Dear Madam,

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2012

SUMMARY

- Northern Territory – Mt Denison Five Mile Creek prospect confirmed uranium anomalies are associated with near surface weathered granite
- South Australia - Curnamona North uranium project to be relinquished and Curnamona South divested
- Queensland – Georgetown two more tenements granted over volcanogenic uranium and gold targets and the gold joint venture with Planet Metals Limited was terminated
- Board changes strengthen the mining expertise of the Company to evaluate projects

LOCATION

[Map of Australia showing various locations marked with circles and labels such as Arunta Inlier, Curnamona, U, Au, Cu, and others.]
ARUNTA URANIUM PROJECTS, NORTHERN TERRITORY - (100% CUU)

Callabonna Uranium Limited (‘Callabonna’ or ‘the Company’) holds several leases in the Arunta Inlier of the Northern Territory. A number of advanced exploration/development projects including Energy Metal’s Bigrlyi (JORC 20.6 Mlb U₃O₈ at 500 ppm) and Arafura’s Nolans Bore (JORC 13.3 Mlb U₃O₈, 0.85 Mt 2.8% REO) and Deep Yellow’s Napperby project lie within the region of Callabonna’s projects. The Company’s tenements are located on Lower Proterozoic basement rocks as are Nolans Bore and Napperby.

Location of the Company’s tenements on a radiometric image draped with geology

Mt Denison Uranium Project - Five Mile Creek Prospect

The Mt Denison project (EL 27181) lies some 250 kilometres northwest of Alice Springs in the Northern Territory. The project contains known uranium mineralisation related to granitic intrusives and altered country rock and is prospective for both primary granitic and secondary sedimentary uranium deposits.

In the September 2011 quarterly activities report the Company announced the discovery of the Five Mile Creek uranium prospect by a large Mobile Metal Iron (‘MMI’) survey. Anomalism within the Five Mile Creek prospect is interpreted to extend over 4 kilometres along the axis of a modern drainage system and includes uranium response ratios up to 130 times background.
During the current quarter, the Aboriginal Area Protection Authority (‘AAPA’) issued a permit to allow access for further investigation and drilling of the anomalous areas. A field assessment was recently made, including a number of auger holes located at some of the proposed drill sites over the peak anomalous areas. This work indicates that the peak MMI anomaly locations are associated with weathered granite which is also anomalous in uranium. Further drilling will be deferred until all the results of this work are available and can be assessed.

Moonlight Uranium Project
Callabonna Uranium Ltd’s Moonlight exploration licence (EL 28253) is located on Mount Doreen station ~ 300 kilometres NW of Alice Springs in the Northern Territory. The Company is exploring for U and REEs (Rare Earth Elements) in the area following elevated airborne radiometric responses across the exploration licence.

The northern part of the exploration license is dominated by the Mesoproterozoic Southwark Granite Suite. At the southern extent of the Exploration Licence cainozoic gravels are dispersed around a few outcrops of the Southwark Granite.

The Moonlight tenement area has been reduced following a reconnaissance mapping and sampling survey during the previous quarter. The area retained for further investigation is in the south west of the licence where altered and sheared porphyry with elevated uranium and REE values were sampled in a region of radiometric anomalies.
Elevated airborne radiometric anomalies in the south of EL28253 subject of further investigation.
The Company retains a large holding of tenements in South Australia. These areas are prospective for uranium, base metals and precious metals.

The Curnamona South project comprises seven tenements and the Company is seeking joint venture investment subsequent to its drilling program in 2011. There remains considerable potential both for sedimentary uranium in the cover and Iron Oxide Copper Gold deposits in the basement.

The Curnamona North project is now in its fifth and final year and the five remaining tenements will be relinquished.

During the quarter discussion continued with potential joint-venture partners over the Company’s holding in the Frome Embayment.
The Georgetown region is host to significant uranium resources at Maureen (~6.15 million pounds U₃O₈) and Trident (Mega Uranium) as well as substantial gold production from the Etheridge Goldfield. It remains for a change of government policy in Queensland to stimulate development of the state's uranium resources.

Callabonna retains 10 exploration permits (6 now granted) in the Georgetown region of north Queensland. These areas are potential for the discovery of uranium and gold. Gold occurs in two principal settings: mesothermal veins that have been mined from structures in the basement near Georgetown, for example at Delaney and Central (EPM18181 and 18699). The other setting is epithermal gold bearing quartz veins inside the volcanogenic calderas, for example, in the Company's Neptune EPM 18028. These are potentially much larger gold targets however minable examples have not yet been located near Georgetown. Uranium is known to occur at the structural margins of the volcanic calderas, for example at the Maureen deposit (close to EPM 18027 and 18898) and the Company's own Dagworth prospect (EPM 10028 and 18625).
During the quarter two more EPMA’s were granted. Ant Hill (EPM 18898), the large area that covers the Maureen caldera was granted and the Mt Darcy A area (EPM 18700). The Company is actively seeking involvement of major gold and uranium companies to fund exploration by joint venture of these and its other caldera projects.

During the quarter Planet Metals Limited (‘Planet’) terminated the joint venture over two granted licences, Delaney (EPM 18181) and Oak River (EPM 17945) and one application, Central (EPMA 18699). The Company subsequently agreed to sell EPM 17945 to Planet and notes that the retained licences are in good standing. The Company believes that considerable sulphide/vein gold potential exists along the Delaney fault zone over some 16 kilometres of strike in EPM’s 18181 and 18699, where numerous old workings occur and little exploration has been completed. This potential may be realised by systematic mapping, sampling and geophysics prior to drilling. A gold information memorandum is being circulated to interested parties who may potentially be seeking to invest in such exploration.

**Caldera Projects with Gold and Uranium Potential**

Several of the Company’s tenements cover caldera locations, effectively volcanic centres with gold potential of the epithermal style. Epithermal gold deposits have potential to be much larger than vein gold deposits in the basement (like Delaney). These areas include:

- Neptune/Dagworth (the caldera that also host Cornucopia gold and Dagworth uranium prospects).
- Huonfels/Ant Hill (the caldera that relates to Maureen uranium deposit).
- Mt Darcy (with interpreted polymetallic potential).
- Athena.
The map above illustrates the degree to which gold occurs in the district and uranium is located in structural margins of the calderas. However there may be greater potential to locate much larger gold and uranium deposits, inside the calderas at depth. The Company is actively seeking involvement of major gold and uranium companies to fund exploration by joint venture, particularly via induced polarisation (‘IP’) surveys to probe for deep structures. The exploration models for epithermal gold are well understood but the model and methods for locating the very large uranium deposits of the Streltsovskoye style from western Russia are less well known.

**Neptune/Dagworth - (100% CUU)**

This is the most advanced of several caldera projects, with two granted tenements (EPM 18028 and 18625) also containing two advanced projects. Dagworth is an advanced uranium project with significant historic intersections and Cornucopia is an advanced epithermal gold project also with significant historic intersections.

For example, the previous work on the Cornucopia gold prospect in the heart of the Newcastle Range (referred to in open file CR 19699). This area was originally explored in the late 1980’s, following up -80 mesh and bulk leach gold stream sediment sampling. Epithermal quartz and anomalous gold was found in soils and rock chips, along with a large arsenic anomaly on a north south trend. Also found was the classic bladed calcite (now quartz), all the usual indications of an epithermal system. Drilling (14 holes) encountered relatively shallow (<100 metres) true depth gold values including 2 metres @ 0.76 ppm, 4 metres @ 1.22 ppm, 6 metres @ 2.79 ppm, 2 metres @ 0.19 ppm, 4 metres @ 0.72 ppm (including widespread mineralisation 0.3 to 0.5 throughout hole) and 2 metres @ 1.62 ppm.

At Dagworth the lower strata and structures have some reasonable uranium intersections of potentially minable grades, but more exploration is needed to create a minable resource. Some of the better historic intersections include U₃O₈ grades of 3 metres @ 711 ppm, 5 metres @ 351 ppm, 2 metres @ 872 ppm, 2 metres @ 642 ppm. The strata is gently dipping and potential exists to the east and the south.

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**Location of Dagworth uranium and Cornucopia gold in EPM’s 18625 and 18928**
CORPORATE

During the quarter a number of Board changes were announced. Mr Jeff Williams joined the Board bringing much needed mining expertise to compliment the geology and geophysical experience of the other Directors. Mr Williams will assist in the evaluation of the Company’s projects and in particular any new acquisitions. Mr Peter Nightingale stepped down and Mr Phillip Harman assumed the role of Chairman. Mr Stephen McCaughey has resigned and moved overseas. The Company thanks Mr Nightingale and Mr McCaughey for their service, in Mr McCaughey’s case as Managing Director from 2008 to 2011.

TENEMENT UPDATE

During the quarter EPM 18978 Ant Hill and EPM 18700 Mt Darcy A were granted.

The following tenements are in the process of being surrendered or divested.

- QLD, EPM 17845 Oak River (sold to Planet Metals Limited)
- NSW, ELs 7685, 7686 and 7687 (these currently remain on hold but will be reviewed pending NSW changes to uranium rights).
- QLD EPM 16256 Gilbert River
- NT EL 26006 Mt Hay and EL 26040 Mt Doreen
- SA EL 3847 Quinyambie
- SA EL’s 3841, 3842, 3844, 3845, 3846 (to be surrendered)

For further information, contact Michael Raetz on +61 3 9417 2920, or Richard Edwards on +61 2 9300 3366.

Yours sincerely

Michael Raetz
Director
Member of the Australian Institute of Geoscientists

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