

THUNDELARRA EXPLORATION LTD

ABN 74 950 465 654

HALF-YEAR FINANCIAL REPORT – 31 MARCH 2007

THUNDELARRA EXPLORATION LTD
ABN 74 950 465 654

HALF-YEAR FINANCIAL REPORT – 31 MARCH 2007

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THUNDELARRA EXPLORATION LTD
ABN 74 950 465 654

CORPORATE DIRECTORY

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

COMPANY SECRETARY Frank DeMarte

REGISTERED OFFICE Level 3, IBM Building
1060 Hay Street
WEST PERTH WA 6005

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SHARE REGISTRY Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

AUDITORS Stantons International
Level 1, 1 Havelock Street
WEST PERTH WA 6005

SOLICITORS Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

STOCK EXCHANGE LISTING The Company's shares are listed and quoted on the Australian Stock Exchange Limited ("ASX").

Home Exchange: Perth, Western Australia

ASX CODE THX

WEB www.thundelarra.com

THUNDELARRA EXPLORATION LTD
ABN 74 950 465 654

DIRECTORS' REPORT

Your directors submit their report on the Company for the half year ended 31 March 2007.

DIRECTORS

The names of the Company's directors in office during the half year and until the date of this report are:

Philip G Crabb
Frank DeMarte
Brian D Richardson
Rick W Crabb
Malcolm J Randall

RESULT

The consolidated entity incurred an after tax operating loss for the half year ended 31 March 2007 of \$991,945 (half year ended 31 March 2006 loss: \$448,190).

PRINCIPAL ACTIVITY

The principal activities of the consolidated entity during the financial half year were in the exploration for mineral resources in Australia.

REVIEW OF OPERATIONS

During the period, the Company continued its exploration activities in Australia.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not been any matters that have arisen since the end of the half year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, on the state of the affairs of the Company in future financial years with the exception of any matters mentioned in note 7 of this report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 15.

Signed in accordance with a resolution of the Directors:



Frank DeMarte
Director

Perth, 1 June 2007

THUNDELARRA EXPLORATION LTD
ABN 74 950 465 654

CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 MARCH 2007

| | Notes | Consolidated 31 March 2007 \$ | Half Year Ended 31 March 2006 \$ |
|--|-------|-------------------------------------|--|
| CONTINUING OPERATIONS | | | |
| Revenue | 3 | 195,793 | 425,608 |
| Other expenses | 3 | (1,187,738) | (873,798) |
| Loss from continuing operations before income tax | | <u>(991,945)</u> | <u>(448,190)</u> |
| Loss before income tax | | (991,945) | (448,190) |
| Income tax expense | | - | - |
| Loss after tax from continuing operations attributable to members | | <u>(991,945)</u> | <u>(448,190)</u> |
| Earnings per share (cents per share) | | | |
| - Basic loss for the half-year | 4 | <u>(0.99)</u> | <u>(0.58)</u> |

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

The above Condensed Income Statement should be read in conjunction with the accompanying notes.

THUNDELARRA EXPLORATION LTD
ABN 74 950 465 654

CONDENSED BALANCE SHEET
AS AT 31 MARCH 2007

| | | Consolidated 31 March 2007 \$ | Consolidated 30 September 2006 \$ |
|--|-------|-------------------------------------|---|
| | Notes | | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 9 | 3,366,503 | 2,751,544 |
| Trade and other receivables | | 108,966 | 42,058 |
| Other financial assets | | 1,141,000 | 750,500 |
| Total Current Assets | | <u>4,616,469</u> | <u>3,544,102</u> |
| Non-Current Assets | | | |
| Receivables | | 81,271 | 81,271 |
| Other financial assets | | 10,544,763 | 4,415,698 |
| Property, plant and equipment | | 209,121 | 216,676 |
| Exploration and evaluation expenditure | | 6,755,085 | 5,946,362 |
| Total Non-Current Assets | | <u>17,590,240</u> | <u>10,660,007</u> |
| TOTAL ASSETS | | <u>22,206,709</u> | <u>14,204,109</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 119,201 | 289,634 |
| Provisions | | 59,296 | 96,465 |
| Total Current Liabilities | | <u>178,497</u> | <u>386,099</u> |
| Non Current Liabilities | | | |
| Provisions | | 22,197 | 22,197 |
| Total Non Current Liabilities | | <u>22,197</u> | <u>22,197</u> |
| TOTAL LIABILITIES | | <u>200,694</u> | <u>408,296</u> |
| NET ASSETS | | <u>22,006,015</u> | <u>13,795,813</u> |
| EQUITY | | | |
| Contributed Equity | 5 | 29,601,194 | 26,695,050 |
| Other reserves | | 9,197,875 | 2,901,872 |
| Accumulated losses | | (16,793,054) | (15,801,109) |
| TOTAL EQUITY | | <u>22,006,015</u> | <u>13,795,813</u> |

The above Condensed Balance Sheet should be read in conjunction with the accompanying notes.

THUNDELARRA EXPLORATION LTD
ABN 74 950 465 654

CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 MARCH 2007

| | Consolidated Half Year Ended 31 March 2007 \$ | Half Year Ended 31 March 2006 \$ |
|--|--|---|
| Cash flows from operating activities | | |
| Other revenue received | 606 | 46,719 |
| Payments to suppliers and employees | (764,134) | (1,341,688) |
| Interest received | 80,785 | 32,259 |
| Net cash flows used in operating activities | <u>(682,743)</u> | <u>(1,262,710)</u> |
| Cash flows from investing activities | | |
| Exploration and evaluation expenditure | (1,236,148) | (280,257) |
| Proceeds from sale plant and equipment | 1,950 | - |
| Payments for plant and equipment | (29,798) | (652) |
| Payments for investments | (344,446) | - |
| Placement of security deposits | - | 10,000 |
| Net cash flows (used in)/from investing activities | <u>(1,608,442)</u> | <u>(270,909)</u> |
| Cash flows from financing activities | | |
| Net proceeds from issue of shares | 2,906,144 | - |
| Net recoveries from director related entities | - | 15,203 |
| Net cash flows from/(used in) financing activities | <u>2,906,144</u> | <u>15,203</u> |
| Net increase/(decrease) in cash and cash equivalents held | 614,959 | (1,518,416) |
| Cash and cash equivalents at the beginning of the half year | 2,751,544 | 2,114,164 |
| Cash and cash equivalents at the end of the half year | <u><u>3,366,503</u></u> | <u><u>595,748</u></u> |

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

THUNDELARRA EXPLORATION LTD
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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 MARCH 2007

| | Issued capital \$ | Accumulated losses \$ | Other reserves \$ | Total equity \$ |
|---|----------------------------------|--------------------------------------|----------------------------------|--------------------------------|
| At 1 October 2005 | 23,443,215 | (14,153,286) | 4,204 | 9,294,133 |
| Application of AASB 132 and AASB 139 | - | 315,335 | - | 315,335 |
| Net gains on available for sale financial assets | - | - | 712,837 | 712,837 |
| Profit/(loss) for the period | - | (448,190) | - | (448,190) |
| At 31 March 2006 | 23,443,215 | (14,286,141) | 717,041 | 9,874,115 |

| CONSOLIDATED | Issued capital \$ | Accumulated losses \$ | Other reserves \$ | Total equity \$ |
|---|----------------------------------|--------------------------------------|----------------------------------|--------------------------------|
| At 1 October 2006 | 26,695,050 | (15,801,109) | 2,901,872 | 13,795,813 |
| Issue of shares | 3,092,908 | - | - | 3,092,908 |
| Cost of share issues | (186,764) | - | - | (186,764) |
| Cost of share based payments | - | - | 235,036 | 235,036 |
| Net gains on available for sale financial assets | - | - | 6,060,967 | 6,060,967 |
| Loss for the period | - | (991,945) | - | (991,945) |
| At 31 March 2007 | 29,601,194 | (16,793,054) | 9,197,875 | 22,006,015 |

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

***CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2007***

1. CORPORATE INFORMATION

The financial report of Thundelarra Exploration Ltd (the Company) for the half-year ended 31 March 2007 was authorised for issue in accordance with a resolution of the director's on 1 June 2007. Thundelarra Exploration Ltd is a limited company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Review of Operations in the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of Thundelarra Exploration Ltd as at 30 September 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Thundelarra Exploration Ltd and its controlled entity during the half-year ended 31 March 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 September 2006.

THUNDELARRA EXPLORATION LTD
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CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2007

3. REVENUE, INCOME AND EXPENSES

Loss before income tax has been arrived at after including:-

| | Consolidated 31 March 2007 \$ | 31 March 2006 \$ |
|---|--|-----------------------------|
| REVENUE | | |
| Interest revenue | 80,785 | 32,259 |
| Sundry income | 606 | 46,718 |
| Increase in market value of investments | 114,153 | 346,631 |
| | <u>199,544</u> | <u>425,608</u> |
| Proceeds from sale of plant & equipment | 1,950 | - |
| Cost of plant & equipment sold | (1,701) | - |
| Net gain on disposal of plant & equipment | <u>249</u> | <u>-</u> |
| Total Revenue | <u>195,793</u> | <u>425,608</u> |
| OTHER EXPENSES | | |
| Depreciation | (35,652) | (52,762) |
| Exploration expenditure written off | (314,113) | (37,422) |
| Share based payment expenses | (235,036) | - |
| Legal costs | (6,574) | (495,350) |
| Borrowing costs | (2,021) | (2,071) |
| Employee benefits expenses | (211,523) | (206,823) |
| Other operating expenses | <u>(382,819)</u> | <u>(79,370)</u> |
| Total Expenses | <u>(1,187,738)</u> | <u>(873,798)</u> |

4. EARNINGS PER SHARE

Basic loss per share (cents) (0.99) (0.58)

Weighted average number of ordinary shares used in the calculation of basic earnings per share is 99,769,404. Options to purchase ordinary shares not exercised at 31 March 2007 have not been included in the determination of basic earnings per share.

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

5. ISSUED CAPITAL

| | Consolidated 31 March 2007 \$ | Consolidated 30 September 2006 \$ |
|---|--|--|
| Ordinary shares | | |
| 103,836,861(2006: 95,060,370) Issued and fully paid | <u>29,601,194</u> | <u>26,695,050</u> |

**CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2007**

5. ISSUED CAPITAL (continued)

| | Consolidated 31 March 2007 Number | Consolidated 31 March 2007 \$ |
|--|---|-------------------------------------|
| Movement in ordinary shares on issue: | | |
| At 1 October 2006 | 95,060,370 | 26,695,050 |
| Private placement of shares | 6,500,000 | 2,405,000 |
| Exercise of options | 2,276,491 | 687,908 |
| Share issue costs | - | (186,764) |
| At 31 March 2007 | <u>103,836,861</u> | <u>29,601,194</u> |

6. SEGMENT INFORMATION

Thundelarra Exploration Ltd operates within the exploration industry in Western Australia.

7. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity subsequent to the half year ended 31 March 2007, with the exception of the following matters:

- (a) In April 2007 1,478,767 quoted options expiring 30 June 2009 were exercised raising \$280,966;
- (b) In May 2007
 - (i) 974,407 quoted options expiring 30 June 2009 were exercised raising \$185,137;
 - (ii) 200,000 unquoted options expiring 31 August 2009 were exercised raising \$40,000;
 - (iii) 1,000,000 unquoted incentive options were issued to the Chief Executive Officer, having a exercise price of 50 cents each and expiring 31 May 2010. The estimated fair value of each option at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted was 23.8 cents; and
 - (iv) 1,000,000 unquoted incentive options were issued to the Chief Executive Officer having an exercise price 68 cents each and expiring on 31 May 2011. The estimated fair value of each option at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted was 24.8 cents.

8. CONTINGENT LIABILITIES

In the opinion of the Directors, there are no contingent liabilities as at 31 March 2007, and none have arisen as at the date of this financial report.

CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2007

9. CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise the following:

| | Consolidated 31 March 2007 \$ | 31 March 2006 \$ |
|--------------------------|--|---------------------------------|
| Cash at bank and in hand | 2,016,509 | 73,386 |
| Short-term deposits | 1,436,896 | 522,362 |
| Bank overdraft | (86,902) | - |
| | <u>3,366,503</u> | <u>595,748</u> |

10. SHARE BASED PAYMENTS

The following options were granted during the reporting period:

- (1) In February 2007, 400,000 share options were granted to employees under the Employee Share Option Plan. The options are exercisable 12 months from the date of grant and expire on 28 February 2010. The exercise price of the options is 50 cents. The fair value is estimated at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

| | |
|-------------------------------|----------|
| Dividend yield (%) | - |
| Expected volatility (%) | 86% |
| Risk-free interest rate (%) | 6.07% |
| Period of option | 3 years |
| Discount for unlisted options | 30% |
| Market price at grant date | 45 cents |

The estimated fair value of each option at grant date is 17.1 cents.

- (2) In February 2007, 1,500,000 share options were granted to directors. The options are exercisable from date of grant and expire on 28 February 2010. The exercise price of the options is 50 cents. The fair value is estimated at the date of grant using the Black Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model.

| | |
|-------------------------------|----------|
| Dividend yield (%) | - |
| Expected volatility (%) | 83.5% |
| Risk-free interest rate (%) | 6.00% |
| Period of option | 3 years |
| Discount for unlisted options | 30% |
| Market price at grant date | 41 cents |

The estimated fair value of each option at grant date is 15.1 cents.

***CONDENSED NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2007***

11. RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half year ended 31 March 2007 and 2006:

| Related party | | Fees charged by related parties \$ | Amounts owed to related parties \$ |
|--|------|---|---|
| Key management personnel of the Company: | | | |
| Ragged Range Mining Pty Ltd | 2007 | 8,667 | - |
| | 2006 | 13,442 | - |
| REM Pty Ltd | 2007 | 24,996 | 4,167 |
| | 2006 | 24,996 | 4,167 |

Mr Philip G Crabb is a director and shareholder of Ragged Range Mining Pty Ltd which has provided drilling and exploration services to the Company on normal terms and conditions.

Mr Brian D Richardson is a director and shareholder of REM Pty Ltd which has provided geological services to the Company on normal terms and conditions.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Thundelarra Exploration Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 March 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dated at Perth this 1 June 2007.

A handwritten signature in dark ink, appearing to be 'Frank DeMarte', with a stylized, sweeping flourish extending to the right.

Frank DeMarte
Director

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF THUNDELARRA EXPLORATION LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Thundelarra Exploration Limited, which comprises the consolidated condensed balance sheet as at 31 March 2007, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Thundelarra Exploration Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

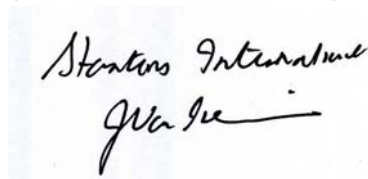
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Thundelarra Exploration Limited on 1 June 2007.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Thundelarra Exploration Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL (Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
1 June 2007

1 June 2007

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

Dear Sirs

RE: THUNDELARRA EXPLORATION LIMITED

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 Limited.

As Audit Director for the review of the financial statements of Thundelarra Exploration Limited for the six months ended 31 March 2007, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director