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Thundelarra Exploration
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During the June 2003 quarter, Thundelarra Exploration Ltd (ASX code THX; market capitalisation around \$12 million) and Sally Malay Mining Limited signed the Copernicus Joint Venture Agreement (Sally Malay earning 60%). Sally Malay recently announced that it had finalised funding and it expects to produce first nickel concentrate in the middle of 2004. It is possible that Copernicus will be mined in the early stages of Sally Malay's project. As part of the JV Agreement, Sally Malay is currently drilling the Copernicus prospect. What are the requirements and objectives of that drilling?

Chairman Phil Crabb

The exploration program currently being conducted by Sally Malay aims to increase the resource to reserve status and also to do some metallurgical testing. Copernicus is scheduled to be mined in 2005 but it could be earlier if it turns out to be larger than first thought or if the nickel price continues to increase strongly. Sally Malay's own project has an open pit reserve but the bulk of its resource is underground and it would make sense to mine the Copernicus deposit early on to take advantage of high nickel prices.

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What does it mean in financial terms to Thundelarra if Copernicus is mined?

Chairman Phil Crabb

Thundelarra should be cash flow positive if we mine Copernicus and that will fund our various exploration programs without having to raise equity. We wouldn't rule out an equity raising if we decided to build our own nickel plant but

the economics would have to justify it. In the meantime, we can process ore from Copernicus, and potentially Salk North, through Sally Malay's plant.

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How large are the Thundelarra tenements within trucking distance of the proposed Sally Malay plant and what proportion is subject to the Copernicus JV Agreement?

Chairman Phil Crabb

In broad terms, we estimate that any resource within about 100 kilometres with a grade of 1.5% nickel or greater could be economically processed through the Sally Malay plant. Thundelarra has around 3,000 square kilometres of tenements within the East Kimberley, which are prospective for nickel and associated copper and cobalt credits, and platinum and palladium. All our tenements are within 100 kilometres of the Sally Malay plant.

Only the Copernicus and Salk North prospects are included in the Copernicus JV Agreement. These cover only 1.2 square kilometres. We're free to explore and develop discoveries on our remaining tenements separately or in another joint venture with Sally Malay, if they wish, or with a third party. Any nickel discovery in the area becomes more attractive now that Sally Malay is proceeding with its project.

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Can you detail exploration carried out on the tenements not subject to the Copernicus JV Agreement and your plans, including possible further joint ventures?

Chairman Phil Crabb

During the June 2003 quarter, we conducted a ground magnetic survey over the whole of the tenement containing Copernicus and Salk North. Until now, we've concentrated most of our work on the Eileen Bore tenement but this year we've generated a number of targets on other tenements along the 100 kilometres of strike. Our June 2003 quarterly report sets out this work and we're now in a position to isolate some of the better prospects for drilling over the current dry season. It's important to remember that we've only just started our nickel exploration after completing a desktop review of the East Kimberley Project areas. Our early work was mainly platinum-based exploration and we've only started drilling in the current areas over the last two months.

The strong nickel price opens a number of development options in the event of further discoveries.

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Copernicus contains an Indicated Resource of 220,000 tonnes of ore at 1.5% nickel and 0.8% copper. The Copernicus JV also contains the Salk North prospect, where you've drilled one hole returning a grade 1.9% nickel and 0.8% copper. You're hopeful that Copernicus and Salk North are part of the same structure. What has the subsequent ground magnetic survey revealed about Salk North and what drilling is planned?

Chairman Phil Crabb

The ground magnetic survey clearly shows that Salk North and Copernicus are part of the same intrusion. They have been displaced by a northeast trending fault and so we hope to intersect the same mineralisation at depth at Salk North. The Copernicus orebody outcrops, is about 60 metres long and up to 15 metres wide, extends 100 metres and dips about 40 degrees to the west.

We have completed another drill hole at Salk North and we await the result. We also discovered a new gossan at the very northern end of the tenement which is within the interpreted Copernicus intrusion. A sample returned a grade of 0.9% nickel, 0.8% copper and 1.34ppm platinum plus palladium plus gold.

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In the June 2003 quarter, Gravity Capital flew an airborne gravity survey covering nearly 7,000 line kilometres of the Phillips Range Diamond Project (BHP Billiton/Gravity Capital earning 60%) using the proprietary FalconTM technology. Although you're awaiting final results of the survey, what can you reveal about the results so far and how many potential drill targets does the gravity survey reveal?

Chairman Phil Crabb

The airborne gravity survey has so far confirmed our previous kimberlite discoveries at Niobe, Persephone, Athena and Helena. So we're pretty happy about the accuracy of the FalconTM technology. I understand that BHP will have finished sorting the survey data within the next few weeks. We have upgraded the main access roads through the project area, we've mobilised all the equipment and have the necessary permits to start drilling during August. I have to say that we're pretty pleased with the results so far.

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Can you give a bit of a recap of the near successes of other companies on the Phillips Range tenements? Didn't De Beers have some success and why did it walk away from the project?

Chairman Phil Crabb

In 1984 a subsidiary of De Beers, Stockdale, found about 20 diamonds and a number of indicator minerals after they bulk sampled about 700 tonnes of material. However, it became apparent that this discovery was separate to the kimberlite discoveries made since. The big difference between diamond exploration then and now is the technology. In the days when Stockdale was exploring it was using either ground magnetics or electromagnetics but of course we now know that some of the kimberlites occurring in the Philips Range area are in fact non-magnetic. That is the key to the FalconTM technology – it has enabled us to identify kimberlites through their low specific gravity. So these are exciting times for Western Australian diamond explorers.

Although Stockdale and others were unsuccessful, BHP Billiton has remained fully committed to the project. We did the deal with them after the BHP and Billiton merger. Although BHP Billiton has licensed their technology to Gravity

Capital in Australia, they have a clawback position in Phillips Range if a major discovery is made. Thundelarra remains in a very strong position with a 35% free carry through to mining feasibility. It's a very attractive joint venture for us.

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Exploration on Phillips Range has been carried out since the 1980s and contains the Aries pipe, which is Australia's largest kimberlite pipe discovered to date. Since Aries, you've discovered a further four kimberlites by using BHP Billiton's technology (FalconTM). Although you say your drilling has consistently confirmed the targets indicated by the FalconTM gravity surveys, you're yet to uncover a commercial discovery. How close are you to a commercial discovery, if that's possible to answer?

Chairman Phil Crabb

We're getting closer to making a commercial, gem quality diamond discovery all the time. We have high expectations of making a significant find outside the cluster of kimberlites we've discovered. We're looking forward to the drilling in August.

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What about the recent broking and follow on press reports addressing the poor performance of ASX-listed diamond exploration companies?

Chairman Phil Crabb

Again it gets back to the technology. BHP Billiton's FalconTM technology is relatively new and the exploration success from its use is only just starting to gather momentum.

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Thank you Phil.

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