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<td>Personal Authors</td>
<td>Ian Hassall, Exploration Manager</td>
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<td>Corporate Authors</td>
<td>Territory Resources Limited</td>
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<td>Report Date</td>
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TERRITORY RESOURCES LTD
A.C.N. 100 552 118

RELINQUISHMENT REPORT FOR MT BUNDEY

AUTHORISATION AN25438

Darwin 1:250,000 Sheet
Mary River-Point Stuart 1:100,000 Sheet
NORTHERN TERRITORY

Ian Hassall
Exploration Manager
Territory Resources Ltd
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Table 1 Heritage Area Coordinates
1. **SUMMARY**

This report details the work completed on AN2438 from its award to Territory Resources Limited on 5th March 2007 until the tenement expired on 4th March 2010 when it was relinquished and the ground returned to Mr Terry Baldwin, the underlying landowner.

During the period Territory Resources Limited has access to the land:

- All historical information was reviewed, and where appropriate loaded into a database of historical drill holes, for use in target generation. This data comprised of 12 open hole percussion holes for 196.6 metres, 15 conventional diamond holes for 598.3 metres;
- Contemporary drilling comprised of 32 reverse circulation holes for 1,965 metres drilled in 2 drilling campaigns;
- A heritage survey prior to the second drilling campaign, that yielded a small site to the south-east of the drilling area that was avoided and left undisturbed;
- Assaying 876 selected samples out of 1,965 from contemporary drilling programs.

The work’s conclusion was the remnant mineralisation below the previous pit floor was too high in sulphur to be exploitable, at 500kt the magnetite resource was too small to be exploitable, and the close proximity of human habitation (approximately 100 metres) made stakeholder issues a significant impediment to reasonable resource development.

Total expenditure by Territory Resources over the 3 year term amounted to $173,071.85.
2. **INTRODUCTION**

This report details exploration activities conducted by Territory Resources Limited within AN25438 for iron ore mineralisation during a 3-year term, starting on 5th March 2007 and finishing on 4th March 2010.

Authority AN25438, covering 2 graticular sub-blocks or a total of 0.6 square kilometres, was granted for a 2-year term on 5th March 2007. On 4th March 2009 an agreement was made with the underlying landowner to extend the original 2 year term by another year due to drilling priorities being directed towards the mining centre at Frances Creek. AN25438 along with Exploration Licence 23921, Exploration Licence 23791, and Exploration Licence 24468 formed the Mt Bundey Project area.

The tenement area is located approximately 100km ESE of Darwin. Access from Darwin to the property is by way of the Arnhem Highway that runs eastwards to Jabiru, Figure 1.

Climate is tropical and humid with a rainy season from December to March. Fieldwork and general exploration activities are largely restricted to the dry season.
Figure 1  Tenement Location AN25438
3. REGIONAL GEOLOGY

The Mount Bundey tenement area is located over rocks of the Lower Proterozoic Pine Creek Orogen metasedimentary sequence. The sequence unconformably overlies Archaean gneissic granite, Figure 2.

The basal unit of the metasedimentary sequence in the area consists of the Mundogie Sandstone and the Wildman Siltstone of the Mount Partridge Group. The Mundogie Sandstone is comprised of sandstone and conglomerate with siltstone and shale while the Wildman Siltstone consists predominantly of fine grained sediments with minor sandstone and carbonate units. Many of the finer grained units are ferruginous.

Unconformably overlying the Mount Partridge Group is the South Alligator Group which has three members. The Koolpin Formation forms the basal member and consists of carbonaceous and pyritic fine grained sediments that are ferruginous in outcrop. Above this is the Gerowie Tuff which comprises fine grained sediments and tuff. The uppermost member is the Mount Bonnie Formation which is comprised of generally fine grained sediments.

Sills of the Zamu Dolerite intrude the Lower Proterozoic sedimentary sequence. The sequence is also intruded by the Lower Proterozoic Mount Bundey Granite and the Mount Goyder Syenite. They are considered to be two phases of a co-genetic plutonic complex. The older Mount Bundey Granite is present in the west central portion of the property with the Mount Goyder Syenite flanking it to the north and northeast. The upper surface of the intrusive is interpreted to dip away to the north at a shallow angle.
4. LOCAL GEOLOGY & STRUCTURE

The Koolpin Formation to Burrell Creek Formation portions of the Lower Proterozoic sequence crop out in the eastern part of the Mount Bundey property area and on the western margin of the property. The stratigraphically lower Wildman Siltstone and the Mundogie Sandstone are present in the central property area and in the north. Outcrops to sub-outcrops of the Mt Bundey Granite and Mt Goyder Syenite predominate in the western and central portions of the property.

The broad overall structure is a south-plunging metasediment synclinorium intruded along its fold axis by granite and syenite of the plutonic complex. In detail, the synclinorium is composed of many constituent anticlines and synclines that have northerly to neither north nor easterly fold axes that plunge at low angles to the south.
The old Mount Bundey mine site is located on the margin of the Mount Bundey Granite intrusion. It is probably a skarn-type deposit, where iron-rich pendent country rock has been encapsulated, metamorphosed, and enriched.
5. MINERALISATION

Economic iron mineralisation in the Mount Bundey-Mt Goyder district is known from the abandoned Mt Bundey mine where some 843,000 tonnes of 63.4% Fe and 0.057% P were produced from 1968-1972.

The Mt Bundey deposit occurs in Mount Bundey Granite on the margin of the Mount Bundey intrusive complex. Ore reserves have been depleted; though sulphur-rich tonnage remains beneath the old pit floor. The mineralisation formed two approximately parallel lodes that struck north easterly. The Main or Pritchard’s Lode was around 700 metres long and had a maximum width of 32 metres. To the northwest was the Parallel Lode that ranged up to 9 metres in width. Between and adjacent to these two structures occurred highly altered and ferruginised country rock sediments.

The iron bearing materials present were of four types. The martite caprock lode consisted of massive martite with little texture but abundant vugs and various amounts of massive goethite generally along fractures. Quartz was present in stringers and filling some of the vugs. Boxworks were present and rarely pyrite. The haematite lode comprised massive haematite with small amounts of goethite whilst the haematite-goethite lode consisted of massive amorphous goethite associated with haematite. The limonite-clay lode consisted of limonite of lateritic origin. The lodes passed downwards into a martite-magnetite-pyrite rock.

Flanking the original outcrop ridge forming the iron deposit were rubble and scree of iron bearing materials that were partially cemented in places. Some 40% of production came from this material.

The Mount Bundey iron ore may be skarn mineralisation formed by the intrusion of the Mt Bundey Granite into a metasediment roof pendent comprised of carbonaceous, pyrite sediments (possibly the Wildman Siltstone). Hydrothermal processes emplaced iron mineralisation under reducing conditions promoted by the carbonaceous content of the Wildman Siltstone. Subsequent supergene enrichment (during the Tertiary?) converted this mineralisation into haematite/martite.
6. EXPLORATION ACTIVITIES

6.1.1 BMR 1960’s DRILLING

- The initial resource definition drilling by BMR prior to mining took place during the early 1960’s. The original outcrop at Mt Bundey consisted of a large (700 metres long, 32 metres wide, 20 metres high) monolith of hematite. It was a hard feature to miss. Conventional, open hole diamond drill holes were drilled to assess the mineralisation at depth, which rapidly changed from a clean high grade hematite to a sulphur (pyrite)–bearing magnetite at the oxidation boundary marked by the present watertable. The decision to mine down to the water table was made, and mining commenced. This sequence of holes is presented as the DDH01 to DDH12 series, totalling 598.3 metres. None of this core remains intact, and all data was accepted ‘as-is’. As such, drill results were compiled into a database and used with caution;

**Figure X** Early 1960’s Diamond Drilling at Mt Bundey.

Pritchard’s Lode (lower green polygon) and Parallel Lode (upper green polygon). Drill holes are shown as white triangles, and the heritage area delineated in 2009 is shown as a cyan polygon.
6.1.2 MOUNT BUNDY IRON ORE MINES 1989 DRILLING

- In December 1989, Mt Bundey Iron Ore Mines Pty Ltd drilled a series of open hole percussion holes BP01 to BP12 for a total of 196.6 metres. This drilling focused on the south-western part of the Pritchards Lode, where the original part of the ore body was widest. The drilling showed reasonable thickness at depth, but again the mineralisation was magnetite and high in sulphur. The drill results were considered more reliable than the 1960’s drilling, they were compiled into the database, and were still treated with caution;

![Figure X 1989 Open Hole Percussion Drilling at Mt Bundey.](image)

*Pritchard’s Lode (lower green polygon) and Parallel Lode (upper green polygon). Drill holes are shown as white triangles, and the heritage area delineated in 2009 is shown as a cyan polygon.*
6.1.3 TERRITORY RESOURCES 2007

- In November 2007, Territory Resources Ltd drilled 7 reverse circulation holes for a total of 640 metres, a series of holes from MBRC036 to MBRC042. This was early preliminary drilling prior to the 2007 wet season to confirm previous high sulphur results, and the outcome was high sulphur, pyrite-bearing magnetite. Drill holes targeted both Pritchard’s and Parallel Lodes;

Figure X 2007 Reverse Circulation Drilling at Mt Bundey.

Pritchard’s Lode (lower green polygon) and Parallel Lode (upper green polygon). Drill holes are shown as white triangles, and the heritage area delineated in 2009 is shown as a cyan polygon.
6.1.3  TERRITORY RESOURCES HERITAGE SURVEY

- In April 2009 Territory Resources Ltd commissioned a heritage survey over the general Mount Bundey area. The survey noted one site within the highly disturbed lease boundary at AN25438, proscribed by the attached polygon coordinates:

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The site was described as:

“Low density artefact scatters confined to outcropping granite boulders. Highly disturbed location from previous mining”.

After identification, the land owner was informed of its location, and Territory Resources personnel avoided the area since it was well outside the drilling area.
6.1.4 TERRITORY RESOURCES 2009

- In October 2009 Territory Resources Ltd returned to AN25348 and completed 25 reverse circulation holes for a total of 1,325 metres, a series of holes from MBRC100 to MBRC124. This drilling was completed to give a final, definitive answer on the magnetite mineralisation at 50 metre section spacing along Pritchard’s Lode to facilitate the decision to either retain, and convert the tenement to a Mining Lease or drop the Authorisation and return the ground to the underlying landowner. The drilling showed once again good iron grades in magnetite with sulphur contamination, and that the likely mineral reserve would be too small to warrant a mining operation.

Figure X 2009 Reverse Circulation Drilling at Mt Bundey.

Pritchard’s Lode (lower green polygon) and Parallel Lode (upper green polygon). Drill holes are shown as white triangles, and the heritage area delineated in 2009 is shown as a cyan polygon.
### 6.2 SAMPLING AND ASSAYING

For the 2007 and 2009 drilling programs, samples were collected off the drill rig at 1 metre intervals, and put into a large green polythene bag. A representative scoop was sieved, washed, and logged by the geologist for hardness, colour, lithology, oxidation state, and moisture.

A total of 1,965 (640 during 2007 and 1,325 during 2009) riffled reverse circulation samples were collected at 1 metre intervals and logged, of which a total of 876 (138 during 2007 and 738 during 2009) were assayed. Selection criteria for assay were:

- Any sample logged as having or having potential for iron bearing minerals (including breccia);
- Five metres above and 5 metres below any sample logged as having or having potential for iron bearing minerals;
- Every fifth sample in waste intervals.

This assaying protocol was decided to confine any mineralisation in waste, and also to provide geochemical data for waste rocks, to be used in waste rock classification and waste storage designation. The waste rocks include some pyrite-bearing black shales that have potential acid forming properties. Assaying this material provided inputs to mine planning and waste storage strategies.

Only samples that contained iron ore mineralisation were assayed, with the samples being sent to NTEL laboratories in Darwin for assay by XRF.

A suite of elements were assayed for, including: Fe, Fe$_2$O$_3$, Al$_2$O$_3$, CaO, K$_2$O, MgO, Mn, MnO, P, P$_2$O$_5$, S, SO$_3$, SiO$_2$, V$_2$O$_5$, and LOI.

### 6.3 DATA MANAGEMENT

Drill hole collars were surveyed by the AusSurv surveyors from Frances Creek minesite. Collar surveys, lithology, and assay data were uploaded to the Frances Creek drill hole database. Drill hole data was validated and checked against original logging sheets to ensure database integrity.
6.4 DATA ANALYSIS

Assay and logging results showed good magnetite iron grades with high levels of sulphur, with a back-of-envelope resource estimate of less than 500kt in a narrow, sub-vertical ore body. Problems associated with potential acid-generating tailings; close proximity to inhabitation; and the potential for ground water and surface water to contaminate the wetlands area (previously the ore processing area) made commercially viable mining of the remnant mineralisation at Mount Bundey unlikely.

The decision was made not to renew the Authorisation or enter any commercial agreement to convert the land to a Mining Tenement.

Any ground disturbance by Territory Resources was rehabilitated.
7. CONCLUSION

All data is provided as a digital appendix to this report.

Any proposals to develop the magnetite mineralisation need to give careful consideration to the high sulphur tailings that will be produced, and how storage will affect stakeholders in the Mount Bundey area.

Total expenditure by Territory Resources over the 3 year term amounted to $173,071.85.