

**ASX
ANNOUNCEMENT**

25 July 2006

Thundelarra Exploration Ltd

ABN 74 950 465 654

ACN 085 782 994

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regarding Thundelarra
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**THIRD QUARTER ACTIVITIES REPORT
& CASHFLOW REPORT
30 JUNE 2006**

HIGHLIGHTS

- **Nickel resource definition drilling underway Copernicus Joint Venture - 17,000 metres planned.**
- **Drilling underway Lamboo nickel-copper project-3,200 metres planned.**
- **Nickel sulphide intercepts up to 26 metres at Copernicus North.**
- **Sophie Downs-new copper-zinc project.**
- **Exploration commenced on Red Rock base and precious metal project.**
- **Uranium exploration ongoing.**

EXPLORATION ACTIVITIES

COPERNICUS JOINT VENTURE – (Nickel, Copper, Cobalt)

During the June quarter drilling recommenced on the Copernicus Joint Venture area (see attached location map) and drilling also commenced on the Lamboo nickel copper precious metals project in the East Kimberley.

At the Copernicus Joint Venture a **4,500 metre resource definition drilling program** commenced in July with 9 holes completed as at 18 July for 1,836 metres. The objective of the drill programme is to delineate the Copernicus Deeps in sufficient detail to enable the estimation of the Mineral Resources prior to eventually determining the Ore Reserve. All nine vertical holes drilled intersected mineralised Copernicus pyroxenite, with intersections ranging from 2 metres to 26 metres in thickness. Assay results are expected to be announced with the next 14 days.

This program will be followed by approximately 3,000 metres of pre-collar drilling with follow-up diamond drilling to define the extent of mineralisation down to a vertical depth of 450 metres. Subject to positive results a total of **17,000 metres of drilling** is budgeted this year at a forecast cost of approximately \$2.1 million.

Work has also commenced on planning for the mining of the Copernicus open pit which is scheduled for the second quarter of 2007, subject to the granting of the mining lease, receiving all necessary statutory approvals and making a decision to mine.

LAMBOO PROJECT – (Nickel, Copper, Precious Metals)

At Lamboo, located 45 kilometres south west of Halls Creek, an initial reverse circulation program of 3,200 metres is underway, designed to test 12 priority nickel-copper, platinum-palladium ("Pt+Pd") and gold targets generated by recent soil and rock sampling programs, extensive work completed by Thundelarra Exploration Ltd ("Thundelarra") during 2005 and historical exploration.

The nickel targets include 7 electromagnetic anomalies generated during the 2005 airborne HoistEM survey. The three Pt+Pd targets include the exciting new Edison prospect (formerly Homestead West) where the recent soil sampling results returned up to **1.3 g/t Pt+Pd and 256 ppb gold** overlying an interpreted ultramafic rock unit. The current drilling will also follow up an historical intercept of **19 metres at 0.93 g/t Pt+Pd** in hole LDH26 within the ultramafic sequence.

The two gold targets include the Airport prospect where rock sampling of a poorly outcropping quartz reef in 2005 returned an assay of **96 g/t gold**. In 2006 further sampling of the reef returned values of up to **20 g/t gold** some 100 metres along strike with visible gold observed in several samples.

This drilling program is the first Thundelarra has undertaken on the Lamboo project and is designed to test only 12 of more than 30 targets identified. At the time of writing this report approximately 2000 metres of drilling is complete with the first samples despatched to the Perth assay laboratory. A second drilling program is planned for August-September to follow up any significant results from the current program and to test the remaining targets.

**SOPHIE DOWNS
PROJECT –
(Copper, Zinc)**

During the quarter Thundelarra applied for an exploration licence covering the Sophie Downs **copper-zinc project** located approximately 27 kilometres north of Halls Creek. The tenement, ELA80/3673, covers the Ilmars and Little Mt Isa base metal occurrences which are regarded as stratabound deposits with possible Volcanic Hosted Massive Sulphide (“VHMS”) affinities.

The Ilmars prospect consists of **two mineralised zones**. The southwestern zone is **350 metres long and up to 20 metres wide**. Mineralisation consists of malachite disseminations, seams, veinlets, pods and cupriferous quartz veins in a layered sequence of meta-sediments and felsic volcanics.

The northeastern mineralised zone is about 200 metres long and includes a 1-2 metre thick gossan after massive sulphides. Assays of up to **19% copper, 5.2% zinc and 0.8% lead** have been obtained from surface sampling. The best intercepts from historical drilling include **14% zinc over 2.5 metres, 1% copper over 2.1 metres and 4.1 g/ t gold over 9 metres**.

The Little Mount Isa prospect is located approximately 2 kilometres south west of Ilmars and consists of two parallel siliceous gossans averaging **10 metres in thickness that outcrop over 500 metres in strike**. Surface sampling has returned up to **3.26% zinc and 2.7% lead**. Historical drilling has returned broad zones of low grade mineralisation.

Thundelarra is particularly interested in the Sophie Downs project because a number of new targets have been generated by Thundelarra using its **hyperspectral information** and results from its regional mapping programs.

These new targets will be assessed during the 2006 field season. The Sophie Downs project has the potential to host a significant copper-zinc-lead VHMS deposit similar to the **Koongie Park** base metal deposit located 27 kilometres south west of Halls Creek.

**LIONORE JOINT
VENTURE –
(Nickel, Copper,
Cobalt)**

On the 14 May 2006, LionOre Mining International Ltd (“LionOre”) announced the sale of certain Australian nickel exploration assets to the ASX-listed Breakaway Resources Limited (“Breakaway”). These assets include the East Kimberley Joint Venture tenements held by Thundelarra, where LionOre is earning a 60% equity in approximately 1,500 square kilometres of Thundelarra’s tenements by the expenditure of \$5 million. Thundelarra has approved the assignment of joint venture obligations to Breakaway.

LionOre commenced field activities during the quarter with a regional helicopter – supported reconnaissance survey aimed at evaluating a number of geological and geochemical targets. The results of the survey continue to support the prospectivity of the Sally Malay district with the identification of new prospects which will be the focus of forthcoming field work. Initial follow-up of the Koondoloo target has identified malachite (copper) - bearing gabbro lithologies which are currently being soil sampled. Additionally, two Exploration Licences were applied for covering newly identified nickel and gold targets within the eastern and central portions of the project area.

**RED ROCK JOINT
VENTURE –
(Precious Metals, Base
Metals)**

De Grey Mining Ltd (“De Grey”) has commenced exploration on Thundelarra’s Pilbara Red Rock project with the initial Lag and detailed airborne magnetic surveys complete with results pending. An aerial electromagnetic survey using a helicopter borne VTEM system is scheduled for September.

The Red Rock tenement, E45/2611 is located 60 kilometres south of Port Hedland and covers approximately 10 kilometres strike of the highly prospective Tabbatabba Shear Zone. This shear is a highly mineralised system which hosts De Grey’s Wingina gold resource and the recently discovered Orchard Tank, Discovery and Tabbatabba base and precious metal prospects.

De Grey is earning 60% equity in the Red Rock tenement by the expenditure \$180,000 over 2 years. Thundelarra has the right to contribute pro rata or at any stage elect to dilute to a 20% free carried interest through to a decision to mine.

**URANIUM
EXPLORATION**

In 2005 Thundelarra allocated funds towards the generation of uranium projects within Australia. This initiative has resulted in the Spinifex, Carola Valley, Kunderong and Yuinmery uranium projects within Western Australia and identified a number of new opportunities in Australia and overseas. As part of this initiative Thundelarra has appointed Mr Gary Hooper as Senior Geologist-Uranium to oversee the generation of new uranium projects and to co-ordinate exploration of the existing projects. Mr Hooper has over 30 years experience in the Australian and overseas mineral exploration industry including 8 years in uranium.

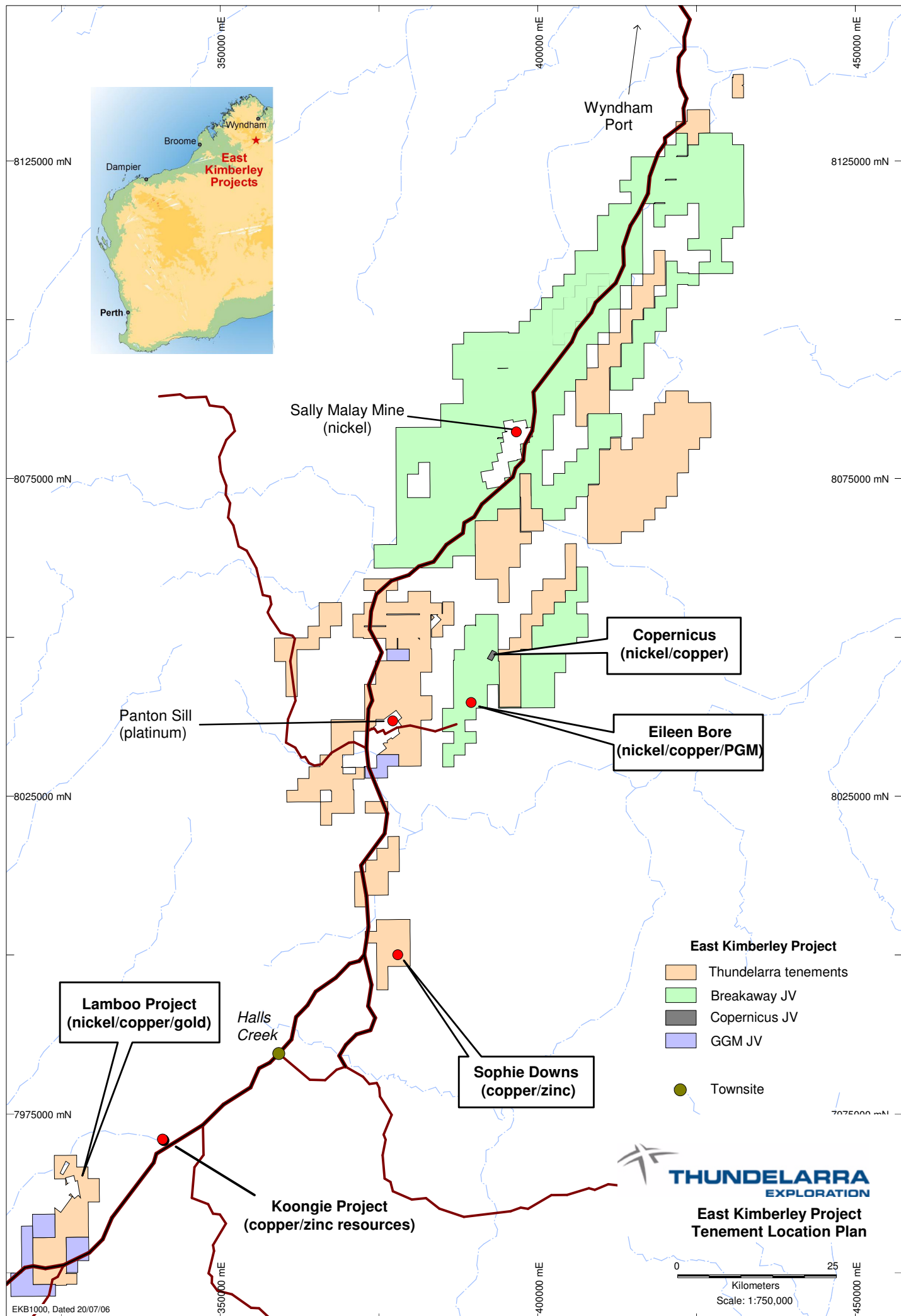
**SPINIFEX URANIUM
PROJECT –
(Uranium)**

At Thundelarra’s **Spinifex uranium project** (E80/3572 and 3671-800 square kilometres) located approximately 50 kilometres north of the Argyle Diamond Mine, an airborne radiometric survey is planned for late September. This survey will be followed by a systematic ground assessment program to determine the significance of the high grade uranium mineralisation (**13.5% U₃O₈**) discovered at the Spinifex prospect in the 1970s and to assess any additional radiometric anomalies. Data capture and assessment is continuing on Carola, Kunderong and Yuinmery projects.

THUNDELARRA EXPLORATION LTD

PHILIP CRABB
Chairman

The details contained in this report that pertains to ore and mineralisation is based upon information compiled by Mr Brian Richardson, a full-time employee of the Company. Mr Richardson is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Richardson consents to the inclusion in this report of the matters based upon his information in the form and context in which it appears.



Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

THUNDELARRA EXPLORATION LTD

ACN

085 782 994

Quarter ended ("current quarter")

30 JUNE 2006

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(227)	(526)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(306)	(1,626)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	16	48
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(517)	(2,104)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	(142)	(142)
	(c) other fixed assets	-	(1)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	100	100
1.10	Loans to other entities	-	(210)
1.11	Loans repaid by other entities	399	669
1.12	Other (provide details if material)	-	-
	Net investing cash flows	357	416
1.13	Total operating and investing cash flows (carried forward)	(160)	(1,688)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(160)	(1,688)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,032	1,032
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	-	-
	Net financing cash flows	1,032	1,032
	Net increase (decrease) in cash held	872	(656)
1.20	Cash at beginning of quarter/year to date	677	2,205
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,549	1,549

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	Thundelarra's financial year is from the period 1 October 2005 to 30 September 2006	

Non-cash financing and investing activities

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

Not Applicable

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

Not Applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
Total	400

Reconciliation of cash

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

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	121	73
5.2 Deposits at call	1,347	523
5.3 Bank overdraft	-	-
5.4 Other (bank guarantees)	81	81
Total: cash at end of quarter (item 1.22)	1,549	677

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Mullewa Sally Downs	E70/2737 E80/3357	100% 100%
6.2	Interests in mining tenements acquired or increased	Frank Hill East Carola Valley Galway	E80/3383 E80/3571 E80/3573	Nil Nil Nil
				100% 100% 100%

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	82,230,370	82,230,370	-	-
7.4 Changes during quarter	2,500,000	2,500,000	\$0.20	-
(a) Increases through issues	2,800,000	2,800,000	\$0.19	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities (description)	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-

Appendix 5B
Mining exploration entity quarterly report

7.7	Options <i>(description and conversion factor)</i>	1,245,000	-	Exercise price \$0.325	Expiry date 28/03/2008
		1,771,000	-	\$0.475	28/02/2007
		11,000,000	-	\$0.655	20/11/2007
		1,970,000	-	\$0.675	26/02/2009
		375,000	-	\$0.325	20/04/2009
		840,000	-	\$0.220	31/05/2009
		2,500,000	-	\$0.40	12/04/2009
		2,800,000	-	\$0.19	30/06/2009
7.8	Issued during quarter	550,000	-	\$0.220	31/05/2009
		2,500,000	-	\$0.40	12/04/2009
		2,800,000	-	\$0.19	30/06/2009
7.9	Exercised during quarter	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

Compliance statement

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



Sign here:
(Director /Company Secretary)

Date: 25July 2006

Print name: FRANK DE MARTE

Notes

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

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