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**Record of interview:**

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Thundelarra Exploration Ltd (ASX code: THX & market capitalisation of ~\$38 million) has several base metal and uranium exploration projects in Western Australia and the Northern Territory. You also expect first ore production from Copernicus Nickel Project (THX 40%) in the middle of 2008. Firstly, what is Thundelarra's funding position and what are your expected commitments in 2008?

**Managing Director Brett Lambert**

Thundelarra has about \$11 million in the bank at present, which more than covers our estimated \$5 million contribution to establishment costs at Copernicus and a very active field season in 2008. By around September we should be shipping nickel concentrate from Copernicus and enjoying the revenue stream that will flow from that.

We also still hold 20.4 million UMC shares worth \$16 million at current prices. With that company's plans for both their iron ore and bauxite projects in 2008 and the strong outlook for iron ore, I believe we have good prospects for seeing a significant increase in value there before year end.

Our cash position, imminent cash flow and investments set us apart from most of our peers, many of whom are pulling back on their exploration activity because of uncertainty surrounding future availability of funds.

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Can you outline the development schedule for Copernicus? What are the main risks on timing and meeting the capital cost budget?

**Managing Director Brett Lambert**

We remain on track to commence open pit mining at Copernicus by the middle of this year.

The main threats to the schedule remain delayed statutory approval and an extended wet season. However statutory requirements have progressed well in recent months and the risk here is now significantly diminished. We have signed off with the Traditional Owners, the Mining Lease has been granted and the state and commonwealth environmental agencies have given the all clear. The only significant approval required is that of the Department of Infrastructure and Resources (DoIR) and their assessment is well advanced. We made allowance to receive final approvals by the end of March and this is still looking alright.

There is not much we can do if the rains continue beyond their usual cycle, but the Copernicus area is well drained and it is unlikely any material delay would result from extended wet weather.

With the ability to make use of the existing processing plant and infrastructure, there is not a lot of capital works involved at Copernicus so the risk of substantially higher capital costs is low.

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Can you update expected project parameters for Copernicus at current spot nickel prices and exchange rate? Will you hedge any production?

**Managing Director Brett Lambert**

At current metal prices and exchange rate, cash costs for the open pit, after by-product credits, are about US\$5.60 per pound of payable nickel with total costs of around US\$6.90. For underground the cash and total costs are US\$8.50 and US\$9.70 respectively. The high Aussie dollar isn't helping things at present, but even so, with the spot nickel price in the mid US\$12 per pound range even the underground would generate a good cash operating margin and a decent return on total costs.

We may take a look at some level of price protection, perhaps more so for the underground than the open pit, but if we do it would probably be in the form of bought put options so we didn't close off our exposure to the upside in the nickel price. We have a positive view on nickel going forward and it is good to see some of the commentators also revising their forecasts upwards recently.

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Can you summarise the results of the resource extension program at Copernicus so far? Do you expect to add to the current resource numbers? What follow up is planned or warranted?

**Managing Director Brett Lambert**

A couple of holes directly down plunge from the existing resource returned good intercepts with better than average grade, so I expect these at least to result in a resource expansion. Some of the step out holes to the north-east hit nickel sulphides, but the grades wouldn't warrant extending the resource out that far.

The deposit remains open at depth as we didn't finish the program before it started raining and the deeper holes weren't drilled. These were designed to follow up a hole drilled last year that intersected 13 metres at close to 2% nickel, one of the best hits we have had from Copernicus, at around 400 metres depth. The drillers have committed to return at the start of this dry season to finish the job and I am very keen to see what we get from the deeper holes. We will also do down hole EM surveys from the new holes as this technique has proven to be successful in outlining nickel sulphide targets at Copernicus.

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Thundelarra has steadily compiled an extensive list of quality uranium and base metal prospects in prime acreage in the Northern Territory and Western Australia. With the end of the wet season approaching, can you outline the planned drilling programs?

**Managing Director Brett Lambert**

We have a number of targets lined up for drilling as soon as the wet season comes to an end. In base metals, in addition to Copernicus, we will be drilling Mabel Hill and Sophie Downs in the East Kimberley and Pyramid in the West Pilbara. In uranium we will be drilling Fleur de Lys and Hayes Creek, both in the Northern Territory. Other targets will be prioritised and scheduled for drilling as the season progresses.

We hope to get underway late March in the Kimberley and probably a month later in the Northern Territory.

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Can you explain what you've discovered about each of the prospects you're planning to drill in the coming season? What will each drill program test?

**Managing Director Brett Lambert**

We drilled a hole at Mabel Hill late last year that returned 51 metres grading 0.3% nickel from the surface. A follow up ground EM survey identified a well defined conductor just beneath the drill hole. This represents a new nickel sulphide discovery and we are pretty excited about it. It has been very frustrating to have to wait the whole wet season before being able to drill an untested conductor sitting right below a 50 metre nickel sulphide intercept, so this will be the first target drilled. The EM survey also defined three conductors in the same intrusion about 800 metres north of the first hit and these will also be drilled.

We have been systematically working away at Sophie Downs for some time targeting VMS style base metals. Initially airborne EM was used resulting in five distinct anomalies being identified. We followed up one of these, designated VC3, with ground EM, geological mapping and surface sampling and this work has

defined some strong drill targets. The area was drilled in the 1960's with some encouraging copper, zinc, lead and silver hits. However the old holes were sited without the benefit of modern geophysical tools and the strong EM anomalies we have now were not tested. The fact surface sampling in the vicinity of VC3 generated assays of up to 18% copper, 18% zinc, good lead and silver values and also up to 12 g/t gold makes this a very exciting area. Eventually we will also evaluate the other four airborne EM anomalies.

At Pyramid the exploration approach has been pretty similar to Sophie Downs with combined airborne and ground EM surveys used to define a VMS style base metals target we hope to drill early in the season.

At Fleur de Lys and Hayes Creek we are targeting structurally controlled uranium deposits that are likely to be modest in tonnage, but high in grade. Fleur de Lys was a producing mine in the 1950's with high grade ore mined from five shallow shafts before being trucked to the Rum Jungle plant for processing. However there is no evidence of any drilling whatsoever at the site. Again it will be a case of applying modern exploration techniques to an area with already demonstrated potential. Initial surface sampling has generated assays of up to 1.5% U<sub>3</sub>O<sub>8</sub>, which is very high grade.

Hayes Creek was acquired on the back of an aerial radiometric anomaly. Subsequent surface sampling produced results of up to 300 ppm U<sub>3</sub>O<sub>8</sub>. A hand held scintillometer survey in the area surrounding the discovery sample outlined a high order north-east trending radiometric anomaly that can be traced over 800 metres. Maximum readings in this zone, which is yet to be sampled, were up to 2,500 counts per second, a much higher magnitude than the discovery sample anomaly which ran at 400 counts per second.

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Can you explain the exploration targets you are generating in addition to the drilling programs planned this year? Can you outline the most prospective projects?

**Managing Director Brett Lambert**

We have major land holdings in three areas we refer to as our major regional projects. They are the East Kimberley for base metals and Pine Creek and Ngalia Basin in the Northern Territory for uranium. At each we have around 3,000 km<sup>2</sup> of highly prospective ground that is continuing to generate new targets. These three regions will be our primary areas of focus in 2008 and probably beyond.

In addition to those mentioned earlier, there are a number of base metals targets in the Kimberley that we hope to advance this year, both on our own ground and in the joint venture with Breakaway Resources. These range from the advanced target of Keller Creek where drilling has already intersected ore grade nickel sulphides, to the recently acquired Rosewood Project where initial work has generated surface samples grading up to 13% copper. However I expect the Northern Territory uranium properties to generate the most new targets.

We only got access to the majority of the Pine Creek tenements at the end of November, so we haven't been able to do much there yet, but we already have multiple targets lined up for evaluation. At the Ngalia Basin we are still going through the native title process and we don't expect to be on the ground for a couple of months yet, but this is a highly prospective area and in time I believe it will deliver results.

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Some of your surface sampling has returned high uranium assays of, for example over 4% U<sub>3</sub>O<sub>8</sub> at Spinifex and, recently, 1.58% U<sub>3</sub>O<sub>8</sub> at the Fleur de Lys prospect. What is the purpose of surface sampling? How reliable is surface sampling in predicting the occurrence of wider mineralisation?

**Managing Director Brett Lambert**

There are a number of elements that can generate radiometric anomalies, so surface sampling is important to confirm that the source of an anomaly is in fact uranium. As with any commodity it is also necessary to gain a feel for the tenor of grade at a prospect and initially geochemical analysis is the only reliable way of achieving this, although once calibrated for a specific deposit geophysical instruments can be quite precise.

When combined with good geological mapping, surface samples can assist in defining wider mineralisation, but at the end of the day drilling is the only way to properly delineate a deposit.

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In summary, what are Thundelarra's best prospects to generate another mineable project in addition to Copernicus?

**Managing Director Brett Lambert**

The most rapid route to another mining operation after Copernicus would be through Mable Hill or one of the other East Kimberley nickel sulphide prospects where it may be possible to again make use of existing infrastructure. However, we would of course like to find a deposit large enough to support a standalone operation and any one of the base metal prospects has potential to deliver this.

We also have a real chance to become one of the next generation of Australian uranium producers. The style of mineralisation we have at Fleur de Lys and Hayes Creek, that is low tonnage but high grade, could host a fairly small scale mining operation that is very profitable. The benefit of this is that capital costs would also be quite modest and well within the funding capacity of Thundelarra, meaning ownership would not have to be diluted to bring such a mine into production. The 1.58% mineralisation sampled at Fleur de Lys contains \$3,000 worth of uranium per tonne at current prices, which would translate to a very healthy profit margin if a mineable deposit of that grade was defined.

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Thank you Brett.

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For further information on Thundelarra visit [www.thundelarra.com](http://www.thundelarra.com) or call Brett Lambert or Brian Richardson on 08 9321 9680.

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