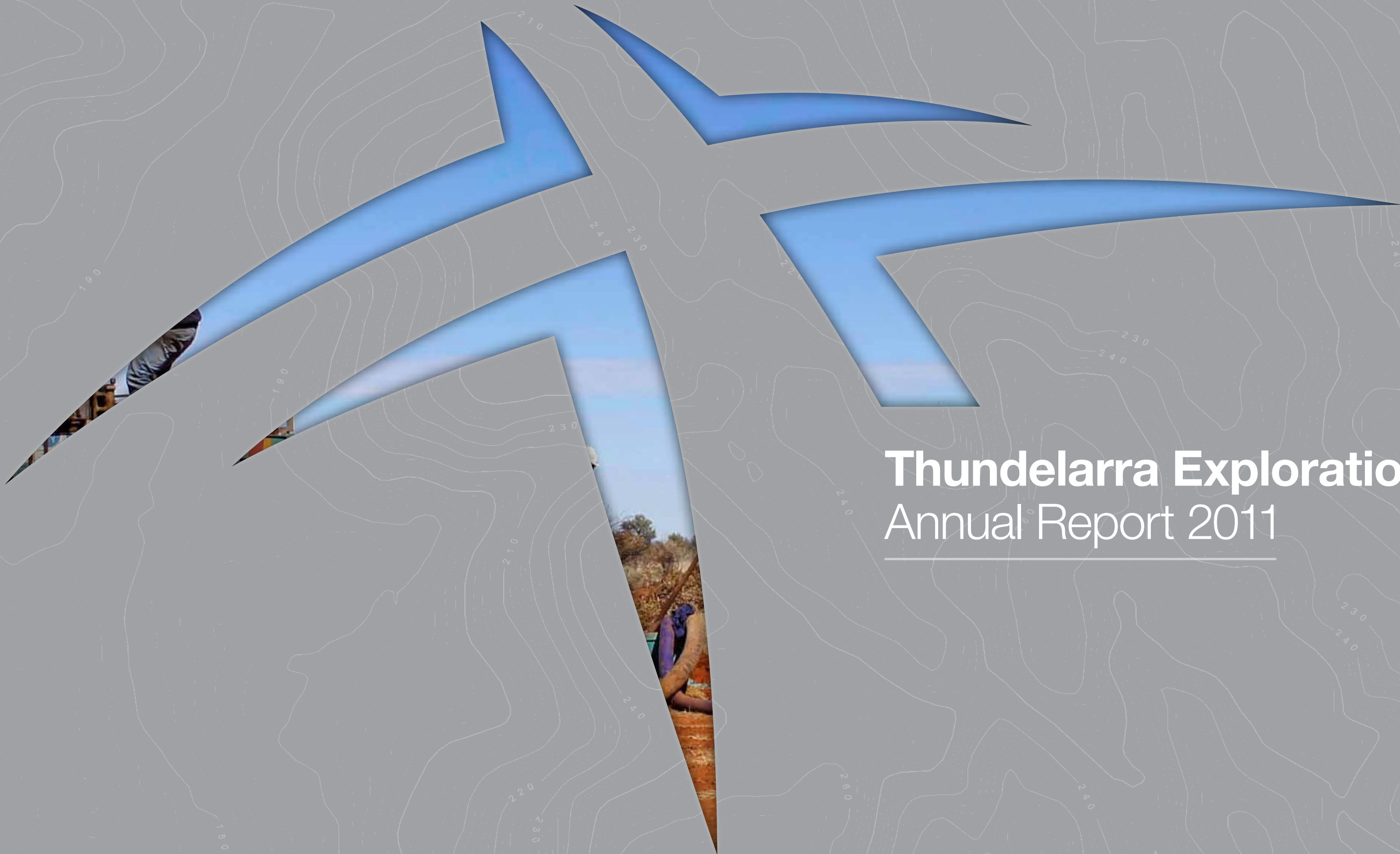

# Thundelarra Exploration
Annual Report 2011

# Corporate directory

**Directors**
**Mal Randall**
*Non-Executive Chairman*

**Brett Lambert**
*Managing Director*

**Frank DeMarte**
*Executive Director and Chief Financial Officer*

**Brian D Richardson**
*Executive Director*

**John D Hopkins**
*Non-Executive Director*

**Company Secretary**
**Frank DeMarte**

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**Auditors**
**Stantons International**
Level 2
1 Walker Avenue
West Perth WA 6005

**Stock Exchange**
**Australian Securities Exchange (Perth) Ltd**
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PERTH WA 6000

**ASX Limited**
Codes: THX
THXOA

# Contents



The Annual Report covers both Thundelarra Exploration Ltd as an individual entity and the Consolidated Entity consisting of Thundelarra Exploration Ltd and its controlled entity. Thundelarra Exploration Ltd is a company limited by shares, incorporated in British Columbia and domiciled in Australia.

# Copper, Gold, Uranium

**Copper and gold will be the primary focus in 2012, however the fundamental outlook for uranium remains very strong and Thundelarra is well positioned to benefit from renewed interest in this commodity**

# Chairman's letter

Dear Shareholder

It gives me great pleasure to write to you as the new Chairman of Thundelarra Exploration Ltd. Earlier this year Thundelarra's inaugural and long serving Chairman Mr. Philip Crabb, announced his retirement from the position effective 30 September 2011. I would like to take this opportunity on behalf of the board and executive team to acknowledge Phil's outstanding commitment and contribution to our Company.

It is fair to say both our domestic and the international financial markets faced some great challenges during the year. Not even a company the size of Thundelarra could immune itself from these external factors. However, to the credit of our executive team, Thundelarra maintained its focus on our exploration activities and delivered some promising results during the year.

In February, the Thunderball Uranium Deposit delivered its maiden JORC resource. In just over two years Thundelarra has successfully advanced the Thunderball Prospect from a radiometric anomaly to a high grade inferred resource. SRK Consulting calculated an Inferred Resource at 1.7 million pounds of $U_3O_8$. The uncut resource model implies 5.5 million pounds of contained $U_3O_8$. This is a tremendous start to our exploration activities at Hayes Creek. In similar fashion to Thunderball, Thundelarra has also identified a number of other uranium targets that warrant further exploration.

Following our Thunderball announcement the uranium industry was thrown into chaos when Japan was hit by the devastating earthquake and tsunami. This resulted in both the uranium spot price and the share price of those public companies with uranium interests spiralling down significantly. Importantly, eight months since that tragic event the world's demand for uranium has barely changed and the reported consensus from those counties generating or proposing to generate nuclear energy remains positive and committed to their current and future nuclear energy programs.

Although the initial reaction post Fukushima presented some uncertainties to uranium's short term position, Thundelarra has and will remain committed to its uranium activities. The board's decision was centred on the world's long term requirement for clean energy and the positive reaction from those countries presently dependent on nuclear energy. Our uranium projects are significantly stronger following this year's activities.

At Ngalia, the potential to host a large system of paleochannel mineralisation was demonstrated and at Allamber, significant new uranium mineralisation was reported outside the existing uranium resource. The recent positive market and media reaction to the proposal by the Australian Government to sell uranium to India is another strong sign supporting the long term prospects for nuclear energy where Thundelarra is hopeful of becoming a future player. Patience will now be a factor for companies like Thundelarra as we wait for the inevitable increase in demand for yellow cake.

On the base metals front Thundelarra has now three separate exploration regions, Doolgunna and East Kimberley in WA and Allamber in the NT focused on copper and gold potential. Copper and gold are two commodities in high demand and we will be allocating the appropriate resources over the next 12 months to hopefully advance on the success we have had to date at both Doolgunna and Allamber. In light of our rich portfolio of exploration properties, I strongly encourage you to view the Review of Operations Report for a detailed summary of the exploration activities undertaken during the year.

Obviously the next 12 months will see a high degree of uncertainty in the financial markets which will have a direct bearing on global growth and by association the resources sector. Thundelarra is well placed to weather any storms that may arise as a result of our strong cash position, experienced executive team and astute exploration activity taking cognizance of the market conditions and sentiment. As a final point, I would like to thank Brett Lambert for his hard work and success at the helm of Thundelarra, my hard working fellow directors, our new and experienced non executive director John Hopkins, our executive team and fellow shareholders for their ongoing support.

**Mal Randall**
**Chairman**

# 2012

**Strong cash position, experienced team, high quality exploration properties**

# Review of operations

**OVERVIEW**

In 2011 Thundelarra set out with an aggressive exploration program to build on the solid success that had been achieved in 2010. Despite some challenges presented by a number of external factors, good progress was made and some highly promising results delivered.

## 1911

**On 1 January 1911, the Northern Territory was separated from South Australia and transferred to Commonwealth control.**

Thundelarra's primary focus in recent years has been on uranium exploration in the Pine Creek and Ngalia Basin regions of the Northern Territory. Early in the year the Company was able to report that an extensive uranium bearing paleochannel system had been delineated within the Ngalia Basin. This is considered to be a major discovery with over 400 linear kilometres of channel identified on Thundelarra's tenure, providing scope to define a uranium deposit of world class scale. A substantial drill campaign was carried out in 2011 and a number of significant uranium intercepts were generated within the channels, including 7.1 metres grading 1,405 ppm $U_3O_8$ and 5.3 metres at 1,593 ppm $U_3O_8$. It is the Company's intention to seek a joint venture partner to assist with the continued exploration of this exciting project.

Historically high levels of rainfall delayed access to the Pine Creek region. In the meantime events at Fukushima following the Japanese tsunami had a significant impact on market sentiment towards the uranium sector. When Thundelarra's Pine Creek prospects became accessible in the second half of the year, it was clear that the market still remained cautious with respect to investment in uranium. In response the Company elected to defer much of its planned uranium exploration and bring forward evaluation of the copper and gold potential at a number of its prospects in the region.

The Allamber Project, on the eastern side of Thundelarra's Pine Creek tenure, has demonstrated high potential for both uranium and copper. Early in the year, a drilling program at the South Cliff and Lucas Prospects generated a number of significant copper intercepts, including a 7 metre hit grading 9.69% copper. Further drilling in the prospective sequence that extends north from Lucas for over 20 kilometres intersected extensive zones of highly anomalous copper mineralisation, with a best result of 19 metres grading 1.94% copper (including 2 metres at 6.07%) at the Hatrick Prospect.

Allamber is now considered a high priority copper target, however the 2011 drilling campaign also achieved its initial objective by identifying significant uranium mineralisation beyond existing resources at the Cleo's Prospect. Drilling at the previously untested South Cliff Prospect delivered particularly pleasing results which included 42 metres grading 611 ppm $U_3O_8$ (including 8 metres at 1,579 ppm) and 38 metres grading 527 ppm $U_3O_8$ (including 9 metres at 1,457 ppm). This broad zone of mineralisation appears to have continuity between drill holes and is open along strike and down dip.

Late in the year, the Company commenced its first gold drilling program at the Priscilla Prospect within the Hayes Creek project area. Priscilla has been subject to minor historic underground mining and current day alluvial mining by prospectors, but little modern exploration. However 300 metres along strike from the

# Review of operations

tenement boundary, Crocodile Gold operate the large scale Princess Louise open pit mine and based on Thundelarra's initial assessment there appears to be high potential for identifying similar mineralisation at Priscilla.

In Western Australia, Thundelarra stepped up its activities at Doolgunna and continued to selectively add to its land holdings in the region. At the Red Bore prospect, comprehensive geophysical programs were conducted in parallel with further drilling. Two deep diamond holes were drilled beneath high grade mineralisation intersected by Thundelarra in late 2010. Both holes intersected thin veins of copper sulphide mineralisation, demonstrating that the target horizon continues at depth and remains highly prospective across the 2 kilometre length of the tenement. Mineralisation is geochemically indistinguishable from Sandfire Resources NL's spectacular DeGrussa deposit, which is located adjacent to the Red Bore mining lease.

At the Curara Well Project, located along strike to the north-east of DeGrussa and Red Bore, Thundelarra identified a number of electromagnetic and geochemical anomalies.

> Thundelarra remains well positioned to achieve further exploration success in 2012.

An initial RC drilling program confirmed the presence of anomalous copper values at depth. This project displays many features characteristic of VMS base metal deposits and it is considered to have excellent potential for the discovery of DeGrussa style mineralisation.

Thundelarra's Pyramid Project in the West Pilbara is also highly prospective for VMS mineralisation. At Pyramid a large, very distinct electromagnetic anomaly has been defined beneath a surface gossan displaying highly anomalous copper, zinc and lead values. The Company commenced the first drilling program at Pyramid late in the year, which was continuing at the time of writing with all assays awaited.

Thundelarra remains well positioned to achieve further exploration success in 2012. Initially the focus is likely to be on copper and gold, however the long term outlook for uranium remains positive and development of the Company's core uranium projects in the Northern Territory will be progressed with prudent consideration of prevailing market conditions.

# Review of operations

### NORTHERN TERRITORY EXPLORATION

During 2011, Thundelarra continued its uranium exploration activities in the Northern Territory and also broadened its exploration focus to include base and precious metals exploration within the Pine Creek region.

Exploration activities in the Pine Creek Regional Project included reverse circulation (RC) and diamond drilling, ground geophysical surveys, geological mapping and soil and rock sampling programs. Significant copper and uranium drill results were returned from the Allamber Project and gold exploration commenced at the Hayes Creek Project.

In the extensive Ngalia Basin Uranium Project, exploration activities included mud rotary and RC drilling, a regional airborne electromagnetic survey and ground gravity surveys. Significant uranium drill intercepts were returned and extensive areas of prospective and untested palaeochannels defined.

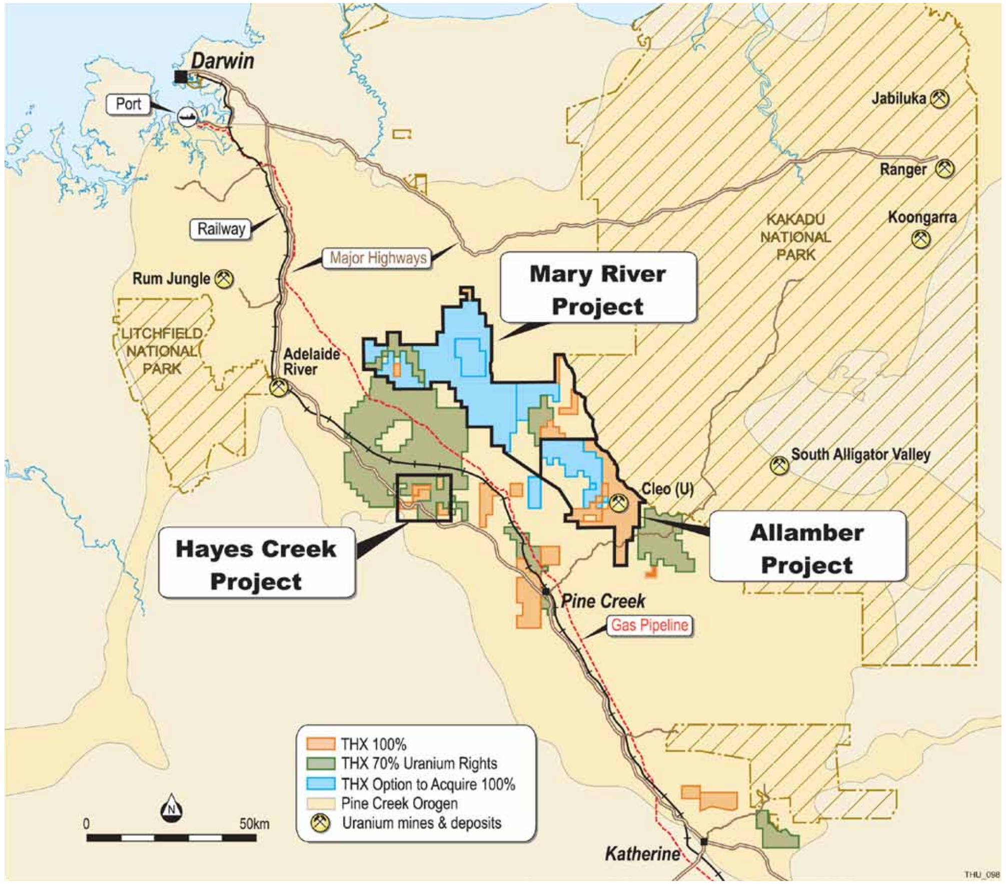
### PINE CREEK REGION

Thundelarra's Pine Creek Regional Project covers over 3,000 square kilometres of the prospective central Pine Creek Orogen between the South Alligator and Rum Jungle Uranium Fields and covers most of the Pine Creek Goldfield.
The Company holds, or has the Option to acquire, full ownership of more than half of this area with the remaining held under joint venture with Crocodile Gold Australia (Crocodile). Thundelarra has 70% of the uranium rights over the Crocodile joint venture ground.

## 1952

**In 1952 the Australian Government funded the setting up of a uranium mine and treatment plant at Rum Jungle which operated between 1953 to 1962.**

Pine Creek Project Location Map



# Review of operations

## ALLAMBER PROJECT

The Allamber Project is located in the south eastern corner of Thundelarra's Pine Creek tenure and contains the Cleo uranium resource (JORC compliant Inferred Resource totalling 1.4Mt at 304ppm $U_3O_8$ for 960,000lbs $U_3O_8$) and a number of historical copper, lead and zinc occurrences associated with a sulphidic and carbonaceous shale horizon (metapelite) that runs along the Allamber Granite contact. This prospective horizon can be traced for over 20 kilometres within the Allamber Project area and has extensive areas of surface copper anomalism identified by soil sampling programs.

Early in the financial year, Thundelarra completed an 18 hole RC program (1,667 metres) to evaluate a number of priority targets within the Allamber project. This drilling intersected significant uranium and copper mineralisation. At the Lucas prospect, uranium and copper mineralisation was identified in three reverse circulation (RC) drill holes located to the west of historical resource drilling completed by Excelsior Gold Ltd (previously Atom Energy) in 2007.

Uranium mineralisation associated with elevated copper levels appears to be controlled by a combination of north-easterly trending structures and the presence of micrograninitic dykes which intrude these structures. Drilling by Thundelarra intersected seven metres of malachite in the oxidised zone of TAL024RC where a dyke intrudes the faulted contact between the Allamber Springs Granite to the west, and a series of metasediments to the east. Significant intercepts include:

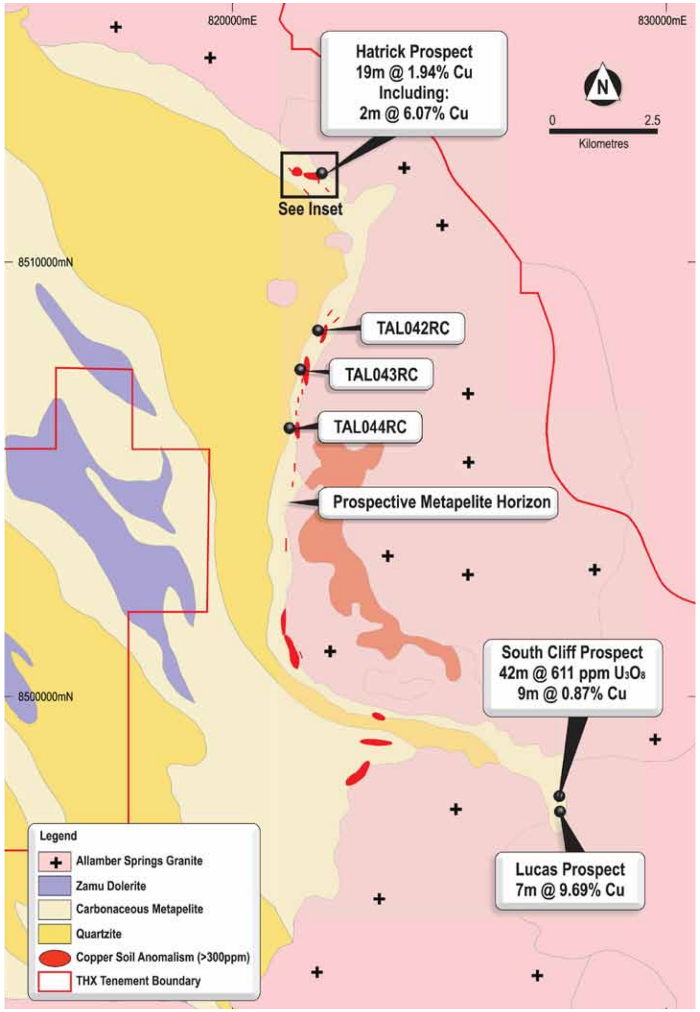
| | |
|---|---|
| **TAL024RC** | 7 metres at 9.69% Cu |
| **TAL025RC** | 12 metres at 328ppm $U_3O_8$ |
| **TAL035RC** | 11 metres at 405ppm $U_3O_8$ including 1 metre at 1,945ppm $U_3O_8$ |
| | 12 metres at 353ppm $U_3O_8$ including 1 metre at 1,710ppm $U_3O_8$ |

At the Cliff South prospect two out of three RC holes returned very encouraging results. Significant intersections include:

| | |
|---|---|
| **TAL032RC** | 9 metres at 440ppm $U_3O_8$ including 1 metre at 1,368ppm $U_3O_8$ and 9 metres at 0.87% Cu including 2 metres at 2.45% Cu |
| **TAL033RC** | 15 metres at 610ppm $U_3O_8$ including 1 metre at 3,926ppm $U_3O_8$ |
| | 8 metres at 436ppm $U_3O_8$ including 1 metre at 1,627ppm $U_3O_8$ |
| | 6 metres at 422ppm $U_3O_8$ including 1 metre at 1,076ppm $U_3O_8$ |

The drill holes were designed to test a north-south trending structure in addition to cross-cutting north-easterly structures. A series of microgranite dykes and sulphidic sediments (displaying chlorite alteration) was intersected. Significant uranium and copper intercepts are presented in the Table 1.

Allamber Project map



# Review of operations

**Table 1: Allamber Project - Significant Uranium Drill Intercepts**

| Hole No. | Prospect | East | North | Dip/Azi | From-To (m) | Interval (m) | $U_3O_8$ ppm |
|---|---|---|---|---|---|---|---|
| **TAL018RC** | Lucas | 178004 | 8498093 | -60 / 140 | 35 - 38 | 3 | 289 |
| **TAL024RC** | Lucas | 177998 | 8497134 | -60 / 90 | 35 - 37 | 2 | 328 |
| **TAL025RC** | Lucas | 178046 | 8497162 | -60 / 90 | 27 - 39 | 12 | 328 |
| | | | | and | 49 - 65 | 16 | 243 |
| | | | | including | 64 - 65 | 1 | 1,273 |
| **TAL032RC** | Cliff South | 178122 | 8497503 | -60 / 90 | 43 - 52 | 9 | 440 |
| | | | | including | 47 - 48 | 1 | 1,368 |
| **TAL033RC** | Cliff South | 178111 | 8497465 | -60 / 90 | 76 - 91 | 15 | 610 |
| | | | | including | 88 - 89 | 1 | 3,926 |
| | | | | and | 108 - 116 | 8 | 436 |
| | | | | including | 111 - 112 | 1 | 1,627 |
| | | | | and | 123 - 129 | 6 | 422 |
| | | | | including | 123 - 124 | 1 | 1,076 |
| | | | | and | 132 - 133 | 1 | 1,001 |
| | | | | and | 145 - 149 | 4 | 419 |
| **TAL034RC** | Cliff South | 178104 | 8497419 | -60 / 90 | 42 - 53 | 11 | 27 |
| **TAL035RC** | Lucas | 178039 | 8497184 | -60 / 90 | 37 - 48 | 11 | 405 |
| | | | | including | 45 - 46 | 1 | 1,945 |
| | | | | and | 56 - 64 | 8 | 229 |
| | | | | and | 87 - 99 | 12 | 353 |
| | | | | including | 89 - 90 | 1 | 1,710 |

**Grid: GDA94 Z52**

In September 2011 after a prolonged wet season, Thundelarra commenced RC drilling program to follow up the significant copper and uranium intercepts returned from the Lucas and Cliff South prospects and to test 4 copper soil anomalies along the prospective carbonaceous shale horizon.

Four angled holes (583 metres) were drilled Cliff South prospect, with all intersecting significant uranium mineralisation over broad widths, including:

| | |
|---|---|
| **TAL053RC** | 38 metres at 527ppm $U_3O_8$ including 9 metre at 1,457ppm $U_3O_8$ |
| **TAL062RC** | 42 metres at 611ppm $U_3O_8$ including 8 metre at 1,579ppm $U_3O_8$ |
| **TAL063RC** | 21 metres at 682ppm $U_3O_8$ including 9 metre at 1,055ppm $U_3O_8$ |

Two holes drilled at the Lucas Prospect also intersected significant uranium mineralisation. The results from these limited drilling programs are particularly important because:

- The broad uranium intercepts at the Cliff South prospect occur in an area largely untested by historical drilling and well away from the known uranium resources of Twin and Dam.
- The high grade uranium mineralisation appears to be associated with a north-east trending fractural system which was not targeted by historical drilling. These numerous north-east structures possibly also control the highest grade mineralisation within the known resources at Twin and Dam.
- The strong uranium-copper mineralisation discovered at both the Cliff South and Lucas prospects appears to be related to late stage granitic intrusions. This style of mineralisation has the potential to host a large tonnage uranium-copper resource.

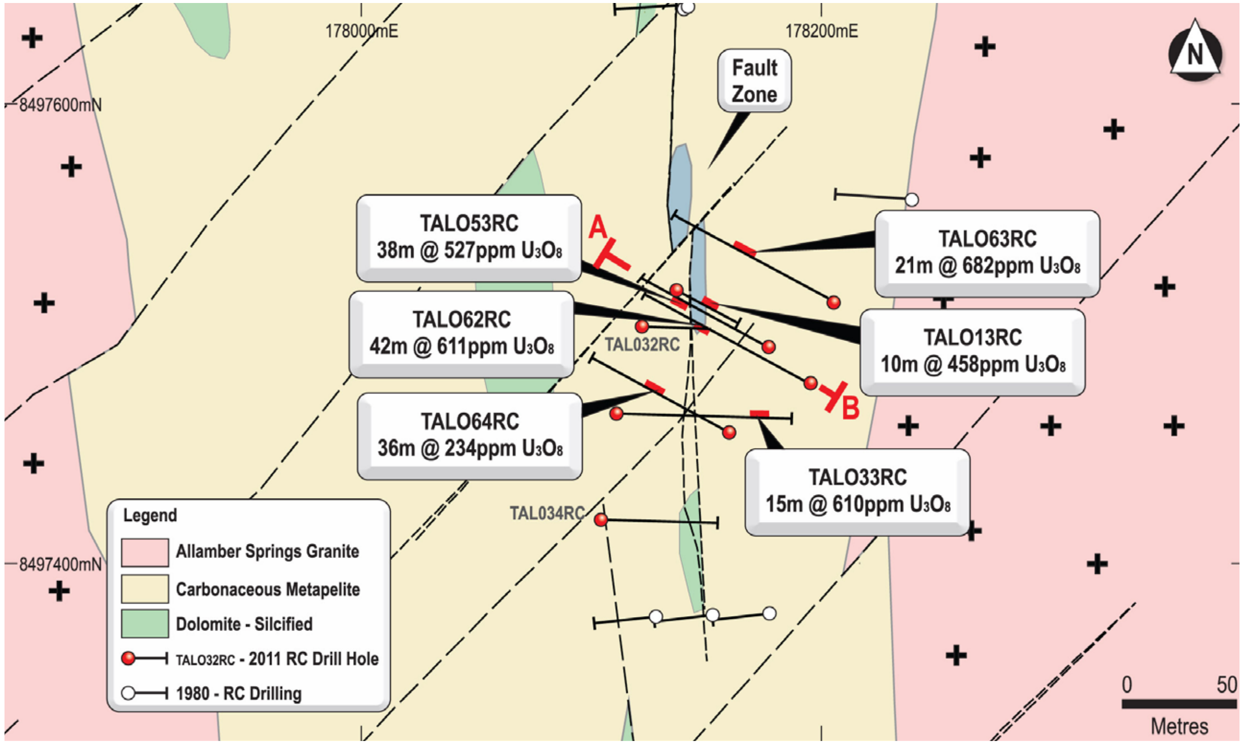
**Table 2: Allamber Project - Significant Uranium Drill Intercepts**

| Hole No. | Prospect | | North | Dip/Azi | From-To (m) | Interval (m) | $U_3O_8$ ppm |
|---|---|---|---|---|---|---|---|
| **TAL049RC** | Lucas | 178032 | 8497136 | -58/090 | 26-35 | 9 | 179 |
| | | | | and | 70-77 | 7 | 576 |
| **TAL051RC** | Lucas | 178017 | 8497104 | -58/090 | 68-70 | 2 | 1,038 |
| | | | | and | 99-105 | 6 | 205 |
| **TAL053RC** | Cliff South | 178177 | 8497494 | -63/300 | 36-39 | 3 | 385 |
| | | | | and | 52-56 | 4 | 251 |
| | | | | and | 61-99 | 38 | 527 |
| | | | | including | 78-87 | 9 | 1,457 |
| **TAL062RC** | Cliff South | 178195 | 8497478 | -60/300 | 97-139 | 42 | 611 |
| | | | | including | 99-107 | 8 | 1,579 |
| | | | | and | 124-127 | 3 | 1,347 |
| **TAL063RC** | Cliff South | 178205 | 8497514 | -60/300 | 77-98 | 21 | 682 |
| | | | | including | 88-97 | 9 | 1,055 |
| **TAL064RC** | Cliff South | 178160 | 8497457 | -60/300 | 50-86 | 36 | 234 |
| | | | | including | 76-79 | 3 | 912 |

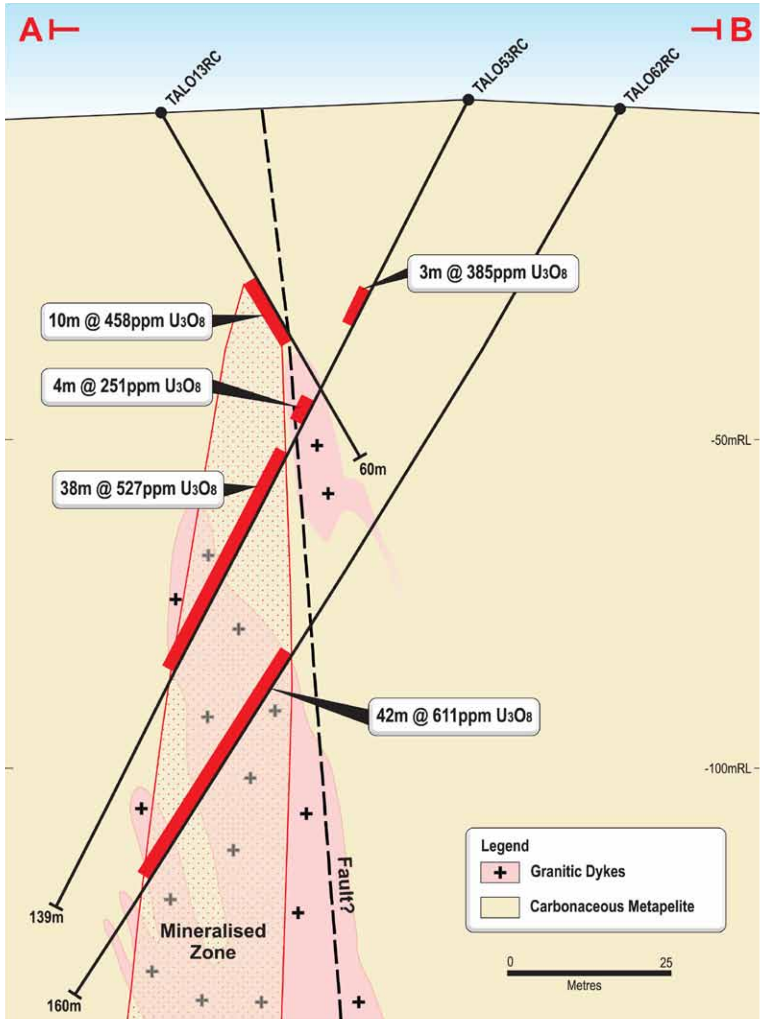
**Grid: GDA94 Z52**

# Review of operations

Cliff South Prospect - Geology and Drill Plan




Cliff South Prospect - Drill Cross Section

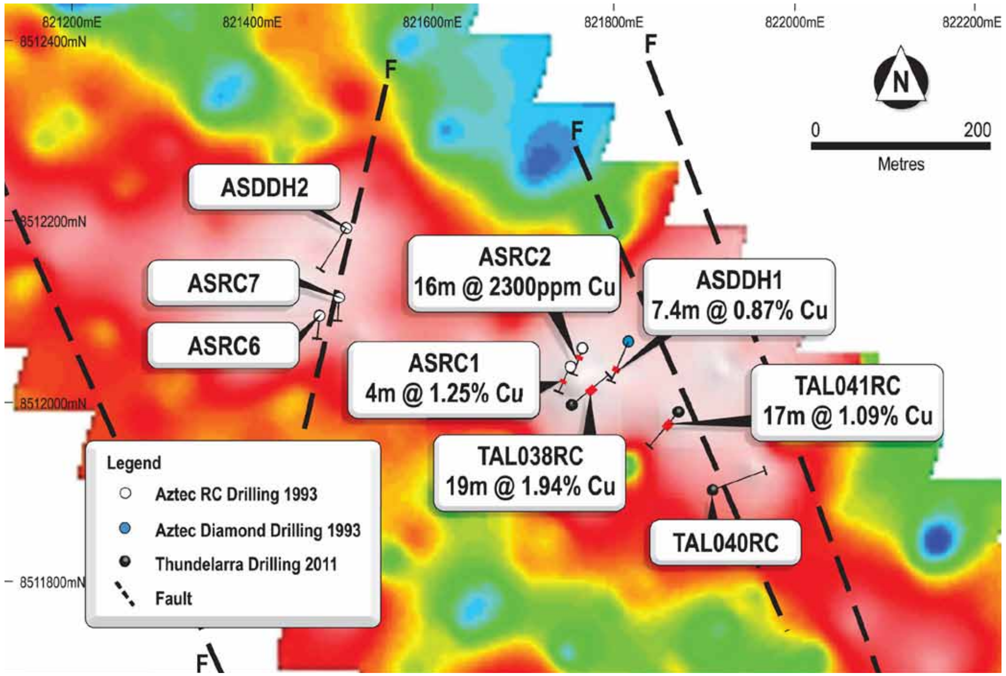


# Review of operations

Three holes were drilled at the Hatrick Prospect, 18 kilometres north of Lucas, with 2 returning high grade copper sulphide intercepts over broad widths, including:

| | |
|---|---|
| **TAL038RC** | 19 metres at 1.94% Cu including 2 metres at 6.07% Cu |
| **TAL041RC** | 17 metres at 1.09% Cu including 3 metres at 3.45% Cu |

**Hatrick Prospect Drill Holes on Soil Geochemistry**




Hole TAL040RC, drilled approximately 100 metres further south-west, intersected a fault which appears to have terminated or displaced the copper mineralisation.

A small number of shallow (up to 50 metres depth) RC holes and two diamond drill holes were completed at Hatrick by Aztec Exploration in 1993. Hole ASRC1, drilled 35 metres north-west along strike from TAL038RC, intersected 4 metres grading 1.25% copper from 20 metres down-hole. Holes ASDDH1 and ASRC2 intersected what appears to be a separate parallel zone of mineralisation to that intersected by holes TAL038RC, TAL041RC and ASRC1, as shown in the map above.

A second cross-cutting fault approximately 300 metres north-west of hole TAL038RC may represent the northern limit of mineralisation as Aztec holes ASRC6, ASRC7 and ASDDH2 returned anomalous, but low grade copper values. The implied strike length of the primary zone of interest is 450 metres.

Holes TAL042RC, TAL043RC and TAL044RC were drilled at three sites between Hatrick and Lucas where high order (>300 ppm copper) surface anomalism had been identified. Each of these holes intersected anomalous copper mineralisation. Anomalism in Hole TAL043RC was particularly extensive, however results at all three sites indicate further evaluation is warranted. A further round of drilling was completed at the Hatrick prospect late in the year, but final assay results were not available at the time of going to print.

The Hatrick, Lucas and Cliff South Prospects are located on Exploration Licenses EL24549, in which Thundelarra's wholly owned subsidiary, Element 92 Pty Ltd has a 100% interest. Holes TAL42-44RC are located on EL23506, over which Element 92 has an option to acquire a 100% interest.

**Table 3: Allamber Project – Significant Copper Drill Intercepts**

| Hole No. | Prospect | East | North | Dip/Azi | From-To (m) | Interval (m) | $U_3O_8$ ppm |
|---|---|---|---|---|---|---|---|
| **TAL024RC** | Lucas | 177998 | 8497134 | -60 / 90 | 13 - 20 | 7 | 9.69% |
| **TAL032RC** | Cliff South | 178122 | 8497503 | -60 / 90 | 43 - 52 | 9 | 8,700 ppm |
| | | | | including | 44 - 46 | 2 | 2.45% |
| **TAL034RC** | Cliff South | 178104 | 4897419 | -60/90 | 37-48 | 11 | 2,700ppm |
| **TAL038RC** | Hatrick | 821 733 | 8 511 999 | -60˚/40˚ | 4 - 26 | 22 | 1,272 ppm |
| | | | | and | 43 - 62 | 19 | 1.94% |
| | | | | including | 59 - 61 | 2 | 6.07% |
| | | | | and | 62 - 68 | 6 | 955 ppm |
| | | | | and | 72 - 92 | 20 | 2,140 ppm |
| **TAL040RC** | Hatrick | 821 904 | 8 511 890 | -60˚/70˚ | 4 - 16 | 12 | 735 ppm |
| | | | | and | 36 - 40 | 4 | 577 ppm |
| | | | | and | 44 - 48 | 4 | 719 ppm |
| **TAL041RC** | Hatrick | 821 859 | 8 511 982 | -60˚/220˚ | 0 - 24 | 24 | 1,684 ppm |
| | | | | and | 28 - 45 | 17 | 1.09% |
| | | | | including | 42 - 45 | 3 | 3.45% |
| | | | | and | 45 - 56 | 11 | 3,611 ppm |
| | | | | and | 72 - 80 | 8 | 602 ppm |
| | | | | and | 84-101 (eoh) | 17 | 1,498 ppm |
| **TAL042RC** | Archer Fish | 821 053 | 8 508 178 | -60˚/300˚ | 0 - 8 | 8 | 538 ppm |
| **TAL043RC** | Archer Fish | 821 723 | 8 507 680 | -60˚/120˚ | 0 - 8 | 8 | 747 ppm |
| | | | | and | 33 - 34 | 1 | 3,492 ppm |
| | | | | and | 52 - 60 | 8 | 687 ppm |
| | | | | and | 84 - 88 | 4 | 2,863 ppm |
| **TAL044RC** | Archer Fish | 821 487 | 8 506 163 | -60˚/280˚ | 68 - 88 | 20 | 701 ppm |

**Grid: GDA94 Z52**

# Review of operations

## HAYES CREEK PROJECT

The Hayes Creek Project area contains a number of significant and high grade uranium discoveries first made by Thundelarra in 2008. The uranium mineralisation in these discoveries which includes the Thunderball prospect is unconformity related and structurally controlled and similar in style to other deposits within the Pine Creek Uranium Province. Drilling at Thunderball has returned numerous high grade intercepts including results of up to 11 metres at 3.4% $U_3O_8$.

In February 2011 SRK Consulting calculated a maiden JORC compliant resource for the Thunderball deposit. The resource estimate was based upon chemical assay data from 16 diamond and 39 reverse circulation drill holes completed at Thunderball since the deposit was discovered by Thundelarra in late 2008. All drill sample data was aggregated into four metre composites prior to modelling. All data composites with a grade above 4,000 ppm were cut to that level. Resource estimates were then calculated at lower cut-off grades of 200 ppm $U_3O_8$ and 400 ppm $U_3O_8$ for each of the two parallel zones of mineralisation, as presented in the table 4 below.

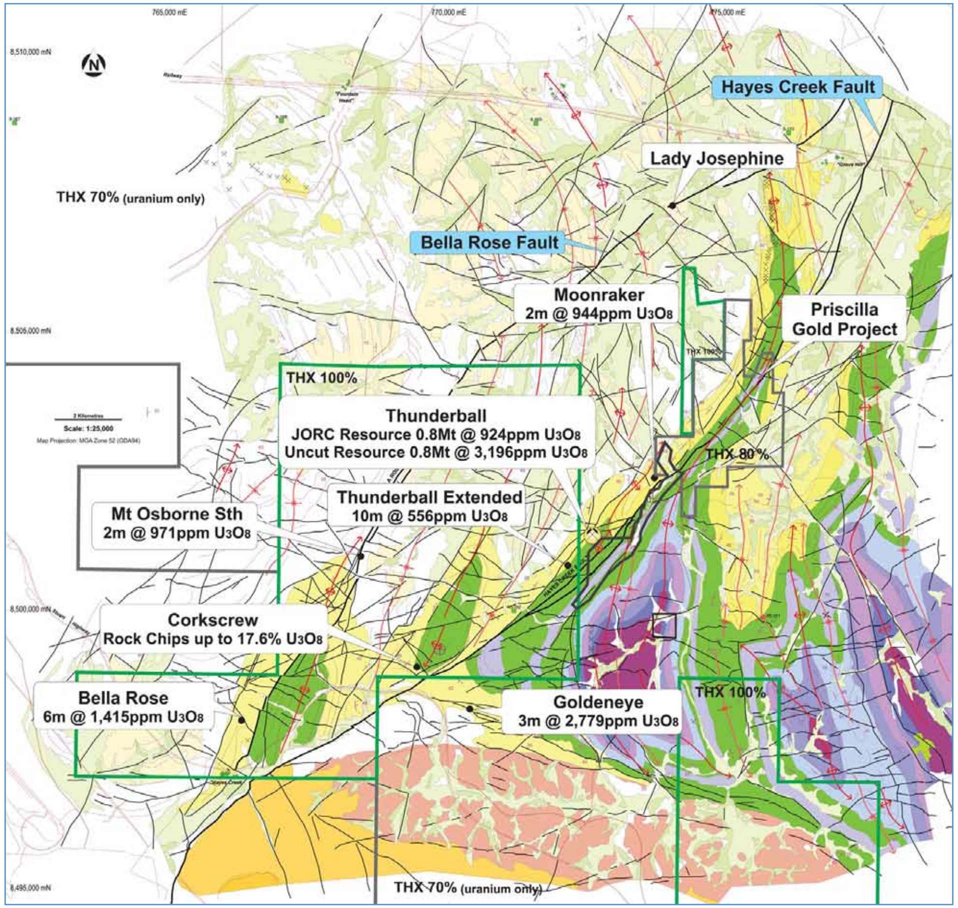
Thunderball has returned a number of exceptionally high grade drill intercepts, however the current drill hole spacing is considered to be insufficient to prove continuity of this very high grade mineralisation. Consequently a cautious approach has been taken to the classification of the resource and a top cut applied to limit the influence of the high grade intercepts. The 4,000 ppm top cut affected five data composites that had uncut average grades of up to 76,000 ppm $U_3O_8$. Application of the top cut reduced estimated metal content by approximately 70%. The uncut model comprises 775,000 tonnes at an average grade of 3,196 ppm $U_3O_8$ for 5.5 million pounds of $U_3O_8$ (400 ppm U lower cut).

Geological modelling associated with the resource estimation highlighted the potential to identify repetitions of the existing mineralised zones at Thunderball. In particular the contact between the Gerowie Tuff and Zamu Dolerite, approximately 70 metres stratigraphically below the Lower Zone resource.

**Table 4: Thunderball Uranium Deposit Inferred Resource**

| | 200 ppm $U_3O_8$ Cut Off Grade | | | 400 ppm $U_3O_8$ Cut Off Grade | | |
|---|---|---|---|---|---|---|
| | Tonnes | Grade (ppm $U_3O_8$) | Pounds $U_3O_8$ | Tonnes | Grade (ppm $U_3O_8$) | Pounds $U_3O_8$ |
| **Lower Zone** | 848,000 | 907 | 1,696,000 | 795,000 | 945 | 1,656,000 |
| **Upper Zone** | 207,000 | 343 | 157,000 | 34,000 | 434 | 33,000 |
| **Total Inferred Resource** | 1,056,000 | 796 | 1,853,000 | 829,000 | 924 | 1,689,000 |

**Hayes Creek Project Location Map**



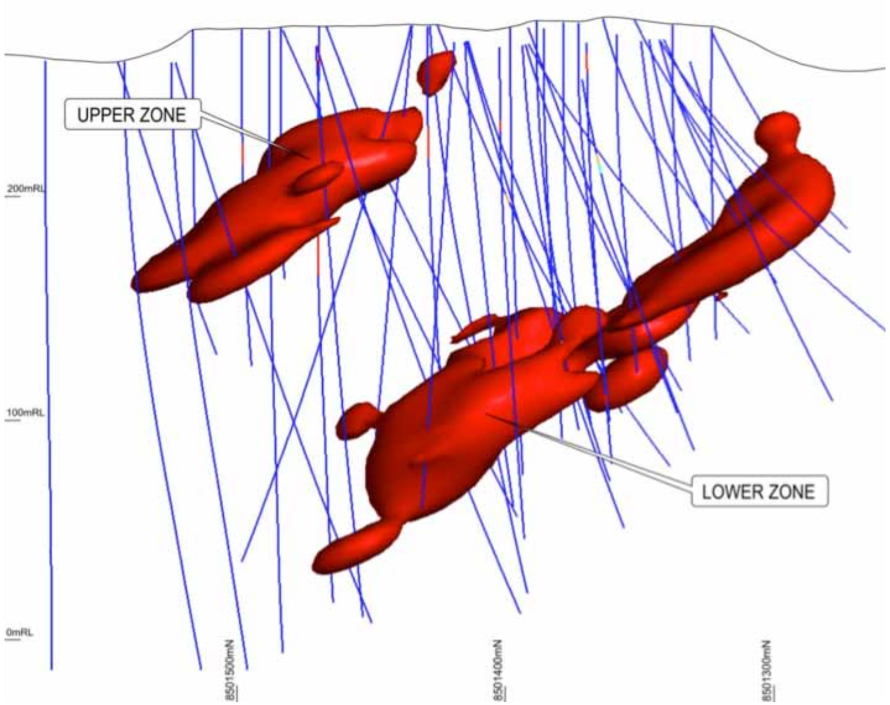

The Thunderball deposit is situated on Exploration License EL23431. Thundelarra has a 70% interest in the uranium rights on EL23431 in joint venture with Crocodile Gold Australia Pty Ltd.

# Review of operations

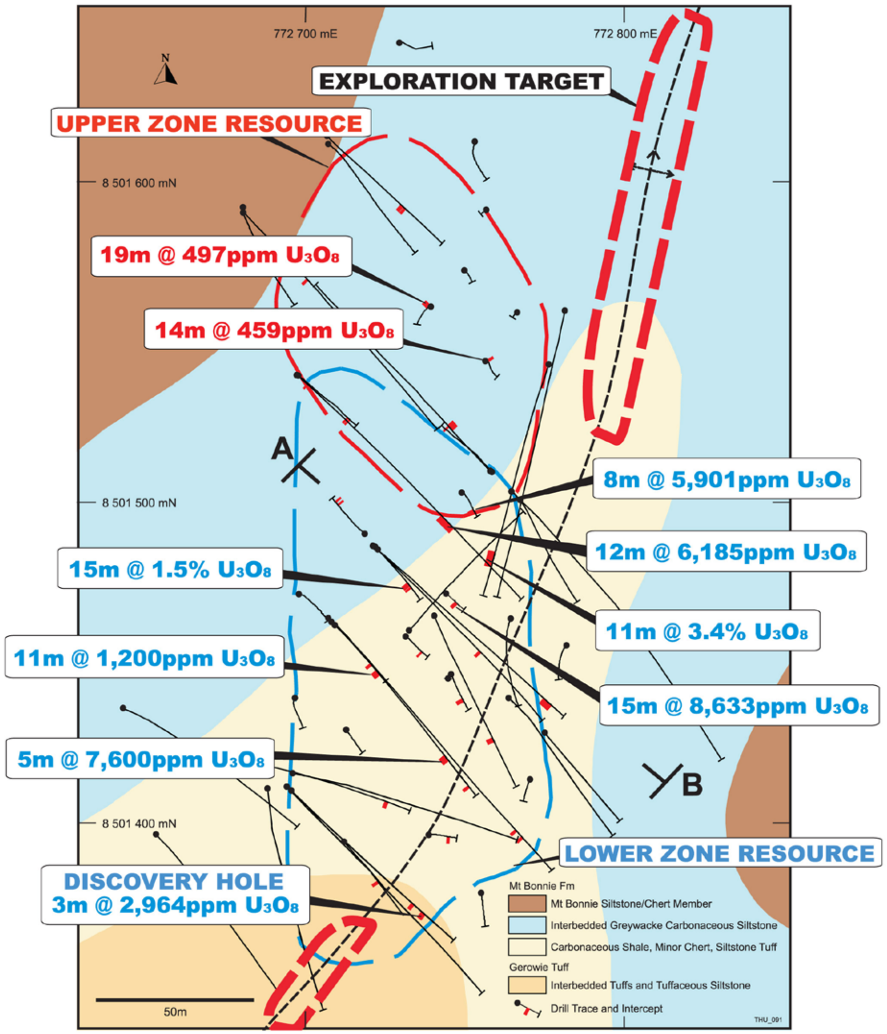
In September 2011 Thundelarra completed a 4 hole, 602 metre diamond drilling program at the Thunderball uranium prospect with the holes designed to test the interpreted contact between the Gerowie Tuff and the Zamu Dolerite and for possible along strike extensions of the Lower Zone mineralisation to the north and south. Coring commenced from RC pre-collars of 100-180 metres resulting in total hole depth of up to 350 metres. Exploration targets are shown on the following plan and section. Drilling intersected broad zones of intense deformation associated with the interpreted hinge zone but failed to intersect significant uranium mineralisation. The Zamu Dolerite was not intersected.

The Thunderball anticline, which can be traced for several kilometres within the Hayes Creek Project remains a viable untested target for future uranium exploration.

**3D image of the Thunderball Resource Model Shell at a 200 ppm $U_3O_8$ cut off**

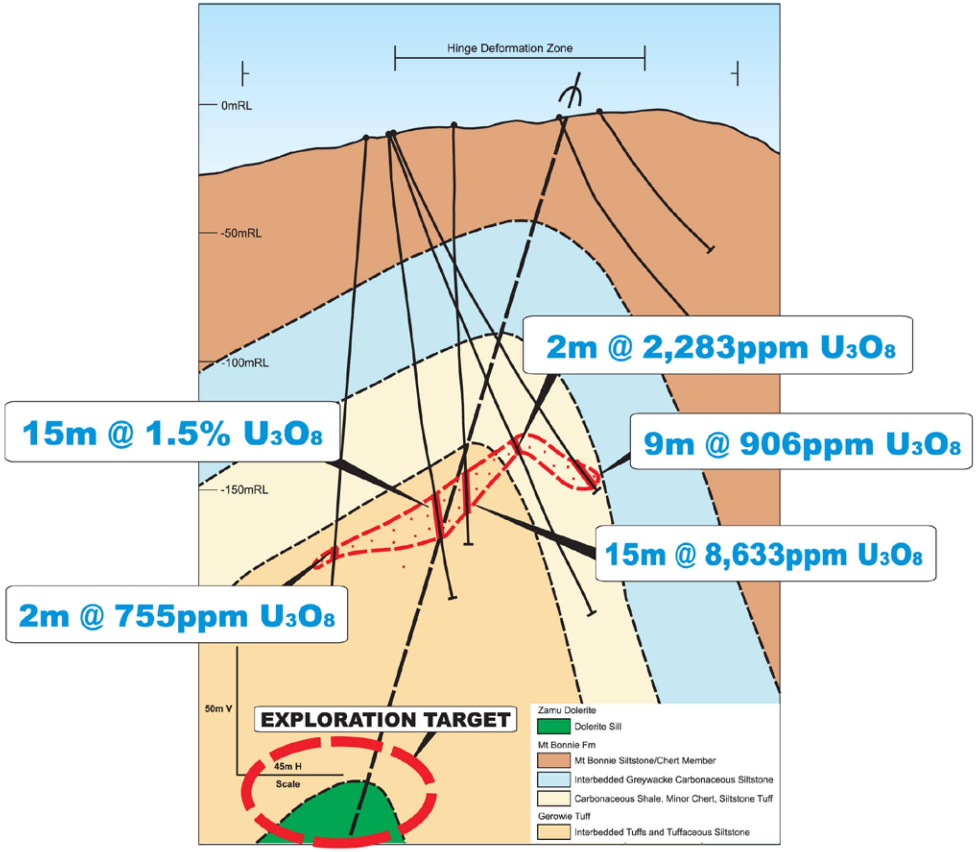



**Thunderball Drill Plan**



# Review of operations

Thunderball Cross Section




In addition to the diamond drilling a 1,810 metre RC drilling program was also conducted at the Hayes Creek Project. Eight holes were drilled at the Bella Rose, Lady Josephine, Corkscrew and Moonraker uranium prospects, with six returning intercepts above 100ppm $U_3O_8$. Hole TPCRC143 returned the best intercept of one metre at 502ppm $U_3O_8$ from 45 metres downhole depth. Even though no high grade intercepts were returned, the results reinforce the widespread nature of the uranium mineralisation in the Hayes Creek Project area.

In the Pine Creek Gold Field, Thundelarra holds over 1,500 square kilometres of tenements where it has the rights to all commodities including gold and base metals. These tenements which constitute the Allamber, Mary River, Copperfield and part of the Hayes Creek Project areas contain numerous historical gold and base metal occurrences, but have been subject to little modern-day exploration. Thundelarra has completed detailed airborne magnetic and radiometric surveys over the tenements, regionally mapped a number of prospective areas and has almost completed the capture and compilation of all relevant historical exploration information taken from approximately 500 company exploration reports.

In November 2011, Thundelarra commenced its first gold focussed drilling program at the Hayes Creek project. A 3,000 metre RC drilling program is underway to test a number of priority gold targets defined by a recently completed detailed geological mapping exercise along the Priscilla Gold Line tenements. This Gold Line which extends for over three kilometres within the Priscilla tenements and hosts the operating Princess Louise gold mine (owned and operated by Crocodile Gold) located approximately 300 metres to the north of Thundelarra's tenement boundary. Thundelarra holds 80% equity in the tenements with the remaining 20% held by Crocodile Gold.

At the Copperfield prospect, located some 10 kilometres south of the Pine Creek township, 10 RC holes were drilled targeting a copper and gold mineralised horizon that was traced for over 800 metres on the surface and marked by a number of old mine shafts and shallow workings. A ground geophysical survey (Induced Polarisation) conducted by Thundelarra in 2010 generated a number of anomalies beneath and along strike from a number of the deeper old copper mines in the area. The 1,557 metre RC drilling program however failed to return any significant results with only one hole returning an intercepts above 1% copper.

**1870**

**Pine Creek was founded in 1870, workers digging holes for the telegraph line in 1871 found gold in the soil, triggering another Australian gold rush.**

# Review of operations

**NGALIA BASIN PROJECT**

The Ngalia Basin is located approximately 320 kilometres north-west of Alice Springs. In 2011, Thundelarra significantly expanded its land holding in and around Ngalia and now has over 6,000 square kilometres of tenure. Exploration conducted by the Company in 2010 discovered for the first time palaeochannel-style uranium mineralisation hosted within basal Tertiary channel sands at the Afghan Swan prospect.

**171**

**China has 15 operating nuclear reactors with 26 reactors currently under construction and a further 171 reactors planned or proposed.***

*** Source: World Nuclear Association website - Dec 2011.**

In late 2010 a 2,267 line kilometre airborne electromagnetic (TEMPEST) survey was flown on line spacings ranging from 320 metres to 5,120 metres, providing complete coverage of Thundelarra's 3,300 square kilometres of tenure within the basin. The Northern Territory government contributed $100,000 towards the cost of the survey through the Bringing Forward Discovery initiative. Interpretation of the TEMPEST data identified over 400 kilometres of prospective paleochannel systems within the Lower Tertiary sequence of the basin. At the Afghan Swan prospect where Thundelarra's drilling in 2010 identified extensive uranium mineralisation, conductivity plots clearly define the Lower Tertiary paleochannel system that hosts mineralisation.

Overall the Tempest survey provided outstanding results demonstrating that the Ngalia Basin palaeochannel systems are extensive within the Project area, with potential to host uranium deposits of substantial scale. Furthermore, the style of mineralisation observed is considered potentially amenable to in-situ recovery (ISR), an extraction method which typically delivers significant economic and environmental benefits. ISR mining currently accounts for approximately 36% of the world's uranium production, with production costs on average well below conventional mining operations.

In April 2011 Thundelarra re-commenced drilling at the Ngalia Basin Project to further test the Afghan Swan and nearby paleochannel systems. A total of 13,685 metres were drilled using both the RC and mud rotary drilling methods. The majority of holes were gamma logged with resistivity logging carried out on selected holes.

The drilling identified significant uranium mineralisation (greater than 100 ppm $eU_3O_8$) over a 15 kilometre strike extent within the Afghan Swan palaeovalley. Better results include:

| | |
|---|---|
| **TNG061RC** | 7.1 metres at 1,405ppm $eU_3O_8$ |
| **TNG095RC** | 1.6 metres at 1,174ppm $eU_3O_8$ |
| **TNG126MR** | 5.3 metres at 1,593ppm $eU_3O_8$ |

A drill hole location plan displaying the magnitude of mineralised intercepts is included along with a Table of Significant Intercepts.

Afghan Swan Prospect - Drill Hole Locations over Tempest EM — Thundelarra Ngalia Basin

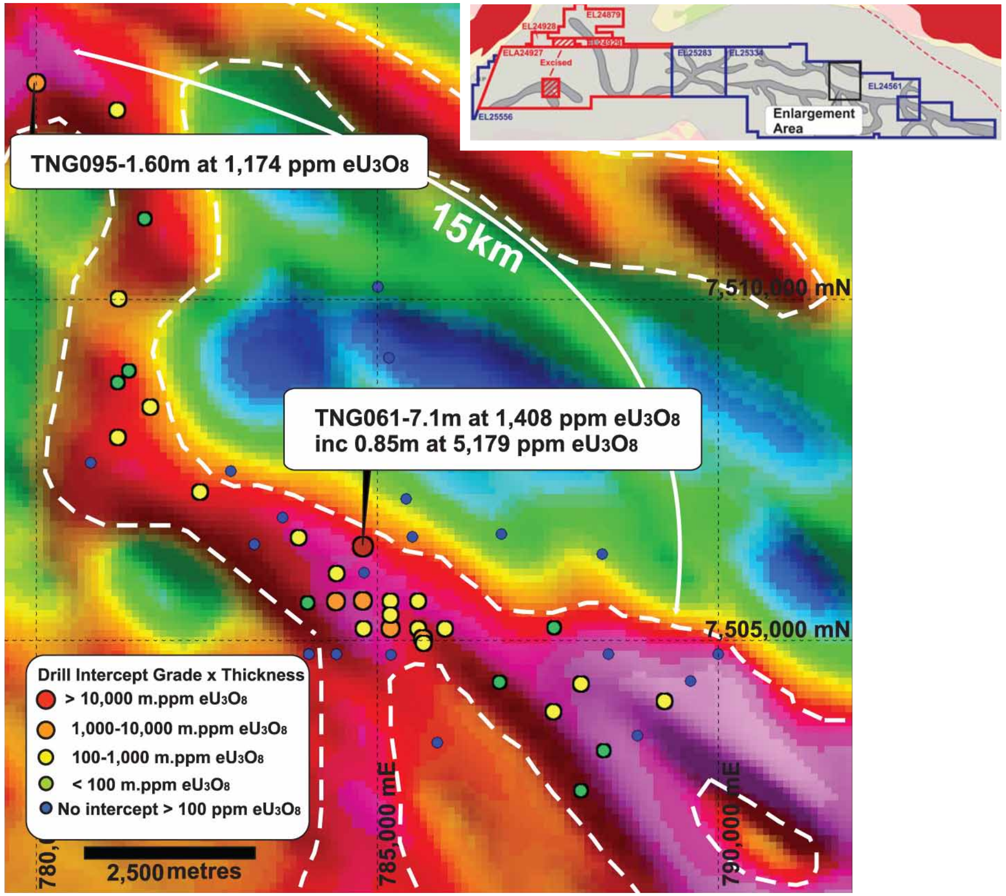



Table 5: Ngalia Basin 2011 Significant Drill Intercepts (Grade X Thickness >200 m.ppm $eU_3O_8$)

| Hole No. | Easting (metres) | Northing (metres) | From (metres) | To (metres) | Interval (metres) | Grade (ppm $eU_3O_8$) | Gr x t'ness (m.ppm $eU_3O_8$) |
|---|---|---|---|---|---|---|---|
| TNG061RC | 784797 | 7506399 | 135.14 | 142.22 | 7.08 | 1,408 | 9,965 |
| | | including | 135.64 | 137.34 | 1.70 | 2,213 | 3,762 |
| | | and | 140.92 | 141.77 | 0.85 | 5,179 | 4,402 |
| TNG062RC | 784406 | 7506005 | 108.37 | 109.57 | 1.20 | 267 | 320 |
| TNG079RC | 781682 | 7508445 | 118.05 | 119.10 | 1.05 | 251 | 262 |
| TNG081MR | 787585 | 7503986 | 139.33 | 139.98 | 0.65 | 204 | 132 |
| TNG085RC | 781213 | 7510038 | 117.00 | 118.34 | 1.35 | 169 | 227 |
| TNG092RC | 781195 | 7512794 | 158.95 | 160.44 | 1.50 | 228 | 341 |
| | | and | 165.47 | 166.47 | 1.00 | 277 | 276 |
| TNG095RC | 780005 | 7513195 | 143.09 | 144.69 | 1.60 | 1,174 | 1,872 |
| TNG126MR | 784 753 | 7 506 364 | 124.92 | 126.68 | 1.76 | 188 | 331 |
| TNG126MR | 784 753 | 7 506 364 | 130.31 | 135.59 | 5.28 | 1,593 | 8,411 |
| TNG126MR | 784 753 | 7 506 364 | 136.36 | 137.09 | 0.73 | 355 | 259 |
| TNG128MR | 784 711 | 7 506 321 | 115.22 | 116.86 | 1.64 | 143 | 235 |
| TNG129MR | 784 604 | 7 506 402 | 114.67 | 116.41 | 1.74 | 264 | 459 |
| TNG131MR | 784 549 | 7 506 350 | 139.59 | 141.03 | 1.44 | 449 | 647 |
| TNG135MR | 784 892 | 7 506 299 | 131.08 | 133.47 | 2.39 | 126 | 301 |
| TNG156MR | 784 796 | 7 506 407 | 129.08 | 131.36 | 2.28 | 158 | 360 |
| TNG157MR | 781 022 | 7 510 466 | 139.49 | 140.88 | 1.39 | 148 | 206 |

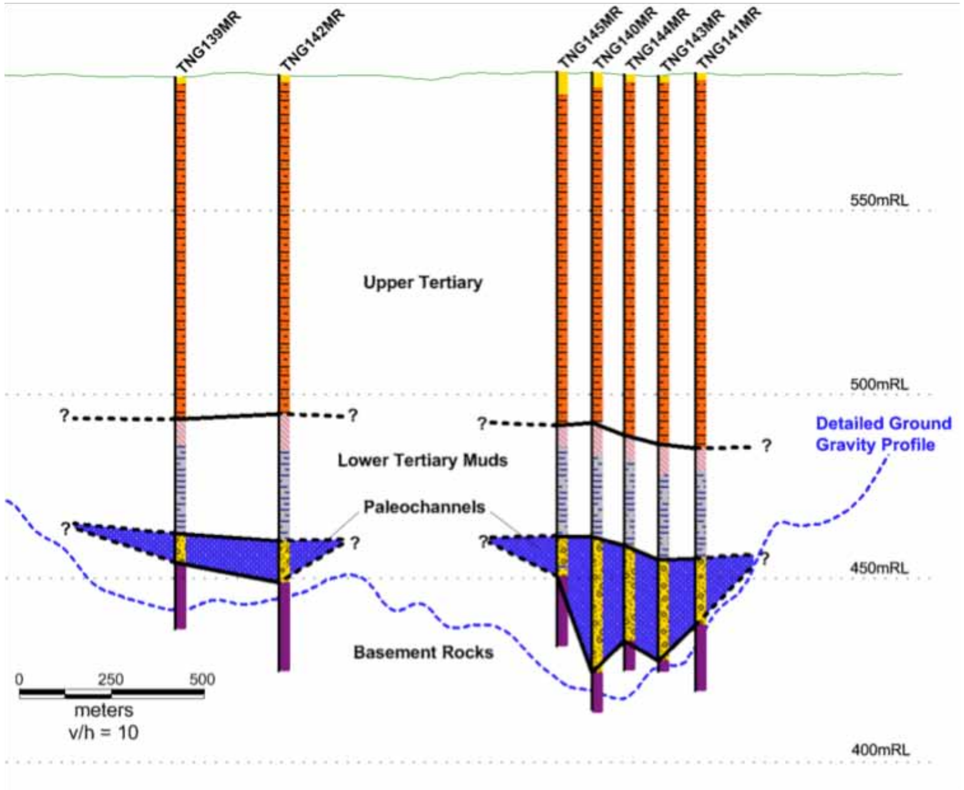
Grid:GDA94 Z52

# Review of operations

Equivalent $U_3O_8$ grades were measured using a Mt Sopris down-hole gamma logger that has been independently calibrated. Readings are taken at 50 millimetre intervals from within the drill rods. Factors to correct for the effects of the drill rods are applied in accordance with the equipment manufacturer's specifications.

All drilling carried out to date is located on exploration licence EL25334, which is wholly owned by Thundelarra.

To help better define the Lower Tertiary palaeochannels an ultra-high resolution (80 metre station spacing) ground gravity program was conducted in an area along-strike and to the east of the Afghan Swan prospect. This technique mapped out the incised sand filled channels sitting upon consolidated basement sandstones and shales. Subsequent reconnaissance drilling confirmed that the gravity survey had clearly defined the paleochannels within the broader palaeovalley as shown in follow section.




Cross section showing geologic logging and interpretation of recent drill holes along with gravity survey data. The gravity profile is a vertical derivative based on 80m-spaced ground gravity data.

The drilling program was targeted based to intersect the low parts of the gravity profile, which are interpreted to be caused by thicker accumulations of unconsolidated Tertiary sediments, which are substantially lighter than the underlying consolidated basement rocks.

The exploration techniques developed by Thundelarra at Ngalia over the last two years, which comprise the use of Tempest airborne EM to delineate paleovalleys, high resolution gravity to precisely define paleochannels and industry-leading mud rotary drilling to sample Tertiary sediments within the paleochannels, will substantially reduce the cost and improve the speed at which the vast Ngalia paleochannel systems can be explored.

Discovery of the Ngalia Basin paleochannel system, confirmation of the presence of high grade uranium mineralisation and development of highly efficient exploration techniques have significantly enhanced the value of the Thundelarra's project. However the task of fully exploring Thundelarra's extensive tenure within the region remains substantial and the Company intends to seek expressions of interest from major companies involved in the nuclear sector in relation to forming a joint venture to further progress exploration.

# Review of operations

## WESTERN AUSTRALIA

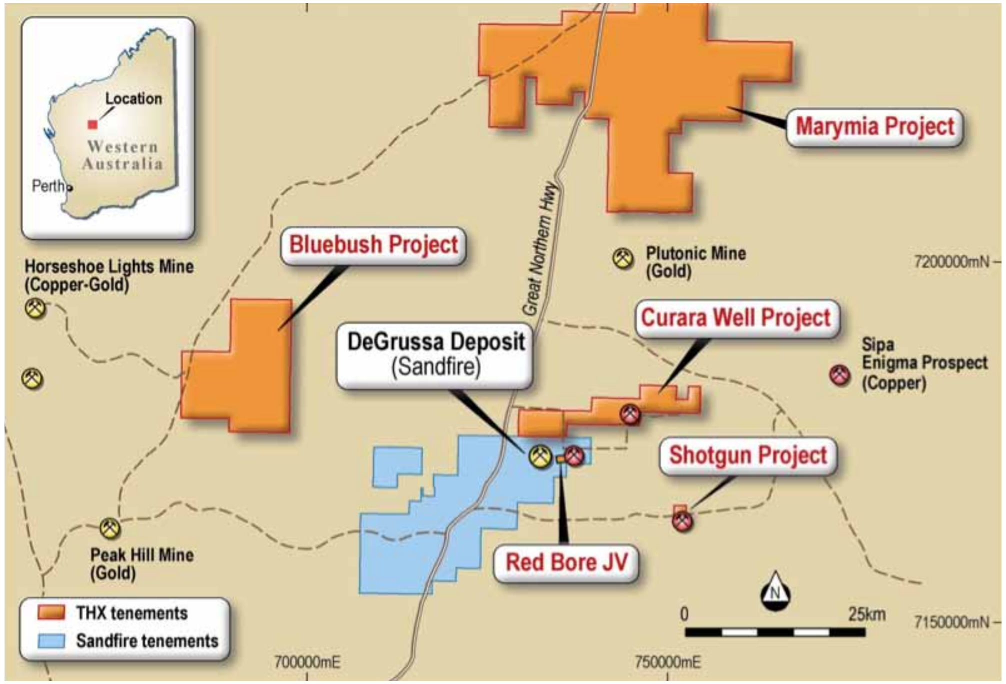
### DOOLGUNNA REGION

The Doolgunna region was the major focus of the Company's West Australian exploration during the year, with work directed at finding copper-gold sulphide mineralisation similar to that of the DeGrussa deposit. This spectacular discovery by Sandfire Resources NL hosts a resource of 14.3 million tonnes grading 4.6% copper and 1.6 g/t gold (652,000t contained copper, 742,000 oz contained gold) and is currently undergoing mine development. Thundelarra's tenure directly abuts Sandfire's mining lease and exploration license.

Thundelarra's 2011 program in the region included 36 drill holes for 6,400 metres, including five diamond tails with 1,105 metres of core recovery. Deep diamond drilling was undertaken at Red Bore and the first drilling program completed at the Curara Well project. Exploration has also been advanced at other projects within the Company's 1,500 square kilometre tenement holding in the Doolgunna region.

The Doolgunna region straddles the area between the Archaean aged Marymia Dome in the north and a complex suite of Palaeoproterozoic basins to the south. Within the Proterozoic sequences the region has a history of copper production at Thaduna (epigenetic fault related mineralisation) and the Horseshoe Lights copper-gold Mine.

**Doolgunna Regional Projects and Tenements Map**




Sandfire's DeGrussa deposit has transformed the prospectivity of the area. It is widely described as being volcanogenic massive sulphide (VMS) in style, and displays unusually high copper and gold tenor. Importantly, many worldwide VMS deposits occur in clusters, underpinning the prospectivity of the Doolgunna region for further discovery.

Thundelarra is targeting VMS occurrences close to and in the same geological setting as DeGrussa (Red Bore, Curara Well and Bluebush) and structurally hosted or replacement style sulphide and Sedex occurrences along major structures and within marginal or overlying younger sediments in areas more distant from DeGrussa (Yerrida and Marymia).

**58%**

**Western Australia contributes an estimated 58% of Australia's Mineral and Energy Exports.**

# Review of operations

## RED BORE PROJECT

The Red Bore project comprises granted Mining Lease M52/597 in which the Company has the right to earn 60% equity. The tenement covers two square kilometres and has variable outcrop of mafic rocks of the Narracoota Formation, with the southern spine of the tenement consisting of shales and sandstones of the Karalundi Formation.

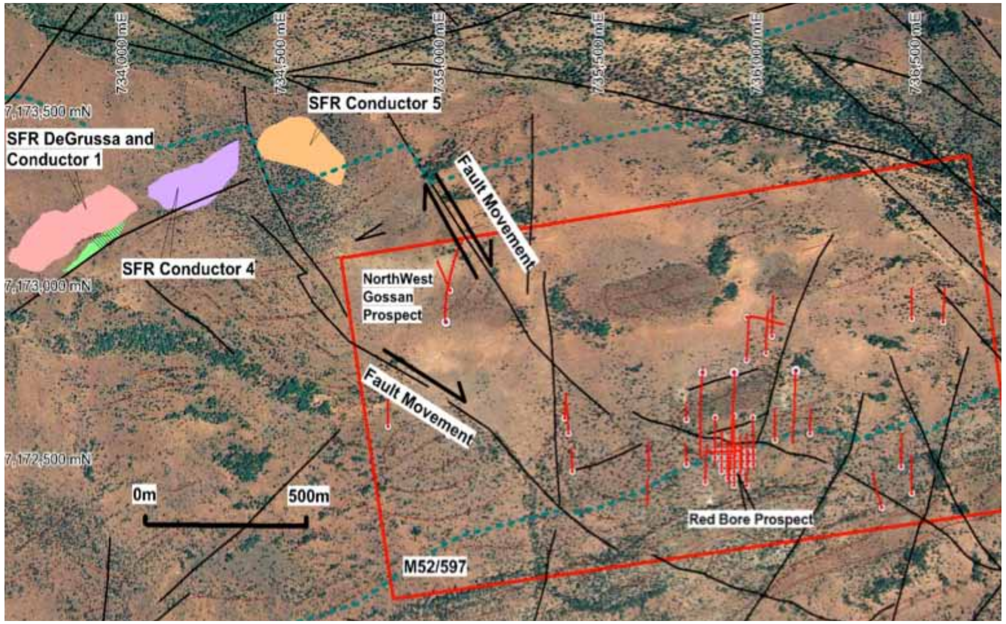
The licence is situated 500 metres south-east of Sandfire's DeGrussa deposit and approximately 200 metres from the Conductor 5 ore body, as displayed in the Red Bore Project Map.

Thundelarra commenced exploration at Red Bore in mid 2010 and has systematically carried out detailed geophysical and geological investigations over the entire tenement. This work has identified a number of prospects and targets. In 2011 fifteen holes for 37,483 metres, including 5 diamond tails for 1,105m and two phases of down-hole electromagnetic surveying were completed. The locations of all drill holes completed to date are shown on the project plan.

### Red Bore Prospect

Drilling at the Red Bore prospect in 2010 identified a significant VMS horizon with intercepts of up to 17 metres at 11.7% copper and 1.73g/t gold (hole TBRC005). The mineralisation is hosted within a sedimentary contact and has a striking visual and geochemical similarity to the nearby DeGrussa deposit.

**Red Bore Project Map**




This horizon is considered highly prospective for additional VMS mineralisation and has been the primary focus of Thundelarra's drilling and in 2011, thirteen RC holes for 1,132 metres and four diamond tails for 697 metres of core were completed. Results, detailed on the following page.

Two deep diamond holes were drilled to test the prospective horizon beneath previously identified mineralisation. Hole TRBCD058 was completed to a downhole depth of 553 metres and intersected a thick package of Narracoota Volcanics, dominated by dolerite and mafic volcanics.

Fine grained sulphide, including chalcopyrite, was observed in core. Although not of economic tenor, the presence of copper sulphides indicates continuation of the Red Bore prospect mineralising system at depth.

The second deep hole, TRBCD055, was sited 100 metres west of TRBCD058 and was completed to 600 metres depth. This hole intersected a sequence of tuff, dolerite and mafic volcaniclastic. At approximately 490-510 metres down hole, the host dolerite displays variable breccia textures typical of hydraulic brecciation and contains associated sulphide mineralisation (pyrrhotite dominated), with minor chalcopyrite. Quartz veining within this zone contains occasional very coarse chalcopyrite blebs. These are interpreted to have been remobilised from a nearby chalcopyrite rich source.

The zone of brecciation and associated mineralisation in TRBC055 appears to represent a high temperature fluid alteration system, and is the most direct evidence in the diamond drilling to date of the VMS fluid feeder system. As such it provides further evidence that the Red Bore prospect mineralising system persists at depth.

Diamond drilling also completed two shallower holes, TRBCD56 and TRBCD057 which were sited close to prior RC holes. Data will allow a better understanding of geology and controls to mineralisation, as well as provide sample for metallurgical testing. Massive chalcopyrite mineralisation (lower section of core tray) from hole TRBCD057 is displayed on the following page. Assay results of the core are awaited.

Down-hole electromagnetic (DHEM) surveying was carried out on a number of the RC and diamond holes. Several small but strong off-hole conductors were identified, which are considered likely to represent sulphide mineralisation.

The DHEM survey data combined with the drill results indicate that the Red Bore prospect VMS horizon hosts sulphide mineralisation within a broad envelope which persists at depth.

# Review of operations

The entire two kilometre strike length of the prospective horizon is considered to warrant systematic drill testing and DHEM surveying. However to date coverage has been minimal, as displayed in the long section below which shows the points at which this horizon has been intersected by drilling. Also included for reference is a longitudinal projection of Sandfire Resources' ore bodies which shows that spatially there is ample scope for a DeGrussa scale discovery. Thundelarra intends to undertake further deep drilling at Red Bore in 2012.

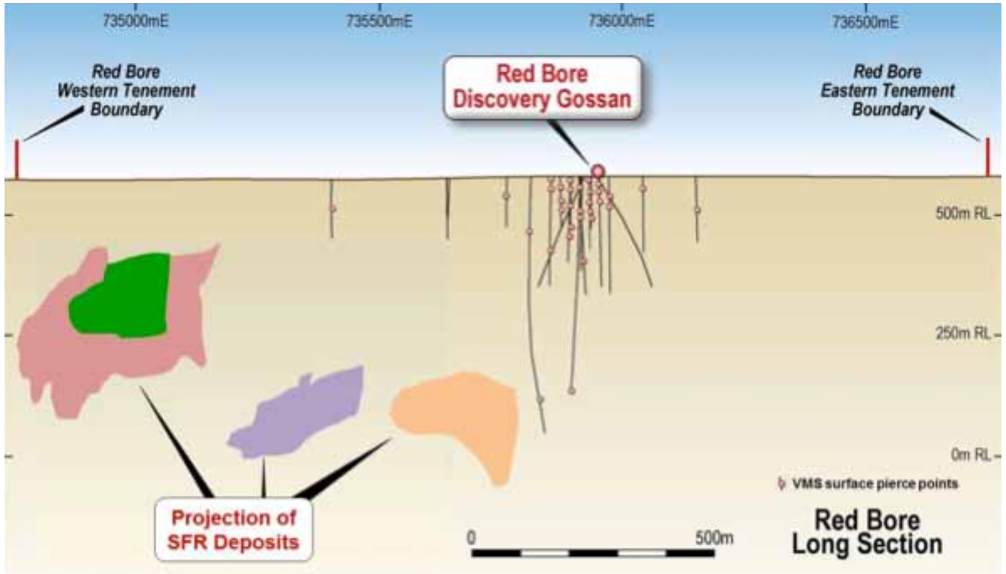
**North-West Gossan Prospect**

In the north western portion of the Red Bore tenement gossan crops out. This is interpreted to represent weathered exhalite and barren sulphide mineralisation associated with VMS activity. It is not known if this is part of the DeGrussa system, which is located nearby to the north, or a separate mineralising system. It presents as a high order exploration target.

Drillhole TRBCD054 was completed to 569 metres depth to test for extensions to the Sandfire Conductor 5 deposit (1.1Mt at 6.6% copper and 3.0g/t gold) which is located approximately 400 metres to the north west. The drillhole intersected a thick package of Narracoota Volcanics, dominated by dolerite and mafic volcanics. Fine grained sulphide, including chalcopyrite, has been observed in core but is not of economic concentration. Slumped mafic sediments identified in core indicate a prospective fault hosted VMS vent may be nearby.

**Sulphide Mineralisation Hole TRBCD057**

**Red Bore Prospect VMS Horizon Long Section**




Hole TRBCD054 was cased to allow DHEM surveying, but during probing a shallow blockage in the casing prevented any reading being taken. Attempts to replace the casing and drill out the blockage failed and a new hole will be required in order for DHEM to take place.

The North West Gossan prospect remains a high priority target for further deep drilling and DHEM.

**Northern Tenement Area**

Within the northern part of the Red Bore mining lease a series of north west striking faults have been identified. These appear to traverse and displace the sequence, including that hosting the DeGrussa mineralisation to the north west. Field evidence indicates these faults have displaced the rock sequence so that they are thrown southwards and closer to the surface on their eastern sides. This is important for the Red Bore area, creating the opportunity for extensions to the conductor 5 ore body to be offset into the Red Bore lease, and also for mineralisation to be present at reasonably shallow (300-600 metres) depths within the central north portion of the Red Bore project. Work has commenced in designing further deep drilling to test these target areas. The mapped faults are shown on the Red Bore Project Map.

# Review of operations

## CURARA WELL PROJECT

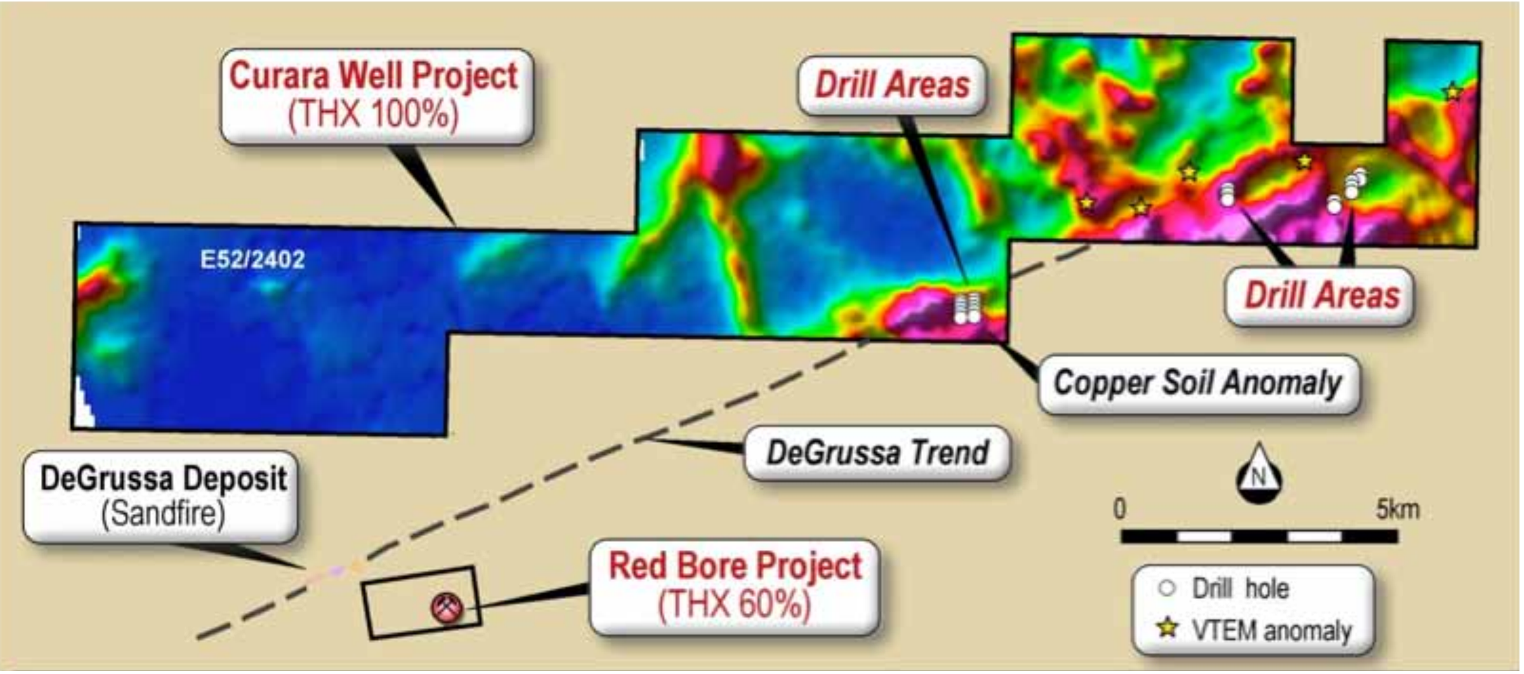
Curara Well is located 2.5 kilometres north and eastwards from the Sandfire's DeGrussa deposits on exploration license E52/2402 which abuts the Sandfire lease and covers an area of 83 square kilometres, owned 100% by Thundelarra.

The tenement area has limited outcrop and has seen very little past exploration, but work to date by Thundelarra has confirmed that it contains prospective structures and petrology which has identified prospective volcanic and epiclastic rocks displaying VMS style alteration. Further, a versatile time domain electro-magnetic (VTEM) survey has identified a trend line or marker horizon of conductive features interpreted to be the eastern extension to the DeGrussa stratigraphy. The VTEM survey also defined eight high priority geophysical targets.

The powerful combination of prospective structure, host rocks, conductive anomalies and copper anomalism rank the Curara project as having exceptional potential for DeGrussa style discovery.

During the year the first drilling was completed by Thundelarra at Curara Well. A total of 21 reverse circulation (RC) drillholes for 2,659 metres were completed, sited over a geochemical copper anomaly and two VTEM features. Drill areas are shown on the Curara Well Project Map.

**Curara Well Project VTEM imagery and RC Drilling**




The drilling intersected a deeply weathered package of proterozoic rocks, dominated by epiclastic sediments. Copper anomalous quartz–ironstone veining was intersected in several holes and may indicate VMS style alteration. No graphitic shale or other explanation of the conductive VTEM anomalies has been identified.

Peak assay results for the drill programme are from drillhole TCW007, completed in the eastern most drill area, with 4 metres at 1,120ppm (0.11%) copper from 28 metres depth.

Two 300 metre long fences of drillholes were sited over a copper geochemical soil anomaly, but did not return anomalous assay results. The anomaly, close to a breakaway, may mark an eroded portion of a supergene copper zone, and further drilling northward is required to test for the source zone.

Recently, soil geochemical results of sampling over the eastern part of the tenement have identified five coherent areas of copper anomalism. Each of these requires detailed follow up.

All exploration results are being compiled so that a second phase of drilling to target geochemical and geophysical anomalies, as well as outline the broader geology within the tenement can commence. It is considered encouraging that copper mineralisation along strike to the east at the Sipa Resources' Enigma prospect is hosted in similar rocks to that encountered by the Curara Well drilling program.

# Review of operations

## BLUEBUSH PROJECT

The Bluebush tenement is located 40 kilometres west of Red Bore, and overlies a 200 square kilometres area of Proterozoic sediments largely obscured by sand cover.

A 2,300 line kilometre airborne magnetic survey was completed during the year and data is currently being interpreted. Work to date suggests that Narracoota Volcanics may extend into the tenement at shallow depth and be prospective for VMS occurrences similar to the Horseshoe Lights deposit to the west.

Geological reconnaissance by Thundelarra has identified anomalous mineralisation of up to 0.22% copper within an extensive mafic intrusion. No previous exploration has been carried out over this area and it presents as an attractive exploration target.

## YERRIDA PROJECT

The Yerrida project comprises five tenements covering an area of 759 square kilometres, located 85 kilometres south of Red Bore. Thundelarra has rights to earn an 80% interest in the project.

The tenements secure shale units of the Mooloogool Group of the Yerrida Basin which are underlain at shallow depth by Killara Volcanics, which are geologically analogous to the Narracoota Volcanics of the Bryah Basin.

Thundelarra's work has included compiling historical exploration, field evaluation and comprehensive, project wide geological mapping.

The western Yerrida tenements have potential for Sedex type base metal mineralisation, and past exploration has identified minor base metal mineralisation associated with faulting within zones of more extensive but barren sulphide. Further investigation of the poorly identified fault systems is planned to determine if they host economic mineralisation. A 3,901 line kilometre airborne magnetic survey over the western Yerrida tenements was completed to help interpret the structural controls to known mineralisation and outline targets for detailed exploration.

The eastern Yerrida tenements overlay interpreted lineaments that may reflect long lived Archaean basement structures and be prospective targets for syngenetic base metal mineralisation. A 3,000 station gravity survey has been completed over the eastern tenement areas. Results outline a large gravity anomaly in the south east of the survey area. This broad response in the south of the area probably arises from deep Archaean greenstones beneath the Yerrida Basin sediments. A clear, west north-west trend is evident in the north of the survey area which could represent a significant structure with implications for SEDEX style base metal mineralisation.

Geochemical sampling and geological reconnaissance is planned over the targets identified to date to allow drill testing in 2012.

## MARYMIA PROJECT

During the year additional tenement applications have been made at the Marymia project, which now comprises four tenements totalling 677 square kilometres, all of which is owned 100% by Thundelarra. The project is located 35 kilometres to the north of Red Bore and 33 kilometres south of copper mineralisation at Kumarina. The project is grass roots in nature but covers major basin bounding structures prospective for base metal mineralisation under cover.

Magnetics data indicates an iron and base metal prospective suite of rocks strike into the central project area. This area remains virtually unexplored by past work. Geological reconnaissance has identified rocks typical of the Yerrida and older basins and will be evaluated following a planned airborne magnetics survey.

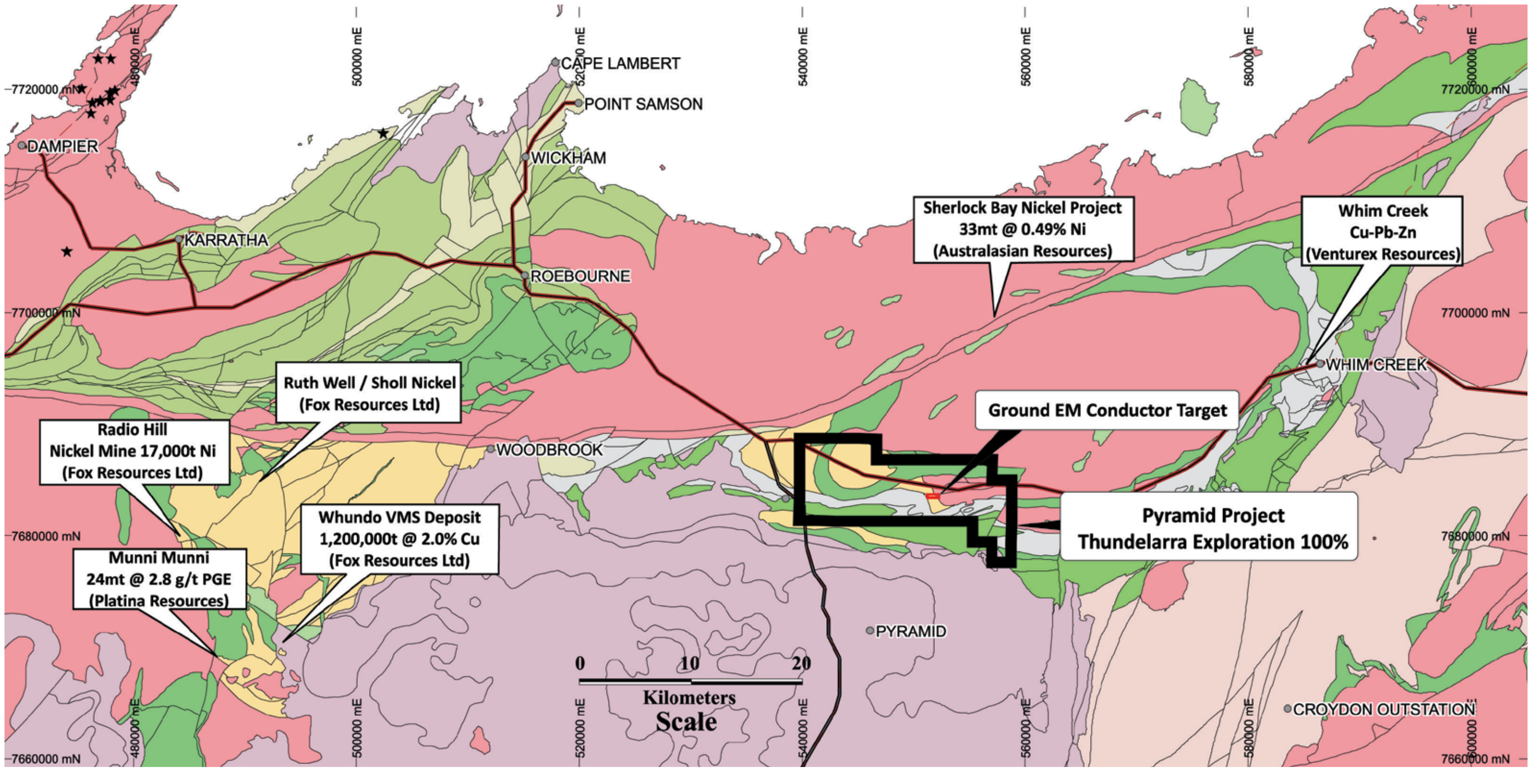
**10,000**

**Copper's history dates back at least 10,000 years old, with estimates of its discovery place it at 9,000 BC in the Middle East.**

### PYRAMID PROJECT – WEST PILBARA

The Pyramid project is situated on wholly owned Exploration License E47/1305, covering some 120 square kilometres, located 40km east of Roebourne in the West Pilbara. The tenement secures base metal prospective rocks similar to those at Whim Creek, Mons Cupri and Whundo which host VHMS style mineralisation.

Pyramid Project Location Plan




Previous work by Thundelarra identified the VSE-1 FLTEM anomaly, a strong electromagnetic (EM) anomaly in an area where no exploration has previously taken place. The conductor has been best modelled to fit a west plunging body some 45 metres by 250 metres in size when projected to surface.

The prospect area is covered by colluvium, and the underlying geology is not known. Float of gossanous ironstone however has returned anomalous copper assay (0.3%) with petrology identifying relict box works after massive chalcopyrite.

An RC drilling program commenced in late 2011 aimed at identifying the source of the EM anomaly. Drilling was in progress at the time of going to print and no samples had been submitted for assay, but initial drill holes intersected zones of massive sulphide up to ten metres in thickness. The sulphides where predominantly pyrite and pyrrhotite, however minor chalcopyrite, sphalerite and galena have been observed. Hand-held XRF analysis verified the presence of copper, zinc and lead.

Confirmation that the source of the EM anomaly is massive sulphide mineralisation with minor base metals present is considered to be a very positive outcome at this stage of evaluation. VHMS deposits are commonly zoned, with the economic minerals confined to certain areas of the sulphide body. Whim Creek, 30 kilometres to the east, hosted in the same stratigraphy, enhancing the potential for Pyramid to host economic base metal mineralisation.

# Review of operations

## EAST KIMBERLEY

Thundelarra holds interests in several projects with a copper and nickel focus in the East Kimberley region. Project areas include the 100% owned Rosewood, Frank Hill and Sophie Downs projects, the 80% owned Lamboo joint venture and the Copernicus, Keller Creek and East Kimberley Exploration joint ventures which are managed by Panoramic Resources and in which Thundelarra holds 20 to 40%.

## ROSEWOOD PROJECT

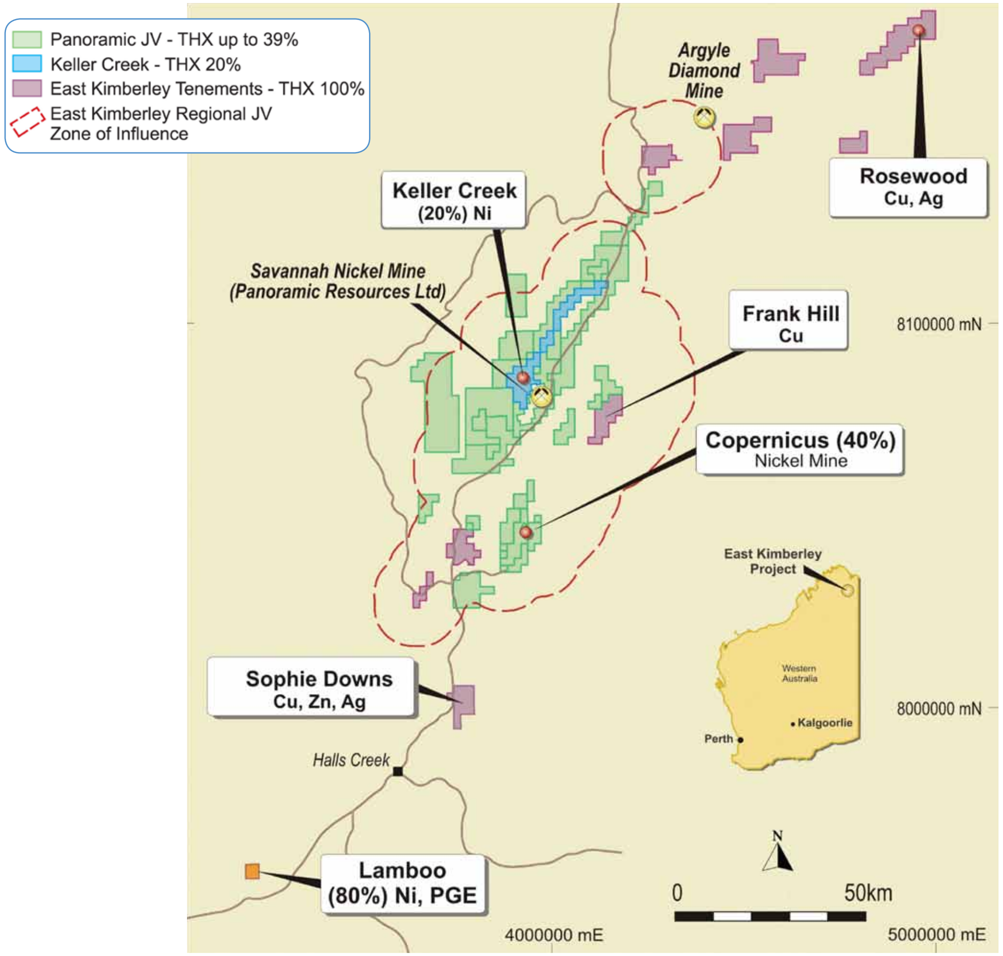
The Rosewood project covers a 20 kilometre extent of the Rosewood Syncline where Headley Limestone overlies the Antrim Plateau Volcanics. The contact displays widespread copper mineralisation (including malachite, azurite, chalcocite, native copper and primary chalcopyrite), in veins and breccia zones, as well as being stratabound within more permeable lithologies. The general setting and observed mineralisation is analogous to the Michigan copper belt in the USA which produced over 10 billion pounds of copper metal between 1845 and 1996.

During the year significant copper–silver assay results from rock and soil sampling at the 100% owned E80/3800, Rosewood East project, were returned. The results substantially upgrade the prospectivity of the project and are complemented by a recent VTEM geophysical survey which has identified nine anomalous targets that may represent sulphide mineralisation at depth.

The geochemical results centre around two prospect areas. At the Two Mile prospect multiple copper occurrences have been identified by surface traversing over a 2.7 kilometre strike extent. Nine rock samples collected at points over a 1.8 kilometre extent returned results ranging up to 24% copper and 27g/t silver. Four soil sample traverses spaced approximately 800 metres apart returned values of up to 6,360ppm copper.

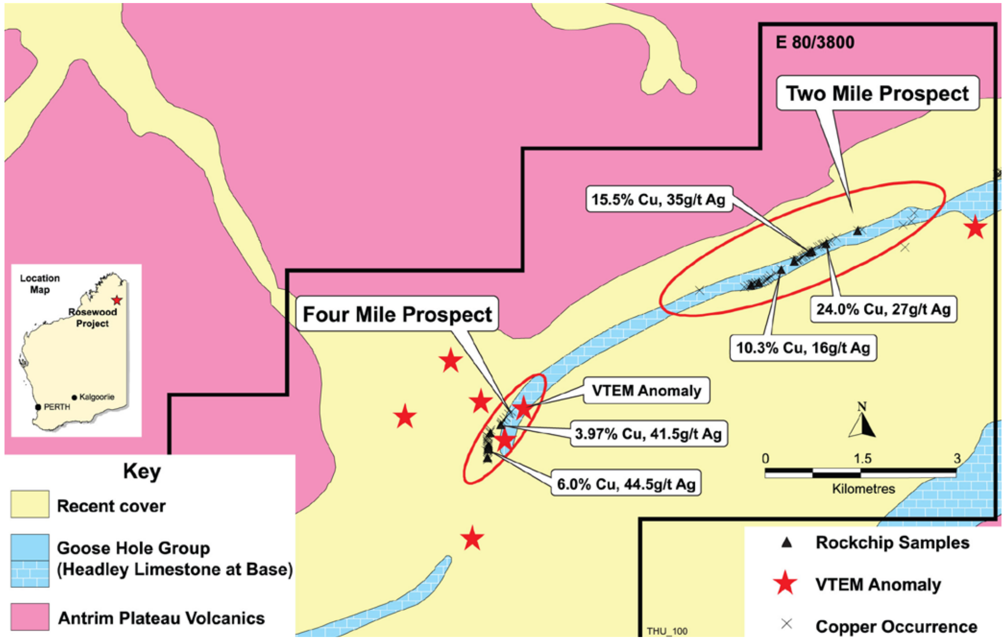
At the Four Mile prospect, extensive copper mineralisation has been noted at surface. Six rock samples collected within a 500 metre strike extent assayed up to 6.0% copper and up to 44.5g/t silver.

**East Kimberley Project Area**



# Review of operations

Rosewood Project Geology and Targets




# 900,000

**Australia produced 900,000 metric tonnes of copper in 2009, the sixth largest Copper miner that year. Chile tops the list.**

TABLE 6: Rosewood Rock Sample results

| Sample | Easting | Northing | Description | Copper % | Silver g/t |
|---|---|---|---|---|---|
| TK653751 | 492261 | 8174676 | vesicular basalt | 0.002 | 0.0 |
| TK653752 | 492271 | 8174853 | limestone breccia | 4.89 | 29.5 |
| TK653753 | 496849 | 8177624 | Calcilutite | 1.29 | 4.5 |
| TK653754 | 496206 | 8177265 | limestone, minor malachite | 0.96 | 1.5 |
| TK653755 | 496659 | 8177503 | Limestone and malachite | 10.30 | 16.0 |
| TK653756 | 492298 | 8175044 | limestone breccia | 3.97 | 41.5 |
| TK653757 | 492458 | 8175171 | Limestone with bedded wispy malachite | 3.49 | 17.5 |
| TK653758 | 496324 | 8177304 | Limestone with veinlets of malachite | 3.56 | 6.5 |
| TK653759 | 492270 | 8174828 | calcarenite and banded malachite | 6.00 | 44.5 |
| TK653760 | 497117 | 8177779 | limestone breccia | 15.50 | 35.0 |
| TK653761 | 492270 | 8174798 | Limestone with azurite and malachite | 4.12 | 29.0 |
| TK653762 | 497083 | 8177757 | limestone breccia with malachite, chalcocite | 19.30 | 25.0 |
| TK653763 | 497330 | 8177889 | Limestone with malachite zones | 24.00 | 27.0 |
| TK653764 | 497804 | 8178088 | Limestone with azurite | 2.27 | 3.5 |
| TK653765 | 497804 | 8178089 | Calcilutite | 3.37 | 10.5 |

Note – sample location in MGA Zone 52 GDA94

Preliminary results of a 590 line kilometre VTEM survey over the area of the geochemical samples have been received and nine features of interest identified. Significantly, two of these are coincident with the down dip position of the Four Mile prospect area. Final VTEM survey data is currently being processed to improve definition of the anomalies.

Thundelarra's exploration at Rosewood is the first modern assessment of the area and much of the project remains virtually unexplored. The surface geochemical results in combination with the VTEM data indicate potential to discover significant copper and silver mineralisation. Thundelarra intends to carry out heritage surveys and obtain statutory approval to enable drill testing of the copper – silver anomalies during the current field season.

# Review of operations

## SOPHIE DOWNS PROJECT

At the Sophie Downs project Thundelarra's past drilling has targeted the zinc zone of a large VMS system at the Ilmars prospect. Re-evaluation of these results has identified a copper rich portion to the mineralisation along the southern margin of the prospect, with a peak result of 81 metres at 0.33% copper in TXSD0807RC from 44 metres depth. Gossan outcrops along a 1,000 metres strike extent further to the south of this drillhole and remains effectively untested by drilling.

> widespread native copper, with a peak assay of 1.8% copper.

## FRANK HILL PROJECT

Within the Frank Hill Project at the Azura prospect the Fish Hole basalt sequence has Michigan style native copper at surface over a 3.4 kilometre strike extent. Limited drilling at this area has identified widespread native copper associated with hematite alteration in fresh rock, with a peak assay of 1.8% copper. The prospect is grass roots in nature but the drill results are seen as proof of concept and the area warrants further geophysics and drilling.

## EAST KIMBERLEY - PANORAMIC RESOURCES REGIONAL JVS

The East Kimberley Regional JV, Keller Creek JV and Copernicus JV are managed by Panoramic Resources and target nickel-copper-cobalt sulphide mineralisation associated with mafic and ultramafic intrusions. The region hosts two such deposits, the operating Savannah mine (PAN) and the Copernicus mine (THX 40%, PAN 60%).

During the year Panoramic earned a 61% interest in the East Kimberley Regional JV by the expenditure of $3 million. They have carried out airborne gravity and airborne electromagnetic (VTEM) data which have identified numerous target areas for follow-up testing. Follow-up ground EM surveying continued to refine these target areas and define potential drill targets. The ground EM survey program is ongoing with a total of 33 ground EM surveys now completed. Drill targets have been defined at most of these locations and the Heritage Clearance process is underway to gain access to the areas.

In addition, two new airborne VTEM surveys were flown in the second half of 2011, comprising Mabel Downs (990 line km) and McKenzie Springs (534 line km). The final data is yet to be received.

At Jenner, located immediately north of Copernicus, three RC drill holes for 576 metres were completed during the year. A thin, non-nickeliferous, sulphidic horizon was intersected in all three drill holes at the modelled position of an EM conductor. No further work is planned at Jenner at this stage.

Within the Keller Creek JV (THX 20%) at Savannah West prospect a diamond drill core tail to SMP178 was completed during the year. The drill-hole was targeted at a large buried residual gravity anomaly that was modelled close to the surface in this area. Gravity anomalies within mafic–ultramafic intrusions identify those rocks most likely to host nickel–copper sulphide mineralisation. Extensive zones of mafic granulite were encountered in the hole, some containing minor disseminated and in places thin zones of semi-massive, magmatic sulphides. Preliminary analysis indicates the sulphides are low tenor, but assay results are still pending.

## COPERNICUS NICKEL MINE (THUNDELARRA 40%)

The open pit mine remains on care and maintenance. No activity was carried out.

**Component Person's Statement**
**The details contained in this report that pertain to Exploration Results, Mineral Resources or Ore Reserves are 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.**

# Directors' report

The Directors present their report on the Consolidated Entity consisting of Thundelarra Exploration Ltd and the entities it controlled at the end of, or during, the year ended 30 September 2011.

**INFORMATION ON DIRECTORS**

The following persons were Directors of Thundelarra Exploration Ltd ("Company") and were in office during the financial year and until the date of this report unless otherwise stated.

**Mr Philip G Crabb**
Non-Executive Chairman
(resigned 30 September 2011)

**Mr Brett T Lambert**
Managing Director/CEO

**Mr Brian D Richardson**
Executive Director

**Mr Frank DeMarte**
Executive Director

**Mr Malcolm R J Randall**
Non-Executive Director
(appointed Chairman 30 September 2011)

**Mr John D Hopkins**
Non-Executive Director
(appointed 30 September 2011)

**PRINCIPAL ACTIVITY**

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

**RESULT OF OPERATIONS**

During the year the Consolidated Entity incurred a consolidated operating loss after tax of $23,857,562 (2010 – profit $12,805,837).

**REVIEW OF OPERATIONS**

A detailed review of operations for the Consolidated Entity is set out on page 4 to 25 of this report.

**DIVIDENDS**

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

# Directors' report

## NATIVE TITLE

Claims of native title over certain of the Consolidated Entity'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.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial period, the Directors are not aware of matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 September 2011 financial statements.

Cancellation of Unquoted Options

(1) 350,000 unquoted options exercisable at 96 cents each expiring on 20 September 2013 were cancelled in accordance with the Company's Employee Share Option Plan; and

(2) 395,000 unquoted options exercisable at 39 cents each expiring on 30 June 2014 were cancelled in accordance with the Company's Employee Share Option Plan.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

## ENVIRONMENTAL ISSUES AND REGULATIONS

The Consolidated Entity has interests in mining tenements (including prospecting, exploration and mining leases). The leases and licence conditions contain environmental obligations. The Consolidated Entity 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. The directors are not aware of any environmental matters which would have a significant adverse effect on the Consolidated Entity.

## CORPORATE INFORMATION

**Thundelarra Exploration Ltd**
Parent entity

**Element 92 Pty Ltd**
100% owned controlled entity

**Trilogy Metals Limited**
100% owned controlled entity

# Directors' report

**INFORMATION ON DIRECTORS**

**PHILIP G CRABB**

**(Non-Executive Chairman) Age 71**

*FAusIMM, MAICD*

Mr Crabb is a Fellow of the Australasian Institute of Mining and Metallurgy and a member of the Institute of Company Directors. Mr Crabb has been actively engaged in mineral exploration and mining activities for the past 42 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 has extensive knowledge of the Australian Mining Industry and has experience with management of Australian publicly listed companies. Mr Crabb is presently the Chairman of Royal Resources Limited (since 2005) and a director of Aldershot Resources Ltd (since 2010).

Mr Crabb was appointed a director on 30 November 1998 and resigned on 30 September 2011.

**Former Directorships in last three years**

United Minerals Corporation Limited (from 2004 to 2009).

**Special Responsibilities**

Chairman of the Board.
Member of Nomination Committee from December 2004.
Member of Remuneration Committee from December 2004.

**BRETT T LAMBERT**

**(Managing Director) Age 51**

*BSc (Mining Eng), MAusIMM*

Mr Lambert is a mining engineer with over 30 years of Australian and international resource industry experience. He has worked extensively in both base and precious metals mining operations and has been responsible for overseeing the establishment of several greenfields resource projects and evaluating new business development opportunities.

Mr Lambert has held senior management positions in major companies and in the junior resources sector. Mr Lambert is experienced in public company administration and has served as a director of companies listed on the Australian Securities Exchange, the Toronto Stock Exchange and the Stock Exchange of Thailand. Mr Lambert is presently a director of Trilogy Metals Limited (since 2010) and Australian Uranium Association Ltd (since 2011).

Mr Lambert joined the Company in May 2007 as Chief Executive Officer and was appointed Managing Director in September 2007.

**Former Directorships in last three years**

Intrepid Mines Limited from 2006 to 2008.

**Special Responsibilities**

Managing Director/CEO.
Member of Nomination Committee from September 2007.
Member of Remuneration Committee from September 2007.

**FRANK DEMARTE**

**(Executive Director) Age 49**

*BBus, FCIS, FAICD*

Mr DeMarte has over 27 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 and a Fellow of the Australian Institute of Company Directors. Mr DeMarte is presently also a director of Royal Resources Limited (since 2004) and Trilogy Metals Limited (since 2010).

Mr DeMarte was appointed a director on 30 April 2001.

**Former Directorships in last three years**

Aldershot Resources Ltd (from 2005 to 2009).

**Special Responsibilities**

Member of Nomination Committee from December 2004.
Member of Remuneration Committee from December 2004.
Chief Financial Officer.
Company Secretary.

**BRIAN D RICHARDSON**

**(Executive Director) Age 58**

*BSc (Hons), MAusIMM*

Mr Richardson is a geologist who has been involved in the Australian exploration and mining industry for over 29 years. He has many years experience in planning, conducting and evaluating gold, base metal, uranium and diamond projects. He has also held senior management positions with a number of listed junior exploration companies. Mr Richardson is presently also a director of Royal Resources Limited (since 2004).

Mr Richardson was appointed a director on 30 April 2001.

**Former Directorships in last three years**

Aldershot Resources Ltd from 2004 to 2008.

**Special Responsibilities**

Exploration Director.
Member of the Audit Committee from December 2004.
Member of Nomination Committee from December 2004.
Member of Remuneration Committee from December 2004.

# Directors' report

**MALCOLM J R RANDALL**
**(Non-Executive Director) Age 66**
*B.Applied Chem, MAICD*

Mr Randall holds a Bachelor of Applied Chemistry Degree and is a member of the Australian Institute of Company Directors. He has extensive experience in corporate, management and marketing in the resource sector, including more than 25 years with the Rio Tinto group of companies. His experience has covered a diverse range of mineral activities including Iron Ore, Base Metals, Uranium, Mineral Sands and Coal.

Mr Randall is presently also a director of Iron Ore Holdings Ltd (since 2003), Summit Resources Limited (since 2007), Royal Resources Limited (since 2006) and Matilda Zircon Ltd (since 2009).

Mr Randall was appointed a director on 8 September 2003 and was appointed as Chairman on 30 September 2011.

**Former Directorships in last three years**
Northern Mining Limited from 2007 to 2008.
Olympia Resources Ltd from 2006 to 2008.
United Minerals Corporation Limited from 2007 to 2010.

**Special Responsibilities**
Member of the Audit Committee from December 2004.
Chairman of Audit Committee from December 2004 to September 2011.
Chairman of Nomination Committee from December 2004.
Chairman of Remuneration Committee from December 2004.

**JOHN D HOPKINS**
**(Non-Executive Director) Age 61**
*LLB, FAICD*

Mr John Hopkins joined the Board of Thundelarra as an independent non-executive director on the 30 September 2011. Mr Hopkins is a graduate in law of the University of Western Australia and was admitted to practice as a barrister and solicitor for more than 35 years. During that time and since he has been involved in a range of corporate, business and resource transactions for many national and international Corporations. Mr Hopkins is a Fellow of the Australian Institute of Company Directors.

More recently, Mr Hopkins has practised as an independent non-executive director of a number of resources companies. Mr Hopkins is presently on the board of the following ASX listed companies - Hawkley Oil and Gas Ltd, Wolf Minerals Ltd (Chairman), Midas Resources Limited (Chairman) and Universal Coal Plc.

Mr Hopkins was appointed a director on 30 September 2011.

**Former Directorships in last three years**
Exoma Energy Limited from October 2007 to March 2010.
Dragon Mountain Gold Ltd from September 2008 to April 2010.
Adamus Resources Ltd from February 2006 to November 2010.

**Special Responsibilities**
Chairman of Audit Committee from September 2011.
Member of the Nomination Committee from September 2011.
Member of Renumeration Committee from September 2011.

**INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY**

As at the date of this report, the interests of the Directors in shares and options of Thundelarra Exploration Ltd were:

| Director | Number of Ordinary Shares | Number of Options over Ordinary Shares |
|---|---|---|
| **Philip G Crabb** (1) | 22,177,839 | 3,758,205 |
| **Brett T Lambert** | 713,949 | 6,197,984 |
| **Frank DeMarte** | 2,779,442 | 5,330,397 |
| **Brian D Richardson** | 645,727 | 5,086,382 |
| **Malcolm J Randall** | 437,500 | 2,529,167 |
| **John D Hopkins** (2) | 100,000 | - |

**(1) Philip G Crabb resigned as a director on 30 September 2011.**

**(2) John D Hopkins was appointed a director on 30 September 2011.**

# Directors' report

### COMPANY SECRETARY

**FRANK DEMARTE**

**Age 49**

*BBus, FCIS, FAICD*

The Company Secretary is Mr Frank DeMarte. Mr DeMarte has over 27 years of experience in the mining and exploration industry in Western Australia and has held executive positions with a number of listed mining and exploration companies.

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 and a Fellow of the Australian Institute of Company Directors. Mr DeMarte was appointed to the position on 8 September 2003.

### SHARES UNDER OPTION

As at the date of this report, there were 32,478,130 unissued ordinary shares of the Company under option as follows:

| Date options granted | Expiry date | Exercise price of options | Number of options |
|---|---|---|---|
| 23 March 2009 | 29 March 2013 | $0.20 | 6,778,130 |
| 10 January 2008 | 31 December 2011 | $0.47 | 350,000 |
| 27 February 2008 | 28 February 2013 | $0.50 | 4,250,000 |
| 3 July 2008 | 30 June 2012 | $0.52 | 260,000 |
| 27 February 2009 | 28 February 2014 | $0.20 | 4,250,000 |
| 29 September 2009 | 30 September 2012 | $0.32 | 280,000 |
| 26 February 2010 | 25 February 2015 | $0.64 | 6,750,000 |
| 23 September 2010 | 20 September 2013 | $0.96 | 1,410,000 |
| 28 February 2011 | 27 February 2016 | $0.84 | 6,750,000 |
| 1 July 2011 | 30 June 2014 | $0.39 | 1,400,000 |

### SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the financial year, 5,730 options were exercised at $0.20, 1,250,000 options were exercised at $0.45, 120,000 options were exercised at $0.39, and 530,000 options were exercised at $0.32.

During the financial year, 80,000 options exercisable at $0.39 expired on 3 April 2011, 1,000,000 options exercisable at $0.68 expired on 31 May 2011 and 110,000 options exercisable at $0.52 expired on 30 June 2011.

During the financial year, 370,000 options exercisable at $0.96 were cancelled on 10 January 2011 and 110,000 options exercisable at $0.96 were cancelled on 24 September 2011.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other entity.

### REMUNERATION REPORT (AUDITED)

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

#### (a) DETAILS OF KEY MANAGEMENT PERSONNEL

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

**Philip G Crabb**
Non-Executive Chairman
(resigned on 30 September 2011)

**Brett T Lambert**
Managing Director

**Brian D Richardson**
Executive Director

**Frank DeMarte**
Executive Director

**Malcolm J R Randall**
Non-Executive Director

**John D Hopkins**
Non-Executive Director
(appointed on 30 September 2011)

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

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL**

***(i) Compensation 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 Group. The main principles of the policy are:

- Reward reflects the competitive market in which the Group 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 Group.

Remuneration packages are set at levels that are intended to attract and retain directors and executives capable of managing the Group's operations.

(A) Remuneration Committee

The Remuneration Committee comprises the entire Board of Directors of the Company and is responsible for determining and reviewing compensation arrangements for the directors and all other key management personnel.

The Remuneration Committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

(B) Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

(C) Non-Executive Director Compensation

*Objective*

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

*Structure*

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

# Directors' report

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)**

Each director receives a fee for being a director of the Company. An additional fee may also be paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitments required by directors who serve on one or more sub committees.

Each non-executive director receives $55,000 per annum effective from 1 July 2011 ($50,000 per annum prior to 1 July 2011), inclusive of any superannuation obligations for being a director of the Company. The exception to this fee structure is the Chairman of the Board who receives $68,250 per annum plus superannuation ($65,000 per annum prior to 1 July 2011).

Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company on whose board they sit.

The compensation of non-executive directors for the year ended 30 September 2011 is detailed as per the disclosures on page 33.

(D) Executive Compensation

*Objective*

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company, business unit and individual performance against targets set by remuneration committee to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

*Structure*

In determining the level and make-up of executive remuneration, the remuneration committee will review individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

The Company has entered into detailed contracts of employment with the Managing Director and the Executive Directors, details of these contracts are provided on page 34.

(E) Fixed Compensation

*Objective*

Fixed compensation is reviewed annually by the Remuneration Committee. The process consists of a review of companywide, business unit and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

*Structure*

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

(F) Other Compensation

Notwithstanding Guideline 8.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations which provides that non-executive Directors should not receive Options, the Directors consider that the grant of the options is designed to encourage the Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the granting of options is an incentive to each of the Directors, which is a cost effective and efficient reward for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to the Directors.

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)**

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

Remuneration of key management personnel for the year ended 30 September 2011

| | | Short-Term | | | Post Employment | Other Long Term | Share Based Payment | | % Remuneration |
|---|---|---|---|---|---|---|---|---|---|
| Directors | | Salary & Fees $ | Annual Leave Movement $ | Other (3) | Superannuation $ | Long Service Leave $ | Equity Options $ | Total $ | Consisting of Options for the Year |
| **Philip G Crabb** | **2011** | **67,063** | **-** | **-** | **6,036** | **-** | **208,000** | **281,099** | **74%** |
| Chairman | 2010 | 62,026 | - | 346,298(1) | 5,582 | - | 204,857 | 618,763 | 33% |
| **Brett T Lambert** | **2011** | **365,439** | **10,732** | **12,645** | **32,890** | **9,132** | **416,000** | **846,838** | **49%** |
| Managing Director | 2010 | 293,826 | 2,324 | 5,914(3) | 51,196 | 7,059 | 409,713 | 770,032 | 53% |
| **Frank DeMarte** | **2011** | **259,846** | **20,409** | **6,950** | **23,386** | **7,720** | **312,000** | **630,311** | **49%** |
| Executive Director | 2010 | 242,393 | 11,754 | 4,933(3) | 21,815 | 9,678 | 307,284 | 597,857 | 51% |
| **Brian D Richardson** | **2011** | **259,846** | **8,205** | **10,860** | **23,386** | **7,730** | **312,000** | **622,027** | **50%** |
| Executive Director | 2010 | 230,609 | 5,594 | 7,210(3) | 20,755 | 11,015 | 307,284 | 582,467 | 53% |
| **Malcolm J Randall** | **2011** | **67,063** | **-** | **-** | **6,036** | **-** | **156,000** | **229,099** | **68%** |
| Non-Executive Director | 2010 | 53,917 | - | - | 4,853 | - | 153,642 | 212,412 | 72% |
| **John D Hopkins** | **2011** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Non-Executive Director | 2010 | - | - | - | - | - | - | - | - |
| **Totals** | **2011** | **1,019,257** | **39,346** | **30,455** | **91,734** | **24,582** | **1,404,000** | **2,609,374** | **54%** |
| | 2010 | 882,771 | 19,672 | 364,355 | 104,201 | 27,752 | 1,382,780 | 2,781,531 | 50% |

**Notes:**

**(1) Drilling services and administration services totalling $ Nil (2010 – $346,298) were paid to Ragged Range Mining Pty Ltd, a company in which Mr P G Crabb is a director and shareholder. These services were provided under normal commercial terms and conditions.**

**(2) The percentage of remuneration which is performance related is nil.**

**(3) In respect to other, the amounts relate to motor vehicle, car parking and life insurance benefits for the year.**

During the financial year the directors of the Company were the only 5 named executives who received the highest remuneration for the year ended 30 September 2011.

# Directors' report

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

### (c) COMPENSATION BY CATEGORY: KEY MANAGEMENT PERSONNEL

| | Consolidated and Parent Entity | |
|---|---|---|
| Catergory | 2011 $ | 2010 $ |
| Short Term | 1,089,058 | 1,266,798 |
| Post Employment | 91,734 | 104,201 |
| Share Based Payments | 1,404,000 | 1,382,780 |
| Long Term | 24,582 | 27,752 |
| | **2,609,374** | 2,781,531 |

### (d) EMPLOYMENT AGREEMENTS FOR DIRECTORS

*Mr Brett Lambert – Managing Director*

- Term of the agreement – 8 years commencing 1 May 2007.
- Base salary, inclusive of superannuation, of $386,078 increased to $405,382 effective 1 July 2011, reviewed annually.
- Payment of a benefit on early termination by the Company, other than gross misconduct, equal to 6 months base salary including superannuation.

*Mr Frank DeMarte – Executive Director, Company Secretary and CFO*

- Term of the agreement – no fixed term.
- Base salary, inclusive of superannuation, of $274,680 increased to $287,760 effective 1 July 2011, reviewed annually.
- Payment of a benefit on early termination by the Company, other than gross misconduct, equal to 6 months base salary including superannuation.

*Mr Brian Richardson – Executive Director*

- Term of the agreement – no fixed term.
- Base salary, inclusive of superannuation, of $274,680 to $287,760 effective 1 July 2011, reviewed annually.
- Payment of a benefit on early termination by the Company, other than gross misconduct, equal to 6 months base salary including superannuation.

### (e) SHARE BASED COMPENSATION OPTIONS

During the financial year options were granted as equity compensation benefits to key management personnel. The options were issued at no consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the equity at the exercise price. The contractual life of each option granted is three to five years. No options have been granted since the end of the year to key management personnel and there are no unvested options as at 30 September 2011. For further details relating to options, refer to note 21 and 22.

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

## (e) SHARE BASED COMPENSATION OPTIONS (CONTINUED)

Compensation Options: Granted and vested during the year ended 30 September 2011.

| | Vested | Granted | Terms & conditions for each Grant | | | | | |
|---|---|---|---|---|---|---|---|---|
| 30 September 2011 | Number | Number | Grant Date | Fair Value per option at Grant Date ($) (Note 22) | Exercise Price per option ($) (Note 22) | Expiry Date | First Exercise Date | Last Exercise Date |
| P G Crabb | 1,000,000 | 1,000,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| B T Lambert | 2,000,000 | 2,000,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| B D Richardson | 1,500,000 | 1,500,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| F DeMarte | 1,500,000 | 1,500,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| M R Randall | 750,000 | 750,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| J D Hopkins | - | - | - | - | - | - | - | - |
| **Total** | **6,750,000** | **6,750,000** | | | | | | |

Compensation Options: Granted and vested during the year ended 30 September 2010.

| | Vested | Granted | Terms & conditions for each Grant | | | | | |
|---|---|---|---|---|---|---|---|---|
| 30 September 2010 | Number | Number | Grant Date | Fair Value per option at Grant Date ($) (Note 22) | Exercise Price per option ($) (Note 22) | Expiry Date | First Exercise Date | Last Exercise Date |
| P G Crabb | 1,000,000 | 1,000,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| B T Lambert | 2,000,000 | 2,000,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| B D Richardson | 1,500,000 | 1,500,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| F DeMarte | 1,500,000 | 1,500,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| M R Randall | 750,000 | 750,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| **Total** | **6,750,000** | **6,750,000** | | | | | | |

## (f) SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS

No shares were issued to directors on exercise of compensation options for the year ended 30 September 2011 and 2010.

No other key management personnel exercised compensation options during the year ended 30 September 2011.

**REMUNERATION REPORT (AUDITED) (CONTINUED)**

### (g) OPTIONS GRANTED AS PART OF REMUNERATION

The following table summarises the value of options granted, exercised or lapsed for the year ended 30 September 2011.

| 30 September 2011 | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | % Remuneration Consisting of Options for the year |
|---|---|---|---|---|
| P G Crabb | 208,000 | - | - | 74% |
| B T Lambert | 416,000 | - | - | 49% |
| B D Richardson | 312,000 | - | - | 50% |
| F DeMarte | 312,000 | - | - | 49% |
| M R Randall | 156,000 | - | - | 68% |
| J D Hopkins (1) | - |  | - | - |
| **Total** | **1,404,000** | **-** | **-** | **54%** |

**(1) John D Hopkins was appointed a director on 30 September 2011.**

The following table summarises the value of options granted, exercised or lapsed for the year ended 30 September 2010.

| 30 September 2010 | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | % Remuneration Consisting of Options for the year |
|---|---|---|---|---|
| P G Crabb | 204,857 | - | - | 33% |
| B T Lambert | 409,713 | - | - | 53% |
| B D Richardson | 307,284 | - | - | 53% |
| F DeMarte | 307,284 | - | - | 51% |
| M R Randall | 153,642 | - | - | 72% |
| **Total** | **1,382,780** | **-** | **-** | **50%** |

There were no alterations to the terms and conditions of options granted as remuneration since their grant.

The value of the options exercised during the year is calculated as the market price of shares of the Company on the Australian Securities Exchange as at the close of trading on the date the options were exercised after deducting the price paid to exercise the options.

Options issued to employees vest on the basis that continual employment with the Company is achieved. All employees leaving while options are vesting will forfeit their options. Director options vest on date of issue.

For details on the valuation of the options, including models and assumptions used, please refer to Note 22. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### (g) EQUITY INSTRUMENTS

Analysis of options and rights over equity instruments granted as compensation.

Details of vesting profiles of the options granted as remuneration to each key management personnel of the group and each of the five named executives of the Company are detailed below:

| | Number of options granted | Grant Date of options | Exercise Price of options $ | Fair Value of Options on Grant Date $ | Financial year in which Options Expire |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| B T Lambert | 1,000,000 | 27/02/08 | $0.50 | $0.155 | 2013 |
| | 1,000,000 | 27/02/09 | $0.20 | $0.0456 | 2014 |
| | 2,000,000 | 26/02/10 | $0.64 | $0.205 | 2015 |
| | 2,000,000 | 28/02/11 | $0.84 | $0.208 | 2016 |
| B D Richardson | 1,000,000 | 27/02/08 | $0.50 | $0.155 | 2013 |
| | 1,000,000 | 27/02/09 | $0.20 | $0.0456 | 2014 |
| | 1,500,000 | 26/02/10 | $0.64 | $0.205 | 2015 |
| | 1,500,000 | 28/02/11 | $0.84 | $0.208 | 2016 |
| F DeMarte | 1,000,000 | 27/02/08 | $0.50 | $0.155 | 2013 |
| | 1,000,000 | 27/02/09 | $0.20 | $0.0456 | 2014 |
| | 1,500,000 | 26/02/10 | $0.64 | $0.205 | 2015 |
| | 1,500,000 | 28/02/11 | $0.84 | $0.208 | 2016 |
| **Non-Executive Directors** | | | | | |
| P G Crabb | 1,000,000 | 27/02/08 | $0.50 | $0.155 | 2013 |
| | 750,000 | 27/02/09 | $0.20 | $0.0456 | 2014 |
| | 1,000,000 | 26/02/10 | $0.64 | $0.205 | 2015 |
| | 1,000,000 | 28/02/11 | $0.84 | $0.208 | 2016 |
| M R Randall | 500,000 | 27/02/08 | $0.50 | $0.155 | 2013 |
| | 500,000 | 27/02/09 | $0.20 | $0.0456 | 2014 |
| | 750,000 | 26/02/10 | $0.64 | $0.205 | 2015 |
| | 750,000 | 28/02/11 | $0.84 | $0.208 | 2016 |
| J D Hopkins | - | - | - | - | - |

## DIRECTORS' MEETINGS

The following table sets out the number of meetings of directors held during the year and the number of meetings attended by each director:

| | Board of Directors' Meetings | | Audit Committee Meetings | | Remuneration Committee Meetings | |
|---|---|---|---|---|---|---|
| Name | Number attended | Number eligible to attend | Number Attended | Number eligible to attend | Number attended | Number eligible to attend |
| P G Crabb | 4 | 4 | - | - | 1 | 1 |
| B T Lambert | 4 | 4 | - | - | 1 | 1 |
| B D Richardson | 3 | 4 | 2 | 2 | 1 | 1 |
| F DeMarte | 4 | 4 | 2 | 2 | 1 | 1 |
| M J Randall | 4 | 4 | 2 | 2 | 1 | 1 |
| J D Hopkins (1) | - | - | - | - | - | - |

**(1) John D Hopkins was appointed a director on 30 September 2011.**

## COMMITTEE MEMBERSHIPS

As at the date of this report, the Company had an Audit Committee and Remuneration Committee and a Nomination Committee.

| Audit | Remuneration | Nomination |
|---|---|---|
| J D Hopkins (C) | J D Hopkins | J D Hopkins |
| M J Randall | M J Randall (C) | M J Randall (C) |
| B Richardson | B D Richardson | B D Richardson |
| | B T Lambert | B T Lambert |
| | F DeMarte | F DeMarte |

**Note: (C) Designates the Chairman of the Committee. J D Hopkins was appointed Chairman of the Audit Committee on 30 September 2011.**

# Directors' report

### RESIGNATION, ELECTION AND CONTINUATION IN OFFICE

In accordance with the Constitution of the Company, Brian D Richardson retires by rotation and John D Hopkins was appointed an additional Director and, being eligible, offer themselves for re-election at the Annual General Meeting.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

### INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums to insure the Directors and Officers of the Company against liabilities for costs and expenses that may be incurred by the Directors in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

### AUDITOR INDEPENDENCE

The auditor's independence declaration for the year ended 30 September 2011 has been received and can be found on page 86.

Signed in accordance with a resolution of the directors.

**Brett Lambert**
**Managing Director**

Perth, Western Australia
16 December 2011

# Corporate governance statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Thundelarra Exploration Ltd (Company) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (Principles & Recommendations), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation.

Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" reporting regime.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

### SUMMARY STATEMENT

The table below summarises the Company's compliance with the Principles & Recommendations.

| | ASX P & R[1] | If not, why not[2] |
|---|---|---|
| Recommendation 1.1 | ✓ | |
| Recommendation 1.2 | ✓ | |
| Recommendation 1.3[3] | n/a | n/a |
| Recommendation 2.1 | | ✓ |
| Recommendation 2.2 | | ✓ |
| Recommendation 2.3 | ✓ | |
| Recommendation 2.4 | | ✓ |
| Recommendation 2.5 | ✓ | |
| Recommendation 2.6[3] | n/a | n/a |
| Recommendation 3.1 | ✓ | |
| Recommendation 3.2 | ✓ | |
| Recommendation 3.3[3] | n/a | n/a |
| Recommendation 4.1 | ✓ | |
| Recommendation 4.2 | | ✓ |

| | ASX P & R[1] | If not, why not[2] |
|---|---|---|
| Recommendation 4.3 | ✓ | |
| Recommendation 4.4[3] | n/a | n/a |
| Recommendation 5.1 | ✓ | |
| Recommendation 5.2[3] | n/a | n/a |
| Recommendation 6.1 | ✓ | |
| Recommendation 6.2[3] | n/a | n/a |
| Recommendation 7.1 | ✓ | |
| Recommendation 7.2 | ✓ | |
| Recommendation 7.3 | ✓ | |
| Recommendation 7.4[3] | n/a | n/a |
| Recommendation 8.1 | | ✓ |
| Recommendation 8.2 | ✓ | |
| Recommendation 8.3[3] | n/a | n/a |

**Note 1: Indicates where the Company has followed the Principles & Recommendations.**

**Note 2: Indicates where the Company has provided "if not, why not" disclosure.**

**Note 3: Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.**

# Corporate governance statement

**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

## WEBSITE DISCLOSURES

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.thundelarra.com under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

| Charters | Recommendation(s) |
|---|---|
| Board | 1.3 |
| Audit Committee | 4.4 |
| Nomination Committee | 2.6 |
| Remuneration Committee | 8.3 |
| **Policy and Procedure** | |
| Policy and Procedure for Selection and (Re)Appointment of Directors | 2.6 |
| Process for Performance Evaluation | 1.2, 2.5 |
| Policy on Assessing the Independence of Directors | 2.6 |
| Policy for Trading in Company Securities (summary) | 3.2, 3.3 |
| Code of Conduct (summary) | 3.1, 3.3 |
| Policy on ASX Listing Rule Compliance (summary) | 5.1, 5.2 |
| Compliance Procedures (summary) | 5.1, 5.2 |
| Procedure for Selection, Appointment and Rotation of External Auditor | 4.4 |
| Shareholder Communication Policy | 6.1, 6.2 |
| Risk Management Policy (summary) | 7.1, 7.4 |

## DISCLOSURE – PRINCIPLES & RECOMMENDATIONS

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year (Reporting Period).

### Principle 1 – Lay solid foundations for management and oversight

**Recommendation 1.1:** Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

**Disclosure:** The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

**Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.

**Disclosure:** The Managing Director is responsible for evaluating the senior executives. The Managing Director undertakes an annual performance evaluation of senior executives. This evaluation is conducted at the time of a senior executive's annual remuneration review, and involves an interview with the Managing Director to discuss key performance indicators. The Managing Director also evaluates the performance of the senior executives on an ongoing basis via informal discussions with senior executives about performance.

# Corporate governance statement

**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

## DISCLOSURE – PRINCIPLES & RECOMMENDATIONS (CONTINUED)

**Recommendation 1.3:** Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

**Disclosure:** During the Reporting Period a performance evaluation of the senior executives took place in accordance with the process disclosed above.

### Principle 2 – Structure the board to add value

**Recommendation 2.1:** A majority of the Board should be independent directors.

**Notification of Departure:** During the Reporting Period, the Board of five had one independent director.

**Explanation for Departure:** During the Reporting Period, the Board considered that its composition was the most appropriate for the Company's circumstances and included an appropriate mix of skills and expertise relevant to the Company. However, during the Reporting Period, the Board reviewed its composition and appointed an additional independent director to the Board on 30 September 2011. The Board will continue to review its composition.

**Recommendation 2.2:** The Chair should be an independent director.

**Notification of Departure:** During the Reporting Period, the Chair was Philip Crabb, who is not an independent director.

**Explanation for Departure:** The Board believed that Philip Crabb was the most appropriate person for the position of Chair because of his industry experience and knowledge. Philip Crabb and his associate's substantial shareholding is the only factor that precludes him from being considered independent. The Board believes that Philip Crabb makes decisions that are in the best interests of the Company. During the Reporting Period, Mr Crabb stepped down as Chair (on 30 September 2011) and Malcolm Randall (an independent director) took over as Chair. Accordingly, the Company now satisfies Recommendation 2.2.

**Recommendation 2.3:** The roles of the Chairman and Chief Executive Officer should not be exercised by the same individual.

**Disclosure:** The Managing Director is Brett Lambert, who is not the Chair of the Board.

**Recommendation 2.4:** The Board should establish a Nomination Committee.

**Notification of Departure:** The Board has not established a separate Nomination Committee.

**Explanation for Departure:** The role of the Nomination Committee is carried out by the full Board. The Board considers that given the current composition of the Board, at this stage no efficiencies or other benefits would be gained by establishing a separate Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

**Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

**Disclosure:** The Chair is responsible for evaluating the Board and, when appropriate, Board committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director. The process for the performance evaluations includes questionnaires and interviews with each Director to discuss this assessment.

**Recommendation 2.6:** Companies should provide the information indicated in the *Guide to reporting on Principal 2.*

**Disclosure:**

**Skills, Experience, Expertise and Term of Office of each Director**
A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

**Identification of Independent Directors**
During the Reporting Period, the sole independent director of the Company was Malcolm Randall. Mr Randall is considered an independent because he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment. As noted above, an additional independent director Mr Hopkins was appointed to the Board on 30 September 2011.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out on the next page.

# Corporate governance statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## DISCLOSURE – PRINCIPLES & RECOMMENDATIONS (CONTINUED)

**Company's Materiality Thresholds**
The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets of the consolidated entity.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more of the consolidated entity.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

**Statement concerning availability of Independent Professional Advice**
To assist directors with independent judgement, it is the Board's Policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

**Nomination Matters**
As noted above, the full Board carries out the role of the Nomination Committee. The full Board convened as a Nomination Committee twice during the Reporting Period. Details of the directors' attendance at those meetings is set out in the Directors' Report. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

**Performance Evaluation**
During the Reporting Period a performance evaluation of the Board, Board committees and individual directors took place in accordance with the process disclosed above.

**Selection and (Re)Appointment of Directors**
In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. At every annual general meeting of the Company one third of the directors (except alternate directors and the Managing Director) must retire from office and may stand for re-election. The directors to retire at an annual general meeting are those who have been in office the longest provided that no director (except alternate directors and the Managing Director) can hold office for more than three years without having to undergo such retirement. Re-appointment of directors is not automatic.

### Principle 3 – Promote ethical and responsible decision-making

| | |
|---|---|
| **Recommendation 3.1:** | Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. |
| **Disclosure:** | The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. |
| **Recommendation 3.2:** | Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. |

# Corporate governance statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## DISCLOSURE – PRINCIPLES & RECOMMENDATIONS (CONTINUED)

**Disclosure:** The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

**Recommendation 3.3:** Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

**Disclosure:** Please refer to the section above marked Website Disclosures.

### Principle 4 – Safeguard integrity in financial reporting

**Recommendation 4.1:** The Board should establish an Audit Committee.

**Disclosure:** The Board has established an Audit Committee.

**Recommendation 4.2:** The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

**Notification of Departure:** During the Reporting Period, the Audit Committee comprised two directors - Malcolm Randall (independent non-executive) and Brian Richardson (non-independent executive). Accordingly, the Audit Committee was not structured in accordance with the Recommendation 4.2.

**Explanation of Departure:** The Board was unable to structure its Audit Committee in accordance with Recommendation 4.2 due to the composition of its Board during the Reporting Period. The Board considers that the members of the Audit Committee during the Reporting Period were the most appropriate given their experience and qualifications. Malcolm Randall, who was not Chair of the Board during the Reporting Period, chaired the Audit Committee. Since Malcolm Randall's appointment as Chair of the Board on 30 September 2011, he has been replaced as the Chair of the Audit Committee by John Hopkins (independent non-executive).

**Recommendation 4.3:** The Audit Committee should have a formal charter.

**Disclosure:** The Company has adopted an Audit Committee Charter.

**Recommendation 4.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

**Disclosure:** The Audit Committee held two meetings during the Reporting Period, which both members of the Audit Committee attended.

Details of each of the director's qualifications are set out in the Directors' Report.

Both members of the Audit Committee consider themselves to be financially literate and have experience in the industry in which the Company operates. Brian Richardson has extensive industry knowledge with over 29 years experience in the mining industry. Malcolm Randall also has extensive experience in management and marketing in the resource sector.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

### Principle 5 – Make timely and balanced disclosure

**Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

**Disclosure:** The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

**Recommendation 5.2:** Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

**Disclosure:** Please refer to the section above marked Website Disclosures.

# Corporate governance statement

**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

## DISCLOSURE – PRINCIPLES & RECOMMENDATIONS (CONTINUED)

### Principle 6 – Respect the rights of shareholders

**Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

**Disclosure:** The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

**Recommendation 6.2:** Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

**Disclosure:** Please refer to the section above marked Website Disclosures.

### Principle 7 – Recognise and manage risk

**Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

**Disclosure:** The Board has adopted a risk management policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has formalised its system and procedures to manage its material business risks. The Company's risk management system includes the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed quarterly and updated, as required. The process of managing of material business risks has been allocated to members of senior management.

The categories of risk reported on as part of the Company's systems and processes for managing material business risk include: liquidity risk, foreign currency exchange risks, operational risk, environmental risk, compliance risk, strategic risk, human capital, financial reporting and market-related risks.

**Recommendation 7.2:** The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

**Disclosure:** The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's materials business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

# Corporate governance statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## DISCLOSURE – PRINCIPLES & RECOMMENDATIONS (CONTINUED)

**Recommendation 7.3:** The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Disclosure:** The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Recommendation 7.4:** Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

**Disclosure:** The Board has received the report from management under Recommendation 7.2. The Board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

### Principle 8 – Remunerate fairly and responsibly

**Recommendation 8.1:** The Board should establish a Remuneration Committee.

**Notification of Departure:** The Company has not established a separate Remuneration Committee.

**Explanation for Departure:** The role of the Remuneration Committee is carried out by the full Board. The Board considers that given the current composition of the Board, at this stage no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

**Recommendation 8.2:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

**Disclosure:** Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals.

**Recommendation 8.3:** Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

**Disclosure:** Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, held one meeting during the Reporting Period. All Board members were in attendance. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

# Consolidated statement of comprehensive income

**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|---|
| **REVENUE FROM CONTINUING OPERATIONS** | | | |
| Revenue | 4(a) | **896,626** | 1,691,493 |
| Other income | 4(b) | **486,934** | 23,490,135 |
| | | **1,383,560** | 25,181,628 |
| **EXPENDITURE** | | | |
| Cost of sales | | **(117,865)** | (613,402) |
| Amortisation and depreciation | | **(252,113)** | (221,043) |
| Employee benefits expense | 4(c) | **(1,559,520)** | (2,224,828) |
| Exploration expenditure written off or impaired | 4(d) | **(21,257,920)** | (2,150,674) |
| Administration expenses | 4(e) | **(2,652,122)** | (2,901,664) |
| **Profit/(Loss) from continuing operations before income tax expense** | | **(24,455,980)** | 17,070,017 |
| Research and development tax refund | | **598,418** | - |
| Income tax (expense)/benefit | 5 | **-** | (4,264,180) |
| **Net profit/(loss) from continuing operations for the year** | | **(23,857,562)** | 12,805,837 |
| **Other comprehensive income** | | | |
| Available for sale financial assets reserve net of deferred tax transferred to income | | **-** | (10,858,359) |
| **Total comprehensive income/(loss) for the year** | | **(23,857,562)** | 1,947,478 |
| **Net Profit/(Loss) attributable to members of the parent entity** | | **(23,857,562)** | 12,805,837 |
| **Comprehensive income/(loss) attributable to members of the parent entity** | | **(23,857,562)** | 1,947,478 |

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|---|
| Profit/(loss) per share attributable to ordinary equity holders: | | | |
| Basic earnings/(loss) (cents per share) | 7 | **(15.53)** | 8.73 |
| Diluted earnings/(loss) (cents per share) | 7 | **(15.53)** | 8.14 |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position

AS AT 30 SEPTEMBER 2011

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6(b) | **8,025,701** | 19,200,975 |
| Trade and other receivables | 8 | **405,439** | 459,557 |
| Other financial assets | 9 | **682,564** | 800,621 |
| **TOTAL CURRENT ASSETS** | | **9,113,704** | 20,461,153 |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | 8 | **940,542** | 586,836 |
| Property, plant and equipment | 10 | **500,272** | 426,675 |
| Exploration expenditure | 12(a) | **-** | 9,108,776 |
| Mine development | 12(b) | **317,241** | 317,241 |
| Deferred tax asset | 13 | **-** | - |
| Intangible asset | 14 | **113,234** | 86,332 |
| **TOTAL NON-CURRENT ASSETS** | | **1,871,289** | 10,525,860 |
| **TOTAL ASSETS** | | **10,984,993** | 30,987,013 |

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|---|
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | **3,245,213** | 581,674 |
| Provisions | 16 | **275,020** | 272,734 |
| **TOTAL CURRENT LIABILITIES** | | **3,520,233** | 854,408 |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 15 | **-** | 2,056,601 |
| Provisions | 16 | **600,385** | 557,383 |
| Deferred tax liability | 17 | **-** | - |
| **TOTAL NON-CURRENT LIABILITIES** | | **600,385** | 2,613,984 |
| **TOTAL LIABILITIES** | | **4,120,618** | 3,468,392 |
| **NET ASSETS** | | **6,864,375** | 27,518,621 |
| **EQUITY** | | | |
| Contributed equity | 18(a) | **39,550,673** | 37,906,877 |
| Reserves | 18(d) | **7,156,525** | 5,597,005 |
| Accumulated losses | 19 | **(39,842,823)** | (15,985,261) |
| **TOTAL EQUITY** | | **6,864,375** | 27,518,621 |

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

# Consolidated statement of changes in equity

**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

| CONSOLIDATED | Notes | Contributed equity $ | Reserves $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 October 2009** | | 35,547,729 | 14,230,536 | (28,791,098) | **20,987,167** |
| **Total comprehensive income for the year** | | | | | |
| Profit/(Loss) for the year | | - | - | 12,805,837 | **12,805,837** |
| Reversal of fair value reserve on disposal of investment | 18(d) | - | (10,858,359) | - | **(10,858,359)** |
| Deferred tax on items recognised directly in equity | 18(d) | - | - | - | **-** |
| **Total comprehensive income/(loss) for the year** | | - | (10,858,359) | 12,805,837 | **1,947,478** |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Cost of share based payments | 18(d) | - | 2,224,828 | - | **2,224,828** |
| Shares issued during the year | | 2,359,148 | - | - | **2,359,148** |
| Transaction costs | | - | - | - | **-** |
| | | 2,359,148 | 2,224,828 | - | **4,583,976** |
| **Balance at 30 September 2010** | | 37,906,877 | 5,597,005 | (15,985,261) | **27,518,621** |

| CONSOLIDATED | Notes | Contributed equity $ | Reserves $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 October 2010** | | 37,906,877 | 5,597,005 | (15,985,261) | **27,518,621** |
| **Total comprehensive income for the year** | | | | | |
| Profit/(Loss) for the year | | - | - | (23,857,562) | **(23,857,562)** |
| Reversal of fair value reserve on disposal of investment | 18(d) | - | - | - | **-** |
| Deferred tax on items recognised directly in equity | 18(d) | - | - | - | **-** |
| **Total comprehensive income/(loss) for the year** | | - | - | (23,857,562) | **(23,857,562)** |
| **Transactions with owners recorded directly in equity:** | | | | | |
| Cost of share based payments | 18(d) | - | 1,559,520 | - | **1,559,520** |
| Shares issued during the year | 18(b) | 1,643,796 | - | - | **1,643,796** |
| Transaction costs | 18(b) | - | - | - | **-** |
| | | 1,643,796 | 1,559,520 | - | **3,203,316** |
| **Balance at 30 September 2011** | | 39,550,673 | 7,156,525 | (39,842,823) | **6,864,375** |

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

# Consolidated statement of cash flows

**FOR THE YEAR ENDED 30 SEPTEMBER 2011**

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | - | 618,079 |
| Receipts from government grant | | 598,418 | - |
| Other revenue received | | 318,426 | 159,065 |
| Payment to suppliers | | (1,893,706) | (3,222,458) |
| Interest paid | | (67) | (3,359) |
| Interest received | | 996,516 | 937,373 |
| Net cash inflow/(outflow) from operating activities | 6(a) | 19,587 | (1,511,300) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for investments | | - | (164,131) |
| Payment for tenements | | (268,183) | (250,000) |
| Payments for purchase of plant, equipment and vehicles | | (239,681) | (275,897) |
| Payment for intangibles | 14 | (112,933) | (99,098) |
| Proceeds from sale of investments | 4(f) | - | 25,201,044 |
| Proceeds from sale of tenements | | 40,000 | 225,000 |
| Proceeds from sale of plant, equipment and vehicles | | - | 9,500 |
| Placement of security deposits | | (380,518) | (312,179) |
| Redemption of security deposits | | 5,113 | 366,913 |
| Exploration and evaluation expenditure | | (11,018,704) | (7,284,343) |
| Net cash inflow/(outflow) from investing activities | | (11,974,906) | 17,416,809 |

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Net proceeds from issue of shares and options | | 780,045 | 2,359,148 |
| Share issue costs | | - | - |
| Net cash inflow from financing activities | | 780,045 | 2,359,148 |
| Net increase/(decrease) in cash and cash equivalents held | | (11,175,274) | 18,264,657 |
| Cash and cash equivalents at the beginning of the financial year | | 19,200,975 | 936,318 |
| Cash and cash equivalents at the end of the financial year | 6(b) | 8,025,701 | 19,200,975 |

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 1. CORPORATE INFORMATION

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group") for the year ended 30 September 2011 was authorised for issue in accordance with a resolution of the directors on 16 December 2011.

Thundelarra Exploration Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange Ltd.

The nature of the operations and principal activities of the Group are described on pages 4 to 25.

Separate financial statements of Thundelarra Exploration Ltd as an individual entity are no longer presented as the consequence of a change on the Corporations Act 2001, however required financial information for Thundelarra Exploration Ltd as an individual entity is included in note 11.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and Interpretations.

The financial report has also been prepared on the accruals basis and historical cost basis except for available-for-sale investments and investments held for trading which have been measured at fair value. The carrying value of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The Company has adopted all new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial statement on the basis that they represent a significant change in information from that previously made available and are detailed below.

*Presentation of Financial Statements*
The following new standards and amendments to standards are mandatory for the financial year beginning 1 July 2010.

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136, and 139)

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, 7, 121, 128, 131, 132 and 139)

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19.

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

### (b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 September 2011 and are outlined in note 2 (e).

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The Consolidated financial report also complies with International Financial Reporting Standards (IFRS).

### (c) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Thundelarra Exploration Ltd at the end of the reporting period. A controlled entity is any entity over which Thundelarra Exploration Ltd has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

When controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 26 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**(d) Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement.

Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement comprehensive income.

**(e) New accounting standards for application in future periods**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2011 reporting period. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the group's accounting for financial assets as it does not have any available for sale assets other than equity investments. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The group has decided not to early adopt AASB 9.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011. When the amendments are applied, the group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013).

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The company is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

**(f) Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimate and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, using the assumptions detailed in note 22.

*Mineral Exploration and Evaluation*

Exploration and evaluation expenditure is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area of interest are continuing. The ultimate recoupment of the costs carried forward is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

*Units of production depreciation*

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in depreciation and or amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located.

These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units of production (UOP) depreciation methodologies are available to choose from; the Group adopts a Run of the Mine (ROM) tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

*Mine rehabilitation provision*

The consolidated entity assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the income statement.

*Impairment of assets*

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash flows are largely independent of other assets.

### (g) Deferred taxation

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

### (h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Sale of concentrates or ore is recorded when control has passed to the buyer.

### (i) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as detailed above, net of outstanding bank overdrafts.

### (j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### (k) Inventory

*(i) Raw materials and stores, work in progress and finished goods*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing inventory to its present location and conditions are accounted for as follows:

- ore stocks – cost of direct mining and a proportion of site overheads; and
- concentrates and work in progress – cost of direct mining, processing, transport and labour and a proportion of site overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Spares for production

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such items are valued at net realisable value.

### (l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss, or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### (m) Other taxes

Revenues, expenses and assets are recognised net of amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (n) Plant and equipment

Plant and equipment is stated at cost less any accumulated depreciation and any impairment in losses.

(i) Depreciation
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Leasehold improvements – over 5 years
Plant and equipment – over 4 to 10 years
Motor vehicles – over 4 years
Office equipment – over 5 to 8 years

(ii) Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the item value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is being derecognised.

**(o) Exploration, evaluation, development, mine properties and rehabilitation expenditure**

(i) 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:

(a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively by its sale, or

(b) 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 income statement 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.

For the year ending 30 September 2011 the Group chose not to carry forward the value of exploration expenditure and fully provide for the carrying value of all exploration properties.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to the reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

(ii) Mine development expenditure
Mine development expenditure represents the cost incurred in preparing mines for production and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent that they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

(iii) Mine Properties
Mine properties expenditure represents the cost incurred in the acquisition of a mining lease and represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the acquired mining lease at the date of acquisition. These costs are capitalised to the extent that they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units of production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

**(p) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided by the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(q) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(r) Employee leave benefits**

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave 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. Consideration is given to expected future wage and salary levels, experience of the employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(s) Earnings per share**

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit/loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

(ii) Diluted EPS is calculated by dividing the basic EPS, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on net revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

**(t) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(u) Borrowing costs**

Borrowing costs are recognised as an expense when incurred. Alternatively, borrowing costs can be capitalised for qualifying assets.

**(v) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

**(w) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exits, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (x) Interests in joint ventures

The Group has interests in joint ventures that are jointly controlled operations.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

### (y) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as thorough the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

### (z) Share-based payment transactions

(i) Equity settled transactions:
The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There is currently one plan in place the Employee Share Option, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes option pricing model, further details of which are given in note 22.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Thundelarra Exploration Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled aware are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

**(aa) Comparatives**

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**(ab) Goodwill**

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicated that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 3. SEGMENT INFORMATION

The Group operates in the mineral exploration industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 4. REVENUE AND EXPENSES

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(a) Revenue** | | |
| Sales | - | 618,079 |
| Interest income from non related parties | **896,626** | 1,073,414 |
| | **896,626** | 1,691,493 |
| **(b) Other Revenue** | | |
| Increase in market value of investments | - | 242,558 |
| Foreign currency exchange gain | - | 43,349 |
| Net gain on disposal of investments (4(f)) | - | 22,779,487 |
| Net gain on disposal of tenement (4(g)) | **168,507** | 225,000 |
| Other income | **318,427** | 199,741 |
| | **486,934** | 23,490,135 |
| **Total Revenues** | **1,383,560** | 25,181,628 |
| **(c) Employee Benefits Expenses** | | |
| Share based payments expense | **(1,559,520)** | (2,224,828) |
| **(d) Exploration Expenditure Written Off** | | |
| Exploration expenditure written-off or impaired | **(21,257,920)** | (2,150,674) |
| **(e) Other Expenses** | | |
| Administrative costs | **(15,681)** | (15,532) |
| Office and miscellaneous | **(690,632)** | (649,181) |
| Professional fees | **(214,357)** | (677,739) |

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(e) Other Expenses *(continued)*** | | |
| Regulatory and trust company fees | **(119,165)** | (130,714) |
| Shareholder and investor relations | **(117,918)** | (148,483) |
| Employee expenses | **(1,151,525)** | (1,170,136) |
| Finance costs | **(67)** | (3,359) |
| Decrease in market value of investments | **(248,059)** | - |
| Loss on disposal of property plant and equipment | - | (324) |
| Other operating expenses | **(94,718)** | (106,196) |
| | **(2,652,122)** | (2,901,664) |
| **(f) Net Gain on Disposal of Investments** | | |
| Proceeds from disposal of investments | - | 25,201,044 |
| Fair value amounts of investments sold | - | (17,933,533) |
| Transfer from revaluation reserve | - | 15,511,976 |
| Profit on disposal | - | 22,779,487 |
| **(g) Net Gain on Disposal of Tenement** | | |
| Proceeds from disposal of tenement | **170,000** | 225,000 |
| Carrying amounts of tenement sold | **(1,493)** | - |
| Profit on disposal | **168,507** | 225,000 |

The share based payments expense relates to the requirement to recognise the cost of granting options to Directors and employees under AIFRS over the option vesting period.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 5. INCOME TAX

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit/(Loss) from ordinary activities before income tax expense | **(24,455,980)** | 17,070,017 |
| Prima facie tax benefit on loss from ordinary activities at 30% (2010 – 30%) | **(7,336,794)** | 5,121,005 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Entertainment and other | **2,102** | 2,710 |
| Share based payments | **467,887** | 666,152 |
| | **(6,866,805)** | 5,789,867 |
| Movement in current year temporary differences | **2,840,792** | (1,654,460) |
| Tax effect of current year tax losses & non-recognition of previously recognised deferred tax assets | **4,026,013** | (4,524,810) |
| Tax effect movement in current year asset revaluation reserve | **-** | 4,653,583 |
| Income tax expense/(benefit) | **-** | 4,264,180 |

The potential future income tax benefit arising from accumulated tax losses in the Group including the Group's share of assets in the Copernicus Joint Venture have not been recognised in 2011 as an asset because recovery of tax losses is not probable.

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

(a) the Group 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 Group continues to comply with the conditions for deductibility imposed by income tax law; and

(c) no changes in income tax legislation adversely affects the Group in realising the benefit of the deduction for the loss.

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(b) Unrecognised temporary differences** | | |
| **Deferred Tax Asset (30%)** | | |
| Impairment and depreciation of assets in joint venture | **1,609,221** | 1,619,253 |
| Prepayments | **8,442** | 5,117 |
| Investments | **179,710** | 84,293 |
| Capital raising, formation and legal costs | **60,208** | 94,202 |
| Provisions for expenses | **293,651** | 264,035 |
| Carry forward tax losses | **5,509,775** | 1,907,759 |
| | **7,661,007** | 3,974,659 |
| **Deferred Tax Liabilities (30%)** | | |
| Unearned revenue | **10,845** | 40,812 |
| Capitalised tenement acquisition costs | **-** | 2,732,633 |
| | **10,845** | 2,773,445 |
| Net Deferred Tax Asset (Liability) | **7,650,162** | 1,201,154 |

## 6. CASH FLOW INFORMATION

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(a) Reconciliation of net cash provided by operating activities to operating profit/(loss) after income tax** | | |
| Operating profit/(loss) after income tax | **(23,857,562)** | 12,805,837 |
| **Non cash flows in operating loss** | | |
| Exploration costs written-off or provided | **21,257,920** | 2,150,674 |
| Income tax expense/(benefit) | **-** | 4,264,180 |
| Amortisation and depreciation | **252,113** | 221,043 |
| Share based payments | **1,559,520** | 2,224,828 |
| Impairment of joint venture assets | **-** | - |
| Net (Increase)/ decrease in fair value of investments | **248,059** | (242,558) |
| (Profit)/Loss on sale of plant, equipment and vehicles | **-** | 324 |
| (Profit)/Loss on sale of investments | **-** | (22,779,487) |
| (Profit)/Loss on sale of tenements | **(168,507)** | (225,000) |
| Cost of production | **-** | 20,255 |
| **Change in assets and liabilities** | | |
| (Decrease)/increase in trade creditors and accruals | **606,939** | 96,875 |
| (Increase)/decrease in inventory | **-** | 305,369 |
| (Increase)/decrease in receivables | **75,817** | (498,328) |
| (Decrease)/increase in provisions | **45,288** | 144,688 |
| Net cash outflow from operating activities | **19,587** | (1,511,300) |

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(b) Cash and cash equivalents represents:** | | |
| Cash in bank and on hand | **307,737** | 816,010 |
| Deposits at call | **7,717,964** | 18,384,965 |
| | **8,025,701** | 19,200,975 |
| **(c) Non Cash Investing Activities** | | |
| Acquisition of tenements and rights by means of shares | **863,750** | - |
| Disposal of tenements for shares | **(214,000)** | - |
| | **649,750** | - |

## 7. EARNINGS PER SHARE

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(a) Basic earnings/(loss) per share (cents per share)** | **(15.53)** | 8.73 |
| **(b) Diluted earnings/(loss) per share (cents per share)** | **(15.53)** | 8.14 |

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 financing 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.

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(c) Net profit/(loss) attributable to ordinary shareholders** | **(23,857,562)** | 12,805,837 |
| **(d) Weighted average number of ordinary shares outstanding during the year used in the calculation:** | | |
| - basic earnings per share | **153,615,497** | 146,613,901 |
| - diluted earnings per share | **153,615,497** | 157,345,085 |

## 8. TRADE AND OTHER RECEIVABLES

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **Current** | | |
| Other receivables | **369,288** | 323,516 |
| Accrued Income | **36,151** | 136,041 |
| | **405,439** | 459,557 |

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

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **Non-Current** | | |
| Security deposits/bonds | **913,345** | 537,940 |
| Receivables from joint venture partners | **27,197** | 48,896 |
| | **940,542** | 586,836 |

The Group believes that all outstanding receivables can be recovered when due and there are no past receivables due as at the balance sheet date.

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 9. OTHER FINANCIAL ASSETS (CURRENT)

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **Listed shares held for trading at fair value** | | |
| Royal Resources Limited (i) | **416,479** | 603,176 |
| Royal Resources Limited – Options (ii) | **43,085** | 57,445 |
| Aldershot Resources Limited (iii) | **119,000** | 140,000 |
| Bulletin Resources Limited (iv) | **65,000** | - |
| Newera Resources Limited (v) | **39,000** | - |
| | **682,564** | 800,621 |

All the above quoted shares are classified as Tier 1 investments carried at a fair value based on quoted prices in an active markets.

At 30 September 2011 the Company holds the following quoted securities:

(i) 2,872,265 (2010 – 2,872,265) fully paid ordinary shares in Royal Resources Limited.
(ii) 410,323 (2010 – 410,323) options in Royal Resources Limited.
(iii) 3,500,000 (2010 – 3,500,000) fully paid ordinary shares in Aldershot Resources Ltd, representing 2% of the ordinary shares on issue. Aldershot Resources Ltd is a Canadian company listed on the TSX Venture Exchange
(iv) 500,000 (2010 – Nil) fully paid ordinary shares in Bulletin Resources Limited.
(v) 750,000 (2010 – Nil) fully paid ordinary shares in Newera Resources Limited.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| Leasehold improvements, at cost | **263,149** | 263,149 |
| Less: accumulated depreciation | **(230,025)** | (210,163) |
| | **33,124** | 52,986 |
| | | |
| Plant and equipment, at cost | **359,909** | 295,995 |
| Less: accumulated depreciation | **(168,837)** | (111,176) |
| Less: impairment loss | **(35,625)** | (35,625) |
| | **152,447** | 149,194 |
| | | |
| Office equipment, at cost | **315,686** | 310,159 |
| Less: accumulated depreciation | **(257,283)** | (231,929) |
| Less: impairment loss | **(4,705)** | (10,605) |
| | **53,698** | 67,625 |
| | | |
| Motor vehicles, at cost | **459,927** | 268,245 |
| Less: accumulated depreciation | **(250,928)** | (168,024) |
| Less: impairment loss | **(10,128)** | (6,209) |
| | **198,871** | 94,012 |
| | | |
| Plant and equipment (NT), at cost | **81,858** | 67,941 |
| Less: accumulated depreciation | **(19,726)** | (5,089) |
| Less: impairment loss | **-** | - |
| | **62,132** | 62,858 |

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| Haul road, at cost | **1,855,025** | 1,855,025 |
| Less: accumulated depreciation | **(47,921)** | (47,921) |
| Less: impairment loss | **(1,807,104)** | (1,807,104) |
| | **-** | - |
| Construction in progress | **324,422** | 324,422 |
| Less: impairment loss | **(324,422)** | (324,422) |
| | **-** | - |
| **Total property, plant and equipment** | **500,272** | 426,675 |

**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:

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **Leasehold Improvements** | | |
| Carrying amount at 1 October 2010 | **52,986** | 81,277 |
| Additions | **-** | 3,093 |
| Depreciation | **(19,862)** | (31,384) |
| Impairment | **-** | - |
| Carrying amount at 30 September 2011 | **33,124** | 52,986 |
| **Plant and equipment** | | |
| Carrying amount at 1 October 2010 | **149,194** | 81,540 |
| Additions | **62,343** | 105,289 |
| Disposals | **-** | (1,426) |
| Depreciation | **(59,090)** | (36,209) |
| Impairment | **-** | - |
| Carrying amount at 30 September 2011 | **152,447** | 149,194 |
| **Office equipment** | | |
| Carrying amount at 1 October 2010 | **67,625** | 77,751 |
| Additions | **9,783** | 23,219 |
| Disposals | **-** | (478) |
| Depreciation | **(29,610)** | (40,447) |
| Impairment | **5,900** | 7,580 |
| Carrying amount at 30 September 2011 | **53,698** | 67,625 |
| **Motor vehicles** | | |
| Carrying amount at 1 October 2010 | **94,012** | 44,201 |
| Additions | **153,643** | 76,349 |
| Disposals | **-** | (22,198) |
| Depreciation | **(48,784)** | (32,741) |
| Impairment | **-** | 28,401 |
| Carrying amount at 30 September 2011 | **198,871** | 94,012 |

## 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **Plant and equipment (NT)** | | |
| Carrying amount at 1 October 2010 | **62,858** | - |
| Additions | **13,911** | 67,947 |
| Disposals | **-** | - |
| Depreciation | **(14,637)** | (5,089) |
| Carrying amount at 30 September 2011 | **62,132** | 62,858 |
| **Total carrying amount at 30 September 2011** | **500,272** | 426,675 |

## 11. PARENT ENTITY DISCLOSURES

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| **REVENUE FROM CONTINUING OPERATIONS** | | |
| Revenue | **887,053** | 1,685,540 |
| Other income | **462,344** | 23,485,118 |
| | **1,349,397** | 25,170,658 |
| **EXPENDITURE** | | |
| Cost of sales | **(117,865)** | (613,402) |
| Amortisation and depreciation | **(252,113)** | (221,043) |
| Employee benefits expense | **(1,151,525)** | (2,224,828) |
| Exploration expenditure written off | **(5,917,737)** | (972,366) |
| Administration expenses | **(8,305,927)** | (5,394,888) |
| **Profit/(Loss) from continuing operations before income tax expense** | **(14,395,770)** | 15,744,131 |
| Research and development tax refund | **598,418** | - |
| Income tax (expense)/benefit | **(2,313,380)** | (8,552,695) |
| **Net profit/(loss) from continuing operations for the year** | **(16,110,732)** | 7,191,436 |
| **Other comprehensive income** | | |
| Available for sale financial assets reserve net of deferred tax transferred to income | **-** | (10,858,359) |
| **Total comprehensive income/(loss) for the year** | **-** | (3,666,926) |
| **Net Profit/(Loss) attributable to members of the parent entity** | **(16,110,732)** | 7,191,436 |
| **Comprehensive income/(loss) attributable to members of the parent entity** | **(16,110,732)** | (3,666,926) |

# Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

## 11. PARENT ENTITY DISCLOSURES (CONTINUED)

| | Parent Entity 2011 $ | Parent Entity 2010 $ |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | **7,943,603** | 18,802,283 |
| Trade and other receivables | **16,513** | 262,688 |
| Other financial assets | **717,011** | 800,621 |
| **TOTAL CURRENT ASSETS** | **8,677,127** | 19,865,592 |
| **NON-CURRENT ASSETS** | | |
| Other receivables | **677,666** | 508,455 |
| Property, plant and equipment | **500,272** | 426,675 |
| Exploration expenditure | **-** | 1,467,328 |
| Mine development | **317,241** | 317,241 |
| Deferred tax asset | **-** | - |
| Intangible asset | **113,234** | 86,332 |
| **TOTAL NON-CURRENT ASSETS** | **1,608,413** | 2,806,031 |
| **TOTAL ASSETS** | **10,285,540** | 22,671,623 |

| | Parent Entity 2011 $ | Parent Entity 2010 $ |
|---|---|---|
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | **2,843,293** | 310,646 |
| Provisions | **275,020** | 272,734 |
| **TOTAL CURRENT LIABILITIES** | **3,118,313** | 583,380 |
| **NON-CURRENT LIABILITIES** | | |
| Trade and other payables | **-** | 2,056,601 |
| Provisions | **600,385** | 557,383 |
| Deferred tax liability | **-** | - |
| **TOTAL NON-CURRENT LIABILITIES** | **600,385** | 2,613,984 |
| **TOTAL LIABILITIES** | **3,718,698** | 3,197,364 |
| **NET ASSETS** | **6,566,842** | 19,474,259 |
| **EQUITY** | | |
| Contributed equity | **39,550,672** | 37,906,877 |
| Reserves | **7,156,525** | 5,597,005 |
| Accumulated losses | **(40,140,355)** | (24,029,623) |
| **TOTAL EQUITY** | **6,566,842** | 19,474,259 |

## 11. PARENT ENTITY DISCLOSURES (CONTINUED)

| | Parent Entity | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **FINANCIAL PERFORMANCE** | | |
| **ACCUMULATED LOSSES** | | |
| Balance at the beginning of the year | **(24,029,623)** | (31,221,059) |
| Net profit/(loss) attributable to members of Thundelarra Exploration Ltd | **(16,110,732)** | 7,191,436 |
| Balance at the end of the financial year | **(40,140,355)** | (24,029,623) |
| **OTHER FINANCIAL ASSETS (NON-CURRENT)** | | |
| **Investment in Subsidiary** | | |
| Element 92 Pty Ltd | **3,661,200** | 3,297,450 |
| Provision for write down of investment | **(3,661,200)** | (3,297,450) |
| | **-** | - |
| **Investment in Subsidiary** | | |
| Trilogy Metals Limited | **1** | 1 |
| Provision for write down of investment | **(1)** | (1) |
| | **-** | - |

## 12. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE (NON-CURRENT)

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **(a) Exploration and evaluation** | | |
| At 1 October 2010 | **9,108,776** | 3,725,107 |
| Expenditure incurred during the year | **12,149,144** | 7,534,343 |
| Expenditure provided or written off during the year (note 4(d)) | **(21,257,920)** | (2,150,674) |
| At 30 September 2011 | **-** | 9,108,776 |
| **(b) Mine properties and development** | | |
| At 1 October 2010 | **317,241** | 317,241 |
| Expenditure incurred during the year | **-** | - |
| Expenditure provided or written off during the year | **-** | - |
| At 30 September 2011 | **317,241** | 317,241 |

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 (refer to note 26).

Some of the Consolidated entity'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.

## 13. DEFERRED TAX ASSET (NON-CURRENT)

| | | |
|---|---|---|
| Deferred tax asset (Note 5) | **-** | - |

## 14. INTANGIBLE ASSET

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **Software and Licences** | | |
| At 1 October 2010 | **86,332** | 82,331 |
| Additions | **112,933** | 99,098 |
| Disposals | **-** | - |
| Less: amortisation | **(86,031)** | (95,097) |
| At 30 September 2011 | **113,234** | 86,332 |

## 15. TRADE AND OTHER PAYABLES

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(Current)** | | |
| Trade payables and accruals | **1,188,613** | 577,942 |
| Payables to joint venture partner and related entities | **2,056,600** | - |
| Amounts owing to director related entities | **-** | 3,732 |
| | **3,245,213** | 581,674 |

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

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(Non-Current)** | | |
| Payables to joint venture partner and related entities | **-** | 2,056,601 |

## 16. PROVISIONS

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(Current)** | | |
| Employee entitlements | **275,020** | 272,734 |
| Number of employees at year end | **22** | 17 |
| **(Non-Current)** | | |
| Employee entitlements | **600,385** | 557,383 |

**Superannuation**
The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the Company represent a defined percentage of each employee's salary. Additional employee contributions are voluntary.

**Employee Share Option Plan**
Details of the Employee Share Option Plan for the Company are disclosed in Note 22.

## 17. DEFERRED TAX LIABILITY (NON-CURRENT)

| | 2011 | 2010 |
|---|---|---|
| Deferred tax liability (Note 5) | **-** | - |

## 18. CONTRIBUTED EQUITY AND RESERVES

### (a) Issued and paid up capital

| | Number of Shares | | Consolidated | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 $ | 2010 $ |
| Ordinary shares | **154,828,927** | 150,948,481 | **39,550,673** | 37,906,877 |

### (b) Movement in ordinary shares on issue

| Date | | Number of Shares | Issue Price $ | Total $ |
|---|---|---|---|---|
| 1/10/09 | Opening Balance | 143,995,743 | | 35,547,729 |
| 21/10/09 | Issue on exercise of options | 1,000,000 | 0.45 | 450,000 |
| 21/10/09 | Issue on exercise of options | 509,820 | 0.20 | 101,964 |
| 29/03/10 | Issue on exercise of options | 50,000 | 0.39 | 19,500 |
| 29/03/10 | Issue on exercise of options | 4,568 | 0.20 | 914 |
| 29/04/10 | Issue on exercise of options | 1,000,000 | 0.45 | 450,000 |
| 29/04/10 | Issue on exercise of options | 2,701 | 0.20 | 540 |
| 7/05/10 | Issue on exercise of options | 38,417 | 0.20 | 7,683 |
| 21/05/10 | Issue on exercise of options | 260,834 | 0.20 | 52,167 |
| 28/05/10 | Issue on exercise of options | 25,000 | 0.20 | 5,000 |
| 9/06/10 | Issue on exercise of options | 33,411 | 0.20 | 6,682 |
| 21/06/10 | Issue on exercise of options | 54,375 | 0.20 | 10,875 |
| 3/07/10 | Issue on exercise of options | 150,000 | 0.11 | 16,500 |
| 26/07/10 | Issue on exercise of options | 500,000 | 0.45 | 225,000 |
| 26/07/10 | Issue on exercise of options | 200,000 | 0.11 | 22,000 |
| 5/08/10 | Issue on exercise of options | 750,000 | 0.45 | 337,500 |
| 5/08/10 | Issue on exercise of options | 738 | 0.20 | 148 |
| 5/08/10 | Issue on exercise of options | 100,000 | 0.52 | 52,000 |

### (b) Movement in ordinary shares on issue *(continued)*

| Date | | Number of Shares | Issue Price $ | Total $ |
|---|---|---|---|---|
| 5/08/10 | Issue on exercise of options | 100,000 | 0.39 | 39,000 |
| 5/08/10 | Issue on exercise of options | 80,000 | 0.52 | 41,600 |
| 10/08/10 | Issue on exercise of options | 220,000 | 0.52 | 114,400 |
| 10/08/10 | Issue on exercise of options | 1,392,540 | 0.20 | 278,508 |
| 18/08/10 | Issue on exercise of options | 300,334 | 0.20 | 60,067 |
| 18/08/10 | Issue on exercise of options | 30,000 | 0.52 | 15,600 |
| 22/09/10 | Issue on exercise of options | 50,000 | 0.39 | 19,500 |
| 29/09/10 | Issue on exercise of options | 100,000 | 0.32 | 32,000 |
| | Share issue costs | | | - |
| | **Balance at 30 September 2010** | **150,948,481** | | **37,906,877** |
| 4/10/10 | Issue on exercise of options | 180,000 | 0.32 | 57,600 |
| 8/10/10 | Issue on exercise of options | 1,394 | 0.20 | 279 |
| 14/10/10 | Issue on exercise of options | 750,000 | 0.45 | 337,500 |
| 21/10/10 | Issue of share | 680,272 | 0.735 | 500,000 |
| 21/10/10 | Issue on exercise of options | 350,000 | 0.32 | 112,000 |
| 23/11/10 | Issue on exercise of options | 2,335 | 0.20 | 467 |
| 30/12/10 | Issue on exercise of options | 500,000 | 0.45 | 225,000 |
| 14/02/11 | Issue on exercise of options | 2,001 | 0.20 | 400 |
| 28/03/11 | Issue of share | 44,444 | 0.45 | 20,000 |
| 6/04/11 | Issue on exercise of options | 120,000 | 0.39 | 46,800 |
| 27/06/11 | Issue of share | 1,250,000 | 0.275 | 343,750 |
| | Share issue costs | | | - |
| | **Balance at 30 September 2011** | **154,828,927** | | **39,550,673** |

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.

## 18. CONTRIBUTED EQUITY AND RESERVES (CONTINUED)

### (c) Movement in options on issue

| | Number 2011 | Number 2010 |
|---|---|---|
| **Exercisable at 55 cents on or before 28 February 2010** | | |
| Balance as at beginning of year | **-** | 200,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | (200,000) |
| Balance as at end of year | **-** | - |
| **Exercisable at 50 cents on or before 28 February 2010** | | |
| Balance as at beginning of year | **-** | 1,500,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | (1,500,000) |
| Balance as at end of year | **-** | - |
| **Exercisable at 50 cents on or before 31 May 2010** | | |
| Balance as at beginning of year | **-** | 1,000,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | (1,000,000) |
| Balance as at end of year | **-** | - |
| **Exercisable at 68 cents on or before 31 May 2011** | | |
| Balance as at beginning of year | **1,000,000** | 1,000,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **(1,000,000)** | - |
| Balance as at end of year | **-** | 1,000,000 |

| | Number 2011 | Number 2010 |
|---|---|---|
| **Exercisable at 52 cents on or before 30 June 2011** | | |
| Balance as at beginning | **110,000** | 360,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | (250,000) |
| Options lapsed during the year | **(110,000)** | - |
| Balance as at end of year | **-** | 110,000 |
| **Exercisable at 45 cents on or before 30 November 2010** | | |
| Balance as at beginning | **1,250,000** | 4,500,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **(1,250,000)** | (3,250,000) |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **-** | 1,250,000 |
| **Exercisable at 47 cents on or before 31 December 2011** | | |
| Balance as at beginning | **350,000** | 350,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **350,000** | 350,000 |
| **Exercisable at 50 cents on or before 28 February 2013** | | |
| Balance as at beginning | **4,250,000** | 4,250,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **4,250,000** | 4,250,000 |

## 18. CONTRIBUTED EQUITY AND RESERVES (CONTINUED)

**(c) Movement in options on issue (continued)**

| | Number 2011 | Number 2010 |
|---|---|---|
| **Exercisable at 39 cents on or before 3 April 2011** | | |
| Balance as at beginning | **200,000** | 400,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **(120,000)** | (200,000) |
| Options lapsed during the year | **(80,000)** | - |
| Balance as at end of year | **-** | 200,000 |
| **Exercisable at 52 cents on or before 30 June 2012** | | |
| Balance as at beginning | **260,000** | 440,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | (180,000) |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **260,000** | 260,000 |
| **Exercisable at 11 cents on or before 31 December 2012** | | |
| Balance as at beginning | **-** | 350,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | (350,000) |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **-** | - |
| **Exercisable at 20 cents on or before 28 February 2014** | | |
| Balance as at beginning | **4,250,000** | 4,250,000 |
| Issued during the year | **-** | - |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **4,250,000** | 4,250,000 |

| | Number 2011 | Number 2010 |
|---|---|---|
| **Exercisable at 32 cents on or before 30 September 2012** | | |
| Balance as at beginning | **810,000** | 910,000 |
| Issued during the year | **-** | |
| Exercised during the year | **(530,000)** | (100,000) |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **280,000** | 810,000 |
| **Exercisable at 64 cents on or before 25 February 2015** | | |
| Balance as at beginning | **6,750,000** | - |
| Issued during the year | **-** | 6,750,000 |
| Exercised during the year | **-** | - |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **6,750,000** | 6,750,000 |
| **Exercisable at 96 cents on or before 20 September 2013** | | |
| Balance as at beginning | **2,090,000** | - |
| Issued during the year | **-** | 2,090,000 |
| Exercised during the year | **-** | - |
| Options lapsed / cancelled during the year | **(480,000)** | - |
| Balance as at end of year | **1,610,000** | 2,090,000 |
| **Exercisable at 20 cents on or before 29 March 2013** | | |
| Balance as at beginning | **6,783,860** | 9,406,598 |
| Issued during the year | **-** | - |
| Exercised during the year | **(5,730)** | (2,622,738) |
| Options lapsed during the year | **-** | - |
| Balance as at end of year | **6,778,130** | 6,783,860 |

## 18. CONTRIBUTED EQUITY AND RESERVES (CONTINUED)

### (c) Movement in options on issue (continued)

| | Number 2011 | Number 2010 |
|---|---|---|
| **Exercisable at 84 cents on or before 27 February 2016** | | |
| Balance as at beginning | - | - |
| Issued during the year | 6,750,000 | - |
| Exercised during the year | - | - |
| Options lapsed during the year | - | - |
| Balance as at end of year | 6,750,000 | - |
| **Exercisable at 39 cents on or before 30 June 2014** | | |
| Balance as at beginning | - | - |
| Issued during the year | 1,620,000 | - |
| Exercised during the year | - | - |
| Options lapsed during the year | - | - |
| Balance as at end of year | 1,620,000 | - |

### (d) Reserves

| | Number 2011 | Number 2010 |
|---|---|---|
| General reserve | | |
| Share-based payments reserve | 7,156,525 | 5,597,005 |
| | 7,156,525 | 5,597,005 |
| **General reserve** | | |
| Balance at beginning of year | - | 10,858,359 |
| Fair value adjustments | - | - |
| Deferred tax on items recognised directly in equity | - | - |
| Transfer of reserve to income | - | (10,858,359) |
| Balance at end of year | - | - |
| **Share based payments reserve** | | |
| Balance at beginning of year | 5,597,005 | 3,372,177 |
| Share based payments | 1,559,520 | 2,224,828 |
| Balance at end of year | 7,156,525 | 5,597,005 |

**Nature and purpose of reserves**

*General reserve*
This reserve records fair value changes on available for sale financial assets. There were no available for sale financial assets as at 30 September 2011.

*Share based payments reserve*
The share based payments reserve is used to recognise the fair value of options issued.

## 19. ACCUMULATED LOSSES

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Balance at the beginning of the year | **(15,985,261)** | (28,791,098) |
| Net profit/(loss) attributable to members of Thundelarra Exploration Ltd | **(23,857,562)** | 12,805,837 |
| Balance at the end of the financial year | **(39,842,823)** | (15,985,261) |

## 20. COMMITMENTS AND CONTINGENCIES

**(i) Exploration commitments**

| | 2011 | 2010 |
|---|---|---|
| Within one year | **3,006,681** | 3,079,772 |
| Later than one year but not later than five years | **4,482,373** | 6,009,209 |
| Later than five years | **1,076,196** | 1,078,076 |
| | **8,565,250** | 10,167,057 |

In order to maintain current rights of tenure to exploration tenements, the Group 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.

If the Group 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.

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| **(ii) Operating lease commitments** | | |
| Operating lease commitments are as follows:- | | |
| Office rental | | |
| Within one year | **263,822** | 241,819 |
| Later than one year but not later than five years | **345,372** | 446,059 |
| Later than five years | **-** | - |
| | **609,194** | 687,878 |

The Group has entered into a commercial property lease on its corporate office premises. The non-cancellable lease expires 1 July 2013. The lease includes a clause to enable an upward revision of rental charge on an annual basis of either a fixed percentage increase or market review according to prevailing market conditions.

**(iii) Bank Guarantees**

At 30 September 2011 the Group has outstanding $175,031 (2010: $175,031) as a current guarantee provided by the bank for corporate office lease.

**(iv) Native Title**

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

## 21. DIRECTORS AND EXECUTIVES DISCLOSURE

### (a) Details of key management personnel

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

| | |
|---|---|
| Philip G Crabb | Non-Executive Chairman (resigned 30 September 2011) |
| Brett T Lambert | Managing Director/CEO |
| Brian D Richardson | Executive Director |
| Frank DeMarte | Executive Director |
| Malcolm J Randall | Non-Executive Director |
| John D Hopkins | Non-Executive Director (appointed 30 September 2011) |

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

### (b) Compensation of Key Management Personnel – by category

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Short term | **1,089,058** | 1,266,798 |
| Post employment | **91,734** | 104,201 |
| Share based payments | **1,404,000** | 1,382,780 |
| Long term | **24,582** | 27,752 |
| | **2,609,374** | 2,781,531 |

### (c) Shareholdings of Key Management Personnel (Consolidated and Parent Entity)

The number of shares held in Thundelarra Exploration Ltd during the financial year.

| 30 September 2011 | Balance 1 October 2010 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 September 2011 |
|---|---|---|---|---|---|
| P G Crabb | 22,177,839 | - | - | - | **22,177,839** |
| B T Lambert | 713,949 | - | - | - | **713,949** |
| B D Richardson | 645,727 | - | - | - | **645,727** |
| F DeMarte | 2,779,442 | - | - | - | **2,779,442** |
| M J Randall | 437,500 | - | - | - | **437,500** |
| J D Hopkins | - | - | - | 100,000 | **100,000** |
| Total | 26,754,457 | - | - | 100,000 | **26,854,457** |

| 30 September 2010 | Balance 1 October 2009 | Granted as Remuneration | On Exercise of Options | Net Change Other | Balance 30 September 2010 |
|---|---|---|---|---|---|
| P G Crabb | 23,085,299 | - | 1,392,540 | (2,300,000) | **22,177,839** |
| B T Lambert | 713,949 | - | - | - | **713,949** |
| B D Richardson | 1,295,727 | - | - | (650,000) | **645,727** |
| F DeMarte | 2,779,442 | - | - | - | **2,779,442** |
| M J Randall | 437,500 | - | - | - | **437,500** |
| Total | 28,311,917 | - | 1,392,540 | (2,950,000) | **26,754,457** |

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

## 21. DIRECTORS AND EXECUTIVES DISCLOSURE (CONTINUED)

**(d) Option holdings of Key Management Personnel (Consolidated and Parent Entity)**

The number of options over ordinary shares held in Thundelarra Exploration Ltd during the financial year.

| | | | | | | | Vested at 30 September 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 September 2011 | Balance at beginning of period 1 October 2010 | Granted as Remuneration | Options exercised | Options Expired | Net Change Other | Balance at end of period 30 September 2011 | Total | Exercisable | Not Exercisable |
| P G Crabb | 2,758,205 | 1,000,000 | - | - | - | 3,758,205 | 3,758,205 | 3,758,205 | - |
| B T Lambert | 5,197,984 | 2,000,000 | - | (1,000,000) | - | 6,197,984 | 6,197,984 | 6,197,984 | - |
| B D Richardson | 3,586,382 | 1,500,000 | - | - | - | 5,086,382 | 5,086,382 | 5,086,382 | - |
| F DeMarte | 3,830,397 | 1,500,000 | - | - | - | 5,330,397 | 5,330,397 | 5,330,397 | - |
| M J Randall | 1,779,167 | 750,000 | - | - | - | 2,529,167 | 2,529,167 | 2,529,167 | - |
| J D Hopkins | - | - | - | - | - | - | - | - | - |
| Total | 17,152,135 | 6,750,000 | - | (1,000,000) | - | 22,902,135 | 22,902,135 | 22,902,135 | - |

| | | | | | | | Vested at 30 September 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 September 2010 | Balance at beginning of period 1 October 2009 | Granted as Remuneration | Options exercised | Options Expired | Net Change Other | Balance at end of period 30 September 2010 | Total | Exercisable | Not Exercisable |
| P G Crabb | 3,400,745 | 1,000,000 | (1,392,540) | (250,000) | - | 2,758,205 | 2,758,205 | 2,758,205 | - |
| B T Lambert | 4,197,984 | 2,000,000 | - | (1,000,000) | - | 5,197,984 | 5,197,984 | 5,197,984 | - |
| B D Richardson | 2,586,382 | 1,500,000 | - | (500,000) | - | 3,586,382 | 3,586,382 | 3,586,382 | - |
| F DeMarte | 2,830,397 | 1,500,000 | - | (500,000) | - | 3,830,397 | 3,830,397 | 3,830,397 | - |
| M J Randall | 1,279,167 | 750,000 | - | (250,000) | - | 1,779,167 | 1,779,167 | 1,779,167 | - |
| Total | 14,294,675 | 6,750,000 | (1,392,540) | (2,500,000) | - | 17,152,135 | 17,152,135 | 17,152,135 | - |

## 21. DIRECTORS AND EXECUTIVES DISCLOSURE (CONTINUED)

**(e) Share Based Compensation Options**

During the financial year options were granted as equity compensation benefits to key management personnel. The options were issued at no consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the equity at the exercise price. No options have been granted since the end of the year to key management personnel. For further details relating to options, refer to note 22.

Compensation Options: Granted and vested during the year ended 30 September 2011.

| | Vested | Granted | Terms and Conditions for each Grant | | | | | |
|---|---|---|---|---|---|---|---|---|
| 30 September 2011 | Number | Number | Grant Date | Fair Value per option ($) (Note 22) | Exercise Price per option ($) (Note 22) | Expiry Date | First Exercise Date | Last Exercise Date |
| P G Crabb | 1,000,000 | 1,000,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| B T Lambert | 2,000,000 | 2,000,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| B D Richardson | 1,500,000 | 1,500,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| F DeMarte | 1,500,000 | 1,500,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| M R Randall | 750,000 | 750,000 | 28/02/11 | $0.208 | $0.84 | 27/02/16 | 28/02/11 | 27/02/16 |
| J D Hopkins | - | - | - | - | - | - | - | - |
| Total | 6,750,000 | 6,750,000 | | | | | | |

Compensation Options: Granted and vested during the year ended 30 September 2010.

| | Vested | Granted | Terms and Conditions for each Grant | | | | | |
|---|---|---|---|---|---|---|---|---|
| 30 September 2010 | Number | Number | Grant Date | Fair Value per option ($) (Note 22) | Exercise Price per option ($) (Note 22) | Expiry Date | First Exercise Date | Last Exercise Date |
| P G Crabb | 1,000,000 | 1,000,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| B T Lambert | 2,000,000 | 2,000,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| B D Richardson | 1,500,000 | 1,500,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| F DeMarte | 1,500,000 | 1,500,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| M R Randall | 750,000 | 750,000 | 26/02/10 | $0.205 | $0.64 | 25/02/15 | 26/02/10 | 25/02/15 |
| Total | 6,750,000 | 6,750,000 | | | | | | |

## 22. SHARE BASED PAYMENTS

### (a) Type of share based payment plan

*Employee Share Option Plan*

Options are granted under the Company Employee Share Option Plan (ESOP) which was approved by the shareholders on 27 February 2010. 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. The expense recognised in the income statement in relation to share based payments is disclosed in Note 4.

### (b) Summary of options granted

The following table illustrates the number and weighted average prices (WAEP) of and the movements in share options issued during the year in respect of share based payments.

| | Number 2011 | WAEP 2011 $ | Number 2010 | WAEP 2010 $ |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **21,320,000** | **0.53** | 19,510,000 | 0.42 |
| Granted during the year | **8,370,000** | **0.75** | 8,840,000 | 0.72 |
| Lapsed during the year | **(1,900,000)** | **0.41** | (2,700,000) | 0.50 |
| Exercised during the year | **(1,670,000)** | **0.74** | (4,330,000) | 0.42 |
| Outstanding at the end of the year | **26,120,000** | **0.59** | 21,320,000 | 0.53 |
| Exercisable at the end of the year | **26,120,000** | **0.59** | 21,320,000 | 0.53 |

The outstanding balance as at 30 September 2011 is represented by:

| Date options granted | Expiry date | Exercise price of options | Number of options |
|---|---|---|---|
| 10 January 2008 | 31 December 2011 | $0.47 | 350,000 |
| 27 February 2008 | 28 February 2013 | $0.50 | 4,250,000 |
| 3 July 2008 | 30 June 2012 | $0.52 | 260,000 |
| 27 February 2009 | 28 February 2014 | $0.20 | 4,250,000 |
| 29 September 2009 | 30 September 2012 | $0.32 | 280,000 |
| 26 February 2010 | 25 February 2015 | $0.64 | 6,750,000 |
| 23 September 2010 | 20 September 2013 | $0.96 | 1,610,000 |
| 28 February 2011 | 27 February 2016 | $0.84 | 6,750,000 |
| 1 July 2011 | 30 June 2014 | $0.39 | 1,620,000 |

Please refer to Shares Under Option table in the Directors Report for movements since year end.

## 22. SHARE BASED PAYMENTS (CONTINUED)

**(c) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 September 2011 is 2.96 years (2010 –3 years).

**(d) Range of exercise price**

The range of exercise prices for options outstanding at the end of the year was $0.20 to $0.96 (2010 - $0.20 to $0.96).

**(e) Weighted average fair value**

The weighted average fair value of options granted during the year was $0.19 (2010 - $0.22).

**(f) Options pricing model**

The fair value of the equity-settled share options granted under the plan is estimated as 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 used for the year ended 30 September 2011.

| | | |
|---|---|---|
| Number of Options | 6,750,000 | 1,620,000 |
| Option exercise price (cents) | 84 cents | 39 cents |
| Expiry date | 27/02/2016 | 30/06/2014 |
| Expected life of the option (years) | 5 years | 3 years |
| Vesting period (months) | - | - |
| Dividend yield (%) | Nil | Nil |
| Expected volatility (%) | 70% | 80% |
| Risk-free interest rate (%) | 5.13% | 4.84% |
| Discount for unquoted security | 30% | 30% |
| Closing share price at grant date (cents) | 56 cents | 29 cents |
| Vesting date | 28/02/2011 | 1/07/2011 |

The following table lists the inputs to the model used for the year ended 30 September 2010.

| | | |
|---|---|---|
| Number of Options | 6,750,000 | 2,090,000 |
| Option exercise price (cents) | 64 cents | 96 cents |
| Expiry date | 25/02/2015 | 20/09/2013 |
| Expected life of the option (years) | 5 years | 3 years |
| Vesting period (months) | - | - |
| Dividend yield (%) | Nil | Nil |
| Expected volatility (%) | 96.7% | 84.4% |
| Risk-free interest rate (%) | 5.10% | 4.89% |
| Discount for unquoted security | 30% | 30% |
| Closing share price at grant date (cents) | 42 cents | 76 cents |
| Vesting date | 26/02/2010 | 23/09/2010 |

## 23. REMUNERATION OF AUDITORS

The auditor of Thundelarra Exploration Ltd is Stantons International for:

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| An audit or review of the financial report of the consolidated entity | **68,109** | 87,177 |

## 24. RELATED PARTY DISCLOSURES

**(a) Directors**

Fees paid in the normal course of business in 2011 for drilling services, camp maintenance and other services totalling $Nil (2010 - $378,448) were paid/payable (balance outstanding at 30 September 2011) and included in trade creditors $Nil (2010 - $Nil) to a company of which Mr Philip Crabb is a director and shareholder.

Fees paid in the normal course of business in 2011 for employee services and equipment hire totalling $Nil (2010 - $3,080) were paid/payable (balance outstanding at 30 September 2010) and included in trade creditors $Nil (2010 - $Nil) to a company of which all the directors are directors and shareholders.

Fees paid in the normal course of business in 2011 for rental of core shed facilities totalling $Nil (2010 - $Nil) were paid/payable (balance outstanding at 30 September 2011) and included in trade creditors $Nil (2010 - $Nil) to a company of which Mr Phillip Crabb is a director and shareholder.

Fees received in the normal course of business in 2011 for office rental, administrative and employees services totalling $244,842 (2010 - $217,068) were received from companies of which P G Crabb, F DeMarte, B D Richardson and M J Randall are directors and shareholders.

**(b) Loans with key management personnel and their related entities**

There were no loans to key management personnel and their related entities during the year.

**(c) Subsidiaries**

The Group consists of the Parent and its wholly owned controlled entities set out in Notes 11 and 25. Transactions between the Parent and its wholly owned controlled entities during the year ended 30 September 2011 consists of loans advanced by the Parent totalling $13,694,788 (2010: $6,126,726). The loans provided above are unsecured, interest free and has no fixed term of repayment. There were no repayments made during the year.

## 25. CONTROLLED ENTITIES

| | | Percentage Interest Held | | Carrying amount of Parent Entity's Investment | |
|---|---|---|---|---|---|
| Name | Country of Incorporation | 2011 % | 2010 % | 2011 $ | 2010 $ |
| Element 92 Pty Ltd | Australia | 100 | 100 | - | - |
| Trilogy Metals Limited | Australia | 100 | 100 | - | - |

## 26. INTEREST IN JOINT VENTURES

The Company has interests in several joint ventures as follows:

**(a) Joint venture details**

*Copernicus Joint Venture*

The Copernicus Joint Venture is involved with the exploration, evaluation, development and production of mineral deposits in the Kimberley region of Western Australia. The unincorporated joint venture is between Panoramic Resources Limited 60% and Thundelarra Exploration Ltd 40% (2010 – 40%), with Panoramic as manager and operator.

At 30 September 2011 the Copernicus project was on care and maintenance, but the open pit and associated infrastructure are fully developed, and ready to be re-opened at short notice when the nickel price recovers to a level that will provide both parties with an acceptable return on their investment.

## 26. INTEREST IN JOINT VENTURES (CONTINUED)

The Company's share of the assets, liabilities, revenue and expenses of the jointly controlled operation before the provision for impairment, which is included in the parent and consolidated financial statements, are as follows:

| | Consolidated | |
|---|---|---|
| | 2011 $ | 2010 $ |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | **33,692** | 29,911 |
| **TOTAL CURRENT ASSETS** | **33,692** | 29,911 |
| **NON-CURRENT ASSETS** | | |
| Trade and other receivables | **27,197** | 48,896 |
| Property, plant and equipment | **2,356,384** | 2,358,364 |
| Exploration expenditure | **74,425** | 70,575 |
| Mine development | **3,044,233** | 3,044,233 |
| Rehabilitation | **317,241** | 317,241 |
| **TOTAL NON-CURRENT ASSETS** | **5,819,480** | 5,839,309 |
| **TOTAL ASSETS** | **5,853,172** | 5,869,220 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | **1,204** | 354 |
| **TOTAL CURRENT LIABILITIES** | **1,204** | 354 |
| **NON-CURRENT LIABILITIES** | | |
| Provisions | **365,682** | 354,411 |
| **TOTAL NON-CURRENT LIABILITIES** | **365,682** | 354,411 |
| **TOTAL LIABILITIES** | **366,886** | 354,765 |
| **NET ASSETS** | **5,486,286** | 5,514,455 |

The Consolidated Entity also has a number of other interests in joint ventures to explore for uranium and other minerals. The Consolidated Entity's share of expenditure in respect of these exploration and evaluation activities is either expensed or capitalised depending on the stage of development and no revenue is generated. At 30 September 2011 all capitalised costs were impaired to nil.

The Consolidated Entity's share of capitalised expenditure in respect to these joint venture activities is as follows:

| Joint Venture | Principal Activities | Percentage Interest 2011 | Percentage Interest 2010 | Expenditure Capitalised 2011 $ | Expenditure Capitalised 2010 $ |
|---|---|---|---|---|---|
| Copernicus JV | Base metals | 40% | 40% | - | - |
| East Kimberley JV | Base metals | 39% | 100% | | |
| Great Gold Mines JV | Base metals | 80% | 80% | - | - |
| Breakaway JV | Base metals | 20% | 20% | - | - |
| Lewis JV | Base metals | 80% | 80% | - | - |
| Voermans JV | Base metals | 80% | 80% | - | - |
| Richmond JV | Base metals | - | - | - | 938,215 |
| Spinifex JV | Uranium | 100% | 100% | - | - |
| Priscilla JV | Uranium | 80% | - | | - |
| GBS JV | Uranium | 70% | 70% | - | 2,803,148 |
| Cullen JV | Uranium | - | - | - | - |
| Allamber JV | Uranium | 100% | 70% | - | 383,866 |
| Alara JV | Uranium | - | - | - | 337,374 |
| Goldfinger JV | Uranium | - | - | - | - |
| TOP JV | Uranium | - | - | - | - |
| TOC JV | Uranium | - | - | - | - |
| Total | | | | - | 4,462,603 |

## 27. FINANCIAL INSTRUMENTS

(a) The Group's principal financial instruments comprise of cash, short term deposits and other financial assets. The Group has various other financial assets and liabilities such as trade receivables and trade payables. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken, except for other financial assets which have been sold for working capital purposes. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and credit risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the Financial Statements.

| | Floating Interest Rate | | Fixed Interest Rate – 1 year or less | | Non-interest bearing | | Total | |
|---|---|---|---|---|---|---|---|---|
| Consolidated | 2011 $ | 2010 $ | 2011 $ | 2010 $ | 2011 $ | 2010 $ | 2011 $ | 2010 $ |
| **Financial Assets** | | | | | | | | |
| Cash and cash equivalents | **307,737** | 816,010 | **7,717,964** | 18,384,965 | **-** | - | **8,025,701** | 19,200,975 |
| Trade and other receivables | **-** | - | **913,345** | 517,447 | **432,636** | 528,946 | **1,345,981** | 1,046,393 |
| Other financial assets | **-** | - | **-** | - | **682,564** | 800,621 | **682,564** | 800,621 |
| Total Financial Assets | **307,737** | 816,010 | **8,631,309** | 18,902,412 | **1,115,200** | 1,329,567 | **10,054,246** | 21,047,989 |
| **Financial Liabilities** | | | | | | | | |
| Trade and other payables | **-** | - | **-** | - | **(3,126,657)** | (2,638,275) | **(3,126,657)** | (2,638,275) |
| Total Financial Liabilities | **-** | - | **-** | - | **(3,126,657)** | (2,638,275) | **(3,126,657)** | (2,638,275) |
| Net Financial Assets/(Liabilities) | **307,737** | 816,010 | **8,631,309** | 18,902,412 | **(2,011,457)** | (1,308,708) | **6,927,589** | 18,409,714 |
| Weighted Average Interest Rate | **1.48%** | 1.67% | **4.99%** | 5.70% | | | | |

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

| Reconciliation of net financial assets/ (liabilities) to net assets | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Net Financial Assets/(Liabilities) as above | **6,927,589** | 18,409,714 |
| Property, plant and equipment | **500,272** | 426,675 |
| Exploration & evaluation expenditure | **-** | 9,108,776 |
| Mine development | **317,241** | 317,241 |
| Intangibles | **113,234** | 86,332 |
| Provisions | **(993,961)** | (830,117) |
| Deferred tax assets | **-** | - |
| Deferred tax liability | **-** | - |
| Net Assets per Statement of Financial Position | **6,864,375** | 27,518,621 |

The net fair value of all financial assets and liabilities at balance date approximate to their carrying value. The main risk the Company's exposed to through financial instruments credit risk, commodity risk and market risk consisting of interest rate risk and equity price risk.

**(a) Interest Rate Risk**

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities, is disclosed under point (a) above.

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

**(b) Credit Risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. Risk is also minimised by investing surplus funds with financial institutions that maintain a high credit rating.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Group believes that all outstanding receivables are recoverable and there are no past due receivables as at balance date.

**(c) Net Fair Value of Financial Assets and Liabilities**

The net fair value of the financial assets and financial liabilities approximates their carrying value, except for the fair value of equity investments traded on organised markets which have been valued by reference to the market prices prevailing at balance date for those equity investments.

**(d) Liquidity Risk**

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance requirements to finance the Group's current and future operations.

The Group believes that all outstanding payables can be paid when due and there are no past due payables as at the balance date.

**(e) Foreign Exchange Risk**

The Group at present does not have any exposure to foreign exchange risk, because the Group did not make any sales or purchases in a currency other than the entity's functional currency. At 30 September 2011 the Group did not have any assets or liabilities denominated in a foreign currency.

**(f) Commodity Price Risk**

The Group's exposure to nickel prices is high because all of the revenue generated from the Copernicus Joint Venture comes from the sale of nickel. Nickel is sold on the basis of United States dollar nickel prices quoted on the London Metals Exchange (LME).

The Group's profit and loss and statement of financial position can be affected significantly by movements in nickel prices on the LME. The Group will need to mitigate the effect of its nickel price exposure by seeking appropriate derivative instruments once the open pit mining operations are re-commenced at Copernicus in the future. However at 30 September 2011, the Group does not have any financial instruments subject to commodity price risk.

## 28. SENSITIVITY ANALYSIS

**(a) Fair Value Risk**

The Group has exposure to the movement in fair values of its trading and available for sale financial assets. Based on fair values at 30 September 2011, a 10% change in fair values will have the following impact on loss before tax and equity before tax.

| | Consolidated 2011 $ | Consolidated 2010 $ |
|---|---|---|
| Loss before tax: | | |
| Available for sale financial assets | - | - |
| Held for trading financial assets | **68,256** | 80,062 |
| Equity: | | |
| Available for sale financial assets | - | - |
| Held for trading financial assets | **68,256** | 80,062 |

**(b) Interest Rate Risk**

The following table represents a summary of the interest rate sensitivity of the Group's financial assets at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

| | | Interest Rate Risk -1% | | Interest Rate Risk + 1% | |
|---|---|---|---|---|---|
| Consolidated 30 September 2011 | Carrying Amount $ | Net loss $ | Equity $ | Net loss $ | Equity $ |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 8,025,701 | (80,257) | (80,257) | 80,257 | 80,257 |
| Other receivables interest bearing | 913,345 | (9,133) | (9,133) | 9,133 | 9,133 |
| Totals | 8,939,046 | (89,390) | (89,390) | 89,390 | 89,390 |

| | | Interest Rate Risk -1% | | Interest Rate Risk + 1% | |
|---|---|---|---|---|---|
| Consolidated 30 September 2010 | Carrying Amount $ | Net loss $ | Equity $ | Net loss $ | Equity $ |
| **Financial Assets** | | | | | |
| Cash and cash equivalents | 19,200,975 | (192,010) | (192,010) | 192,010 | 192,010 |
| Other receivables interest bearing | 517,447 | (5,174) | (5,174) | 5,174 | 5,174 |
| Totals | 19,718,422 | (197,184) | (197,184) | 197,184 | 197,184 |

None of the Group's financial liabilities are interest bearing.

**(c) Foreign Currency Risk**

The Group was not exposed to foreign exchange currency risk at balance date.

## 29. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the Directors are not aware of matter or circumstance not otherwise dealt with in this report or the financial statements, that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent years with the exception of the following, the financial effects of which have not been provided for in the 30 September 2011 financial report:

Unquoted Options Lapsed

(1) 350,000 unquoted options exercisable at 96 cents each expiring on 20 September 2013 lapsed in accordance with the Company's Employee Share Option Plan; and

(2) 395,000 unquoted options exercisable at 39 cents each expiring on 30 June 2014 lapsed in accordance with the Company's Employee Share Option Plan.

## 30. CONTINGENT LIABILITIES

The consolidated entity is not aware of any contingent liabilities which existed as at the end of the financial year or have arisen as at the date of this report.

# 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 and the additional disclosures included in the Directors' report designated as audited, of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2011 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards 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.

(c) the financial report also complies with International Financial Reporting Standards as described in note 2(b).

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 September 2011.

On behalf of the Board

**BRETT T LAMBERT**
**Managing Director**

Perth, Western Australia
16 December 2011

# Independent audit report to the members

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
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Australia

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

**Report on the Financial Report**

We have audited the accompanying financial report of Thundelarra Exploration Limited, which comprises the consolidated statement of financial position as at 30 September 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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Member of Russell Bedford International

Stantons International

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of Thundelarra Exploration Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 30 to 37 of the directors' report for the year ended 30 September 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Auditor's opinion*
In our opinion the remuneration report of Thundelarra Exploration Limited for the year ended 30 September 2011 complies with section 300A of the *Corporations Act 2001.*

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

Stantons International Audit and Consulting Pty Ltd

**John P Van Dieren**
Director

West Perth, Western Australia
16 December 2011

# Auditor's independence declaration

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
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www.stantons.com.au

16 December 2011

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

Dear Directors

**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 audit of the financial statements of Thundelarra Exploration Limited for the year ended 30 September 2011, 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

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International)**
**(An Authorised Audit Company)**

**J P Van Dieren**
Director

# ASX additional information

The following information dated 12 December 2011 is required by the Listing Rules of the ASX Limited.

## 1. DISTRIBUTION AND NUMBER OF HOLDER OF EQUITY SECURITIES

The number of holders, by size of holding, in each class of security are:

| | Fully paid ordinary shares | 2013 Quoted Options |
|---|---|---|
| 1 – 1,000 | 338 | 132 |
| 1,001 – 5,000 | 790 | 60 |
| 5,001 – 10,000 | 657 | 28 |
| 10,001 – 100,000 | 1,235 | 66 |
| 100,001 and over | 206 | 15 |
| Totals | 3,226 | 301 |
| Holding less than a marketable parcel | 801 | 210 |

## 2. TWENTY LARGEST HOLDERS OF QUOTED SECURITIES

**(a) Ordinary shares**

| | Shares Held | |
|---|---|---|
| Holder | Number | % |
| Ragged Range Mining Pty Ltd & Associates | 22,192,139 | 14.33 |
| Norilsk Nickel Australia Pty Ltd | 7,800,000 | 5.04 |
| Grandor Pty Ltd (Mark Scott Family P/F AC) | 4,233,288 | 2.73 |
| HSBC Custody Nominees (Australia) Limited | 3,462,464 | 2.24 |
| Chin Nominees Pty Ltd (Chin Super Fund A/C) | 2,677,723 | 1.73 |
| Custodial Services Limited (Beneficiaries Holding A/C) | 2,228,210 | 1.44 |
| Panoramic Resources Limited | 2,150,000 | 1.39 |
| RCF Management LLC (Resource Capital FD V LP A/C) | 2,036,194 | 1.32 |
| Mr David Dawson | 2,000,000 | 1.29 |
| CITICORP Nominees Pty Limited | 1,901,717 | 1.23 |
| Mr Frank DeMarte | 1,699,079 | 1.10 |
| JP Morgan Nominees Australia Limited (Cash Income A/C) | 1,581,942 | 1.02 |
| Mr Siat Yoon Chin | 1,550,000 | 1.00 |
| Excelsior Gold Ltd | 1,250,000 | 0.81 |
| Kale Capital Corporation Ltd | 1,218,412 | 0.79 |
| JP Morgan Nominees Australia Limited | 1,136,990 | 0.73 |
| Future Life Pty Ltd (DeMarte Family Super A/C) | 1,096,829 | 0.71 |
| Forty Traders Limited | 1,052,635 | 0.68 |
| Flexiplan Management Pty Ltd (Susan Thomas PSF A/C) | 1,038,957 | 0.67 |
| ABN Amro Clearing Sydney Nominees Pty Ltd (Next Custodian A/C) | 921,110 | 0.59 |
| Total | 63,227,689 | 40.84 |

# ASX additional information

## 2. TWENTY LARGEST HOLDERS OF QUOTED SECURITIES (CONTINUED)

**(b) Options expiring 29 March 2013**

| | Options Held | |
|---|---|---|
| Holder | Number | % |
| Tattersfield Securities Limited | 635,000 | 9.37 |
| Chin Nominees Pty Ltd (Chin Super Fund A/C) | 493,128 | 7.28 |
| Forty Traders Limited | 350,879 | 5.18 |
| ATFT Pty Ltd (ATFT Staff Super Fund A/C) | 282,000 | 4.16 |
| Mr Anthony John Vetter + Mrs Jeannette Vetter | 255,000 | 3.76 |
| Custodial Services Limited (Beneficiaries Holding A/C) | 226,668 | 3.34 |
| Future Life Pty Ltd (DeMarte Family Super A/C) | 217,122 | 3.20 |
| Mr Siat Yoon Chin | 212,462 | 3.13 |
| Westcoast Brick Company Pty Ltd | 200,880 | 2.96 |
| Crescent Nominees Limited | 200,000 | 2.95 |
| Brett Lambert (BT & EM Lambert Family A/C) | 197,984 | 2.92 |
| Rick Crabb | 179,135 | 2.64 |
| Greatside Holdings Pty Ltd | 166,667 | 2.46 |
| Laceglen Holdings Pty Ltd (Cadly Superfund A/C) | 130,000 | 1.92 |
| Mr Frank DeMarte | 113,275 | 1.67 |
| Mrs Carol Mary Pernechele + Mr Aldo Pernechele | 108,332 | 1.60 |
| Emco Pty Ltd (Super Fund A/C) | 100,000 | 1.48 |
| Mr Daniel Chris Pernechele | 100,000 | 1.48 |
| Mrs Jane Helena Evelyn Pilgrim | 100,000 | 1.48 |
| Sitcamp Nominees Pty Ltd (Stephen Evans Family A/C) | 100,000 | 1.48 |
| Total | 4,368,532 | 64.45 |

## 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 | 22,192,139 | 14.33 |
| Norilsk Nickel Australia Pty Ltd | 7,800,000 | 5.04 |

## 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 Ltd ordinary shares are listed on all member exchanges of the ASX Limited. The home exchange is the ASX Limited.

## 6. RESTRICTED SECURITIES

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

# ASX additional information

## 7. SCHEDULE OF TENEMENTS

| Tenement Number and Type | Tenement Name | Holder/ Application | Interest (%) | Status |
|---|---|---|---|---|
| **EAST KIMBERLEY** | | | | |
| E80/2559 | Lamboo West | THX/HAW | 80/20 | Granted 6/03/2003 |
| E80/2836 | Frog Hollow | THX/PIN | 20/80 | Granted 4/07/2003 |
| E80/3572 | Spinifex | THX | 100 | Granted 28/08/2006 |
| E80/3673 | Sophie Downs | THX | 100 | Granted 5/02/2007 |
| E80/3800 | Rosewood | THX | 100 | Granted 15/04/2009 |
| E80/3975 | Rosewood West | THX | 100 | Granted 14/10/2009 |
| E80/4266 | Mt Pitt | THX | 100 | Granted 14/04/2010 |
| M80/540 | Copernicus | THX/SMY | 40/60 | Granted 8/01/2008 |
| E80/4210 | Wesley | THX | 100 | Granted 25/01/2010 |
| E80/2290 | Mable Hill | THX/KIM | 80/20 | Granted 24/06/1998 |
| E80/2878 | Frank Hill | THX | 100 | Granted 13/12/2004 |
| **EAST KIMBERLEY - Panoramic JV** | | | | |
| E80/2716 | Eileen Bore | THX/PIN | 39/61 | Granted 8/02/2002 |
| E80/2748 | Dave Hill | THX/PIN | 39/61 | Granted 15/01/2003 |
| E80/2749 | Sally Downs Well | THX/PIN | 39/61 | Granted 15/08/2003 |
| E80/2817 | Mabel Downs | THX/PIN | 39/61 | Granted 4/03/2003 |
| E80/2866 | Warmun | THX/PIN | 39/61 | Granted 16/05/2003 |
| E80/3499 | Edle West | THX/PIN | 39/61 | Granted 24/07/2006 |
| E80/3704 | Koondooloo | THX/PIN | 39/61 | Granted 8/08/2007 |
| E80/3878 | Eilleen Bore | THX/PIN | 39/61 | Granted 7/10/2008 |
| E80/4225 | Nine Mile | THX/PIN | 39/61 | Granted 25/03/2010 |
| E80/4304 | Warnum South | THX/PIN | 39/61 | Granted 14/10/2010 |
| E80/4398 | Fletcher South | THX/PIN | 39/61 | Granted 10/11/2010 |

| Tenement Number and Type | Tenement Name | Holder/ Application | Interest (%) | Status |
|---|---|---|---|---|
| E80/4399 | Bow South | THX/PIN | 39/61 | Application 2/02/2010 |
| E80/4425 | Corkwood South East | THX/PIN | 39/61 | Granted 16/09/2011 |
| E80/4482 | Highway | THX/ PIN | 39/61 | Application 5/10/2010 |
| E80/4483 | Norton | THX/ PIN | 39/61 | Application 5/10/2010 |
| E80/4484 | 7 Mile | THX/ PIN | 39/61 | Application 5/10/2010 |
| E80/4485 | 3 Mile SE | THX/ PIN | 39/61 | Application 5/10/2010 |
| E80/4486 | Keller Creek West | THX/ PIN | 39/61 | Application 5/10/2010 |
| E80/4487 | Bow River East | THX/ PIN | 39/61 | Application 5/10/2010 |
| E80/4489 | Billymal Spring | THX/PIN | 39/61 | Granted 20/09/2011 |
| P80/1761 | Copernicus East | THX/PIN | 39/61 | Application 5/10/2010 |
| E80/4495 | Wild Dog Creek | THX/ PIN | 39/61 | Granted 20/09/2011 |
| **PILBARA** | | | | |
| E45/2695 | Runton | THX | 100 | Application 3/12/2004 |
| E47/1305 | Pyramid Central | THX | 100 | Granted 21/02/2006 |
| **PEAK HILL** | | | | |
| E52/1890 | Yilbrinna Pool | CULLEN | 100[1] | Granted 05/01/2009 |
| E52/1891 | Mt Vernon | CULLEN | 100[1] | Granted 05/01/2009 |
| E52/1892 | Kallenia | CULLEN | 100[1] | Granted 05/01/2009 |
| E52/1940 | Kunderong | THX | 100[2] | Granted 11/09/2008 |
| **DOOLGUNNA** | | | | |
| E52/2716 | Snake Well | THX | 100 | Application 10/08/2011 |
| E52/2717 | Range Bore | THX | 100 | Application 10/08/2011 |
| E52/2718 | Number 8 Bore | THX | 100 | Application 16/08/2011 |

# ASX additional information

### 7. SCHEDULE OF TENEMENTS (CONTINUED)

| Tenement Number and Type | Tenement Name | Holder/ Application | Interest (%) | Status |
|---|---|---|---|---|
| E51/1357 | Yerrida Central East | KM | 100[3] | Granted 20/05/2010 |
| E51/1358 | Yerrida East | KM | 100[3] | Granted 20/05/2010 |
| E51/1359 | Yerrida Central West | KM | 100[3] | Granted 20/05/2010 |
| E51/1418 | Yerrida West | KM | 100[3] | Granted 24/08/2010 |
| E51/1437 | Yerrida Central | THX/KM | 80/20 | Granted 07/07/2011 |
| E52/2261 | Marymia North | THX | 100 | Granted 01/09/2010 |
| E52/2262 | Harry Bore | THX | 100 | Granted 22/07/2010 |
| E52/2402 | Curara Well | THX | 100 | Granted 11/06/2010 |
| E52/2551 | Bluebush Well | THX | 100 | Granted 07/04/2010 |
| M52/597 | Red Bore | WRR | 100[5] | Granted 06/11/2009 |
| P52/1413 | Neds Creek | THX | 100 | Application 24/03/2011 |
| **EVA** | | | | |
| EL27798 | Eva | E92 | 100 | Application 20/11/2009 |
| **NGALIA** | | | | |
| EL24561 | Mt Wedge | E92 | 100 | Granted 22/06/2009 |
| EL24879 | Alara North | HUME, SRK | 25/75[6] | Granted 15/08/2006 |
| EL24927 | Alara South | HUME | 100[6] | Application 12/09/2005 |
| EL24928 | Alara West | HUME, SRK | 25/75[6] | Granted 21/08/2006 |
| EL24929 | Alara East | HUME, SRK | 25/75[6] | Granted 21/08/2006 |
| EL25283 | Walbiri Range | E92 | 100 | Granted 22/06/2009 |
| EL25334 | Jabangardi Hill | E92 | 100 | Granted 22/06/2009 |
| EL25556 | Waite Bore | E92 | 100 | Granted 23/08/2007 |
| EL28186 | Moonlight | E92 | 100 | Granted 02/02/2011 |
| EL28398 | Black Hill | E92 | 100 | Application 8/11/2010 |

| Tenement Number and Type | Tenement Name | Holder/ Application | Interest (%) | Status |
|---|---|---|---|---|
| EL28625 | Bloodwood | E92 | 100 | Granted 26/10/2011 |
| EL28697 | Saltbush | E92 | 100 | Granted 5/12/2011 |
| EL28698 | Davis Dome | E92 | 100 | Granted 26/10/2011 |
| EL28971 | EL28971 | E92 | 100 | Application 24/08/2011 |
| EL28987 | EL28987 | E92 | 100 | Application 29/08/2011 |
| **PINE CREEK** | | | | |
| EL10043 | Brumby Gap | EW, JE, RD | 10/80/10[4] | Granted 5/09/2002 |
| EL10120 | Yam CK | E92 | 100 | Granted 15/08/2002 |
| EL10167 | Frances Creek | EW, JE, RD | 10/80/10[4] | Granted 5/09/2002 |
| EL23506 | McKeddies | MDT, GRO, GAC | 33.3/ 33.4/ 33.3[4] | Granted 8/05/2003 |
| EL23509 | Corkscrew | E92 | 100 | Granted 27/02/2003 |
| EL23516 | Great Northern | MDT, GRO, GAC | 33.3/ 33.4/ 33.3[4] | Granted 4/04/2003 |
| EL23517 | Watts Creek | MDT, GRO, GAC | 33.3/ 33.4/ 33.3[4] | Granted 4/04/2003 |
| EL23532 | North Ringwood | MDT, GRO, GAC | 33.3/ 33.4/ 33.3[4] | Granted 13/02/2003 |
| EL24403 | EL24403 | MDT, GRO, HP | 34/33/33[4] | Granted 9/09/2005 |
| EL24549 | Allamber 1 | E92 | 100 | Granted 23/09/2005 |
| EL24931 | Burrundie | E92 | 100 | Granted 17/07/2006 |
| EL25119 | Douglas Creek | MDT, GRO, GAC | 33.3/ 33.4/ 33.3[4] | Granted 4/10/2006 |
| EL25120 | Kulbac | E92 | 100 | Granted 19/09/2006 |
| EL25379 | Dowling | E92 | 100 | Granted 21/02/2007 |
| EL25477 | Allamber 2 | E92 | 100 | Granted 26/06/2007 |

# ASX additional information

### 7. SCHEDULE OF TENEMENTS (CONTINUED)

| Tenement Number and Type | Tenement Name | Holder/ Application | Interest (%) | Status |
|---|---|---|---|---|
| EL25479 | Allamber 4 | E92 | 100 | Granted 26/06/2007 |
| EL25553 | Hayes Creek | E92 | 100 | Granted 26/07/2007 |
| EL25868 | Mary River | E92 | 100 | Granted 27/09/2007 |
| EL26024 | McKinlay | E92 | 100 | Granted 3/12/2007 |
| EL26955 | Mt McLachlan | E92 | 100 | Granted 20/05/2009 |
| EL26957 | Esmeralda | E92 | 100 | Granted 20/05/2009 |
| EL27363 | Jigsaw | E92 | 100 | Granted 12/01/2010 |
| EL27364 | Nellie Creek | E92 | 100 | Granted 12/01/2010 |
| EL27365 | Mt Saunders | E92 | 100 | Granted 12/01/2010 |
| EL27648 | Mary River 2 | E92 | 100 | Granted 29/04/2010 |
| EL27649 | Allamber North | E92 | 100 | Granted 29/04/2010 |
| EL27650 | Mary River 1 | E92 | 100 | Granted 27/05/2010 |
| EL27898 | Clarkey | E92 | 100 | Granted 13/10/2010 |
| EL28203 | French | E92 | 100 | Granted 25/02/2011 |
| EL28519 | North Burrundi | E92 | 100 | Granted 26/10/2011 |
| EL28590 | EL28590 | E92 | 100 | Granted 26/10/2011 |
| EL28684 | Katherine North | E92 | 100 | Application 15/03/2011 |
| EL28856 | Mary Reserve | E92 | 100 | Application 20/06/2011 |
| EL28857 | Second Chance | E92 | 100 | Application 20/06/2011 |
| EL29260 | | E92 | 100 | Application 7/12/2011 |
| HLDN86 | Water Lane | E92 | 100 | Granted 25/05/1982 |
| MC27285 | Yam Creek 1 | E92 | 100 | Granted 13/07/2011 |
| MC27286 | Yam Creek 2 | E92 | 100 | Granted 13/07/2011 |
| MC27287 | Yam Creek 3 | E92 | 100 | Granted 13/07/2011 |
| MCN632 | MC632 | DD | 100[4] | Granted 31/08/1983 |

| Tenement Number and Type | Tenement Name | Holder/ Application | Interest (%) | Status |
|---|---|---|---|---|
| MCN633 | MC633 | DD | 100[4] | Granted 31/08/1983 |
| MCN4902 | MCN4902 | E92, CGA (transfer pending) | 80/20 | Granted 8/10/1996 |
| MCN4903 | MCN4903 | E92, CGA (transfer pending) | 80/20 | Granted 8/10/1996 |
| MCN4904 | MCN4904 | E92, CGA (transfer pending) | 80/20 | Granted 8/10/1996 |
| MCN4905 | MCN4905 | E92, CGA (transfer pending) | 80/20 | Granted 8/10/1996 |
| MCN4907 | MCN4907 | E92, CGA (transfer pending) | 80/20 | Granted 3/08/1995 |
| MCN5193 | MCNA5193 | E92, CGA (transfer pending) | 80/20 | Granted 8/07/2004 |
| MCN5194 | MCNA5194 | E92, CGA (transfer pending) | 80/20 | Granted 26/05/2004 |
| MCN5195 | MCNA5195 | E92, CGA (transfer pending) | 80/20 | Granted 26/06/2008 |
| MCN5196 | MCNA5196 | E92, CGA (transfer pending) | 80/20 | Granted 8/07/2004 |
| MCN5197 | MCNA5197 | E92, CGA (transfer pending) | 80/20 | Granted 26/06/2008 |
| MCN5198 | MCNA5198 | E92, CGA (transfer pending) | 80/20 | Granted 26/06/2008 |
| MCN5199 | MCNA5199 | E92, CGA (transfer pending) | 80/20 | Granted 26/06/2008 |
| MCN5200 | MCNA5200 | E92, CGA (transfer pending) | 80/20 | Granted 26/06/2008 |
| MLN1028 | ML1028 | DD | 100[4] | Application 25/11/1986 |

Crocodile Gold JV- THX has 70% of the uranium rights on 318 tenements held by Crocodile Gold.

# ASX additional information

## 7. SCHEDULE OF TENEMENTS (CONTINUED)

[1] THX earning 19%.
[2] UTO earning 51%.
[3] THX earning 80%.
[4] THX option to acquire 100%
[5] THX earning 60%.
[6] THX option to acquire 70%

**Key to Tenement Type:**

| | | |
|---|---|---|
| E/EL | = | Exploration Licence |
| ELA | = | Exploration Licence Application |
| EPM | = | Exploration Permit Minerals |
| MLA | = | Mining Lease Application |
| M | = | Granted Mining Lease |
| P | = | Prospecting Licence |
| PLA | = | Prospecting Licence Application |

**Key to Parties:**

| | | |
|---|---|---|
| CGA | = | Crocodile Gold Australia |
| HAW | = | Hawthorn Resources Pty Ltd |
| THX | = | Thundelarra Exploration Ltd |
| KM | = | Kallenia Mines Pty Ltd |
| CULLEN | = | Cullen Exploration Pty Ltd |
| E92 | = | Element 92 Pty Ltd |
| SRK | = | Strike Resources Limited |
| MDT | = | Michael Daniel Teelow |
| HUME | = | Hume Mining Pty Ltd |
| EW | = | Edwin White |
| JE | = | John Earthrowl |
| RD | = | Robbie Douglas |
| GRO | = | Geoffrey Robert Orridge |
| GAC | = | Garry Anthony Clarke |
| WRR | = | William Robert Richmond |
| HP | = | Huge Pinniger |
| SMY | = | SMY Copernicus Pty Ltd |
| KIM | = | Kimberley Mining Pty Ltd |
| PIN | = | Pindan Exploration Company Pty Ltd |
| DD | = | Derek Dixon |
| UTO | = | U3O8 Limited |

THUNDELARRA
EXPLORATION

www.thundelarra.com.au

ABN 74 950 465 654