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Thundelarra Exploration Ltd yesterday released some significant drilling results at the Copernicus Joint Venture (Sally Malay earning 60%). What do these results suggest about the size and grades of the Indicated Resource, currently estimated at 220,000 tonnes at 1.5% nickel and 0.8% copper? How much larger might the resource be and does it confirm your expectation of grade?

Chairman Phil Crabb

These drilling results suggest that the resource could be around 15% higher but that's subject to further work by Sally Malay. At this stage it looks as though the grades are around those outlined within the Indicated Resource but more importantly the recent drilling has increased the robustness of the resource. We drilled in between the previous holes used to calculate the Indicated Resource and the grades and widths are almost the same as before. It's an excellent result and I'd be surprised if most of the Indicated Resource isn't upgraded to a reserve.

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The drilling results included a significant intercept to the south of the current resource boundary (8 metres at 1.75% nickel and 1.08% copper). The orebody remains open at depth to the south and along strike. To what extent will the next round of drilling attempt to extend the resource or is the plan simply to move the Indicated Resource to Reserve status?

Chairman Phil Crabb

We've recently met with Sally Malay to review the results and where we go from here. I think that they're pretty keen to close off the resource at Copernicus, which means drilling further south and down dip and then they can do another resource calculation to find if there's more tonnage. The next phase of drilling will also assess the Salk North discovery.

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The recent drilling was conducted ahead of a study to determine the feasibility of processing through the Sally Malay plant. What will the study involve and how long will it take?

Chairman Phil Crabb

The study will involve doing more work on the resource potential and testing the metallurgy. Sally Malay is required to do a bankable feasibility study before they earn any equity in the Copernicus Joint Venture. So the stage after evaluating the resource potential is to define a mineable reserve and the cost analysis that goes with it including for mine development, mining, trucking and processing. They have until December 2004 to complete the bankable feasibility study.

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I understand the study will determine whether Sally Malay will process Copernicus ore through its plant about 35 kilometres away but what's your current view?

Chairman Phil Crabb

I am convinced that they'll process Copernicus ore. It's only a short distance from their plant, is open cut, near surface, has good grades and is open at depth to the south and along strike. Nickel prices are rising and it should be a lucrative but modest size operation, although Sally Malay's own resource at the Sally Malay Project is still open below 500 metres and so it's possible Copernicus could also extend substantially below the current drilled depth of around 70 metres.

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Apart from the new drilling results at Copernicus, you also intersected significant results at the one hole drilled at Salk North in this drilling campaign. This is the second hole drilled at Salk North, with the first returning 1 metre at 1.90% nickel and 0.60% copper in November 2002. These two holes were drilled 80 metres apart. You've stated that ground magnetic surveys had clearly shown that Salk North and Copernicus are part of the same intrusion. What's the next step in evaluating Salk North? Are you approaching it as if it's part of the Copernicus orebody or will you try to define a separate resource?

Chairman Phil Crabb

Copernicus and Salk North are about 500 metres apart so I'd imagine we'd mine them as separate open cuts if they are economic and ideally we hope that Sally Malay would do the bankable feasibility work on both deposits at the same time. That would probably improve the economics of the joint venture.

Salk North now requires some surface and down hole electromagnetic surveys and we'll then have a good idea where to target the next drill holes. We've defined mineralisation down to 70 metres so I imagine the next round will be more RC drilling initially, followed by some diamond drilling.

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It's very early stage exploration at Salk North but what comparison can you make between its potential size and grades and the resource currently defined at Copernicus?

Chairman Phil Crabb

Yes, it is very early stage but the first two holes were virtually wild cat holes which have returned very significant nickel-copper mineralisation over a surface area of at least 80 metres at the moment. That's a good start. I personally feel that Salk North has potential to be larger than Copernicus. I'm hoping that with the next drilling we'll get a good handle on what we're looking at. It's a blind discovery so we could have just discovered the top of another Sally Malay Project for example. These intrusions can go down a long way. Earlier this year, Sally Malay drilled three holes below 500 metres which all intersected massive sulphide mineralisation with most intersections between 1.5% and 2% nickel, or nickel equivalent of greater than 2%. It's very early days but exciting results so far.

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Drill testing of a mineralised unit located approximately 400 metres north east of Copernicus, at the Kepler prospect, also returned encouraging results with 11 metres at 0.57% nickel and 0.85% copper from 12 metres. Do ground magnetic surveys reveal whether Kepler, Copernicus or Salk North are also part of the same intrusion?

Chairman Phil Crabb

Ground magnetics clearly show that Copernicus and Salk North are the same intrusion but faulted and our ground mapping shows that Kepler is also part of the same intrusion. So we now have an intrusion that's 1.4 kilometres long and definitely continues to the south over into our 100% owned tenements. Again, that was a very good result.

Kepler also returned good platinum, palladium and gold credits as well as the nickel and copper but we're still awaiting the final assay results. You might remember that our Eileen Bore discovery to the south included an intersection of 116 metres at 0.8% copper with PGE credits. There are similarities between Kepler and Eileen Bore because both contain mainly copper and PGE rather than nickel. Again, it's early days but it's a very well mineralised belt and the substantial by-product credits can make these deposits very attractive.

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In the previous Open Briefing you mentioned that Thundelarra should be cash flow positive if you mine Copernicus and that will fund your various exploration programs. Only the Copernicus and North Salk prospects, covering 1.2 square kilometres, are included in the Copernicus JV Agreement. In light of recent results, will you accelerate exploration programs in your remaining 3,000 square kilometres of tenements surrounding the Copernicus JV?

Chairman Phil Crabb

These results, particularly the discovery of the blind Salk North prospect, have really highlighted the potential of the intrusion running south into our Eileen Bore tenements. But it also shows the potential for all the other intrusions we've identified within our 3000 square kilometres. It's now our intention to have a better look at some of our most prospective intrusions. They are only about 1.5 kilometres away from Copernicus. We will now plan exploration programs for these prospects. We'll start with ground geophysics and progress to drilling down the track. We're only just getting a handle on the mineralisation around Copernicus and then we can apply it to other prospects within the region.

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Thank you Phil.

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