

Weekly Research Notes

Wednesday 7th May, 2008

These notes are compiled in good faith based on information in the public domain. They are intended to identify possible opportunities in the market and to offer possible strategic rationales for certain aspects of current market activity. The accuracy of information herein has not been verified. Recommendations make no allowance for individual investment objectives. The author accepts no liability for any investment decision based on the information contained in these notes.

Thundelarra Exploration Ltd

THX Last \$0.415 52wk Hi-Lo: \$0.750-\$0.275 115M fpo
THXO Last \$0.265 52wk Hi-Lo: \$0.540-\$0.100 12M opts ex 19¢ 30-Jun-09

Speculative Buy

Market Cap: \$51M

- Thundelarra offers investors a three-pronged major project pipeline:
 - Copernicus (THX 40%): Ni-Cu mine in development;
 - Sophie Downs (THX 90%): advanced base metal exploration;
 - Uranium exploration in WA, NT and Queensland.
- THX also has varying percentage interests in a number of other base metal and platinum group metal exploration projects, mainly in WA.
- This very active exploration and development portfolio is supported by an extensive geological team and ready access to drill rigs .
- At 31-Mar-08 the company's cash balance stood at A\$10.5M.
- The company has forecast ~A\$0.8M costs for exploration, evaluation and corporate administration in the June 2008 quarter, indicating that the current cash balance should be approximately A\$10M.

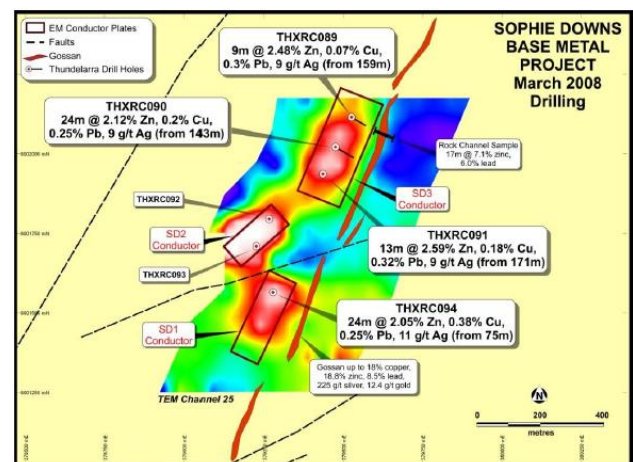


	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10
<input checked="" type="checkbox"/> Environmental Studies	[Bar chart showing activity from Sep-07 to Jun-08]											
<input checked="" type="checkbox"/> Traditional Owners Agreement	[Bar chart showing activity from Dec-07 to Mar-08]											
<input checked="" type="checkbox"/> EPA & DoIR Submissions	[Bar chart showing activity from Dec-07 to Mar-08]											
<input checked="" type="checkbox"/> Mining Lease Grant	[Bar chart showing activity from Dec-07 to Mar-08]											
<input checked="" type="checkbox"/> Tender & Award Contracts	[Bar chart showing activity from Dec-07 to Jun-08]											
<input type="checkbox"/> Statutory Approvals	[Bar chart showing activity from Dec-07 to Jun-08]											
<input type="checkbox"/> Equipment Procurement	[Bar chart showing activity from Dec-07 to Jun-08]											
<input type="checkbox"/> Site Establishment	[Bar chart showing activity from Jun-08 to Sep-08]											
<input type="checkbox"/> Open Pit Mining	[Bar chart showing activity from Sep-08 to Jun-09]											
<input type="checkbox"/> Ore Treatment	[Bar chart showing activity from Dec-08 to Jun-10]											
<input type="checkbox"/> Underground Commitment	[Bar chart showing activity from Dec-08 to Jun-10]											
<input type="checkbox"/> Underground Development	[Bar chart showing activity from Jun-09 to Jun-10]											
<input type="checkbox"/> Underground Production	[Bar chart showing activity from Sep-09 to Jun-10]											

- Copernicus project timeline shows ore treatment starting in Sep 2008.
- Plan is to process material at 60% JV partner Sally Malay's plant.
- Granting of relevant licences is proceeding and all major contracts let, subject to final DoIR approval.
- Mining should start in late June.
- THX updated its financial model to include costings from the contracts.
- Using Merrill Lynch metal price forecasts, total costs are forecast at US\$6.67/lb Ni for open pit and

US\$7.88/lb for underground, generating A\$28M net cashflow to THX over 4 years (NPV₈ = A\$23M).

- Upside from improved processing performance could deliver an NPV₈ of A\$34.4M to THX.
- The **Sophie Downs** Base Metal project in the East Kimberley recently delivered significant drill intercepts testing geophysical targets. Further follow-up drilling is scheduled for late May.
- THX owns 20.4M UMC shares and so offers an alternative entry to UMC's current market rises.
- The UMC stake is worth \$33.5M (last \$1.64).
- THX thus satisfies a number of our investment criteria in the current environment.
 - Near term cashflow from production;
 - Strong cash (and liquids) balance;
 - Tight capital structure;
 - Range of activities generating news.



Speculative Buy: emerging production, active exploration, and 20.4M shares in UMC.

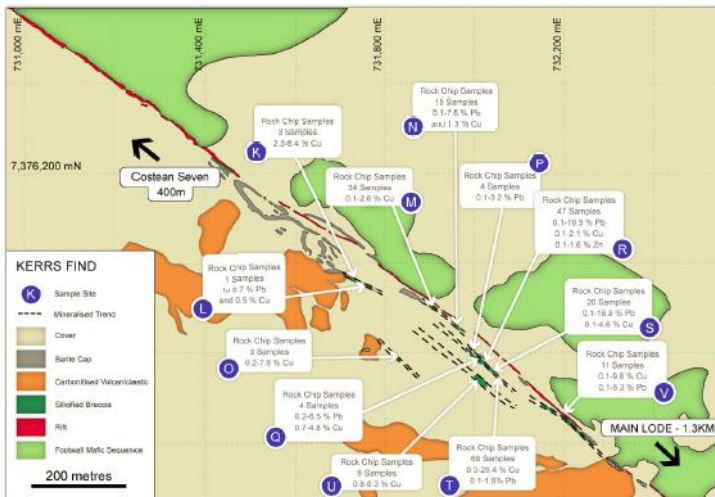
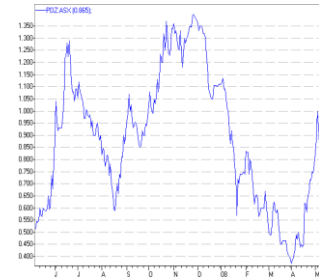
Prairie Downs Metals Ltd

PDZ Last \$0.885 52wk Hi-Lo: \$1.400-\$0.365 53M fpo
 PDZO Last \$0.630 52wk Hi-Lo: \$1.140-\$0.100 20M opts ex25¢ 31-May-08

Speculative Buy

Market Cap: \$60M

- At 31-Mar-08 the company's cash balance stood at A\$4.1M.
- ~A\$1.3M costs for exploration, evaluation and corporate admin are forecast for the Jun quarter. If 90% of May-08 options are converted, raising \$4.6M, PDZ should have at least \$7M cash at end June 2008.
- PDZ's main project is the **Prairie Downs** copper-lead-zinc project, located ~100km south-west of Newman in the Eastern Pilbara of WA.
- In October 2007 a feasibility study commenced on the indicated and inferred resources at the Main, Zed, Gabbro and East lodes:
4.9Mt @ 5.4% Zn, 2.0% Pb, 14gpt Ag at 1% Zn cutoff.
- An updated resource statement for the Main, Zed and Gabbro lodes was released in February 2008:
4.7Mt @ 6.3% Zn, 1.8% Pb, 18gpt Ag at 1% Zn cutoff.
- Contained metal in this resource totals 295,000t zinc, 83,000t lead and 2,6Moz silver.
- At current LME prices this represents in situ value of >US\$900M and mineralisation remains open.
- The feasibility study is for an initial 300,000tpa plant with the capacity to expand to 1Mtpa.
- Preliminary capital cost estimates for plant construction are A\$43M: other relevant cost estimates (capex and opex) are still being finalised and were initially expected to be available in June.
- Recent copper discoveries at Costean 7 and Kerrs Find may delay the feasibility study final release date as the possible impact of copper mineralisation is incorporated into the process flowsheet.
- On 17 Apr PDZ announced strong channel sample copper results from the Costean 7 prospect.



- These were followed 3 weeks later with similar results from the Kerrs Find prospect, 500m to the SE.
- Costean 7, 3.2km west of the Main Lode, is the site of a previously announced lead discovery.
- Results so far include a channel sample over 7m averaging 5.6% copper and 0.9% lead; and 4m at 6.6% copper and 1.1% zinc.
- Kerrs Find returned copper values up to 29.4%, plus lead values up to 19.5% (see map at left).
- The copper mineralisation is showing characteristics common to large sedimentary-style base metal deposits such as Mt Isa in Qld.

- These results warrant further testing of the zones at depth and along strike.
- There is no outcrop between Costean 7 and Kerrs Find. Should exploration prove the mineralisation to be continuous, this would represent 1.4km of mineralisation, open at both ends.
- These discoveries reinforce the interpreted importance of the major known NW-SE structure.
- PDZ also plans to determine the relationship between, and possible continuity of, the Kerrs Find mineralisation and copper previously intersected in the footwall of the Main Lode, 1.3km to the SE.

Speculative Buy: Feasibility Study outcome; further results from new copper discoveries.

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