



CONTENTS

| | |
|---|----|
| Chairman's Letter | 1 |
| Review of Operations | 4 |
| Director's Report | 13 |
| Corporate Governance Statement | 20 |
| Statement of Financial Performance | 23 |
| Statement of Financial Position | 24 |
| Statement of Cash Flows | 25 |
| Notes to the Financial Statements | 26 |
| Directors' Declaration | 50 |
| Independent Audit Report to the Members | 51 |
| Auditors Independence Declaration | 53 |
| Additional Information | 54 |
| Tenement Summary | 56 |

CORPORATE DIRECTORY

DIRECTORS

Philip G Crabb

FAusIMM, MAICD
(Chairman & CEO)

Frank DeMarte

B.Bus FCIS, MAICD
(Executive Director and
Chief Financial Officer)

Brian D Richardson

MAusIMM, BSc (Hons)
(Executive Director)

Rick W Crabb

B.Juris (Hons), LLB, MBA
(Non Executive Director)

Malcolm J Randall

B.Applied Chem.
(Non Executive Director)

SECRETARY

Frank DeMarte

B.Bus FCIS, MAICD

REGISTERED OFFICE

Level 3, IBM Building
1060 Hay Street
WEST PERTH WA 6005
Telephone: +618 9321 9680
Facsimile: +618 9321 9670
Email: perth@thundelarra.com
Web: www.thundelarra.com

Visitors to our web site will find
information on the Company including
shareholder reports, press releases,
quarterly reports and annual reports.

HOME EXCHANGE

Australian Stock Exchange (Perth) Ltd
Exchange Plaza 2 The Esplanade
PERTH WA 6000

LISTED ON AUSTRALIAN STOCK
EXCHANGE LIMITED
Code: THX

SOLICITORS

Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

Salter Power

Level 2
6 Kings Park Road
WEST PERTH WA 6005

BANK

National Australia Bank
50 St Georges Terrace
PERTH WA 6000

AUDITOR

Stanton Partners
Level 1, 1 Havelock Street
WEST PERTH WA 6005

ABN

74 950 465 654

CHAIRMAN'S LETTER

⁺ Welcome to the Thundelarra
2005 Annual Report



Dear Shareholder

I am pleased to present the 2005 Annual Report outlining the exploration activities of Thundelarra Exploration Ltd ("Thundelarra"), during the past 12 month period.

In 2005 Thundelarra, together with our East Kimberley joint venture partner LionOre Australia Pty Ltd ("LionOre"), continued our intensive exploration program in the East Kimberley region of Western Australia. Both parties were extremely active, with LionOre spending in excess of \$2 million as part of the LionOre Joint Venture Agreement and Thundelarra spending in excess of \$2 million. LionOre is exploring 1,412 kilometres to earn 60% equity by spending \$5 million over 5 years.

Thundelarra on its own account drilled a total of 15 holes for a total of 2,936 metres and obtained 2,266 metres of NQ drill core. Thundelarra flew 2,000 line kilometres of Hoist EM Airborne Survey and conducted down hole electro magnetic surveying over most holes.

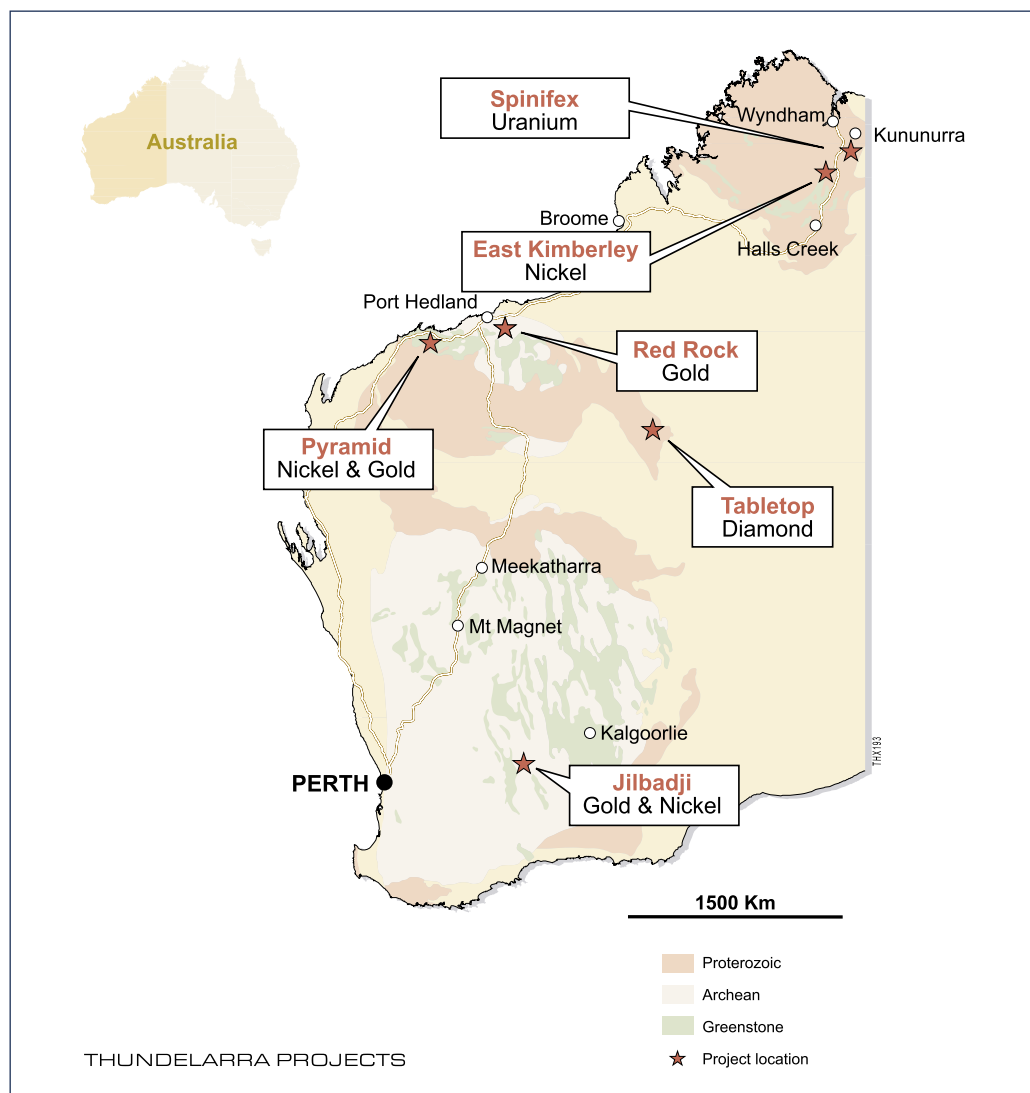
LionOre was very active over the remaining joint venture ground during 2005. At the Keller Creek prospect, diamond drilling intersected nickel-copper sulphides associated with the intrusion contact and footwall fissure zones. The intrusion appears to continue at depth, plunging off to the south east. Also in 2005 LionOre identified new gossanous zones, completed detailed aeromagnetic surveying of the Keller Creek and Sally Downs Bore prospect areas and new targets have been identified and ranked for the start of the 2006 field season.


Our retained area exploration program for the year was affected considerably when, in January 2005 Sally Malay Mining Ltd ("Sally Malay") delivered to Thundelarra a set of documents it claimed to be a "Feasibility Study" for the Copernicus Project. Under the Copernicus -Salk Heads of Agreement between Thundelarra and Sally Malay signed in 2003, for Sally Malay to earn 60% joint venture interest in the project Sally Malay was required to deliver a Feasibility Study on mining the open cut resource. Based on our internal review, experience and advice from consultants, the Thundelarra Directors formed the view that the report delivered by Sally Malay was deficient in a number of important respects and did not satisfy the earning obligations of the Joint Venture Agreement. On the 15 April 2005 Thundelarra formally advised Sally Malay that the Heads of Agreement would be terminated. Subsequently, Sally Malay commenced proceedings in the Supreme Court seeking a declaration that the documents delivered was a Feasibility Study. Thundelarra is defending this court action and although the case was placed on the expedited list and is ready for trial, it is more likely the trial will be held in the first or second quarter of 2006.

CHAIRMAN'S LETTER

As disappointing and non productive as this issue has been, we did make considerable progress during the year. We are in the favorable position of being able to make an early start to the 2006 field season, which will involve Thundelarra conducting additional drilling of the Copernicus North deposit. The purpose of this drilling in 2005 was to provide us with further information to determine possible extensions of the orebody. Work in this regard is ongoing and additional field work is expected early in the 2006 field season.

Exploration in 2005 has advanced the exciting Lamboo Project located 40 Kilometres south west of Halls Creek. The Project is prospective for nickel-copper, platinum group elements ("PGE"), and gold mineralisation. Field exploration programs on this project involved geological mapping and sampling. Once all results from these programs are available a drilling program will be planned to test not only the nickel-copper targets but also the large low grade PGE targets and a number of priority gold in soil anomalies associated with the interpreted Nicolson shear.





+ Exploration in 2005 has advanced the exciting **Lamboo Project** located 40 kilometres south west of Halls Creek.

Late in 2005 the Thundelarra Board of Directors decided to set aside a budget for uranium exploration within Australia. In December Thundelarra applied for the exploration licence covering the Spinifex uranium prospect located in the East Kimberley. The commencement of a systematic exploration program is planned for early 2006.

Due to the Sally Malay situation, the scheduled cash flow we had budgeted on receiving in 2006 from the production at Copernicus is unlikely to occur. Consequently the Thundelarra Directors will be considering the cash requirements for Thundelarra for the upcoming two years and will keep shareholders advised.

I would be less than honest if I did not concede the fracturing of the Sally Malay joint venture has affected Thundelarra during 2005 but in saying that, we have a clear vision for our future as explorers and miners in the Kimberley region. We see the valuable Copernicus and Keller Creek Projects as an important base to additional discoveries in the future by both LionOre and Thundelarra.

Shareholders are reminded LionOre in 2003 agreed to a placement of 7.8 million shares at 45 cents raising \$3.51 million for Thundelarra. Also as part of the placement LionOre received 11 million options exercisable at 65.5 cents expiring 20 November 2007. LionOre has confirmed its intention to continue the joint venture of which \$3.9 million has been spent to date and will recommence exploration in 2006 with a budget for this period expected to exceed \$1 million. I have always felt our partnership with LionOre is a great testament to our faith in the region and our ability to assemble such a prospective land bank. Shareholders can look forward to a 2006 season of exploration by LionOre and Thundelarra with considerable interest.

I would like to thank my fellow directors and staff as well as our many loyal shareholders in what has been a busy and testing year.

Yours faithfully
THUNDELARRA EXPLORATION LTD



Philip G Crabb
CHAIRMAN

REVIEW OF OPERATIONS

⁺ A review of Thundelarra Exploration's Operations in 2005



Thundelarra Exploration Ltd ("Thundelarra") exploration efforts during the year were again focussed primarily on the extensive East Kimberley project. This exploration involved regional and detailed airborne geophysical surveys, diamond and percussion drilling programs and the continuation of the systematic geological mapping, geochemical sampling and prospect assessment programs. A number of significant results were returned as detailed below.

EAST KIMBERLEY PROJECT

Thundelarra is a large tenement holder in the East Kimberley with over 2,900 square kilometres covering the Proterozoic Halls Creek Orogen ("HCO"), one of the most prospective and under explored nickel and platinum group metals ("PGM") provinces in Australia (see Tenement Location Map- East Kimberley). Thundelarra's tenements contain approximately 50 known layered mafic-ultramafic intrusions and over 100 magmatic nickel-copper and PGM occurrences including the significant Copernicus and Keller Creek prospects. Under a regional agreement with LionOre Australia Ltd ("LionOre"), Thundelarra explores some 1,500 square kilometres in its own right and LionOre is farming into 1,400 square kilometres by the expenditure of \$5 million over 5 years.

The Farm-in Agreement between Thundelarra and Sally Malay Mining Ltd ("Sally Malay") on the Copernicus tenement mining lease 80/540 was terminated by Thundelarra on 15 April 2005. On 1 June 2005, Sally Malay served a Supreme Court writ on Thundelarra, and the Copernicus prospect is now the subject of litigation between the parties. As from 15 April 2005, Thundelarra has sole funded exploration on the disputed Copernicus tenement.

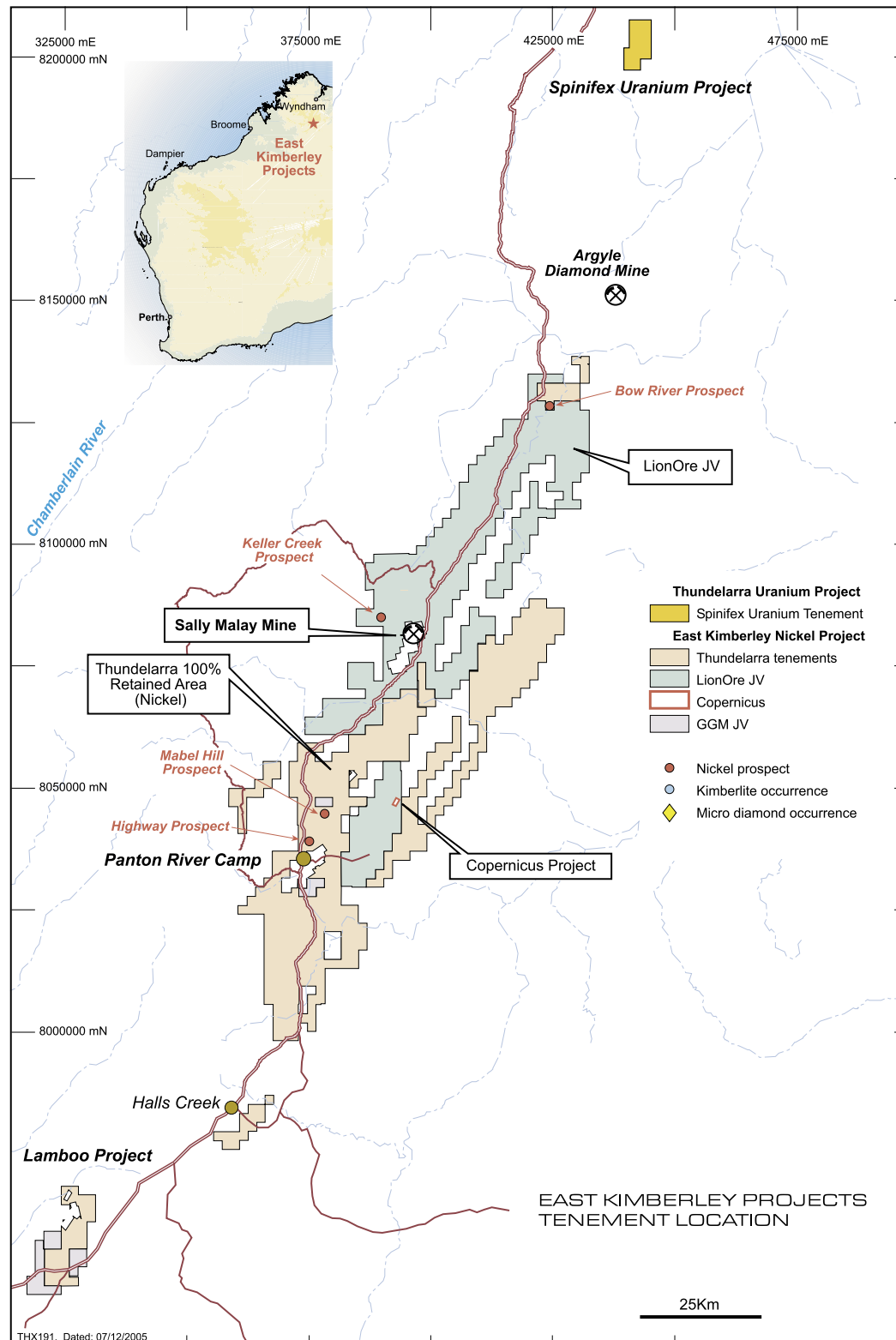
Details of Thundelarra's and LionOre's work are presented on the following pages:

⁺ Thundelarra's tenements contain approximately 50 known layered mafic-ultramafic intrusions and over 100 magmatic nickel-copper and PGM occurrences including the significant Copernicus and Keller Creek prospects.



REVIEW OF OPERATIONS

East Kimberley Project Tenement Location Map



REVIEW OF OPERATIONS

THUNDELARRA FUNDED EXPLORATION

COPERNICUS

The mineralisation at Copernicus is hosted by a north plunging pipe-like body of magmatic sulphide mineralisation that has the potential to host a significant sulphide resource of the Voisey's Bay-Sally Malay style (see Copernicus Long Section). During the year, Thundelarra focussed its exploration efforts on testing Copernicus North, the down plunge extension of the Copernicus body and on the nearby Salk North mineralisation. A total of 13 percussion and diamond holes were drilled for 2,676 metres including 2,265 metres of NQ diamond core. A down hole electromagnetic ("DHEM") survey was conducted on most holes and each hole was geologically logged and selected samples collected for assay. The DHEM results were not available for the Copernicus Deeps holes CORCD059-61 at the time of writing this review. Significant drill intercepts from the 2005 drilling are tabled below:

Significant Drill Intercepts – Copernicus Project 2005 > 0.5% Nickel

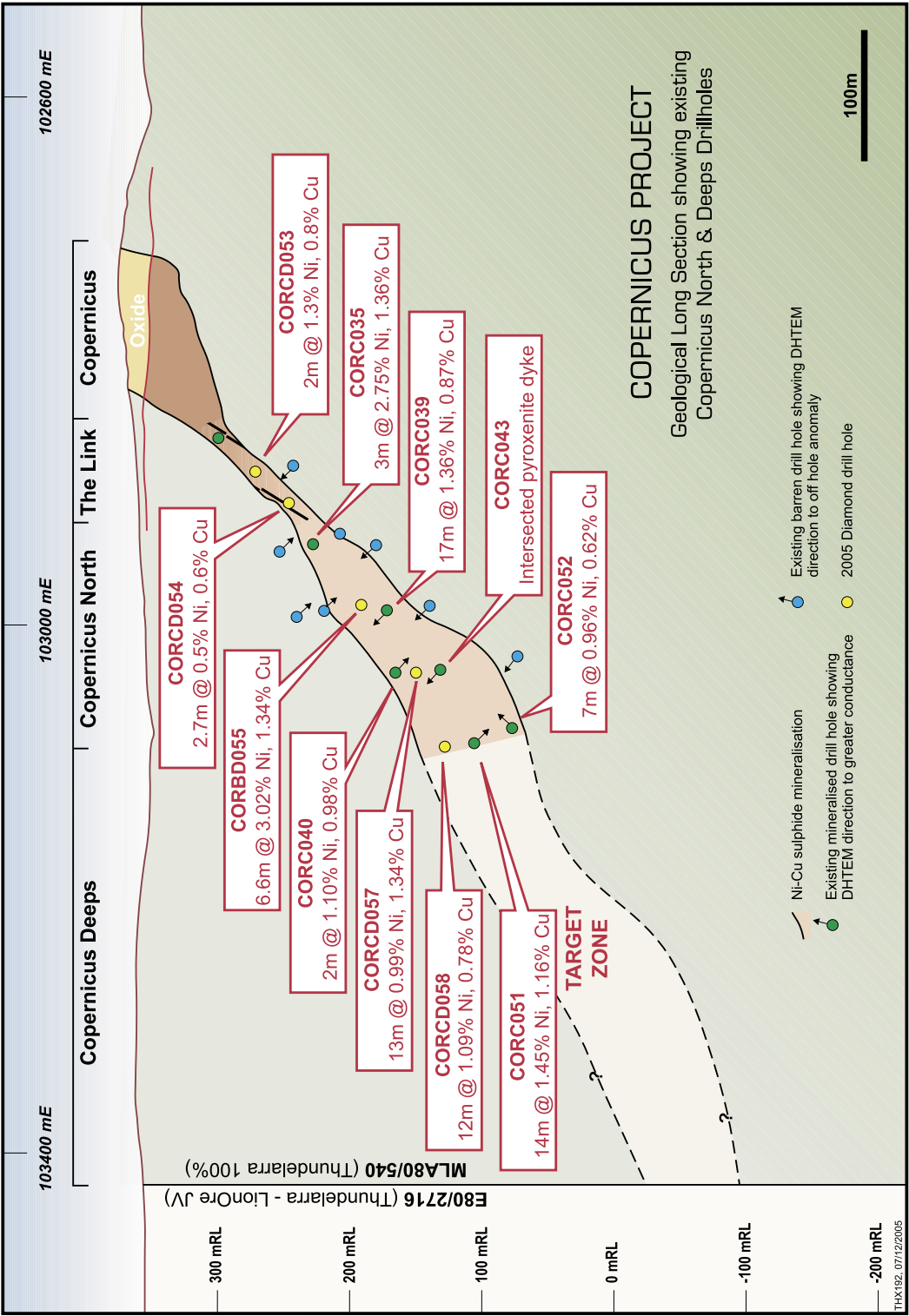
| Hole | North AMG | East AMG | Azim. (mag) | Dip | Interval:width (m) | Ni (%) | Cu (%) |
|----------|--------------|-------------|----------------|-----|--|----------------------------------|----------------------------------|
| SARD9 | 8046935 | 392483 | 124 | -60 | 62-65m: 3m 67-68m: 1m | 0.67% 0.86% | 0.47% 0.1% |
| SARD10 | 8046973 | 392481 | 124 | -60 | 65-72m:7m 74-75m:1m 77-84m:7m 89-96m:7m | 0.63% 0.72% 0.87% 0.63% | 0.79% 0.67% 0.58% 0.35% |
| CORCD053 | 8047359 | 392910 | 113 | -60 | 85.1-86.6m:2m | 1.3% | 0.8% |
| CORCD054 | 8047387 | 392908 | 113 | -60 | 99.9-102.6m:2.7m | 0.5% | 0.60% |
| CORBD055 | 8047517 | 392874 | 116 | -60 | 184.5°-191.1m:6.6m (weighted average 6.6m) 193-195m:2m | 2.85% 3.02% 0.82% | 1.37% 1.34% 0.03% |
| CORB057 | 8047589 | 392841 | 116 | -60 | 235-248m:13m | 0.99% | 1.34% |
| CORBC058 | 8047630 | 392869 | 114 | -60 | 25-267m:12m | 1.09% | 0.78% |

The drilling program and subsequent DHEM surveys very successfully defined the sulphide mineralisation down to a vertical depth of approximately 400 metres and at least 700 metres in down plunge strike extent. There are insufficient drill holes into Copernicus North to accurately determine the geometry of the body or a global resource however the close spaced drilling into the near surface Copernicus mineralisation defines a lens-shaped body with a maximum thickness of 25 metres, a down dip extent of 80-90 metres dipping approximately 45 degrees to the west. The intercept of 6.6 metres @ 3.02% nickel and 1.34% copper in hole CORBD055 clearly indicates the potential for a higher grade core to the plunging lens-shaped body of mineralisation.

Further exploration drilling will be conducted in 2006 to determine the average grade and spatial dimensions of the Copernicus North-Copernicus Deeps mineralisation prior to a preliminary resource estimate being made.

REVIEW OF OPERATIONS

Copernicus Project Long Section Map



REVIEW OF OPERATIONS

LAMBOO PROJECT

The Lamboo project is located 40 kilometres south west of Halls Creek and consists of 5 tenements covering approximately 80 square kilometres. Thundelarra holds 100% equity in 3 of the tenements and is earning an 80% equity in the remaining tenements held by Great Gold Mines Ltd, by spending \$200,000 over 3 years.

The project covers the poorly exposed Lamboo Intrusive Complex ("LIC"). This is a structurally complex layered intrusion approximately 23 kilometres long and 1.5 kilometres in width with at least a 20 kilometre strike length within the Lamboo project tenements. The project is prospective for ortho-magmatic nickel-copper sulphide mineralisation associated with the LIC, PGM associated with numerous mapped chromitite seams and disseminated sulphide accumulations and gold mineralisation related to the Nicolson fault structure. Exploration by past explorers has resulted in the discovery of significant widths of low grade mineralisation including 19 metres of 0.93 grams per tonne ("g/t") PGM plus gold.

Thundelarra's exploration effort concentrated primarily on the search for magmatic nickel-copper sulphides associated with the LIC. In 2004 a hyperspectral survey was flown across the project, the results of which clearly defined the prospective contacts of the extensive ultramafic unit. In 2005 an airborne electromagnetic survey (HoistEM) was conducted identifying 6 conductor anomalies within the tenements located at or near the prospective ultramafic contacts. All these targets occur beneath a shallow cover sequence of black soil and will be drilled tested early in 2006.

Field exploration programs are continuing on the project.

MABEL HILL PROJECT

The Mabel Hill prospect is located in the Panton North tenement, E80/2290, approximately 70 kilometres north east of Halls Creek. A small gossan was discovered at the prospect in the 1970's and a limited drill program conducted shortly after discovery, intersected 3.8 metres @ 1.43% nickel and 0.3% copper within an embayment in a mafic-ultramafic intrusion. In 2004 Thundelarra conducted a ground electromagnetic survey which identified 2 target conductors, each 70 metres in strike length and stacked one above the other. In 2005 Thundelarra drilled a single RAB drill hole (TKB001) to a total depth of 84 metres. This intersected the gabbro-norite intrusive and returned 1 metre at 1.46% nickel, 0.13% copper and 240 parts per billion ("ppb") platinum+palladium from 41 metres and 8 metres @ 0.38% nickel from 60 metres. The hole was terminated due to drilling difficulties before reaching the target depth of the lower electromagnetic target.

Along strike from the Mabel Hill prospect a number of as yet untested HoistEM anomalies occur and present as drill targets for the 2006 field season.

REVIEW OF OPERATIONS

BOW RIVER PROSPECT

The Bow River prospect is located 15 kilometres north of Warmun and is situated over a discrete ground electromagnetic anomaly identified in 2004. Thundelarra drilled 2 holes into the prospect in 2004 but failed to intersect a source for the electromagnetic anomaly. In 2005 a DHEM survey identified an off hole electromagnetic anomaly paralleling the 2 holes drilled. Further drilling will test the anomaly, located on the margin of the mineralised Bow River mafic intrusion in 2006.

HIGHWAY PROSPECT

The Highway prospect is located 8 kilometres south west of the Mabel Hill prospect and covers a gossan occurrence discovered by Thundelarra in 2003. Gossan sampling returned a best value of 0.37% nickel, 0.75% copper and 4.4 parts per million ("ppm") platinum +palladium +gold. A ground electromagnetic survey identified a 100 metre long conductor. One hole, TKC003 intersected 1 metre of massive pyrrhotite sulphide mineralisation from 37 metres (0.07% nickel, 0.4% copper) remobilised into a gabbro granite contact. A DHEM survey conducted in 2005 located an off hole electromagnetic anomaly interpreted to be the intact sulphide body at the base of the pyroxenite and will be drill tested early next year.

REGIONAL WORK

During the first half of the field season Thundelarra commissioned a 2,000 line kilometre airborne HoistEM survey over priority target areas of the Panton, Frank Hill and Lamboo project areas. The majority of the anomalies were assessed in the field and 8 targets warrant drill testing early in 2006 including the 6 within the Lamboo project.



REVIEW OF OPERATIONS

CHAMBERLAIN DIAMOND PROJECT

A detailed air magnetic and radiometric survey was completed over the Chamberlain diamond project during the quarter. The survey of 3,000 kilometres was centred on the previously recognised dolerite dyke swarms and the possible kimberlite dykes that are interpreted to parallel these dolerites. The target is large kimberlite "blow-outs" that may occur disrupting the highly linear magnetic signature of the proximal dolerites.

Previous exploration by Rio Tinto Exploration Ltd discovered narrow kimberlite dykes within the project area.

Thundelarra has now compiled a database of all relevant historical work over the project, completed the interpretation of the regional hyperspectral survey conducted in 2004 and carried out a photogeological study of the area. The four layers of information including the recent magnetic interpretation have failed to locate any significant coincident anomalies that warrant further assessment. Thundelarra has recommended that all of the Chamberlain tenements be surrendered.

⁺ Under the East Kimberley Regional Agreement LionOre is exploring a 1,412 square kilometres joint venture area by sole funding the first \$5 million of exploration expenditure over 5 years to earn a 60% interest..

LIONORE EAST KIMBERLEY JOINT VENTURE

A strategic alliance was entered into with LionOre over the East Kimberley project in 2003. Under the East Kimberley Regional Agreement LionOre is exploring a 1,412 square kilometres joint venture area by sole funding the first \$5 million of exploration expenditure over 5 years to earn a 60% interest. Thundelarra may then elect to contribute to maintain its 40% equity or dilute to a 20% interest, free carried to decision to mine.

LionOre carried out considerable exploration during 2005 with work focused on the Keller Creek, McKenzie Spring, Fletcher Creek and Dave Hill prospects. The exploration consisted of reverse circulation and diamond drilling, ground and down hole electromagnetic surveys, aeromagnetic surveys, geological mapping and surface geochemical sampling programs.

Most of the exploration was centred at Keller Creek, with the work aimed at evaluating the nickel potential of the mineralised basal contact of the Keller Creek intrusion and the down plunge extension of the discordant footwall fissure zone. The gossanous and geochemically anomalous basal contact zone can be traced for approximately 1.1 kilometres on surface, 'folding' around the central Misery Granite hill.



REVIEW OF OPERATIONS

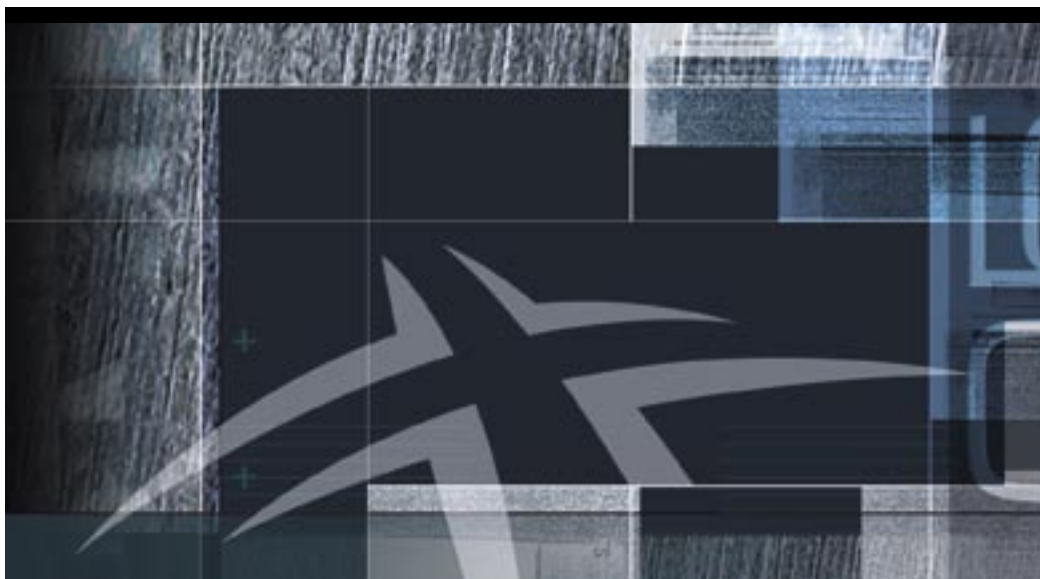
Diamond drilling intersected nickel-copper sulphides associated with the intrusion contact and footwall fissure zones. Footwall fissure zone intersections to date include 6.77 metres @ 1.98% nickel and 0.53% copper from 36.8 metres in LEKD22, and 5 metres @ 0.69% nickel and 0.45% copper from 23 metres in LEKC18. Intersections on the western contact zone include 16.25 metres @ 0.4% nickel and 0.2% copper from 104.8 metres in LEKD23, and 18 metres @ 0.57% nickel and 0.27% copper from 267 metres in LEKD40, some 200 metre down dip of the former, including 5 metres @ 0.94% nickel and 0.38% copper from 269 metres and 5 metres @ 0.78% nickel and 0.27% copper from 280 metres. On the northern contact, some 200-300 metre along strike from the former holes, intersections include 7.3 metres @ 0.4% nickel from 134 metres in LEKD25. The intrusion appears to continue at depth, plunging off to the south east. Drill hole locations are presented in the table below:

Drill Hole Locations – Keller Creek Prospect

| Hole no | AMG E | AMG N | Dip | Azi (AMG) | RC | DD tail | Total Depth |
|---------|--------|---------|-----|--------------|-------|---------|----------------|
| LEKC18 | 390480 | 8086570 | -50 | 180 | 110.0 | | 110.0 |
| LEKD22 | 390480 | 8086580 | -75 | 180 | 15.0 | 57.5 | 72.5 |
| LEKD23 | 390335 | 8086260 | -60 | 270 | 45.0 | 96.5 | 141.5 |
| LEKD25 | 390700 | 8086535 | -60 | 360 | 75.0 | 126.5 | 201.5 |
| LEKD40 | 390337 | 8086260 | -60 | 90 | 60 | 378.2 | 438.2 |

The interpretation of all exploration results from the Keller Creek prospect is continuing.

Elsewhere, geological mapping, geochemical sampling, aeromagnetic surveys, ground electromagnetic surveys and limited drilling have identified a number of new target areas that warrant further assessment in the 2006 field season.



REVIEW OF OPERATIONS

- + Thundelarra recently entered into a joint venture agreement with De Grey Mining Ltd ("De Grey") on the company's Red Rock tenement, E45/2611



PYRAMID NICKEL PROJECT, WEST PILBARA

The Pyramid nickel project (Thundelarra 100%) comprises three tenement applications covering some 468 square kilometres within the Archaean aged West Pilbara craton. Tenements are located some 35 kilometres east of the Radio Hill nickel mine and 5 kilometres south of the Sherlock Bay nickel resource.

The project covers layered mafic and ultramafic intrusions with the potential for nickel sulphide mineralization. The tenements secure extensive portions of the Opaline Well Intrusive suite and the southern margin of the Sherlock intrusion. Both have had little past nickel exploration and are extensively obscured by recent cover. A 20 kilometre section of the Cooya Pooya Dolerite is also secured. A gossan developed at the base of an olivine cumulate zone of this unit assayed up to 1.56 g/t platinum + palladium + gold and 0.2% nickel. Initial assessment of the project will commence once the tenements are granted.

RED ROCK GOLD PROJECT, WEST PILBARA

Thundelarra recently entered into a joint venture agreement with De Grey Mining Ltd ("De Grey") on the company's Red Rock tenement, E45/2611. Under the terms of the agreement, De Grey will earn a 60% interest in the tenement by the expenditure of \$180,000 within 2 years. Thundelarra will have the right to contribute or dilute down to a 20% free carried interest (decision to mine).

The Red Rock tenement covers approximately 10 kilometres strike of the highly prospective Tabba Tabba shear that hosts a number of De Grey's recently discovered gold resources and base metal occurrences.

OTHER PROJECTS

New projects and opportunities are actively sought by Thundelarra and a number of new tenement applications were applied for covering areas prospective for gold, nickel, uranium and diamonds. These tenements, in particular the uranium prospects will be assessed during the 2006 field season.

DIRECTORS' REPORT

Your Directors present their report on Thundelarra Exploration Ltd ("Company") for the year ended 30 September 2005.

DIRECTORS

The following persons were Directors of the Company and were in office for the entire year and to the date of this report unless otherwise stated:

| | |
|--------------------|--------------------------|
| Philip G Crabb | (Chairman) |
| Brian D Richardson | (Executive Director) |
| Frank DeMarte | (Executive Director) |
| Rick W Crabb | (Non-Executive Director) |
| Malcolm J Randall | (Non-Executive Director) |

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was mineral exploration in Western Australia. Other than the foregoing, there were no significant changes in those activities during the year.

RESULT OF OPERATIONS

The net loss, after tax, of the Company for the financial year was \$2,697,177 (2004 - \$2,265,808).

REVIEW OF OPERATIONS

A detailed review of operations is set out on pages 4 to 12 of this report.

DIVIDENDS

No dividends have been paid during the financial year and no dividend is recommended for the current year.

NATIVE TITLE

Claims of native title over certain of the Company's tenements have been made, and may in the future be made under the Commonwealth Native Title Act. In the event that native title is established by an indigenous community over an area that is subject to the Company's mining tenements, the nature of the native title may be such that consent to mining may be required from that community but is withheld.

No determination of native title has yet been made by the Federal Court or any other body with appropriate jurisdiction in respect of any of the land the subject of the Company's tenements. It is also possible that some of the existing claims may be removed from the National Native Title Tribunal Register for failure to satisfy the new registration test which became operative upon proclamation of the Native Title Amendment Act 1998.

EMPLOYEES

The Company employed 13 employees as at 30 September 2005 (2004: 13 employees).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company during the financial year not otherwise dealt with in this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Company with the exception of any matters mentioned in Note 24 of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Details of important developments in the operations of the Company are set out in the review of operations section of this report. The Company will continue to explore its Western Australian tenement areas of interest for minerals, and any significant information or data will be released in the market and to shareholders.

DIRECTORS' REPORT

ENVIRONMENTAL ISSUES AND REGULATIONS

The Company has interests in mining tenements (including prospecting, exploration and mining leases). The leases and licence conditions contain environmental obligations. The Company has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low, and has not identified any compliance breaches during the year.

INFORMATION ON DIRECTORS

Details of the directors of the Company in office at the date of this report are:

PHILIP G CRABB

FAusIMM, MAICD

(Chairman and Managing Director) Age 65

Mr Philip Crabb is a Fellow of the Australasian Institute of Mining and Metallurgy and Institute of Company Directors. Mr Crabb has been actively engaged in mineral exploration and mining activities for the past thirty five (35) years in both publicly listed and private exploration companies. He has considerable experience in field activities, having been a drilling contractor, quarry manager and mining contractor. Mr Crabb also has extensive experience with Australian publicly listed companies. In resource company management, he achieved notable success amongst others as a director of Gasgoyne Gold Mines NL which was involved in the discovery and development in 1989 of the Yilgarn Start Gold Mine, a major gold producer in Western Australia. Mr Crabb is currently Chairman of United Kimberley Diamonds NL and a director of Broken Range NL and United Gold Limited.

Mr Crabb was appointed a director on 30 November 1998.

Former Directorships in last three years

There were no former directorships by Mr Crabb in the past three years.

Special Responsibilities

Chairman of the Board.

Chief Executive Officer.

Interests in Shares and Options

Fully paid ordinary shares 16,798,489.

Options expiring 28 February 2007 exercisable at 47.5 cents 450,000.

Options expiring 26 February 2009 exercisable at 67.5 cents 500,000.

Options expiring 20 April 2009 exercisable at 47.5 cents 375,000.

FRANK DEMARTE

BBus, FCIS, MAICD

(Executive Director, Chief Financial Officer and Company Secretary) Age 43

Mr Frank DeMarte has over twenty (20) years of experience in the mining and exploration industry in Western Australia. Mr DeMarte has held executive positions with a number of listed mining and exploration companies and is currently an Executive Director and Chief Financial Officer of the Company.

Mr DeMarte is experienced in areas of secretarial practice, management accounting and corporate and financial management. Mr DeMarte holds a Bachelor of Business majoring in Accounting and is a Fellow of the Chartered Secretaries of Australia. Mr DeMarte is also a director of Broken Range NL and United Gold Ltd.

Mr DeMarte was appointed a director on 30 April 2001.

Former Directorships in last three years

There were no former directorships by Mr DeMarte in the past three years.

Special Responsibilities

Executive Director.

Chief Financial Officer.

Company Secretary.

DIRECTORS' REPORT

Interest in Shares and Options

Fully paid ordinary shares 1,454,726.

Options expiring 28 February 2007 exercisable at 47.5 cents 550,000.

Options expiring 28 March 2008 exercisable at 32.5 cents 350,000.

Options expiring 26 February 2009 exercisable at 67.5 cents 350,000.

BRIAN D RICHARDSON

BSc (Hons), MAusIMM

(Executive Director) Age 52

Mr Brian Richardson has over twenty two (22) years of experience in the mining industry in Western Australia and the Northern Territory. He was Exploration Manager of Miralga Mining NL and involved in the early exploration of Sulphur Springs base metals – gold project. He was also involved in the generation of various projects for Gascoyne Gold Mines NL. In this role he discovered the Southern Star Mine in 1994/95. From 1997 through to 2000 he was the Managing Director of Resource Exploration NL (now Mawson West Limited) an Australian listed junior exploration company. Mr Richardson is also a director of Aldershot Resources Ltd and United Gold Ltd.

Mr Richardson was appointed a director on 9 October 2001.

Former Directorships in last three years

There were no former directorships by Mr Richardson in the past three years.

Special Responsibilities

Exploration Executive Director.

Interest in Shares and Options

Fully paid ordinary shares 1,036,581.

Options expiring 28 February 2007 exercisable at 47.5 cents 150,000.

Options expiring 28 March 2008 exercisable at 32.5 cents 350,000.

Options expiring 26 February 2009 exercisable at 67.5 cents 350,000.

RICK W CRABB

BJuris (Hons), LLB, MBA

(Non-Executive Director) Age 48

Mr Rick Crabb holds a Bachelor of Jurisprudence (Honours), Bachelor of Law and Master of Business Administration from the University of Western Australia. He has practised as a solicitor since 1980 to 2004 specialising in mining, corporate and commercial law. Mr Crabb now focuses on his public company directorships and investments. He is also a director of Port Bouvard Ltd, Ashburton Minerals NL, Alcaston Mining NL and Ottoman Energy Ltd.

Mr Crabb was appointed a director on 9 October 2001.

Former Directorships in last three years

ST Synergy Ltd from 2001 to 2005.

Deep Yellow Ltd from 2003 to 2004.

Aldershot Resources Ltd from 2004 to 2005.

Special Responsibilities

Non Executive Director.

Audit Committee member.

Interest in Shares and Options

Fully paid ordinary shares 1,028,330.

Options expiring 28 February 2007 exercisable at 47.5 cents 100,000.

Options expiring 28 March 2008 exercisable at 32.5 cents 150,000.

Options expiring 26 February 2009 exercisable at 67.5 cents 150,000.

DIRECTORS' REPORT

MALCOLM J RANDALL

B.Applied Chem
(Non-Executive Director) Age 60

Mr Malcolm Randall has had extensive experience in management and marketing in the resource sector with the Rio Tinto group of companies. This has included senior technical and commercial roles in Hamersley Iron Pty Ltd and business development activities for Argyle Diamonds in China, Thailand and India and establishment of Argyle's Antwerp sales office for polished stones. From 1993 to 1996 he was Managing Director of Biron Corporation following which he has undertaken consultancy roles for Ocean Resources NL in Indonesia, consultant to Golden Tiger Resources NL on their Vietnamese mineral opportunities and commercial advisor to the Hope Downs Iron Ore Project. Mr Randall is also a non executive director of United Kimberley Diamonds NL and Chairman of Iron Ore Holdings Ltd.

Former Directorships in last three years

Titan Resources NL from 1999 to 2005.
Consolidated Minerals Ltd from 2003 to 2005.

Special Responsibilities

Non Executive Director.
Chairman of Audit Committee.

Interest in Shares and Options

Fully paid ordinary shares 237,300.
Options expiring 28 February 2007 exercisable at 47.5 cents 100,000.
Options expiring 28 March 2008 exercisable at 32.5 cents 150,000.
Options expiring 26 February 2009 exercisable at 67.5 cents 150,000.

COMPANY SECRETARY

The Company Secretary is Mr Frank DeMarte. Mr DeMarte was appointed to the position on 8 September 2003.

MEETING OF DIRECTORS

The following table sets out the number of meetings held during the year ended 30 September 2005, and the number of meetings attended by each director.

| Name | Number of eligible to attend | Number attended |
|----------------|------------------------------|-----------------|
| P G Crabb | 8 | 8 |
| F DeMarte | 8 | 8 |
| B D Richardson | 8 | 7 |
| R W Crabb | 8 | 5 |
| M J Randall | 8 | 8 |

DIRECTORS' REPORT

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of the Company.

Remuneration Policy

The Company's remuneration policy for executive directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration, which is market related. Overall, the remuneration policy is subject to the discretion of the Board and can be altered to reflect the competitive market and business conditions, where it is in the best interest of the Company and the shareholders to do so.

The Board's reward policy reflects its obligations to align executives' remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- Reward reflects the competitive market in which the Company operates;
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Directors' and executives' remuneration is reviewed by the board of directors, having regard to various goals set. This remuneration and other terms of employment are commensurate with those offered within the exploration and mining industry.

Non-executive directors' remuneration is in the form of directors' fees and are approved by shareholders as to the maximum aggregate remuneration. The Board recommends the actual payment to non-executive directors. The Board's reward policy for non-executive directors reflects its obligation to align remuneration with shareholders' interests and to retain appropriately qualified talent for the benefit of the Company. Remuneration packages are set at levels that are intended to attract and retain directors and executives capable of managing the Company's operations.

The following discloses the remuneration of all of the directors and executive officers of the company as determined by the Board during the year ended 30 September 2005.

| Directors | | Base Emoluments \$ | Primary Consultancy Fees \$ | Post Employment Super- annuation \$ | Other Benefits Termination Benefits \$ | Equity Options \$ | Total \$ |
|-----------------------------------|-------------|--------------------------|--------------------------------------|---|--|-------------------------|----------------|
| P G Crabb | 2005 | 131,923 | - | 34,000 | - | - | 165,923 |
| | 2004 | 118,500 | - | 31,500 | - | 155,000 | 305,000 |
| B Richardson⁽¹⁾ | 2005 | 65,200 | 45,654 | 34,800 | - | - | 145,654 |
| | 2004 | 65,200 | 22,210 | 29,800 | - | 108,500 | 225,710 |
| F DeMarte | 2005 | 96,000 | - | 52,333 | - | - | 148,333 |
| | 2004 | 96,000 | - | 39,000 | - | 108,500 | 243,500 |
| R W Crabb | 2005 | 39,768 | - | 3,565 | - | - | 43,333 |
| | 2004 | - | 28,861 | 2,580 | - | 46,500 | 77,941 |
| M J Randall | 2005 | 41,058 | - | 2,500 | - | - | 43,558 |
| | 2004 | - | 25,249 | - | - | 46,500 | 71,749 |
| J C Caddy⁽²⁾ | 2005 | - | - | - | - | - | - |
| | 2004 | - | - | - | 85,230 | 46,500 | 131,730 |
| Total | 2005 | 373,949 | 45,654 | 127,198 | - | - | 546,801 |
| | 2004 | 279,700 | 76,320 | 102,880 | 85,230 | 511,500 | 1,055,630 |

⁽¹⁾ Fees paid in the normal course of business in 2005 for geological and consulting services totalling \$45,654 were paid to REM Pty Ltd, a company in which Mr B Richardson is a director and shareholder.

⁽²⁾ J C Caddy resigned on 19 April 2004.

DIRECTORS' REPORT

OPTIONS GRANTED TO DIRECTORS' AND SENIOR EXECUTIVES

No options have been granted during or since the end of the financial year to directors as part of their remuneration.

The Company does not have any executives other than executive directors.

All options expire on the earlier of their expiry date or termination of the employee's employment.

SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are as follows:

| Expiry Date | Exercise Price of Options | Number of Options |
|------------------|---------------------------|-------------------|
| 28 February 2007 | \$0.475 | 1,771,000 |
| 20 November 2007 | \$0.655 | 11,000,000 |
| 28 March 2008 | \$0.325 | 1,245,000 |
| 26 February 2009 | \$0.675 | 1,970,000 |
| 20 April 2009 | \$0.475 | 375,000 |
| 31 May 2009 | \$0.22 | 390,000 |
| Total | | 16,751,000 |

No option holder has any right under the options to participate in any other share issue of the Company unless the options are exercised.

SHARES ISSUED ON EXERCISE OF OPTIONS

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued).

| Number of Shares | Amount paid on each share |
|------------------|---------------------------|
| 2,594,700 | 20.5 cents |

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium of \$18,073 to insure the Directors of the Company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as officers of the Company.

PROCEEDINGS ON BEHALF OF COMPANY

In April 2005 in respect to the Copernicus project joint venture between the Company and Sally Malay Exploration Ltd ("Sally Malay"), the Company terminated the joint venture on the basis that:

- (i) in the Board's view Sally Malay did not deliver a feasibility study in accordance with the clause 4.1 of the Heads of Agreement;
- (ii) accordingly, Sally Malay has not earned a 60% joint venture interest in the Copernicus project in accordance with the requirements of the Heads of Agreement; and
- (iii) the joint venture contemplated by the Heads of Agreement has not been formed.

In June 2005 Sally Malay applied for expedited proceedings to be heard in the Supreme Court of Western Australia to resolve the dispute with the Company over the Copernicus project.

The Company will vigorously defend the proceedings brought against the Company by Sally Malay.

DIRECTORS' REPORT

NON-AUDIT SERVICES

No non-audit services were provided by the entity's auditor, Stanton Partners and no fees were paid or are payable to Stanton Partners for non-audit services for the year ended 30 September 2005.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 370C of the Corporations Act 2001 is set out on page 51.

Dated at Perth this 14th day of December 2005.

Signed in accordance with a resolution of the Board of Directors.



PHILIP G CRABB

Director

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors of Thundelarra Exploration Ltd ("Thundelarra" or "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business of Thundelarra on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

Thundelarra has adopted systems of control and accountability as the basis for the administration of Corporate Governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's Corporate Governance practices is set out on the Company's website at www.thundelarra.com:

- Corporate Governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Summary of Code of Conduct for Company Executives;
- Summary of Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for the Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure Requirements;
- Shareholder Communication Strategy;
- Company's Risk Management Policy and Internal Compliance and Control System;
- Statement of process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

CORPORATE GOVERNANCE STATEMENT

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the reporting period the Company has complied with each of the Ten Essential Corporate Governance Principles¹ and the corresponding Best Practice Recommendations² as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

| Principle Ref | Recommendation Ref | Notification of Departure | Explanation for Departure |
|---------------|--------------------|--|---|
| 2 | 2.2, 2.3 | The chairman (Philip Crabb) is the Managing Director of the Company. | The Board considers that to date, the dual role of Mr P Crabb as chairman and CEO has been in the best interests of the Company due to Mr Crabb's industry experience and specific knowledge of the Company's operations. Furthermore, the carrying out of both roles by Mr Crabb is in line with expectations of current investors and key to the attraction of future investors. The Board is mindful of the recommendation that roles of chairman and CEO be carried out by different people and takes best practice in corporate governance seriously. Accordingly, the Board intends to reconsider the duality of Mr Crabb's role and restructure accordingly if considered appropriate in the future. |
| 4 | 4.3 | The Audit Committee does not meet the recommendation for composition as it is comprised of 2 members which is less than the minimum 3 members. | The members of the audit committee are both independent and have experience relevant to carry out the obligations and duties of an audit committee. It is considered no additional benefit would be gained by adding another member to the audit committee. |

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the applicable information is set out on page 14, 15 and 16 of the Directors' Report.

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent directors of the Company are Mr Rick Crabb and Mr Malcolm Randall.

Mr Crabb and Mr Randall are independent directors in accordance with Box 2.1 of the commentary that supplements the Principles of Good Corporate Governance and Best Practice Recommendations as published by the ASX Corporate Governance Council ("Independence Criteria").

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

CORPORATE GOVERNANCE STATEMENT

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the function of the nomination committee. The Board did not meet formally as the nomination committee during the Reporting Period, however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

Rick Crabb and Malcolm Randall are members of the Audit Committee. Mr Randall is the chairman of the committee.

Both Mr Crabb and Mr Randall are qualified to be members of the Audit Committee by virtue of their respective commercial and industry experience, as detailed in the Directors' Report. Neither Mr Crabb nor Mr Randall possess specific "financial expertise", however the Board is of the view that the composition of the Audit Committee is satisfactory to ensure the integrity of the financial accounts. In addition, Mr DeMarte, who is primarily responsible for preparing the Company's accounts, is available to attend Audit Committee meetings by invitation and answer any queries the Audit Committee may have.

NUMBER OF AUDIT COMMITTEE MEETINGS AND NAMES OF ATTENDEES

During the Reporting Period the full Board carried out the functions of the Audit Committee. The Board met as the Audit Committee twice during the Reporting Period.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period the composition and functioning of the Board as a whole was discussed from time to time at regular meetings of the Board. From the commencement of the Company's 2004/2005 financial year, the Chairman will conduct an annual review of individual directors and key executives. The Board considers that a more formal procedure is not warranted at present in view of the small size, and overlap of many of the key functions, of the Board and management.

COMPANY'S REMUNERATION POLICIES

Key executives receive a remuneration package which includes a salary, superannuation, in some instances other benefits such as motor vehicles. More detailed information is set out in the Directors' Report under "Directors' and Senior Executives' Remuneration. Remuneration levels for executives are competitively set to attract the most qualified and experienced senior executive officers, in the context of prevailing market conditions. The assistance of an external consultant or remuneration surveys is used where necessary. The executive directors do not receive a separate fee for their services as directors.

The non-executive directors receive a fixed fee for their services.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS.

From the commencement of the Company's 2004/2005 financial year, Rick Crabb, Malcolm Randall and Brian Richardson comprise the Remuneration Committee. During the Reporting Period, the full Board carried out the function of the remuneration committee. The Board did not meet formally as the remuneration committee during the Reporting Period, however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 September 2005

| | Note | 2005 \$ | 2004 \$ |
|---|------|--------------------|-------------|
| Revenue from Ordinary Activities | 2 | 2,862,799 | 2,261,816 |
| Expenses from Ordinary Activities | | | |
| Administrative costs | | (7,178) | (8,017) |
| Depreciation | | (114,702) | (66,469) |
| Office and miscellaneous | | (297,076) | (317,089) |
| Professional fees | | (388,752) | (146,791) |
| Regulatory and trust company fees | | (36,307) | (86,629) |
| Shareholder and investor relations | | (38,599) | (52,008) |
| Travelling expenses | | (42,956) | (59,397) |
| Employee benefits expense | | (552,095) | (588,179) |
| Exploration expenditures written off | | (1,048,889) | (343,748) |
| Costs of tenements sold | | (2,413,450) | (2,807,432) |
| Cost of investments sold | | (3,400) | - |
| Foreign exchange loss | | - | (1,446) |
| Cost of fixed assets sold | | (23,024) | (12,237) |
| Provision for diminution of investments | | (559,500) | - |
| Other operating expenses | | (34,048) | (38,182) |
| Loss from Ordinary Activities before Income Tax Expense | 3 | (2,697,177) | (2,265,808) |
| Income tax expense | 4 | - | - |
| Net Loss | | (2,697,177) | (2,265,808) |
| Total changes in equity other than those resulting from transactions with owners as owners | 15 | (2,697,177) | (2,265,808) |
| Basic loss per share (cents per share) | 21 | (3.60) | (3.21) |

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 September 2005

| | Note | 2005 \$ | 2004 \$ |
|--------------------------------------|-------|------------------|--------------|
| CURRENT ASSETS | | | |
| Cash assets | 5 (b) | 2,114,164 | 5,056,269 |
| Receivables | 6 | 67,627 | 37,545 |
| Other | 7 | - | 3,622 |
| TOTAL CURRENT ASSETS | | 2,181,791 | 5,097,436 |
| NON-CURRENT ASSETS | | | |
| Receivables | 8 | 543,423 | 316,034 |
| Other financial assets | 9 | 2,458,086 | 238,231 |
| Property, plant and equipment | 10 | 406,168 | 365,517 |
| Exploration expenditure | 11 | 4,379,724 | 5,556,690 |
| TOTAL NON-CURRENT ASSETS | | 7,787,401 | 6,476,472 |
| TOTAL ASSETS | | 9,969,192 | 11,573,908 |
| CURRENT LIABILITIES | | | |
| Payables | 12 | 588,359 | 94,610 |
| Provisions | 13 | 64,503 | 66,333 |
| TOTAL CURRENT LIABILITIES | | 652,862 | 160,943 |
| NON CURRENT LIABILITIES | | | |
| Provisions | 13 | 22,197 | 22,197 |
| TOTAL NON CURRENT LIABILITIES | | 22,197 | 22,197 |
| TOTAL LIABILITIES | | 675,059 | 183,140 |
| NET ASSETS | | 9,294,133 | 11,390,768 |
| EQUITY | | | |
| Contributed equity | 14 | 23,443,215 | 22,842,673 |
| Accumulated losses | 15 | (14,149,082) | (11,451,905) |
| TOTAL EQUITY | | 9,294,133 | 11,390,768 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 September 2005

| | Note | 2005 \$ | 2004 \$ |
|--|------|--------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Other revenue received | | 24,987 | 19,775 |
| Payment to suppliers | | (1,054,118) | (1,313,586) |
| Interest received | | 247,956 | 259,041 |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 5(a) | (781,175) | (1,034,770) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for investments | | (221,482) | (150,280) |
| Payments for purchase of plant, equipment and vehicles | | (178,377) | (288,523) |
| Proceeds from sale of investments | | 3,531 | - |
| Proceeds from sale of plant, equipment and vehicles | | 25,052 | 8,000 |
| Placement of security deposits | | (12,351) | (29,769) |
| Redemption of security deposits | | 80,849 | - |
| Exploration and evaluation expenditure | | (2,177,329) | (1,311,280) |
| Net cash outflow from investing activities | | (2,480,107) | (1,771,852) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from issue of shares | | 625,588 | 6,007,061 |
| Share issue costs | | (25,046) | - |
| Net payments made in financing director-related entities and directors | | (506,510) | (178,276) |
| Loans repaid by director-related entities | | 225,145 | (73,000) |
| Net cash inflow from financing activities | | 319,177 | 5,755,785 |
| Net (decrease)/increase in cash held | | (2,942,105) | 2,949,163 |
| Cash at the beginning of the financial year | | 5,056,269 | 2,107,106 |
| Cash at the end of the financial year | 5(b) | 2,114,164 | 5,056,269 |

The above Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

1. SUMMARY OF ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

(a) Basis of Accounting

The financial report covers the Thundelarra Exploration Ltd entity. Thundelarra Exploration Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report is prepared on an accruals basis and based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements have been prepared on the going concern basis of accounting which assumes that the company will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of business.

Going Concern

The financial statements have been prepared on a going concern basis.

However, the ability of the company to actively explore and continue as a going concern, and to meet their debts and commitments as they fall due, is dependent upon further capital raisings.

The Directors are confident that the company will be successful in raising further capital and, accordingly, have prepared the financial report on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 September 2005. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

(b) Exploration, development and joint venture expenditure

Exploration, development and joint venture expenditure carried forward represents an accumulation of net costs incurred in relation to separate areas of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively by its sale, or
- (ii) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing.

Accumulated costs in respect of areas of interest, which are abandoned, are written off in the Statement of Financial Performance in the year in which the area is abandoned.

The net carrying value of each property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined.

(c) Interests in Joint Ventures

There are several joint venture arrangements in place. At this stage all of these projects are still in the exploration phase and only the expenditure incurred to date on exploration activities has been capitalised as an asset in the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

(d) Plant, equipment and vehicles

The cost of each item of plant, equipment and vehicles is written off over its expected economic life. Each item's economic life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The total net carrying values of plant, equipment and vehicles at each mine property are reviewed regularly and, to the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined.

The expected useful lives are as follows:

| | | | |
|--------------------------------|-------|---|-----|
| Site Camp | 7.5% | - | 30% |
| Plant and equipment | 15% | - | 50% |
| Office furniture and equipment | 20% | - | 40% |
| Vehicles | 22.5% | - | 30% |

(e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

(f) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associates

In the Company's financial statements, investments in unlisted shares of associates are carried at the lower of cost and recoverable amount.

Investments in listed shares in associates are measured the lower of cost and market value.

Other entities

Investments in other listed entities are measured at the lower of costs and market value.

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

(h) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

(i) Employee Benefits

(i) *Wages and salaries, annual leave and leave-in-lieu*

Liabilities for wages and salaries, annual leave and leave-in-lieu are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. No liabilities are provided for non-vested sick leave.

(ii) *Long Service Leave*

A liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee entitlements and is measured in accordance with the above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(iii) *Equity-based or compensated benefits*

Equity-based compensation benefits are provided to employees via the Employee Share Incentive Option Plan. Information relating to the Plan is set out in Note 23.

No accounting entries are made in relation to the employee option plan until options are exercised, at which time the amounts receivable from employees are recognised in the Statement of Financial Position as share capital.

(j) Options

No accounting entries are made in relation to directors' options until the options are exercised, at which time the amounts receivable from directors are recognised in the statement of financial position as share capital. No employee expenses have been recognised in the statement of financial performance for options issued to directors and employees.

(k) Earnings per Share

(i) *Basic Earnings per Share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *Diluted Earnings per Share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Income Tax

The liability method of tax-effect accounting has been adopted whereby the income tax expense is based on the operating result adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

(m) Foreign currency transactions and balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at year end.

The gains and losses from these conversions of short and long term balances, whether realised or unrealised, are included in operating results. The assets and liabilities of any overseas controlled entity are translated at year-end rates, and operating results are translated at the rates of exchange applicable at the dates of the transaction. Profits and losses arising on translation are written off to the Statement of Financial Performance.

(n) Impact of Adoption of Australian Equivalents to International

Financial Reporting Standards

The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 September 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 September 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 October 2004.

The Company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the Company's AIFRS committee.

Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The Company has reassessed its impairments testing policy and tested all assets for impairment as at 1 October 2004 and 2005 and there will be no material impact.

Non-current Investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

The Company's financial assets comprise available for sale financial instruments. Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 October 2005. The Company has decided that it will adopt this election and will not restate comparative information for the 30 September 2005 financial year.

Income Tax

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account at either a provision for deferred income tax or future income tax benefits. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Exploration, evaluation and development expenditure

AASB 6: Exploration for and Evaluation of Mineral Resources requires entities to apply "area of interest" accounting to exploration and evaluation expenditure in the same manner as the existing accounting policy. However, exploration and evaluation expenditures will be required to be assessed for impairment in accordance with AASB 136: Impairment and Assets.

The economic entity has not identified a requirement for adjustment to exploration expenditure at 1 October 2004 and 2005 on first adoption of AASB 6.

Share Based Payments

Under current Australian GAAP, no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and will be spread over the vesting period during which the employee becomes unconditionally entitled to the options. The fair value of the options will be measured using the Black Scholes model.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|--|------------------|-------------|
| 2. REVENUES | | |
| Revenues from ordinary activities | | |
| Operating activities | | |
| Interest | 247,956 | 259,041 |
| Proceeds from sale of tenements | 2,400,000 | 1,975,000 |
| Recovery of exploration costs | 161,273 | - |
| Other | 24,987 | 19,775 |
| | 2,834,216 | 2,253,816 |
| Non-operating activities | | |
| Proceeds on disposal of investments | 3,531 | - |
| Proceeds on disposal of plant, equipment and vehicles | 25,052 | 8,000 |
| Total revenues from ordinary activities | 2,862,799 | 2,261,816 |
| 3. LOSS FROM ORDINARY ACTIVITIES | | |
| Net Expenses | | |
| The loss from ordinary activities before income tax includes the following expenses: | | |
| Loss on disposal of tenements | | |
| Consideration for disposal of tenements | (2,400,000) | (1,975,000) |
| Carrying amounts of tenements sold | 2,413,450 | 2,807,432 |
| Net (Profit)/Loss | 13,450 | 832,432 |
| Depreciation of plant, equipment and vehicles | 114,702 | 66,469 |
| Loss on disposal of plant, equipment and vehicles | | |
| Proceeds from disposal of plant, equipment and vehicles | (25,052) | (8,000) |
| Carrying amounts of plant, equipment and vehicles sold | 23,024 | 12,237 |
| Net (Profit)/Loss | (2,028) | 4,237 |
| Exploration expenditure written-off or provided for | 1,048,889 | 343,748 |
| Amounts set aside to provisions for employee entitlements | (1,830) | 33,923 |
| Provision for diminution of investments | 559,500 | 600 |
| Foreign exchange losses | - | 1,446 |
| Profit on disposal of assets | 131 | - |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|--|--------------------|-------------|
| 4. INCOME TAX | | |
| The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating loss. The difference is reconciled as follows: | | |
| Operating loss before income tax | (2,697,177) | (2,265,808) |
| Income tax calculated at 30% | (809,153) | (679,742) |
| Tax effect of permanent differences: | | |
| Capital raising costs incurred | (11,378) | - |
| Other permanent items | 3,384 | 16,427 |
| Income tax adjusted for permanent differences | (817,148) | (663,315) |
| Tax effect of: | | |
| Costs of tenements sold | 724,035 | 842,230 |
| Exploration expenditure written off | 314,667 | 103,124 |
| Exploration costs incurred | (685,612) | (520,291) |
| Provision for diminution | 167,850 | (520,291) |
| Other timing differences | (549) | (113,674) |
| Estimated future income tax benefit in respect of tax losses not brought to account | | |
| Utilisation of prior year losses | 296,757 | 351,926 |
| | - | - |
| Future income tax benefit not taken into account | | |
| The directors estimate that the potential future income tax benefit in respect of tax losses not brought to account at an income tax rate of 30% is | 2,603,695 | 2,306,938 |

The potential future income tax benefit arising from tax losses have not been recognised as an asset because recovery of tax losses is not virtually certain:

The potential future income tax benefit will be obtainable by the company only if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit of the deductions for the loss to be realised;
- (b) the company continues to comply with the conditions for deductibility imposed by income tax law; and
- (c) no changes in income tax legislation adversely affects the company in realising the benefit of the deduction for the loss.

The estimated potential future income tax benefits on tax losses have not taken account of the tax losses incurred on the Canadian division, which is governed under separate tax legislation regime. It is of the Directors' opinion that the likelihood of its recoverability is highly unlikely with due regards to the management's decision to focusing its exploration, evaluation and development of mines and tenements in Australia.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|---|--------------------|-------------|
| 5. RECONCILIATION OF CASH | | |
| (a) Reconciliation of net cash provided by operating activities to operating loss after income tax | | |
| Operating loss after income tax | (2,697,357) | (2,265,808) |
| Non cash flows in operating loss | | |
| Exploration costs written-off or provided for | 1,048,889 | 343,748 |
| Depreciation | 114,702 | 66,469 |
| Provision for employee entitlements | (1,830) | 33,923 |
| Loss on sale of tenements | 13,450 | 832,432 |
| Shares received for exploration costs recovered | (161,273) | - |
| Provision for write down of investments | 559,500 | 600 |
| Loss on sale of plant, equipment and vehicles | (2,028) | 4,237 |
| Profit on sale of investments | (131) | - |
| Change in assets and liabilities | | |
| Decrease/increase in payables and accruals | 385,705 | (62,205) |
| (Increase)/Decrease in receivables | (44,604) | 15,456 |
| Decrease/(Increase) in prepayments | 3,622 | (3,622) |
| Net cash outflow from operating activities | (781,175) | (1,034,770) |
| (b) Cash represents: | | |
| Cash on hand | 130 | 33 |
| Cash at bank | 24,012 | 23,385 |
| Cash on deposit | 2,166,164 | 5,070,722 |
| Overdrawn bank account | (76,142) | (37,871) |
| | 2,114,164 | 5,056,269 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|--|------------|------------|
|--|------------|------------|

5. RECONCILIATION OF CASH (CONT'D)

(c) Non cash financing and investing activities

- (i) 20,000,000 ordinary shares of United Kimberley Diamonds NL were issued to the Company as the consideration in respect to the sale of the Company's diamond interests to United Kimberley Diamonds NL.

6. RECEIVABLES (CURRENT)

| | | |
|---|---------------|---------------|
| Other receivables | 60,153 | 13,180 |
| Amounts receivable from directors and director related entities | 7,474 | 24,365 |
| | 67,627 | 37,545 |

The amounts receivable from directors and director related entities are unsecured, interest free and have no fixed terms of repayment.

7. OTHER ASSETS (CURRENT)

| | | |
|-------------|---|-------|
| Prepayments | - | 3,622 |
|-------------|---|-------|

8. RECEIVABLES (NON-CURRENT)

| | | |
|--|----------------|----------------|
| Security deposits/bonds | 91,271 | 159,769 |
| Loan provided to a director related entity | 452,152 | 156,265 |
| | 543,423 | 316,034 |

The loan provided to a director related entity, namely United Gold Ltd, is unsecured, interest free and has no fixed terms of repayment. The Company has agreed to provide the necessary working capital to United Gold Ltd until such time as United Gold Ltd secures its own funds.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

| | Note | 2005 \$ | 2004 \$ |
|--|------|------------------|------------|
| 9. OTHER FINANCIAL ASSETS (NON-CURRENT) | | | |
| Investments in director-related entities | | | |
| Listed shares at cost | | | |
| Aldershot Resources Limited (a Canadian incorporated entity) | | 448,035 | 65,280 |
| Unlisted shares at cost | | | |
| United Gold Ltd | (b) | 88,551 | 88,551 |
| United Kimberley Diamonds NL | | - | 81,000 |
| | | 536,586 | 234,831 |
| Investments in other entities | | | |
| Listed shares at cost | | 2,481,000 | 4,000 |
| Less provision for write down | | (559,500) | (600) |
| | | 1,921,500 | 3,400 |
| Total other financial assets | | 2,458,086 | 238,231 |
| Market value for listed shares | | | |
| Investments in director-related entities | | 1,123,930 | 83,187 |
| Investments in other entities | | 1,921,500 | 3,400 |
| | | 3,045,430 | 86,587 |
| (a) Pursuant to a Sale Agreement with United Kimberley Diamonds dated 29 September 2004 the Company sold its 95% diamond interests to United Kimberley Diamonds NL for the following consideration of: | | | |
| (i) 20,000,000 ordinary fully paid shares in the capital of United Kimberley Diamonds NL; and | | | |
| (ii) 5,000,000 options to acquire the same number of fully paid ordinary shares in the capital of United Kimberley Diamonds NL with an exercisable price of 20 cents each expiring on 31 July 2008. | | | |
| (b) At 30 September 2005 the Company holds: | | | |
| (i) 21,350,000 fully paid ordinary shares in United Kimberley Diamonds NL, representing 23% of the ordinary shares; and | | | |
| (ii) 2,500,000 fully paid ordinary shares in Aldershot Resources Ltd, representing 10% of the ordinary shares. | | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|--|------------------|------------|
| 10. PROPERTY, PLANT AND EQUIPMENT | | |
| Leasehold Improvements , at cost | 127,055 | - |
| Less: accumulated depreciation | (27,896) | - |
| | 99,159 | - |
| Plant and equipment, at cost | 61,360 | 53,490 |
| Less: accumulated depreciation | (25,714) | (15,729) |
| | 35,646 | 37,761 |
| Office equipment, at cost | 142,920 | 106,778 |
| Less: accumulated depreciation | (75,943) | (52,939) |
| | 66,977 | 53,839 |
| Motor vehicles , at cost | 226,601 | 256,573 |
| Less: accumulated depreciation | (117,276) | (86,584) |
| | 109,325 | 169,989 |
| Panton Camp, at cost | 107,749 | 107,749 |
| Less: accumulated depreciation | (12,688) | (3,821) |
| | 95,061 | 103,928 |
| Total property, plant and equipment | 406,168 | 365,517 |

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

Leasehold Improvements

| | | |
|--------------------------------------|-----------------|---|
| Carrying amount at 1 October 2004 | - | - |
| Additions | 27,055 | - |
| Disposals | - | - |
| Depreciation | (27,896) | - |
| Carrying amount at 30 September 2005 | 99,159 | - |

Plant and equipment

| | | |
|--------------------------------------|----------------|---------|
| Carrying amount at 1 October 2004 | 37,761 | 15,175 |
| Additions | 7,870 | 29,313 |
| Disposals | - | - |
| Depreciation | (9,985) | (6,727) |
| Carrying amount at 30 September 2005 | 35,646 | 37,761 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|---|------------|------------|
| 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D) | | |
| Office Equipment | | |
| Carrying amount at 1 October 2004 | 53,839 | 27,125 |
| Additions | 39,452 | 43,976 |
| Disposals | (1,045) | - |
| Depreciation | (25,269) | (17,262) |
| Carrying amount at 30 September 2005 | 66,977 | 53,839 |
| Motor Vehicles | | |
| Carrying amount at 1 October 2004 | 169,989 | 113,400 |
| Additions | 4,000 | 107,485 |
| Disposals | (21,979) | (12,237) |
| Depreciation | (42,685) | (38,659) |
| Carrying amount at 30 September 2005 | 109,325 | 169,989 |
| Panton Camp | | |
| Carrying amount at 1 October 2004 | 103,928 | - |
| Additions | - | 107,749 |
| Disposals | - | - |
| Depreciation | (8,867) | (3,821) |
| Carrying amount at 30 September 2005 | 95,061 | 103,928 |
| Total carrying amount | 406,168 | 365,517 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|--|------------------|------------------|
| 11. EXPLORATION AND EVALUATION EXPENDITURE (NON-CURRENT) | | |
| Exploration and evaluation expenditure in respect of areas of interest still in the exploration and/or evaluation phase (refer to Note 20) | | |
| Cost brought forward | 5,556,690 | 6,973,567 |
| Expenditure incurred during the year | 2,285,373 | 1,734,303 |
| Disposal of tenements | (2,413,450) | (2,807,432) |
| Expenditure provided or written off during the year | (1,048,889) | (343,748) |
| Costs carried forward | <u>4,379,724</u> | <u>5,556,690</u> |

For those areas of interest which are still in the exploration phase, the ultimate recoupment of the stated costs is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Some of the company's exploration properties are subject to claim(s) under native title. As a result, exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions.

12. PAYABLES (CURRENT)

| | | |
|--|----------------|---------------|
| Trade creditors and accruals | 582,053 | 90,062 |
| Amounts owing to director related entities | 6,306 | 4,548 |
| | <u>588,359</u> | <u>94,610</u> |

The current accounts with director related entities are unsecured, interest free and have no fixed terms of repayments.

13. PROVISIONS

| | | |
|-------------------------------------|---------------|---------------|
| Employee entitlements (current) | 64,503 | 66,333 |
| Employee entitlements (non-current) | 22,197 | 22,197 |
| | <u>86,700</u> | <u>88,530</u> |

| | | |
|---------------------------------|----|----|
| Number of employees at year end | 13 | 13 |
|---------------------------------|----|----|

14. SHARE CAPITAL

| | | |
|---|-------------------|-------------------|
| Issued and paid up capital | | |
| 76,930,370 ordinary fully paid shares (2004 - 73,878,726) | <u>23,443,215</u> | <u>22,842,673</u> |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

14. SHARE CAPITAL (CONT'D)

Movements in ordinary share capital of the company during the past 2 years were as follows:

| | | Number of Shares | Cents | \$ |
|-----------------|--------------------------------------|---------------------|-------|-------------|
| 1/10/2003 | Opening balance | 58,229,751 | | 18,307,061 |
| 7/10/2003 | Issue on exercise of options | 30,000 | 0.230 | 6,900 |
| 21/10/2003 | Issue on exercise of options | 450,000 | 0.350 | 157,500 |
| | Issue on exercise of options | 20,000 | 0.230 | 4,600 |
| 30/10/2003 | Issue on exercise of options | 10,000 | 0.230 | 2,300 |
| 31/10/2003 | Issue on exercise of options | 30,000 | 0.230 | 6,900 |
| | Issue on exercise of options | 20,000 | 0.350 | 7,000 |
| 3/12/2003 | Private placement of shares | 7,800,000 | 0.450 | 3,510,000 |
| 11/12/2003 | Renounceable rights issue | 5,878,975 | 0.360 | 2,116,431 |
| 21/04/2004 | Issue on exercise of options | 316,000 | 0.230 | 72,680 |
| | Issue on exercise of options | 170,000 | 0.350 | 59,500 |
| 21/04/2004 | Issue on exercise of options | 79,000 | 0.500 | 39,500 |
| 22/04/2004 | Issue of shares to acquire tenements | 750,000 | 0.500 | 375,000 |
| 28/04/2004 | Issue on exercise of options | 75,000 | 0.230 | 17,250 |
| 3/05/2004 | Return of capital | - | | (1,846,449) |
| 3/08/2004 | Issue on exercise of options | 20,000 | 0.325 | 6,500 |
| 1/10/2004 | Opening balance | 73,878,726 | | 22,842,673 |
| 11/10/2004 | Issue on exercise of options | 10,000 | 0.205 | 2,050 |
| 28/02/2005 | Issue on exercise of options | 67,000 | 0.205 | 13,735 |
| 11/04/2005 | Issue on exercise of options | 96,000 | 0.205 | 19,680 |
| 12/04/2005 | Issue on exercise of options | 15,000 | 0.205 | 3,075 |
| 20/04/2005 | Issue on exercise of options | 60,000 | 0.205 | 12,300 |
| 28/04/2005 | Issue on exercise of options | 1,336,700 | 0.205 | 274,024 |
| 29/04/2005 | Issue on exercise of options | 246,000 | 0.205 | 50,430 |
| 30/04/2005 | Issue on exercise of options | 764,000 | 0.205 | 156,620 |
| 16/05/2005 | Private placement of shares | 456,944 | 0.205 | 93,674 |
| | Share issue costs | | | (25,046) |
| Closing balance | | 76,930,370 | | 23,443,215 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

Movements in options of the Company during the year was as follows:

| | 2005 Number | 2004 Number |
|--|----------------|----------------|
| Exercisable at 47.5 cents on or before 28 February 2007 | | |
| Balance as at beginning of year | 1,771,000 | 1,975,000 |
| Issued during the year | - | - |
| Exercised during the year | - | (204,000) |
| Options lapsed during the year | - | - |
| Balance as at end of year | 1,771,000 | 1,771,000 |
| Exercisable at 20.5 cents on or before 30 April 2005 | | |
| Balance as at beginning of year | 3,051,644 | 3,532,644 |
| Issued during the year | - | - |
| Exercised during the year | (2,594,700) | (481,000) |
| Options lapsed during the year | (456,944) | - |
| Balance as at end of year | - | 3,051,644 |
| Exercisable at 32.5 cents on or before 28 March 2008 | | |
| Balance as at beginning of year | 1,245,000 | 1,950,000 |
| Issued during the year | - | - |
| Exercised during the year | - | (705,000) |
| Options lapsed during the year | - | - |
| Balance as at end of year | 1,245,000 | 1,245,000 |
| Exercisable at 65.5 cents on or before 20 November 2007 | | |
| Balance as at beginning of year | 11,000,000 | - |
| Issued during the year | - | 11,000,000 |
| Exercised during the year | - | - |
| Options lapsed during the year | - | - |
| Balance as at end of year | 11,000,000 | 11,000,000 |
| Exercisable at 67.5 cents on or before 26 February 2009 | | |
| Balance as at beginning of year | 1,970,000 | - |
| Issued during the year | - | 1,970,000 |
| Exercised during the year | - | - |
| Options lapsed during the year | - | - |
| Balance as at end of year | 1,970,000 | 1,970,000 |
| Exercisable at 47.5 cents on or before 20 April 2009 | | |
| Balance as at beginning of year | 375,000 | - |
| Issued during the year | - | 375,000 |
| Exercised during the year | - | - |
| Options lapsed during the year | - | - |
| Balance as at end of year | 375,000 | 375,000 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

| | 2005 Number | 2004 Number |
|---|------------------------|------------------------|
| Exercisable at 22 cents on or before 31 May 2009 | | |
| Balance as at beginning of year | - | - |
| Issued during the year | 390,000 | - |
| Exercised during the year | - | - |
| Options lapsed during the year | - | - |
| Balance as at end of year | 390,000 | - |

These options are not quoted on the Australian Stock Exchange.

| | 2005 \$ | 2004 \$ |
|---|---------------------|--------------------|
| 15. ACCUMULATED LOSSES | | |
| Balance at the beginning of the year | (11,451,905) | 9,186,097 |
| Net loss attributable to members of the parent entity | (2,697,177) | (2,265,808) |
| Balance at the end of the financial year | (14,149,082) | (11,451,905) |

16. COMMITMENTS AND CONTINGENCIES

(i) Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:-

| | | |
|---|------------------|-----------|
| Within one year | 1,461,946 | 1,195,063 |
| Later than one year but not later than five years | 5,847,783 | 4,780,252 |
| Later than five years | 1,461,946 | 1,195,063 |
| | 8,771,675 | 7,170,378 |

If the company decides to relinquish certain tenements and / or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sole transfer or farm out of exploration rights to third parties will reduce or extinguish these obligations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

| | 2005 \$ | 2004 \$ |
|---|----------------|----------------|
| (ii) Operating lease commitments | | |
| Operating lease commitments are as follows:- | | |
| Office rental | | |
| Within one year | 95,152 | 91,280 |
| Later than one year but not later than five years | 206,156 | 22,820 |
| | 301,308 | 114,100 |

(iii) Native Title

At the date of this report, claims had been lodged in relation to tenements held by the Company. The effect (if any) that these claims will have, or which future claims will have on the Company's tenements is not yet known.

(iv) Provision of finance facility

The Company has agreed to provide the necessary working capital to United Gold Ltd until such time as United Gold Ltd secures its own funds.

(v) Contingent liabilities

In the opinion of Directors, the only contingent liabilities at 30 September 2005 and subsequent to the date of this report was in respect to the Copernicus project joint venture between the Company and Sally Malay Exploration Ltd ("Sally Malay"), whereby the Company terminated the joint venture on the basis that:

- (i) in the Board's view Sally Malay did not deliver a feasibility study in accordance with the clause 4.1 of the Heads of Agreement;
- (ii) accordingly, Sally Malay has not earned a 60% joint venture interest in the Copernicus project in accordance with the requirements of the Heads of Agreement; and
- (iii) the joint venture contemplated by the Heads of Agreement has not been formed.

In June 2005 Sally Malay applied for expedited proceedings to be heard in the Supreme Court of Western Australia to resolve the dispute with the Company over the Copernicus project. Other than accrued legal costs of \$198,784 at 30 September 2005, no provision has been made for legal or other costs in relation to this matter.

17. DIRECTORS AND EXECUTIVES DISCLOSURE

Directors

The following persons were directors of Thundelarra Exploration Ltd during the financial year:

Chairman – executive

Philip G Crabb

Executive directors

Brian D Richardson

Frank DeMarte

Non Executive directors

Rick W Crabb

Malcolm J Randall

There are no executives (other than directors) with authority for making strategic decision and management.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

Remuneration of directors

Executive directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive directors receive a fixed monthly fee for their services. The Company does not have any executive other than executive directors. The Board has not formally constituted a Nomination Committee or Remuneration Committee. The whole Board conducts the functions of a Nomination Committee and Remuneration Committee. The Company does not have any scheme relating to retirement benefits for non-executive directors.

Details of Remuneration

Details of the remuneration of each director of Thundelarra Exploration Ltd, including their personally related entities are set out below:

| Directors | | Primary | | Post | Other | Equity | Total |
|-----------------------------|------|------------|-------------|------------|-------------|---------|-----------|
| | | Base | Consultancy | Employment | Termination | Options | |
| | | Emoluments | Fees | Super- | Benefits | | |
| | | \$ | \$ | annuation | \$ | \$ | \$ |
| P G Crabb | 2005 | 131,923 | - | 34,000 | - | - | 165,923 |
| | 2004 | 118,500 | - | 31,500 | - | 155,000 | 305,000 |
| B Richardson ⁽¹⁾ | 2005 | 65,200 | 45,654 | 34,800 | - | - | 145,654 |
| | 2004 | 65,200 | 22,210 | 29,800 | - | 108,500 | 225,710 |
| F DeMarte | 2005 | 96,000 | - | 52,333 | - | - | 148,333 |
| | 2004 | 96,000 | - | 39,000 | - | 108,500 | 243,500 |
| R W Crabb | 2005 | 39,768 | - | 3,565 | - | - | 43,333 |
| | 2004 | - | 28,861 | 2,580 | - | 46,500 | 77,941 |
| M J Randall | 2005 | 41,058 | - | 2,500 | - | - | 43,558 |
| | 2004 | - | 25,249 | - | - | 46,500 | 71,749 |
| J C Caddy ⁽²⁾ | 2005 | - | - | - | - | - | - |
| | 2004 | - | - | - | 85,230 | 46,500 | 131,730 |
| Total | 2005 | 373,949 | 45,654 | 127,198 | - | - | 546,801 |
| | 2004 | 279,700 | 76,320 | 102,880 | 85,230 | 511,500 | 1,055,630 |

(a) Director related entity transactions

⁽¹⁾ Geological and consulting services totalling \$45,654 were paid to REM Pty Ltd, a company in which Mr B Richardson is a director and shareholder. These services were provided under normal commercial terms and conditions.

⁽²⁾ J C Caddy resigned on 19 April 2004

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

Shareholdings

The number of shares in the Company held by each director of Thundelarra Exploration Ltd, including their personally – related entities, are set out below:

| Name | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year |
|----------------|------------------------------|---|-------------------------------|----------------------------|
| P G Crabb | 16,188,489 | - | 440,000 | 16,628,489 |
| B D Richardson | 1,036,581 | - | - | 1,036,581 |
| F DeMarte | 1,454,726 | - | - | 1,454,726 |
| R W Crabb | 1,028,330 | - | - | 1,028,330 |
| M J Randall | 263,000 | - | (25,700) | 237,300 |

Options

The number of options over ordinary shares held during the financial year by each director of Thundelarra Exploration Ltd, including their personally-related entities, is as follows:

| Name | Balance at start of the year | Granted during the year on the exercise of options | Other changes during the year | Balance at end of the year | Vested and exercisable at the end of the year |
|----------------|------------------------------|--|-------------------------------|----------------------------|---|
| P G Crabb | 1,325,000 | - | - | - | 1,325,000 |
| B D Richardson | 850,000 | - | - | - | 850,000 |
| F DeMarte | 1,250,000 | - | - | - | 1,250,000 |
| R W Crabb | 1,028,330 | - | - | - | 1,028,330 |
| M J Randall | 400,000 | - | - | - | 400,000 |

Other transaction with directors

Drilling services, camp maintenance and other services of \$209,904 were paid to Ragged Range Mining Pty Ltd, a related entity of P G Crabb. All transactions between parties are on normal commercial terms and conditions and are conducted on an arms length basis.

Directors and Officers Insurance

During the year \$18,073 was paid for directors and officers insurance which covers all directors and other holders.

Loans with specified directors and their related entities

Details regarding loans outstanding at the reporting date to specified directors and their personally-related entities, where the individual aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

| | Balance at 1 October 2004 \$ | Balance at 30 September 2005 \$ | Highest Balance in the year \$ |
|---|---------------------------------|------------------------------------|-----------------------------------|
| (i) Loan provided to United Gold Ltd | 156,265 | 452,152 | 452,152 |
| (ii) Loan provided to Aldershot Resources Ltd | 22,061 | 7,274 | 64,514 |

The loans provided to the above director-related entities are unsecured, interest free and have no fixed terms of repayment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

- (i) R W Crabb, B Richardson and F DeMarte are also directors of United Gold Ltd. P G Crabb has a substantial interest in the company, both directly and indirectly;
(ii) B Richardson is a director of Aldershot Resources Ltd and has an interest both directly and indirectly.

The Company has agreed to provide the necessary working capital to United Gold Ltd until such time as United Gold Ltd secures its own funds.

18. SEGMENT INFORMATION

The Company operates predominantly in the mining industry and principally within the geographical area of Australia.

| | 2005 | 2004 |
|--|------|------|
| | \$ | \$ |

19. REMUNERATION OF AUDITORS

| | | |
|--|--------|--------|
| Remuneration for audit or review of the financial reports of the company | 21,967 | 14,500 |
| Remuneration for other services | - | 6,326 |

20. INTEREST IN JOINT VENTURES

The Company has interests in joint ventures as follows:

| Joint Venture | Principal Activities | Percentage Interest | | Expenditure capitalised at 30 September 2005 |
|-----------------------|----------------------|---------------------|-----------------|--|
| | | 2005 | 2004 | \$ |
| <u>Unincorporated</u> | | | | |
| Phillip Range Project | Diamonds | - | Diluting to 55% | - |
| Copernicus/Salk ML JV | Nickel/Copper | 100%* | Diluting to 40% | 885,170 |
| | | | | 885,170 |

* In relation to the Copernicus JV, refer to Note 16(v).

| | 2005 | 2004 |
|--|------|------|
| | \$ | \$ |

21. EARNINGS PER SHARE

| | | |
|--|------------|------------|
| (a) Basic loss per share (cents per share) | (3.60) | (3.21) |
| (b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share | 74,864,918 | 70,616,186 |

The diluted earnings per share (cents per share) has not been disclosed as it does not result in an inferior position.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 September 2005

22. FINANCIAL INSTRUMENTS

| 2005 | Floating Interest Rate \$ | Fixed Interest Rate Maturing 1 year or less \$ | Over 1-5 years \$ | Non interest bearing \$ | Total \$ |
|---|---------------------------------|--|-------------------------|-------------------------------|------------------|
| Financial Assets | | | | | |
| Cash | (52,130) | 2,166,164 | - | 130 | 2,114,164 |
| Receivables | - | 91,271 | - | 519,779 | 611,050 |
| Other financial assets | - | - | - | 2,458,086 | 2,458,086 |
| Total Financial Assets | (52,130) | 2,257,435 | - | 2,977,995 | 5,183,300 |
| Financial Liabilities | | | | | |
| Payables | - | - | - | (588,359) | (588,359) |
| Total Financial Liabilities | - | - | - | (588,359) | (588,359) |
| Net Financial Assets/(Liabilities) | (52,130) | 2,257,435 | - | 2,389,636 | 4,594,941 |
| Weighted Average Interest Rate | 2.6% | 5.3% | | | |

| 2004 | Floating Interest Rate \$ | Fixed Interest Rate Maturing 1 year or less \$ | Over 1-5 years \$ | Non interest bearing \$ | Total \$ |
|---|---------------------------------|--|-------------------------|-------------------------------|------------------|
| Financial Assets | | | | | |
| Cash | (14,486) | 5,070,722 | - | 33 | 5,056,269 |
| Receivables | - | 159,769 | - | 193,810 | 353,579 |
| Other financial assets | - | - | - | 238,231 | 238,231 |
| Total Financial Assets | (14,486) | 5,230,491 | - | 432,074 | 5,648,079 |
| Financial Liabilities | | | | | |
| Payables | - | - | - | (94,610) | (94,610) |
| Total Financial Liabilities | - | - | - | (94,610) | (94,610) |
| Net Financial Assets/(Liabilities) | (14,486) | 5,230,491 | - | 337,464 | 5,553,469 |
| Weighted Average Interest Rate | 2.6% | 5.3% | | | |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

22. FINANCIAL INSTRUMENTS (CONT'D)

| | 2005 \$ | 2004 \$ |
|--------------------------------------|------------|------------|
| Net Financial Assets/(Liabilities) | 4,594,941 | 5,553,469 |
| Prepayments | - | 3,622 |
| Plant, Equipment and Vehicles | 406,168 | 365,517 |
| Exploration & Evaluation Expenditure | 4,379,724 | 5,556,690 |
| Provisions | (86,700) | (88,530) |
| Net Assets | 9,294,133 | 11,390,768 |

(a) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, net of any provisions for doubtful debts of those assets, is as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

(b) Net Fair Values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying amounts.

23. EQUITY BASED PLANS

Employee Share Incentive Option Plan

The new Employee Share Option Plan ("ESOP") was adopted by the board of the Company on 1 March 2005.

The ESOP is available to any person who is a director, or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company ("Eligible Person").

Subject to the Rules set out in ESOP and the Listing Rules, the Company (acting through the Board) may offer options to any Eligible Person at such time and on such terms as the Board considers appropriate. Some of the Rules include:

- (i) No consideration is payable by an Eligible Person for a grant of an option, unless the Board decides otherwise.
- (ii) The method of calculation of the exercise price of each option will be determined by the Board with regard to the market value of the shares when it resolves to offer the option.
- (iii) Exercisable period will be determined by the Board prior to the offer of the relevant options, subject to any restriction in the Corporations Act from time to time but in any event no longer than 5 years from the issue date.
- (iv) The Board may impose exercise conditions on any issue as it thinks appropriate.

Options may be exercised at any time during the period commencing on the issue date to the earlier of their expiry date or termination of the employee's employment.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

24. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There had not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or state of affairs of the Company, in future financial years.

25. IMPACT ON ADOPTING AUSTRALIAN EQUIVALENT TO IFRS

Thundelarra Exploration Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 September 2006. In 2005, the Company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, Thundelarra Exploration Limited established a project team to address each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 October 2004, Thundelarra Exploration Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Thundelarra Exploration Limited prepares its first fully AIFRS compliant financial report for the year ended 30 September 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 September 2005 and on net loss for the year ended 30 September 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 September 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

| | Note | 30 September 2005** \$ | The Company 1 October 2004* \$ |
|--|------|------------------------------|---|
| Total equity under AGAAP | | 9,294,133 | 11,390,768 |
| Adjustments to accumulated losses | | | |
| Recognition of sharebased payment expense | (i) | (4,204) | - |
| | | (4,204) | - |
| Adjustments to contributed equity | | | |
| Recognition of share based payment expense | (i) | 4,204 | - |
| | | 4,204 | - |
| Total equity under AIFRS | | 9,294,133 | 11,390,768 |

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 September 2005.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2005

- (i) Under AASB 2 (Share Based Payments), the company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP.
- (ii) Management has decided to apply the exemption provided in AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards' which permits entities not to apply the requirements of AASB 132 'Financial Instruments: Presentation and Disclosures' and AASB 139 'Financial Instruments: Recognition and Measurement' for the financial year ended 30 September 2005. The standards will be applied from 1 October 2005.

(b) Reconciliation of net loss under AGAAP to that under AIFRS

| YEAR ENDED 30 SEPTEMBER 2005 | Note | The Company \$ |
|---|------|--------------------|
| Net loss as reported under AGAAP | | (2,697,177) |
| Sharebased payment expense | (i) | (4,204) |
| Net loss under AIFRS | | (2,701,381) |

- (i) Under AASB 2 (Share Based Payments), the company would recognise the fair value of options issued to employees as remuneration as an expense on a pro-rata basis in the income statement. Share-based payment costs are not recognised under AGAAP. This would result in an increase in operating loss from AGAAP to AIFRS.
- (ii) Management has decided to apply the exemption provided in AASB 1 'First-time Adoption of Australian equivalents to International Financial Reporting Standards' which permits entities not to apply the requirements of AASB 132 'Financial Instruments: Presentation and Disclosures' and AASB 139 'Financial Instruments: Recognition and Measurement' for the financial year ended 30 September 2005. The standards will be applied from 1 October 2005.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 September 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

DIRECTORS DECLARATION

The Directors of the Company declare that:

- (1) the financial statements and notes, as set out on pages 23 to 49.
 - (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the Company's financial position as at 30 September 2005 and of the performance of the Company, as represented by the results of its operations and its cash flows, for the financial year ended on that date;
- (2) The Chief Executive Officer and Company Secretary have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
- (3) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, however attention is drawn to the matters disclosed in note 1(a).

This declaration is made in accordance with a resolution of the Board of Directors.



PHILIP G CRABB
Director

14 December 2005
Perth

INDEPENDENT AUDIT REPORT TO THE MEMBERS



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THUNDELARRA EXPLORATION LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash-flows, accompanying notes to the financial statements, and the director's declaration for Thundelarra Exploration Limited (the Company), for the year ended 30 September 2005.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

INDEPENDENT AUDIT REPORT TO THE MEMBERS

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

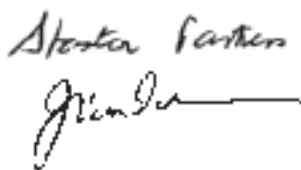
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the financial report of Thundelarra Exploration Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 September 2005 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

Perth, Western Australia
14 December 2005

AUDITOR'S INDEPENDENCE DECLARATION



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

14 December 2005

Board of Directors
Thundelarra Exploration Ltd
Level 3, IBM Building
1060 Hay St
WEST PERTH WA 6005

Dear Directors

RE: THUNDELARRA EXPLORATION LTD

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Thundelarra Exploration Ltd.

As Audit Partner for the audit of the financial statements of Thundelarra Exploration Ltd for the year ended 30 September 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTON PARTNERS

John Van Dieren
Partner

ADDITIONAL INFORMATION

The following information dated 9 December 2005 is required by the Listing Rules of the Australian Stock Exchange Ltd

1. DISTRIBUTION OF LISTED ORDINARY SHARES

| Distribution | Number of Shareholders |
|------------------|------------------------|
| 1 – 1,000 | 144 |
| 1,001 – 5,000 | 405 |
| 5,001 – 10,000 | 268 |
| 10,001 – 100,000 | 576 |
| 100,001 and over | 108 |
| Total | 1,501 |

There were 351 shareholders holding less than a marketable parcel.

The percentage of the total of the twenty largest holders of ordinary shares was 55.02 %.

2. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest shareholders are listed below:

| Name | Number of Shares Held | % |
|---|-----------------------|-------|
| Ragged Range Mining Pty Ltd & Associates | 16,798,489 | 21.84 |
| LionOre Australia Pty Ltd | 7,800,000 | 10.14 |
| ANZ Nominees Limited | 3,544,974 | 4.61 |
| Mr Stacey A Radford | 2,443,902 | 3.18 |
| Tricom Nominees Pty Ltd | 1,900,000 | 2.47 |
| Mr Frank DeMarte | 1,454,726 | 1.89 |
| Mr Brian Richardson | 1,036,581 | 1.35 |
| Mr Rick W Crabb & Mrs Carol J Crabb Intermax Fund A/C | 771,565 | 1.00 |
| P S Consulting Pty Ltd | 700,000 | 0.91 |
| Grosvenor International Ltd | 690,000 | 0.90 |
| Gurravambi Investments Pty Ltd | 660,000 | 0.86 |
| Geared Investments Pty Ltd | 560,817 | 0.73 |
| Mr Simon Attwell | 550,000 | 0.71 |
| Graham Properties Pty Ltd | 503,373 | 0.65 |
| Mrs Olive J Dunstan | 500,000 | 0.65 |
| Mr Robert Gray & Mrs Dawn T Gray | 500,000 | 0.65 |
| Mr Arnold Olschyna | 500,000 | 0.65 |
| P S Consulting Pty Ltd Super Fund A/C | 500,000 | 0.65 |
| Bayrock Investments Pty Ltd | 493,331 | 0.64 |
| Nefco Nominees Pty Ltd | 415,952 | 0.54 |
| Total | 42,323,710 | 55.02 |

3. SUBSTANTIAL SHAREHOLDERS

An extract from the Company's register of substantial shareholders is set out below:

| Name | Number of Shares Held | % |
|--|-----------------------|-------|
| Ragged Range Mining Pty Ltd & Associates | 16,798,989 | 21.84 |
| LionOre Australia Pty Ltd | 7,800,000 | 10.14 |

ADDITIONAL INFORMATION

4. VOTING RIGHTS

The Company's share capital is of one class with the following voting rights:

(a) Ordinary Shares

On a show of hands every shareholder present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The Company's options have no voting rights.

5. STOCK EXCHANGE LISTING

Thundelarra Exploration Limited ordinary shares are listed on all member exchanges of the Australian Stock Exchange Limited. The home exchange is the Australian Stock Exchange (Perth) Limited.

6. RESTRICTED SECURITIES

There are no ordinary shares on issue that have been classified by the Australian Stock Exchange Limited, Perth as restricted securities.

SCHEDULE OF TENEMENTS

as at 9 December 2005

| Tenement Number and Type | Tenement Name | Holder/ Applicant | Shares Held | Status |
|-----------------------------|-------------------|-----------------------------|------------------------|---------------------|
| EAST KIMBERLEY | | | | |
| E80/2569 | Alice Downs | THX | 100/100ths | Granted 23/08/01 |
| E80/2578 | Alice Hill North | THX | 100/100ths | Granted 23/08/01 |
| ELA80/3268 | Armanda River | THX | 100/100ths | Granted 16/05/05 |
| ELA80/3276 | Turkey Hill | THX | 100/100ths | Granted 16/08/05 |
| ELA80/3283 | Turner Spring | THX | 100/100ths | Granted 16/05/05 |
| ELA80/3284 | Chinamans | THX | 100/100ths | Granted 16/05/05 |
| ELA80/3293 | Spring Creek Fork | THX | 100/100ths | Granted 16/08/05 |
| ELA80/3294 | West Spring Creek | THX | 100/100ths | Granted 16/08/05 |
| E80/2572 | Billymac Yard | THX | 100/100ths | Granted 23/07/02 |
| E80/2601 | Lamboo | THX | 100/100ths | Granted 29/07/02 |
| E80/2607 | Corkwood South | THX | 100/100ths | Granted 23/05/02 |
| E80/2565 | West McIntosh | B Wasse | 100/100ths | Granted 15/03/02 |
| E80/2579 | Togo | Am-Aust, Wasse, Voermans | 0/100ths | Granted 15/03/02 |
| E80/2634 | Nine Mile | THX | 100/100ths | Granted 02/10/01 |
| E80/2635 | Corkwood North | THX | 100/100ths | Granted 23/05/02 |
| E80/2290 | Panton North | THX KMN | 35/100ths 65/100ths | Granted 24/06/98 |
| E80/2750 | Bow River | THX | 100/100ths | Granted 03/09/02 |
| E80/2749 | Sally Downs Well | THX | 100/100ths | Granted 15/08/03 |
| E80/2748 | Dave Hill | THX | 100/100ths | Granted 15/01/03 |
| E80/2746 | Nortons | THX | 100/100ths | Granted 18/06/02 |
| E80/2716 | Eileen Bore | THX | 100/100ths | Granted 08/02/02 |

SCHEDULE OF TENEMENTS

as at 9 December 2005

| Tenement Number and Type | Tenement Name | Holder/ Applicant | Shares Held | Status |
|-----------------------------|------------------|----------------------|----------------|-------------------------------|
| P80/1426 | Eileen Bore | THX | 100/100ths | Granted 20/02/02 |
| P80/1427 | Eileen Bore | THX | 100/100ths | Granted 20/02/02 |
| P80/1506 | Eileen Bore | THX | 100/100ths | Granted 17/06/03 |
| PLA80/1496 | Panton South | THX | 100/100ths | Granted 10/06/05 |
| ELA/2805 | Panton West | THX | 100/100ths | Granted 22/07/03 |
| ELA80/2817 | Mable Downs | THX | 100/100ths | Granted 04/03/03 |
| E80/2824 | Mable West | THX | 100/100ths | Granted 03/09/02 |
| E80/2827 | Bow River West | THX | 100/100ths | Granted 07/10/02 |
| E80/2835 | McKenzie Spring | THX | 100/100ths | Granted 07/10/02 |
| ELA80/2836 | Frog Hollow | THX | 100/100ths | Granted 04/07/03 |
| ELA80/2838 | Edle Creek | THX | 100/100ths | Granted 21/07/04 |
| E80/2865 | Fletcher Creek | THX | 100/100ths | Granted 07/10/02 |
| ELA80/2866 | Warmun | THX | 100/100ths | Granted 16/05/03 |
| MLA80/2867 | Killarney | THX | 100/100ths | Granted 04/03/03 |
| ELA80/2878 | Frank Hill | THX | 100/100ths | Granted 13/12/2004 |
| MLA80/540 | Copernicus | THX | 100/100ths | Pending (applied 16/06/03) |
| MLA80/580 | Eileen Bore | THX | 100/100ths | Pending (applied 26/05/05) |
| MLA80/581 | Eileen Bore | THX | 100/100ths | Pending (applied 26/05/05) |
| MLA80/582 | Eileen Bore | THX | 100/100ths | Pending (applied 26/05/05) |
| MLA80/583 | Eileen Bore | THX | 100/100ths | Pending (applied 26/05/05) |
| MLA80/584 | Eileen Bore | THX | 100/100ths | Pending (applied 26/05/05) |
| MLA80/601 | Corkwood Sth | THX | 100/100ths | Pending (applied 08/09/05) |

SCHEDULE OF TENEMENTS

as at 9 December 2005

| Tenement Number and Type | Tenement Name | Holder/ Applicant | Shares Held | Status |
|-----------------------------|------------------|----------------------|----------------|-------------------------------|
| MLA80/602 | Corkwood Sth | THX | 100/100ths | Pending (applied 08/09/05) |
| MLA80/603 | Corkwood Sth | THX | 100/100ths | Pending (applied 08/09/05) |
| MLA80/604 | Corkwood Nth | THX | 100/100ths | Pending (applied 08/09/05) |
| MLA80/605 | Corkwood Nth | THX | 100/100ths | Pending (applied 08/09/05) |
| MLA80/606 | Corkwood Nth | THX | 100/100ths | Pending (applied 08/09/05) |
| MLA80/607 | Corkwood Nth | THX | 100/100ths | Pending (applied 08/09/05) |
| MLA80/608 | Corkwood Nth | THX | 100/100ths | Pending (applied 08/09/05) |
| E80/3323 | Keller West | THX | 100/100ths | Granted 25/07/05 |
| MLA80/591 | Lamboo | THX | 100/100ths | Pending (applied 29/06/05) |
| MLA80/592 | Lamboo | THX | 100/100ths | Pending (applied 29/06/05) |
| MLA80/593 | Lamboo | THX | 100/100ths | Pending (applied 29/06/05) |
| E80/3233 | Bow River | THX | 100/100ths | Granted 16/08/04 |
| E80/2751 | Bow River | THX | 100/100ths | Granted 03/09/02 |
| E80/3498 | Togo 2 | THX | 100/100ths | Pending (applied 15/06/05) |
| E80/3354 | Ord Nth | THX | 100/100ths | Granted 16/05/05 |
| E80/3355 | Ord West | THX | 100/100ths | Granted 16/05/05 |
| E80/3356 | Ord East | THX | 100/100ths | Granted 16/05/05 |
| E80/3357 | Sally Downs | THX | 100/100ths | Granted 13/04/05 |
| E80/3364 | Lamboo Sth | THX | 100/100ths | Granted 16/05/05 |
| E80/3383 | Frank Hill East | THX | 100/100ths | Pending (applied 13/08/04) |
| E80/2109 | Ord River | THX | 100/100ths | Granted 25/03/96 |
| MLA80/522 | Ord River | THX | 100/100ths | Pending (applied 08/10/01) |

SCHEDULE OF TENEMENTS

as at 9 December 2005

| Tenement Number and Type | Tenement Name | Holder/ Applicant | Shares Held | Status |
|-----------------------------|-------------------|----------------------|----------------|-------------------------------|
| MLA80/523 | Ord River | THX | 100/100ths | Pending (applied 08/10/01) |
| ELA80/3400 | Mt Lush | THX | 100/100ths | Pending (applied 04/11/04) |
| ELA80/3444 | Elvire | THX | 100/100ths | Pending (applied 16/02/05) |
| E80/2559 | Lamboos West | GGR | 100/100ths | Granted 06/03/03 |
| E80/2567 | Lodestone Sth | GGR | 100/100ths | Granted 12/01/04 |
| P80/1549 | Lodestone | THX | 100/100ths | Granted 15/06/04 |
| E80/2574 | Togo Nth | GGR | 100/100ths | Granted 27/10/03 |
| ELA80/3499 | Edle West | THX | 100/100ths | Granted 16/06/05 |
| ELA80/3503 | Dougall Bore | THX | 100/100ths | Granted 22/06/05 |
| ELA80/3525 | Cattle Creek East | THX | 100/100ths | Granted 05/08/05 |
| ELA80/3571 | Carola Valley | THX | 100/100ths | Pending (applied 28/10/05) |
| ELA80/3572 | Spinfex | THX | 100/100ths | Pending (applied 28/10/05) |
| ELA80/3573 | Galway Valley | THX | 100/100ths | Pending (applied 28/10/05) |
| MURCHISON | | | | |
| E70/2737 | Mullewa | THX | 100/100ths | Granted 19/11/04 |
| PILBARA | | | | |
| ELA47/1304 | Pyramid | THX | 100/100ths | Granted 18/09/03 |
| ELA47/1305 | Pyramid | THX | 100/100ths | Granted 18/09/03 |
| ELA47/1467 | Pyramid | THX | 100/100ths | Granted 10/11/04 |
| ELA45/2611 | Red Rock | THX | 100/100ths | Granted 26/03/04 |
| ELA45/2695 | Runton | THX | 100/100ths | Granted 03/12/04 |
| YILGARN | | | | |
| ELA77/1204 | Jilbadji | THX | 100/100ths | Pending (applied 20/11/03) |

SCHEDULE OF TENEMENTS

as at 9 December 2005

Key to Tenement Type:

| | | |
|-----|---|---------------------------------|
| E | = | Exploration License |
| ELA | = | Exploration License Application |
| MLA | = | Mining Lease Application |
| P | = | Prospecting License |
| PLA | = | Prospecting License Application |

Key to Parties:

| | | |
|---------|---|---------------------------------|
| GGR | = | Great Gold Mines NL |
| THX | = | Thundelarra Exploration Limited |
| KMN | = | Kimberley Mining NL |
| B WASSE | = | B Wasse |

- 1 A copy of the Ten Essential Corporate Governance Principles are set out on the Company's website under the Section entitled "Corporate Governance".
- 2 A copy of the Best Practice Recommendations are set out on the Company's website under the section entitled "Corporate Governance".



www.thundelarra.com

