



THUNDELARRA

EXPLORATION LTD

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14 December 2004

Thundelarra Exploration Ltd
ABN 74 950 465 654
ACN 085 782 994

The Manager
Companies Announcement Office
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Via Electronic Lodgement

Dear Sir/Madam

ACQUISITION OF EAST KIMBERLEY DIAMOND PROJECT

The Directors of Thundelarra Exploration Ltd ("Thundelarra") are pleased to announce that they have signed a Letter of Intent with Rio Tinto Exploration Pty. Limited ("RTE") to acquire 100% equity in RTE's extensive East Kimberley Chamberlain Diamond Project (see attached plan). The Chamberlain Project is located on the edge of the Kimberley Plateau, approximately 160 kms south west of Kununurra and 70 kms west of the Argyle diamond mine and consists of 5 granted exploration licenses (E80/2893, 2894, 3320, 3321 and 3322) covering over 1,000 km².

During the early 1980's regional kimberlitic indicator sampling programs discovered kimberlitic chromites and micro-diamonds within the Chamberlain area. Subsequent exploration within the current tenement area discovered a 5kg block of kimberlite float within one small drainage. In 1997 an airborne DIGHEM survey (electromagnetic and magnetic) identified a zone of magnetic lineaments at least 3 km wide, trending NNE for at least 50 km through the Project. Ground investigations resulted in the significant discovery of a small kimberlite dyke and other features believed to represent concealed kimberlite dykes paralleling weakly magnetic dolerite dykes. In 2003 RTE successfully drilled a narrow kimberlite dyke adjacent to one of the numerous dolerites in the area.

The concealed kimberlite dykes and possible 'blow-outs' are attractive targets for diamond exploration in the East Kimberley. In Canada for example, De Beers are scheduled to commence underground mining of their Snap Lake kimberlite dyke deposit in 2005. This narrow kimberlite dyke has a published resource of 22.8 million tonnes grading 1.46 carats/tonne with an average carat value of US\$74.

Chamberlain is a particularly appealing exploration project to Thundelarra because the main search area is well defined by the dolerite dyke swarm (50 kms by 3 kms) and kimberlite dykes and micro-diamonds have already been identified within the area of the tenements. Thundelarra has commenced exploration of the extensive project by flying a Hyperspectral survey over the area. The Hyperspectral system is a mineral mapping technique developed and refined by De Beers to locate minerals associated with kimberlites. Initial results of this survey are very encouraging with 12 high priority targets identified from the first pass interrogation of the data. Each of these sites was located in the field during a helicopter reconnaissance survey and access routes were plotted for next year's exploration program.

As soon as the weather conditions permit, Thundelarra will fly a detailed low level airmagnetic survey over the target area. The results from this survey integrated with the high resolution hyperspectral data (5m pixels) will define a number of targets to be assessed at the beginning of the next field season. Ground assessment including drilling will commence once all necessary approvals are in place.

Under the terms of the agreement, if Thundelarra discovers a mineral resource that has an in-ground value of \$500 million or more, RTE will hold an option to purchase from Thundelarra either a 51% beneficial interest in the project by paying Thundelarra 3 times its discovery costs or 70% by paying 4 times the discovery costs. If RTE exercises its Back-In Option, RTE will have the right, but not the obligation, to market its share of diamond production and to market 50% of Thundelarra's share. Thundelarra will have the right to market all diamonds if RTE does not exercise its Back-In Option.

Thundelarra is required to pay RTE the following one-off milestone cash payments:

- (a) \$2 million on making the decision to mine any mineral located within the Project area; and
- (b) \$100,000 in cash or shares on the 14 December 2005 if Thundelarra retains an interest in any of the project tenements on the 30 November 2005. Thundelarra is required to keep the tenements in good standing until 30 November 2005.

A useful feature of this quality acquisition is that it fits in well with our general exploration activities just to the south for nickel both on our own account and with our joint venture partners, LionOre Australia Ltd and Sally Malay Mining Ltd. Much of the infrastructure is in place and will have an accommodation base at the Panton River camp 60 kms north of Halls Creek.

Yours sincerely

THUNDELARRA EXPLORATION LTD



Philip G Crabb
CHAIRMAN

For further information about Thundelarra Exploration Ltd.

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Contacts:

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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 Corporate 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.

