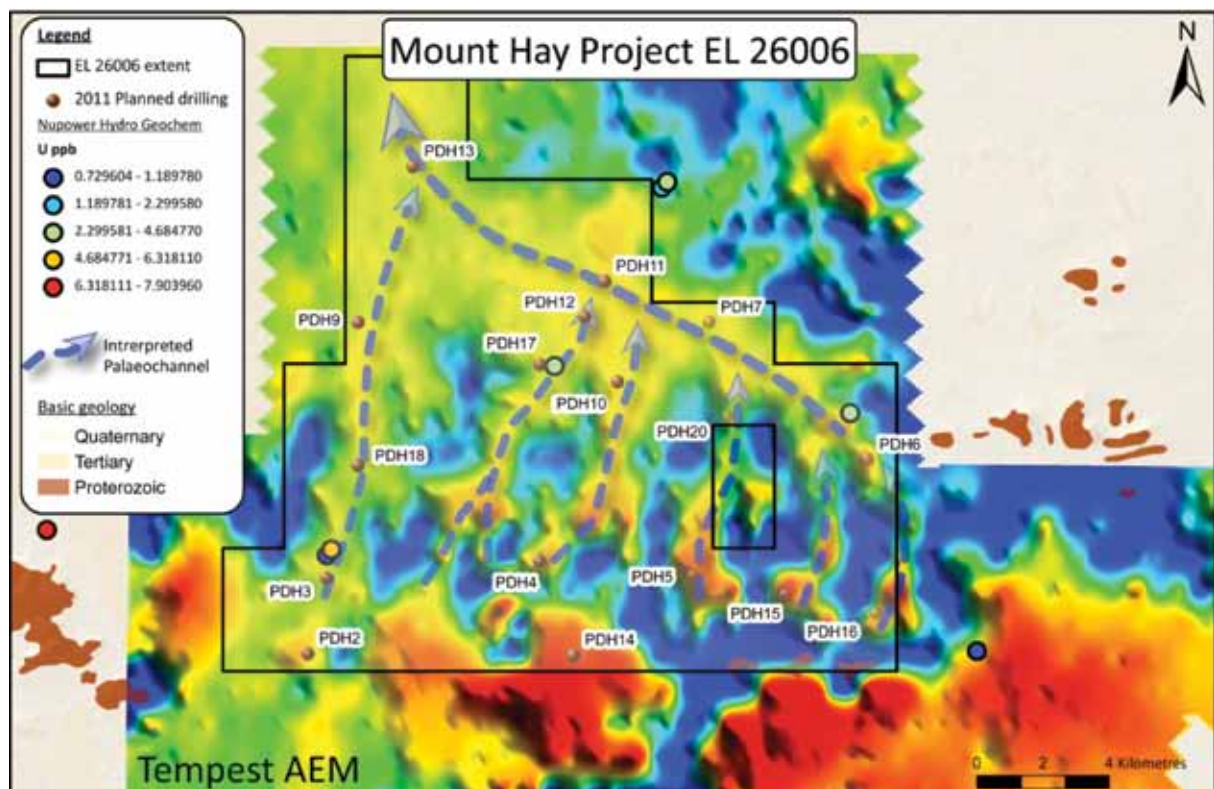
Arunta Uranium Projects, Northern Territory (100% CUU)

Callabonna has 3 main projects in the Arunta Inlier of the Northern Territory, Mount Hay (sedimentary palaeo-channel uranium target), Mount Denison (primary igneous related uranium target) and Moonlight (surficial calcrete uranium target).

The Arunta Inlier is considered to be highly prospective and largely underexplored terrain. A number of advanced exploration/development projects including Energy Metal's Bigryly (JORC 20.6Mlb U_3O_8 at 500ppm) and Arafura's Nolans Bore (JORC 13.3Mlb U_3O_8 , 0.85Mt 2.8% REO) lie within a 150 kilometre distance of the prospect, as does the recent discovery by Thunderlarra where uranium has been discovered in the Tertiary channels overlying the older geology.

Mount Hay Project

The Mount Hay project is located 50 kilometres west-northwest of Alice Springs. A series of north to north-west palaeochannels have been interpreted from a Tempest AEM survey conducted in 2009. A program of water bore sampling and hydrochemical interpretations indicate possible mid-channel precipitation of uranium in reduced rocks in the area. A drilling program consisting of 16 aircore holes has been designed to test for uranium mineralisation within these younger channels during the current field season.



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Mount Denison Project

The Mount Denison project lies approximately 250 kilometres northwest of Alice Springs. Callabonna's initial rock chip geochemistry returned high U_3O_8 values (268ppm to 979ppm) from both the unaltered Wangala Granite and altered schist compositions. Several samples also contained elevated Rare Earth Element (REE) signatures.

An MMI survey has been completed and several drill targets have been planned and cleared for drilling in the 2011 calendar year. The MMI soil samples are expected to provide additional drill targets beneath shallow cover sequences or possibly highlight areas of secondary uranium mineralisation.

Corporate Activities

Following approval from shareholders at the Company's Annual General Meeting on 24 November 2010, the Company undertook a consolidation of capital on a 1 for 20 basis, reducing the number of shares on issues from 1,225,561,495 to 61,278,075. The number of options on issue was also reduced by the same 1 for 20 ratio with a corresponding adjustment in each option's exercise price.



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Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Michael Raetz, a Director of the Company. Mr Raetz has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Mr Raetz as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Raetz consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Equivalent uranium values presented here were calculated by David Wilson of 3D Exploration Pty Ltd.

All holes were logged with an Auslog A75 total count gamma tool. The gamma tool was calibrated in Adelaide at the Department of Water, Land and Biodiversity Conservation in calibration pits constructed under the supervision of the CSIRO. These calibration pits have been shown to provide calibration standards for drill hole logging tools that are comparable to those at the DOE facility in Grand Junction, Colorado USA. The gamma tool measures the total gamma ray flux in the drill hole. Readings are averaged over 2 or 5 centimetre intervals and the reading and depth recorded on a portable computer. The gamma ray readings are then converted to equivalent U_3O_8 readings by using the calibration factors derived in the Adelaide calibration pits. These factors also take into account differences in hole size and water content.

The gamma radiation used to calculate the equivalent U_3O_8 is predominately from the daughter products in the uranium decay chain. When a deposit is in equilibrium, the measurement of the gamma radiation from the daughter products is representative of the uranium present. It takes approximately 2.4 million years for the uranium decay series to reach equilibrium. Thus, it is possible that these daughter products, such as radium, may have moved away from the uranium or not yet have achieved equilibrium if the deposit is younger than 2.4 million years. In these cases the measured gamma radiation will over or under estimate the amount of uranium present. The gamma radiation from the uranium daughter products measured at Curnamona North may not be in equilibrium due to one of the above factors. Callabonna Uranium Limited will conduct further studies in subsequent drilling programs to determine if disequilibrium is present.

Yours sincerely



Michael Raetz
Director