CURNAMONA ENERGY LIMITED

ABN 28 112 712 115

ANNUAL REPORT 2011

Corporate Directory

Office Holders

Keith Robert Johnson, PhD *(Executive Chairman)*
Christopher William Giles, PhD *(Executive Director)*
Kenneth Graham Williams, BEc(Hons), MAppFin *(Non-executive Director)*
Edward James Grose, CPA *(Company Secretary)*

Registered and Principal Office

63 Conyngham Street
Glenside South Australia 5065

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email: info@curnamona-energy.com.au

Share Registrar

Computershare Investor Services Pty Limited
(ACN 078 279 277)
Level 5, 115 Grenfell Street
Adelaide South Australia 5000

Auditors

Deloitte Touche Tohmatsu
11 Waymouth Street
Adelaide South Australia 5000

Solicitors to the Company

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide South Australia 5000

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Front cover: Oban trial plant showing natural revegetation after unseasonal rain
Back cover: Flooded billabong on road to Oban, April 2011

Company Highlights

- *Field leach trial test work progressed using the purpose-built well house.*
- *No significant uranium detected in leach solutions, indicating either a leaching issue or a circulation problem.*
- *Regional exploration continued to find uranium mineralisation that warrants follow up drilling.*

Installation of Oban leach test well field

Sonic core from E003 showing yellow uranium minerals in coarse-grained sand

Sampling of lignitic clay for microprobe analysis

Chairman's Statement

21 October 2011

Dear Fellow Shareholders

Welcome to the post Fukushima world. Following the massive Japanese tsunami in March, in which the nuclear reactors along the coast at Fukushima were swamped such that massive damage occurred, the uranium mining industry has been hit by a tide of negativity and panic from politicians and the ill-informed. No one died from the nuclear accident whereas thousands perished in the tsunami. In the past six months many people have died mining coal in dangerous, and not so dangerous conditions. We have to look beyond those events to understand that nuclear power is an important source of sustainable clean energy and will inevitably have its day.

In reaction we now have an acceleration in gas-fired power from all types of sources which will likely have greater impacts than uranium mining and which still releases large amounts of greenhouse gases.

Curnamona Energy has struggled with its field leach trial at Oban. The reasons are not entirely clear but it is most likely that the bulk of the uranium minerals are contained in thin (5-20mm) bands of clay which occur in the sand bands that we are attempting to leach. These thins bands are not detected in the gamma and PFN logging and only show up in the core samples which are very difficult and expensive to obtain. In addition there is surplus calcium in solution in the ground water and this reacts with the sulphuric acid (the lixiviant to dissolve the uranium) to form insoluble gypsum.

Experiments with alternative lixiviants have dissolved some uranium in solution but the rates of dissolution are low and not acceptable. We suspect that this is due to the impervious nature of the clay bands. We have a third lixiviant solution which also works on the benchtop which we will test after the current pass. If that fails, we may then shut down this testing to conserve funds. The question of uranium recovery at the Oban deposit will have to remain in abeyance until we can obtain comprehensive core samples through the deposit, and better understand the distribution of uranium. This may mean that we have to purchase our own sonic coring equipment, as current contract rates are prohibitive for us.

Curnamona Energy has a large groundholding with numerous intersections being discovered in our regional drilling. We intend to shift the drilling focus back to other areas and also expand the search for other minerals on Curnamona's wholly owned exploration licences. Underlying the Tertiary sands are very prospective basement rocks and in several holes, where bottom of hole samples have been assayed, anomalous base metal values have been detected. While Curnamona has no rights to the base metal and gold in the basement rocks of the Havilah Resources tenements, it does have the rights to these commodities in its own tenements. We will turn our attention to those opportunities as they arise.

Curnamona staff have worked patiently towards achieving our goals but unfortunately we have yet to confirm our discovery as economic. We will persist in our endeavours.

Yours faithfully

Bob Johnson, Ph.D
Chairman

Curnamona Energy Limited ("Curnamona Energy") holds exploration rights over more than 5000 square kilometres of world class Tertiary palaeochannel terrain in the northeast of South Australia. Exploration work resumed after substantial rain in the previous year and concentrated on follow-up drilling of earlier anomalous intersections. Field leach trials at Oban ran intermittently throughout the year with disappointing results indicating that, in the area being tested, only minor uranium can be recovered at this stage of testing.

OBAN PROJECT

Background

The Oban prospect is located 60 kilometres north of the Honeymoon uranium deposit. Discontinuous roll front style uranium mineralisation in carbonaceous and pyritic palaeochannel sands was discovered in the region in the early 1980s by Marathon Petroleum Australia Ltd and subsequently followed up in 1998 by Paladin Resources NL during a period of depressed uranium prices.

The Oban uranium mineralisation is hosted by a horizontal lignitic, pyritic and carbonaceous lower sand member of the Eocene Eyre Formation at depths of between 80-90 metres. It is overlain by impervious clayey sediments of the Namba Formation and underlain by similarly clayey material. By analogy with the geologically similar Beverley and Honeymoon uranium deposits, the uranium mineralisation at Oban should be recoverable by in situ recovery (ISR) methods.

Curnamona Energy has previously published an Inferred Resource for the Oban deposit. However, in the light of new developments in evaluating the deposit, it has been resolved to refrain from restating the Resource until acceptable uranium recoveries are realised.

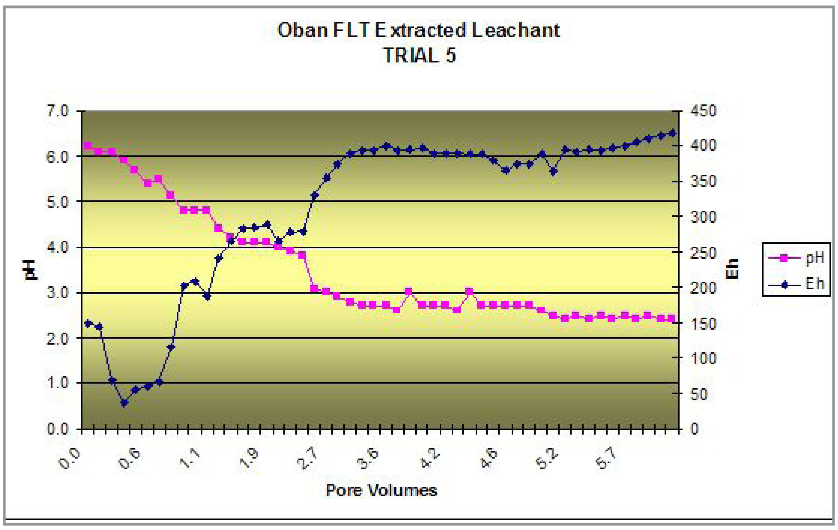
As the viability of this deposit is critically dependent on the recovery of uranium from the host sand, it was decided to carry out an initial test using a small scale processing plant in a field recovery trial. To reduce the financial risk exposure, the trial was split into two phases, the first to recover uranium from the host material, and the second to recover uranium from solutions produced. This rescheduling caused some delay in obtaining PIRSA approval, however the plant was constructed and successfully commissioned in the previous year.

Field Leach Trial

The trial plant is primarily a manifold system that allows the controlled circulation of acidified solution from the surface through the uranium bearing sands via a five well pattern, comprising four injection and one central extraction well. It simulates the expected normal production pattern for the Oban uranium deposit, in a manner analogous to other in situ recovery operations in the region, such as Beverley and Honeymoon.

Circulation of acidified solution commenced in July 2010 and since then the well house has performed according to design with acceptable flow rates through the sands being maintained for extended periods. Acid has been progressively added to reduce the pH of the circulating solution to the required levels. At the same time an oxidant was introduced to raise the Eh. Circulation in Trial 1 continued until mid-October 2010 however only low levels of uranium were detected in leach solutions. Other trials were conducted using smaller pumps and restricted screens to see if leach solutions were bypassing mineralisation through more permeable sands.

To further investigate the leach results, a series of three sonic core holes was drilled south of the initial leach pattern. Assays of the cores confirmed the presence of uranium in leachable sands but also showed a significant amount of mineralisation hosted in lignitic clay which is probably not leachable. The core holes were cased and screened and further leach trials have been conducted between pairs of wells. The progressive change in pH and Eh is illustrated graphically for Trial 5, see below. Again no significant uranium was detected.



Graph illustrating the progressive lowering of pH (from 6 to 2.5) and increase in oxidation potential during Trial 5. The test continued for three weeks.

Samples of core were examined by scanning electron microscopy and this showed that in addition to uranium minerals aggregating with pyrite, there are occurrences of phosphatic uranium which may not be leachable.

The reason for the lack of uranium in leach solutions still remains unclear. Further tests are planned and additional sonic core testing may be needed in other parts of the Oban deposit to locate suitable mineralisation.

Regional Exploration

Regional exploration work resumed following unseasonal rainfall in the previous year which caused extensive flooding and prevented access.

Exploration drilling mainly concentrated on the Mt John prospect located within the Yarramba palaeochannel approximately 20 kilometres north (downstream) of the Honeymoon uranium mine. Drilling at this location 5 years ago resulted in anomalous drill intercepts in wide spaced drillholes, often 400m apart.

Drilling this year has comprised 62 holes generally at 200m and 100m spacing. Encouraging results have included CEM166 (2.85m at 0.03 %eU_3O_8), CEM177 (1.7m at 0.04 %eU_3O_8), CEM172 (1.15m at 0.04 %eU_3O_8), and CEM175 (1.15m at 0.03 %eU_3O_8).

FUTURE PLANS

Curnamona Energy's immediate objective is to continue the field leach trial tests using the existing plant, with the aim of establishing uranium recoveries from the sands. This will provide uranium bearing solutions for the second phase of test work and will generate key information from which the economics of the operation can be determined.

FINANCE

On 31 July 2011 Curnamona Energy had a cash balance of approximately $2.2 million. $1.2 million was expended during the year.

The information in this report has been prepared by Dr Bob Johnson who is a member 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. They have sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration to qualify as Competent Persons as defined in the JORC Code 2004. Drs Johnson and Giles consent to the release of the information compiled in this report in the form and context in which it appears.

Sonic core drilling at Oban trial site

Schedule of Tenements

Tenement Number	Tenement Name	Area (sq km)	Registered Holder	Project
EL 3586	Benagerie	585	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 3694	Emu Dam	614	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4133	Chocolate Dam	59	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4225	Lake Charles	322	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4259	Lake Namba	516	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4260	Swamp Dam	53	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4261	Telechie	347	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4262	Yalu	491	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4441	Billeroo West	176	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 4691	Mulyungarie	1139	Havilah Resources NL (Tenement Access Agreement)	Curnamona Craton
EL 3748	Jacks Find	103	Curnamona Energy Limited	Curnamona Craton
EL 3749	Kopi Flat	750	Curnamona Energy Limited	Curnamona Craton
EL 3750	Thurlooka	585	Curnamona Energy Limited	Curnamona Craton
EL 3770	Yalkalpo East	76	Curnamona Energy Limited	Curnamona Craton
EL 3771	Moolawatana	483	Curnamona Energy Limited	Curnamona Craton
EL 3772	Billeroo	129	Curnamona Energy Limited	Curnamona Craton
EL 3820	Frome	53	Curnamona Energy Limited	Curnamona Craton
EL 3868	Coonee	136	Curnamona Energy Limited	Curnamona Craton
EL 4218	Yalkalpo	195	Curnamona Energy Limited	Curnamona Craton
EL 4275	Prospect Hill South	30	Curnamona Energy Limited	Curnamona Craton

Statutory Reports

Corporate Governance Statement

This section summarises the corporate governance policies and procedures of Curnamona Energy Limited ("Curnamona").

The Board of Directors of Curnamona aims to achieve the highest standards of corporate governance and has established corporate governance policies and procedures consistent with the ASX Corporate Governance Council's publication "Principles of Good Corporate Governance and Best Practice Recommendations".

Curnamona's board composition, the small number of directors and the governance structure reflect the Company's position as a small capitalisation junior mineral explorer currently with no source of regular income. In Curnamona's case its mineral tenements and any mineral resources that it discovers are of greater value and risk than purely financial assets. As a result the Board believes that not all of the recommendations are appropriate to Curnamona. Any departures from the recommendations are outlined in this section.

BOARD CHARTER

The Board of Directors monitors the progress and performance of Curnamona on behalf of its shareholders, by whom it is elected and to whom it is accountable. The Board Charter, which is summarised below, seeks to ensure that the Board discharges its responsibilities in an effective and capable manner.

Board Responsibilities

The Board's primary responsibility is to satisfy the expectations and be a custodian for the interests of its shareholders. In addition, the Board seeks to fulfil its broader ethical and statutory obligations, and ensure that Curnamona operates in accordance with these standards. The Board is also responsible for identifying areas of risk and opportunity, and responding appropriately.

The responsibility for the administration and functioning of Curnamona is delegated by the Board to a company owned by the Executive Chairman, which has a management contract with the Company, and a company owned by the Technical Director, which has a consulting contract with the Company. By monitoring the performance of these contracts, the Board ensures that Curnamona is appropriately administered and managed.

Through regular and frequent contact between the Board and management and by monitoring management's activities, reports and performance, the Board ensures that management is aware of and responsive to the risks, opportunities and priorities recognised by the Board.

The Board guides the composition of a strategic planning process which adheres to the interests and expectations of Curnamona's shareholders, and develops policies that manage risks and opportunities, and monitors company progress, expenditure, significant business investments and transactions and key performance indicators.

Curnamona's Board retains the power to make all investment decisions.

Composition of the Board

It is a policy of Curnamona that the Board comprises individuals with a range of knowledge, skills and experience that are appropriate to its activities and objectives. Curnamona's three current directors are professionally qualified and have pertinent skills in mineral exploration, mineral resource/reserve evaluation, mine planning and development, financial risk management and project financing, which are directly relevant to the Company's activities.

The number of directors must not be less than three. Currently, the Board is comprised of Dr Bob Johnson, the Executive Chairman, who is engaged via a consulting contract with a company associated with him; Dr Chris Giles, the Executive Technical Director, who is engaged via a consulting contract with a company associated with him; and Mr Ken Williams who is an independent Non-executive Director. Information on the directors is contained on page 13 of this annual report. The Board considers that the current composition of the Board is ideal for a company of Curnamona's size, having regard to the mix of skills and expertise, and capacity for efficient decision making.

Directors can seek independent advice at the expense of the Company, and have access to the Company Secretary at all times.

Independence

Curnamona does not have a majority of independent directors and maintains that to add two further directors to achieve this will mean significant additional expense and make for less efficient decision making, which would be to the detriment of a very small mineral exploration company such as Curnamona. The Chairman is not an independent director, and again to achieve this for a small company such as Curnamona would make for an inefficient board and management. It is the Board's contention that all directors, whether independent or not, can and should act objectively at all times in the best interests of the Company and its shareholders.

Curnamona's policy is that any director must abstain from discussions and voting on any matters with which that director is associated and therefore potentially conflicted, and this policy is strictly observed.

Nomination Committee

In view of the small size of Curnamona's Board, the Board in its entirety acts, effectively, as a nominations committee. As such, the Board believes that a separate nomination committee is unnecessary for Curnamona.

Nomination, Appointment and Retirement of Directors

If a vacancy occurs or if it is considered that the Board would benefit from the services and skills of an additional director, the Board selects a panel of candidates with appropriate expertise and experience, and appoints the most suitable candidate. Any such appointee would be required under the constitution to retire at the next annual general meeting and is eligible for election by shareholders at that meeting.

For directors retiring by rotation, the Board assesses that director before recommending re-election.

Compensation Arrangements and Remuneration Committee

The remuneration of the Non-executive Director of Curnamona is reviewed by the Board and approved by the other directors. The Technical Director and Chairman have consulting contracts with Curnamona via their respective associated companies on industry standard commercial terms, which are approved by the non-associated directors.

The Board believes that the small size of the Board and the fact that remuneration matters are monitored by the Board in its entirety, having regard to industry standard norms, makes a separate remuneration committee unnecessary and inappropriate.

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently $100,000. This cannot be increased without approval of Curnamona's shareholders.

Information on remuneration of directors is contained on pages 16 to 19 of this annual report.

D&O Insurance and Indemnity

The Company maintains a Directors and Officers and Company Reimbursement Insurance Policy.

Performance Evaluation

The small size of the Board and the high risk nature of the Company's exploration activities make the establishment of a formal performance evaluation strategy unnecessary. Performance evaluation is a discretionary matter for consideration by the entire board and in the normal course of events the Board will review performance of the management, directors and board as a whole.

LOCAL INDIGENOUS COMMUNITIES

Curnamona has a policy that respects the culture and rights of all indigenous peoples with whom it comes into contact, and will consider assistance to any such communities that are deprived, with community benefit programs. This assistance will normally focus on health, education, training and employment of indigenous people who are directly affected by Curnamona's exploration and development projects.

ENVIRONMENT

Curnamona has a policy of best practice management of the environmental impacts of exploration, development and mining, in accordance with the prevailing regulations.

BUSINESS RISKS

Curnamona is involved in the high risk business of mineral exploration in which successful outcomes are the exception. Consequently the Company's major business risk is that its capital will be exhausted prior to making a successful discovery that can be converted into a profitable mine.

The Board aims to reduce this investment risk by extremely judicious selection of projects and careful drilling of only the best targets, and in this way Curnamona is able to maximise the chances of success while minimising expenditure.

The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future energy prices.

CODE OF CONDUCT

The Board acknowledges the need for the highest standards of corporate governance practice and ethical conduct by all directors, consultants and contractors of Curnamona. The Board strives to provide leadership in this regard so that a culture of honesty and integrity is engendered in the Company. In this regard it is expected that all Curnamona directors, consultants and contractors will preserve the highest standards of integrity, accountability and honesty in their dealings, operating in strict adherence to statutory and ethical obligations. Given that Curnamona has few full time employees and only a handful of consultants and contractors employed at various times, mentoring and monitoring compliance is straightforward.

SECURITIES TRADING POLICY

As a result of the nature of Curnamona's exploration activities, directors, consultants and contractors of Curnamona will sometimes be in possession of sensitive information that could be classified as "inside" knowledge. They may also be aware of potential transactions between Curnamona and other companies.

Curnamona has adopted a code of conduct that prohibits its directors, consultants and contractors from either buying or selling any shares in the Company while they are in possession of any potentially market sensitive information prior to its public release to the ASX. This is designed to specifically prevent any insider trading by any director, consultant or contractor of Curnamona.

Supervisory and Compliance Procedures

Curnamona has procedures to ensure all directors, consultants and contractors of Curnamona are familiar with these policies, that they are reviewed on a regular basis and updated as necessary.

The trading activity of each director, consultant and contractor is reviewed on a monthly basis by monitoring share movement reports.

AUDIT COMMITTEE

Owing to its small size and limited number of directors, Curnamona has not formed an audit committee. Curnamona's financial statements are relatively simple and can be effectively monitored via trial balances, which are compiled monthly by the Company Secretary, who is a CPA. The Board has established internal controls, whereby all invoices must be approved by one or more non-associated directors before payment by the Company Secretary. Large sums of money cannot be paid or transferred without signature by two persons including the Company Secretary, the Chairman and/or the Technical Director.

The Board considers that ongoing monitoring of Curnamona's financial statements by the half yearly external review and annual external audit (for the half yearly financial report and annual report respectively) and quarterly compilations for the Appendix 5B releases provides adequate safeguards, given the relative simplicity of Curnamona's financial statements.

Each director makes a point of satisfying himself concerning the validity of the financial statements before they are signed off. One of the directors, Mr Ken Williams, is a financial expert.

EXTERNAL AUDITOR ATTENDANCE AT ANNUAL GENERAL MEETINGS

The external auditor attends annual general meetings and is available to answer questions from shareholders on the auditor's report and the conduct of the audit.

CONTINUOUS DISCLOSURE POLICY

Curnamona is committed to continuous disclosure of material information as a means of promoting transparency and investor confidence. Curnamona's practices are designed to ensure Curnamona is fully compliant with the ASX Listing Rules, including in particular those relating to continuous disclosure. Curnamona's record of timely disclosure of market sensitive information and lack of any evidence of pre-announcement "leaks" indicates its compliance in this regard.

SHAREHOLDER COMMUNICATIONS STRATEGY

Curnamona places great importance on the communication of accurate and timely information to its shareholders and market participants and recognises that efficient and continuous contact with stakeholders is an essential part of earning their trust and loyalty. Shareholders are actively encouraged to communicate with the Company. Interested persons can join an email list to be notified of important announcements to the ASX.

Investment Briefings

Curnamona holds investment briefings for shareholders, analysts and other interested parties at various locations and times when directors believe it is appropriate. All information provided at these briefings is provided in accordance with Curnamona's continuous disclosure obligations.

Website: www.curnamona-energy.com.au

Curnamona believes its website is its most effective communication medium with shareholders, and therefore expends some effort keeping information on its website up to date and relevant. ASX announcements, quarterly reports and presentations plus relevant diagrams and photographs are regularly posted on Curnamona's website.

Directors' Report

The directors of Curnamona Energy Limited submit herewith this directors report and the attached annual financial report of the Company for the financial year ended 31 July 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Keith Robert Johnson
Christopher William Giles
Kenneth Graham Williams

Details of the directors are:

Keith Robert Johnson (Executive Chairman) BSc(Hons), PhD, FAusIMM, aged 64

Dr Bob Johnson, a geologist, is one of the world's leading practitioners of the application of computers to geological modelling and mine planning.

His company, Maptek Pty Ltd, is a major supplier of technical mining software with a network of integrated offices across Australia, North and South America, Africa and Europe marketing the interactive Vulcan mining system. This experience has provided a broad understanding of orebodies and of the role of 3D geometry in structural geology.

Dr Johnson, a resident of Adelaide, is a Fellow of the Australasian Institute of Mining and Metallurgy and a Member of the American Society of Mining Engineers.

Christopher William Giles (Executive Technical Director) BSc(Hons), PhD, MAIG, aged 57

Dr Chris Giles is an experienced geologist, having supervised exploration programs for a variety of organisations all over the world.

During his career he has worked on exploration teams that have been directly responsible for the discovery of six operating gold mines. As exploration manager of East African Gold Mines Limited he was responsible for ground selection and supervising initial exploration programs that resulted in the discovery of two substantial gold deposits in the Mara region of Tanzania that are currently in production.

Dr Giles is a resident of Adelaide and a Member of the Australian Institute of Geoscientists.

Kenneth Graham Williams (Non-executive Director) BEc(Hons), MAppFin, MAICD, aged 50

Mr Williams has extensive experience in mining finance, and his skills complement the technical skills of Drs Johnson and Giles. Mr Williams has previously held roles in the treasury operations at Qantas Airways Limited and Normandy Mining Limited, before becoming Chief Financial Officer of Normandy, then Group Executive Finance and Business Manager at Newmont Australia Limited. He is currently non-executive director on a number of public, private and not-for-profit boards.

Mr Williams is a resident of Adelaide and a member of the Australian Institute of Company Directors.

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	**Company**	**Period of Directorship**
K R Johnson	Havilah Resources Limited	since February 1997
K R Johnson	Geothermal Resources Limited	since July 2005
C W Giles	Havilah Resources Limited	since February 1997
C W Giles	Geothermal Resources Limited	since July 2005
K G Williams	Havilah Resources Limited	since November 2003
K G Williams	Geothermal Resources Limited	since July 2005
K G Williams	AWE Limited	since August 2009

Company Secretary

Edward James Grose CPA, aged 64

Mr Grose has been employed by Maptek Pty Ltd for 17 years as financial controller. Prior to that he worked for four years in a public accounting practice and has also had 20 years in the banking industry in a variety of roles. Mr Grose is a resident of Adelaide and a member of CPA Australia.

PRINCIPAL ACTIVITY

The principal activity of the Group (Curnamona Energy Limited and its controlled entities) is exploration for uranium deposits.

DIVIDENDS

No dividends were paid or declared since the start of the financial year, and the Directors do not recommend the payment of dividends in respect of the financial year.

REVIEW OF OPERATIONS

During the year the Group continued with the field leach trial on the Oban uranium deposit. The well house and circulation system between injector wells and extractor well performed largely according to expectations. However, only minor amounts of uranium were detected in the circulating solutions under optimum acidity and Eh leaching conditions. Further test work was ongoing at the end of the year in order to investigate possible reasons for these unexpected results.

An active regional exploration program was maintained during the year, and promising results were received from several outlying prospects. There is a high potential to outline significant resources in these areas with further follow up drilling.

CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Group.

SUBSEQUENT EVENTS

There has been no matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATIONS

The Group carries out exploration activities on its exploration tenements in South Australia.

The Group's exploration operations are subject to environmental regulations under the various laws of South Australia and the Commonwealth. The Group adopts a best practice approach in satisfaction of the regulations. No breaches of the regulations have occurred during the year.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

SHARE OPTIONS

During and since the end of the financial year 16,526,874 bonus share options were issued to shareholders pursuant to a prospectus dated 16 November 2010. These options are listed on the Australian Securities Exchange. During and since the end of the financial year 9,131 of these options were exercised.

During and since the end of the financial year 1,690,000 options to acquire ordinary shares in the Company were granted under the Company's Employee Share Option Plan, 500,000 of these options were cancelled prior to year end, 620,000 options previously granted under the Company's Employee Share Option Plan were cancelled and 300,000 options previously granted under the Company's Employee Share Option Plan lapsed.

During and since the end of the financial year 4,000,000 share options were granted to the directors of the Company as part of their remuneration.

During and since the end of the financial year, the following options to acquire ordinary shares in the Company were granted, cancelled, exercised or expired, in relation to the Directors Share Option plan.

	Options issued		Options cancelled	Options exercised		Options expired
Directors	Number of options issued	Number of ordinary shares under option	Number of options cancelled	Number of options exercised	Number of ordinary shares granted on exercise	Number of options expired
K R Johnson	1,800,000	3,600,000	-	-	-	-
C W Giles	1,800,000	3,600,000	-	-	-	-
K G Williams	400,000	800,000	-	-	-	-

SHARE OPTIONS (continued)

During the financial year no options were exercised by directors and no options granted under the Company Employee Share Option Plan were exercised.

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Number of ordinary shares under option	Class of shares	Exercise price of option	Expiry date of option
Curnamona Energy Limited (1)	4,000,000	Ordinary	$1.11	10 Jan 2013
Curnamona Energy Limited (1)	4,000,000	Ordinary	$0.31	23 December 2014
Curnamona Energy Limited (2)	260,000	Ordinary	$0.36	31 March 2014
Curnamona Energy Limited (2)	1,190,000	Ordinary	$0.31	23 December 2014
Curnamona Energy Limited (3)	16,517,743	Ordinary	$0.35	29 November 2013

(1) Director options
(2) Options issued under Employee Share Option Plan
(3) Issued pursuant to a prospectus dated 16 November 2010.

DIRECTORS' INTERESTS

The following table sets out each director's relevant interest in shares and options of the Company or a related body corporate as at the date of this report.

Directors	Fully Paid Ordinary Shares	Share Options - Listed	Share Options -Unlisted
K R Johnson	1,810,000	452,500	3,600,000
C W Giles	4,448,028	1,312,007	3,600,000
K G Williams	259,600	64,900	800,000

MEETINGS OF DIRECTORS

The following table sets out the number of directors' meetings held during the financial and the number of meetings attended by each director.

Name	Held	Attended
K R Johnson	5	5
C W Giles	5	5
K G Williams	5	5

Due to the Company's size and activities the Company does not have audit or remuneration committees.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 44 of the annual report.

NON-AUDIT SERVICES

The Directors are of the opinion that the services as disclosed in Note 19 to the financial statements do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year the Company paid a premium in respect of a contract insuring the directors and officers of the Company against a liability incurred as such by a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability, incurred as such by an officer or auditor.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors, other key management personnel of the Company and the Group and the Company Secretary.

Director and other key management personnel details

The following persons acted as directors or other key management personnel of the Company and the Group during or since the end of the financial year:

- K R Johnson (Executive Chairman)
- C W Giles (Executive Technical Director)
- K G Williams (Non-executive Director)

Key management personnel of the Company and the Group only comprise the above named persons.

Company Secretary detail

The following person acted as Company Secretary for the Company during or since the end of the financial year:

- E J Grose

Relationship between the remuneration policy and company performance

The tables below set out summary information about the Group's earnings and movements in shareholder wealth to 31 July 2011:

	31 July 2011 $	31 July 2010 $	31 July 2009 $	31 July 2008 $	31 July 2007 $
Revenue	196,448	281,925	410,175	608,546	375,429
Net loss before tax	(761,671)	(439,221)	(326,179)	(2,875,460)	(283,479)
Net loss after tax	(769,578)	(439,221)	(326,179)	(2,875,460)	(393,127)

	31 July 2011	31 July 2010	31 July 2009	31 July 2008	31 July 2007
Share price at beginning of the year	$0.18	$0.56	$0.42	$1.78	$0.39
Share price at end of year	$0.09	$0.18	$0.56	$0.42	$1.78
Basic earnings per share	(1.16)cents	(0.66)cents	(0.50)cents	(4.45)cents	(0.65)cents
Diluted earnings per share	(1.16)cents	(0.66)cents	(0.50)cents	(4.45)cents	(0.65)cents

No dividends have been declared during the five years ended 31 July 2011 and the Directors do not recommend the payment of a dividend in respect of the year ended 31 July 2011.

There is no link between the Group's performance and the setting of remuneration except as discussed below in relation to options for directors, other key management personnel and company secretary.

Remuneration philosophy

The performance of the Group depends on the quality of its directors and other key management personnel and therefore the Group must attract, motivate and retain appropriately qualified industry personnel. The Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract and retain high calibre directors and other key management personnel;
- link executive rewards to shareholder value (by the granting of share options);
- link rewards with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

There is currently no policy or monitoring of key management personnel's limiting their risk in relation to issued options.

Remuneration policy

Due to its size, the Group does not have a remuneration committee. The compensation of directors is reviewed by the Board of Directors with the exclusion of the director concerned. The compensation of other key management personnel is reviewed by the Board of Directors.

The Board of Directors assesses the appropriateness of the nature and amount of remuneration of such persons on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from retention of high quality directors and other key management personnel. External advice on remuneration matters is sought whenever the Board of Directors deems it necessary.

Issues of share options to directors as part of their remuneration in prior years were not dependent on the satisfaction of performance conditions. This was considered appropriate after consideration of industry practice and the operations of the Company at the time of issue.

During the current year, share options have been issued to directors, some of which are dependent on the satisfaction of performance conditions as set out below. These conditions have been determined to align the performance of the directors with the performance of the Company.

The remuneration of other key management personnel and company secretary is not dependent on the satisfaction of performance conditions, other than the share options that have been granted in the current year.

REMUNERATION REPORT (continued)

Executive Director remuneration

The Board of Directors seeks to set remuneration of executive directors at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Group's development.

Currently the Group has service agreements with entities associated with K R Johnson and C W Giles, details of which are set out below.

Non-Executive Director remuneration

The Board of Directors seeks to set remuneration of the non-executive director at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Group's development.

Currently, as non-executive director, K G Williams is entitled to receive $20,000 per annum.

Company Secretary remuneration

E J Grose is the Company's secretary. He is an employee of an entity associated with K R Johnson and receives no remuneration from the Group.

Consultancy Agreements

The Group has entered into consultancy agreements with related entities of K R Johnson and C W Giles. Should the agreements be terminated at an earlier date, a contingency exists for the contracted amount payable to the end of the term. As at 31 July 2011, the Group had a contingent liability in relation to these agreements of $103,644 (2010: $241,836).

Details of consultancy agreements outstanding as at 31 July 2011 are set out below. The Directors may terminate the agreement by giving one month's notice.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per year at $69,096 per annum, with additional hours at the rate of $100 per hour.	Three years from 19 April 2005 with an option for the Group to extend the term for a further two years on two occasions. The Group elected to extend the agreement for a further two years on 19 April 2010.
C W Giles	Consultancy	Minimum of 600 hours per year at $69,096 per annum, with additional hours at the rate of $100 per hour.	Three years from 19 April 2005 with an option for the Group to extend the term for a further two years on two occasions. The Group elected to extend the agreement for a further two years on 19 April 2010.

Share-based payments granted as compensation for the current year

Curnamona Energy Limited operates an ownership-based share option scheme for executives, employees and contractors of the Company. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, the Directors may grant to executives, employees and contractors options to purchase parcels of ordinary shares at an exercise price set by the Directors.

Each share option converts into one ordinary share of Curnamona Energy Limited when exercised.

Other than the share options issued to directors above, no other share options have been issued to key management personnel.

Summary of amounts paid to key management personnel and company secretary

The following table discloses the compensation of the key management personnel and company secretary (E J Grose):

2011	Short term employee benefits (including Consulting Fees*) $	Post Employment Superannuation $	Share-based payments options** $	Total $	Percentage of total remuneration for the year that consists of options
K R Johnson	69,096*	-	113,807***	182,903	62%
C W Giles	70,296*	-	113,807***	184,103	62%
K G Williams	20,000*	-	25,290***	45,290	56%
E J Grose	-	-	-	-	-
Total	159,392	-	252,904	412,296	

REMUNERATION REPORT (continued)

2010	Short term employee benefits (including Consulting Fees*) $	Post Employment Superannuation $	Share-based payments options** $	Total $	Percentage of total remuneration for the year that consists of options
K R Johnson	72,113*	-	-	72,113	-
C W Giles	89,367*	-	-	89,367	-
K G Williams	20,000*	-	-	20,000	-
E J Grose	-	-	74***	74	100%
Total	181,480	-	74	181,554	

* *Consulting fees paid to nominated company in which key management personnel have a controlling interest.*
** *Share options do not represent cash payments to key management personnel and company secretary. Share options granted may or may not be exercised by key management personnel.*
*** *Amortisation of options granted over vesting period.*

No key management personnel appointed during the year received a payment as part of their consideration for agreeing to hold the position.

Share options held by key management personnel and company secretary

During the financial year, the following share options were on issue:

Options series	Issue date	Expiry date	Issue date fair value	Vesting date
Director options	19 December 2007	10 January 2013	$0.70	10 January 2008
Director options	24 December 2010	23 December 2014	$0.08	**
Issued 20 August 2005	29 August 2005	29 August 2010	$0.29	*

* *One fifth of the options vest in each year (on the issue date in the first year and the anniversary of the issue date in subsequent years) and can be exercised in that year upon vesting. Options not exercised during a particular year will accumulate and may be exercised in subsequent years until their expiry.*

** *One half of the options vest immediately and one half will only vest:*
- *During a bid period;*
- *At any time after a change of control event has occurred;*
- *If, on an application under section 411 of the Corporations Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction on the Company or its amalgamation with any other company;*
- *If the market capitalisation of the Company at the time the options are issued to each director is doubled.*

There are no performance criteria that need to be met in relation to options granted to directors on 19 December 2007 before the beneficial interest vests in the recipient. If at any time prior to the expiry date of the options, a director ceases to be a director of the Company for any reason other than retirement, permanent disability, redundancy or death, all options held by the director or his permitted nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of:

- The expiry of the period of one calendar month from the date of such occurrence, and
- The expiry date.

Executives, employees and contractors receiving options under option series issued on 29 August 2005 are entitled to the beneficial interests only if they continue to be employed with the Company at the time of the respective vesting dates.

The Directors have decided that the performance conditions associated with options are appropriate, after consideration of industry practice.

During the year ended 31 July 2011:

- 4,000,000 Curnamona Energy Limited share options were issued to key management personnel or company secretary (E J Grose). The value of these options was $314,994;
- 100,000 share options held by key management personnel or company secretary lapsed during the year. The value of these share options was nil;
- No share options held by key management personnel or company secretary were exercised during the year.

Value of options – basis of calculation

- Value of options granted at issue date is calculated by multiplying the fair value of options at issue date by the number of options granted during the financial year.
- Value of options exercised at exercise date is calculated by multiplying the fair value of options at the time they are exercised (calculated as the difference between exercise price and the Australian Securities Exchange last sale price on the day that the options were exercised) by the number of options exercised during the financial year.
- Value of options lapsed at the lapse date is calculated by multiplying the fair value of options at the time they lapsed by the number of options lapsed during the financial year.

REMUNERATION REPORT (continued)

The total value of options included in compensation for the financial year is calculated in accordance with Accounting Standard AASB 2 "Share-based Payment". Options granted during the financial year are recognised in compensation over their vesting period.

Signed on 21 October 2011 in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors

K R Johnson (Chairman)
Adelaide

CURNAMONA ENERGY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 JULY 2011

	Note	Year ended 31/7/11 $	Year ended 31/7/10 $
Revenue	3(a)	196,448	281,925
Depreciation and amortisation expense	9	(204,492)	(206,589)
Management fees		(178,852)	(178,852)
Insurance expense		(20,592)	(20,115)
Employee leave expense		(30,679)	(2,279)
Share-based payments		(342,916)	(65,124)
Directors fees		(20,000)	(20,000)
ASX listing fees		(25,761)	(23,651)
Shareholder administration expenses		(27,224)	(15,349)
Audit fees		(30,500)	(29,000)
Finance costs - Interest on finance leases		(3,805)	(8,143)
Finance costs – Interest on equipment loans		(13,418)	(20,630)
Printing expense		(4,500)	(2,135)
Motor vehicle expense		(1,362)	(6,138)
Salary expense		(36,159)	(72,944)
Consulting fees		-	(23,300)
Other expenses		(17,859)	(26,897)
Loss before tax	3(b)	(761,671)	(439,221)
Income tax expense	4(d)	(7,907)	-
Net loss for the year		(769,578)	(439,221)
Other comprehensive income		-	-
Total comprehensive income for the year		(769,578)	(439,221)
Earnings per share			
- Basic (cents per share) (loss)	22	(1.16)	(0.66)
- Diluted (cents per share) (loss)	22	(1.16)	(0.66)

Notes to the financial statements are included on pages 24 to 42

CURNAMONA ENERGY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2011

	Note	31/7/11 $	31/7/10 $
Current Assets			
Cash and cash equivalents	5	2,291,362	4,195,694
Trade and other receivables	6	26,152	40,968
Other	7	16,217	15,968
Total Current Assets		2,333,731	4,252,630
Non-Current Assets			
Exploration and evaluation expenditure	8	8,387,968	7,048,774
Plant and equipment	9	811,305	1,014,616
Other financial assets	21(d)	300,000	-
Total Non-Current Assets		9,499,273	8,063,390
TOTAL ASSETS		11,833,004	12,316,020
Current Liabilities			
Trade and other payables	10	135,039	167,912
Borrowings	11	117,694	133,909
Provisions	12	48,050	64,802
Total Current Liabilities		300,783	366,623
Non-Current Liabilities			
Borrowings	13	6,133	123,827
Provisions	14	142,418	-
Other	15	50,000	50,000
Total Non-Current Liabilities		198,551	173,827
TOTAL LIABILITIES		499,334	540,450
NET ASSETS		11,333,670	11,775,570
Equity			
Issued capital	16	13,099,499	13,114,752
Reserves	17	3,598,138	3,255,207
Accumulated losses		(5,363,967)	(4,594,389)
TOTAL EQUITY		11,333,670	11,775,570

Notes to the financial statements are included on pages 24 to 42

CURNAMONA ENERGY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2011

	Share capital $	Share option reserve $	Accumulated losses $	Total $
Balance at 1 August 2009	13,114,752	3,190,083	(4,155,168)	12,149,667
Loss for the year	-	-	(439,221)	(439,221)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(439,221)	(439,221)
Share based payment	-	65,124	-	65,124
Balance at 31 July 2010	13,114,752	3,255,207	(4,594,389)	11,775,570
Balance at 1 August 2010	13,114,752	3,255,207	(4,594,389)	11,775,570
Loss for the year	-	-	(769,578)	(769,578)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(769,578)	(769,578)
Issue of shares on exercise of options issued pursuant to prospectus dated 16 November 2010	3,195	-	-	3,195
Costs associated with issue of shares	(26,355)	-	-	(26,355)
Related income tax	7,907	-	-	7,907
Share based payment	-	342,916	-	342,916
Issue of share options	-	15	-	15
Balance at 31 July 2011	13,099,499	3,598,138	(5,363,967)	11,333,670

Notes to the financial statements are included on pages 24 to 42

CURNAMONA ENERGY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 JULY 2011

	Note	Year ended 31/7/11 $	Year ended 31/7/10 $
Cash flow from operating activities			
Other receipts from customers		49,610	104,529
Payments to suppliers		(231,219)	(409,119)
Interest and other costs of finance paid		(17,223)	(28,773)
Net cash used in operating activities	25(b)	(198,832)	(333,363)
Cash flow from investing activities			
Interest received		151,152	186,456
Payment for bank guarantee deposit		(300,000)	-
Payments for exploration and evaluation		(1,398,417)	(1,728,636)
Payments for plant and equipment		(1,181)	(225,707)
Net cash used in investing activities		(1,548,446)	(1,767,887)
Cash flow from financing activities			
Repayment of borrowing		(133,909)	(167,894)
Proceeds from issue of shares		3,195	-
Payments for share issue costs		(26,355)	-
Proceeds from issue of options		15	-
Net cash used in financing activities		(157,054)	(167,894)
Net decrease in cash		(1,904,332)	(2,269,144)
Cash at beginning of financial year		4,195,694	6,464,838
Cash at end of financial year	25(a)	2,291,362	4,195,694

Notes to the financial statements are included on pages 24 to 42

1 SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporation Act 2001, Accounting Standards and Interpretations, and complying with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the directors on 21 October 2011.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

In the application of accounting standards, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

(c) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i) the rights to tenure of the area of interest are current; and

ii) at least one of the following conditions is also met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, costs of studies, exploration drilling, trenching and sampling, field leach trials and associated activities. General and administrative costs are included in the measurement of exploration and evaluation costs only where they relate directly to operational activities in a particular area of interest. Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which they have been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(c) Exploration and evaluation expenditure (continued)

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to accumulated benefit superannuation contribution plans are expensed when incurred.

(e) Government grants

Government grants are assistance by government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the statement of financial position and recognised as income on a systematic basis when the related exploration and evaluation expenditure is written off or amortised.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which it becomes receivable.

(f) Financial assets

Loans and receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(g) Financial instruments issued by the Group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

(i) Impairment of assets (other than exploration and evaluation)

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately.

(j) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle their current tax assets and liabilities on a net basis.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(j) Income tax (continued)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Tax Consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Curnamona Energy Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(k) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the assets (refer to Note 1 (m)).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(l) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Plant and equipment

Plant and equipment and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Plant and equipment	3-5 years
• Plant and equipment under finance lease	4 years

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(n) Revenue recognition

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date
- servicing fees included in the price of products sold are recognised by reference to the proportion of the total costs of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold
- revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(o) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the issue date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(p) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of their fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquistion-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "Business Combinations" are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 "Income Taxes" and AASB 119 "Employee Benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 "Share-based Payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

1 SUMMARY OF ACCOUNTING POLICIES (continued)

(q) Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Various Standards and Interpretations were on issue but were not yet effective at the date of authorisation of the financial report. The issue of these Standards and Interpretations does not affect the Group's present policies and operations. The directors anticipate that the adoption of these Standards and Interpretations in future periods will not materially affect the amounts recognised in the financial statements of the Group but may change the disclosure presently made in the financial statements of the Group.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Site Restoration

In accordance with the Group's environmental policy and applicable legal requirements, provision for site restoration is recognised when the land is disturbed. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. It is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be reliably measured.

Restoration, rehabilitation and environmental obligations include the costs of reclamation, plant and waste site closure and subsequent monitoring of the environment.

Restoration costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and abandonment costs. The site restoration obligation is based on when the spending for an existing environmental disturbance and activity will occur. The Group reviews, on an annual basis, unless otherwise deemed necessary, the site restoration obligation at each mine site.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

2 SEGMENT INFORMATION

The Group has a number of exploration licenses in Australia which are managed on a portfolio basis. The decision to allocate resources to individual projects in the portfolio is predominantly based on available cash reserves, technical data and the expectations of future energy prices. Accordingly, the Group effectively operates as one segment, being exploration and evaluation in Australia. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

	Year ended 31/7/11 $	Year ended 31/7/10 $
3 LOSS FROM OPERATIONS		
(a) Revenue		
Revenue from continuing operations consisted of the following items:		
Interest received - bank deposits	151,348	186,899
Other	45,100	95,026
	196,448	281,925
(b) Loss before income tax		
Loss before income tax has been arrived at after charging the following expenses from continuing operations:		
Employee benefits expense:		
Share-based payments:		
Equity-settled share-based payments (i)	342,916	65,124
Employee leave expense	30,679	2,279
Other employee benefits	56,159	92,944
	429,754	160,347

(i) Equity-settled share-based payments relate to share options granted during the year to key management personnel and employees. Share options do not represent cash payments to key management personnel or employees and share options granted may or may not be exercised by key management personnel or employees.

	Year ended 31/7/11 $	Year ended 31/7/10 $
4 INCOME TAX		
(a) Income tax recognised in profit or loss		
Deferred tax income relating to the origination and reversal of temporary differences and tax losses	7,907	-
Total tax income	7,907	-
The prima facie income tax income on loss before income tax reconciles to the tax expense in the financial statements as follows:		
Loss before income tax	(761,671)	(439,221)
Income tax income calculated at 30% (i)	(228,501)	(131,766)
Share-based payments	102,875	19,538
Other	487	399
Tax losses not recognised as deferred assets	620,331	487,285
Previously unrecognised year tax losses now recognised as deferred tax assets	(487,285)	(375,456)
	7,907	-

(i) The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

4 INCOME TAX (continued)

	Year ended 31/7/11 $	Year ended 31/7/10 $
(b) Recognised deferred tax assets and (liabilities)		
Deferred tax assets and (liabilities) are attributable to the following:		
Trade and other receivables	(912)	(854)
Exploration and evaluation expenditure	(2,429,451)	(2,057,693)
Trade and other payables	18,188	16,475
Employee benefits	27,140	19,441
Deferred income	15,000	15,000
Share issue costs	6,324	21,930
	(2,363,711)	(1,985,701)
Tax value of losses carried forward	2,363,711	1,985,701
Net deferred tax assets/(liabilities)	-	-
(c) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses – revenue	620,331	487,285
(d) Movement in recognised temporary differences and tax losses		
Opening balance	-	-
Recognised in equity	7,907	-
Recognised in income	(7,907)	-
Closing balance	-	-

(e) Tax Consolidation

Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entity have formed a tax-consolidated group with effect from 1 July 2008 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Curnamona Energy Limited. The member of the tax-consolidated group is identified at Note 28.

Nature of tax funding arrangements and tax sharing agreements

The entity within the tax-consolidated group has entered into a tax-funding arrangement and a tax-sharing arrangement with the head entity. Under the terms of the tax-funding arrangement, Curnamona Energy Limited and the entity in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to the entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax-funding agreement.

	31/7/11 $	31/7/10 $
5 CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank	86,702	141,503
Cash on deposit	2,204,660	4,054,191
	2,291,362	4,195,694

	31/7/11 $	31/7/10 $
6 CURRENT TRADE AND OTHER RECEIVABLES		
GST recoverable	23,112	38,123
Accrued interest receivable	3,040	2,845
	26,152	40,968
7 CURRENT ASSETS – OTHER		
Prepayments	16,217	15,968
8 NON-CURRENT EXPLORATION AND EVALUATION EXPENDITURE		
Cost brought forward	7,048,774	5,444,904
Expenditure incurred during the year	1,239,194	1,603,870
Site restoration (Note 14)	100,000	-
Cost carried forward	8,387,968	7,048,774

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

	Plant and Equipment at Cost $	Equipment under finance lease at Cost $	Total $
9 PLANT AND EQUIPMENT			
Balance at 1 August 2009	1,241,502	411,213	1,652,715
Additions	225,707	-	225,707
Balance at 1 August 2010	1,467,209	411,213	1,878,422
Additions	1,181	-	1,181
Balance at 31 July 2011	1,468,390	411,213	1,879,603
Accumulated depreciation/amortisation			
Balance at 1 August 2009	452,155	205,062	657,217
Depreciation/amortisation expense	164,701	41,888	206,589
Balance at 1 August 2010	616,856	246,950	863,806
Depreciation/amortisation expense	171,116	33,376	204,492
Balance at 31 July 2011	787,972	280,326	1,068,298
Net Book Value			
At 31 July 2010	850,353	164,263	1,014,616
At 31 July 2011	680,418	130,887	811,305

	31/7/11 $	31/7/10 $
10 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade payables [(a)]	27,763	55,340
Accruals	75,493	78,223
Amount payable to Havilah Resources NL [(a)]	5,251	5,115
Amount payable to related entities of key management personnel [(a)]	26,532	29,234
	135,039	167,912

(a) The average credit period is 30 days. No interest is charged on payables

	31/7/11 $	31/7/10 $
11 CURRENT LIABILITIES – BORROWINGS		
Secured:		
Finance lease liability at amortised cost [(a)]	23,865	43,056
Bank loan [(b)]	93,829	90,853
	117,694	133,909

(a) Secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding 4 years. The current weighted average effective interest rate on the finance lease liabilities is 8.02%p.a. (2010: 8.02%p.a.).

(b) Secured by plant and equipment with a book value of $268,742 (2010: $337,271). The borrowings are fixed interest rate debt with repayment periods not exceeding 4 years. The current weighted average effective interest rate on the bank loan is 7.85%p.a. (2010: 7.85%p.a.).

	31/7/11 $	31/7/10 $
12 CURRENT PROVISION		
Employee benefits	48,050	64,802
13 NON-CURRENT LIABILITIES – BORROWINGS		
Secured:		
Finance lease liability at amortised cost [(a)]	-	23,862
Bank loan [(b)]	6,133	99,965
	6,133	123,827

(a) Secured by the assets leased. The borrowings are fixed interest rate debt with repayment periods not exceeding 4 years. The current weighted average effective interest rate on the finance lease liabilities is 8.02%p.a. (2010: 8.02%p.a.).

(b) Secured by plant and equipment with a book value of $268,742 (2010: $337,271). The borrowings are fixed interest rate debt with repayment periods not exceeding 4 years. The current weighted average effective interest rate on the bank loan is 7.85%p.a. (2010: 7.85%p.a.).

	31/7/11 $	31/7/10 $
14 NON-CURRENT PROVISIONS		
Employee benefits	42,418	-
Site restoration	100,000	-
	142,418	-
Movement in site restoration provision		
Balance at 1 August 2010	-	
Additional provision recognised	100,000*	
Balance 31 July 2011	100,000	

* Site restoration has been capitalised as part of exploration and evaluation (Note 8)

	31/7/11 $	31/7/10 $
15 NON-CURRENT LIABILITIES – OTHER		
Deferred income (government grants received for exploration activities)	50,000	50,000

16 ISSUED CAPITAL

	Year ended 31/7/11 Number	Year ended 31/7/11 $	Year ended 31/7/10 Number	Year ended 31/7/10 $
Fully paid ordinary shares				
Balance at beginning of the financial year	66,107,103	13,114,752	66,107,103	13,114,752
Issue of shares on exercise of listed options	9,131	3,195	-	-
Costs associated with issue of listed options	-	(26,355)	-	-
Related income tax (Note 4a)	-	7,907	-	-
Balance at end of the financial year	66,116,234	13,099,499	66,107,103	13,114,752

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

On 9 December 2010 the Company issued 16,526,874 bonus share options to shareholders, pursuant to a prospectus dated 16 November 2010. The share options were issued on the basis of one bonus share option for every four shares held by eligible shareholders. The share options are exercisable at an exercise price of $0.35 at any time up to 5.00 pm on 29 November 2013. As at 31 July 2011 the number of share options outstanding is 16,517,743. The share options carry no rights to dividends and no voting rights.

Options have been issued to key management personnel (refer Note 26 to the financial statements for details).

17 RESERVES

	31/7/11 $	31/7/10 $
Share option reserve	3,598,138	3,255,207

The share option reserve arises on the grant of share options to key management personnel and employees under the share option plans. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to key management personnel and employees is made in Note 26 to the financial statements.

18 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group during the year were:

- Keith Robert Johnson (Executive Chairman)
- Christopher William Giles (Executive Technical Director)
- Kenneth Graham Williams (Non-Executive Director)

The aggregate compensation of key management personnel of the Group is set out below:

	Year ended 31/7/11 $	Year ended 31/7/10 $
Short-term employee benefits	159,392	181,480
Share based payments (i)	252,904	-
	412,296	181,480

(i) Share based payments relate to share options granted to key management personnel. Share options do not represent cash payments to key management personnel and share options granted may or may not be exercised by key management personnel.

As the majority of short term employee benefits relate to exploration activities, they are capitalised as part of exploration and evaluation expenditure (Note 8).

19 REMUNERATION OF AUDITOR

	Year ended 31/7/11 $	Year ended 31/7/10 $
Audit and review of the financial reports	30,500	29,000
Training	-	3,987
	30,500	32,987

The auditor of Curnamona Energy Limited is Deloitte Touche Tohmatsu.

20 RELATED PARTY DISCLOSURES

a) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 18 to the financial statements.

b) Transactions with key management personnel and the related entities

During the year, related entities of certain key management personnel provided administration services and drilling services to the Group on normal commercial terms and conditions totaling $188,158 (2010: $202,154). Details are set out below:

	Type of Service	Amount 2011 $	Amount 2010 $	Terms and Conditions
K R Johnson	Administration	178,852	178,852	$14,022 per month to September 2008 then $14,904 per month, for the provision of office space, general administration and accounting services. The agreement was extended for a further two years on 18 February 2011.
K R Johnson	Administration	6,008	20,100	Preparation and publishing of annual report at hourly rates varying from $75 to $175 and provision of employee phone plans and benefits.
K R Johnson	Maintenance for Vulcan software	3,298	3,202	One year's charge at 15% of original purchase price.

The amount unpaid at year-end is disclosed in Note 10 to the financial statements.

c) Key management personnel equity holdings

Fully paid ordinary shares issued by Curnamona Energy Limited to key management personnel are as follows:

2011	Balance at 1 August 2010 Number	Received on exercise of options Number	Net other changes Number	Balance at 31 July 2011 Number	Balance held Nominally Number
K R Johnson	1,810,000	-	-	1,810,000	-
C W Giles	4,448,028	-	-	4,448,028	-
K G Williams	259,600	-	-	259,600	-

2010	Balance at 1 August 2009 Number	Received on exercise of options Number	Net other changes Number	Balance at 31 July 2010 Number	Balance held Nominally Number
K R Johnson	1,810,000	-	-	1,810,000	-
C W Giles	4,428,028	-	20,000	4,448,028	-
K G Williams	259,600	-	-	259,600	-

Options issued by Curnamona Energy Limited to key management personnel are as follows:

2011	Balance 1 August 2010 Number	Listed options issued Number	Unlisted options issued Number	Exercised during the year Number	Balance 31 July 2011 Number	Balance vested at 31 July 2011 Number	Vested and exercisable Number	Not exercisable Number	Options vested during year Number
K R Johnson	1,800,000	452,500	1,800,000	-	4,052,500	3,152,500	3,152,500	900,000	1,352,500
C W Giles	1,800,000	1,312,007	1,800,000	-	4,912,007	4,012,007	4,012,007	900,000	2,212,007
K G Williams	400,000	64,900	400,000	-	864,900	664,900	664,900	200,000	264,900

2010	Balance 1 August 2009 Number	Listed options issued Number	Unlisted options issued Number	Exercised during the year Number	Balance 31 July 2010 Number	Balance vested at 31 July 2010 Number	Vested and exercisable Number	Not exercisable Number	Options vested during year Number
K R Johnson	1,800,000	-	-	-	1,800,000	1,800,000	1,800,000	-	-
C W Giles	1,800,000	-	-	-	1,800,000	1,800,000	1,800,000	-	-
K G Williams	400,000	-	-	-	400,000	400,000	400,000	-	-

20 RELATED PARTY DISCLOSURES (continued)

d) Transactions with Havilah Resources NL and Geothermal Resources Ltd

Transactions involving Havilah Resources NL (which has significant influence over the Company)

During the financial year ended 31 July 2011 the Group incurred $nil (2010: $71,638), on normal commercial terms and conditions, from Havilah Resources NL in relation to expenses for hire of equipment and labour relating to exploration activities. There are no amounts outstanding at year end.

During the financial year ended 31 July 2011 the Group invoiced $45,100 (2010: $65,781), on normal commercial terms and conditions, to Havilah Resources NL for labour hire relating to exploration activities. There are no uncollected amounts at year end.

Transactions involving Geothermal Resources Limited (subsidiary of Havilah Resources NL)

During the financial year ended 31 July 2011 the Group incurred $30,103 (2010: $nil), on normal commercial terms and conditions, from Geothermal Resources Limited for hire of equipment relating to exploration activities. There are no amounts outstanding at year end.

Transactions involving Kalkaroo Copper Pty Limited (wholly owned subsidiary of Havilah Resources NL)

During the financial year ended 31 July 2011the Group invoiced $nil (2010: $16,522), on normal commercial terms and conditions, to Kalkaroo Copper Pty Ltd for hire of labour relating to exploration activities. There are no uncollected amounts at year end.

Transactions involving Mutooroo Metals Pty Limited (wholly owned subsidiary of Havilah Resources NL)

During the financial year ended 31 July 2011 the Group invoiced nil (2010: $7,356), on normal commercial terms and conditions, to Mutooroo Metals Pty Ltd for hire of labour relating to exploration activities. There are no uncollected amounts at year end.

e) Transactions within wholly owned group

The ultimate parent entity in the wholly-owned group is Curnamona Energy Limited. During the financial year Curnamona Energy Limited provided accounting and administrative services at no cost to the controlled entity and the advancement of interest free advances. Tax losses have been transferred to Curnamona Energy Limited for no consideration.

21 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

a) Consultancy and Management Services Agreements

The Group has entered into consultancy and management services agreements with related entities of K R Johnson and C W Giles. Should the agreements be terminated at an earlier date, a contingency exists for the contracted amount payable to the end of the term. As at 31 July 2011, the Group had a contingent liability in relation to these agreements of $386,826 (2010: $346,166).

Details of agreements outstanding as at 31 July 2011 are set out below. The Directors may terminate the agreement by giving one month's notice.

Director	Type	Details	Term
K R Johnson	Consultancy	Minimum of 600 hours per year at $69,096 per annum, with additional hours at the rate of $100 per hour.	Three years from 19 April 2005 with an option for the Group to extend the term for a further two years on two occasions. The agreement was extended for a further two years on 19 April 2010.
K R Johnson	Management Services	$168,264 per annum to September 2008 then increased to $178,852 per annum.	$14,022 per month to September 2008 then $14,904 per month for the provision of office space, general administration and accounting services. The agreement was extended for a further two years on 18 February 2011.
C W Giles	Consultancy	Minimum of 600 hours per year at $69,096 per annum, with additional hours at the rate of $100 per hour.	Three years from 19 April 2005 with an option for the Group to extend the term for a further two years on two occasions. The agreement was extended for a further two years on 19 April 2010.

b) Native Title

Native title claims exist over some tenements in South Australia in which the Group has interests. The Group is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Group or its projects.

21 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (continued)

c) Exploration Expenditure Commitments

The Group has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Group.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

	31/7/11 $	31/7/10 $
No later than one year	2,000,000	1,660,000
Later than one year but not later than two years	1,165,000	1,210,000
Later than two years but not later than five years	1,745,000	1,150,000

d) Guarantee and Indemnity Commitment

The Company has provided a guarantee and indemnity and letter of set off to its banker for $300,000 (2010: $300,000) in favour of Oban Energy Pty Limited. The guarantee was given as security for a bank guarantee to the Minister for Mineral Resources Development on behalf of Oban Energy Pty Limited in relation to Oban's rehabilitation obligations for Retention Lease 123.

The above bank guarantee is secured by a restricted cash deposit of $300,000 (2010 $nil).

22 EARNINGS PER SHARE

	31/7/11 Cents per Share	31/7/10 Cents per Share
Basic earnings per share – from continuing operations	(1.16)	(0.66)
Diluted earnings per share – from continuing operations	(1.16)	(0.66)

Basic and Diluted Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	31/7/11 $	31/7/10 $
Net loss for the year	(769,578)	(439,221)

Earnings used in the calculation of basic and diluted earnings per share agrees directly to the net loss in the statement of comprehensive income.

	31/7/11 Number	31/7/10 Number
Weighted average number of ordinary shares	66,116,234	66,107,103

The number of ordinary shares used in the calculation of diluted earnings per share is the same as the number used in the calculation of basic earnings per share, as options are not considered dilutive.

23 COMPANY STATUS

Curnamona Energy Limited is a public company incorporated and operating in Australia.

Registered office	Principal administration office
63 Conyngham Street	63 Conyngham Street
GLENSIDE SA 5065	GLENSIDE SA 5065

24 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 11 and 13, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in Notes 16, 17 and consolidated statement of changes in equity respectively.

Due to the nature of the Group's activities (exploration) the Directors believe that the most advantageous way to fund activities is through equity and secured borrowings. The Group's exploration activities are monitored to ensure that adequate funds are available.

	31/7/11 $	31/7/10 $
Categories of financial instruments:		
Financial assets		
Cash and cash equivalents	2,291,362	4,195,694
Loans and receivables	26,152	40,968
Bank deposit	300,000	-
Financial liabilities		
Amortised cost	258,866	425,648

Interest rate risk management

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net loss would decrease/increase by $16,968 (2010: decrease/increase by $26,651). This is attributable to interest rates on bank deposits.

The Group's sensitivity to interest rates has not significantly changed from the prior year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than deposits with the Group's banker. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

24 FINANCIAL INSTRUMENTS (continued)

	Weighted average effective interest rate %	Less than one year $	One to two years $	Two to five years $
2011				
Non-interest bearing	-	135,039	-	-
Fixed interest rate instruments	7.95	123,036	6,179	-
2010				
Non-interest bearing	-	167,912	-	-
Fixed interest rate instruments	7.95	150,336	123,037	6,179

Fair value of financial instruments

The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The fair value of the finance lease liability is not materially different to its carrying amount.

	Year ended 31/7/11 $	Year ended 31/7/10 $
25 NOTES TO THE STATEMENT OF CASH FLOWS		
a) Reconciliation of cash		
Cash on hand	86,702	141,503
Cash on deposit	2,204,660	4,054,191
	2,291,362	4,195,694
b) Reconciliation of loss for the year to net cash used in operating activities		
Loss for the year	(769,578)	(439,221)
Depreciation and amortisation	204,492	206,589
Equity settled share based payments	342,916	65,124
Interest income received and receivable	(151,348)	(186,899)
(Increase)/decrease in assets		
Trade and other receivables	15,012	50,704
Other assets	(249)	(430)
Deferred tax assets	7,907	-
Increase/(decrease) in liabilities		
Trade and other payables	126,350	(31,509)
Provisions	25,666	2,279
Net cash used in operating activities	(198,832)	(333,363)

26 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES

The Group has ownership-based remuneration schemes (share options) for directors and employees.

The share options are not listed, carry no rights to dividends and no voting rights.

Employee Share Option Plan

In accordance with the provision of the Employee Share Option Plan, directors may issue options to purchase shares in the company to executives, employees and contractors. Each option is to subscribe for one fully paid ordinary share in the Company. The options carry neither rights to dividends nor voting rights. Options can be exercised in the year of vesting and options not exercised during a particular year will accumulate and may be exercised in subsequent years until their expiry.

26 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES (continued)

Employee Share Option Plan (continued)

For options issued prior to 31 July 2010:

- No amounts were paid or payable by the recipient on receipt of the options issued;
- The options were issued at an issue price determined by the market price of ordinary shares at the time the option was granted;
- One fifth vest in each year (on the issue date in the first year and the anniversary of the issue date in subsequent years);
- The options expire at the earlier of five years from issue date or the date the option holder ceases to be an employee of the Company.

For options issued after 1 August 2010:

- Consideration of $1 (in total) is payable by the recipient on receipt of options issued;
- The options are issued at an issue price 45% above the market price of ordinary shares at the time the option is granted;
- One third vest in each year (on the issue date in the first year and the anniversary of the issue date in subsequent years);
- The options expire at the earlier of four years from issue date or the date the option holder ceases to be an employee of the Company.

Director Options

At the Annual General Meeting held on the 7 December 2010, the shareholder's approved the granting of 4,000,000 share options for consideration of $1(in total) payable by each Director. Details of the number issued to each director are set out in Note 20 to the financial statements.

The option holder is entitled to be allotted one ordinary share in the Company for each option exercised on payment of 31 cents per share. One half of the options are exercisable in whole or in part at any time on or before midnight on 23 December 2014.

For the other half of the options, they will only be able to be exercised:

- During a bid period:
- At any time after a change of control event has occurred;
- If, on an application under section 411 of the Corporations Act, a court orders a meeting to be held concerning a proposed compromise or arrangement for the purpose of or in connection with a scheme for the reconstruction on the Company or its amalgamation with any other company;
- If the market capitalisation of the Company at the time the options are issued to each director is doubled.

The options expire at the earlier of four years from issue date or the date the option holder ceases to be a director of the Company.

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

Option series	Number	Issue date	Expiry date	Exercise price $	Fair value of each option at issue date $
Employee share option plan					
Issued 27 September 2005	200,000	29 August 2005	29 August 2010	0.62	0.29
Issued 12 August 2005	200,000	14 July 2005	14 July 2010	0.62	0.29
Issued 20 February 2006	40,000	20 February 2006	20 February 2011	0.55	0.23
Issued 18 May 2006	50,000	18 May 2006	18 May 2011	0.55	0.20
Issued 19 June 2006	50,000	19 June 2006	19 June 2011	0.55	0.19
Issued 19 October 2006	190,000	19 October 2006	19 October 2011	0.58	0.38
Issued 8 June 2007	50,000	8 June 2007	8 June 2012	1.81	0.95
Issued 17 December 2007	200,000	17 December 2007	17 December 2012	1.24	0.59
Issued 23 March 2009	560,000	23 March 2009	31 March 2014	0.36	0.23
Issued 24 December 2010	1,690,000	24 December 2010	23 December 2014	0.31	0.10
Director options					
Issued 10 January 2008	4,000,000	19 December 2007	10 January 2013	1.11	0.70
Issued 24 December 2010	4,000,000	24 December 2010	23 December 2014	0.31	0.08

26 SHARE OPTION PLANS FOR DIRECTORS AND EMPLOYEES (continued)

Director Options (continued)

The options were priced using the Black-Scholes model. Set out below are the inputs used in the Black-Scholes model to value options granted during the current period (no options were granted during the comparative period).

Options series	**24 December 2010**
Issue date share price	$0.21
Exercise price	$0.31
Expected volatility	114%
Option life	4 years
Dividend yield	-
Risk-free interest rate	4.75%

The following reconciles the outstanding share options granted to employees and directors at the beginning and end of the financial year.

	31/7/11		**31/7/10**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Balance at the beginning of the financial year	5,180,000	1.01	5,540,000	0.98
Issued during the financial year	5,690,000	0.31	-	-
Exercised during the financial year	-	-	-	-
Forfeited during the financial year	(1,120,000)	0.57	(160,000)	0.41
Expired during the financial year	(300,000)	0.60	(200,000)	0.62
Balance at end of financial year [(i)]	9,450,000	0.65	5,180,000	1.01
Exercisable at end of financial year	6,656,663	0.79	4,870,000	1.03

(i) Balance at end of the financial year

Issue date	**Number**	**Exercise price $**	**Expiry date**
19 December 2007	4,000,000	1.11	10 January 2013
24 December 2010	4,000,000	0.31	23 December 2014
23 March 2009	260,000	0.36	31 March 2014
24 December 2010	1,190,000	0.31	23 December 2014
	9,450,000		

The share options outstanding at the end of the financial year had an average exercise price of $0.65 (2010: $1.01) and a weighted average remaining contractual life of 932 days (2010: 867 days).

27 FINANCE LEASES AND EQUIPMENT LOANS

Finance lease and equipment loan arrangements of the Group relate to plant and equipment with a term of three to four years.

	Minimum future lease payments 2011 $	**Minimum future lease payments 2010 $**	**Present value of minimum future lease payment 2011 $**	**Present value of minimum future lease payment 2010 $**
Not later than one year	123,036	150,336	117,694	133,909
Later than one year and not later than five years	6,179	129,216	6,133	123,827
Minimum lease payments	129,215	279,552	123,827	257,736
Less future finance charges	(5,388)	(21,816)	-	-
Present value of minimum lease payments	123,827	257,736	123,827	257,736
Included in the financial statements as:				
Current interest bearing liabilities			117,694	133,909
Non-current interest bearing liabilities			6,133	123,827
Total			123,827	257,736

28 SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2011 %	Ownership interest 2010 %
Parent entity	Australia		
Curnamona Energy Limited (i)			
Subsidiaries			
Oban Energy Pty Limited (i)	Australia	100	100

(i) These companies are members of the tax-consolidated group.

29 PARENT ENTITY DISCLOSURES

	31/7/11 $	31/7/10 $
Financial position		
Assets		
Current assets	2,333,732	4,252,630
Non-current assets	9,397,166	8,061,983
Total assets	11,730,898	12,314,613
Liabilities		
Current liabilities	297,676	365,216
Non-current liabilities	98,551	173,827
Total liabilities	396,227	539,043
Equity		
Issued capital	13,099,499	13,114,752
Accumulated losses	(5,362,966)	(4,594,389)
Reserves	3,598,138	3,255,207
Total equity	11,334,671	11,775,570

	Year ended 31/7/11 $	Year ended 31/7/10 $
Financial performance		
Loss for the year	(768,577)	(439,221)
Other comprehensive income	-	-
Total comprehensive income	(768,577)	(439,221)

Commitments for expenditure and contingent liabilities

The parent entity commitments for expenditure and contingent liabilities are the same as for the group and are disclosed in Note 21 to the financial statements.

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;

(c) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

K R Johnson
Chairman

21 October 2011
Adelaide

Deloitte.

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Board of Directors
Curnamona Energy Limited
63 Conyngham Street
GLENSIDE SA 5065

21 October 2011

Dear Board Members

Curnamona Energy Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Curnamona Energy Limited.

As lead audit partner for the audit of the financial statements of Curnamona Energy Limited for the financial year ended 31 July 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jody Burton
Partner
Chartered Accountants

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Independent Auditor's Report to the members of Curnamona Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Curnamona Energy Limited, which comprises the statement of financial position as at 31 July 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 43.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Curnamona Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Curnamona Energy Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 31 July 2011 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 19 of the directors' report for the year ended 31 July 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Curnamona Energy Limited for the year ended 31 July 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Chartered Accountants

Jody Burton
Partner, Adelaide, 21 October 2011

Liability limited by a scheme approved under Professional Standards Legislation
Member of Deloitte Touche Tohmatsu Limited

Additional Stock Exchange Information

Information Relating to Shareholders at 19 October 2011

Substantial Shareholders

The names of substantial shareholders shown in the Company's Register are:

Shareholder	*Number of Shares*
Havilah Resources NL	30,000,003

Distribution of Shareholders

Number of Ordinary Shares Held	*Number of Holders*	*Ordinary Shares*
1 - 1,000	148	90,219
1,001 - 5,000	367	1,099,321
5,001 - 10,000	307	2,771,869
10,001 - 100,000	425	13,693,455
100,001 - Over	55	48,461,370
	1,302	**66,116,234**

At the closing price on SEATS at 19 October 2011 there were 602 shareholders with less than a marketable parcel of shares to the value of $500.

Top Twenty Shareholders of Ordinary Shares as at 19 October 2011

Name	*Units*	*% of Issued Capital*
Havilah Resources NL	30,000,003	45.37
Trindal Pty Ltd <Trindal Super Fund A/C>	2,873,028	4.35
IFG Trust (Jersey) Limited	1,652,522	2.50
Dr Keith Robert Johnson	1,510,000	2.28
Mr Christopher William Giles	1,500,000	2.27
Woolsthorpe Investments Limited	867,010	1.31
Gregorach Pty Ltd	660,100	1.00
J P Morgan Nominees Australia Limited <Cash Income A/C>	518,098	0.78
Prof Geoffrey Driscoll + Mrs Jan Driscoll <Driscoll Super Fund A/C>	500,000	0.76
Mr Andrew Charles Della-Sale + Mrs Hayley Kristen Della-Sale <Dellas SF A/C>	447,000	0.68
SA Capital Funds Management Limited <SACFM No 1 Fund A/C>	400,000	0.60
Mr William John Goodes + Mrs Lesley Anne Goodes <Goodes Super Fund A/C>	352,000	0.53
Mr Malcolm Arnold Haines + Mrs Jennifer Haines <Kymdog Super Fund A/C>	304,640	0.46
Nutsville Pty Ltd A/C <Industrial Electric Co A/C>	300,000	0.45
Statsmin Nominees Pty Ltd <Statsmin Super Fund A/C>	300,000	0.45
HSBC Custody Nominees (Australia) Limited	251,940	0.38
M & K Korkidas Pty Ltd <M&K Korkidas P/L S/Fund A/C>	244,000	0.37
Mr Donald Fox	236,500	0.36
Mr Graham John Haines + Mrs Sharni Gay Haines <G & S Haines S/F A/C>	231,000	0.35
Far East Capital Limited	230,000	0.35
Total of top 20 holdings	**43,377,941**	**65.61**
Other holdings	**22,738,293**	**34.39**
Total fully paid shares issued	**66,116,234**	**100.00**

Distribution of Optionholders

Number of Options Held	Number of Holders	Listed Options
1 - 1,000	445	207,200
1,001 - 5,000	575	1,536,861
5,001 - 10,000	139	1,053,234
10,001 - 100,000	121	3,367,607
100,001 - Over	12	10,352,841
	1,292	**16,517,743**

At 19 October 2011 there were 1231 optionholders with less than a marketable parcel of options to the value of $500.

Top Twenty Optionholders as at 19 October 2011

Name	*Number*	*%*
Havilah Resources NL	7,500,001	45.41
Trindal Pty Ltd <Trindal Super Fund A/C>	918,257	45.56
IFG Trust (Jersey) Limited	413,132	2.50
Dr Keith Robert Johnson	377,500	2.29
Mr Christopher William Giles	375,000	2.27
Mr William John Goodes + Mrs Lesley Anne Goodes <Goodes Super Fund A/C>	280,000	1.70
Woolsthorpe Investments Limited	216,753	1.31
Prof Geoffrey Driscoll + Mrs Jan Driscoll <Driscoll Super Fund A/C>	125,000	0.76
Mr Ian Huntley + Mr Martin Thomas Huntley <Huntley Superfund A/C>	119,945	0.73
Mr Andrew Beaven	100,801	0.61
Croftbank Pty Ltd <Watts Family Super Fund A/C>	100,000	0.61
Maminda Pty Ltd	95,000	0.58
Mr David Robert Tiller + Mrs Sarah Ann Tiller	92,250	0.56
Willstreet Pty Ltd	87,500	0.53
Zezmond Pty Ltd <Emmett & Co Staff Pen A/C>	86,093	0.52
Mr Malcolm Arnold Haines + Mrs Jennifer Haines <Kymdog Super Fund A/C>	76,160	0.46
Mr Peter John Baxter	75,000	0.45
Statsmin Nominees Pty Ltd <Statsmin Super Fund A/C>	75,000	0.45
HSBC Custody Nominees (Australia) Limited	62,985	0.38
J P Morgan Nominees Australia Limited <Cash Income A/C>	59,725	0.36
Total of top 20 holders of listed options	**11,236,102**	**68.02**
Total remaining holders balance	**5,281,641**	**31.98**
	16,517,743	**100.00**

Unquoted Equity Securities: Options

The following options were unquoted:	*Number on Issue*	*Number of Holders*
Options issued pursuant to Curnamona Energy Employee Share Option Plan	1,450,000	11
Options issued pursuant to Curnamona Energy Director Share Option Plan	8,000,000	3
Other Options issued	-	-
Total unquoted options held by 14 optionholders	**9,450,000**	

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