



THUNDELARRA

EXPLORATION LTD

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Company Announcements Office
Australian Stock Exchange
Level 10
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SYDNEY NSW 2000

Via Electronic Lodgement

Dear Sir/Madam

COPERNICUS RESOURCE UPDATE

In July 2003, Thundelarra Exploration Ltd ("**Thundelarra**") entered into a **Farm-in Agreement ("Agreement")** with **Sally Malay Exploration Pty Ltd ("Sally Malay")** in respect of the Copernicus Project ("ML Area") now covered by mining lease application 80/540 in the East Kimberley. Under the terms of the Agreement, in order for Sally Malay to earn a 60% joint venture interest in the ML Area, Sally Malay had 18 months (that is to 7 January 2005) to carry out and deliver a "Feasibility Study" to Thundelarra.

The Agreement stated that the Feasibility Study had to, among other things:

- (a) be comprehensive;
- (b) provide estimates of proved ore reserves and probable ore reserves, based upon appropriate sampling programmes; and
- (c) be in a form satisfactory to enable financial institutions to make a decision (whether positive or negative) relating to the financial accommodation for the development and subsequent operation of a mine.

In December 2004, Sally Malay delivered its study document to Thundelarra. Thundelarra reviewed the document and informed Sally Malay that it considered the study was deficient in a number of important areas and that further work was necessary. On 15 April 2005, after approximately 4 months of discussions and negotiations with Sally Malay, Thundelarra formally advised Sally Malay that Sally Malay's study document did not comply with the agreed requirements for a Feasibility Study, that Sally Malay had not earned a joint venture interest in the ML Area, and that the joint venture contemplated by the Agreement had not been formed.

On the 1 June 2005 Sally Malay served a Supreme Court writ on Thundelarra, contesting Thundelarra's stated view. The Board of Thundelarra are resolute in their belief that Sally Malay's work was substantially and materially deficient and Thundelarra has vigorously defended its position. The litigation is continuing, but as more information becomes available through the court process, the Board of Thundelarra is even more confident that it has made the right decision. The consequences of commencing mining operations on flawed or inadequate feasibility studies are well documented in the mining industry.

As part of the on going legal action, Thundelarra's solicitors, Salter Power, have commissioned various independent technical experts to review and assess the study documents supplied by Sally Malay in December 2004, together with additional information and data obtained through the discovery process not previously made available by Sally Malay to Thundelarra. These experts, from the engineering, metallurgical, geological and financial disciplines, have all recently provided written reports detailing various respects in which they consider Sally Malay's work did not comply with the requirements of the Agreement.

Some of Thundelarra's expert reports also reveal various matters that appear to require re-appraisal of the Copernicus resource estimates previously announced by Thundelarra, (the estimates quoted from 29 October 2003 to 29 July 2005 being estimates provided to Thundelarra by Sally Malay). The most recent of these estimates quoted an Indicated Resource figure of 359,000 tonnes at a grade of 1.3% nickel, 0.7% copper and 0.05% cobalt using a 0.5% nickel cut-off grade for the Copernicus prospect (an estimate also announced to the Australian Stock Exchange Ltd by Sally Malay on 21 October 2004).

On present information, details of which are set out below, the Board of Thundelarra now believe that it does not have sufficient confidence to continue to assign all of the Copernicus resource to the Indicated Resource category and that a portion should be re-assigned to the lower confidence Inferred Resource category. It may be that some portion should be excluded from any category of resource.

One of Thundelarra's main concerns, and which it has made clear in the litigation, is that much of the work undertaken by Sally Malay was based upon inadequate sampling, and that Sally Malay did not adequately and properly define the spatial distribution of the oxidised, transitional (violarite) and primary sulphide zones. Thundelarra (and its experts) considers that, while Sally Malay's work confirmed the existence of these different types of ore and, importantly, that each ore type had different metallurgical characteristics, the Sally Malay study also indicates that only the primary sulphide ore is likely to be amenable to economic processing (to produce concentrate of acceptable grade and recovery).

Thundelarra and its experts consider that these matters require a re-assessment of the prevailing Copernicus resource statements. That re-assessment can only be properly done when the zones for each relevant type of ore are well defined, a matter which is largely dependant upon additional diamond drilling and considered and detailed metallurgical work. Until this work is done, and the resource re-assessed, Thundelarra will no longer quote a resource figure for the Copernicus project.

In April of this year, when it formally rejected Sally Malay's study, Thundelarra stated that it was about to embark on a programme of further diamond drilling at Copernicus North. Thundelarra is still progressing with exploration in respect of Copernicus North and the adjacent area now known as "Copernicus Deeps". Both the Copernicus North and Copernicus Deeps prospects are outside the area the subject of the Sally Malay Study. The final results from the latest drilling will become available in the near future after the completion of the gyroscopic down hole survey.

Yours sincerely
THUNDELARRA EXPLORATION LTD



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For further information about Thundelarra Exploration Ltd.

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