

28 May 2010

The Manager Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(3 pages by email)

Dear Madam

Drilling Recommended on Curnamona Uranium Project

Callabonna Uranium Limited ('Callabonna') is pleased to announce that drilling has commenced on its 100% owned Curnamona Uranium project in the Frome Embayment, South Australia.

The Frome Embayment (or Callabonna Sub-Basin), is one of Australia's premier uranium provinces and host to the Beverley Uranium Mine and the 4 Mile, Oban, Honeymoon and Gould's Dam deposits. Callabonna is the largest single lease holder in the Frome Embayment area with over 7,000km² of lease area.

A program of 14 mud rotary holes and up to 27 aircore holes is planned for an estimated total of 4,000 metres of drilling. This drill program is targeting previously defined sandstone channels in the Curnamona North leases. The program includes a combination of regional holes testing the prospective sandstone channels and follow-up holes designed to further test the channels around anomalous intercepts from drilling completed late last year.

All holes will be gamma probed and aircore samples will be selectively assayed based on the results of gamma probe readings. It is anticipated the drill program will continue until mid-July with first results (based on gamma-log results) available a shortly thereafter.

Yours sincerely



Stephen McCaughey
Managing Director

Registered Office
Level 2, 66 Hunter Street
Sydney NSW 2000
T: +61 2 9300 3366
F: +61 2 9221 6333
E: redwards@callabonna.com.au

Technical Office
6 Powlett Street
East Melbourne Vic 3002
T: +61 3 9417 2920
F: +61 3 9417 2728

Curnamona Uranium Project - Background



The Curnamona Uranium project is 100% owned by Callabonna and comprises two largely contiguous areas of exploration licenses covering a total of 7,051km² making Callabonna the largest single licence holder in the Frome Embayment.

The Curnamona project has been divided into two areas, being Curnamona North which comprises nine exploration licences totalling 4,514km² in area and Curnamona South which comprises six exploration licences covering 2,537km² in area.

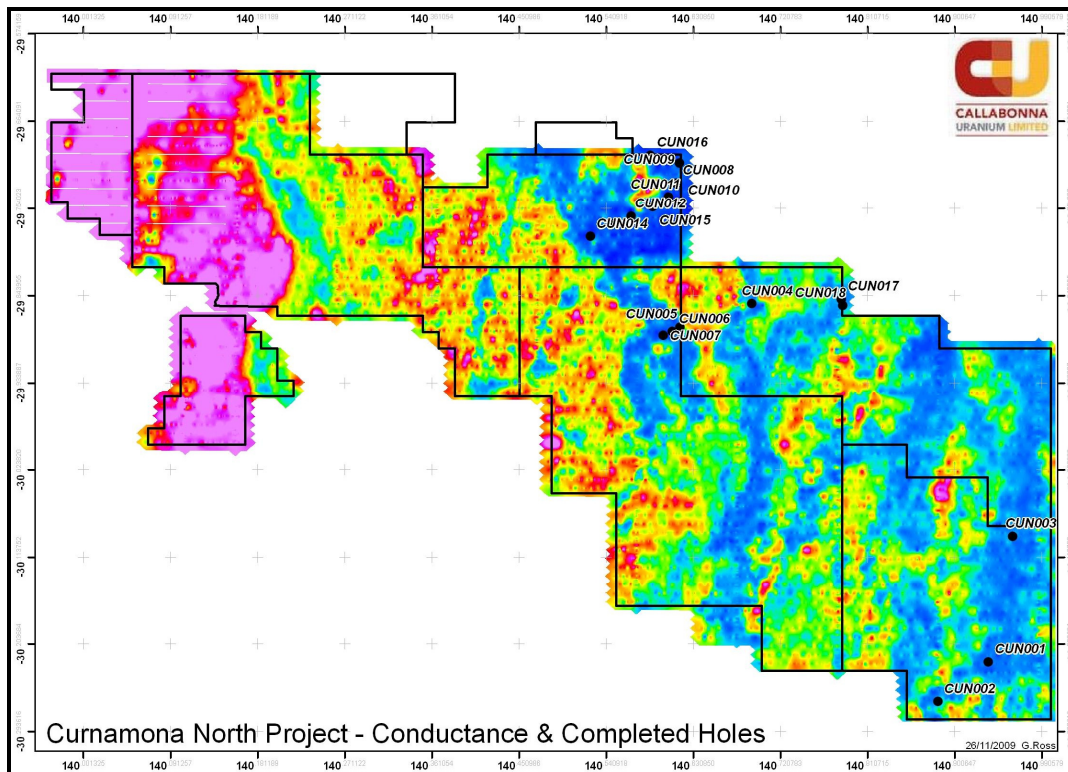
The Curnamona project is located in the Frome Embayment on the structural margin of the Curnamona Craton in South Australia about 50 to 100 kilometres northeast of the Beverley

Mine. At Curnamona North, Callabonna is one of the first explorers to systematically test the Frome Embayment where it overlaps the northeast tectonic margin of the Curnamona Craton in faulted contact with the interpreted undercover extension of Mt Painter Inlier. This is a geological setting comparable to the Beverley uranium mine and 4 Mile. The Company is primarily exploring for sandstone 'roll-front' style uranium deposits in Tertiary palaeo-channels of the Callabonna Sub-Basin in the Frome Embayment.

The projects cover large untested areas of comparable geology to all other Frome Embayment sedimentary style uranium deposits. Important strata layers found at the Curnamona projects include the Tertiary Eyre and Namba Formations which are correlated throughout the Callabonna Sub-Basin.

In late 2009 Callabonna commenced an initial wide spaced drilling program to test a series of interpreted Tertiary channels defined by Airborne Electro-Magnetics (AEM) surveys. These channels are considered highly prospective for sediment hosted uranium deposits similar to Beverley, 4 Mile and Honeymoon.

The AEM survey flown by Callabonna defined more than 150 kilometres of channel within the Curnamona North project area. An initial 40+ drill hole program was designed to test these various channels at very broad spacing throughout the project area. A total of 17 holes (1,875 metres) were completed before weather conditions forced the suspension of the drilling program. These holes were drilled to depths of 120-140 metres and then down-hole logged using a fully calibrated gamma tool to estimate the amount of U₃O₈ present in each hole.



Drill hole locations shown on an image of AEM data showing conductance at 50m depth

The results for the initial 17 reconnaissance holes were encouraging for a first pass test of such virgin terrain, with the best result being CUN-005, which intersected anomalous uranium at around 93 metres with a peak value of 70ppm eU_3O_8 and the best composite intercept of 0.5 metres @ 53ppm eU_3O_8 from 93.54 metres. CUN-005 was one of 3 holes drilled 1 kilometre apart across an interpreted channel which remains untested for 13.5 and 32 kilometres north and south respectively.

CUN-017 also intersected 22ppm eU_3O_8 over 0.5 metres from 25.54 metres within a narrow band of sand at the base of oxidation. A peak reading of 73ppm eU_3O_8 within that interval, against a background of 1-3ppm eU_3O_8 in the sand, indicates uranium development in this area. CUN-017 intersected free running sands at 42 metres resulting in a loss of water circulation and the hole was subsequently abandoned at 50 metres.

These initial uranium traces from the first wide spaced reconnaissance drilling are encouraging as they confirm the prospectivity of the channels in the project area and provide initial areas for follow up drilling.