



THUNDELARRA

EXPLORATION LTD

28 October 2004

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Thundelarra Exploration Ltd
ABN 74 950 465 654
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Via Electronic Lodgement

Dear Sir/Madam

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2004

HIGHLIGHTS

Copernicus Joint Venture (Thundelarra 100% -Sally Malay earning 60%)

- Sally Malay Mining Ltd progressing Bankable Feasibility Study (BFS) on development of Copernicus mineralisation (revised Indicated Resource 359,000 tonnes at 1.3% nickel, 0.7% copper and 0.05% cobalt) which is expected to confirm viability of mining by open pit and processing through existing Sally Malay plant.
- Subject to positive BFS, mining could commence late 2005 with first ore processed in early 2006.
- Stage 1 of a \$750,000 two staged exploration program (60% Sally Malay - 40% Thundelarra) to follow up additional exploration targets following discovery of Copernicus North in 2003 defined a north plunging pipe-like body of magmatic nickel-copper sulphide mineralisation with the potential to host a significant sulphide resource.
- Drilling and subsequent DHEM surveys show Copernicus-Copernicus North mineralisation continuous over approximately 500 metre strike length and open down plunge to the north.
- Thundelarra currently awaiting advice from Sally Malay on commitment to proceed with Stage 2 program.

LionOre Joint Venture (Thundelarra 100%, LionOre earning 60%)

- Systematic assessment of prospects carried out with drilling currently underway at Black Bull and Black Bull East prospects to test several high order geochemical anomalies.
- Results of drilling expected by mid-December 2004.

Thundelarra Funded Exploration

- Intensive nickel exploration continued over large and highly prospective tenement area in the East Kimberley Region with positive results. Work to continue for the remainder of the field season.
- Assessment of gold targets adjacent to Terra Gold's Nicholson's Find gold plant progressed with rock sampling of 250 metres strike of 800 metre long by 2 metre wide 'Shifty's Reef' completed. 16 of 31 samples returned gold grades above 10g/t - six of these were over 1oz/tonne with the highest result being 111g/t.

Corporate

- Agreement reached for sale of Thundelarra's 95% interest in the Phillips Range Diamond Joint Venture to new IPO, United Kimberley Diamonds (UKD) for consideration of shares and options in UKD.
- Agreement enables Thundelarra to focus on nickel interests while maintaining exposure to upside through interest in UKD.

INTRODUCTION

The Directors of Thundelarra Exploration Ltd ("Thundelarra") wish to remind shareholders and investors that when Thundelarra entered into the East Kimberley Joint Venture with LionOre, Thundelarra field geologists effectively had to start from scratch to generate new targets on the 1,400 sq kilometres that remained directly under our control ('Retained Area' tenements). This has been achieved in the past six months of this season through extensive field evaluation and numerous prospects, some recently drill tested, have been identified. LionOre took the majority of the known targets within the tenement area under their control. Under the terms of the regional Joint Venture, LionOre took a placement of 7,800,000 ordinary fully paid shares in the capital of Thundelarra at an issue price of \$0.45 cents each to raise \$3,510,000, which represents approximately 11% of Thundelarra's issued capital. LionOre also agreed to spend \$5m over 5 years to earn 60% of the project.

The Directors wish to acknowledge the sterling effort by Thundelarra's geologists and field staff in discovering from grass roots a number of exciting targets for ongoing evaluation and drilling for the remainder of this year and early next season.

The ongoing evaluation of new and existing targets will be enhanced by Thundelarra's commissioning of the Hyperspectral Airborne Survey in conjunction with LionOre over a large tract of the East Kimberley. This technology is detailed later in this report.

The East Kimberley is a very challenging environment that presents a number of difficulties and situations in respect to resolving native title issues. Four of Thundelarra's priority drill targets could not be accessed due to aboriginal heritage issues. The company is working to resolve some of these issues.

The East Kimberley is now an exciting nickel and diamond producing province and will deliver great rewards to those who are prepared to persist. Thundelarra is one of those companies.

EXPLORATION

EAST KIMBERLEY NICKEL PROJECTS

Thundelarra Funded Exploration

Intensive nickel exploration has continued over Thundelarra's large and highly prospective tenement holding within the East Kimberley Region. Work over the 1,400sq km project has included drilling, geochemistry and the discovery of new gossan zones and new prospective intrusions.

Drilling of five RC drillholes for 488m over three ground electromagnetic (EM) geophysical targets has been carried out during the quarter. Four of the seven EM conductors recently identified by Thundelarra, including the three high priority ones within the Billymac Yard project have not been successful in being cleared through the aboriginal heritage process. Discussions are continuing to determine if the areas can be accessible in future exploration work.

At the 028PAN target magmatic massive sulphide has been intersected at 37-38m within drillhole TKC003 and returned 0.4% copper, 0.077% nickel and 0.03% cobalt. This single hole tested a 100m long conductor which is open to the north and over which further drilling is required. DHEM is planned to focus the next phase of drilling. Whilst not of economic tenor the magmatic sulphide is significant as it is the first occurrence to be discovered within Panton Group intrusives. The 20km+ strike extent of this rock group within Thundelarra tenements now has enhanced prospectivity for further discoveries, especially as this area has been previously explored for platinum group metals. The discovery also supports Thundelarra's view that virtually all of the mafic and ultramafic intrusions within its project are prospective for magmatic nickel sulphide deposits.

At the Bow River prospect two RC holes spaced 40m apart were sited to test the 300m long 007BOW EM anomaly. Drilling failed to explain the conductor, although weak copper – nickel-cobalt mineralisation within gabbro indicates magmatic sulphides may be present in the area. DHEM will be carried out to identify off hole conductors, and the data used to refine the ground EM conductive feature which can then be further drill tested.

Stream, rock and soil geochemical sampling has continued to return anomalous results and new gossan occurrences with several corridors of mineralized intrusive rocks being defined. The Mabel Hill trend extends for some 15km of strike and covers the contact between Panton Sill group and Wild Dog gabbro intrusives and Tickalara metamorphics. Past drilling at the Mabel Hill prospect, conducted in 1978 returned up to 3.8m @ 1.4% nickel. A ground EM survey completed by Thundelarra in July identified a 100m long conductor at this prospect area. DHEM is planned down the historic drill holes to accurately site Thundelarra's drilling. The numerous geochemical anomalies along this prospective contact require extensive geophysical testing, and Helicopter mounted EM is planned.

At the Lamboo project assessment of nickel targets within an olivine cumulate intrusion commenced. This basal contact has not previously been explored for its nickel sulphide potential. Work also assessed gold targets within the tenement area, which abuts Terra Gold's Nicholson's Find gold plant. Rock sampling of a 250m strike of the Shifty's Reef, an 800m long 2m wide quartz vein has been carried out. Sixteen of the 31 samples returned gold grades above 10g/t with six of these above 1 oz/t. The highest result is 111g/t Au. Historic drilling over a portion of the vein comprised 12 holes averaging 43m depth and returning up to 1m @ 10.3g/t Au from 44m depth, with an average intercept grade of 4.2g/t Au. The area has good potential to host a shallow high grade gold deposit.

To assist in its exploration Thundelarra recently commissioned the DeBeers Australia Hyperspectral Business Unit ("DBHU") to conduct an airborne Hyperspectral Survey over approximately 30 square kilometers of the East Kimberley tenements. This test survey very successfully outlined a number of small intrusions and prospective mafic-ultramafic horizons not detected by other techniques.

The Hyperspectral system is a mineral mapping technique developed and refined by De Beers to locate minerals associated with ultramafic kimberlites. The DBHP scanner is mounted in a high flying aircraft and measures the reflectance spectra of minerals within the visible and infrared range. This system is perfectly suited for locating minerals associated with mafic and in particular ultramafic intrusions in areas of excellent outcrop such as the East Kimberley. The system can locate the iron minerals of gossans situated over sulphide bodies.

Due to the success of the initial test flight, Thundelarra contracted DBHU to conduct a survey over its entire Retained Area tenements (1,400 square kilometers). The initial results of this survey are very encouraging and targets will be followed up as the data is made available.

Thundelarra looks forward to continued exploration for the remainder of the field season, aided by its 18 man Panton Camp which provides a centrally located base from which focused exploration can be conducted.

Copernicus Joint Venture (Thundelarra 100%-Sally Malay earning 60%)

Sally Malay Mining Limited ("Sally Malay") is earning 60% of the 1.2 sq km Copernicus tenement by completing a bankable feasibility study ("BFS") on mining and processing the Copernicus resource. The revised Indicated resource estimate stands at 359,000t at a grade of 1.3% nickel, 0.7% copper and 0.05% cobalt, using a 0.5% nickel cut-off grade (Sally Malay Annual Report 2004). The study, which must be completed by 6 January 2005, expects to confirm the viability of mining the current resource via an open pit and processing ore through the Sally Malay plant which is located 35 kilometres to the north. Subject to a positive BFS, the plan would be to commence mining late in 2005 with the ore processed early 2006 as ore production at Sally Malay moves underground and there is spare capacity in the plant. Sally Malay has commenced concentrate production from their operation.

In 2003 a ground EM survey conducted on the joint venture tenement identified a strongly conductive anomaly called Copernicus North, located at depth and immediately north of the Copernicus open pit resource. In late 2003, a hole was drilled into the Copernicus North anomaly, intersecting 3m @ 2.75% nickel and 1.35% copper approximately 120m below surface. This hole identified Copernicus North as a significant new nickel-copper sulphide discovery with the potential to substantially increase the current resource base of the joint venture.

To facilitate further exploration of this exciting new discovery, Thundelarra and Sally Malay entered into a Variation Agreement in June 2004. This agreement gave Sally Malay the right to carry out exploration on other targets within the joint venture tenement prior to them having earned its 60% interest. A two staged drilling budget of up to \$750,000 was approved by both parties and Thundelarra agreed to fund its 40% share of expenditure.

During the June Quarter 2004, Sally Malay as operators of the joint venture completed the first stage of the planned drill program. Twelve reverse circulation drill holes, totalling 2,811m were completed for very encouraging results. Significant drill intercepts are tabled below:

Drill Hole	N	E	Depth (m)	Interval (m)	Ni (%)	Cu (%)	Co (%)
CORC035	102,950	55,325	157-158	3	2.75	1.36	0.082
CORC038	103,000	55,290	157-158	1	0.49	0.50	0.010
CORC039 including	103,000	55,240	199-216	17	1.36	0.87	0.050
			199-211	12	1.63	0.96	0.060
CORC040	103,050	55,238	213-215	2	1.10	0.98	0.036
CORC051 including	103,100	55,200	260-274	14	1.45	1.16	0.050
			261-273	12	1.55	1.17	0.054
CORC052 including	103,100	55,150	298-305	7	0.96	0.62	0.036
			302-305	3	1.42	0.59	0.053

The Stage 1 drilling program very successfully defined a north plunging pipe-like body of magmatic nickel-copper sulphide mineralization that has the potential to host a significant sulphide resource of the Voisey's Bay-Sally Malay style (see attached Copernicus North Long Section).

In September 2004, Sally Malay conducted geophysical down-hole ("DHEM") surveys in all of the Copernicus North drill holes. The technique can be used to help delineate the overall extent of the sulphide mineralization by providing reliable estimates of the distance to mineralization in drill holes that failed to intersect mineralization. Strong off-hole EM anomalies were detected in all of the Copernicus North drill holes that failed to intersect mineralization. The drilling and DHEM surveys now clearly show that the Copernicus-Copernicus North mineralization was continuous over approximately 500m strike and was open down plunge to the north. The sulphide body was lenticular in shape with a true width of up to 15m and a down dip extent of up to 120m, possibly more. The body plunges approximately 40 degrees to the north and dips 45 degrees to the west. The drilling of the three proposed holes as shown on the attached Long Section could substantially increase the resource potential of the project.

Unfortunately Sally Malay has not yet committed to a second stage of drilling this year and they have given no indication as to when they intend to recommence.

LionOre Joint Venture (Thundelarra 100%-LionOre earning 60%)

Under the terms of the East Kimberley joint venture with LionOre, LionOre is earning a 60% interest in approximately half of Thundelarra's East Kimberley tenement holding of 2,800 sq km by spending \$5 million over 5 years (see attached East Kimberley Project map).

During the quarter LionOre continued the systematic assessment of prospects within the joint venture tenements. A drilling program is currently underway on the Black Bull and nearby Black Bull East prospects to test several high order geochemical anomalies. DHEM surveys are also underway to test for off-hole conductors in the recently drilled holes at Eileen Bore. The results of this program are expected to be to hand by mid December 2004.

CORPORATE

Phillips Range Project (Thundelarra 95%)

On the 1 October 2004 Thundelarra announced that it has entered into a Sale Agreement with United Kimberley Diamonds NL ("UKD") on 29 September 2004 whereby UKD will acquire the 95% interest in the Phillips Range Diamond Joint Venture from Thundelarra.

The sale of Thundelarra's diamond interests will enable Thundelarra to focus its cash and management efforts on its exciting East Kimberley nickel tenements, where extensive exploration will be undertaken by Thundelarra and its joint venture partners, LionOre Australia Pty Ltd and Sally Malay Mining Ltd.

The consideration for the sale of Thundelarra's diamond interest to UKD is the issue of;

- a) 20,000,000 ordinary fully paid shares in the capital of United Kimberley Diamonds; and
- b) 5,000,000 options to acquire the same number of fully paid ordinary shares in the capital of UKD with an exercise price of 20 cents each and expiring on 31 July 2008.

The sale of Thundelarra's interest pursuant to the Sale Agreement is conditional upon and subject to the following:

- (a) Thundelarra obtaining the approval of the Minister to the transfer of the Joint Venture interest in respect to those Phillips Range tenements that are granted pursuant the Mining Act;
- (b) the other participant either waiving or failing to exercise its pre-emptive rights pursuant to the Joint Venture Agreement;
- (c) UKD obtaining conditional approval for admission to the Official List of Australian Stock Exchange Limited ("ASX") and satisfying all the conditions imposed by ASX apart from settlement of the acquisition under this Sale Agreement; and
- (d) The offer of shares and options to be issued to Thundelarra are subject to and conditional upon UKD issuing a prospectus or other disclosure document as may be required under the provisions of the Corporations Act to enable UKD to make that offer.

If the above conditions are not duly satisfied or waived by 31 March 2005, then either party may terminate this Agreement by giving notice to that effect to the other party and upon giving such notice the Agreement shall be automatically at an end and neither party shall have any claim against the other either at law or in equity except in respect of antecedent breaches.

The transaction with UKD will see Thundelarra's 95% interest in the highly prospective Phillips Range diamond tenements being added to a portfolio of diamond tenements held by UKD. The Phillips Range tenements cover an area of approximately 950 sq kms surrounding the Aries kimberlite pipe, Australia's largest diamondiferous kimberlite.

Yours faithfully

THUNDELARRA EXPLORATION LTD

A handwritten signature in black ink, appearing to read 'Phil Crabb', written over a horizontal line.

PHIL CRABB
Chairman

For further information about Thundelarra Exploration Ltd.

Website: www.thundelarra.com

Contacts:

Philip Crabb
Chairman
Thundelarra Exploration Ltd

or

Brian Richardson
Director of Exploration
Thundelarra Exploration Ltd

The resource estimates have been prepared by Geologists who are members of the Australian Institute of Geoscientists and are competent persons for the purposes of JORC Code (1999). Other information in this report, insofar as it relates to resource estimation and exploration activities, are based on information compiled by Mr Brian Richardson who is a Member of the Australasian Institute of Mining and Metallurgy and who have more than ten years experience in the field of the activity being reported on. This report accurately reflects the information compiled by the member.

103400 mE

103000 mE

102600 mE

300 mRL

E80/2716 (Thundelarra - LionOre JV)
MLA80/540 (Thundelarra - Sally Malay JV)*Hangingwall***Copernicus North Prospect**

Oxide

Copernicus Open Pit Indicated Resource
359,000t @ 1.3%Ni, 0.7% Cu, 0.05% Co**CORC040**

2m @ 1.10%Ni, 0.98% Cu

CORC035

3m @ 2.75%Ni, 1.36% Cu

CORC051

14m @ 1.45%Ni, 1.16% Cu

CORC039

12m @ 1.63%Ni, 0.96% Cu

*Footwall***CORC043**

intersected pyroxenite dyke

CORC052

7m @ 0.96%Ni, 0.62% Cu

TARGET ZONE**Copernicus Project****Geological Long Section showing existing
Copernicus North Drill Holes
and Proposed Holes**

0 mRL

103250mN
Exploration Drill Traverse103350mN
Exploration Drill Traverse

-200 mRL

Ni-Cu sulphide mineralisation

Existing mineralised drill hole showing
DHTM direction to greater conductanceExisting barren drill hole showing DHTM
direction to off hole anomaly

Proposed down plunge exploration drill hole

100m

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98.

Name of entity

THUNDELARRA EXPLORATION LTD

ACN

085 782 994

Quarter ended ("current quarter")

30 SEPTEMBER 2004

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(387)	(1,246)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(173)	(1,224)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	54	251
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
		(506)	(2,219)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	(40)
	(b)equity investments	(170)	(239)
	(c) other fixed assets	(21)	(288)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	8
1.10	Loans to other entities	(226)	(736)
1.11	Loans repaid by other entities	388	561
1.12	Other (provide details if material)	-	-
		(29)	(734)
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(535)	(2,953)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(535)	(2,953)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	7	6,007
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	7	6,007
	Net increase (decrease) in cash held	(528)	3,054
1.20	Cash at beginning of quarter/year to date	5,736	2,154
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	5,208	5,208

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	125
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Thundelarra's financial year is from the period 1 October 2003 to 30 September 2004.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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Appendix 5B

Mining exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	-
Total	350

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	(38)	166
5.2 Deposits at call	5,087	5,411
5.3 Bank overdraft	-	-
5.4 Other (bank guarantees)	159	159
Total: cash at end of quarter (item 1.22)	5,208	5,736

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	Tallering Turkey Creek Edle Creek Ord River	E59/1117 E80/3233 E80/2838 P80/2109	Nil Nil Nil Nil
				100% 100% 100% 100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference			
	+securities (description)	-	-	-
7.2	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy - backs, redemptions	-	-	-
7.3	+Ordinary securities			
	73,878,726	73,878,726	-	-
7.4	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through returns of capital, buy - backs	-	-	-
7.5	+Convertible debt			
	securities (description)	-	-	-
7.6	Changes during quarter			
	(a) Increases through issues	-	-	-
	(b) Decreases through securities matured, converted	-	-	-

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	3,051,644	3,051,644	<i>Exercise price</i>	<i>Expiry date</i>
		1,245,000	-	\$0.205	30/04/2005
		1,771,000	-	\$0.325	28/03/2008
		11,000,000	-	\$0.475	28/02/2007
		1,970,000	-	\$0.655	20/11/2007
		375,000	-	\$0.675	26/02/2009
			-	\$0.325	20/04/2009
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	20,000	-	\$0.205	30/04/2005
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:
 (Director /Company Secretary)

Date: 28 October 2004

Print name: FRANK DEMARTE

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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